ANNUAL REPORT

2023

www.theon.com

Letter to the Shareholders

CEO Christian Hadjiminas on the 2023 financial year

Dear Shareholders and Reader,

THEON INTERNATIONAL PLC (THEON), a leading manufacturer of Night Vision and Thermal Imaging systems for defense and security applications with a global footprint, with this Annual Report, presents its full year results for 2023. Demonstrating outstanding financial results, adaptability, and commitment to innovation, THEON has achieved unprecedented success, setting new benchmarks in the industry.

THEON started its operations in 1997 from Greece and today plays a leading role in the industry with international presence, including offices in Greece, Cyprus, USA, UAE, Switzerland and Singapore, as well as 3 production facilities in Athens, Wetzlar (Germany) and Plymouth (USA). Through this network of companies, offices and facilities around the world, THEON has more than 150.000 systems in service with Armed and Special Forces around the world. The company's constantly growing customer base now spans to 69 countries across the globe, including 26 NATO members.

In FY2023, THEON's order intake reached a record €506 million, marking a 51,7% increase compared to FY 2022. Additionally, the Soft order backlog stood at €540,2 million, equivalent to 2,5 times the revenue of 2023. THEON achieved €218,7 million in revenue, marking a year-on-year growth of 53,0%, with an Adjusted EBIT of €56,8 million, representing a margin of 26,0%. Over the last 5 years the company has been growing at an average rate of 50% per year, maintaining its very high profitability level.

These results fill us with satisfaction and proudness, and justify the fact that THEON INTERNATIONAL PLC has managed to list its shares on the regulated market of Euronext Amsterdam on 7 February 2024, achieving one of the first IPOs in Europe.

We are proud that we have delivered more than what we have been saying on our road to IPO. Throughout 2023, THEON has expanded its reach and market presence, solidifying its position as a global leader in the night vision systems for defense industry.

One of the milestones I could mention, is the five-year $500 million IDIQ contract for the supply of the Squad Binocular Night Vision Goggle systems (SBNVG) to the US Marine Corps (USMC) that Elbit Systems of America is awarded, with THEON as subcontractor. Another one, in consortium with its partner Hensoldt, THEON was also awarded with a second amendment for an additional 19.500 night vision goggles, as well as options for an additional 50.000 for Belgium and Germany.

THEON continues to invest in research and development, implementing more than 400 training hours, hiring 50% more people in R&D department, and introducing new groundbreaking products that address evolving customer needs and market trends, like TALOS family, its first Stabilized Multisensory system that is officially launched during DSEI London 2023 Exhibition. Due to its commitment to innovation, THEON has started developing new technologies in Image Fusion and Augmented Reality (AR) systems for the company's man portable product range, offering complete, connected soldier optronic solutions to its customers worldwide. We continue to develop and introduce new products, with the ARMED Ecosystem being demonstrated to various potential customers in Europe, the US and Japan. For the IRIS system we have now received our first orders and we expect the same to happen with ORION fused NV goggles and THEA heads-up display. In platform-based systems, we are now participating in our first tender for platform-based multi-sensor systems. Our product portfolio is at the cutting edge of technology and will be even more digitized and AI-enabled in the future.

One of THEON's strengths is the customization of systems to particular requirements of end users. With a fast-track design and prototyping procedure, the company is able to respond to modification requests in a very short time, comparing to similar companies in the industry. Prioritizing customer satisfaction above all, 2023 saw deepen relationships with existing customers and forge partnerships with new clients, resulting in record-high levels of customer satisfaction and retention.

This busy and successful 2023 was accompanied by a series of special achievements. THEON was included on FINANCIAL TIMES & STATISTA list with the 1000 Fastest Growing companies in Europe, while the company has earned for 2023 the Great Place To Work Certification™, evident that the company stands out as one of the top companies to work for. Throughout 2023, THEON has actively participated in various Corporate Social Responsibility initiatives, supporting vulnerable social groups, fostering employee volunteering, managing its environmental footprint, supporting diverse workplace, increasing female hires by 4%, increasing employees' engagement.

We have delivered strong performance in 2023 and continue to see good momentum in the business. We believe we are well positioned to continue driving growth, both through organic growth as well as through acquisitions. We raised almost €100 million in gross proceeds in our IPO with the goal of accelerating our inorganic growth. Thus, we have created a task force who is sourcing potential investments and is identifying a pipeline of opportunities. For these acquisitions, we intend to grow within our core night vision and thermal imaging sector, as well as expanding into adjacent markets.

For FY2024, despite the fluid international economic environment, and the geopolitical instability, THEON anticipates another year of growth, expecting revenue to be in the range of €330-350 million, and to achieve an EBIT margin in the mid-twenties. We expect to spend €10-12 million in capex this year and we are also in the position to announce our intention to have a dividend payout of 40% of net income realized in 2023. In the medium-term, we expect to continue growing in line with our addressable market, and to maintain an EBIT margin in the mid-twenties.

None of this would be possible without the commitment and dedication of our people, and I want to acknowledge and thank them for their professionalism and hard work.

I would also like to thank our shareholders for their trust in THEON and its management team, for the commitment and support to our company. We are all fully aware of the fact that the results of 2023 increase our responsibility towards our customers, the capital market, the society.

CEO & Vice Chairman of the Board of Directors

Christian Hadjiminas

Letter of the Chair of the Board, Kolinda Grabar-Kitarović

Another turbulent year has passed, marked by the continuation of the war in Ukraine into its second year and the outbreak of new conflicts, such as the war in the Gaza Strip between Israel and Hamas last autumn.

The tension between Armenia and Azerbaijan in the Caucasus persists, and the geopolitical situation in the Balkans remains concerning. Along Israel's northern borders, Hezbollah continues to provoke, prompting retaliatory strikes by Israel. The Houthis have used missiles and armed drones to attack Israel and merchant ships in the Red Sea, threatening the freedom of navigation in a region crucial for international trade. Additionally, the recent elections in Taiwan and the upcoming US elections could further impact the global geopolitical landscape.

These conflicts and regional tensions are significantly influencing defense budgets and procurement programs worldwide. In 2023, Asian countries increased their defense budgets by an average of 4.7%, while NATO member states have committed to spending 2% of their national GDP on defense. By 2024, two-thirds of NATO Allies are expected to meet or exceed this target, a significant increase from only three Allies in 2014.

In our product markets, THEON continues to observe an international trend recognizing the importance of night fighting capabilities and the necessity for troops to be fully equipped with adequate night vision and thermal imaging systems. In Europe, we anticipate further increases in defense spending in 2024 as the situation in Ukraine remains unchanged. In Asia, various tenders and procurement programs for Night Vision equipment are set to commence this year. In the USA, several large programs for Night Vision Systems are currently underway and gaining momentum, including the NVD Next and FCS programs for Grenade Launchers and Heavy Machine Guns.

Our long-term planning for the development of our company was solidified on the 7th of February 2024, when THEON successfully listed its shares on the regulated market of Euronext Amsterdam and raised almost 100 million Euros in gross proceeds to be used for new investments and acquisitions.

This year, we anticipate another year of growth for THEON, expecting our revenue to be in the range of 330-350 million Euros. The achievements of THEON are the result of hard work, high-tech engineering, reliable and competitive products, careful planning, and a corporate culture that prioritizes customer satisfaction above all. This is our heritage, this is our identity, these are the values of THEON.

Chair of the Board of Directors

Kolinda Grabar-Kitarović

Corporate Governance Report

Introduction

Theon International Plc 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 ("the Company"), under registration number HE 424549 of the Department of Registrar of Companies and Intellectual Property of the Republic of Cyprus, in accordance with the Cyprus Companies' Law Cap. 113 (hereinafter the "**Law**"). The Company's registered office address is at 5 Agiou Antoniou Street, Muskita Building 2, 1st floor, apartment 102, 2002, Strovolos, Nicosia, Cyprus. During FY 2023, the Board of Directors of the Company comprised three executive directors.

In view of the listing of the Company's shares on Euronext Amsterdam, which took place during February 7th, 2024, the Company amended its Articles of Association ("AoA") on November 23rd, 2023, and a new Board of Directors was elected by the General Meeting of the Company's Shareholders on January 19th, 2024, consisting of seven (7) directors, divided into (3) three Executive Directors and four (4) Non-Executive Directors.

By virtue of the Company's Shareholders resolution passed on January 19th, 2024, the Company further established its corporate governance framework incorporating the requirements of the Cyprus Stock Exchange Corporate Governance Code and certain principles and best practices as set out in the Dutch Corporate Governance Code. The policies adopted by virtue of the aforementioned resolution, apply to the Company and its subsidiaries (hereinafter referred to as the "**Group**").

Board of Directors

As of January 19th, 2024, the Company, in accordance with the Law has a one-tier board structure consisting of the following three Executive Directors ("**Executive Directors**") and four Non-Executive Directors ("**Non-Executive Directors**" and together with the Executive Directors, hereafter referred to as the "**Directors**"). The Board of Directors was elected to serve for a 3-year term as per the AoA.

Name	Age	Position	First appointed in	Appointed until
Christianos Hadjiminas	63	Company's founder Vice-Chair of the Board of Directors, and CEO	September-21	January-27
Stelios Anastasiou	67	Executive Director	September-21	January-27
Philippe Mennicken	47	Business Development Director Executive Director	January-24	January-27
Stathis Potamitis	67	Non-Executive Director, Non-independent	January-24	January-27
Hans Peter Bartels	62	Non-Executive Director, Non-independent	January-24	January-27
Kolinda Grabar-Kitarović	55	Chair of the Board of Directors and Non-Executive Director, Independent	January-24	January-27
Maria Athienitou Anastasiou	47	Non-Executive Director, Independent	January-24	January-27

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 the oversight of the day-to-day management, formulating the strategy and policies, as well as 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 interests of each subsidiary and the interests of the Group as a whole, over the long-term. The suitability of Directors to serve on the Board of Directors of the Company is governed by the Suitability Policy of the Company. 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 as well as 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.

The Terms of Reference of the Company’s Board, adopted on January 19th, 2024, set out the description of specific responsibilities for the Chair 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.

In accordance with the Company's AoA and the Terms of Reference of the Company's Board, the minimum number of Directors, whether Executive Directors or Non-Executive Directors, shall be three (3) and the maximum number of Directors shall be nine (9).

The Company ensures that a balance of independent Non-Executive Directors and Executive Directors is maintained, with a view to safeguard that no individual Director or small group of them can dominate in terms of decision-making.

The Directors of the Company can delegate one or more of their powers to committees, with these committees established consisting of a member, or members of the Board of Directors, as they think fit. Any committee established to that effect, must follow the relevant rules or procedures as these are set out by the Board of Directors of the Company and the AoA. The Company has currently established two committees, the Audit and Risk Committee and the Nominations and Remuneration Committee.

Board Committees

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 Company's and its subsidiaries 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 as well as reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place.

The Company's Terms of Reference of the Audit Committee 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 of the CSE Corporate Governance Code; and
- the Audit and Risk Committee may not be chaired by the Chair of the Board of Directors or by a former Executive Director.

The Audit and Risk Committee is currently chaired by Maria Athienitou Anastasiou and its members Kolinda Grabar-Kitarović, Dr. Hans-Peter Bartels and Maria Athienitou Anastasiou are for the majority independent.

Nominations and Remuneration Committee

The Nominations 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.

The Terms of Reference of the Nominations and Remuneration Committee as described above, provide, *inter alia*, that:

- the Nominations and Remuneration Committee will meet as often as is required for its proper functioning, but at least two times each year;
- the Nominations and Remuneration Committee will consist of at least three members;
- more than half of the members of the Nominations and Remuneration Committee, and its chair, must be independent within the meaning of the Dutch Corporate Governance Code and of the CSE Corporate Governance Code; and
- the Nominations and Remuneration Committee may not be chaired by the Chair of the Board of Directors or by a former Executive Director.

The Nominations 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 Nominations and Remuneration Committee pursuant to the terms of reference, as further described above.

Biographical details of the Directors of the Board

Christian Hadjiminas. *Vice-Chair of the Board of Directors and CEO.*

Christianos Hadjiminas 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. Hadjiminas 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. Hadjiminas 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 Universit de Lige, 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.A. 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.

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.

Kolinda Grabar-Kitarović. *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.

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 1999 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 the 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.

General Meeting of Shareholders

The holding of the General Meeting of the Company is subject to the provisions of the Law and the AoA. Under its current AoA, 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 decide (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 Law, extraordinary General Meetings can also be convened by the request of shareholders holding at least 10% of the paid in capital 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.

Corporate Governance Framework

On January 19th, 2024, the Company established the following corporate governance policies complying with the with the applicable laws and regulations:

Conflict of Interest Policy

The conflict of interest policy ("**Conflicts of Interest Policy**”) of the Company sets out the procedure for the prevention, detection 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 -inter alia- the members of the Board of Directors, the executive committees, the executive officers, the employees of the Company and its subsidiaries, and the shareholders holding shareholding percentage or voting rights equal or higher than the 5% of the Company's issued share capital.

Suitability Policy

The suitability policy ("**Suitability Policy**") of the Company 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. 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.

Market Abuse Regulation Policy

The market abuse regulation policy ("**MAR Policy**") of the Company is aimed at regulating the management and handling of inside information, and the obligations of the persons within the Company and its subsidiaries who are discharging material duties as well as for the persons that are closely associated with them ("**Relevant Persons**").

Whistleblowing Policy

The whistleblowing policy ("**Whistleblowing Policy**") of the Company is aimed at encouraging and urging all employees of the Company and its subsidiaries to report violations as soon as they come to their attention and to express concerns regarding violation within the entities. The Whistleblowing Policy defines a whistle-blower as an employee, officer, consultant, intern, secondee or agent of the Company or its subsidiaries who reports or publicly discloses information on breaches occurred in the context of his or her work-related activities. The violations the 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.

Remuneration Policy

The Remuneration Policy of the Board of Directors ("**Remuneration Policy**") 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 fix pay which is designed to compensate for the time required to fulfil their duties. The remuneration of the 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 incentives. 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.

Related Party Transactions Management Framework

The Company's Related Party Transactions Managing Framework ("**RPT Framework**") 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 provisional relationship between the Company and the Related Party, regardless of whether a price is charged.

Internal Audit Function

The Company's Internal Audit Charter ("**Internal Audit Charter**") provides for the scope of operations, purpose, authority, and responsibility of the Internal Audit function. The Internal Audit function establishes the internal audit activity's position within the organization, including the nature of the Internal Audit Function's functional reporting relationship with the Audit and Risk Committee, authorizes access to records, personnel, and physical properties relevant to the performance of engagements, defines the scope and purpose of internal audit activities, in accordance with and as defined in the International Standards for the Professional Practice of Internal Auditing, with the view to assist the Company accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

THEON OFFICES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

Board Of Directors and Other Principal Officers 20
Management Report 21
Principal activity and nature of operations of the Group 21
Future developments of the Group 21
Existence of branches 21
Principal risks and uncertainties 21
Share capital 21
Share buy-back disclosures 21
Board of Directors 21
Dividends 22
Financial Results 22
Corporate governance 22
Events after the reporting date 22
Independent Auditors 22
Significant events for the financial year 2023 23
Financial highlights 24
Capital expenditure 25
Research and development 25
Selected Performance, Capital Structure and Liquidity Indicators 26
Non-Financial Reporting 27
Business Model and Sustainable Development 27
Sustainability Approach 29
Sustainability Pillars 29
Stakeholder engagement and materiality 30
Environmental Responsibility matters 32
Responsible Energy Management (Energy consumption and reduction) 32
Waste Management and Recycling 33
Social Responsibility matters 35
Product safety and quality 35
Supply Chain management 37
Health and Safety 38
Research and Development (R&D) 39
Training and Development 40

Employee wellbeing 42
Social contribution and volunteering 43
Responsible Governance matters 45
The Group's Governance Structure 45
Export and customs control 45
Data privacy and cybersecurity 47
Compliance and Anti-Corruption 48
Business Ethics 49
Compliance with applicable legislation 49
Diversity & Inclusion and Human Rights 52
Diversity & Inclusion 52
Potential effects of the Ukrainian, Gaza, Yemen crisis 54
Outlook 54
Projected developments in 2024 55
Independent Auditors' Report 56
Consolidated statement of financial position (1/2) 63
Consolidated statement of financial position (2/2) 64
Consolidated statement of profit or loss and other comprehensive income 65
Consolidated statement of changes in equity 66
Consolidated statement of cash flows 67
Notes to the consolidated financial statements 68
1. Reporting entity 68
2. Basis of accounting 70
3. Basis of measurement 71
4. Functional and presentation currency 71
5. Consolidated Financial Statements 71
6. Use of judgements and estimates 72
a. Judgment 72
b. Assumptions and estimation uncertainties 72
7. Material accounting policies 73
a. Consolidation 73
b. Foreign currency 74
c. Property, plant and equipment 75
d. Investment property 76

e. Intangible assets 76
f. Impairment of tangible & intangible assets 77
g. Leases 78
h. Inventories 79
i. Trade accounts receivable 79
j. Cash and cash equivalents 79
k. Share capital 79
l. Loans and borrowings 79
m. Income tax 80
n. Deferred tax 80
o. Employee benefits 81
p. Government grants 82
q. Provisions 83
r. Revenue recognition 83
s. Dividend distribution 85
t. Financial assets and financial liabilities 85
u. Borrowing cost 88
v. Trade accounts payable 88
w. Derivatives and hedge accounting 88
x. Earnings per share 89
y. Expenses 89
z. Share buy back 90
8. Adoption of new Standards, Interpretations, Revisions and Amendments to existing Standards by the European Union (EU) 90
a. New Standards, Interpretations, Revisions and Amendments to existing Standards adopted by the EU 90
b. Standards, Interpretations, Revisions and Amendments to existing Standards not endorsed by the EU 91
9. Revenue 93
a. Disaggregation of revenue from contracts with customers 93
b. Contract balances 94
10. Income and expenses 94
a. Other income 94
b. Other expenses 95

c. Expenses by nature 95
11. Net finance costs 96
12. Earnings per share 96
a. Profit for the year after tax 96
b. Weighted – average number of ordinary shares (basic and diluted) 97
13. Employee benefits 97
a. Actuarial assumptions 97
b. Defined benefit liability 98
c. Sensitivity analysis 98
14. Income taxes 99
15. Deferred tax 100
16. Inventories 101
17. Trade accounts receivable and other receivables 102
18. Cash and cash equivalents 103
19. Property, plant and equipment 104
a. Reconciliation of carrying amount 104
b. Impairment 105
c. Security 105
d. Property, plant and equipment under construction 105
e. Leased property, plant and equipment 105
20. Intangible assets 106
a. Reconciliation of carrying amount 106
b. Impairment test 106
21. Investment property 107
22. Equity-accounted investees 108
23. Other financial assets 109
24. Prepayments 110
25. Capital and reserves 111
26. Capital Management 113
27. Loans and borrowings 113
a. Loan balances 113
b. Reconciliation of movements 115
c. Terms and repayment schedule 116
28. Contract liabilities 116

29. Government grants 116
30. Trade accounts payable and Accrued and other current liabilities 117
31. Provisions 117
32. List of subsidiaries 118
33. Leases 120
34. Commitments & Contingencies 122
a. Guarantees 122
b. Indirect and contingent indebtedness 122
c. Tax liabilities 122
35. Related parties 123
a. Parent and ultimate controlling party 123
b. Key Management personnel 123
c. Key Management personnel compensation 123
d. Other related party transactions 123
e. Share buy-back 125
36. Financial risk Management 125
a. Market risk 125
b. Credit risk 125
c. Liquidity risk 127
d. Interest rate risk 128
e. Currency risk 129
f. Price risk 130
g. Capital risk 131
37. Correction of errors 132
38. Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA) 139
39. Subsequent events 140

Board Of Directors and Other Principal Officers

Board of Directors:	Christianos Hadjiminas (Vice-Chairperson of the Board of Directors and Chief Executive Officer) Stelios Anastasiou Hans Peter Dr. Bartels (appointed on 19 January 2024) Kolinda Grabar-Kitarovic (appointed on 19 January 2024) Philippe Jean Mennicken (appointed on 19 January 2024) Maria Athienitou (appointed on 19 January 2024) Petros Christou (resigned on 19 January 2024)
Company Secretary:	Stelios Anastasiou (appointed on 19 January 2024) Petros Christou (resigned on 19 January 2024)
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
Bankers:	Alpha Bank Optima Bank Commerzbank Aegean Baltic Bank United Bank Limited First Abu Dhabi Bank National Bank of Greece Piraeus Bank Liechtensteinische Landesbank AG OCBC Macau United Overseas Bank
Lawyers:	Potamitis Vekris George Karavokiris L. Papaphilippou & Co. LLC Ioannides Demetriou Clifford Chance, Frankfurt Bird & Bird LLP, Bird & Bird Advokatpartnerselskab Sitz der Gesellschaft: Berlin Amtsgericht Sheppard Mullin Lee & Ko RASK Attorneys-at-Law TGS Baltic Estonia Mashora Law Firm
Registration number:	HE 424549

Management Report

The Board of Directors of Theon International Plc (the "Company") presents to the members its Management Report together with the audited Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 December 2023, prepared in accordance with International Financial Statements (“IFRS”) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113.

Principal activity and nature of operations of the Group

The main activities of the Group, that remain unchanged from prior year, is the production and trade of a large range of sensors, and in particular night vision systems, thermal systems (thermal sights) as well as other innovative electro-optical equipment and equipment for application to Defense and Security.

Future developments of the Group

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Group in the foreseeable future.

Existence of branches

The holding Company of the Group does not maintain any branches.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in Note 36 of the financial statements.

Share capital

Changes to share capital are disclosed in Note 25 of the financial statements.

Share buy-back disclosures

Share buy-back disclosures are disclosed in the Consolidated Statement of Changes in Equity of the financial statements.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2023 and at the date of this report are presented on page 6. On 19 January 2024, Petros Christou resigned from his position as Director and Hans Peter Dr. Bartels, Kolinda Grabar-Kitarovic, Philippe Jean Mennicken and Maria Athienitou were appointed as Directors.

In accordance with the holding Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Dividends

On 16th August 2023, the Company in General Meeting approved the distribution of dividend amounting to €10.000.000 (2022: nil).

Financial Results

The Group's results for the year are set out on pages 63-64. The net profit for the year attributable to the shareholders of the Group amounted to €36.095.588 (2022: €30.000.618). On 31 December 2023 the total assets of the Group were €210.522.998 (2022: €157.410.231) and the net assets of the Group were €77.357.508 (2022: €64.263.932)

Corporate governance

As the Company was listed in February 2024, there is no legal requirement for the Company to provide a corporate governance statement for the year ended 31 December 2023.

Events after the reporting date

Any significant events that occurred after the end of the reporting period are described in note 39 of the consolidated financial statements.

Independent Auditors

The Independent Auditors, KPMG Limited, were appointed in replacement of the previous auditors, PKF ABAS Limited, and have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to set their remuneration will be proposed at the Annual General Meeting.

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CEO & Vice Chairman of BoD

Christianos Hadjiminas

Nicosia, 19 April 2024

Significant events for the financial year 2023

A. During the International Defense Equipment Expo (IDEX 2023) held in Abu Dhabi on 20-24 February, the Group signed a strategic partnership agreement with the International Golden Company (IGG), a leading defense and security 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 defense 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.

B. In June 2023, the Group completed the expansion of its existing building facilities by 3.200 m2 in order to increase production capacity for its products resulting from an expansion of its operations.

C. In July 2023, the Group submitted a documentation folder to the General Secretariat for Research and Innovation (GSRI) for expenditure of €708.230 on research and development incurred in 2022.

D. 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

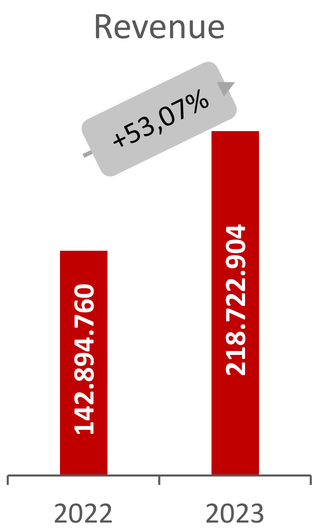
E. In December Elbit Systems of America (Elbit America) is awarded, through an international tender, a five-year $500 million IDIQ contract for the supply of the Squad Binocular Night Vision Goggle (SBNVG) to the US Marine Corps (USMC). THEON SENSORS will provide to Elbit America, as its exclusive subcontractor, 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 Elbit America’s Roanoke, Virginia facility. In addition, THEON SENSORS will provide its night vision spare and repair parts, logistics support and test article refurbishment throughout the contract term.

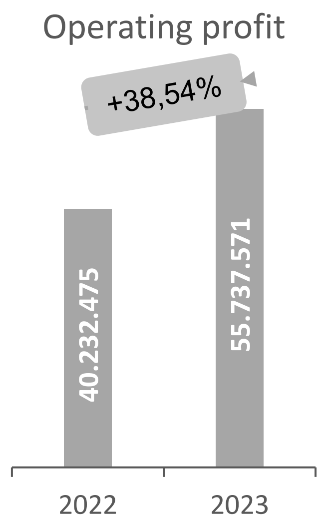
F. On 18 December, the Group signed two framework agreements with duration of up to 7 and up to 5 years with the NATO Support and Procurement Agency (NSPA) for the supply of thermal weapon sights and thermal monoculars. Another contract award was received by a European NATO member state for its Extra Long Range THERMIS systems.

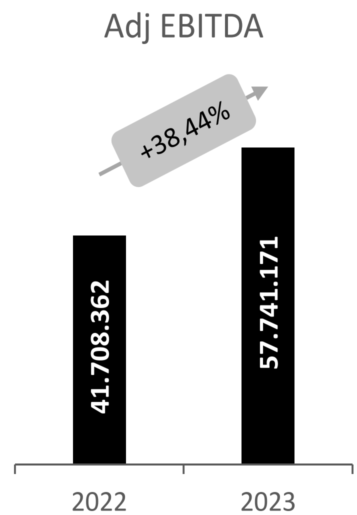
Financial highlights

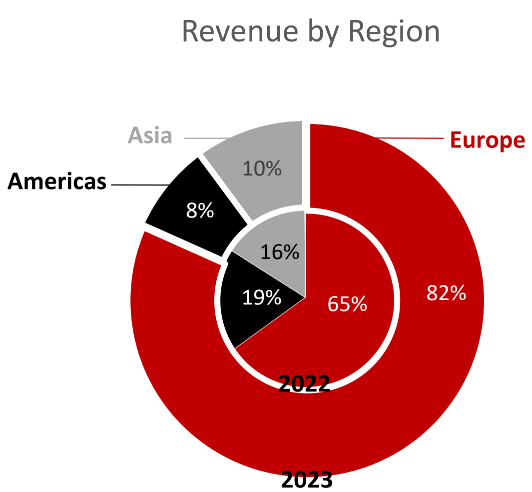
2023 was a milestone for the Group since it achieved the highest sales and profitability since its incorporation, in what was an intensely competitive environment. Our market share increase was accompanied by an 53,07% growth in sales, a 38,54% increase in Operating profit and a 38,14% rise in adjusted EBITDA.

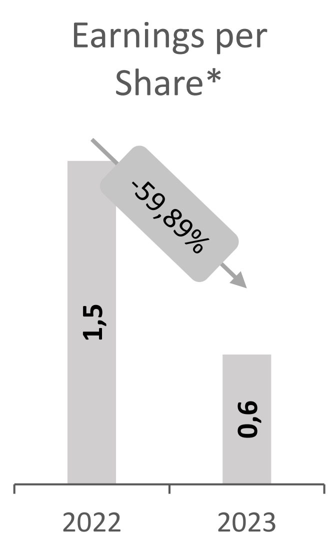
The Group continues to emphasise on foreign markets, aiming to secure even larger shares with innovative products and continuous support to our customers. Foreign markets continue to be a key priority of the Group with domestic sales accounting for just 0.8% of total turnover.

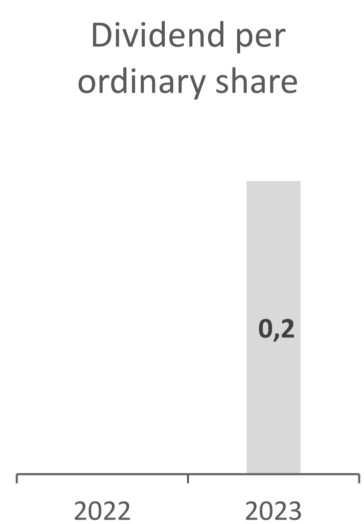












*Total number of shares at 31 December 2023: 60.000.000. As at 31 December 2022: 200.000, but for comparative purposes the calculations were performed using 2023 total number of shares.

Turnover amounted to €218.722.904 (2022: €142.894.760), while the operating profit for the year, was €55.737.571 (2022: €40.194.574).

Operating Cash Flow has improved significantly €35.261.597 (2022 €-7.139.754), an indicator that confirms the Company's strong financial position.

The rise in working capital requirements, driven by increased sales and the execution of €7,7m worth of investments, led to higher borrowing. However, the gearing ratio has improved significantly, with holdings exceeding total lending and a gearing ratio of -0,3% from 14,2%.

in euro	**2022**	**2023**	**Varriance**
Long-term loan obligations	3.661.356	32.742.460	29.081.104
Short-term loan obligations	31.293.899	32.777.312	1.483.413
Total debt	**34.955.255**	**65.519.772**	**30.564.517**
Less: Cash and cash equivalents	(24.035.134)	(65.639.067)	(41.603.933)
Net debt	**10.920.121**	**(119.295)**	**(11.039.416)**
Equity	64.263.932	77.357.508	13.093.576
Non-current liabilities	4.011.809	33.069.037	29.057.228
Total capital employed	**68.275.741**	**110.426.545**	**42.150.804**
Leverage ratio	***16,0%***	***(0,1%)***	

Capital expenditure

The Group's total investments in the period from 1.1.2023 to 31.12.2023 amounted to €7.662.561. The Group's Management team will continue to dynamically implement the budgeted €10m investment programme in 2024, placing emphasis on automating production capacity and new systems as well as laboratories for the R&D department.

Research and development

The Group invests significant funds in research and in the development of optical systems with emphasis on new innovative products that ensure a competitive edge. In 2023, expenditure of the research and development department amounted to €2.807.368 compared to €1.985.022 in the same period during the previous year, an increase of +41,42%. This increase was accompanied by the recruitment of 7 new technicians with high levels of training in different specialties.

Selected Performance, Capital Structure and Liquidity Indicators

Indicator	Formula	2023		2022	
Return on Equity (ROE)	$= \dfrac{\text{Net profit after tax}}{\text{Equity}}$	$= \dfrac{36.095.588}{77.357.508}$	$=$ *0,47*	$\dfrac{30.000.618}{64.263.932}$	$=$ *0,47*
Adjusted EBITDA	$= \dfrac{\text{Adjusted EBITDA}}{\text{Turnover}}$	$= \dfrac{57.741.171}{218.722.904}$	$=$ *0,26*	$\dfrac{41.708.362}{142.894.760}$	$=$ *0,29*
Debt ratio	$= \dfrac{\text{Debt}}{\text{Debt + Equity}}$	$= \dfrac{65.519.772}{142.877.280}$	$=$ *0,46*	$\dfrac{34.955.255}{99.219.187}$	$=$ *0,35*
Current ratio	$= \dfrac{\text{Current assets}}{\text{ST Liabilities}}$	$= \dfrac{188.783.452}{100.096.453}$	$=$ *1,89*	$\dfrac{135.382.825}{89.134.490}$	$=$ *1,52*
ROCE	$= \dfrac{\text{Adjusted EBIT}}{\text{Invested capital}}$	$= \dfrac{56.471.087}{110.426.545}$	$=$ *0,51*	$\dfrac{40.232.475}{68.275.741}$	$=$ *0,59*

Non-Financial Reporting

The Group (or "Theon") , through this non-financial Statement, complies with the provisions of the EU Directive 2014/95/EU (Non-Financial Reporting Directive) ("NFRD") which was incorporated into Cypriot legislation by Law N.51(I)/2017 (amendment law of the Companies Law Cap.113) . The non-financial Statement presents details regarding the Group's activities across various thematic areas, including:

- Environmental Responsibility matters;
- Social Responsibility matters;
- Responsible Governance;
- Diversity & Inclusion and Human Rights

This Statement focuses on the non-financial performance of the Group for the year ended 31 December 2023 and contains information in connection with the policies and other arrangements maintained by the Group with regards to the thematic areas above (where applicable) as well as relevant Key Performance Indicators ("KPIs") to convey the Group's performance. It is noted that the material topics and associated metrics presented herein relate to the Group's activities in Greece, which account for the vast majority of the Group's principal activities and operations.

Business Model and Sustainable Development

The Group is operating in the defence and security sensor systems sector, primarily active in the optronics market. The optronics market is a sub-segment of the Global Defence Market, which includes businesses that design, develop, manufacture, market, sell and service high-tech optical systems and devices, such as, amongst other things, night vision and thermal imaging devices for military and security applications and/or dual-use goods ("Optronics Market").

Theon boasts a global presence spanning 69 countries, including 24 countries that are part of NATO. In addition, it has established market-leading positions in Germany and Belgium, among others. Notably, the Group holds a prominent position in Gulf Cooperation Council ("GCC") nations and its rapid growth in the US through the supply contracts with the Department of Defence and the US Marine Corps reinforces its strong presence across diverse global markets.

The Group's core target customers are defence and security forces and its typical end-customers are governments (national governments, as well as supranational organisations, such as OCCAR and NSPA) and organisations that allocate budgets and make procurement decisions for their defence and security forces.

The Group's Management continuously assesses the various trends and factors that may affect the Group's development. In view of the war crisis and conflict in Ukraine, the Group recognises that there has been an increase in the defence budgets in Europe and elsewhere both to replenish equipment that was provided in support to Ukraine or to update legacy equipment. In addition, 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. Notwithstanding the conflict in Ukraine, the Group's Management also remains vigilant of the political rivalries and tension currently taking place in the Gaza Strip in 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 Defence Market.

Looking ahead, the Group is strategically positioned to facilitate both organic and inorganic growth opportunities. 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. More specifically, the main areas of focus for the Group are expected to be:

- Market Tailwinds: The Group anticipates significant upside potential with recurring contract possibilities driven by increased defence spending in Europe and around the world, as a result of current geopolitical developments.
- New Product Innovation: The Group's future growth is expected to be driven by new technologies and products, including, amongst others, the fused night vision and thermal goggle, the heads-up display and additional multisensory platforms 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". To this end, the Group is examining to acquire new technologies in order to expedite the development of new more advanced products in the Optronics Market.
- Adjacent Products: The Group has a strategic vision for expansion into adjacent end markets, specifically targeting civil and commercial markets such as law enforcement, firefighting and hunting equipment as well as engaging in co-development of a thermal sight for sports and hunting.
- Geographical Expansion: The Group is committed to accelerating its growth in the US 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. Additionally, the Group is exploring mergers and acquisitions ("M&A") as a means of further geographical expansion, allowing it to enter new markets globally. Additional targets may be identified for the purposes of vertical integration of the supply of certain main components.
- Core Night Vision and Thermal Imaging Markets: The Group is exploring strategic opportunities to enhance its operational efficiency and overall business growth through 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.
- Adjacent Markets: The Group gears up to introduce innovative products such as telescopic sights, AR goggles, lasers, and displays for various platforms. In addition to this product expansion, the Group is considering the acquisition of smaller companies (with an annual sales turnover of up to Euro 30 million), such as those specialising in adjacent products like electronics and night vision systems, laser systems, thermal imaging, and fire control systems..

The Group recognises that there is an increasing demand from various stakeholders such as consumers and investors for organisations to establish and maintain environmental, social and governance practices including practices safeguarding diversity and inclusion, anti-corruption and human rights. In its efforts to grow sustainably but also promote sustainability, the Group's values and strategy are centered around environmental, social, and governance factors. This represents the Group's commitments and plans for a more sustainable future through diverse initiatives and projects in the long run. As a first step, the Group has been continuously monitoring its activities to confirm alignment with the United Nations Sustainable Development Goals (SDGs) and to this date, the Group has contributed positively to 13 out of the 17 SDGs.

The non-financial Statement follows the GRI Standards of the Global Reporting Initiative ("GRI"), as well as the standards of the Integrated Reporting Framework of the International Integrated Reporting Council ("IIRC"), and the Sustainability Accounting Standards Board ("SASB").

Sustainability Approach

Sustainability Pillars

The Group is committed to sustainable development, balancing economic viability with social responsibility and environmental stewardship. Its mission extends beyond providing superior systems; it encompasses reduction of its environmental footprint, enhancement of its social impact and fostering economic prosperity. At the heart of its operations lies the commitment to environmental protection through sustainable practices, active support for vulnerable communities via targeted initiatives, the well-being of its employees, and an unwavering dedication to transparency and ethical conduct in all business relationships. To effectively integrate these values, the Group has developed a sustainability framework structured around three foundational pillars:

I. Environmental Stewardship: Environmental stewardship guides Theon's commitment to actively try to minimise its environmental footprint, endorsing eco-friendly practices and leading innovation towards a sustainable future. Through the enactment of strategies such as lower energy consumption and monitoring of carbon emissions, Theon actively contributes to the principles of a circular economy, ensuring that operations not only minimise environmental impact but also create a positive, regenerative cycle for the benefit of the planet and future generations.

II. Social Responsibility: Theon's commitment extends beyond environmental stewardship to incorporate social responsibility. At the heart of the Group, employees are the dynamic force that drive its success and represent its corporate spirit. At Theon, the employee's wellbeing is prioritised as it is recognised that a thriving workforce is essential for the sustained growth and success of the Group. Through investing in professional development opportunities and continuous training, and creating a supportive work environment, it is ensured that employees not only excel professionally but also find fulfilment in their personal lives as well. Theon's social responsibility commitment goes beyond its corporate walls, as it is actively engaged in partnerships with organisations that aid vulnerable groups, to address social challenges and positively contribute to the reduction of inequalities.

III. Economic Prosperity: Theon embeds its economic growth in the foundational values of transparency, integrity, and accountability. The commitment to these principles extends into every aspect of work, creating a corporate culture that aims for excellence. Theon mandates strict adherence to laws and a zero-tolerance approach towards bribery and corruption, and staunch support for fair market practices. Maintaining a strong code of ethics means more than just adhering to laws and strict company policies, it is about creating a deep-rooted sense of accountability in every task. Theon places a strong emphasis on robust stakeholder engagement, recognising its critical role in governance and as a cornerstone of its journey towards enduring economic success and stability.

Stakeholder engagement and materiality

The Group strongly believes in the vital importance of every stakeholder within its ecosystem. Robust communication systems have been established to actively engage with stakeholders, aiming not only to comprehend their unique needs but also to cultivate strong, mutually beneficial relationships. The commitment to open dialogue serves as the cornerstone of the Group's approach, with the aim to drive collaborative success, fostering a community where every stakeholder feels heard and valued.

Theon places a significant emphasis on materiality assessment which is an insightful process that carefully identifies and prioritises the environmental, social and governance factors essential to stakeholders and the sustainable success of the Group. It serves as a strategic roadmap guiding the Group in addressing key issues and enhancing performance by prioritising the most impactful environmental, social and governance factors. It aligns the Group's initiatives with stakeholders' expectations and ensures that a focus approach towards sustainable growth and continuous improvement has been adopted.

The materiality assessment has been developed based on the GRI Standards, SASB and follows a three-step approach. Firstly, material issues are identified through a comprehensive research and analysis taking into account the SASB standard and the Group's strategic priorities. Then, the assessment and ranking of identified material issues takes place followed by the validation and evaluation of relevant targets by management, always taking into consideration the strategic priorities of the Group. The results of the materiality assessment are presented in the materiality matrix below:

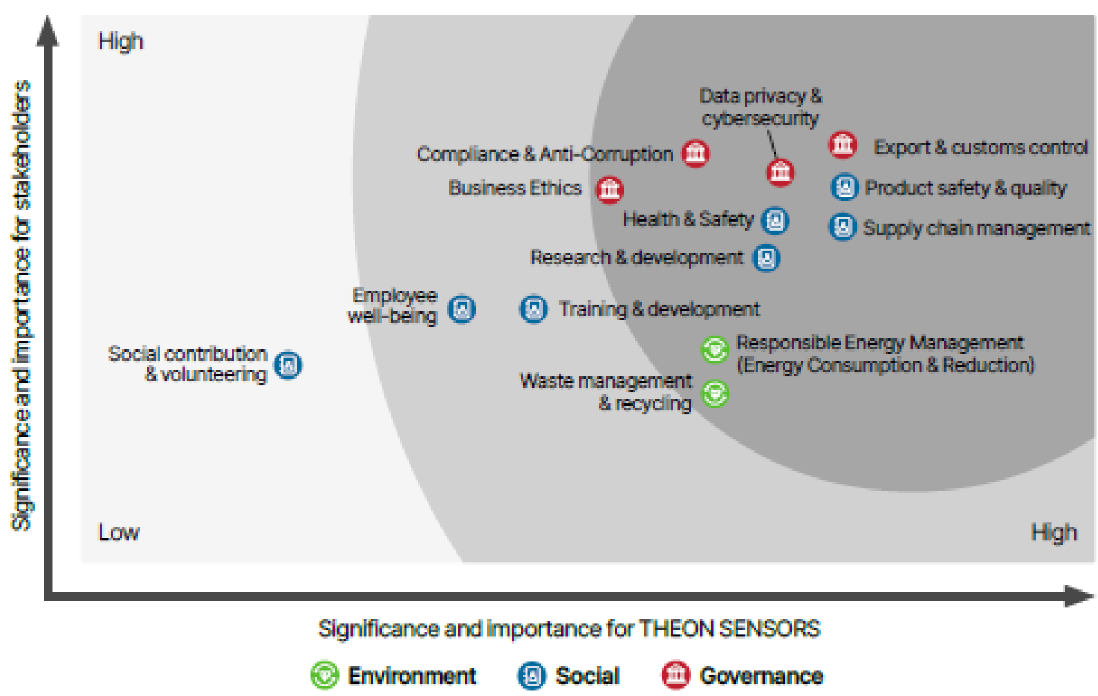
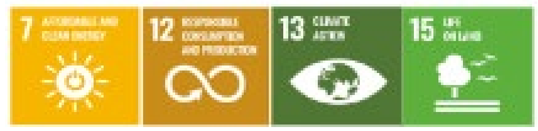
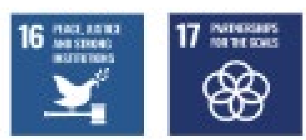


Figure 1: Materiality Assessment matrix

Materiality Analysis		SDGs
Environmental Material topics		
1	Responsible energy management (energy consumption & reduction)	
2	Waste management and recycling	
Social Material topics		
3	Product safety and quality	
4	Supply chain management	
5	Health and safety	
6	Research and development	
7	Training and development	
8	Employee well being	
9	Social contribution and volunteering	
Governance Material topics		
10	Exports and customs control	
11	Data privacy and cybersecurity	
12	Compliance and anti-corruption	
13	Business ethics	

Environmental Responsibility matters

The Group, reinforced by its Environmental Stewardship, 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 its environmental impacts and continuous environmental monitoring of its activities. In addition, the Group's goal is to employ a rational use of natural resources, energy, raw and auxiliary materials in the production process and at the same time reduce and minimise where possible, liquid, solid or gaseous effluents. It is also important for the Group to achieve and maintain compliance of all its operations with the relevant European and national laws and regulations underpinning the protection of the environment.

In view of the above, the Group maintains an Environmental Policy emphasising its dedication to strategic goals for environmentally responsible operations and reflects its proactive stance towards the reduction of its environmental footprint. In line with its Environmental Policy, the Group has developed a comprehensive Environmental Management System certified in accordance with the international standard ISO 14001:2015 to continuously perform environmental assessments of its activities. Internal audits pertaining to the ISO 14001 standard were carried out in 2021, 2022 and 2023.

In order to achieve its strategic goals, the Group conducts an analysis of the environmental impacts prior to the adoption and introduction of new production processes and products, and offers continuous training, education and encouraging all employees to actively participate in improving the Group's environmental performance. In addition, the Group also collects information from its partners including customers, suppliers, contractors and government agencies, with a view to support its commitment to reduce its environmental impact. The Group aims to contract and collaborate with environmentally responsible suppliers who must meet high standards, including implementing the ISO 9001 Quality Management System and ISO 28000:2007. In view of this, the Group communicates its environmental commitments to its suppliers through an assessment (due diligence) that incorporates specific environmental criteria.

Furthermore, the Group places a strong emphasis on employee engagement in connection with sustainability matters and training, to ensure that the team is well equipped with the knowledge and tools to contribute to the Group's commitment to environmental responsibility. In particular, the Group has invested in enhancing the environmental awareness of its employees through a tailor-made environmental training provided to all employees, regardless of their position or hierarchical level. The said Environmental Awareness Training forms part of the onboarding process as well as the emergency response exercise conducted on an annual basis.

Responsible Energy Management (Energy consumption and reduction)

The Group has developed a plan focused on responsible energy management and carbon emissions reduction. To ensure transparency and accountability, a number of Key Performance Indicators have been established to measure the progress towards the said plan's objectives, whilst ensuring a continuous improvement in environmental performance. More specifically, the Group reduced its electricity consumption from 725.365kWh in 2022 to 651.038kWh in 2023 which represents a reduction of c.11%.

In addition, the Group also reduced its CO_2 emissions from 422tn in 2022 to 381tn in 2023 representing a reduction of c.10%.

Electricity Consumption (kWh)	
Year	**kWh**
2022	725.365,40
2023	651.037,91

CO_2 Emissions (tn)	
Year	**tn**
2022	422
2023	381

Furthermore, in its efforts to identify opportunities to increase its energy efficiency and the use of renewable energy and hence mitigate its climate change impacts, the Group has implemented additional initiatives such as installing photovoltaic panels on the rooftop of Theon production facility in Koropi, Greece. As previously mentioned, the Group consistently adheres to environmental regulations, as also evidenced by its annual reporting of fluorinated gases to the European Union and conducting Energy Efficiency Audits for its production facilities located in Koropi, Greece (57 Ioannou Metaxa and 62 Ioannou Metaxa).

Another initiative undertaken by the Group relates to the implementation of the principles of 'Green IT', aiming at the optimal management of energy needs in a way that utilises alternative energy sources and takes care of the natural environment. The key concept of 'Green IT' is the alignment between the economic viability and optimal efficiency of infrastructure with the social and ethical responsibilities arising from the need to reduce the energy and environmental footprint of businesses. The Group embeds these principles in its operations and encourages the use of environmentally friendly technologies and software tools, such as virtual energy management and telecommuting.

Waste Management and Recycling

The Group endorses the principles of circular economy and acknowledges the crucial role that waste management plays in shaping its ecological footprint and has implemented comprehensive strategies to reduce waste and responsibly handle and recycle materials. By adopting such practices and continuously monitoring waste streams from its activities, the Group ensures that resources are used efficiently, and that waste is either recycled, reused or disposed of in an environmentally responsible manner. Particularly, the amount of waste produced by the Group's operations is submitted to electronic waste registration and hazardous waste management is performed by adequately certified subcontracting companies. The Group minimises waste quantities at all locations through process optimization and the implementation of advanced waste management technologies.

The Group has managed to increase its non-hazardous waste management materials as follows:

- Paper (2023: 9,800tn, 2022: 7,140tn);
- Plastic (2023: 2,770tn, 2022: 2,150tn); and
- Aluminium / Metals (2023: 0,340tn, 2022: 0,170tn)

In connection with hazardous waste management, the Group achieved the following relevant metrics:

- Glues (2023: 0,022tn, 2022: 0,038tn);
- Organic Chemical Materials (2023: 0,044tn, 2022: 0,033tn); and
- Machinery Soap Oils (2023: 1,5tn, 2022: 1,0tn)

Non-Hazardous Waste Management (tn)		
Material	2022 (tn)	2023 (tn)
Paper	7,140	9,800
Plastic	2,150	2,770
Aluminium	0,170	0,340

Hazardous Waste Management (tn)		
Material	2022 (tn)	2023 (tn)
Glues	0,038	0,022
Organic Chemical Materials	0,033	0,044
Machinery Soap Oils	1,000	1,500

The Group's operations are subject to a variety of environmental challenges, all of which mandate careful attention and strategic planning. Amongst these challenges, two broad categories emerge: physical and transition risks. Physical risks include the tangible threats caused by environmental factors and natural disasters such as excessive heatwaves, storms, floods, droughts and wildfires. Transition risks relate to the transition to a lower carbon economy and include, for example, the evolving regulatory, technological and market aspects in connection with climate-change mitigation and the environment. In addition, the Group recognises that the utilisation of hazardous substances imposes safety and environmental risks, requiring strict compliance with environmental regulations. Through its Environmental Policy, Theon is proactive in mitigating such risks by staying informed about environmental and climate related regulations, as well as implementing sustainable practises which include, amongst others, responsible energy and waste management, the performance of regular environmental and impact assessments and the execution of strict protocols for the management of hazardous substances.

Social Responsibility matters

In line with its Social Responsibility pillar, the Group is committed to the professional and personal growth of its workforce and at the same time it is actively engaged in societal matters being responsible for ensuring high quality products to its customers and fostering an inclusive environment for all its stakeholders.

The Group is dedicated to creating a supportive and fulfilling work environment that fosters loyalty and long-term commitment, achieving a high retention rate of 98% per month in 2023. In 2023, the total number of employees at Theon Sensors was 303. The Group's employees play a vital role in the organisation's development and their well-being is of paramount importance to the Group. For this reason, the Group continues to invest in employee welfare and education, providing comprehensive benefit packages and opportunities for personal and professional development. At the same time, the Group, over its history, established an exceptional track record of maintaining a safe and secure working environment for its employees. The Group maintains a strong record on reported workplace accidents across all production sites. To ensure the overall health and safety of its workforce, the Group has implemented comprehensive safety protocols, including regular employee training programs, strict adherence to industry best practices, and continuous monitoring of potential hazards.

Moreover, the Group is committed to social responsibility extending beyond the workplace. Through various philanthropic activities, it 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.

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.

The Group is one of the leaders in the industry with a global presence and important partnerships, by tailoring its products to meet the unique requirements of its customers. The Group's goal is to offer innovative and high-quality products that guarantee flexibility, effectiveness and efficiency in the military operations. Through the customization of its products, the consultation of each client about its specific needs and the complete after sales support, the Company maintains excellent client relationships, which is a key element for its international success.

Product safety and quality

The Group designs and manufactures cutting-edge optoelectronic devices across both man-portable platform-based systems that allow the visualisation of images in low light or obscure conditions using different state-of-the-art technologies. Securing product safety and quality is of vital importance to the Group.

The Group recognises its profound obligation that holds towards its customers and the world. All products undertake rigorous scrutiny to meet industry standards as well as the Group's uncompromising quality standards. The advanced production facility in Greece upholds NATO security clearance and conducts thorough testing of all systems in accordance with standard military test procedures prior to their launch. The Group's unique competitive edge lies on the utilisation of its extensive range of in-house designed and assembled test and measurement equipment. The Group's process capabilities include Research, Design

& Prototyping, Testing & Evaluation, Product Development & Enhancement, Enhanced Automation & Technology and Aftermarket Support & Modernization.

In view of the above, the Group maintains and implements a Quality Management System ("QMS"), 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 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 product 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 Theon are defined as well as resources, criteria and

methods to ensure that both the operation and the control of these processes are effective. A critical part of quality assurance procedures is the quality control process. Quality control is implemented in different parts of the Group's processes such as incoming inspection, during production, and outgoing inspection.

Theon is also a NATO Security certified organisation. Its Facility Security Plan is approved by the Hellenic Ministry of Defence regarding the application of measures that ensure the security of sensitive products, military material, documentation and other information as well as personnel security. The Group, registered in the Defence Material Manufacturers Registry of the Hellenic MoD, has consistently demonstrated exceptional performance in contract fulfilment, earning certificates of achievement from numerous clients.

The Group acknowledges the potential risks associated with keeping in pace with evolving technology, potentially leading to unsuccessful future products. Custom product requirements pose challenges, including high R&D investments and difficulties in assessing reliability. Potential supplier failures to meet contractual obligations could also hinder timely fulfilment of customer orders. Adapting swiftly to evolving customer needs and technological changes is imperative for sustaining competitiveness and ensuring future success.

As described above, the Group's fundamental principle and commitment, as well as the philosophy of its staff, is to deliver products and services that meet contractual obligations, adhere to relevant laws and regulations, and achieve the quality objectives established for each contract. To achieve this, Theon:

- Develops a company's business development plan incorporating internal and external factors through SWOT analysis and conducts ongoing stakeholder analysis via a risk assessment process. It also continuously reviews and enhances product features, where possible, as well as the efficiency of its processes, thereby improving the QMS as a whole;
- Establishes measurable quality objectives at the company, departmental/ process, and project levels. These objectives are established and reviewed as to the point of achievement during the Management review of the QMS by the leadership and at the end of each project, respectively;
- Provides the resources needed for the unobstructed, effective and efficient operation of each department;

- Invests in the continual upskilling, advising and training of its staff so as they enhance the quality in all their activities; and
- Monitors, measures and evaluates critical parameters and processes, in order to ensure quality objectives achievement.

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.

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. The Group recognises the risk that 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. To ensure this risk is mitigated, the Group ensures compliance with the safety requirements and also provides consumers with the necessary information in order to assess a product's inherent risks and take necessary measures to avoid such threats.

Supply Chain management

Aiming to provide high quality equipment, the Group cooperates with an extensive network of suppliers both in Greece and abroad. The Group incorporates best practices and principles ensuring accountability and transparency, and thoroughly assesses all its suppliers prior to any collaboration, as well as evaluating existing suppliers on an ongoing basis.

The Group uses an international supply chain for the production of all components. This supply chain is partially supported by the in-house Computer Numerical Control ("CNC") workshop and mostly outsourced, with particular regard to the supply of specific intermediate products, such as image intensifier tubes ("IITs"), lenses, metal bodies and plastic parts, which are necessary for the manufacture of its technological products.

Purchases from suppliers (%)		
Year	Foreign Suppliers (%)	Local Suppliers (%)
2022	94%	6%
2023	91%	9%

The most relevant suppliers are based in the EU (Germany, Greece, France, and Netherlands), Asia and the U.S. In 2023, 91% of Theon Sensors' suppliers were foreign whereas 9% of its suppliers were from the local market (Greece) (please refer to the table above). 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 acknowledges supply chain risks stemming from reliance on specific suppliers for key components like IITs, which have faced shortages due to increased global demand. In addition, as the Group's supply chains are subject to sales and export restrictions, any delays or failures to comply with such restrictions may lead to increased costs in the form of fines and penalties as well as pose reputational risks. The Group is actively managing such challenges to ensure continued operations and compliance with regulations.

Overall, 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. In addition, by participating in tender procurement procedures, the Group benefits from sales volume forecasts and is able to organise 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. The Group also deals with its suppliers mainly by means of purchase orders, governed by standard terms and conditions provided either by the Group itself, or by the relevant supplier.

Health and Safety

Providing a work environment that ensures the health and safety of its employees, contractors and suppliers is of utmost importance to the Group. Aiming at zero accidents and occupational illnesses, the Company ensures the promotion of health and safety in the workplace and the achievement of continuous improvement in this area. For this reason, the Group maintains a Health and Safety policy which underpins its commitment to protecting both its people and property by maintaining a safe and healthy workspace in accordance with industry standards and legislative requirements, aiming to eliminate any foreseeable hazards which may result in property damage, accidents or personal injury/ illness.

The Group's approach to health and safety relies on three aspects:

- Safety Task Force Groups;
- Safety culture and awareness trainings; and
- Risk identification and assessment.

Safety Task Force Groups

To manage potential risks effectively and comprehensively, the Group implements safety protocols and procedures to assure a safe workplace environment. In view of this, Safety Taskforce Groups have been launched including employees from all departments. Their main task is to assure the identification of potential safety issues and risks and their immediate communication to the responsible manager, in order to take precautionary measures and avoid potential incidents. To achieve that, Safety Task Force Groups perform regular safety inspections in all premises and operations.

Safety culture and awareness trainings

The Group has developed awareness initiatives including an internal training program for all its employees, wide collaboration with companies specialised in health and safety issues and the construction of fully equipped medical facilities within its premises.

In addition, Theon Sensors has also offered First Aid training organised in cooperation with a company specialised in the provision of training services. Through these training sessions, fourteen (14) employees have been successfully trained and certified to the CARPA method and the use of a defibrillator. Following the safety awareness initiative, two (2) of the First Aid trained employees have been placed to each working shift as an additional precautionary measure for the successful coordination of a medical emergency situation.

Besides CARPA training, a fire safety session has also been conducted and a Fire Safety Team has been established which reports to the Fire Safety Commander and is responsible for any fire safety or evacuation event, as well as respective drills organised at least once per year.

Risk identification and assessment

Theon regularly conducts hazard identification and assessment in cooperation with its dedicated Safety Technician. The results of these assessments are included in the written Occupational Risk Assessment that is available to all employees and is revised on a 3-year basis. The last revision of the Occupational Risk Assessment has been made in 2020.

The Group seeks to achieve zero accidents and eliminate relevant risks and has established specific indicators for recording and effectively monitoring health and safety performance, as indicated in the table below:

Health and Safety - Accidents and Injuries KPIs		
KPI	2023	2022
Lost Time Incidents (LTIs)	0	1
Lost Time Injury Frequency Rate (LTIFR) for employees	0	2,5
Absenteeism Rate (AR) for employees	2%	1,27%

Research and Development (R&D)

The Group's R&D efforts are focused on in-house product development and can last from six (6) months up to two (2) years, with potentially longer durations in areas where operational safety is a critical feature. Within the R&D department, there is a range of highly skilled professionals in optics, mechanics and electronics who run the process. The Group initiates the development of a product either upon a market need, or a tender requirement. This begins with the specification review, followed by detailed design work which integrates optomechanical components alongside electronic hardware and software development. The phases of integration, prototyping and design verification ensure a successful product before releasing to production.

The Group has continuous interaction with its end-users, utilising their feedback for continuous improvement and customization of the product throughout its life cycle. In addition, the Group protects its innovative solutions, handling them as trade secrets and confidential information, fortified by contracts with various counterparties.

As the Group operates in a highly competitive market, it continuously develops new products and technology improvements to retain its market share. Additional 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, 2023, the expenditures in the research and development amounted to €2.234.174,80 (compared to €1.985.082, for the year ended December 31, 2022, corresponding to an increase of +12,55%). In 2023, the Group employed 57 highly qualified technicians for R&D activities in various fields.

The Group recognizes the potential risks associated with R&D expenditures, such as the risk of technology or product developments not meeting expected market demand or facing competition from superior alternatives. Furthermore, unforeseen circumstances resulting from ineffective resource allocation may impact the success of R&D investments, potentially resulting in missed opportunities or futile expenditure. However, the Group remains steadfast in its commitment to prudent resource allocation and proactive management of R&D initiatives to navigate and address these challenges effectively.

Training and Development

The Group supports the continuous advancement of its workforce, and it is dedicated to cultivating the professional growth and development of its employees through comprehensive training initiatives. It recognizes that by investing in its workforce, this will enhance the individual capabilities and will also strengthen the collective capacity to innovate and excel in a constantly changing environment. By providing tailored training programs for the needs and objectives of the employees, it will enable them to attain their maximum potential and drive the success of the organisation forward.

The Group approves and encourages a wide range of training programmes including:

- Training in hard and soft skills;
- Employee coaching and mentoring;
- Onboarding trainings;
- On-the-job trainings;
- Learning of foreign languages; and
- Global history workshops and reading material (provided by the Group).

In stimulating professional advancement, Theon Sensors introduced in 2022 the “Power Week” aimed at enhancing the soft skills of the employees. The “Power Week” also ran in 2023 and it attracted 166 individuals from various departments. Designed to equip participants with the necessary soft skills, the program fostered a dynamic learning environment where collaborative exchange and hands on experience thrived. In a commitment to inclusivity and accessibility, this program was conducted remotely enabling all employees to participate regardless of location, including also the production workers who work in shifts. In addition, to ensure the top quality of the training, this initiative was conducted in collaboration with three leading educational companies in Greece.

In 2023, and as shown in the tables below, the total number of employees trained was 112 including members of the Management under a total of 391 hours.

Total number of employees trained by hierarchical level in 2023	
Employees (Hierarchical level)	
Technical employees	28
Administration employees	77
Middle Management	5
Upper Management	2
Total	**112**

Total training hours by hierarchical level in 2023	
Employees (Hierarchical level)	
Technical employees	120
Administration employees	239
Middle Management	20
Upper Management	12
Total	**391**

Beyond providing training to its internal stakeholders, the Group provides training to its end-customers/ users. In particular, 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.

Employee wellbeing

The Group maintains a dedicated team of highly skilled and experienced employees who competently handle activities from design through to manufacturing. Its management approach to employee experience remains holistic, ensuring that every interaction and touchpoint within the Group is designed to enhance the overall wellbeing and satisfaction of its employees.

The Group has been certified as a Great Place to Work for 2023, standing out for its excellent work environment and corporate culture, following an evaluation carried out by the organisation Great Place to Work Hellas. The evaluation of the working environment was done by the employees of the Group. Through this evaluation, the employees acknowledged the Group for its corporate culture and working environment as a whole, for the investment that it undertakes in the continuous improvement of the skills of its employees the broadening of their horizons, as well as their cultural and digital upskilling and reskilling.

The survey confirmed that the Group promotes meaningful relationships based on equality and justice, with 89% and 87% of employees stating that people are treated fairly and regardless of their race and sexual orientation respectively. In addition, high levels of staff trust in their management were noted, with 92% of employees believing that management is honest and ethical in their business practices.

Holistic approach on employee experience

The employee onboarding process is essential for the successful integration of new hires into the organisation. This procedure includes activities which allow new employees to complete an initial new-hire orientation process, as well as learn about the Group and its structure, culture, vision, mission and values. Moreover, during the onboarding process, employees become familiar with the "Employees Handbook" which includes all corporate documents and policies outlining areas such as Human Resources forms, guidelines and other procedures about working at the Group.

In addition, the Group's integrated performance management system plays a pivotal role in driving workforce productivity, fostering higher employee engagement, reducing turnover and maximising revenue per employee. The performance management system supports the Group through:

- Providing a fair basis for awarding compensation based on merit;
- Helping managers distribute and achieve departmental goals;
- Helping employees clearly define and understand their responsibilities;
- Identifying employees for advancement within the Group;
- Providing criteria for the evaluation of employees performance; and
- Suggesting ways in which employees can improve their performance.

Employee survey

Theon Sensors conducts employee surveys on a regular basis aiming to understand its employees' aspirations, concerns and suggestions so that it can identify areas for improvement, celebrate its strengths, and align its strategies with their needs and expectations.

In 2023, 77% of the Group's employees participated in the survey and a staggering 77% of the Group's employees claimed they enjoy being part of the team.

Additional employee benefits

In fostering a comprehensive reward system, the Group has developed an additional employee benefits' plan that is offered to all employees despite their job position or hierarchical level and includes both health care and economic benefits. Medical plan is provided for all staff and all their first level family members after three months of employment within the Company.

Fostering employee wellbeing

Under the corporate commitment for the provision of safe, equal, and inclusive workplace, the Group has included employee's wellbeing in its corporate strategic approach in order to attract and retain top human capital. The corporate devotion to wellbeing of its people is highlighted through the following initiatives:

- Promoting engagement through empowering employees to participate in social events and cultural activities;
- Christmas children's party;
- Running team;
- Gym subscription;
- Webinars in connection with physical and mental health;
- 24/7 psychological support line, in collaboration with an expert organisation in occupational health and safety;
- Healthy way of living through promoting a balanced eating pattern; and
- Corporate band (musical band consisting of Group employees including members of the Management).

The Group recognizes the critical importance of retaining technical and skilled personnel for its operations. Intense industry competition heightens the risk of losing talent to competitors or facing challenges in recruiting new employees. For this reason, and as evidenced by the activities/ initiatives referred to above, the Group ensures that both the wellbeing of its employees as well as their professional growth continue to remain top priorities.

Social contribution and volunteering

The Group places special emphasis on social contribution, reflecting its commitment to contribute in the positive transformation of the world. The Group's mission extends beyond its core operations as it recognises the importance of acting with a strong sense of responsibility towards the society and the communities in which it operates. Guided by these principles, the Group has established a framework consisting of the following four (4) pillars of social contribution, with the active participation and devotion of its employees aiming to further amplify this commitment.

Support vulnerable groups

Acknowledging the importance of refining the lives of those in need, the Group is dedicated to creating a more inclusive and equitable world for all. The Group actively supports organisations that address the challenges faced by vulnerable social groups. The goal of the Group is to magnify the impact of those organisations, developing greater social awareness and improving the quality of life for those they serve. The Group provides support to the following organisations:

- Donation to “The Smile of the Child" organisation: The organisation is dedicated to assisting children who have experienced abuse, live in poverty, or have health challenges, ensuring they and their caregivers have the conditions necessary for a dignified life.
- SOS Villages: To ensure the adequate care that every child deserves, the Group extends its support to the organisation "SOS Children's Villages", which provides shelter to every child in need.
- ELEPAP: The organisation is open to infants, children and adults and provides therapeutic programs, education and medical care to them as well as support and counselling services to their families.
- Odyssea: Odyssea is a non-profit organisation that supports young vulnerable people to have access to employment opportunities in society.

Employee volunteering

Employee volunteering is a core value embedded in the Group’s culture. The Group encourages and supports its employees who dedicate their time and skills in order to make a difference in the communities served. Encouraged to offer to the society and inspired by a shared sense of social responsibility, employees actively engage in various volunteering programs that champion the values of sports, solidarity and environmental responsibility, strengthening the collective impact and representing the Group’s commitment to corporate citizenship. Some of the volunteering programs in which the Group’s employees were involved include:

- Odyssea Social Cooking;
- Christmas and Easter Bazaar for Smile of the Child, SOS Villages and ELEPAP; and
- Tree planting (the team managed to plant 1000 samplings).

Support of education and science

Education stands as a cornerstone in the Group’s social contribution framework. The Group supports promising young professionals through sponsorships, acknowledging their potential and investing in their growth and development. Furthermore, the Group offers internship opportunities providing valuable hands-on experience and mentorship to the next generation of talent. In 2023, three (3) students undertook internships at the Group.

The Group extends its support through sponsorship for conferences, webinars, events, and workshops which cover a broad spectrum of subjects from defence, security, aerospace and emerging technologies to economic growth and entrepreneurship. In these events organised by the Group, esteemed speakers are brought to enrich discussions and the active participation of the company’s management is evident through their involvement in panel discussion. An illustration of the sponsorship initiatives undertaken by the Group includes the donation that facilitated the participation of the “Robocores”, a dynamic team of young students, in the WRO 2022 Educational Robotics Olympiad, where they secured the second place.

Support of culture

The aim of the Group is to cultivate a profound reverence for Greek culture, both domestically and internationally. Through various initiatives such as sponsorship to Greek museums and cultural institutions the company actively contributes to the preservation and promotion of Greece’s rich history and heritage on a global scale. The Group’s support has been channelled to notable establishments including:

- The creation of Maria Callas statue for the construction of the Maria Callas Museum;
- The Benaki Museum to support its cultural work; and
- The Artefact Athens for the implementation of the exhibition "Reality check chapter II:inner sanctum" at the Psychiatric Hospital of Attica in Dafni.

In addition, the Group has supported official festive events organised both by embassies abroad in Greece, as well as by Greek embassies and institutions in various countries around the world.

Responsible Governance matters

The Group's Governance Structure

The Group's internal structure reflects the dynamic corporate governance practices adopted which allow a constant flow of information in real time, optimising responsiveness whilst minimising or eliminating potential risks to sensitive information and incidents of corruption.

For FY 2023, the Group had a one-tier board structure consisting of three (3) executive directors ("Executive Directors"), for the new corporate governance framework that the Group adopted and implements as of 19/1/2024 in the frame of the IPO and listing to Euronext Amsterdam Stock Exchange, please refer to the Corporate Governance Report. The members of the Board of Directors combine unparalleled industry knowledge with extensive experience, providing stable and decisive leadership that nurtures growth and innovation in the Group.

The Board of Directors ("Board") is responsible for the continuity and the businesses of the Group. The Directors are responsible for the Group's general affairs and are in charge of the oversight of the day-to-day management, formulating the strategy and policies and setting the Group's objectives. The Directors focus on the long-term value creation for the Group, thereby considering the interests of all 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.

Export and customs control

Navigating the exports legal framework is a major challenge for the Group, due to the particularities of business operations, products, and global reach. The Group is required to comply with three distinct and interrelated levels of legislation: national, EU, and international.

As products in the Group's portfolio qualify as military goods or, alternatively, as dual-use goods or military services under export control regulations, they are subject to strict sales and export restrictions. '

In particular, 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. To this end, 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/EAR), 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.

Furthermore, some of the Group products qualify as dual-use items. Dual-use items are goods, software and technology that can be used for both civilian and military applications. To that end, the Group complies with EU export control regime for dual-use items, governed by Regulation (EU) 2021/821 of May 21, 2021 ("Dual-Use Regulation") entered into force on September 9, 2021 and repealed Council Regulation (EU) 428/2009 of May 5, 2009. The Dual-Use Regulation provides for common EU control rules, a common EU dual-use items list and harmonized policies for implementation.

The Group acknowledges the complexities of export and customs control, particularly in complying with laws governing military items and navigating diverse export regimes across jurisdictions, which may entail additional costs and administrative burdens. Moreover, evolving export restrictions pose risks to component suitability and availability, potentially impacting customer access, underscoring the importance of proactive supply chain management to ensure regulatory compliance and sustain operational continuity while safeguarding the Group's reputation.

Therefore, compliance with all applicable restrictions and controls is essential for the Group. The Group places a strong emphasis on comprehensive due diligence processes for each business deal involving clients, suppliers, and business partners, ensuring that all necessary authorisations and certifications are obtained. The Contracts & Purchasing and Business Development departments play a vital role in this process and are considered to be at the heart of the Group's operations, as they are responsible for navigating the complex legal landscape and ensuring compliance with export control regulations.

By diligently adhering to the export control laws and regulations, the Group aims to mitigate the risks associated with sales and export restrictions.

By staying informed and proactive, the Group aims to ensure compliance with all applicable restrictions and controls, safeguarding its business, assets, and prospects. Remaining aware and vigilant of the dynamic nature of the international trade landscape is paramount for effectively and efficiently responding to any changes in governments' composition, elections, media coverage, geopolitical events, and policy changes, which may lead to the introduction of new or more stringent restrictions and controls.

Finally, countries like the United States, as well as supranational organisations like the EU and the United Nations, impose sanctions or other restrictive measures against countries/territories, organisations, groups, non-state entities, and individuals who infringe upon internationally accepted behaviour and norms, or otherwise pose national security or foreign policy risks. As both embargoes and trade sanctions can occur or change at any moment, and compliance with them is of highest importance, the Group puts significant effort in remaining up to date, with any developments and abide accordingly with relevant sanctions frameworks.

Data privacy and cybersecurity

The IT infrastructure plays a pivotal role in the operations of the Group, serving as a cornerstone for various functions including product development, manufacturing, sales, customer support, administration, as well as communication channels, both internally and externally. Moreover, it facilitates the management with crucial financial data indispensable for strategy implementation, while ensuring controls, compliance, and uniform reporting across the Group. Given the strategic significance of IT systems and the sensitive information handled, the Group has implemented rigorous measures to forestall incidents such as IT breaches and cyber-attacks. The Group has not observed any incidents of violations or data forgery in 2023.

As an advanced technology-based solutions provider and a government contractor with access to highly confidential government information, the Group is subject to stringent secrecy obligations. The Group's exposure to national security or other sensitive government data accentuates the risk of security breaches or disruptions posed by unauthorised access to its IT networks and related systems. Moreover, compliance with the EU Regulation no. 679/2016 ("GDPR") and similar data protection rules mandates adherence to stringent data security protocols.

The Group acknowledges notable risks related to data protection and cybersecurity. Compliance with GDPR and similar regulations is pivotal to avoid potential fines or penalties from regulatory authorities. Moreover, the threat of cyber-attacks, encompassing various risks such as computer viruses and phishing attacks, emphasizes the importance of implementing robust cybersecurity measures to protect the Group's IT infrastructure. Additionally, the risk of data breaches due to third-party non-compliance or cyber-attacks remains a concern, necessitating proactive risk management strategies to safeguard the Group's data integrity and operational continuity.

Theon has proactively adopted an array of measures including employee awareness campaigns and training, dedicated cyber-security teams, and increased investments in IT infrastructure, which surged 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 to automatically backup and synchronise repositories, and the Quality Network Appliance Provider ("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 must also rely on the safeguards put in place by customers, suppliers, vendors, subcontractors or other third parties to minimise 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.

Compliance and Anti-Corruption

In the defence industry, meetings and negotiations with officials from foreign countries are part of the day to day business conduct and, as such, the reputation of both parties involved has to remain intact at all times. To achieve this, the Group sets the elimination of corruption as a top strategic priority and strives to create conditions that leave no room for such phenomena in its operations.

The Group addresses and communicates this issue through its Code of Ethics and Business Conduct, which, amongst others, clarifies that political contributions are absolutely forbidden by anyone in the Group. The Group's staff have been instructed neither to attempt to give nor accept any favourable treatment from any party. Significant emphasis is also placed on dealing fairly with all other counterparties, as is the only way to conduct business at the Group and it is expected from all employees, executives, and partners in general to respect the Group's rules and principles.

The Group acknowledges significant compliance risks related to anti-corruption and anti-money laundering regulations, particularly within jurisdictions like Greece, the United Kingdom, and the United States. Compliance efforts are complicated due to the evolving nature of sanctions and regulatory regimes, posing challenges in interpretation and implementation. In addition, the industry's susceptibility to corruption, compounded by international sales in high-risk jurisdictions, emphasizes the importance of stringent compliance measures. While non-compliance could lead to adverse consequences such as fines and reputational harm, the Group remains committed to maintaining robust compliance policies to mitigate these risks.

In tandem with these regulatory challenges, the Group remains steadfast in its commitment to uphold a rigorous code of business conduct. Therefore, the Group has implemented a structured set of guidelines setting out its organisation's processes, standards, and best practices to aggregate and harmonise 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 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 need to be strictly followed when doing business. External advisors and counsels are also engaged by the Group on an ad-hoc basis 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 anti-corruption laws, rules, and regulations, and its Code of Ethics and Business Conduct. The Group recognises 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.

Furthermore, the Group has zero tolerance for bribery and corruption in any form in its business dealings. The Code of Ethics and Business Conduct applies to all officers, members of the Board of Directors, and employees of the Group, 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.

The Group has experienced zero allegations of corruption and/ or bribery in 2023.

Business Ethics

The Group promotes transparency, integrity, accountability, and ethical behaviour throughout its organisation and entrusts its people with the responsibility to further its ambition and commitment to responsible business conduct beyond its borders. In view of this, the Group adopted a Code of Ethics and Business Conduct ("Code"). The Code reaffirms the Group's core business principles and ethos and is addressed to all of its employees, members of the Board, officers, associates, contractors, as well as any agents or third parties when representing or cooperating with the Group.
In the Code, Theon reiterates its unwavering commitments towards continuous compliance with the applicable legislation, elimination of instances of bribery and corruption, respecting confidentiality at all times and practising fair dealing in accordance with established rules of competition. Specifically, the Code of Ethics and Business Conduct covers mainly the following areas of business:

- Compliance with applicable legislation;
- Avoiding conflicts of interest;
- No bribery – anti-corruption clauses – business courtesies;
- Political contributions;
- Health & safety – quality;
- Competition and fair dealing;
- Accuracy in business record keeping;
- Sensitive information / confidentiality;

Compliance with applicable legislation

The Group is fully committed to competing in strict compliance with all appropriate laws and regulations in all jurisdictions of countries in which it operates. The Group, as well as each person to whom this Code applies to, shall at all times be in full compliance with all national, European and international laws, rules and regulations which apply to the Group's and its counterparties' business, regarding data privacy, competition and anti-trust, anti-bribery, anti-money laundering and anti-corruption legislation including, amongst others, the Organisation for Economic Development ("OECD") Convention and recommendations and guidelines thereto, the United Nations Convention against Corruption ("UNCAC"), the Foreign Corrupt Practices Act ("FCPA") legislation and the European Commission's applicable rules and regulations and their implementation thereof.

The Group, as well as each person to whom this Code applies to, does not, and will not, whether directly or indirectly, breach or evade the laws of any country in which it seeks to do business in, even if such illegality constitutes "customary" business or practice. Accordingly, full compliance with all laws applicable to the Group's business operations is the very minimum to be demonstrated.

Avoiding conflicts of interest

The Group's conflicts of interest arrangements and procedures are derived from the Code and the applicable Greek legal and regulatory framework. All Group personnel and any other persons to which this

Code applies to, must avoid any actual or threatened conflict of interest between the Group's and their own (private) interests, whether by way of relationship or activity and regardless of whether such conflict may impair their ability to render fair and objective judgements or effectively perform their duties.

In addition, on January 19th, 2024, the Board of Directors of Theon International PLC approved the "Conflicts of Interest Policy" for the Group. Theon's arrangements and procedures in connection with conflicts of interest are designed to prevent, manage, and eliminate cases of conflicts of interest and, in particular, specify what constitutes a conflict of interest as well as outline the general principles, rules, and regulations for their prevention and management. Arrangements and procedures regarding conflicts of interest apply to all "Covered Persons", including members of the Board, executive officers, employees, and shareholders with a participation rate or voting rights equal to or higher than 5% of the company's issued share capital.

The Group requires all actual and potential conflicts of interest to be communicated, discussed, documented, and managed appropriately. It also specifies procedures for the prevention of conflicts of interest, measures for the disclosure and management of the conflicts of interest, and conditions under which a member of the Board or Senior Executive Officer may have a conflict of interest.

The Conflicts of Interest Policy is enforced by the Group compliance function, which is responsible for evaluating and managing conflicts of interest, as well as maintaining a record of all declared cases.

No bribery - anti-corruption clauses - business courtesies

Neither the Group, nor any person to whom this Code applies to, shall offer, authorise or provide, whether directly or indirectly, a bribe, kick-back or benefit (including facilitation of payments, favours, gratuities or anything of value to the recipient), in return for an unfair business advantage resulting from an act or omission on behalf of such bribed party. Such acts are prohibited regardless of the reason, the persons involved, the means (pecuniary or other) or whether they involve intermediaries or not.

Political contributions

Political contributions are strongly prohibited and Theon is, at all times, compliant with all applicable public disclosure requirements and any applicable legislation.

Health & safety – quality

The Group, in compliance with applicable legislation, takes any steps necessary to assure a healthy and safe work environment for its employees and business invitees, while offering extensive training in this regard. The services provided by Theon must be delivered in a manner unreservedly respecting the health and safety of any employees and customers.

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.

The Group is committed to preventing accidental loss of resources, including employees and physical assets, striving to provide and maintain a safe and healthy work environment in compliance with industry standards and legislative requirements. The aim is to eliminate any foreseeable hazards that may result in property damage, accidents, or personal injury/illness.

The responsibility for health and safety is shared among all employees, with safety being the direct responsibility of all managers, supervisors, employees, and contractors. All management activities comply with company safety requirements related to planning, operation, and maintenance of facilities and equipment.

Competition and fair dealing

Dealing fairly with companies or individuals whom the company does business with, as well as its competitors, is considered of paramount importance to the company which treats this as the only way forward. For this reason, neither the Group nor its employees, officers or third parties representing it may take any unfair advantage by way of manipulating any person, misrepresenting or concealing facts of material nature, abusing any privileged information or in any other manner practising unfair dealing.

Accuracy in business record keeping

Theon and its employees shall safely maintain an accurate and complete financial record to be able to make responsible business decisions. It shall also be ensured that any transactions are accurately documented and completely reflected in the company's books. False or artificial entries aiming to alter, conceal or destroy any document to misrepresent a circumstance or transaction are prohibited.

Sensitive information / confidentiality

Disclosure of Theon non-public information to third parties may irreparably harm the company and its business. It is for this reason that the company requires its employees and contractors to demonstrate the highest level of confidentiality in relation to the information entrusted with them in the context of their employment or otherwise cooperation unless disclosure is expressly authorised or required by law. Any obligation relating to confidentiality remains binding even after the termination of employment or cooperation, regardless of the reason.

Whistleblowing Policy

Theon maintains, amongst others, arrangements and practices around whistleblowing, which aim 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 violations within the Group.

Anyone from an employee, officer, consultant, intern, secondee or agent of the Group is encouraged and urged to report any violations including information and reasonable suspicions about actual or potential illegal acts, omissions and breaches, which occurred or are very likely to occur in the Group. The Group's arrangements also set out reporting channels that enable named or anonymous reporting, in writing and/or orally, as well as an investigative process monitored by a compliance officer.

The investigative process commences with the receipt of a report, followed by an evaluation of the reported violation and whether it falls under the scope of the whistleblowing arrangements and practices. 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 Group keeps a record of all the reports. In addition, specific measures have been established for protection against retaliation.

On January 19th, 2024, the Board of Directors of Theon approved the Whistleblowing Policy.

Diversity & Inclusion and Human Rights

Diversity & Inclusion

The Group is committed to workforce diversity, creating equal opportunities, and advancing a culture of inclusion where everyone feels valued and able to achieve their full potential. A culture of belonging is about uniting different backgrounds, beliefs, abilities and experiences in an environment where everyone feels valued and works together to achieve meaningful outcomes. Any form of discrimination shall be avoided, and to contribute effectively, individuals must actively promote understanding, empathy and open communication. This culture outlines the responsibility to create an inclusive environment and respect the dignity and diversity of all people. It guides how the Group engages with one another and inspires in order to take purposeful action to support the customers, employees and local communities.

Diversity, equity and inclusion ("DEI") is everyone's responsibility within the Group. Theon sets out the principles and requirements by which the Group enhances DEI throughout. Arrangements regarding DEI are applicable—but not limited—to the practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs, layoffs, terminations; and the ongoing development of a work environment built on the premise of gender and diversity equity. These arrangements apply to all employees and anyone conducting work on behalf of the Group. The DEI strategy is guided by internal and external insights, global best practices, and continual employee feedback, which together remind the Group that while diversity changes by location, inclusion is the same everywhere. This approach allows the Group to continually evaluate its Global DEI strategy to ensure it remains relevant to meet the changing demands of the communities it serves.

On January 19th, 2024, the Board of Directors of Theon approved the Diversity, Equity & Inclusion Policy.

The Group aims to support equality, equal opportunities and diversity in the work environment, and it is also committed to supporting community-driven projects that enhance social inclusiveness. In 2023, Theon Sensors carried out tailor-made seminars to its employees in connection to bullying, diversity and inclusion and harassment. During 2022, Theon Sensors has developed a tailor-made training regarding employee harassment in the workplace in cooperation with the organisation Women on Top (WoT) that is specialised in women's professional and economic empowerment and equality at work. WoT mission is to contribute to everyone having equal opportunities in public life, through individual empowerment and change in their educational, work and social environment. Through the "Women in Science" program, Theon Sensors, in collaboration with ADECCO, creates new jobs for women scientists, giving them the opportunity to work in the largest Company in Greece operating in the aerospace, defence, new technologies and security market, next to experienced executives to gain professional experience and develop their skills. Actively supporting that equal opportunities for all in the workplace are non-negotiable, the "Women in Science" program is addressed to women scientists with an academic background in STEM (Natural Sciences, Technology, Engineering Science and Mathematics), who will be employed in Theon Sensors.

Furthermore, with the aim of practical and substantial support of equality, equal opportunities and diversity in the working environment, Theon Sensors signed the Diversity Charter. Participation in the "Diversity Charter" confirms the Company's commitment to respecting human rights and shaping a culture based on inclusion, promoting equal opportunities to all employees, without exclusion or discrimination, and fully accepting and integrating uniqueness at work.

The Group maintains arrangements and practices to support and promote diversity and further bolster the Board with members demonstrating a broad range of skills, know-how and capabilities. The Nominations and Remuneration Committee plays a key role in ensuring diversity by identifying and proposing suitable candidates for the Board. The said arrangements and practices aim at ensuring that independent non-executive members constitute at least one third of the Board, contributing to diversity of thought. These arrangements have been designed to promote diversity at multiple levels and to ensure this diversity is maintained and valued. Aiming to uphold its diversity and inclusion principles, The Board recently welcomed (as of January 2024) a female non-executive Director, and it is currently composed of five (5) male members and one (1) female member.

The tables below indicate the levels of diversity across Theon Sensors:

Number of Employees in 2023	
Gender	**Number of employees**
Men	232
Women	71

Employee distribution by gender and hierarchical level in 2023			
Hierarchical Levels	**Men**	**Women**	**Total**
Upper Management	14	1	15
Middle Management	10	1	11
Administration Employees	65	24	89
Technical Employees	143	45	188

Employee distribution by age and gender				
Age range	**2022**		**2023**	
	Men	**Women**	**Men**	**Women**
<30	39	21	50	28
30-50	120	26	159	36
51+	15	9	20	10

Potential effects of the Ukrainian, Gaza, Yemen crisis

The Group does not operate in the affected areas, nor does it have a large exposure to commodities affected by the crisis in Yemen, Ukraine, and Gaza (such as energy or agriculture, so its financials have not been affected. In any case, because this is an ongoing event, management is monitoring developments and is ready to take the necessary measures if necessary.

Especially given the risks the Red Sea crisis is throwing Yemen. The Group is not exposed to any Supply risk. It continuously assesses the situation and its possible impact and promptly takes all the necessary and effective measures and actions to minimize any impact on its business.

Outlook

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.

On a global level, recent geopolitical events have driven spending increases in virtually all countries in the world, with each region being driven by their own specific threat areas, and hence having different spending patterns. This global momentum driven by geopolitical tensions translates into significant growth in defence budgets globally, to the tune of 5,2% per annum over the next 5 years. Theon is active in the defence electronics segment, which is expected to grow at a significantly higher pace than the market, at about 10% per annum over the same period. Theon's addressable market consists of dismounted, and vehicle based EO/IR systems, which is expected to see even faster growth of 11,5% CAGR, driven by a renewed focus on dismounted capabilities, which are seen to be growing at over 16% per annum.

Values such as sound management, preventing potential risks or problems, reducing costs without imperiling high-quality levels and being consistent to customers and other partners have long been key for the Company 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 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.

Projected developments in 2024

The Company'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 and thermal systems. This is expected to have a positive impact on our overall financials for the 2024 financial year.

In particular, the Company considers that the projected increase in defence and security over the next 5 years will be over 5% per annum. In our own product markets, we continue to see a trend acknowledging the importance of night fighting capability and the need for fully equipped troops. We expect the procurement cycle for night vision and thermal imaging to pick up speed in 2024, as we also see increasing demand for advanced interconnected systems.

The Company'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 2024, Management will make every effort to enhance the company’s profitability, strengthen its presence in foreign markets, while also improving its financial indicators. The Company's high credit rating contributes to easy access to financing from banks to partnerships with suppliers offering competitive terms, ensuring our smooth operation.

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INDEPENDENT AUDITORS' 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 on pages 63 to 140 and comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113 (the "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 *"Auditors' responsibilities for the audit of the consolidated financial statements"'* section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Code of Ethics (Including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the financial statements, 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

THEON INTERNATIONAL PLC

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition	
Refer to note 9 of the consolidated financial statements	
Key audit matter	**How the matter was addressed in our audit**
The Group's revenue for the year ended 31 December 2023 amounted to €218.722.904. Due to the significance of the amounts, the volume of transactions, the inherent risk of revenue recognition at the wrong time and amount and due to the nature of the Group's operations, we have concluded that revenue recognition is considered to be a key audit matter.	Our audit procedures regarding the Revenue recognition included amongst others the following: - Obtained and examined the Group's accounting policy with respect to revenue recognition and ensured that the policy is in compliance with the provisions of IFRS 15. - Assessed the design and implementation of controls related to revenue. - A sample of sales transactions which was derived from the general ledger and selected using statistical sampling methods, has been vouched to the related sales contracts or purchase orders submitted by clients, delivery notes, invoices, CMRs (shipping documents). Subsequent settlement of invoices was also examined. - For a sample of sales transactions that occurred close to the reporting date, selected using the specific items sampling method, we have examined the related sales documentation (delivery notes, invoices, CMRs and collections against the relevant invoices) to assess whether revenue has been properly recognized in the correct accounting period. - A sample of credit notes issued subsequent to 31 December 2023 has been examined in order to assess whether they have been properly recognized in the correct accounting period. - Considered adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

THEON INTERNATIONAL PLC

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and the auditors' 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, except as required by the Companies Law, Cap.113.

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 on the information obtained prior to the date of the auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the other information, with the exception of the Management Report, we have nothing to report.

With regards to the Management Report, our report in this regard is presented in the "Report on other regulatory and legal requirements" section.

Responsibilities of the Board of Directors and those charged with governance 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 IFRS-EU and the requirements of the 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 there is an intention to either liquidate the Company or to cease the Group's operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 skepticism throughout the audit. We also:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

THEON INTERNATIONAL PLC

- 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.
- 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 auditors' 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 auditors' 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 appropriate audit evidence regarding the financial information of the entities or business activities of 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

THEON INTERNATIONAL PLC

Report on other regulatory and legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of European Union (EU) Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of appointment and period of engagement

We were appointed auditors on 16 August 2023 by the General Meeting of the Company's members to audit the consolidated financial statements of the Group for the year ended 31 December 2023. Our total uninterrupted period of engagement is 1 year covering the period ended 31 December 2023.

Consistency of auditors' report to the additional report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report presented to the Audit Committee of the Company, which is dated 18 April 2024.

Provision of Non-audit Services ('NAS')

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the Management Report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

European Single Electronic Format

We have examined the digital files of the European Single Electronic Format (ESEF) of Theon International PLC for the year ended 31 December 2023 comprising an XHTML file which includes the consolidated financial statements for the year then ended and XBRL files with the marking up carried out by the entity of the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and all disclosures made in the consolidated financial statements or made by cross-reference therein to other parts of the annual financial report for the year ended 31 December 2023 that correspond to the elements in Table 1 of Annex II of the EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission, as amended from time to time (the “ESEF Regulation”) (the “digital files”).

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

THEON INTERNATIONAL PLC

European Single Electronic Format (continued)

The Board of Directors of Theon International PLC is responsible for preparing and submitting the consolidated financial statements for the year ended 31 December 2023 in accordance with the requirements set out in the EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission. (the "ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Board of Directors of Theon International PLC. According to the Audit Guidelines issued by the Institute of Certified Public Accountants of Cyprus (the "Audit Guidelines"), we are required to plan and perform our audit procedures in order to examine whether the content of the consolidated financial statements included in the digital files correspond to the consolidated financial statements we have audited, and whether the format and marking up included in the digital files have been prepared in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined correspond to the consolidated financial statements, and the consolidated financial statements included in the digital files, are presented and marked-up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Other matters

Reporting responsibility
This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(I)/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.

Corporate Governance
The Company did not include in its Management Report a corporate governance statement in accordance with Article 151(2)(a) of the Companies Law Cap.113, since the Company was not listed on a regulated market during the year ended 31 December 2023.

Comparative figures
The consolidated financial statements of Theon International PLC for the years ended 31 December 2022 and 31 December 2021 (from which the statement of financial position as at 1 January 2022 has been derived), excluding the adjustments described in Note 37 to the consolidated financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 4 May 2023.

As part of our audit of the consolidated financial statements for the year ended 31 December 2023, we audited the adjustments described in Note 37 that were applied to restate the comparative information presented in the consolidated statement of profit or loss and other comprehensive income and in the consolidated statement of cash flows for the year ended 31 December 2022, and in the consolidated statements of financial position as at 31 December 2022 and as at 1 January 2022. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the years ended 31 December 2022 or 31 December 2021 (not presented herein) or to the consolidated statement of financial position as at I January 2022 or to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 or to the consolidated statement of cash flows for the year ended 31 December 2022, other than with respect to the adjustments described in Note 37 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 37 are appropriate and have been properly applied.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

THEON INTERNATIONAL PLC

The engagement partner on the audit resulting in this independent auditors' report is Antonis I. Shiammoutis.

Antonis I. Shiammoutis, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

19 April 2024

Consolidated statement of financial position (1/2)

in euro	**Note**	**31 December 2023**	**31 December 2022 *Restated****	**01 January 2022 *Restated****
Assets				
Property plant and equipment	*19.*	17.358.467	10.637.023	8.118.726
Intangible assets	*20.*	1.470.095	824.317	523.458
Right of use assets	*33.*	908.907	844.653	1.066.691
Investment property	*21.*	703.802	1.412.354	1.491.327
Investment in associates	*22.*	1.099.085	45.425	-
Investment in subsidiaries		-	-	-
Other non-current assets		150.932	105.716	103.922
Long term loans receivable	*35.*	-	7.526.149	-
Deferred tax assets	*15.*	48.258	631.769	214.089
Non-current assets		**21.739.546**	**22.027.406**	**11.518.213**
Inventories	*16.*	63.613.462	34.021.574	14.250.666
Trade accounts receivable	*17.*	46.087.790	67.996.704	15.843.544
Other receivables	*17.*	10.977.857	5.092.763	2.709.584
Other financial assets	*23.*	208.156	462.404	397.378
Prepayments	*24.*	2.255.011	3.774.246	1.841.177
Short term loans receivable		-	-	-
Cash and cash equivalents	*18.*	65.639.067	24.035.134	26.096.448
Current assets		**188.781.343**	**135.382.825**	**61.138.797**
Total assets		**210.520.889**	**157.410.231**	**72.657.010**

*The comparative information is restated on account of correction of errors. See Note 37.
The notes on pages 68 to 140 are an integral part of the consolidated financial statements.

Consolidated statement of financial position (2/2)

in euro	**Note**	**31 December 2023**	**31 December 2022 *Restated****	**01 January 2022 *Restated****
Equity				
Share Capital	*25.*	600.000	200.000	200.000
Merger Reserve	*25.*	(27.937.057)	(27.947.398)	(27.945.738)
Reserves	*25.*	104.694.565	92.011.330	61.023.526
Equity attributable to the owners of the Company		**77.357.508**	**64.263.932**	**33.277.788**
Liabilities				
Loans and borrowings	*27.*	25.521.669	3.075.002	7.540.103
Amount owed for share buy-back	*35.*	6.656.157	-	-
Provision for staff retirement indemnities	*13.*	198.320	162.026	162.035
Lease liabilities	*33.*	564.634	586.354	815.417
Government grants	*29.*	128.257	188.427	378.385
Non-current liabilities		**33.069.037**	**4.011.809**	**8.895.940**
Trade accounts payable	*30.*	41.811.689	23.989.883	6.915.629
Lease liabilities	*33.*	401.526	295.232	281.351
Loans and borrowings	*27.*	25.391.700	30.998.667	9.640.434
Amount owed for share buy-back	*35.*	6.984.086	-	-
Contract liabilities	*28.*	5.240.112	26.237.209	5.618.148
Income tax payable		7.974.569	6.067.157	4.296.230
Accrued and other current liabilities	*30.*	12.290.662	1.546.342	3.731.490
Current liabilities		**100.094.344**	**89.134.490**	**30.483.282**
Total liabilities		**133.163.381**	**93.146.299**	**39.379.222**
Total equity and liabilities		**210.520.889**	**157.410.231**	**72.657.010**

On 19 April 2024, the Board of Directors of Theon International PLC authorized the issuance of these consolidated financial statements.

____________________________ ____________________________

CEO & Vice Chairman of BoD	Director
Christianos Hadjiminas	Stelios Anastasiou

*The comparative information is restated on account of correction of errors. See Note 37.
The notes on pages 68 to 140 are an integral part of the consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

in euro	***Note***	**2023**	**2022** ***Restated****
Revenue	*9.*	218.722.904	142.894.760
Cost of sales	*10c.*	(148.511.795)	(92.689.099)
Gross profit		**70.211.109**	**50.205.661**
Other income	*10a.*	496.641	1.486.416
Administrative expenses	*10c.*	(9.326.455)	(7.114.798)
Selling and distribution expenses	*10c.*	(2.744.204)	(2.008.391)
Research and development expenses	*10c.*	(2.807.368)	(1.985.082)
Other expenses	*10b.*	(92.152)	(351.331)
Operating profit		**55.737.571**	**40.232.475**
Finance income		681.119	16.765
Finance costs		(7.137.587)	(2.452.547)
Net finance costs	***11.***	**(6.456.468)**	**(2.435.782)**
Share of profit of equity-accounted investees	*22.*	585.614	-
Profit before tax		**49.866.717**	**37.796.693**
Income tax expense	*14.*	(13.187.548)	(8.213.755)
Deferred tax	*15.*	(583.581)	417.680
Profit for the year after tax		**36.095.588**	**30.000.618**
Other comprehensive income			
Items that will not be classified to profit or loss			
Staff leaving indemnity	*13.*	(317)	16.000
Deferred tax	*15.*	70	(3.520)
Merger reserve		10.341	(1.660)
		10.094	**10.820**
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation reserves		2.709.690	974.703
		2.709.690	**974.703**
Other comprehensive income for the year, net of tax		**2.719.784**	**985.523**
Total comprehensive income for the year		**38.815.373**	**30.986.141**
Earnings per share			
Basic earnings per share	*12.*	**0,6**	**1,5**
Diluted earnings per share	*12.*	**0,6**	**1,5**
Adjusted Earnings before interest, tax, depreciation and amortisation (Adj EBITDA)	*38.*	**57.741.171**	**41.708.362**

*The comparative information is restated on account of correction of errors. See Note 37.
The notes on pages 68 to 140 are an integral part of the consolidated financial statements.

THEON INTERNATIONAL Advanced Optronics

Consolidated statement of changes in equity

For the year ended 31 December

in euro	*Note*	Share Capital	Legal Reserve	Other Reserves	Treasury Share Reserve	Foreign Exchange reserve	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 January 2022, as previously reported		**200.000**	**1.781.154**	**3.603.943**	**-**	**4.408.342**	**(31.304.588)**	**55.156.361**	**33.845.212**
Impact of correction of errors	*37.*	-	-	-	-	(3.358.850)	3.358.850	(567.421)	(567.421)
Restated* balance at 1 January 2022		**200.000**	**1.781.154**	**3.603.943**	**-**	**1.049.491**	**(27.945.738)**	**54.588.940**	**33.277.788**
Total comprehensive income for the year (restated*)									
Profit for the year		-	-	-	-	-	-	30.000.618	30.000.618
Other comprehensive income		-	-	-	-	(381.933)	(1.660)	1.369.116	985.523
Total comprehensive income for the year (restated*)		**-**	**-**	**-**	**-**	**(381.933)**	**(1.660)**	**31.369.734**	**30.986.141**
Transfer from retained earnings to legal reserves		-	884.880	-	-	-	-	(884.880)	-
Balance at 31 December 2022		**200.000**	**1.781.154**	**3.603.943**	**-**	**667.559**	**(27.947.398)**	**85.958.674**	**64.263.932**
Balance at 1 January 2023, as previously reported		**200.000**	**1.781.154**	**3.603.943**	**-**	**6.052.027**	**(33.331.866)**	**87.122.158**	**65.427.416**
Impact of correction of errors	*37.*	-	-	-	-	(5.384.468)	5.384.468	(1.163.484)	(1.163.484)
Restated* balance at 1 January 2023		**200.000**	**1.781.154**	**3.603.943**	**-**	**667.559**	**(27.947.398)**	**85.958.674**	**64.263.932**
Total comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	36.095.588	36.095.588
Other comprehensive income		-	-	-	-	1.863.147	10.341	846.296	2.719.784
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**1.863.147**	**10.341**	**36.941.884**	**38.815.373**
Transactions with owners of the Company									
Share capital increase	*25.*	400.000	-	-	-	-	-	(400.000)	-
Dividends	*25.*	-	-	-	-	-	-	(10.000.000)	(10.000.000)
Share buy-back	*35.*	-	-	-	(17.173.937)	-	-	-	(17.173.937)
Change in the present value of amounts owed for share buy-back	*35.*	-	-	-	1.452.140	-	-	-	1.452.140
Reallotment of treasury shares	*35.*	-	-	-	15.721.797	-	-	(15.721.797)	-
Total transactions with owners of the Company		**400.000**	**-**	**-**	**-**	**-**	**-**	**(26.121.797)**	**(25.721.797)**
Transfer from retained earnings to legal reserves		-	1.430.540	-	-	-	-	(1.430.540)	-
Balance at 31 December 2023		**600.000**	**1.781.154**	**3.603.943**	**-**	**2.530.706**	**(27.937.057)**	**96.778.762**	**77.357.508**

*The comparative information is restated on account of correction of errors. See Note 37.

The notes on pages 68 to 140 are an integral part of the consolidated financial statements.

THEON INTERNATIONAL Advanced Optronics

Consolidated statement of cash flows

For the year ended 31 December

in euro	*Note*	2023	2022 *Restated**
Cash flows from operating activities			
Profit for the year after tax		36.095.588	30.000.618
Adjustments for:			
Depreciation of tangible assets	*19.*	989.333	996.737
Depreciation of right of use assets	*33.*	353.178	295.897
Amortisation of intangible assets	*20.*	(72.427)	183.255
(Reversal of) / Impairment of receivables	*17.*	(59.476)	161.308
(Gains) / losses on disposal of tangible assets		(20.030)	(53.817)
Impairment of inventory		613.331	(263.238)
Amortization of grants	*29.*	(40.256)	(189.958)
Gain from valuation of forward contracts		(48.988)	-
Fair value (gains) / losses on financial assets at fair value through profit or loss		(58.633)	(77.048)
Dividend Income		(17.688)	(17.046)
Foreign Exchange (gain)/losses		2.881.444	1.001.124
(Gains) / losses on disposal of financial assets		(69.832)	-
Share of profit of equity-accounted investee, net of tax		(585.614)	-
Finance cost net		3.763.923	1.451.704
Tax expense		13.771.129	7.796.075
		57.494.982	**41.285.611**
Changes in:			
Inventories	*16.*	(30.205.219)	(19.507.670)
Prepayments		1.519.235	(1.933.069)
Trade and other receivables	*17.*	16.434.317	(54.699.441)
Trade and other payables	*30.*	24.598.871	11.387.276
Provision for staff retirement indemnities		36.294	(9)
Contract Liabilities		(20.997.097)	20.619.061
Cash generated (used in)/from operation activities		**48.881.383**	**(2.848.240)**
Income tax paid	*14.*	(11.278.027)	(3.653.841)
Interest paid		(2.341.760)	(637.674)
Net cash (used in) / from operating activities		**35.261.596**	**(7.139.755)**
Cash flows from investing activities			
Payments for tangible and intangible assets		(7.575.571)	(3.825.280)
Payments for acquisition of associates		(513.471)	(342.623)
Payments for financial assets at fair value		(147.923)	(45.425)
Proceeds from sale of tangible and intangible assets		20.031	193.598
Proceeds from sale of financial assets		530.636	-
Proceeds from sale of associates		45.425	-
Loans to related parties		-	(8.700.000)
Repayment of loans receivables		7.526.149	1.211.573
Dividends received		17.689	198.120
Interest received		310.181	(281)
Net cash flows (used in) / from investing activities		**213.147**	**(11.310.318)**
Cash flows financing activities			
Repayment of borrowings	*27.*	(72.948.581)	(26.231.374)
Proceeds from borrowings from financial institutions	*27.*	89.617.241	42.919.990
Proceeds from government grants		35.797	-
Outflows of lease liabilities	*33.*	(336.783)	(289.311)
Dividends paid	*25.*	(10.000.000)	-
Net cash flows (used in) / from financing activities		**6.367.674**	**16.399.305**
Net increase / (decrease) in cash and cash equivalents		**41.842.417**	**(2.050.768)**
Cash and cash equivalents at 1 January		24.035.135	26.096.448
Foreign exchange differences		(238.485)	(10.546)
Cash and cash equivalents balance at 31 December:	***18.***	**65.639.067**	**24.035.134**

*The comparative information is restated on account of correction of errors. See Note 37.

The notes on pages 68 to 140 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting entity

Theon International PLC (“The Company) together with its subsidiaries form the Group “Theon Sensors” (“The Group”).

Theon International PLC was incorporated in Cyprus on 10 August 2021 as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113, is domiciled in the country of its incorporation 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 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%)

The Group is a leading developer and manufacturer of customizable night vision, thermal imaging systems and Electro-Optical ISR systems for military and security applications in Europe with a global footprint. The Group was founded in 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, coupled with manufacturing facilities in Athens, Wetzlar and Plymouth. THEON's commercial presence extends to 68 countries, of which 24 are members of NATO, with almost 150.000 systems manufactured and sold as of 2023.

The Group is involved in the manufacture and trade of a large range of sensors, and in particular it manufactures night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment for defence and security applications.

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 advice and services to foreign and Greek companies.

The Group is today one of the market leaders in night vision systems for military and security applications, with production facilities and head offices in Athens.

The main product categories 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;

Notes to the consolidated financial statements

All products of the Group 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.

The Group also advises clients about the right system for them for the specific purpose and the mission profile and provides training services at all levels. Professional and full after-sales support is yet another key feature of the Group's international success, as it provides customised support and maintenance solutions.

All Group sensor systems are stringently checked following military standard testing procedures and using exacting quality assurance and quality control criteria. The Group maintains a Quality Management System, which complies with the requirements of standard EN ISO 9001:2015, an Environmental Management System as per standard EN ISO 14001:2015 and a Security System in the Supply Chain as per standard 28000:2007 with the following scope of certification: Planning, Manufacture and Trade of Electro-optical Systems and Sensors. Group manufacturing facilities and staff have NATO security clearance for defence projects.

For the acquisition of the share capital of Theon Sensors AG, the Group issued on 13 September 2021, 199.000 ordinary shares of €1,00 each in exchange for 204.082 issued and fully paid shares in Theon Sensors AG.

Until 19th September 2023, the Group was listed on the Emerging Companies Market of the Cyprus Stock Exchange. Thereafter, the Group delisted its' shares. It is noted that, on the same date, the Group'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.

On November 14, 2023, the Company's general shareholder meeting resolved to affect a share split of 1 to 100 and resolved to increase the share capital from €200.000 to €600.000 using Company retained earnings and at the same time reduce the nominal value per Share from €1,00 to €0,01, increasing the number of existing shares from 200.000 to 60.000.000.

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 affect an increase in the Company's share capital by up to €150.000 for the issuance of up to 15.000.000 Shares, excluding preemption rights for Existing Shareholders as of the date of this Prospectus, in connection with the Private Placement.

On November 23, 2023, the Company's general shareholder meeting resolved to 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 €60.000,10.

Notes to the consolidated financial statements

On February 7, 2024, the Group listed its shares on the regulated market of Euronext Amsterdam, achieving one of the first IPOs in Europe. A total of 15,4 million ordinary shares, consisting of 10 million newly issued ordinary shares and 5,4 million existing ordinary shares (including 1,4 million shares of the over-allotment option), were placed with institutional and private investors as part of the private placement. The total number of offer shares placed in the private placement corresponds to 22% of the share capital of the Group.

The Group debuted with issue price at €10,00 per share. During the first days of trading, the over-allotment option has been partially exercised, leading to a total number of shares placed in the private placement of 14,3 m, leaving a free-float below 21%. Post-IPO and until the moment of this publication the share price has had an upward trend and surpassed €13, fueled by the geopolitical instability, favorable release of initiation of coverage reports and announcement of new contracts.

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.

Operating environment of the Group

The Group assesses the impact of changes on the global economic environment on the markets in which it operates. The global macroeconomic and financial environment shows signs of improvement, however, there is still some uncertainty. The Group's Management assesses continuously the possible impact of any changes to the macroeconomic and financial environment in global level, in order to ensure that all the necessary action and measures are taken to minimise any effects on the Group's activities. Management considers that the projected increase in defense and security expenditure worldwide will have a positive impact on the Group's financial results in 2024.

The 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. The global energy crisis that started in 2021 is characterized by the ongoing energy shortage around the world, but also by the rapid increase in its prices, affecting countries in Europe and Asia. Greece was facing a significant increase in prices for all forms of energy. The Group was not significantly affected by the energy crisis in 2022 & 2023.

The Group does not operate in Ukrainian, Gaza, Yemen, nor does it have a large exposure to commodities affected by the crisis in Yemen, Ukraine, and Gaza (such as energy or agriculture, so its financials have not been affected. In any case, because this is an ongoing event, management is monitoring developments and is ready to take the necessary measures if necessary. Especially given the risks the Red Sea crisis is throwing Yemen, the Group is not exposed to any Supply risk. It continuously assesses the situation and its possible impact and promptly takes all the necessary and effective measures and actions to minimize any impact on its business.

2. Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Company Law, Cap. 113. They were authorised for issue by the Company's Board of Directors on 19 April 2024.

Notes to the consolidated financial statements

3. Basis of measurement

The consolidated financial statements have been prepared in accordance with the historical cost or deemed cost principle except provision for staff retirement indemnities, lease liabilities which are measured at present value and other financial assets which are measured at fair value, keeping each year separate, ensuring uniform presentation.

Going concern

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 of the approval of the financial statements.

Management considers that the financial statements can safely be prepared on a going concern basis, since there are no major uncertainties in relation to the Group's ability to continue to operate in the foreseeable future.

4. Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Group's functional currency. All amounts have been rounded up to no decimals, unless otherwise indicated.

5. Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 December 2023 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.

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 6.

The consolidated Statement of Financial Position on 31 December 2023 and the Profit or Loss and Other 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 because of this restructuring.

Therefore, the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income on 31 December 2023 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

Notes to the consolidated financial statements

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 “merger reserve” in the reserves.

6. Use of judgements and estimates

In preparing these consolidated financial statements, Management has exercised judgement and used accounting 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.

a. Judgment

In preparing these 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 and they are as follows:

Net realisable value of inventories

The Group uses its judgment derived from its experience in the industry in which it operates to make the best estimate of future selling prices of its inventory. On a consistent basis, the current selling prices prevailing just before and after the date of the Consolidated Financial Statements are used as the basis for making estimates unless there is certainty that the inventories at the date of the Financial Statements will be disposed of at predetermined dates in the future with the result that the estimated selling prices at those dates are used to make the relevant calculations.

b. Assumptions and estimation uncertainties

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 risk of causing significant changes in the amounts of assets and liabilities within the next fiscal year are presented below.

Notes to the consolidated financial statements

Provision for doubtful debts

The allowance for expected credit losses for trade receivables and contract assets are calculated at individual level when there is an indication of impairment. For receivables and contract assets without any indication of impairment the expected credit losses are based on historical data combined with forward-looking macroeconomic factors affecting credit risk, such as country risk. Expected loss rates are updated at every reporting date. Details of the key assumptions and inputs used are disclosed in Note 36, Credit risk section.

7. Material accounting policies

a. Consolidation

Business combinations

The acquisition method of accounting is used to account for all business combinations when all the activities and assets acquired meet the definition of a business and control is transferred to the Group. To determine whether a particular set of activities and assets constitutes a business, the Group assesses whether the set of assets and activities acquired includes at least one input and a substantive process and whether the processes applied to those inputs have the ability to contribute to the creation of outputs. The Group has the option to apply on a transaction level a "concentration control" that allows a simplified assessment of whether an acquired set of activities and assets is not a business. This optional "concentration control" is met if substantially all the fair value of the gross assets acquired is aggregated into a single identifiable asset or a set of similar identifiable assets. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the interest rate at which the Group could borrow from an independent source under corresponding terms and conditions (incremental borrowing rate). The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business, the equity interests issued by the group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing equity interest in the subsidiary. The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. Any goodwill arising is checked annually for impairment. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Transaction costs are expensed when incurred, unless related to the issuance of bonds or equity securities.

The price does not include amounts related to any pre-existing relationship settlement. These amounts are generally recognized in the results. Any price payable by the Group is initially recognized at its fair value at the date of acquisition and is categorized either in equity or as a financial liability. Amounts that have been classified as a financial liability are reassessed at fair value and any changes are recognized in profit or loss. There is no subsequent measurement for amounts that have been recorded in equity.

Notes to the consolidated financial statements

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or entitled to variable returns from its involvement with the entity and has the ability to influence those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated (full consolidation) from the date on which control is transferred to the group and are deconsolidated from the date that such control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Eliminations

Transactions between Group companies, balances and unrealized gains and losses (excluding foreign exchange gains and losses) related to transactions between Group companies are eliminated. Also unrealized losses and unrealized gains are eliminated, but only to the extent that there is no indication of impairment.

b. Foreign currency

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Group companies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising from the settlement of such transactions during the period and the translation of monetary items denominated in foreign currencies at year end exchange rates are recognized in profit or loss. Non-monetary items denominated in foreign currencies and valued at historical cost are translated at the exchange rates ruling at that date. Non-monetary items denominated in foreign currencies and valued at fair value are translated at the exchange rates ruling at the dates of the fair value when the fair value was determined. In this case, the resulting exchange differences from the change in fair value are recognised in profit or loss or directly in other comprehensive income, depending on the item.

Notes to the consolidated financial statements

Business activities abroad

The assets and liabilities of the companies participating in the consolidation and which are initially presented in a currency other than the presentation currency of the Group have been translated into euro at the closing rate of the balance sheet date. Income and expenses are translated into the Group's presentation currency at the average exchange rates during the reporting period (unless the average exchange rate is a reasonable approximation of the cumulative effect of the exchange rates prevailing at the dates of the transactions, in which case the income and expenses are translated at the exchange rates prevailing on the dates of the transactions). All resulting exchange differences are recognised in other comprehensive income and cumulatively in the foreign currency balance sheet reserve of the net position except for the portion of those differences allocated to non-controlling interests, when any. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

c. Property, plant and equipment

Tangible assets are measured at historical cost less accumulated depreciation and any impairment loss, apart from the plots/lots category which is measured at historical cost less any impairment losses.

The historical cost of tangible assets includes all expenses directly associated with acquisition of the tangible assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are 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 calculated using the straight-line method over the useful life of the assets.

The useful life of each asset category is presented below:

Asset category	Useful life
Buildings	25 years
Machinery and equipment	10 years
Motor vehicles	6,2 to 8,3 years
Fixtures and fittings	5-10 years
Computers	2-5 years

The residual values and useful lives of tangible assets are re-examined and adjusted at the end of each reporting 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 written down to the recoverable amount.

Notes to the consolidated financial statements

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 proceeds from sale and the carrying amount and included in profit or loss.

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.

d. 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 Group either to earn rentals or for capital appreciation or both and are not used in commercial or other activities of the Group. Investment property is measured at cost less accumulated depreciation and impairment.

Repairs and maintenance are recognised in the period in which they are incurred. Significant subsequent expenditure is capitalised if they result in an increase in the useful life of the property, enhance its productive capacity, or reduce operating costs. Transfers of property from the category of investment property shall be made only when there is a change in use, evidenced by the commencement of the Group's own use or the commencement of the development with the intent to sale. Where the carrying amount of an asset is greater than its recoverable amount, the value of the asset is adjusted to the recoverable amount.

The useful life of the investment property is 25 years.

e. 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 amortised 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 amortised over that period. Such assets without a usage period specified in contract are amortised based on estimated useful economic life.

Notes to the consolidated financial statements

The useful life and amortisation 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 amortization cost of intangible assets is recognised in the income statement.

Amortisation of all intangible assets is calculated 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. Useful life is as follows:

Asset category	**Useful life**
Other intangibles	10 years
Internally generated intangibles	5-10 years
Contractual specified	1 year

f. 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 carrying amount may no longer be recoverable. An impairment loss is recognised in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

For the purposes of impairment testing, assets are grouped together in the lowest category for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The recoverable value of assets is either the fair value of asset less sale costs or the value in use, whichever is higher.

Notes to the consolidated financial statements

g. Leases

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.

Notes to the consolidated financial statements

h. Inventories

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 goods and work in progress 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.

i. Trade accounts receivable

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 course of business 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, and subsequently measured at amortised cost using the effective interest rate method, less impairment losses. The Group shows any unreserved rights over the consideration of contracts with customers separately as a trade receivable.

j. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, short-term, up to 3 months from the date of acquisition, investments and term deposits, highly liquid and zero risk.

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

k. 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.

l. Loans and borrowings

Loan obligations are initially recognised at fair value, net of transaction costs incurred (bank charges and bank or third-party commission). In subsequent periods, the loan obligations are measured at amortised cost 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 liability for at least 12 months after the reporting date.

Notes to the consolidated financial statements

m. Income tax

Tax for the period consists of current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates 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, respectively.

Income tax is calculated based on the tax laws adopted or substantively adopted at the end of the reporting period in the countries where the Group and its subsidiaries operate and generate taxable income. 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.

n. Deferred tax

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.

Notes to the consolidated financial statements

o. Employee benefits

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 apart from the statutory social security schemes which are mandatory by the laws.

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.

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 €, 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.

Notes to the consolidated financial statements

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 end of the reporting period are discounted at present value.

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.

p. Government grants

Government grants are recognised at 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 as income in the period in which the subsidised expenses are incurred.

Government grants relating to the purchase of tangible assets are included in the non-current liabilities as deferred income grants and credited to profit or loss on a straight-line method over the expected useful life of the relevant assets.

Subsequent to initial recognition, state grants are depreciated by transfer to the 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.

Notes to the consolidated financial statements

q. Provisions

Provisions are liabilities where the time or amount is uncertain.

Provisions are recognised when there is a present legal or presumed commitment because 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, in 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.

r. Revenue recognition

Revenue from contracts with customers

The Group's revenues derive from A) the sale of night vision systems, thermal systems (thermal sights), other innovative electro-optical equipment and equipment for application to Defense and Security, and B) the provision of training / maintenance services related to the above sales.

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 to the consolidated financial statements

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 consideration amount 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). Receivable from the customer is recognized when there is an unconditional right for the entity to receive the consideration for the performed obligations of the contract to the customer.

The Group has determined that sales of night vision, thermal and other equipment is a distinct performance obligation. The Group has concluded that revenue from the sale of products meets the criteria to be recognized at a particular point in time since it does not meet the recognition criteria to recognized over time. Transaction price is determined in the contract and it does not include variable consideration.

The Group does not enter 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. Sales Invoices are issued the date that products are shipped to customer locations and they are generally payable between 0 and 120 days.

Revenue from training and maintenance services is a distinct performance obligation where revenue is recognized over time since the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. The transaction price is determined in the contract, and it does not include variable consideration. Progress is determined based on the cost-to-cost method.

The Group does not provide volume discounts to customers.

The Group provides warranty for its products and has assessed that the warranty is not a separate performance obligation since it is assurance warranty in order products to comply with agreed upon specifications. As a result, provision for warranty is accounted in accordance with IAS 37.

Contract assets

A contract assets is recognized when a performance obligation is satisfied, meaning the work is complete and revenue has been recognized, but the payment remains conditional on the entity’s future performance.

Contract liability

A contract liability is recognised if a payment is received or a payment is due – whichever is earlier – from a customer before Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract (i.e., transfers control of the related goods or services to the customer).

Notes to the consolidated financial statements

s. Dividend distribution

Dividends to shareholders are recognised as a liability for the period in which Management's proposal for distribution is approved by the annual Ordinary General Meeting of Shareholders.

t. Financial assets and financial liabilities

Classification and initial measurement

At initial recognition financial assets are classed in two categories, one where valuation is done at the amortised cost 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:

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;

The characteristics of the instruments' contractual cash flows.

In order for a financial instrument to be classed as valued at amortised cost, 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:

- financial assets valued at amortised costs (primarily non-interest-bearing receivables from customers) and
- financial assets valued at fair value through profit and loss (primarily investments in equity instruments for profit)

The following rules apply to these categories:

Financial assets valued at amortised cost (loans and receivables)

Notes to the consolidated financial statements

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 amortised cost 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.

Financial assets at fair value through profit and loss

This category includes financial assets:

- 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
- which do not meet the classification criteria for some other category
- 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.

Financial liabilities valued at amortized cost

These liabilities bear interest using the effective interest rate method.

This category includes liabilities to credit institutions and customers.

Impairment of financial assets

When the Consolidated financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables.

At the end of each period for which the Consolidated 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.

Notes to the consolidated financial statements

If in a subsequent period, the impairment figure is reduced, 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:

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;

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;

Stage 3: includes non-performing/impaired credit facilities. In this stage, expected credit risk losses are recognised over the instrument's entire life;

The Group defines significant increase in credit risk for financial assets whose balance of receivables is past due by more than 180 days, there are no guaranteed, there is not commitment of payment close after the year end, they are not receivables where final customer are governments and transnational organizational or receivables from foreign countries past due 180 days are political & economical instability. The Group defines default of trade receivables for customers whose balance of receivables is past due by more than 360 days, and there are no guarantees since the entity's final customers are mainly government or transnational organizations with remote risk of default. 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;
- the Group's write off policy is when it has exhausted its legal actions against the customers.

Notes to the consolidated financial statements

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 or the maximum amount the Group may be called to pay, whichever is lower. The Group's write off policy is when it has exhausted its legal actions against its customers.

Derecognition of financial liabilities

Financial liabilities cease 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.

u. Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. The Group considers that a time of over 4 months is an extensive time period.

All other borrowing costs are expensed as incurred. Borrowing costs consist of the interest and other costs that an entity incurs in connection with the borrowing of funds.

v. Trade accounts payable

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.

w. Derivatives and hedge accounting

The Group holds derivative financial instruments to hedge cash flows and fair value. Derivatives include futures to hedge the financial risk arising from changes in the exchange rate with foreign currencies (mainly USD).

Notes to the consolidated financial statements

The results from the settled operations of financial risk Management are recognized through profit or loss when they are realized (foreign currency contracts). Derivatives are initially and subsequently recognized at their fair value. The method by which profits and losses are recognized depends on whether derivatives are designated as a fair value or cash flow hedging instrument. Derivatives are recognized when the transactions entered into by the Group as hedges for the fair value of receivables, liabilities or commitments (fair value hedges) or very probable transactions (cash flow hedges).

When entering into transactions the Group records the proportion between hedged assets and hedging assets and the relevant financial risk Management strategy. When entering into the contract and thereafter the estimate is recorded about the high effectiveness of hedging both for fair value hedges and for cash flow hedges. As for future transaction hedging, the probability to complete the transaction is substantiated.

Fair value hedging

Changes in the fair value of derivatives which are defined as fair value hedges are posted through profit or loss as are the changes in the fair value of the hedged assets which are attributed to the risk offset.

Cash Flow hedges

The effective proportion of the change in the fair value of derivatives defined as cash flow change hedges is posted to an Equity Reserve. The gain or loss on the non-effective proportion is posted through profit or loss. The amounts posted as an Equity Reserve are carried forward to the results of the periods where the hedged assets affect profits or losses. In cases of hedging forecast future transactions which result in recognition of a non-monetary asset (e.g., inventory) or liability, profits or losses which had been posted to equity are carried forward to acquisition cost of the non-financial asset generated.

When a hedging instrument matures or is sold or when the hedging proportion no longer meets the hedge accounting criteria, the profits and losses accrued to Equity remain as a reserve and are carried forward to the results when the hedge affects profits or losses. In the case of a hedge on a forecast future transaction which is no longer expected to be realized, the profits or losses accrued to Equity are transferred to the statement of profit or loss.

x. Earnings per share

Earnings per share are calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares. There were no bonds convertible into shares or other potential securities convertible into shares that are less profitable during the reporting period, and therefore no diluted earnings per share have been calculated.

y. Expenses

Expenses are recognized in the income statement on an accrued basis. Interest expenses recognized on an accrual basis.

Notes to the consolidated financial statements

z. Share buy back

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity (Treasury Share Reserve). Repurchased shares are classified as treasury shares and are presented in the Treasury Share Reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in Treasury Share Reserve and the resulting surplus or deficit on the transaction is presented within retained earnings.

8. Adoption of new Standards, Interpretations, Revisions and Amendments to existing Standards by the European Union (EU)

From 1st January 2023 the Group has adopted all amendments in IFRS as these were adopted by the European Union ("EU") which relate to its operations. These Amendments and Interpretations did not have a significant impact on the financial statements of the Group.

The following Standards, amendments and interpretations have been issued from International Accounting Standards Board (IASB), have been adopted by the EU and they are effective from annual periods beginning on or after 1st January 2023.

a. New Standards, Interpretations, Revisions and Amendments to existing Standards adopted by the EU

- **IAS 1 Presentation of Financial Statements (Amendments): Classification of Liabilities as Current or Non-current and Non-current Liabilities with covenants** (effective for annual periods beginning on or after 1 January 2024)

In 2020, the IASB has amended IAS 1 to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Similar to existing requirements in IAS 1, the classification of liabilities is unaffected by management's intentions or expectations about whether the Group will exercise its right to defer settlement or will choose to settle early.

On 31 October 2022 the IASB issued further amendments to IAS 1 i.e. Non-current liabilities with covenants. The new amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The amendments clarify that only covenants with which a Group must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the Group must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a Group classifies a liability that can be settled in its own shares (e.g. convertible debt). When a liability includes a counterparty conversion option that involves a transfer of the Group's own equity instruments, the conversion option is recognised as either equity or a liability

Notes to the consolidated financial statements

separately from the host liability under IAS 32 Financial Instruments: Presentation. The IASB has now clarified that when a Group classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity. Companies may have interpreted the existing IAS 1 requirements differently when classifying convertible debt. Therefore, convertible debt may become current.

- **IFRS 16 *Leases* (Amendments): Lease Liability in Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024)
  The IASB has issued amendments to IFRS 16 *Leases*, which add to requirements explaining how a Group accounts for a sale and leaseback after the date of the transaction. A sale and leaseback is a transaction for which a Group sells an asset and leases that same asset back for a period of time from the new owner. IFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place. However, IFRS 16 had not specified how to measure the transaction when reporting after that date. The amendments issued in September 2022 impact how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction.

  The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale and leaseback transactions entered into since 2019.

  The amendments confirm the following: (1) On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction. (2) After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

b. Standards, Interpretations, Revisions and Amendments to existing Standards not endorsed by the EU

The following New Standards, Amendments and Interpretations have been issued by the International Accounting Standards Board (IASB) but are not yet effective for annual periods starting 1st January 2023.

- **IAS 7 *Statement of Cash Flows* (Amendments) *and IFRS 7 Financial Instruments:* Disclosures (Amendments) – Supplier Finance Arrangements** (effective for annual periods beginning on or after 1 January 2024)
  The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – to enable the users of the financial statements in understanding and assessing the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk as well as the impact to the entity if supplier finance arrangements were no longer available.

  The amendments do not define the supplier finance arrangements. Instead, the amendments describe the characteristics of an arrangement for which an entity is required to provide the information. Specifically, all the following characteristics should apply:
  - a finance provider pays amounts that the entity owes to its suppliers;
  - the entity agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid; and
  - the entity is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

Notes to the consolidated financial statements

- **IAS 21** ***The Effects of Changes in Foreign Exchange Rates (*****Amendments): Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2025)
  The amendments, as issued in August 2023, aim to clarify when a currency is exchangeable into another currency and how a Group estimates a spot rate when a currency lacks exchangeability. According to the amendments, a currency is exchangeable into another currency when a Group is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable at the measurement date, the Group will be required to estimate a spot rate as the rate that would have been applied to an orderly exchange transaction between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate, but they set out a framework under which an entity can determine the spot rate at the measurement date using an observable exchange rate without adjustment or another estimation technique.

  Companies will be required to provide also new disclosures to help users assess the impact of a currency not being exchangeable to the entity's financial performance, financial position, and cash flows. To achieve this objective, entities will disclose information about the nature and financial impacts of a lack of exchangeability, the spot exchange rate(s) used, the estimation process and risks to the Group because the currency is not exchangeable.

- **IFRS 10** ***Consolidated Financial Statements*** **(Amendments) and IAS 28** ***Investments in Associates and Joint Ventures*** **(Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (effective date postponed indefinitely; early adoption continues to be permitted)
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (as defined in IFRS 3). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.
  The Boad of Directors expects that the adoption of these standards or interpretations in future periods will not have material effect on the consolidated financial statements.

Notes to the consolidated financial statements

9. Revenue

a. Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major products and timing of revenue recognition.

For the year ended 31 December *in euro*	**2023**	**2022** ***Restated****
Primary geographic markets		
Europe	178.679.985	92.913.957
Asia	22.127.515	22.714.495
Americas	17.904.379	27.126.465
Africa	-	73.380
Oceania	11.025	66.463
	218.722.904	**142.894.760**
Major product categories		
Night	202.674.167	126.527.039
Thermal	12.233.656	13.015.333
Misc	1.699.175	688.523
Other	2.115.906	2.663.865
	218.722.904	**142.894.760**
Timing of revenue recognition		
Products transferred at a point in time	218.128.624	137.505.351
Products and services transferred over time	594.280	5.389.409
	218.722.904	**142.894.760**
Revenue from contracts with customers	218.722.904	142.894.760
	218.722.904	**142.894.760**
Total Revenue	**218.722.904**	**142.894.760**

3 European customers (23%, 14% and 12% respectively) individually comprise more than 10% of total revenue in 2023 regarding Night vision products (2022: 2 European customers accounting for 18% and 10% respectively for Night vision contracts as well).

The Group has two divisions which are night and thermal divisions. Segmentation is based on the fact that the above range of products are managed separately, relevant devices have different technologies, characteristics, and components (tubes/sensors), specifically, night vision products have image intensification technology and thermal products have thermal imaging technology.

The Group has outstanding customer orders records (backlog) which amount to €192,3 million as of 31.12.20223 (31.12.2022: €253m), which are expected to be executed and recognized in revenue during the years 2024 & 2025.

Notes to the consolidated financial statements

b. Contract balances

in euro	2023	2022 Restated*
Receivables which are included in trade accounts receivable	46.087.790	67.996.704
Contract Liabilities	(5.240.112)	(26.237.209)
Total	**40.847.678**	**41.759.495**

Analysis and movement of contract liabilities:

in euro	Client down payments	Deferred income	Total
Balance as at 1 January 2022 as restated	**5.618.148**	**-**	**5.618.148**
Revenue recognised	(5.618.148)	-	(5.618.148)
New contract liabilities outstanding at year end	20.456.989	5.780.220	26.237.209
Balance as at 31 December 2022 as restated	**20.456.989**	**5.780.220**	**26.237.209**

in euro	Client down payments	Deferred income	Total
Balance as at 1 January 2023	**20.456.989**	**5.780.220**	**26.237.209**
Revenue recognised	(16.297.102)	(5.780.220)	(22.077.322)
New contract liabilities outstanding at year end	957.051	123.172	1.080.223
Balance as at 31 December 2023	**5.116.938**	**123.172**	**5.240.110**

10. Income and expenses

a. Other income

in euro	2023	2022
Subsidies received	370	1.974
Unused provisions	-	130.720
Various revenues from sales	11.026	91.549
Revenue from disposal of property, plant and equipment	20.030	53.517
Income from rent	119.700	135.106
Other income	345.515	1.073.550
Total	**496.641**	**1.486.416**

Regarding 2022, €735.000 relates to the reversal of sales commissions.

Notes to the consolidated financial statements

b. Other expenses

in euro	**2023**	**2022**
Taxes and duties	(1.247)	(3.536)
FX differencies	-	8.964
Prior years' expenses	(65.439)	(55.278)
Other expenses	(25.466)	(301.481)
Total	**(92.152)**	**(351.331)**

c. Expenses by nature

in euro	**2023**	**2022** *Restated**
Change in inventories	(130.142.070)	(78.215.503)
Employee wages and salaries and other benefits	(10.320.191)	(7.559.137)
Third party remuneration and expenses	(16.243.688)	(10.824.374)
Taxes & duties	(121.177)	(160.654)
Depreciation & amortisation	(1.270.084)	(1.475.887)
Foreign exchange losses / (gains)	107.405	(617.678)
Sundry expenses	(3.138.056)	(3.029.410)
Provisions	(5.356)	(20.339)
Transportation expenses	(1.184.415)	(1.052.867)
Travelling expenses	(1.072.190)	(841.521)
Total cost of sales, administrative, selling and distribution and research and development expenses	**(163.389.822)**	**(103.797.370)**

The independent auditors' remuneration regarding the statutory audits of the annual financial statements amounted to €232.089 (2022: €68.854). Non audit services provided totaled €265.440 (2022: €22.690).

Third-party remuneration and expenses mainly consist of production subcontracting fees and sales commissions paid to agents.

Sundry expenses mainly comprise utilities, repair and maintenance fees, insurance fees, car fleet costs, hospitality and advertising expenses.

Notes to the consolidated financial statements

Staff costs

in euro	**2023**	**2022**
Salaries	7.555.270	5.374.332
Employer's contributions	1.673.295	1.229.112
Insurance	111.972	89.805
Staff leaving indemnity	23.322	19.645
Other benefits	1.296.284	1.055.396
DnD Capitalisation	(339.952)	(209.153)
Total	**10.320.191**	**7.559.137**

The Group employed 272 employees on average in 2023, while the respective amount was 213 throughout 2022.

11. Net finance costs

For the year ended 31 December

in euro	***Note***	**2023**	**2022**
Bank deposit receipts		297.831	(281)
Dividends received		-	17.046
Gain from sales of financial asset		188.899	-
Foreign exchange gains		182.039	-
Other financial income		12.350	-
Finance income		**681.119**	**16.765**
Interest on long-term loans	*27.*	(217.263)	(165.603)
Interest on short-term loans	*27.*	(2.264.423)	(644.534)
Foreign exchange losses		(3.063.483)	(1.001.124)
Other finance expenses		(1.557.384)	(608.928)
Interest on lease liabilities	*33.*	(35.034)	(32.358)
Finance expenses		**(7.137.587)**	**(2.452.547)**
Net finance costs recognised in profit or loss		**(6.456.468)**	**(2.435.782)**

12. Earnings per share

a. Profit for the year after tax

		Restated*
in euro	**2023**	**2022**
Profit for the year after tax	36.095.588	30.000.618

Notes to the consolidated financial statements

b. Weighted – average number of ordinary shares (basic and diluted)

	2023	2022
Issued ordinary shares 1st January	200.000	200.000
Issued ordinary shares 14th November	400.000	-
	600.000	200.000
Share split from €1 to €0,01 14th November	60.000.000	20.000.000
Weight average number of ordinary shares at 31 December	**60.000.000**	**20.000.000**
Earnings per share	**0,6**	**1,5**

During 2023, the number of ordinary shares outstanding increased as a result of a share split. Therefore, the calculation of basic and diluted earnings per share for all periods presented was adjusted retrospectively.

On November 14, 2023, the Group's general shareholder meeting resolved to affect a share split of 1 to 100 and resolved to increase the share capital from €200.000,00 to €600.000,00 using Group retained earnings and at the same time reduce the nominal value per Share from €1,00 to €0,01, increasing the number of existing shares from 200.000 to 60.000.000.

13. Employee benefits

a. Actuarial assumptions

in euro	2023	2022
Discount rate	3,0%	3,5%
Future salary growth	2,4%	2,4%
Inflation rate	2,1%	2,2%

Longevity	EVK 2000
Incapability	EVK 2000 * 50%
Retirement age	62

The defined benefits liabilities derive from the requirements of Law 2112/1920 as modified by Law 4093/2012. According to decision adopted in May 2021 by the IFRS Interpretations Committee differentiates the way in which the Basic Principles of IAS 19 were applied in Greece.

The application of this final decision to the attached consolidated Financial Statements results in the distribution of benefits over the last 16 years until the retirement date of the employees following the scale of Law 4093/2012. Law 4808/2021 equates the compensation of salaried employees with salaried employees.

Notes to the consolidated financial statements

b. Defined benefit liability

The employee benefits analysis of the Group is the following:

in euro	**2023**	**2022**
Balance at 1 January	**162.026**	**162.035**
Included in Profit or Loss		
Current service cost	52.837	29.725
Interest cost	5.316	1.094
	58.153	30.819
Included in Other comprehensive income		
Actuarial loss / (gain) arising from:		
Financial assumptions	3.676	(13.663)
Experience adjustment	(3.359)	(2.338)
	317	**(16.001)**
Other		
Benefits paid	(22.176)	(14.827)
Balance at 31 December	**198.320**	**162.026**

The actuarial estimate of obligations has been prepared in accordance with the relevant legislation contained in 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 Group, taking into account the pay on the date of departure.

Compensation for retirement is not funded from special funds.

The Group has not developed a special benefits plan for employees other than those specified in the relevant legislation, to be used for the payment of benefits to all employees who leave the Group.

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 2022 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.

c. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

Notes to the consolidated financial statements

	Increase		*Decrease*	
in euro	**2023**	**2022**	**2023**	**2022**
Discount rate (0,5% movement)	176.213	148.122	183.091	153.216
Future salary growth (0,5% movement)	183.094	153.232	176.179	148.083

14. Income taxes

The Group's income tax differs from the theoretical amount that would result using the current tax rate on the Group's results. The difference is as follows:

According to the Swiss Federal Tax Administration, Theon AG paid the amount of €1.457.391 as withholding tax on dividends paid to Theon PLC.

Regarding the Greek Subsidiary "Theon Sensors SA": ("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 Group's income tax differs from the theoretical amount that would result using the current tax rate on the Group's results. The difference is as follows:

in euro	**2023**	**2022** *Restated**
Current tax	(13.244.295)	(8.421.821)
Deferred tax	(583.581)	421.200
Previous year's tax expense	56.747	204.546
Tax Expense	**(13.771.129)**	**(7.796.075)**

Reconciliation of effective tax rate

in euro		**2023**		**2022** *Restated**
Profit before tax		**49.866.717**		**37.796.693**
Tax rate using the Group's domestic tax rate	**40,4%**	(20.161.579)	**26,7%**	(10.093.414)
Deductible temporary diffs (no DT recognition)		(192.450)		1.298
Expenses not recognised for tax purposes	**(16,1%)**	8.050.599	**(5,6%)**	2.100.453
Prior year income tax	**(0,1%)**	56.747	**(0,5%)**	204.546
Reversal of prior year deferred tax	**0,1%**	(50.781)		-
Other movements		(16.274)		(8.958)
Overseas taxes	**2,9%**	(1.457.391)	**-**	-
Tax Expense		**(13.771.129)**		**(7.796.075)**
Effective tax rate	**27,6%**		**20,6%**	

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

Notes to the consolidated financial statements

provisions of Article 65A of Law No. 4174/2013). Tax compliance certificate for the year ended 31 December 2023 is still in progress and expected to be completed within 2024.

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. Additionally, 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%***

15. Deferred tax

2022 Restated*

		Recognised in			Balance at 31 December	
in euro	**Net balance at 1 January**	**PnL**	**OCI**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Trade receivables	34.828	281.290	-	**316.118**	316.118	-
Leases liabilities	241.286	(47.337)	-	**193.949**	193.949	-
Right of use assets	(234.672)	48.848	-	**(185.824)**	-	(185.824)
Derivatives	7.740	(16.951)	-	**(9.211)**	-	(9.211)
Employee benefits	32.091	4.562	(3.520)	**33.133**	33.133	-
Deferred income	160.042	168.121	-	**328.163**	328.163	-
Trade payables	(27.209)	(56.420)	-	**(83.629)**	-	(83.629)
Other items	(17)	39.087	-	**39.070**	39.070	-
Net tax assets (liabilities)	**214.089**	**421.200**	**(3.520)**	**631.769**	**910.433**	**(278.664)**

Notes to the consolidated financial statements

2023		Recognised in		Balance at 31 December		
in euro	Net balance at 1 January	PnL	OCI	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-	(131.680)	-	**(131.680)**	-	(131.680)
Trade receivables	316.118	(288.610)	-	**27.508**	27.508	-
Leases liabilities	193.949	(12.698)	-	**181.251**	181.251	-
Right of use assets	(185.824)	16.168	-	**(169.656)**	-	(169.656)
Derivatives	(9.211)	(1.566)	-	**(10.777)**	-	(10.777)
Inventories	-	125.704	-	**125.704**	125.704	-
Employee benefits	33.133	6.301	70	**39.504**	39.504	-
Provision / accruals	-	44.537	-	**44.537**	44.537	-
Deferred income	328.163	(328.163)	-	**-**	-	-
Trade payables	(83.629)	40.044	-	**(43.585)**	-	(43.585)
Other items	39.070	(53.618)	-	**(14.548)**	-	(14.548)
Net tax assets (liabilities)	**631.769**	**(583.581)**	**70**	**48.258**	**418.504**	**(370.247)**

16. Inventories

	2023	2022
in euro		***Restated****
Finished goods and work in progress	16.578.514	12.284.889
Raw materials and various materials	41.157.191	18.900.712
Raw materials and various materials in transit	5.877.757	2.835.973
Inventories	**63.613.462**	**34.021.574**

In 2023, inventories of €130,1m (2022: €78,2m) were recognized as an expense during the year and are included in Cost of Sales.

During the year ended 31 December 2023, the Group wrote down finished goods inventory by €915.637 (2022: €302.305). The write-down was included in cost of sales in the consolidated financial statement of profit or loss.

The increase in inventories is due to increased demand for the Group’s products.

Notes to the consolidated financial statements

17. Trade accounts receivable and other receivables

in euro	2023	2022 *Restated**
Trade accounts receivable	46.606.320	68.574.710
Provision for doubtful debts	(518.530)	(578.006)
Total trade accounts receivable	**46.087.790**	**67.996.704**

in euro	2023	2022 *Restated**
V.A.T. and other receivables	1.457.415	2.497.593
Prepaid expenses	1.960.303	879.481
Other short-term receivables	7.562.248	1.715.689
Total other receivables	**10.979.966**	**5.092.763**
Total trade and other receivables	**57.067.756**	**73.089.467**

The "Other short-term receivables" account includes amounts relating to income tax credit, VAT credit, amounts blocked for imports (cash guarantees) and various balances from miscellaneous debtors in euro. In addition, other short-term receivables amounting to €5.982.684 relate to qualifying costs attributable to the issue of share capital that took place after the year end.

The overall provision for impairment of trade accounts receivable as at 31 December 2023 stood at €518.530 (2022: €578.006) and relates to additional provisions for customers whose balance of receivables was past due by more than 360 days.

in euro	2023	2022 *Restated**
Balance as at 1 January	**(578.006)**	**(416.697)**
Impairment loss recognized	-	(161.309)
Impairment loss reversed	59.476	-
Balance as at 31 December	**(518.530)**	**(578.006)**

Notes to the consolidated financial statements

18. Cash and cash equivalents

in euro	2023	2022
Cash in hand	37.894	9.553
Cash at banks	65.601.173	24.025.581
Total	**65.639.067**	**24.035.134**

The Group has further enhanced its already solid cash position, as part of the realisation of the increased revenue, coupled with the inflows stemming from bank loans.

Cash equivalents in the cash flow statement include only cash and sight deposits. No short-term highly liquid investments, demand deposits and/or bank overdrafts are included as at 31 December 2023.

in euro	2023	2022
AAA	74.861	76.598
Aa1	2.085	2.156
AA-	6.653.542	14.875.271
A+	380.113	159.910
BB+	8.895.594	1.538.188
BB	54.851	189.175
BB-	48.720.335	7.109.041
n/a	819.792	75.242
Total	**65.601.173**	**24.025.581**

The credit score of each bank was obtained by Standard & Poor's (as displayed in each bank's website).

Notes to the consolidated financial statements

19. Property, plant and equipment

a. Reconciliation of carrying amount

in euro	Land	Buildings	Machinery and equipment	Motor vehicles	Fixtures and fittings	Under construction	Total
Cost							
Balance at 1 January 2022	1.055.447	5.804.669	5.567.323	301.889	3.553.048	43.000	16.325.376
Additions	-	1.711.454	781.634	339.513	663.336	24.000	**3.519.937**
Transfers	-	-	(6.450)	-	(111.042)	(24.000)	**(141.492)**
Disposals	-	-	-	-	(1.139)	-	**(1.139)**
Balance at 31 December 2022	**1.055.447**	**7.516.123**	**6.342.507**	**641.402**	**4.104.203**	**43.000**	**19.702.682**
Balance at 1 January 2023	1.055.447	7.516.123	6.342.507	641.402	4.104.203	43.000	19.702.682
Additions	-	2.478.948	1.097.857	105.558	1.071.861	2.247.997	**7.002.221**
Transfers	-	688.540	-	-	-	-	**688.540**
Disposals	-	-	(91.401)	-	(441)	-	**(91.842)**
Balance at 31 December 2023	**1.055.447**	**10.683.611**	**7.348.963**	**746.960**	**5.175.623**	**2.290.997**	**27.301.601**
Accumulated depreciation and impairment losses							
Balance at 1 January 2022	-	2.422.743	3.181.787	130.898	2.471.222	-	8.206.650
Depreciation	-	209.183	434.614	11.000	278.651	-	**933.448**
Disposals	-	-	-	(73.304)	(1.135)	-	**(74.439)**
Balance at 31 December 2022	**-**	**2.631.926**	**3.616.401**	**68.594**	**2.748.738**	**-**	**9.065.659**
Balance at 1 January 2023	-	2.631.926	3.616.401	68.594	2.748.738	-	9.065.659
Depreciation	-	296.585	355.270	52.299	210.081	-	**914.235**
Transfers	-	55.083	-	-	-	-	**55.083**
Disposals	-	-	(91.401)	-	(442)	-	**(91.843)**
Balance at 31 December 2023	**-**	**2.983.594**	**3.880.270**	**120.893**	**2.958.377**	**-**	**9.943.134**
Carrying amount 31 December 2023	**1.055.447**	**7.700.017**	**3.468.693**	**626.067**	**2.217.246**	**2.290.997**	**17.358.467**
Carrying amount 31 December 2022 (restated*)	**1.055.447**	**4.884.197**	**2.726.106**	**572.808**	**1.355.465**	**43.000**	**10.637.023**

Notes to the consolidated financial statements

In 2023, the Group evaluated the useful life of its assets and, as a result, the profits for the year to positive effect by the amount of €202.745 and relates to fixtures and fittings, buildings, machinery and equipment.

b. Impairment

Tangible fixed assets are tested for impairment when events and circumstances indicate that their depreciable value may no longer be recoverable. If the depreciated value of the fixed assets exceeds their recoverable amount, the excess amount represents an impairment loss, which is charged directly to the income statement as an expense.

No circumstances or events were identified in 2023 that indicate that the depreciable amount may no longer be recoverable.

In addition, current environmental legislation does not have a negative impact on the Group's operations or create conditions that the depreciable value of assets may no longer be recoverable.

Management has concluded that future cash expenditures to comply with environmental legislation are not material to the Group's current year financial statements given that environmental approvals are already in place for the Group's operations.

c. Security

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 €2.000.000 to secure bank loan whose total outstanding balance was €1.725.000 on 31 December 2023.

d. Property, plant and equipment under construction

The most important additions in property, plant, and equipment under construction as of 31 December 2023 concern machinery additions.

e. Leased property, plant and equipment

The Group holds both property (Vas. Georgiou building) and equipment (car fleet and machinery) under leased contracts.

The period of the leasing may vary from asset to asset, although the Group mostly engages into 4-5year contracts.

Notes to the consolidated financial statements

20. Intangible assets

a. Reconciliation of carrying amount

in euro	Other intangibles	Software	Internally generated developed costs	Property rights and patents	Total
Cost					
Balance at 1 January 2022	193.834	1.242.523	2.378.664	6.790	3.821.811
Additions	-	75.542	267.081	-	**342.623**
Internally developed	-	-	141.491	-	**141.491**
Balance at 31 December 2022	**193.834**	**1.318.065**	**2.787.236**	**6.790**	**4.305.925**
Balance at 1 January 2023	193.834	1.318.065	2.787.236	6.790	4.305.925
Additions	-	118.753	450.697	3.900	**573.350**
Balance at 31 December 2023	**193.834**	**1.436.818**	**3.237.933**	**10.690**	**4.879.275**
Accumulated amortisation and impairment losses					
Balance at 1 January 2022	12.394	1.092.847	2.186.322	6.790	3.298.353
Amortisation	1.649	129.553	52.053	-	**183.255**
Balance at 31 December 2022	**14.043**	**1.222.400**	**2.238.375**	**6.790**	**3.481.608**
Balance at 1 January 2023	14.043	1.222.400	2.238.375	6.790	3.481.608
Amortisation	1.313	(112.839)	37.444	1.654	**(72.428)**
Balance at 31 December 2023	**15.356**	**1.109.561**	**2.275.819**	**8.444**	**3.409.180**
Carrying amount 31 December 2023	**178.478**	**327.257**	**962.114**	**2.246**	**1.470.095**
Carrying amount 31 December 2022	**179.791**	**95.665**	**548.861**	**-**	**824.317**

In connection with the foresaid evaluation of the useful life, the positive effect regarding intangible assets amounted to €241.863.

b. Impairment test

Impairment tests were performed on assets, where no circumstances or events were identified in 2023 that indicate that the depreciable amount may no longer be recoverable.

Notes to the consolidated financial statements

21. Investment property

It should be noted that investment property is monitored on an "at cost" basis. There were no indications for impairment of investment property during 2023.

On 31 December 2023 based on the valuation performed, the fair value of land and buildings was €882.857 and €5.236.718 respectively.

2022

in euro	**Cost**	**Accumulated depreciation**	**Carrying amount**
Balance at 1 January	1.491.327	(34.085)	1.457.242
Acquisitions	18.401	-	18.401
Depreciation	-	(63.289)	(63.289)
Balance at 31 December	**1.509.728**	**(97.374)**	**1.412.354**

2023

in euro	**Cost**	**Accumulated depreciation**	**Carrying amount**
Balance at 1 January	1.509.728	(97.374)	1.412.354
Reclassification to property, plant and equipment	(688.540)	55.083	(633.457)
Depreciation	-	(75.095)	(75.095)
Balance at 31 December	**821.188**	**(117.386)**	**703.802**

In 2023, the Group reclassified a carrying amount of €633.457 from investment property to property and plant, as the Group now uses much of the property.

Notes to the consolidated financial statements

22. Equity-accounted investees

In 2022 the Group announced a joint Group with Hensoldt, called Hensoldt Theon NightVision GmbH ("HTN") which is based in Wetzlar Germany. The specific Group was 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. The Group owns 49,9% of the equity interests of the associate, however the Group has determined that it has significant influence on the associate because it has meaningful representation on its board of directors, having 33,33% of the seats in its advisory board.

in euro	**2023**
Assets	
Property plant and equipment	248.307
Non-current assets	**248.307**
Inventories	2.635.584
Trade accounts receivable	15.442.849
Cash and cash equivalents	1.386.761
Current assets	**19.465.194**
Total assets	**19.713.501**
Trade accounts payable	(15.441.554)
Income tax payable	(490.950)
Accrued and other current liabilities	(1.582.421)
Current liabilities	**(17.514.925)**
Net assets (100%)	**2.198.576**
49,9% of ownership	**1.097.089**
Goodwill	1.996
Carrying amount of interest in associate	**1.099.085**

in euro	**2023**
Revenue	20.723.253
Operating profit	1.729.475
Profit for the period after tax	**1.241.242**
Prior years' losses	(67.667)
Accumulated profit	**1.173.575**
49,9% of ownership	***585.614***

Notes to the consolidated financial statements

23. Other financial assets

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.

31 December 2023

Financial assets measured at fair value

	Carrying amount		Fair Value Scale		
in euro	**FVTPL**	**Level**	**Level**	**Level**	**Total**
Derivatives	48.988	-	48.988	-	48.988
Equity securities	159.168	159.168	-	-	159.168
Total	**208.156**	**159.168**	**48.988**	**-**	**208.156**

31 December 2022

Financial assets measured at fair value

	Carrying amount		Fair Value Scale		
in euro	**FVTPL**	**Level**	**Level**	**Level**	**Total**
Derivatives	1.600	-	1.600	-	1.600
Equity securities	460.804	460.804	-	-	460.804
Total	**462.404**	**460.804**	**1.600**	**-**	**462.404**

During the year ended 31 December 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 Group has sold the specific investments with a profit of €69.832 as of the date of this publication.

For the derivative, the fair value is determined using quoted forward exchange rates at the reporting date.

On 27 September 2023 the Group participated in the share capital increase of Optima bank, acquiring 20,406 number of stocks at a total value of €147.923.

Valuation techniques

Listed investments

The fair values of investments traded on active liquid markets are determined with reference to quoted market prices. These investments are included within Level 1 of the hierarchy.

Notes to the consolidated financial statements

Non-listed investments

The fair values of non-listed securities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The Group classifies the fair value of these investments as Level 3.

Reconciliation of fair value measurements

in euro	**2023**	**2022**
Level 1		
Balance 1 January	460.804	385.355
Gains on disposals/revaluation	11.245	75.449
Purchases	147.923	-
Sales	(460.804)	-
Balance 31 December	**159.168**	**460.804**
Level 2		
Balance 1 January	1.600	-
Gains on revaluation	47.388	1.600
Balance 31 December	**48.988**	**1.600**
Total	**208.156**	**462.404**

24. Prepayments

Prepayments amounting to €2.255.011 as at 31 December 2023, relate to advance payments made to suppliers for inventory purchases (2022: €3.774.246).

Notes to the consolidated financial statements

25. Capital and reserves

Share capital

Authorised capital

On 14 November 2023 the authorised share capital of the Company was increased to €600.000 divided into 600.000 ordinary shares of €1 each. On the same day, the par value of the authorised share capital of the Group was subdivided and the number of shares was increased from 600.000 ordinary shares of €1 each to 60.000.000 ordinary shares of €0,01 each.

On 16 November 2023 the authorised share capital of the Company was increased to €750.000 divided into 75.000.000 ordinary shares of €0,01 each.

On 23 November 2023 the authorised share capital of the Company was increased to €750.000,10 divided into 75.000.000 ordinary shares of €0,01 each and 10 ordinary Class B shares of €0,01 each. Ordinary Class B shares do not carry voting rights.

Issued capital

Between July and September 2023, the Company declared and then undertook a share buyback acquiring 19.631 ordinary shares in exchange for €17.173.937.

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 financial liability. The resulting discount of €1.452.140 was recognized as an increase in the Treasury Share Reserve. As at 31 December 2023 the amount of € 13.640.243 was outstanding. The non-current portion of amount owed for share buy-back of € 6.656.157 is payable by 31 December 2025.

On 2nd October 2023, the Company distributed all treasury shares to existing shareholders i.e Venetus Limited, Christianos Hadjiminas and Evangelos Boutlas, and therefore the amount of €15.721.797 was reclassified from the Treasury share reserve to Retained earnings in the Statement of changes in equity.

On 14 November 2023, the Company's general shareholder meeting resolved to effect a share split of 1 to 100, and resolved to increase the share capital from €200.000 to €600.000 using Group 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.

On 16 November 2023, in connection with the planned Private Placement and Admission to Trading, the Copmany'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 for the issuance of up to 15.000.000 Shares, excluding preemption rights for Existing Shareholders as of the date of this Prospectus, in connection with the Private Placement.

Notes to the consolidated financial statements

On 23 November 2023, the Company's general shareholder meeting resolved to 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.

Legal reserve

Pursuant to Greek company law, the companies are obliged to allocate each year at least 5% of its annual net profits to its legal reserve, until this reserve equals at least 1/3 of the company's share capital. The distribution of the legal reserve is prohibited but it can be used to offset losses.

The balance carried forward in the "Reserves mandated by law or the articles of association (article 158 of law 4548/20218) account of €5.317.161 as at 31.12.2023. Legal reserve amounts to €4.096.574 increased by € 1.430.540 compared to the prior year following decision of general meeting of shareholders dated 5/7/2023.

Other reserve

Other reserves comprise "action 2.5.3." extraordinary tax reserve amounting to €400.000 and "Law 3908/2011" untaxed reserve amounting to €820.587.

Merger reserve

A 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

Details regarding the Treasury share transactions that took place during the year are disclosed in note 35e of the financial statements.

Dividends

On 16 August 2023 the Group in General Meeting approved the distribution of dividend amounting to €10.000.000 (2022: €NIL).

Dividend per share for 2023 amounted to €50, while the respective amount for 2022 was nil.

Dividends are subject to a deduction of special contribution for defense at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled. Dividends are also subject to a 2,65% contribution to the General Healthcare System.

Foreign exchange reserve

A foreign exchange reserve relates to the net foreign exchange transaction differences resulted from the translation of its foreign subsidiary's merger reserve to the Group's presentation currency (euro).

Notes to the consolidated financial statements

26. Capital Management

The policy of the Board of Directors consists of the preservation of a solid capital base, in order to maintain investor, creditor, and market confidence in the Group and to allow the future expansion of its activities.

in euro	2023	2022 ***Restated****
Total liabilities	133.163.381	93.146.299
Less: Cash and cash equivalent	(65.639.067)	(24.035.134)
Net liabilities	**67.524.314**	**69.111.165**
Total equity	77.357.508	64.263.932
Adjusted equity	**77.357.508**	**64.263.932**
Net liabilties to adjusted equity ratio	**0,87**	**1,08**

During the reported year, no changes occurred to the Group's approach regarding Capital Management.

27. Loans and borrowings

a. Loan balances

in euro	***Note***	**2023**	**2022**
Non-current liabilities			
Secured bank loans		1.505.000	1.725.000
Guaranteed bank loans		416.669	750.002
Bond loans		23.600.000	600.000
Lease liabilities	33.	564.634	586.354
		26.086.303	**3.661.356**
Current liabilities			
Secured bank loans		220.000	220.000
Guaranteed bank loans		21.277.393	29.283.917
Bond loans		1.408.268	561.397
Lease liabilities	33.	401.526	295.231
Non guaranteed bank loans		2.486.039	933.354
		25.793.226	**31.293.899**

Guaranteed

Personal guarantee from the Group's majority shareholder.

Secured

Amounts secured by a first mortgage-notation on the plot situated at 62 Ioannou Metaxa St. Koropi, Attica and the industrial thereon from €2.000.000 to secure bank loan.

Notes to the consolidated financial statements

Some loans contain covenants that the Group adheres to.

The maturity for borrowings (excl lease liabilities) is as follows:

in euro	**2023**	**2022**
Up to 1 year	25.391.700	30.998.667
Between 1 and 2 years	21.753.336	753.335
Between 2 and 5 years	3.143.333	1.476.667
Over 5 years	625.000	845.000
Total	**50.913.369**	**34.073.669**

The loans contain clauses of change of control that provide the lenders with the right of early termination.

The Group did not breach these clauses in 2023 and consequently loans are presented in the financial statements according to their repayment schedule.

Notes to the consolidated financial statements

b. Reconciliation of movements

The movement of loans for the years 2023 and 2022 is as follows:

in euro	Long-term loans	Short-term loans	Short-term part of long-term loans	Total bank loans
Balance at 01 January 2022	**7.540.103**	**8.922.898**	**717.536**	**17.180.537**
New Loans	-	42.919.990	-	**42.919.990**
Repayments	(1.711.768)	(23.837.158)	(682.448)	**(26.231.374)**
Interest expense	165.603	644.534		**810.137**
Interest repayments	(165.603)	(384.507)	(55.511)	**(605.621)**
Transfers between accounts	(2.753.333)	2.000.000	753.333	**-**
Balance at 31 December 2022	**3.075.002**	**30.265.757**	**732.910**	**34.073.669**

in euro	Long-term loans	Short-term loans	Short-term part of long-term loans	Total bank loans
Balance at 01 January 2023	**3.075.002**	**30.265.757**	**732.910**	**34.073.669**
New Loans	4.000.000	85.617.241	-	**89.617.241**
Repayments	-	(72.195.249)	(753.332)	**(72.948.581)**
Interest expense	217.263	2.264.423	-	**2.481.686**
Interest repayments	(237.227)	(2.073.420)	-	**(2.310.647)**
Transfers between accounts	18.466.631	(20.000.000)	1.533.369	**-**
Balance at 31 December 2023	**25.521.669**	**23.878.752**	**1.512.947**	**50.913.368**

In December, the Group refinanced a €20m short-term loan to a Bond loan of 3 years with favorable terms and signed a new bond loan of €6m (€4m were drawn in 2023) to finance capex investments in new machinery and equipment.

Notes to the consolidated financial statements

c. Terms and repayment schedule

				2023		2022	
in euro	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face Value**	**Carrying amount**	**Face Value**	**Carrying amount**
Bond loan	EUR	3,50%+Eur6m	2024	1.000.000	**607.067**	1.000.000	**806.870**
Guaranteed loan	EUR	3,75%+Eur3m	n/a	1.500.000	**754.114**	1.500.000	**1.088.038**
Secured loan	EUR	1,90%+Eur3m	2029	2.000.000	**1.748.990**	2.000.000	**1.961.490**
Guaranteed loan	EUR	2,50%+Eur3m /Eur6m +0,6%	2023	4.000.000	**3.648.218**	2.000.000	**4.052.890**
Bond loan	EUR	2,25%+Eur3m	2024	6.000.000	**4.000.000**	-	**-**
Bond loan	EUR	2.00%+ Eur3m	2025	20.000.000	**20.039.764**	-	**-**
Non guaranteed loan	EUR	3,00%+Eur3m	2024	1.000.000	**2.486.039**	1.500.000	**933.354**
Guaranteed loan	EUR	3,25%+Eur3m + 0,6%	2024	17.000.000	**3.426.222**	-	**49.569**
Guaranteed loan	EUR	3,25%+Eur3m+0,6%	n/a	6.000.000	**2.000.000**	4.000.000	**4.000.000**
Guaranteed loan	EUR	1,90%+Eur3m+0,6%	2025	12.000.000	**12.202.954**	11.000.000	**11.078.137**
Secured loan	EUR	2%+Eur3m+0,6%	2024	n/a	-	10.000.000	**10.103.321**
Lease liabilities	EUR	n/a	n/a	n/a	**966.161**	n/a	**881.586**
					51.879.529		**34.955.255**

28. Contract liabilities

Contract liabilities amounting to €5.240.112 as at 31 December 2023, mainly relate to downpayments made by customers (2022: €26.237.209). 2022 figures also include the derecognition of Revenue which was eroniously booked in 2022 and was ultimately transferred to 2023 (check Note 37. Correction of erros, Error1 – Revenue recognition).

29. Government grants

in euro	**2023**	**2022**
Government grants	698.067	717.981
Depreciated government grants	(569.810)	(529.554)
Net debt	**128.257**	**188.427**

The Group was awarded grants for an EU (Horizon) & a Greek program (Poiotikós Eksynchronismós)

Notes to the consolidated financial statements

30. Trade accounts payable and Accrued and other current liabilities

The trade and other payables balance on their current or non-current classification is as follows:

in euro	**2023**	**2022** *Restated**
Trade payables	41.811.689	23.989.743
Post dated cheques payable	-	140
Total trade accounts payable	**41.811.689**	**23.989.883**

in euro	**2023**	**2022** *Restated**
Staff payments due	702.680	600.258
Sundry creditors	1.506.640	(413.908)
Sales and other taxes due	226.816	139.992
Dividends due	-	431.507
Accruals	9.854.526	787.789
Other current liabilities	-	704
Total other payables	**12.290.662**	**1.546.342**
Total trade and other payables	**54.102.351**	**25.536.225**

The increase of balances at year is attributed to increased purchases of inventory in comparison to 2022.

31. Provisions

in euro	**Warranties**	**Total**
Balance at 1 January 2023	-	-
Provisions made during the year	202.441	202.441
Balance at 31 December 2023	**202.441**	**202.441**
Current	202.441	202.441
Total	**202.441**	**202.441**

The provision for warranties relates mainly to products sold during 2023. The provision has been estimated based on historical warranty data associated with similar products. The Group expects to settle the majority of the liability over the next year. The amount of €202.441 has been included in "Accrued and other current liabilities".

Notes to the consolidated financial statements

32. List of subsidiaries

THEON International Plc 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. The acquisition from the shareholders of Theon Sensors AG 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 the Management and finance holding of the Group. The business is conducted primarily through its subsidiaries.

Theon Sensors AG is domiciled in Switzerland with the purpose of investing in businesses, particularly in the area of Night Vision and Thermal Imaging Systems for military and security applications. As mentioned above, this Company served as the holding Company of the Group until 2021.

THEON Sensors Single-Member Commercial and Industrial Société Anonyme (THEON Sensors S.A.) is domiciled in Athens, Greece and is involved in the manufacture and trade of a large range of sensors, and in particular it manufactures night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment for defence and security applications.

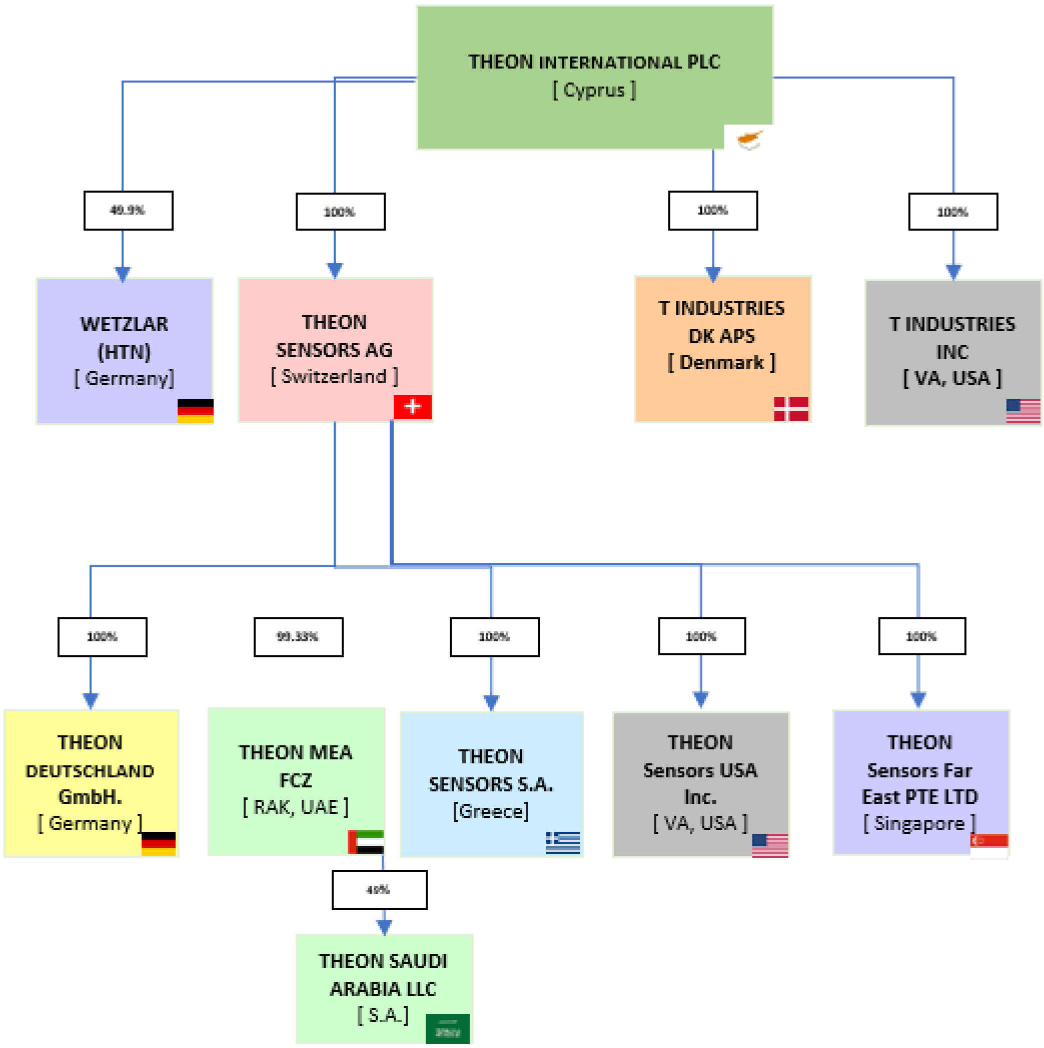
THEON Sensors Far East PTE LTD is incorporated and domiciled in Singapore, while THEON Sensors MEA FZC in Ras Al Khaimah, UAE, THEON Saudi Arabia LLC in Saudi Arabia, THEON Sensors GMBH in Germany and THEON Sensors USA Inc in the US. The principal activity of those Companies is the design of electro-optical, thermal and night vision equipment including sensors and electronics, as well as marketing representation and advisory-consulting services.

T Industries DK APS and T Industries INC are incorporated and domiciled in Denmark and USA respectively and their principal activity is to act as the industrial branches of THEON International PLC in those countries.

HTN concerns an associate which was formed along with HENSOLDT Optronics GmbH, giving the Group the ability and advantage to produce the night vision and thermal products of both companies in Wetzlar, Germany.

Notes to the consolidated financial statements

The chart below shows the current structure of the Group in a simplified form.



Notes to the consolidated financial statements

33. Leases

Right of use assets

in euro	Land and buildings	Motor vehicles	Total
2022			
Balance at 1 January	781.927	284.764	**1.066.691**
Depreciation charge for the year	(186.513)	(109.384)	**(295.897)**
Additions to right-of-use assets	-	73.859	**73.859**
Balance at 31 December	**595.414**	**249.239**	**844.653**

in euro	Land and buildings	Motor vehicles	Total
2023			
Balance at 1 January	595.414	249.239	**844.653**
Depreciation charge for the year	(219.609)	(102.535)	**(322.144)**
Derecognition of depreciation	-	44.984	**44.984**
Additions to right-of-use assets	192.728	193.670	**386.398**
Derecognition of right-of-use assets	-	(44.984)	**(44.984)**
Balance at 31 December	**568.533**	**340.374**	**908.907**

Lease liabilities

in euro	Land and buildings	Motor vehicles	Total
2022			
Balance at 1 January	804.978	291.789	**1.096.767**
Interest charge for the year	23.489	8.869	**32.358**
Interest payments	(23.489)	(8.869)	**(32.358)**
Repayments	(180.511)	(108.800)	**(289.311)**
Additions to lease liabilities	-	73.859	**73.859**
Derecognition of lease liabilities	-	271	**271**
Balance at 31 December	**624.467**	**257.119**	**881.586**

in euro	Land and buildings	Motor vehicles	Total
2023			
Balance at 1 January	624.467	257.119	**881.586**
Interest charge for the year	22.372	12.663	**35.035**
Interest payments	(18.450)	(12.663)	**(31.113)**
Repayments	(204.323)	(132.460)	**(336.783)**
Additions to lease liabilities	192.729	193.670	**386.399**
Derecognition of lease liabilities	-	31.036	**31.036**
Balance at 31 December	**616.795**	**349.366**	**966.160**

Notes to the consolidated financial statements

The tables below summarise the effect of Leases in Profit or Loss and the Statement of Cash flows:

in euro	Land and buildings	Motor vehicles	Total
2022			
Amounts recognised in profit or loss	**(163.024)**	**(100.515)**	**(263.539)**
Depreciation	(186.513)	(109.384)	(295.897)
Interest	23.489	8.869	32.358
Amounts recognised in statement of cash flows	**(204.000)**	**(117.669)**	**(321.669)**
Interest payments	(23.489)	(8.869)	(32.358)
Repayments	(180.511)	(108.800)	(289.311)

in euro	Land and buildings	Motor vehicles	Total
2023			
Amounts recognised in profit or loss	**(197.237)**	**(44.888)**	**(242.125)**
Depreciation	(219.609)	(57.551)	(277.160)
Interest	22.372	12.663	35.035
Amounts recognised in statement of cash flows	**(222.773)**	**(145.123)**	**(367.896)**
Interest payments	(18.450)	(12.663)	(31.113)
Repayments	(204.323)	(132.460)	(336.783)

The tables below summarise the maturity analysis of the Group's Leases:

31 December 2022

in euro	Total	Up to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Lease liabilities					
Interest	74.975	31.113	25.555	18.308	-
Principal	962.068	297.153	301.336	347.578	16.000
Total	**1.037.043**	**328.266**	**326.891**	**365.886**	**16.000**

31 December 2023

in euro	Total	Up to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Lease liabilities					
Interest	50.848	30.167	19.127	1.554	-
Principal	969.303	403.225	402.619	163.458	-
Total	**1.020.150**	**433.393**	**421.746**	**165.012**	**-**

Notes to the consolidated financial statements

34. Commitments & Contingencies

The Board of Directors of the Company has decided to grant permission, in accordance with Article 100 of Law 4548/2018, for the provision of a guarantee in favor of credit institutions, if required, amounting up to €4.050.000 in favor of Company related companies to secure credit limits for the issuance of letters of guarantee to third parties.

The Group is not involved in any outstanding legal cases.

a. Guarantees

The guaranteed letters which have been issued are displayed below:

in euro	**2023**	**2022**
Letters of Guarantee - Customs	16.569.000	12.154.000
Letters of Guarantee - Project Performance	251.069	145.409
Letters of Guarantee - Equipment Substandard Performance	816.239	817.750
Letters of Guarantee - Customers advance payments	9.431.964	16.367.199
Letters of Guarantee - Third Parties	191.744	191.744
Letters of Guarantee - Participation	-	509.200
Total	**27.260.016**	**30.185.302**

b. 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 customer (so called “offsets”). As of 31 December of 2023, the Group’s contingent liabilities under such offsets amounted to approximately €34 million.

c. Tax liabilities

The Greek subsidiary is audited by the Large Enterprises Audit Centre based on 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 for the years 2018 & 2019 and the Group has not received any other audit instruction from the tax authorities for the 2020 to 2023 financial years.

The Management does not expect any tax liabilities other than those already recorded and shown in the financial statements.

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 those events could have on the Group’s activities.

Notes to the consolidated financial statements

35. Related parties

a. Parent and ultimate controlling party

The parent of the Group is Venetus Limited. The Ultimate Controlling Party is Mr. Christianos Hadjiminas.

b. Key Management personnel

Christianos Chatziminas (Vice-Chairman of the Board of Directors and Chief Executive Officer)
Stelios Anastasiou
Hans Peter Dr. Bartels
Kolinda Grabar-Kitarovic
Philippe Jean Mennicken
Maria Athienitou
Petros Christou (resigned on 19 January 2024)

c. Key Management personnel compensation

in euro	**2023**	***2022***
Key Management and Board Members compensation	345.133	399.143

Key management personnel refer to executives who are responsible 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 its related parties which could have material impacts on the Group's financial position and performance for the period ended (01 December 2023 – 31 December 2023).

d. Other related party transactions

This section includes the most important transactions between the Group and related companies as defined in IAS 24.

All outstanding balances are to be settled in cash within 6 months of the reporting date. None of the balances are secured. No expense has been recognized in the current year or prior year for doubtful debts in respect of amounts owed by related parties.

The Board of Directors of the Group has decided to grant permission, in accordance with Article 100 of Law 4548/2018, for the provision of a guarantee in favor of credit institutions, if required, amounting up to €4.050.000 in favor of Group related companies to secure credit limits for the issuance of letters of guarantee to third parties.

Notes to the consolidated financial statements

In particular, the transactions between the Group and related companies in the year ended 31 December 2023 and 31 December 2022 accordingly were as follows:

	Balance outstanding as at 31 December	
in euro	**2023**	**2022**
Balance from UBO	**-**	**3.008.378**
Christianos Hadjiminas	-	3.008.378
Related parties	**-**	**3.008.378**
Receivables	**24.805.408**	**16.863.436**
Venetus Limited	701.555	-
Hensoldt–Theon Gbr	8.557.569	12.222.026
Interad Hellas	404	-
Ucandrone	26.385	19.861
ESS	136.799	102.089
EFA Ventures	(270)	1.689
Aerospace Ventures AG	-	4.517.771
Related parties	**9.422.442**	**16.863.436**
Hensoldt Theon Nightvision Gmbh	15.382.966	-
Associate	**15.382.966**	**-**
Payables	**(136.097)**	**11.126**
ESS	(148.410)	-
EFA Ventures	12.313	11.126
Related parties	**(136.097)**	**11.126**

	Transaction values for the year ended 31 December	
in euro	**2023**	**2022**
Sales of Goods	**68.456.743**	**28.297.453**
Hensoldt–Theon Gbr	47.149.355	28.297.453
Hensoldt Theon Nightvision Gmbh	21.307.388	-
Income from rebilled expenses	**100.537**	**143.976**
Interad Hellas	715	-
Ucandrone	23.200	49.527
ESS	62.159	90.587
EFA Ventures	14.463	3.662
Scytalis	-	200
Total	**68.557.280**	**28.441.429**
Purchases of products and services	**48.190**	**586.082**
ESS	22.410	200.000
EFA Ventures	1.685	28.549
Defender LLC	24.095	357.533
Total	**48.190**	**586.082**

Notes to the consolidated financial statements

e. Share buy-back

Following the approval by the Extraordinary General Meeting on 17th July 2023 of the share buy-back, the Group repurchased 19.631 ordinary shares for an amount of €17.173.937 and recognized the net present value of the consideration as a financial liability. The resulting discount of €1.452.140 was recognized as an increase in the Treasury Share Reserve. As at 31 December 2023 the amount of €13.640.243 was outstanding. The non-current portion of amount owed for share buy-back of €6.656.157 is payable by 31 December 2025.The amount is owed to ex-shareholders (non-controlling interest) from whom the company purchased the ordinary shares.

On 2nd October 2023, the Group distributed all treasury shares to existing shareholders, and therefore the amount of €15.721.797 was reclassified from the Treasury share reserve to Retained earnings in the Statement of changes in equity.

36. Financial risk Management

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. Market risk

Market risk consists of 3 main risks:

- currency risk,
- price risk (such as the price of goods risk); and
- interest rate risk.

The Group's exposure to exchange rate risk derives primarily from existing or expected cash flows in foreign currency (imports / exports) and from foreign investments.

b. 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 the 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.

The Group's historical loses are 0,1% of sales which are calculated based on actual losses for the years 2019-2022.

The Credit risk of Group's customers is not significant affected by economic conditions since final customers of the entity's products are usually governments.

Based on the above, it has been concluded that expected credit losses for buckets 0-360 days are immaterial. More than 1 year from the contractual payment date and those provisions are considered adequate.

Notes to the consolidated financial statements

Receivables exposed to credit risks

in euro	31 December 2023	31 December 2022 *Restated**
Trade accounts receivable	46.087.790	67.996.704
Long term loans receivable	-	7.526.149
Cash and cash equivalents	65.601.173	24.025.581
Total	**111.688.963**	**99.548.434**

Cash and cash equivalents are considered items with low credit risk according to credit exercise that was performed.

Receivables by geographic region

in euro	31 December 2023	31 December 2022 *Restated**
Europe	28.587.570	39.478.582
5 EYES & Japan	7.679.817	12.305.749
Middle East	6.186.135	13.645.963
Asia Pacific	2.229.720	97.625
LATAM	1.382.231	2.151.526
Africa	13.516	13.516
Central Asia	8.801	303.742
Total	**46.087.790**	**67.996.704**

Ageing of receivables

in euro	31 December 2023	31 December 2022 *Restated**
Current	22.853.874	43.770.870
0-60	11.496.242	13.091.898
61-120	6.835.056	6.968.618
121-180	2.479.746	3.741.808
181-360	2.314.518	423.510
360+	108.355	-
Total	**46.087.790**	**67.996.704**

Notes to the consolidated financial statements

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Expected Credit Loss

2022

in euro	Trade receivables	Impairment loss allowance	Carrying amount	Weighted average loss rate (%)	Credit - impaired
Current	43.770.870	-	43.770.870	0,0%	No
0-60	13.091.898	-	13.091.898	0,0%	No
61-120	6.968.618	-	6.968.618	0,0%	No
121-180	3.741.808	-	3.741.808	0,0%	No
181-360	423.510	-	423.510	0,0%	No
360+	578.006	(578.006)	-	100,0%	Yes
Total	**68.574.710**	**(578.006)**	**67.996.704**		

2023

in euro	Trade receivables	Impairment loss allowance	Carrying amount	Weighted average loss rate (%)	Credit - impaired
Current	22.853.874	-	22.853.874	0,0%	No
0-60	11.496.242	-	11.496.242	0,0%	No
61-120	6.835.056	-	6.835.056	0,0%	No
121-180	2.479.746	-	2.479.746	0,0%	No
181-360	2.314.518	-	2.314.518	0,0%	No
360+	626.886	(518.530)	108.356	82,7%	Yes
Total	**46.606.321**	**(518.530)**	**46.087.791**		

Expected credit loss is based on historical information of 2-3 years.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 0 to 120 days for its customers.

At December 2023, the carrying amount of the receivable from the Group's most significant customer (a European defense manufacturer) was €8.557.569 (2022: €12.222.026).

c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements

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 2023 and 31 December 2022 based on payments deriving from the relevant contracts at non-discounted prices.

Borrowing includes the balances of loans (unpaid principal) including interest at a fixed and variable rate to maturity.

31 December 2022			**Contractual undiscounted cash flows**			
in euro	**Carrying amounts**	**Total**	**Up to 12 months**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Loans and borrowings	34.073.669	34.713.426	31.205.839	913.738	1.702.021	891.828
Lease liabilities	881.586	1.037.043	328.266	326.891	365.886	16.000
Trade accounts payable	23.989.883	23.989.883	23.989.883	-	-	-
Contract liabilities	26.237.209	26.237.209	26.237.209	-	-	-
Accrued and other current liabilities	1.546.342	1.546.342	1.546.342	-	-	-
Total liabilities	**86.728.689**	**87.523.903**	**83.307.538**	**1.240.629**	**2.067.907**	**907.828**

31 December 2023			**Contractual undiscounted cash flows**			
in euro	**Carrying amounts**	**Total**	**Up to 12 months**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**
Loans and borrowings	50.913.369	53.804.878	26.988.117	22.606.937	3.584.824	625.000
Lease liabilities	966.160	1.020.150	433.393	421.746	165.012	-
Trade accounts payable	41.811.689	41.811.689	41.811.689	-	-	-
Contract liabilities	5.240.112	5.240.112	5.240.112	-	-	-
Accrued and other current liabilities	12.290.662	12.290.662	12.290.662	-	-	-
Total liabilities	**111.221.992**	**114.167.492**	**86.763.972**	**23.028.683**	**3.749.836**	**625.000**

The Group does not face liquidity risks since its working capital is sufficient to meet its needs.

d. Interest rate risk

The Group finances its investments, as well as its working capital needs, through bank lending and bond loans, thus burdening its results with debt interest. Increased interest rate trends will have a negative impact on results, as the Group will be charged with additional borrowing costs.

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

As previously mentioned, the Group is in default on its loans. If loans are available, the credit banks are negotiated with over the terms of loan repayment, including interest rates. Both the interest rate and the interest level are negotiable rather than freely changeable.

Notes to the consolidated financial statements

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:

	Profit or loss	
in euro	**Increase by 100 base points**	**Decrease by 100 base points**
Impact in € at 31 December 2023		
Financial instruments of variable rate	(380.733)	380.733
Impact in € at 31 December 2022		
Financial instruments of variable rate	(88.552)	88.552

The interest-bearing financial liabilities as at 31 December 2023 and 31 December 2022 respectively are shown in the table below:

in euro	**2023**	**2022**
Short term loans	25.391.700	30.998.667
Long term loans	25.521.669	3.075.002
Bank loans	**50.913.369**	**34.073.669**
Short term loans	401.526	295.232
Long term loans	564.634	586.354
Lease liabilities	**966.160**	**881.586**
Total interest bearing liabilities	**51.879.529**	**34.955.255**

e. Currency 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.

Based on its sales and receipts in USD, the Group covers all its purchases in the same currency and therefore any exposure to foreign exchange is limited to the receipts segment. For surplus cash in USD, the Group enters into forward contracts to hedge exchange rate risk.

	Average		Year-end spot	
	2023	**2022**	**2023**	**2022**
USD 1	0,925	0,950	0,952	0,938
GBP 1	1,150	1,173	1,151	1,127
CHF 1	1,029	0,995	1,080	1,016

Notes to the consolidated financial statements

The Groups currency risk is summarised as follows:

					2022
in euro	**EUR**	**USD**	**GBP**	**Other**	**Total**
Trade and other receivables	59.061.665	13.979.039	-	48.763	**73.089.467**
Cash and cash equivalents	22.094.100	1.730.431	60.297	150.306	**24.035.134**
Total assets	**81.155.765**	**15.709.470**	**60.297**	**199.069**	**97.124.601**
Loans and borrowings and lease liabilities	34.955.255	-	-	-	**34.955.255**
Trade and other payables	19.756.251	5.652.482	12.932	114.559	**25.536.225**
Contract Liabilities	26.237.209	-	-	-	**26.237.209**
Total liabilities	**80.948.715**	**5.652.482**	**12.932**	**114.559**	**86.728.689**
Net total risk	**207.050**	**10.056.988**	**47.365**	**84.510**	**10.395.912**

					2023
in euro	**EUR**	**USD**	**GBP**	**Other**	**Total**
Trade and other receivables	47.913.945	7.989.321	1.164.490	-	**57.067.756**
Cash and cash equivalents	62.403.726	2.771.483	289.129	174.729	**65.639.067**
Total assets	**110.317.671**	**10.760.804**	**1.453.619**	**174.729**	**122.706.823**
Loans and borrowings and lease liabilities	51.879.529	-	-	-	**51.879.529**
Trade and other payables	46.025.049	7.910.494	10.909	155.899	**54.102.351**
Contract Liabilities	5.240.112	-	-	-	**5.240.112**
Total liabilities	**103.144.690**	**7.910.494**	**10.909**	**155.899**	**111.221.992**
Net total risk	**7.172.981**	**2.850.310**	**1.442.710**	**18.830**	**11.484.831**

Currency risk sensitivity analysis is summarised as follows:

		Profit or loss
in euro	**Strengthening**	**Weakening**
2023		
USD (10% movement)	285.031	(285.031)
GBP (10% movement)	144.271	(144.271)
2022		
USD (10% movement)	837.889	(837.889)
GBP (10% movement)	4.736	(4.736)

f. Price risk

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 controlled.

Notes to the consolidated financial statements

The Group checks for any impairment of its stocks/inventories and other assets, and if there are signs and there are grounds for depreciation, 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.

g. Capital risk

The Group's gearing ratio as at 31 December 2023 and 31 December 2022 was as follows:

in euro	**2022**	**2023**	**Varriance**
Long-term loan obligations	3.661.356	32.742.460	29.081.104
Short-term loan obligations	31.293.899	32.777.312	1.483.413
Total debt	**34.955.255**	**65.519.772**	**30.564.517**
Less: Cash and cash equivalents	(24.035.134)	(65.639.067)	(41.603.933)
Net debt	**10.920.121**	**(119.295)**	**(11.039.416)**
Equity	64.263.932	77.357.508	13.093.576
Non-current liabilities	4.011.809	33.069.037	29.057.228
Total capital employed	**68.275.741**	**110.426.545**	**42.150.804**
Leverage ratio	***16,0%***	***(0,1%)***	

The Group is not exposed to capital risk since the key liquidity indicators for the last 2 financial years establish its high liquidity and adequate working capital despite the existence of loans.

Notes to the consolidated financial statements

37. 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 consolidated financial statements for the year ended 31 December 2023 by restating the affected comparative information as follows:

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.

Consolidated Statement of Profit & Loss and Other Comprehensive Income for the year 2022:

- Decrease the value of the Group's revenues by the amount of €4.491.419 by increasing the value of the Group's contract liabilities by the equivalent amount.

- Decrease the value of the Group's cost of sales by €3.727.233 by increasing the value of the Group's inventory by the equivalent amount.

- Increase the value of the Group's deferred tax income by €168.121 by increasing the value of the Group's deferred tax asset 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.

Notes to the consolidated financial statements

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 consolidated financial statements for the year ended 31 December 2023 by reclassifying the affected comparative information as follows:

a. 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 consolidated financial statements for the year ended 31 December 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 by the amount of €3.358.835 by decreasing the value of the Group's foreign exchange reserve by the equivalent amount.

Consolidated statement of financial position as at 31 December 2022:

- Increase the value of the Group's merger reserve by the amount of €5.384.468 by decreasing the value of the Group's foreign exchange reserve by the equivalent amount.

b. 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 consolidated financial statements for the year ended 31 December 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 by the amount of €4.329.347 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 €20.456.994 by increasing the value of the Group's contract liabilities with the equivalent amount.

Consolidated statement of financial position as at 31 December 2022:

c. 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 consolidated financial statements for the year ended 31 December 2023 by reclassifying the affected comparative information as follows:

Notes to the consolidated financial statements

Consolidated statement of financial position as at 31 December 2022

• Decrease the value of the Group's trade accounts receivable with the amount of €1.393.781 by increasing the value of the Group's other receivables with the equivalent amount.

d. 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 consolidated financial statements for the year ended 31 December 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.

e. 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 has been corrected in these consolidated financial statements for the year ended 31 December 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 to the consolidated financial statements

Restated Consolidated Statement of Financial Position (1/2)

31 December 2022

in euro	Reported 31 December 2022	Adjustments	Restated 31 December 2022
Assets			
Property plant and equipment	11.481.677	(844.654)	10.637.023
Intangible assets	824.317	-	824.317
Right of use assets	-	844.653	844.653
Investment property	1.412.354	-	1.412.354
Investment in associates	45.425	-	45.425
Other non-current assets	105.716	-	105.716
Long term loans receivable	7.526.149	-	7.526.149
Deferred tax assets	303.606	328.163	631.769
Non-current assets	**21.699.244**	**328.162**	**22.027.406**
Inventories	33.507.250	514.324	34.021.574
Trade accounts receivable	69.390.484	(1.393.781)	67.996.704
Other receivables	3.698.983	1.393.780	5.092.763
Other financial assets	462.404	-	462.404
Prepayments for inventories	-	3.774.246	3.774.246
Cash and cash equivalents	24.035.134	-	24.035.134
Current assets	**131.094.255**	**4.288.569**	**135.382.825**
Total assets	**152.793.499**	**4.616.731**	**157.410.231**
Equity			
Share Capital	200.000	-	200.000
Merger Reserve	(33.331.866)	5.384.468	(27.947.398)
Reserves	98.559.283	(6.547.952)	92.011.331
Equity attributable to the owners of the Company	**65.427.417**	**(1.163.484)**	**64.263.933**
Liabilities			
Loans and borrowings	3.075.002	-	3.075.002
Provision for staff retirement indemnities	162.026	-	162.026
Lease liabilities	586.354	-	586.354
Government grants	188.427	-	188.427
Deferred tax liabilities	54.622	(54.622)	-
Non-current liabilities	**4.066.431**	**(54.622)**	**4.011.809**
Trade accounts payable	23.989.882	-	23.989.883
Lease liabilities	295.232	-	295.232
Loans and borrowings	30.998.667	-	30.998.667
Contract liabilities	-	26.237.209	26.237.209
Income tax payable	6.067.157	-	6.067.157
Accrued and other current liabilities	21.948.714	(20.402.372)	1.546.342
Current liabilities	**83.299.652**	**5.834.837**	**89.134.490**
Total liabilities	**87.366.083**	**5.780.215**	**93.146.299**
Total equity and liabilities	**152.793.499**	**4.616.731**	**157.410.231**

Notes to the consolidated financial statements

Restated Consolidated Statement of Financial Position (2/2)

01 January 2022

in euro	Reported 01 January 2022	Adjustments	Restated 01 January 2022
Assets			
Property plant and equipment	9.185.417	(1.066.691)	8.118.726
Intangible assets	523.458	-	523.458
Right of use assets	-	1.066.691	1.066.691
Investment property	1.491.327	-	1.491.327
Other non-current assets	103.922	-	103.922
Deferred tax assets	54.047	160.042	214.089
Non-current assets	**11.358.171**	**160.042**	**11.518.213**
Inventories	15.530.507	(1.279.841)	14.250.666
Trade accounts receivable	15.843.544	-	15.843.544
Other receivables	2.709.584	-	2.709.584
Other financial assets	397.378	-	397.378
Prepayments for inventories	-	1.841.177	1.841.177
Cash and cash equivalents	26.096.448	-	26.096.448
Current assets	**60.577.461**	**561.336**	**61.138.797**
Total assets	**71.935.632**	**721.378**	**72.657.010**
	-		
Equity			
Share Capital	200.000	-	200.000
Merger Reserve	(31.304.573)	3.358.835	(27.945.738)
Reserves	64.949.785	(3.926.259)	61.023.526
Equity attributable to the owners of the Company	**33.845.212**	**(567.424)**	**33.277.788**
Liabilities			
Loans and borrowings	7.540.103	-	7.540.103
Provision for staff retirement indemnities	162.035	-	162.035
Lease liabilities	815.417	-	815.417
Government grants	378.385	-	378.385
Non-current liabilities	**8.895.940**	**-**	**8.895.940**
Trade accounts payable	6.915.631	-	6.915.631
Lease liabilities	281.350	-	281.350
Loans and borrowings	9.640.434	-	9.640.434
Contract liabilities	-	5.618.148	5.618.147
Income tax payable	4.296.230	-	4.296.230
Accrued and other current liabilities	8.060.835	(4.329.346)	3.731.488
Current liabilities	**29.194.480**	**1.288.802**	**30.483.282**
Total liabilities	**38.090.420**	**1.288.802**	**39.379.222**
Total equity and liabilities	**71.935.632**	**721.378**	**72.657.010**

Notes to the consolidated financial statements

Restated Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

in euro	Reported 2022	Adjustments	Restated 2022
Revenue	147.386.179	(4.491.419)	142.894.760
Cost of sales	(96.416.332)	3.727.233	(92.689.099)
Gross profit	**50.969.847**	**(764.186)**	**50.205.661**
Other income	1.486.416	-	1.486.416
Administrative expenses	(7.114.798)	-	(7.114.798)
Selling and distribution expenses	(2.008.391)	-	(2.008.391)
Research and development expenses	(1.985.082)	-	(1.985.082)
Other expenses	(351.331)	-	(351.331)
Operating profit	**40.996.661**	**(764.186)**	**40.232.475**
Finance income	16.765	-	16.765
Finance costs	(2.452.547)	-	(2.452.547)
Net finance costs	**(2.435.782)**	**-**	**(2.435.782)**
Profit before tax	38.560.879	(764.186)	37.796.693
Income tax expense	(8.213.755)	-	(8.210.235)
Deferred tax	249.559	168.121	417.680
Profit for the period after tax	**30.596.683**	**(596.065)**	**30.004.138**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Staff leaving indemnity	16.001	-	16.001
Deferred tax	(3.520)	-	(3.520)
Merger reserve	(1.660)	-	(1.660)
	10.821	**-**	**10.821**
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation reserves	974.703	-	974.703
	974.703	-	974.703
Other comprehensive income for the year, net of tax	**985.524**	**-**	**985.524**
Total comprehensive income for the year	**31.582.207**	**(596.065)**	**30.989.662**
Earnings per share			
Basic earnings per share	1,53	(0,03)	1,5
Diluted earnings per share	1,53	(0,03)	1,5

Notes to the consolidated financial statements

Restated Consolidated Statement of Cash Flow

For the year ended 31 December

in euro	*Note*	2022 *Reported*	*Adjustments*	2022 *Restated**
Cash flows from operating activities				
Profit for the period after tax		30.596.683	(596.065)	30.000.618
Adjustments for:				
Depreciation of tangible assets	*19.*	1.292.634	(295.897)	996.737
Depreciation of right of use assets	*33.*		295.897	295.897
Amortisation of intangible assets	*20.*	183.255	-	183.255
(Reversal of) / Impairment of receivables		103.993	57.315	161.308
(Gains) / losses on disposal of tangible assets		(53.817)	-	(53.817)
Impairment of inventory		(263.238)	-	(263.238)
Amortization of grants	*29.*	(189.958)	-	(189.958)
Fair value (gains) / losses on financial assets at FV through profit or loss		(77.048)	-	(77.048)
Dividend Income		(198.120)	181.074	(17.046)
Foreign Exchange (gain)/losses		2.465.336	(1.464.212)	1.001.124
Finance cost net		1.473.474	(21.770)	1.451.704
Tax expense		7.964.196	(168.121)	7.796.075
		43.297.390	**(2.011.779)**	**41.285.611**
Changes in:				
Inventories	*16.*	(17.713.726)	(1.793.944)	(19.507.670)
Prepayments			(1.933.069)	(1.933.069)
Trade and other receivables	*17.*	(55.649.173)	949.732	(54.699.441)
Trade and other payables	*30.*	27.787.506	(16.400.230)	11.387.276
Provision for staff retirement indemnities		20.740	(20.749)	(9)
Contract Liabilities			20.619.061	20.619.061
Cash generated from operation activities		**(2.257.263)**	**(590.977)**	**(2.848.240)**
Income tax paid	*14.*	(3.739.735)	85.894	(3.653.841)
Interest paid		(1.274.083)	636.409	(637.674)
Net cash (used in) / from operating activities		**(7.271.081)**	**131.326**	**(7.139.755)**
Cash flows from investing activities				
Payments for tangible and intangible assets		(3.791.194)	(34.086)	(3.825.280)
Payments for acquisition of associates		(342.621)	(2)	(342.623)
Payments for financial assets at fair value		(45.425)	-	(45.425)
Proceeds from sale of tangible and intangible assets		193.598	-	193.598
Loans to related parties		(8.700.000)	-	(8.700.000)
Repayment of loans receivables		1.211.573	-	1.211.573
Dividends received		198.120	-	198.120
Interest received		-	(281)	(281)
Net cash flows (used in) / from investing activities		**(11.275.949)**	**(34.369)**	**(11.310.318)**
Cash flows financing activities				
Repayment of borrowings		(26.231.375)	1	(26.231.374)
Proceeds from borrowings from financial institutions		42.919.990	-	42.919.990
Outflows of lease liabllities		(215.181)	(74.130)	(289.311)
Net cash flows (used in) / from financing activities		**16.473.434**	**(74.129)**	**16.399.305**
Net decrease in cash and cash equivalents		**(2.073.596)**	**22.828**	**(2.050.768)**
Cash and cash equivalents at 1 January		26.096.448	-	26.096.448
Foreign exchange differences		12.283	(22.829)	(10.546)
Closing Cash and cash equivalents balance:		**24.035.135**	**-**	**24.035.134**

Notes to the consolidated financial statements

38. Adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA)

For the year ended 31 December

in euro	*Note*	2023	2022 *Restated**
Profit after tax		**36.095.588**	**30.000.618**
Income tax expense	14.	13.187.548	8.217.275
Deferred tax	15.	583.581	(421.200)
Profit before tax		**49.866.717**	**37.796.693**
Adjustments for:			
Interest income and related income	11.	(681.119)	(16.765)
Financial expenses	11.	7.137.587	2.452.547
(Revenues) / expenses from holdings and investments		(585.614)	-
EBIT		**55.737.571**	**40.232.475**
Non recurring items		733.516	-
Adjusted EBIT		**56.471.087**	**40.232.475**
Depreciation of property, plant and equipment	19.	989.333	996.735
Amortisation of intangibles	20.	(72.427)	183.254
Depreciation of right of use assets	33.	353.178	295.898
Adjusted EBITDA		**57.741.171**	**41.708.362**

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group’s financial performance. Adjusted EBITDA is calculated by adjusting profit for the year after tax to exclude the impact from taxation, net finance costs, depreciation and amortization, impairment of assets, gains from the revaluation of assets, the share of profit of equity-accounted investees and non-recurring expenses incurred.

Adjusted EBITDA is not a defined performance measure in IFRS Accounting Standards. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Notes to the consolidated financial statements

39. Subsequent events

- The Organisation for Joint Armament Cooperation OCCAR signed on 26 January 2024, in Bonn, a second contract amendment of an existing contract for binocular night vision goggles and in-Service Support on behalf of Belgium and Germany with a Consortium consisting of HENSOLDT Optronics GmbH and THEON SENSORS SA. The newly signed second amendment includes 3.500-night vision goggles for Belgium, as well as 16.041 night vision goggles and 8.423 Head Mounting Systems for Germany, the latter two are pending approval from German parliament, which the consortium expects to be received at the end of Q1 2024. Moreover, the contract includes an option for up to 25.000 additional night vision goggles each for Belgium and Germany. Thus, both Participating States have the opportunity to buy additional quantities without further negotiations.
- On 16 January 2024, the Group signed 2 more contracts. The first contract concerns the supply of the night vision binocular NYX to a central European Armed Forces at a value of €23m with an option for an additional €70m. Deliveries shall start at the end of 2024 with the bulk to be delivered in 2025. The second contract award was received by a European NATO member state and first-time customer and concerns the supply of Theon's Night Vision monocular ARGUS at a value of €8 m with immediate delivery.
- On 7 February 2024 the ultimate mother Group listing on Euronext Amsterdam was the first Initial Public Offering (IPO) in Europe for 2024. The listing on the Euronext Amsterdam market allows Group to further accelerate growth and its future business development.
- In February, THEON SENSORS SA received the first drawdown of EUR 3,56 million from a total amount of EUR 7,91 million approved for eligible investments through the State Supported Loan Facility of the Recovery and Resilience Fund.

There are no other material events after the reporting period which have a bearing on the understanding of the consolidated financial statements.

On 19 April 2024 the Board of Directors of Theon International PLC approved and authorized these consolidated financial statements.