VECTRON

Annual Report
2021

This is a translation of the German Annual Report. In case of any divergences, the German original is legally binding. For improved readability, we mostly refrain from using gender-related wording in this report. Male wording, when used, represents all genders.

VECTRON

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Letter by the executive board to the shareholders

Dear fellow Shareholders,

Financial year 2021 was highly turbulent but also successful for Vectron Systems AG. Despite the Covid-19 lockdowns at the beginning of the year, sales were stabilised by the POS fiscalisation. Despite it being a legal obligation, some customers have still not updated their POS system to comply with the new standards, but this factor will increasingly fade into the background. Vectron has therefore been focusing for years on developing its recurring revenues with high investments, and this strategy is now bearing fruit. Recurring revenues rose significantly to EUR 6.5 million (IFRS) in 2021 and are expected to increase further to around EUR 10 million (IFRS) in the current reporting period.

Recurring revenues are generated by a broad range of different digital services, which is to be expanded even further in the coming years. In 2021, Vectron added its own payment solutions to the portfolio. Since launching the solutions in April, Vectron generated continuous growth from payment agreements and is confident that this division will contribute significantly to the recurring revenues growth. In the autumn of 2021, Vectron significantly improved the payment solution‘s types of use with the A920 Vectron Plus mobile all-in-one device, a mobile payment terminal combined with Vectron POS software, and also plans to implement a number of technical payment innovations in the current reporting period. In addition to this area, the chargeable online interface to the DATEV POS archive is also regularly purchased online. The digital voucher system was launched as well with positive figures at the end of 2021.

Plans are to still significantly expand the digital service portfolio overall, with crucial products to be added to the digital product range in the current reporting period. We believe that we are only at the beginning with our digital services and are confident that recurring revenues generated from them have the potential to multiply the profit per customer over their standard useful lives.

In addition to organic growth, we search for opportunities to acquire companies that can boost and accelerate our strategy in terms of sales and technology. Even though we decided to refrain from a stringently audited acquisition opportunity in the fourth quarter, we continue to look out for suitable acquisitions and cooperations.

Unfortunately, the Coronavirus pandemic flared up again in the autumn, contrary to all expectations and political announcements, which led to severe business restrictions in large parts of the gastronomy. This, unfortunately, continued until the spring of the current reporting period.

Despite these restrictions, Vectron generated sales in the amount of EUR 38.2 million after IFRS and an EBITDA of EUR 4.7 million in 2021. As the previous year's figures were still stated in accordance with the German Commercial Code [Handelsgesetzbuch – HGB], a direct comparison is impossible. In accordance with the German Commercial Code, sales in 2021 amounted to EUR 40.2 million (previous year: EUR 27.8 million) and EBITDA to EUR 4.1 million (previous year: EUR -2.2 million).

Cash flow developed positively overall at EUR 11.6 million, with the company profiting from the inflow generated by a loan in the amount of EUR 3.0 million as well as a decrease in inventories, which had been deliberately increased to remain able to deliver during demand peaks. Overall, the reporting period closed with a strong cash position of EUR 19.9 million. The net liquidity of EUR 16.9 million provides us with the stability to consistently implement our strategy, even in an international environment that may remain impacted by negative events. In view of the current increase in black swan events, strong financial reserves are crucial. Technology, customers and markets nevertheless continue to develop – particularly during crises. This is why it is important to consistently invest in the future, despite any caution.

This philosophy has stood Vectron in good stead in the market for 32 years and we therefore also plan to tap the significant opportunities of the digital services.

We look forward to continue writing this history together with you.

Kind regards

Your Vectron executive board

Thomas Stümmler
CEO

Jens Reckendorf
CTO

Silvia Ostermann
COO

Dr. Ralf-Peter Simon
CSO

Report by the supervisory board of Vectron Systems AG

The supervisory board performed the duties it is charged with by law and according to the articles of association during the financial year 2021. The supervisory board was involved by the executive board in all fundamental business decisions and was always informed promptly of current developments. In addition to the regular meetings, each month the executive board reported on the current economic situation by way of a clearly defined budget report, provided an outlook towards the remainder of the ongoing financial year and drew comparisons with previous reporting periods, which meant that up-to-date information was available at all times. If required, questions by supervisory board members were also answered quickly outside the executive board meetings individually or in regular board calls. The supervisory board gave its recommendations on the proposed resolutions of the executive board under consideration of the prerequisites prescribed by law and in the articles of association. The supervisory board made further resolutions by circulation in writing.

During financial year 2021, four regular supervisory board meetings took place that were attended by all of its members.

- At the supervisory board meeting on 20 April 2021, the annual financial statements 2020 were presented by the auditor, mutually discussed and approved by the supervisory board. The management report was approved. The executive board reported on the current market situation, business development and development of the individual business fields, particularly in view of the effects of the Coronavirus pandemic. A change of auditors of the annual financial statements as from reporting period 2021 was also discussed and proposed in the approved agenda of the annual general meeting in 2021.

- On 10 June 2021 a further meeting of the supervisory board took place following the company's annual general meeting. The executive board informed the supervisory board about the company's current business situation, development of the individual business fields and provided an overview of current projects and strategic cooperations. The representatives of the auditing company appointed by the annual general meeting as the auditor of the annual financial statements 2021, RSM GmbH, Düsseldorf, also introduced themselves once again.

- At the supervisory board meeting on 23 September 2021, which was also attended for the first time by Dr. Ralf-Peter Simon, who had been appointed as an additional executive board member on 15 September 2021, the executive board provided information about the current business situation and reported on the planned change to IFRS accounting. Part of the reporting was information about the project for increasing monthly recurring revenues and the status quo of the planned merger of bonVito GmbH with Vectron Systems AG.

- At the final supervisory board meeting of the year on 9 December 2021, the planned VPOS sales model adjustments were presented and explained in detail to the supervisory board. The executive board reported on the effects on the potential budget planning for 2022, particularly the financial, investment and personnel planning. The presentation of final key performance indicators was postponed to the first quarter of 2022 due to the planned sales model change. The executive board also provided information on an ongoing acquisition project whose strategic effects were explained in detail. The supervisory board further discussed an extension of the executive board service agreement of Silvia Ostermann, which expires at the end of October 2022. It was ultimately resolved not to extend the executive board service agreement at this time. Finally, the results of the supervisory board's self-evaluation, which had been carried out for the first time, were discussed and corresponding implications on actions determined.

Executive board and supervisory board have issued a declaration of compliance pursuant to Section 161 AktG [German Stock Corporation Act]. This has been made publicly available on the company's website. Vectron Systems AG declares that it follows the German Corporate Governance Code in the version dated 16 December 2020 with the listed exceptions. The exceptions are considered prudent due to company-specific circumstances. Due to the low number of supervisory board members (four individuals), it was decided to forego the formation of sub-committees.

The management report and annual financial statement submitted by the executive board for 2021 were audited by the auditing company RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, and granted an unqualified audit opinion. The annual auditor reported orally on the assessment in the supervisory board meeting on 28 April 2022 and was available to the supervisory board for supplementary information.

Following the assessment of the annual financial statement (balance sheet, income statement, notes and management report), the supervisory board agreed with the result of the annual auditor's audit. The annual financial statement is thus confirmed.

The supervisory board thanks the executive board and all employees of the company for the successful work undertaken in the reporting year.

Münster, April 2022

For the supervisory board

Prof. Dr. Dr. Claudius Schikora
Chairman of the supervisory board

Company and market

We are a leading European provider of POS systems, POS software, apps as well as digital and cloud-based systems. We have developed our POS software and cloud products to be open and flexible so that they can be adapted to a multitude of industries and used with all major operating systems – Windows, Android, iOS and Linux. Our main target industries are gastronomy and bakeries. In recent decades, we established ourselves as a successful provider with more than 250,000 POS systems sold to date. We now also provide the customer base with digital services.

Our sales activities have an international focus and are generally processed via a close-knit network of about 300 specialist trade partners, who also take care of direct customer service. We support specialist trade partners with a combination of external and internal sales representatives and the Support Team.

The new fiscal requirements, digital transformation and, since March 2020, the effects of the Coronavirus crisis are creating sweeping and profound changes in the gastronomy sector.

The POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) in effect since the beginning of 2020 stipulates that all electronic cash registers must be fitted with a technical security device, amongst other things. This means that all POS systems in Germany require either an update or replacement. Even the last extension of the deadline by which the POS systems must be fitted with a technical security device expired at the end of March 2021. Simple cash registers have to be changed by 31 December 2022. Surveys by the DFKA (German Association for POS and Invoicing System Technology) suggest hat around 85% of companies have retrofitted their systems by now.

Real sales in the German hospitality sector in 2020 and 2021 were down by around 40% on 2019 according to estimates by the Federal Statistical Office. Sales in 2020 and 2021 were therefore the poorest since the beginning of the time series in 1994. The effects of the COVID-19 pandemic on the gastronomy sector are thus massive and their extent cannot yet be finally estimated.

Digital transformation in the gastronomy sector refers to the use of an increasing number of digital services, such as own business website, online portals, online orders, online table reservations, voucher cards, point collection systems, e-payment types and online guest feedback. At present, gastronomy business owners usually have to conclude various individual contracts, which means numerous invoices, additional devices in addition to the POS and extremely high costs per functionality. In addition, each system works differently and the lack of integration in the POS means that all data has to be entered twice, which costs time and is also prone to errors.

Gastronomy business owners' expectations of future digital products are therefore to have just one solution that covers all aspects and all of whose functions are integrated in the POS. They do not wish to run any additional hardware and wish to have only one contract and invoice, if possible. We have adjusted our business model accordingly in order to meet these expectations in the market. We provide fully integrated solutions with POS and services from one source.

Conditions in 2021 were difficult due to the continuing Coronavirus pandemic, as particularly our main target group, the gastronomy sector, was challenged by severe restrictions. However, the previously described POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) and expiry of the last extended deadline by which all POS systems had to be fitted with a technical security device at the end of March 2021 provided a boost. We estimate, however, that on this date, only around half of the POS systems had been retrofitted, meaning that despite the difficult conditions and due to our large installation base, we generated the highest sales volume in the history of our company. However, the willingness to invest larger sums was low due to the continuing difficult and barely assessable conditions and instead of purchasing new POS systems, more customers than expected retrofitted their existing systems.

Our continued goal is to significantly increase the digital business and to reach the majority of gastronomy businesses with our digital offers. We have been investing in digital services for years and with our former subsidiary, bonVito GmbH, which we merged with Vectron Systems AG in the third quarter of 2021 with retrospective effect as of 1 January 2021, have already proven that we are able to develop software as a service (SaaS) models and to take them into the profit zone.

Customers expect state-of-the-art technological equipment and continuous updates for software and cloud services, thus creating the need for high investments in new development, which we satisfy on an ongoing basis.

Although digital services such as online delivery services and ordering systems have been on the market for years, they were unable to penetrate all of the market for a long time. Online orders have become increasingly attractive due to the repeated lockdowns imposed by the government in the gastronomy sector since March 2020. Payment habits have also seen a strong trend toward e-payments. We therefore are confident that the digital transformation of the industry continues to bear huge potential. We aim to significantly increase the lifecycle value through recurring revenue and to multiply sales per customer over the useful life.

Products

Our service portfolio comprises POS systems, POS software, apps, digital and cloud-based services sold under the brand names Vectron, Duratec, posmatic and bonVito.

Core business: POS systems, software and peripheral appliances

Our core business, which has been successful in the market for decades, is the sale of POS systems via specialist trade partners. We sell high-quality, technically innovative, stationary and mobile POS systems under the Vectron brand name. The range is completed by peripherals, e.g. customer displays. The POS software has been developed in-house and is being continuously adapted to meet market requirements. Main target groups are gastronomy and bakeries. For these trades the software offers numerous proven special functions and is also flexible enough to be used by numerous other industries.

With our comprehensive range of stationary POS systems, we provide suitable equipment for various company sizes and types and create more efficient workflows and processes with advanced functions. The very large number of hardware and software interfaces, compared with our competitors, enables us to implement individual requirements and makes our solutions interesting for all customer groups, from retailers to large chains. In addition to stationary systems, we also provide mobile devices for table service. Modern POS apps for iOS and Android devices are also part of the portfolio.

The Duratec brand was launched in 2013 and aims at the medium price-performance segment. The Duratec product range is based on the sophisticated Vectron technology; with the software, however, we have focussed on the essential for user interfaces as well as on strong simplification and ease of learning. We take into account current trends like the integration of smartphones as ordering device. In addition to special hardware with long useful lives, a software version for PC is also available. Duratec is aimed at gastronomy businesses, retailers and hairdressers with standard requirements. The scope of functions of Duratec devices, which purposefully has been restricted compared to that of Vectron POS systems, allows a clear distinction of both brands and prevents cannibalism effects for the Vectron core business. As the programming of the devices is clearly faster and easier, Duratec is also interesting for dealers in Germany and abroad. We integrated the bonVito online services in Duratec POS systems as well.

To boost sales, we offer a sales support model (leasing). Hardware, installation and commission have been factored into the costs.

One of our unique selling points is that we develop both POS software and part of the hardware and are thus able to offer optimally matched POS systems. The software has generally been purchased as a one-off license with an indefinite term up to now. Software updates can be purchased individually or alternatively form part of most subscriptions. As well as the actual POS software, which is also available for PC, we provide additional back-office software products such as the “Vectron Commander”, which makes it possible to link and centrally program the individual POS. It also provides the basis for comprehensive analyses and POS reports.

We are continuously developing our products further in order to maintain our competitiveness in the long term. We launched the POS 7 PC in November 2021 and the POS 7 Mini in January 2022 – both additional models for our new modular POS generation. In October 2021, the Vectron A920 Plus was added to the stationary POS. It is a mobile all-in-one terminal which combines order processing, card payment and invoice printing at the table in one device and it primarily aims to develop the profitable payment offers.

Digital business

In order to significantly increase revenue per customer over the useful life and reduce our dependence on the market fluctuations, we continue to aim to increasingly generate monthly recurring revenues from digital services in the future instead of the one-off POS sales, which at the same time will improve sales planning.

With our myVectron, myDuratec and bonVito brands, we have been providing software as a service (SaaS) products for many years. We are a professional partner which realises digitalisation for its customers and creates new, market-relevant and targeted added value. We are able to manage hundreds of thousands of operations and branches with our scalable server structure.

bonVito

We have been able to collect in-depth digital experiences with bonVito, our online service platforms for major customers, which has been active since 2011.

The bonVito customer retention services cover stamp books, coupons, bonus points, e-payments, online payments and direct discounts in all relevant functions. This provides our major customers with excellent features for retaining existing consumers and increasing footfall and average consumption. Table reservation is an efficient service which speeds up and simplifies processes by providing the option to reserve a table directly on the website of a gastronomy business.

bonVito has been clearly profitable since 2019. It is being used in over 7,000 stores by now and more than 5 million active customer cards indicate the great acceptance amongst customers. bonVito generated at least a result of EUR 300 thousand in recent years on a stand-alone basis.

posmatic

Our cloud-based iPad POS system, posmatic, provides all of the functions of a modern POS system and is fully offline-compatible. posmatic contains professional features such as waiter lock, voucher management, customer pager and interfaces to other gastronomy industry software products, e.g. personnel placement management, goods management and hotel software (PMS).

New digital services

We provide various digital services that can be purchased either individually or in packages. These include a reporting app, which provides comprehensive real-time data on business development, a software update subscription, a digital receipt solution as an environmentally friendly alternative to paper receipts and a fiscal archive which reliably backs up all fiscal data daily to Vectron servers in Germany in accordance with tax law and accessible at any time.

We are gradually adding further attractive services to our portfolio in order to take as many of our installed POS systems online as possible and generate regular revenues.

In March 2021, we launched another online module, the “Link to DATEV POS Archive Online”. In April 2021, we added the modules invoice archive and POS backup. We now also offer the online table reservation solution by resmio and online ordering via restablo for our Vectron brand. At the same time, we expanded our payment products and launched new cloud tariffs. Some services are included free of charge in the sale of a POS so that as many devices as possible are online from the beginning to ensure that the digital business continues to grow. This lowers the hurdle of purchasing additional services at a later date.

At the beginning of 2021, we had at least 10,000 digital package contracts and we were able to increase this figure to almost 17,000 by the end of the year. This shows the growing need in the market and accuracy of our strategy.

In the new payment business, we have sold at least 2,000 modules by now with which we generated accumulated revenue of at least EUR 500 thousand over the reporting period.

Recurring revenue in the past year increased significantly to EUR 6,538 thousand. The significant growth in this area shows that our strategy is promising.

One-off effect: Fiscalisation

The POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) came into effect on 1 January 2020. Accordingly, it is mandatory to fit electronic recording devices with POS function with a technical security device. At the same time, digital records must be secured and held available for POS perusal and tax audits. It is also mandatory to issue till receipts. For tax audits, the recorded data must be presented in a standardised format – the “Digital Interface of the Financial Administration for POS Systems” [Digitale Schnittstelle der Finanzverwaltung für Kassensysteme (DSFinV-K)]. The financial authorities can also check that the systems are being used correctly and that all sales are being recorded by carrying out unannounced POS checks at any time. Any cash registers purchased between 25 November 2010 and 1 January 2020 that meet the requirements of the “Principles for the Proper maintenance and Storage of Ledgers, Records and Documents in Electronic Format as well as Data Access” [Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie zum Datenzugriff“ (GoBD)] but cannot be upgraded in accordance with the POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) due to their construction must be replaced by 31 December 2022 at the latest. Violations of the new provisions for the operation of POS are an administrative offence that may incur a fine of up to € 25,000 – notwithstanding any potential consequences under tax law.

In order to implement the wide-spread upgrade of electronic recording systems, electronic recording systems that did not yet have a certified technical security device or DSFinV-K digital interface were generally not queried until 30 September 2020. This deadline was extended again until 31 March 2021. The condition was that a corresponding binding order had to be placed by no later than 30 September 2020. At the end of November 2021, the first fine proceedings were initiated on the grounds of using a POS without a technical security device.

According to our own market research, around half of the POS did not yet meet the latest requirements at the beginning of 2021 and we still profited significantly from the replacement / retrofitting business during the course of the year. However, the less cost-intensive retrofitting option was much more popular than the replacement option due to the uncertain economic situation in the gastronomy sector, contrary to our expectations.

Total sales grew considerably in 2021. In accordance with IFRS, we generated revenue of around EUR 38,227 thousand (previous year: EUR 25,002 thousand) and EBITDA of EUR 4,706 thousand (previous year: EUR -1,671 thousand) in financial year 2021. In accordance with the German Commercial Code (HGB), revenue amounted to EUR 40,193 thousand (previous year: EUR 27,771 thousand) and EBITDA to EUR 4,110 thousand (previous year: EUR -2,198 thousand). These results are therefore slightly down on the HGB forecast bandwidth. In our opinion, the effects of the latest Coronavirus measures on the gastronomy sector were primarily responsible for this development.

The improved sales situation resulted almost entirely from domestic business.

Outlook

The planned sales will be postponed further due to the continuing Coronavirus crisis and its economic consequences. We cannot estimate reliably how long this situation will prevail. According to our estimates, around 25% to 30% of the POS in our gastronomy target group had not yet been changed at the beginning of 2022, meaning that sales impulses will continue to be created from the fiscalisation this year, even though to only a small extent. As the fiscalisation effect will abate, our objective remains to considerably expand the digital business and increase recurring revenues until they account for a significant part of total revenue.

We are focusing our development on expanding our digital services. In addition to launching further services, we particularly see enormous potential in the payment business. We will also add an SaaS and/or software subscription pricing model to our POS sales model in the current year. This significantly reduces the initial investment, thus increasing our competitiveness. At the same time, our revenues per POS system over the entire life cycle increases considerably and we generate additional monthly revenues.

Plans are for the digital business to be the growth driver and to multiply the life cycle value of our POS systems.

Our continued aim is to be the leader in the gastronomy sector within the scope of this market's digital transformation. We are committed to being the leading provider of digital point of sale solutions. Our solid capital base enables us to take further steps in this direction and to overcome the current situation, which is difficult for us as well as all other companies. Since the beginning of the Coronavirus crisis, we have reduced costs wherever useful and focused on topics that will boost sales as soon as the situation normalises.

Management remains optimistic for the future and expects the digital transformation in the gastronomy sector to speed up. With cash and cash equivalents in the amount of EUR 19,868 thousand, which are offset only by around EUR 3,000 thousand in bank loans, the company also has sufficient capital for further investments in restructuring the business model toward recurring revenues.

Management report

as of 31 December 2021

VECTRON

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1. Business performance

1.1. Company situation

Vectron Systems AG (hereinafter also referred to as “Vectron”) holds a leading position in the European market for intelligent POS system providers. The company’s products comprise hardware, software and cloud services. More than 250,000 POS systems have been sold so far in over 30 countries and almost 24,000 sales outlets, most of which in Germany, use the different online services.

The product solutions of Vectron Systems AG are primarily aimed at the gastronomy sector, bakeries and butchers as well as retailers and service providers.

The products are sold through a network of approximately 300 specialist trade partners, mainly in Germany and other European countries. End customers vary from single POS installations to chains with more than 1,000 POS.

1.2. Overall economic development

Like in the previous year, 2021 was heavily impacted by the Coronavirus pandemic. The second lockdown, which was resolved in mid-December 2020 in Germany and had severe consequences for sectors such as gastronomy, continued until the beginning of March 2021. The so-called “Federal Emergency Brake”(Bundesnotbremse) imposed restrictions between April and the end of June 2021. The new provisions of the German Infection protection Act (Infektionsschutzgesetz – InfSchG) that were issued in mid-November 2021 in response to the rapid spread of the Omikron variant and primarily imposed restrictions on unvaccinated persons once more negatively affected the economy. The majority of restrictions and measures were initially meant to be withdrawn in March 2022, but this date was later on postponed due to the infection numbers reaching highs at the time.

The strain placed on the economy by the pandemic was worsened by decreasening material availability and increasing delivery times.

Regardless of all of these challenges, the German gross domestic product, adjusted for price, increased by +2.7% year-on-year in 2021. The German economy therefore emerged from the recession in 2020 and grew at a rate last seen in 2017.

The core segments of Vectron Systems AG developed differently in 2021: Whereas the Coronavirus pandemic did not have any negative effects on over-the-counter bakery sales, contact / access restrictions in cafes led to sales decreases compared with the period prior to the pandemic. According to the Federal Statistical Office, sales in the “bakery and sweets retail sector” (approximate value for the bakery industry chart) were down by 2.6% in nominal terms and by 5.2% in real terms year-on-year in 2021.

The gastronomy sector was severely impacted by the lockdowns and social distancing measures imposed by the government. Sales in the reporting period decreased by 0.8% in nominal terms and by 4.0% in real terms based on Federal Statistical Office data. The restrictions of the third and fourth Coronavirus wave hit the gastronomy sector even more than the first and second wave as many operations remained open at almost full operating expenses, whilst sales in the individual periods of the third and fourth wave were down on the normal seasonal figures by 30% to 50%. The respective aid programmes, particularly those launched by the German government, only partially compensated for the new sales slumps during the course of the year.

To summarise, the general economic conditions for the German customers of Vectron Systems AG were therefore worse than for the rest of the economy.

1.3. Sector development

The POS system market is varied, both on the provider and customer side. The diversity of the sector and varying company sizes among users are reflected on the provider side. Only few manufacturers are global players in different markets. Most competitors are small, often only regional providers. Next to established companies such as Vectron and others whose product portfolio contains hardware and software, an increasing number of pure software providers are entering the market.

In the context of the fiscal requirements, conditions in Germany were initially ideal in 2020. The POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) in effect since the beginning of 2020 stipulates that all electronic cash registers must be fitted with a technical security device, amongst other things.

As a result, all POS systems in Germany will either require an upgrade or replacement. Even the last extension of the deadline by which almost all of the POS systems must be fitted with a technical security device expired at the end of March 2021. Simple cash registers have to be changed by 31 December 2022. Surveys by the DFKA (German Association for POS and Invoicing System Technology) suggest hat around 85% of companies have retrofitted their systems by now. Subsequent retrofitting can therefore also be expected in 2022 and maybe even in 2023.

The trend toward digitisation in the gastronomy sector continued in the reporting period. Government restrictions such as social distancing increased demand for digital POS system services (e.g. payment offers, delivery services, etc.) during the Coronavirus pandemic.

1.4. Sales and order development

The company generated the highest sales in its history in financial year 2021. Three factors influenced sales: the Coronavirus pandemic, fiscalisation and the merger of the subsidiary, bonVito GmbH.

- The lockdowns imposed in response to the Coronavirus pandemic caused considerable unwillingness to invest, particularly in the gastronomy sector, in the first quarter of 2021.

- Fiscalisation was the hot topic in the second quarter of 2021. Once the second lockdown had ended and due to legal requirements, numerous gastronomy businesses decided to invest in their POS systems. This led to Vectron System AG receiving an order volume of historic proportions. Thanks to the previous increase in stocks, all of these orders were completed on time.

- In the third quarter of 2021, demand evened out compared with the previous quarter, firstly, due to the summer and holiday period and secondly, due to the impending economic downturn caused by the start of the next Coronavirus wave.

- In the third quarter, the final conditions for the merger of the previous subsidiary, bonVito GmbH, were met. This merger was completed with the registration in the commercial register at the end of September 2021 with retrospective effect as of 1 January 2021. Since this time, the communicated figures include both the sales of the previous Vectron Systems AG and the previous subsidiary, bonVito GmbH.

- The fourth quarter of 2021 was once more affected by the Coronavirus restrictions in the target sector, gastronomy, which translated into normalised sales for Vectron.

Unless otherwise stated, the following figures were determined in accordance with the International Financial Reporting Standards (IFRS).

Revenue in reporting period 2021 amounted to EUR 38,227 thousand (previous year: EUR 25,002 thousand). The significant increase of 52.9% compared with 2020 was caused by demand-related effects arising from the fiscalisation, increase in revenue from digital products and services and the inclusion of bonVito GmbH after the completed merger (EUR 2,965 thousand).

EUR 34,157 thousand of revenue was generated in Germany (previous year: EUR 22,121 thousand), EUR 3,249 thousand in other European countries (previous year: EUR 2,796 thousand) and EUR 821 thousand in third countries (previous year: EUR 85 thousand).

	2021	2020
Germany	89.4%	88.5%
Other European countries	8.5%	11.2%
Third countries	2.1%	0.3%

One-off revenue contributed EUR 31,688 thousand (previous year: EUR 23,157 thousand) to total revenue and recurring revenues amounted to EUR 6,538 thousand (previous year: EUR 1,845 thousand).

Vectron Systems AG provides its end customers with a financing model for new POS systems. This sales promotion model is offered by the specialist trade partners. In reporting period 2021, new contracts accounted for 3.3% of revenue (previous year: 7.9%). The year-on-year change primarily resulted from government aid programmes which made it easier to directly purchase a POS in the reporting period. Demand for the sales promotion model decreased as a result.

Vectron's business model is geared towards short delivery times and corresponding short production lead times, from which the specialist trade partners profit in particular. There were no outstanding order volumes worth mentioning as of the balance sheet date.

1.5. Production and procurement

Vectron uses the same application software in most of its POS systems. It can also be used in other sectors than the actual target sectors. Different models and/or model changes and diverse target industries therefore cause comparatively little development, maintenance and support costs.

The production process consists primarily of the assembly of modules and pre-fabricated components as well as quality controls. Device variants in great demand are manufactured and kept in stock. Sometimes complete devices manufactured to order are also supplied. Stocks are dispatched as soon as an order is received, meaning that delivery periods are usually very short. Less frequently demanded products are made specifically to order.

To ensure continuous delivery capability and fast reaction times, defined minimum amounts are stocked for all important components. New product lines or expected peak demand may thus result in temporarily increased stock levels. In the past financial years, stocks were deliberately increased to remain able to deliver goods at all times. The company was therefore able to once again process and complete all orders on time in the reporting period whilst strong demand resulted in a decrease in inventories.

The procurement situation turned out to be non-critical throughout, even when individual delays occurred due to external factors (such as closure of the Suez Canal following the crash of a container ship).

1.6. Research and development

Around 30% of the staff are involved in the new and further development of Vectron products – either in research or product management. A material share of total personnel costs therefore relates to development services. This figure was not capitalised in the past reporting period as the conditions for capitalisation were not met. Applications were made for research funding grants for two projects in accordance with the German Research Funding Grant Act (Forschungszulagengesetz).

1.7. HR and social affairs

At the end of financial year 2021, Vectron Systems AG employed 195 persons (previous year: 205). The workforce consisted of four members of the executive board, 178 employees and 13 trainees.

The employee remuneration system provides fixed remuneration based on the scope of tasks and responsibilities as well as a variable component that is based on the company's annual performance for the majority of employees and contractually agreed targets for some individuals.

Managers can participate in a share option programme.

No special occupational health and safety incidents (e.g. accident prevention, accidents at work, etc.) occurred during the reporting period.

Short-time work was used to a small extent in 2021.

1.8. Remuneration system for executive bodies

The remuneration of the members of the executive board consists of fixed and variable components. The variable components of two of the members contain a capped performance-related component of 3% of operative profit (EBITDA / earnings before interest, taxes, depreciation and amortisation). One member's variable component consists of a capped target bonus based on EBITDA. One member's variable component consists of phantom stocks, a capped target achievement bonus based on EBITDA and a capped bonus for increasing certain sales. All members of the executive board are entitled to a company car.

The supervisory board receives fixed annual remuneration, the details of which are explained in the notes to the annual financial statements.

1.9. Other important processes

In addition to organic growth, Vectron assesses opportunities and risks from potential M&A transactions. As from the third quarter of 2021, intensive discussions took place about the acquisition of a company with an attractive product and marketing profile as well as robust sales and earnings development. These talks were discontinued in January 2022 without realising the transaction.

In November 2021, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) issued a fine against Vectron Systems AG in the amount of EUR 130 thousand for violations concerning the formal aspects of the publication of insider information. The underlying facts and circumstances pertain to the publication of the annual figures for 2017 in the spring of 2018 as well as the way that the disassociation from Mr. Kaltner was communicated (CEO of Vectron Systems AG at the time) in the summer of 2018. Sufficient provisions have been set aside in previous periods, meaning that only liquidity, but not expenses, were affected by this in financial year 2021.

2. Actual assets, financial position and profit position

2.1. Actual assets (IFRS)

As of the balance sheet date on 31 December 2021, total assets increased by EUR 15,797 thousand, from EUR 31,916 thousand to EUR 47,713 thousand.

On the asset side, this was primarily due to cash and cash equivalents, which increased from EUR 8,305 thousand to EUR 19,868 thousand. The asset deal (acquisition of posmatic GmbH's software) is reflected in an increase in intangible assets from EUR 87 thousand to EUR 1,193 thousand. In turn, participations decreased by EUR -1,650 thousand due to the distribution of the capital reserve of posmatic GmbH and the merger of the former bonVito GmbH. The capitalised right-of-use assets increased by EUR 7,846 thousand to EUR 8,427 thousand, partially due to the long extension of the lease agreement for the office building. Inventories decreased as planned within the scope of increased demand (EUR 4,943 thousand compared with EUR 6,714 thousand). At the same time, trade receivables increased slightly from EUR 3,451 thousand to EUR 3,558 thousand. Receivables are comprised of numerous individual receivables from various customer groups and/ or customers. Individual payment targets are agreed with each customer, which generally do not exceed 60 days. The percentage of doubtful receivables increased slightly in the past year due to the Coronavirus-related lockdowns. Regular monitoring and prompt reminders (plus mitigation measures) ensure that the number of actual bad debts remains low. Potential risks are addressed through the formation of individual and general value adjustments.

On the liabilities side, the subscribed capital consists of 8,056,514 (previous year: 8,037,842) no-par value bearer shares with one vote each. Total equity amounts to EUR 25,552 thousand (previous year: EUR 23,170 thousand).

Liabilities increased from EUR 8,746 thousand to EUR 22,161 thousand. Following the change from the German HGB accounting standards to IFRS, lease liabilities for the office building and other lease agreements (particularly vehicle fleet) are also included in the balance sheet. Please refer to the notes.

The current liabilities of EUR 12,060 thousand (previous year: EUR 5,667 thousand) are offset by current assets of EUR 30,566 thousand (previous year: EUR 21,488 thousand). The year-on-year change in current liabilities resulted from the loan of EUR 3,000 thousand paid out in January 2022 (matures on on 31 December 2022) and the increase in short-term employee benefits (+ EUR 1,338 thousand), particularly for variable salary payments. The non-current liabilities of EUR 10,101 thousand (previous year: EUR 3,079 thousand) are offset by non-current assets of EUR 17,147 thousand (previous year: EUR 10,428 thousand). The increase in non-current liabilities is the result of the extension of the lease agreement for the administration building in 2021.

As of the balance sheet date, the equity ratio was 53.6% (previous year: 72.6%). Whilst the equity remained almost constant, this change is primarily the result of

- the increase in non-current liabilities due to the increase in lease liabilities incurred from the extension of the lease agreement for the office building,

- the increase in current financial liabilities due to a loan being taken out, and

- the increase of the provision for short-term employee benefits (variable remuneration of the executive board and employees, which will be paid out in the second quarter of 2022) in current liabilities.

Cash flow from investing activities amounted to EUR +61 thousand (previous year: EUR -1,226 thousand) and primarily included the following items:

- Investments in property, plant and equipment, particularly operational and business equipment (EUR -453 thousand; previous year: EUR -1,179 thousand).

- Proceeds from the disposal of financial assets in the amount of EUR +1,688 thousand (previous year: EUR 0 thousand). On the one hand, this figure shows the merger of bonVito GmbH, which led to an increase in cash and cash equivalents (EUR +938 thousand). On the other hand, Vectron Systems AG acquired material shares in operations from its wholly-owned subsidiary, posmatic GmbH, as of 31 December 2021 as part of an asset deal. The acquisition primarily aims to reduce the complexity of processes (monthly license settlement as well as accounting, which is currently still outsourced). In this context, posmatic GmbH repaid the capital reserve in the amount of EUR 750 thousand to Vectron Systems AG.

- The asset deal mentioned above includes the acquisition of software licenses, which resulted in an investment in intangible assets in the amount of EUR -1,129 thousand. Cash payments for investments in intangible assets totalled EUR -1,174 thousand (previous year: EUR -47 thousand).

2.2. Financial position (IFRS)

Based on the disclosures in “Investments”, all cash payments in the past reporting period were paid with existing cash and cash equivalents. The credit facilities did not have to be drawn down.

All financial liabilities were repaid on time, if necessary by utilising cashback income. Vectron Systems AG remained able to pay its liabilities at all times.

At year-end, Vectron’s cash and cash equivalents amounted to EUR 19,868 thousand. This corresponds to a year-on-year increase of EUR 11,564 thousand.

In the reporting period, cash flow from operating activities amounted to EUR +10,179 thousand (previous year: EUR -2,078 thousand) and primarily resulted from the monetisation of the previous inventories and an increase in trade payables due to the balance sheet date.

Cash flow from investing activities has been described above.

Cash flow from financing activities amounted to EUR +1,339 thousand (previous year: EUR +310 thousand), primarily due to the following activities:

- A loan in the amount of EUR 3,000 thousand was paid out in mid-January 2021. This loan matures on 31 December 2022.
- In order to finance the POS systems provided as part of the sales promotion model and/or the Duratec digital world offer, sale and lease back and/or sale and lease purchase transactions were conducted, resulting in proceeds in the amount of EUR 1,846 thousand (previous year: EUR 2,993 thousand).
- Interest payments for and repayments of financial and lease liabilities resulted in cash outflows in the amount of EUR -3,555 thousand (previous year: EUR: -13,714 thousand).

The financing strategy remains geared towards long-term stability.

2.3. Profit situation (IFRS)

Vectron increased both its revenue and margin in 2021. The gross margin (calculated by dividing gross earnings by revenue) increased from 62.7% to 68.8 % year-on-year in financial year 2021.

In 2021, the majority of revenue was generated from non-recurring sales due to the changed legal requirements for POS manipulation protection. At the same time, the increase in recurring revenues indicates the success from our strategic endeavours to become less reliant on non-recurring sales. Without taking into account the effects from the merger of bonVito, the recurring revenues of the former Vectron Systems AG increased by 150% to EUR 4,610 thousand compared with 2020. Investments like those required in previous years to further develop the business model were no longer necessary in financial year 2021.

The sales promotion model accounted for just a small percentage of sales volume in 2021, which was also due to the government aid measures which increased the attractiveness of directly purchasing a POS compared with using the sales promotion model.

Personnel expenses include wages and salaries as well as employee entitlements for holidays and overtime. The 24.3% increase is the result of salary adjustments during the year and primarily due to special remuneration based on business performance, which did not exist to this extent in the previous year. Short-time work had been registered for small parts of the staff in the lockdown periods.

The average number of employees (excluding members of the executive board and trainees) in 2021, converted to full-time equivalents, was approximately 173 (previous year: 168).

Other expenses increased by 12.3%, which was caused by the increase in commission payments to specialist trade partners due to the increase in sales.

The EBITDA amounted to EUR 4,706 thousand compared with EUR -1,671 thousand in the previous year.

Depreciation and amortisation amounted to EUR 1,577 thousand (previous year: EUR 1,338 thousand). Almost half of this figure related to amortisation of the right-of-use assets for the office building in the reporting period. Depreciation and amortisation were also applied to the right-of-use assets for vehicles, operational and business equipment as well as capitalised POS that were provided to customers for a limited period of use.

The financial result of EUR -13 thousand (previous year: EUR -124 thousand) is almost balanced. The majority of interest income was generated by finance lease agreements for the sales promotion model as well as bonVito Comfort agreements. Interest expenses were incurred for various refinancing activities such as the loan that was taken out and/or sale-and-leaseback transactions.

The percentage of foreign currency transactions in merchandise purchasing in 2021 was approximately 33% of the material input (previous year: approximately 49%). There are no other material effects from exchange rate fluctuations. This is also the case on the sales side as invoices are also primarily denominated in euros in foreign currency regions. In individual cases, invoices are also issued in British pounds or US dollars. Supply bottlenecks and general inflationary trends led to a rise in purchasing prices. The majority of cost increases were compensated by increasing the sales prices as from the third quarter.

Earnings before income taxes amounted to EUR 3,116 thousand (previous year: EUR -3,133 thousand) and profit (loss) for the period to EUR 2,437 thousand (previous year: EUR -2,313 thousand).

2.4. Situation of Vectron Systems AG (single financial statements in accordance with HGB)

Total assets of Vectron Systems AG increased by EUR 8,058 thousand to EUR 35,528 thousand, primarily due to the successful merger of the former subsidiary, bonVito. As a result of the asset deal that was executed with posmatic GmbH on 31 December 2021 (sale of material parts of the operations of posmatic GmbH to Vectron Systems AG), intangible assets increased from EUR 87 thousand to EUR 1,193 thousand.

Property, plant and equipment increased from EUR 1,071 thousand to EUR 1,325 thousand. Financial assets decreased from EUR 2,054 thousand to EUR 404 thousand due to the merger of bonVito as well as the distribution of the capital reserve of posmatic GmbH to Vectron Systems AG.

In current assets, inventories decreased (EUR 4,943 thousand compared with EUR 6,714 thousand in the previous year) due to increased demand, which is reflected in sales. Receivables and other assets decreased slightly from EUR 5,516 thousand to EUR 5,119 thousand. An increase in trade receivables is offset by a decrease in receivables from affiliated companies.

Cash and cash equivalents increased considerably from EUR 8,305 thousand to EUR 19,868 thousand.

On the liabilities side, equity increased from EUR 22,779 thousand to EUR 25,394 thousand due to employees exercising share options and the inclusion of the annual figures.

Total provisions increased from EUR 1,485 thousand to EUR 4,341 thousand, primarily due to the inclusion of outstanding invoices, provisions for performance-based remuneration and/or variable salary components as well as the adjustment of tax provisions from EUR 42 thousand to EUR 338 thousand.

Liabilities increased from EUR 3,205 thousand to EUR 5,792 thousand, primarily as a result of the company taking out a loan in the amount of EUR 3,000 thousand.

Revenue amounted to EUR 40,193 thousand compared with EUR 27,772 thousand in the previous year due to the effects from the fiscalisation, Coronavirus and merger of bonVito. Inventories changes amounted to EUR 158 thousand (previous year: EUR -111 thousand). Own work in the amount of EUR 119 thousand (previous year: EUR 362 thousand) was capitalised in the reporting period. Other operating income amounted to EUR 960 thousand compared with EUR 624 thousand in the previous year. It includes revenues from the sale of previously capitalised POS systems as part of the sale-and-lease-back transactions.

Material expenses increased from EUR 11,647 thousand to EUR 14,209 thousand due to the considerable sales growth.

Personnel expenses amounted to EUR 12,169 thousand (previous year: EUR 9,832 thousand). This increase is the result of salary adjustments during the year and primarily due to special remuneration based on business performance, which did not exist to this extent in the previous year. Short-time work had been registered for small parts of the staff in the lockdown periods.

Depreciation and amortisation increased from EUR 388 thousand to EUR 777 thousand and corresponded with the additions to assets resulting from the merger of bonVito. Other operating expenses increased from EUR 9,358 thousand to EUR 10,935 thousand, primarily due to the commission payments to specialist trade partners as part of the stated sales growth.

The interest loss decreased from EUR -200 thousand in the previous year to EUR -43 thousand in the reporting period due to interest payments being discontinued following the repayment of a EUR 10,000 thousand loan as of 31 December 2020. Tax expenses amounted to EUR 724 thousand following tax income of EUR 721 thousand in the previous year.

Annual result increased significantly from EUR -2,065 thousand to EUR 2,566 thousand.

In the previous year, Vectron's future business forecast stated that the fiscalisation will have a positive effect on the earnings situation once the Coronavirus-related restrictions are lifted. The forecast also stated that the adjustment of the business model toward a focus on (digital) services will reduce dependence on general economic developments. Both forecasts turned out to be true in the reporting period. The special economic upward trend driven by the fiscalisation created strong demand for POS systems that conform with these fiscal provisions and the income from digital services also increased significantly, regardless of the effects from the Coronavirus pandemic.

3. Subsequent events

The continuation of the Coronavirus pandemic is classed as an important event that will have an effect past the balance sheet date. The management report discusses this in detail in the forecast report.

On 24 February 2022, Russia initiated an aggressive war against the Ukraine which violates international law. This war and resulting sanctions imposed by the West impacts the global economic situation. Vectron has only been indirectly affected by this up to now (such as inflation-related additional costs). No procurement or sales bottlenecks are discernible at present. The further development of this armed conflict and its effects on Vectron could not be reliably estimated at the time the management report was prepared.

4. Risk report

For monitoring purposes and to support decision-making, Vectron Systems AG has introduced a risk management system and appointed a risk management officer who reports directly to the executive board. The risks and counter-measures are monitored and recorded on a regular basis. The risks are classified and appraised both qualitatively and quantitatively. Changes are documented so that historical developments are transparent. The results of each audit are reported to the executive board. If additional counter-measures are required, these are initiated directly by the executive board. A performance indicator is calculated from the probability of occurrence and potential damage. This forms the basis for inclusion in the risk report.

4.1. Business risks

The long-standing pricing pressure in the industry may result in a narrowing of the margins for the sale of POS systems, which could not be compensated with other means under the previous income model (one-off income). By offering unique selling points, Vectron has so far largely and successfully disconnected itself from the general pricing competition within the sector. The further development and continuous expansion of the income opportunities for products with recurring revenues will lead to a great degree of independence from one-off income and general pricing pressure. In order to strengthen the focus on these income opportunities, the MRR (monthly recurring revenue) boost project was launched in 2021 in which employees with responsible positions in their different departments are involved.

Various technical developments have lowered market entry hurdles for new providers and lead to a continuous change of products and business models. Missing a new trend could damage Vectron's profitability in the long-term. The monitoring of competitors and other sectors in order to constantly check and adjust the company strategy is thus of great importance. Product developments are continually adjusted to current findings. All developments continue to be based on agile methods (Scrum) to ensure maximum reaction speeds.

Economic fluctuations impact users' willingness to invest in POS systems, meaning that an economic downturn (potentially only in individual sales countries) can lead to significant sales decreases. In 2021, willingness to invest was once again extremely subdued due to the Coronavirus pandemic and related closures of gastronomy businesses. However, this trend was largely compensated by the fiscalisation. The aim remains to gain independence from economic cycles as much as possible by focusing on high-quality and complex system solutions as well as transitioning to business models with recurring instead of one-off income. In the markets of other countries with similar fiscalisation, numerous users let similar periods of grace pass without responding and reacted with a significant delay, in other words once the respective deadlines had expired. Sales expected in 2021 generated from upgrades and the replacement of devices have therefore been delayed. If and when sales can be generated from customers that had not yet changed their systems at the end of 2021 primarily depends on the enforcement of government constraints by the German fiscal authorities.

4.2. Process and value creation risks

The company's growth and adjustment processes, particularly for the development of the new business fields and the expansion in other countries may lead to the complexity of internal processes increasing too quickly, thus leading to loss of efficiency and lack of quality. During corresponding changes, particular importance is thus placed on suitable project management and adequate involvement of employees. Prince2 Agile, the new project management standard, was launched at Vectron in the reporting period.

The process development and invoicing of digital services is generally complex and prone to errors. Problems can have considerable negative effects on sales, revenues and customer satisfaction. This is primarily counteracted with the launch of suitable IT solutions. The unit responsible for developing and operating the internally used software applications was expanded significantly.

New products are tested for customer use and saleability prior to launch. Only products that are expected to create added value for Vectron's customers and have good market potential are launched. As part of the product development process, specified criteria are used to determine which products are to be launched.

The obligation to use a technical security device and the consequences of the business closures have made it more difficult to plan demand for suitable POS systems. Furthermore, the delivery times for electronic components have become much longer in recent months, mainly as a result of the COVID-19 pandemic. This risk was, and will be, counteracted by deliberately increasing buffer stocks and implementing organisational measures. Future delivery issues cannot be ruled out entirely, despite Vectron not having had any delivery issues up to now caused by the measures and planning described above.

As a technology company, Vectron may become the target of industrial espionage. Due to the particular market characteristics and the specialist knowledge required to use the technology, the actual risk is considered relatively small. Vectron nevertheless implemented comprehensive protective measures, such as securing the IT systems, internal access restrictions and non-disclosure agreements to raise awareness of the risks, particularly of ransomware.

4.3. Finance risks

Sales variations may have a significant short-term effect on the available cash flow and thus endanger the overall financing of the company. Vectron therefore aims to maintain high levels of liquidity so that the stability of the company is ensured at all times, even during longer periods of weak economic performance.

Dependencies on individual, major customers always pose a risk, such as in the case of payment default. However, this risk is currently low for Vectron (the largest Vectron customer accounted for almost 4% of total revenue in 2021), but may increase due to individual major orders. The general default risk of the debtors is counteracted with various audits at portfolio and individual level, including a regular check of credit limits, regular exchange with customers, prompt and regular reminder and collection activities and additional mitigation measures.

As the company buys a significant share of the material in foreign currency (primarily US dollar), and/or prices are directly impacted by exchange rates, unfavourable exchange rate fluctuations may have a significantly negative impact on profits. Depending on historical and expected exchange rate developments, foreign currency items are processed via spot purchases or hedged with derivative financial instruments. Due to the sometimes high volatilities, these securities are, however, not always available at acceptable conditions. In addition, it is almost impossible to hedge against long-term exchange rate fluctuations. Cash transactions as well as hedging transactions for US dollar payments were concluded in the reporting period. The development of the US dollar exchange rate is being permanently and promptly monitored.

Longer-term business interruption, e.g. as a result of a fire or similar major incident, could have considerable financial costs. This risk is mitigated through a business interruption insurance, if possible. However, certain risks, such as force majeure, cannot be insured or would be too expensive to insure to be economically viable.

Tax audits always bear a potential revenue and/or liquidity risk. Up to now, financial years 2008 to 2015 have been audited without resulting in any material back payments. A tax audit for 2016 to 2019 started in the fourth quarter of 2021. It is as yet impossible to issue any statements regarding the results.

4.4. Technical and IT risks

The company is highly dependent on numerous IT systems and other technology. Breakdowns, malfunctions, data loss or hacker attacks could endanger the company's continued existence as a going concern. This particularly applies to the digital services offered as cloud solutions where even short breakdowns have considerable effects on users. Vectron places great importance on state-of-the-art security measures and backup solutions as well as regular IT system updates. The requirements regarding reliability and resilience are taken into consideration in the architecture and operating concept of the cloud solution.

4.5. Purchasing and cooperation risks

A price increase for purchased components can result in a narrowing of the margin. In order to prevent this issue, Vectron agrees fixed-price contracts that prevent direct price increases by suppliers. As the exchange rate trend is used for calculating the fixed price, there is nevertheless an indirect potential currency risk (see Finance risks). However, it is impossible to fix prices in the long term.

Price savings for electronic assemblies, components and finished devices can generally only be achieved by purchasing larger quantities. However, larger purchasing volumes require more tied capital and bear the risk of impairments in the event of products being cancelled. The company therefore only concludes framework agreements for quantities whose sale is expected to be largely secured.

In the case of Vectron-specific or single-source components, the downtime of a pre-supplier can result in delivery delays. The largest single supplier accounted for a share of 17.0% of the total acquisition volume in 2021. To avoid shortages, minimum amounts of all critical components are stocked so that a sufficient lead time for a reaction to downtimes is ensured. Replacement suppliers are on stand-by if technically and economically feasible. Procurement continues to closely manage the procurement situation.

Parts of the globally linked supply chains have been disrupted by the COVID-19 pandemic. This primarily shows in the longer delivery times previously mentioned. It has been possible up to now to fully compensate for this development with increased stocks and the change to alternative components. The war in the Ukraine has not had any effects on the supply chain, and therefore Vectron's procurement situation, worth mentioning up to now. The company continues to closely monitor the effects of this situations as well to implement prompt and suitable countermeasures.

4.6. Personnel risks

In view of the increased lack of qualified employees in recent years, problems with the acquisition of qualified employees may result in the company being unable to promptly implement its product developments and sales activities and exploit corresponding business opportunities. Vectron implements numerous individual measures to position itself as an attractive employer. The focus on recruiting is also to be strengthened further and the number of employees in HR is to be increased.

The unavailability of key employees can lead to noticeable problems with operations. A risk in this respect is that it may be impossible to retain these key employees in the company. In order to promote employee retention, Vectron places great importance on a good working climate and the targeted promotion of cooperation amongst colleagues. Managers are tied to the company with a share options programme.

4.7. Product and product development risks

The product portfolio undergoes ongoing adjustments, changes and expansions. The resulting development and production complexity can lead to delays and product errors that can have a significant effect on the company's profit situation. There is also a risk of developing products that do not meet requirements in the market. Both planning and development are therefore as iterative as possible to ensure that findings in the market flow into these activities as quickly as possible. Software tests are automated as much as possible. The risk is further limited through product liability insurance.

4.8. Legal risks

Vectron processes a considerable amount of personal data for operators and also when storing the data of its own customers. Vectron further engages third parties to process the corresponding data and processes personal data in joint responsibility with the specialist trade partners and operators (bonVito). Vectron has to comply with corresponding legal requirements for this processing. Non-compliance with these and controls by the regulatory authorities could result in heavy fines. To adequately counteract these measures, the number of employees in Legal was increased. This unit continues to ensure compliance with the legal bases, such as the conclusion of data processing agreements with all cloud customers, service providers and specialist trade partners that process personal data for Vectron.

Errors can occur in publications that are relevant to the capital market (ad-hoc announcements and/or corporate news) which can result in a damaged reputation, uncertainty amongst investors as well as heavy fines. These are the consequences primarily of non-compliance with the BaFin provisions for corresponding publications. Ad-hoc announcements, for instance, must be brief and informative and must, in particular, not be misused as advertising or marketing messages. Such violations incur fines. This risk is counteracted through early reconciliation, the use of qualified service providers or own employees and a legal audit prior to publication.

Insider information could also be created within the company which must be published immediately or whose publication must be delayed according to corresponding postponement orders in accordance with the Market Abuse Regulation (Marktmissbrauchsverordnung). The group of persons with knowledge of the respective information must also be kept as small as possible. Legal is therefore responsible for raising awareness of which information is to be regarded as insider information as from when and the group of involved / informed employees is restricted.

5. Forecast report

5.1. Future sector development

In the gastronomy sector, the keyword “digital transformation” refers to the use of an increasing number of digital services, such as a company website, online portals, online orders, online table reservations, digitisation of internal business processes of the operators, kitchen monitoring, staff deployment planning, customers’ self-service orders at a kiosk or via smartphone, issuance and redemption of voucher cards, point collection systems, e-payment types, guests’ online ratings and much more.

At present, gastronomy businesses usually have to conclude various individual contracts, which means numerous invoices, additional devices in addition to the POS and extremely high costs per functionality. In addition, each system works differently and the lack of integration in the POS means that all data has to be entered twice, which costs time and is also prone to errors.

Gastronomy business owners’ expectations of future digital products are therefore to have just one solution that covers all aspects and all of whose functions are integrated in the POS and/or seamlessly and automatically correspond with the POS. Gastronomy business owners do not wish to run any additional hardware and wish to have only one contract and invoice, if possible.

To meet these market expectations, business models are changing toward Software as a Service (SaaS). A market of (fully) integrated solutions with POS and services from one source is developing.

The digitisation described above has since been advanced. Numerous gastronomy businesses have sped up the development of their systems for participation in click and buy services, either in connection with customer collection or delivery services. Although digital services such as online delivery services and ordering systems have generally been available for years, they have as yet been unable to penetrate all of the market.

Online orders have become increasingly attractive in connection with the Coronavirus-related lockdowns and restrictions in the gastronomy sector. Payment habits have also seen a strong trend toward e-payments. The digital transformation of the industry therefore provides attractive medium to long-term growth and earnings potentials, including as a result of the currently establishing new SaaS business models, and increasing recurring revenues from the customer base enable us to retain customers to significantly increase customer lifetime value.

The generally bemoaned shortage of service staff in the wake of the pandemic is regarded as another driver for the digitisation efforts of the gastronomy businesses, meaning that functionalities such as “Inhouse Ordering”, “Self Check Out” and many more provide additional income opportunities due to the growth potential of digital services and particularly providers that offer an integration in POS systems.

An important change in recent years is the establishment of new pricing models in various sectors, based on recurring instead of non-recurring payments. By developing new digital business fields with recurring revenues, established and new providers fight against the pricing pressure that has been ongoing for years, which primarily and increasingly affects non-recurring revenues.

The development and expansion of the various technical developments has lowered the market entry barriers for new providers, particularly of solutions for sub-processes such as reservations, ordering, payment, etc. and lead to a continuous change in products and business models.

Organic company developments will (assumedly) be supplemented with increasing speed by inorganic scenarios. Missing a new trend could otherwise damage companies’ profitability in the long-term. Ongoing market and competition monitoring is gaining in importance in this respect and must cover the global market. Neighbouring sectors must also be closely monitored.

Not just individual software, but whole company developments require increasingly fast response times and are based on agile methods. In view of these developments, Vectron will carefully investigate inorganic growth and technical development options in the future.

5.2. Future product development

The current product pallet comprises a stationary and a cloud-based POS solution as a core product, supplemented by numerous digital add-on services. The focus of future product development remains on the development of the digital products and services. The focus is on further developing the Vectron Cloud online platform. This platform integrates customer retention, ordering, reservation, payment and other services, both on the basis of inhouse developments and cooperations. These services are marketed in various combinations under different product names.

The existing POS system software is being continuously improved and also to be replaced with newly developed software in the medium to long term.

The hardware for the stationary POS systems is being modernised on a regular basis.

5.3. Future business development

The further development of the Coronavirus pandemic and resulting government restrictions have a significant impact on the target sectors of Vectron Systems AG. Vectron generates approximately 60% of revenue from the gastronomy sector, around 30% from bakeries and roughly 10% from other industries. Due to the indirect sales through specialist trade partners, these figures are estimates.

Vectron expects that there will be a small fiscalisation overrun in 2022. Customers' willingness to invest also greatly depends on the opening perspectives in the general industry and the gastronomy sector in particular. Once all of the gastronomy businesses and outdoor areas of cafes can open again, transaction-based sales will increase. Vectron is confident that it is well-positioned to directly meet increasing demand caused by positive opening perspectives. Vectron also has sufficient cash and cash equivalents for responding directly to crisis situations that could endanger the company's existence as a going concern. Costs could also be flexibilised to a certain extent, meaning that various measures are available to respond to potential sales decreases.

Vectron expects revenue between EUR 33 million and EUR 36 million in 2022, which will lead to an EBITDA between EUR 1.9 million and EUR 3.4 million. This stated bandwidth is based on the continuing inability to anticipate potential additional effects that are described in the "Subsequent events" section. These general global economic conditions (Coronavirus crisis, war in Ukraine) are initially not expected to directly affect Vectron, although they may significantly impact willingness to consume and invest, depending on their course and duration.

Vectron will generate the majority of its revenue from non-recurring sales. In the planned budget, non-recurring revenue amount to between at least EUR 23 million and EUR 26 million. However, recurring revenues from digital products and services, which have been planned at EUR 10 million, will be a growth driver. In the past reporting period, recurring revenues amounted to EUR 6.5 million. To achieve this ambitious target, product developments and marketing initiatives must be initiated and pursued consistently. In addition to new developments, Vectron relies on

- the tried-and-tested “bonVito” platform, which generates stable income and has a robust customer base.

- the Vectron Cloud platform as a hub and anchor for all digital products and services. In addition to the established solutions such as the Link to DATEV POS Archive Online, cloud backups, vouchers and reporting apps, further solutions such as mobile POS and interfaces are to be offered during the course of the year.

- the development of existing payment solutions. In addition to attractive packages, all-in-one terminals, which can be used for serving, payment and invoice printing, are gaining in importance.

At the same time as monitoring the outside world, Vectron is also going to reflect on its own activities. We plan to further optimise business processes and streamline the use of resources even further in 2022 to enable us to act even more quickly and efficiently for our customers.

Münster, 31 March 2022

Vectron Systems AG
The executive board

Thomas Stümmler
CEO

Jens Reckendorf
CTO

Silvia Ostermann
COO

Dr. Ralf-Peter Simon
CSO


Digital-Bon
Einfach scannen
& Papier sparen

VECTRON

Annual financial statement

as of 31 December 2021

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Balance sheet

in EUR thousand ASSETS	Note	31/12/2021	31/12/2020	01/01/2020
Non-current assets				
Intangible assets	9.1.	1,193	87	129
Property, plant and equipment	9.1.	1,144	1,283	456
Right-of-use assets	9.1.-9.2.	8,427	581	1,380
Participations	8.1., 14.	404	2,054	2,054
Non-current lease receivables	9.3.	2,270	2,071	2,263
Non-current trade receivables	8.2.	428	668	-
Other non-current financial assets	8.3.	912	958	-
Deferred tax assets	9.4.	2,369	2,726	1,906
Total non-current assets		**17,147**	**10,428**	**8,188**
Current assets				
Inventories	9.5.	4,943	6,714	4,958
Trade receivables	8.2.	3,130	2,783	5,065
Receivables from affiliated companies	8.3.	20	832	219
Current lease receivables	9.3.	1,781	1,710	1,929
Income tax receivables		-	-	293
Other current financial assets	8.3.	609	260	-
Other current assets	9.6.	215	884	73
Cash and cash equivalents	8.4.	19,868	8,305	11,316
Total current assets		**30,566**	**21,488**	**23,853**
Total assets		**47,713**	**31,916**	**32,041**

in EUR thousand EQUITY AND LIABILITIES	Note	31/12/2021	31/12/2020	01/01/2020
Equity				
Subscribed capital	10.1.	8,057	8,038	7,292
Capital reserve	10.2.	20,239	20,181	9,857
Accumulated loss	10.3.	-2,744	-5,049	-2,736
Total equity		**25,552**	**23,170**	**14,413**
Non-current liabilities				
Non-current financial liabilities	8.6.-8.8.	2,272	2,662	1,889
Non-current lease liabilities	9.2.	7,633	109	459
Non-current provisions	9.9.	196	308	304
Total non-current liabilities		**10,101**	**3,079**	**2,652**
Current liabilities				
Trade payables	8.5.	3,151	2,293	1,227
Liabilities to affiliated companies	8.5.	308	62	-
Current lease liabilities	9.2.	810	475	920
Current financial liabilities	8.6.-8.8.	5,125	1,883	12,071
Income tax liabilities		338	42	-
Current employee benefits	9.8.	1,733	395	267
Other current financial liabilities	8.5.	250	167	145
Other current liabilities	9.7.	345	350	346
Total current liabilities		**12,060**	**5,667**	**14,976**
Total liabilities		**22,161**	**8,746**	**17,628**
Total equity and liabilities		**47,713**	**31,916**	**32,041**

Statement of comprehensive income

in EUR thousand	Note	2021	2020
Revenue	6.	38,227	25,002
Change in inventories		158	-111
Material expenses and purchased services	7.2.	-12,194	-9,586
Other own work capitalised		119	362
Gross profit		**26,310**	**15,667**
Other operating income	7.1.	125	948
Personnel costs	7.3.	-11,986	-9,643
Other operating expenses	7.4.	-9,406	-8,377
Expenses/income from the impairment of financial assets	12.2.2.	-330	-259
Other taxes	7.5.	-7	-7
EBITDA*		**4,706**	**-1,671**
Depreciation and amortisation	9.1.	-1,577	-1,338
Earnings before interest and taxes (EBIT)		**3,129**	**-3,009**
Financial income		282	238
Financing expenses		-295	-362
Financial income/expenses	**7.7.**	**-13**	**-124**
Earnings before taxes (EBT)		**3,116**	**-3,133**
Income tax expenses	7.8.	-679	820
Profit (loss) for the period = Total comprehensive income		**2,437**	**-2,313**
Earnings per share			
Undiluted earnings per share	7.9.	0.30	-0.29
Diluted earnings per share	7.9.	0.30	-0.29

*EBITDA is an alternative performance indicator that is not defined in the IFRS.

Statement of changes in equity

in EUR thousand	Note	Subscribed capital	Capital reserve	Accumulated loss	Total Equity
Balance as of 1 January 2020		**7,292**	**9,857**	**-2,736**	**14,413**
Profit (loss) for the period		-	-	-2,313	-2,313
Total comprehensive income for the period		**-**	**-**	**-2,313**	**-2,313**
Capital increase	10.1.	746	10,285	-	11,031
Share-based payment	16.	-	39	-	39
Balance as of 31 December 2020 / 1 January 2021		**8,038**	**20,181**	**-5,049**	**23,170**
Profit (loss) for the period		-	-	2,437	2,437
Total comprehensive income for the period		**-**	**-**	**2,437**	**2,437**
Merger effect		-	-	-132	-132
Capital increase	10.1.	19	29	-	48
Share-based payment	16.	-	29	-	29
Balance as of 31 December 2021		**8,057**	**20,239**	**-2,744**	**25,552**

Cash flow statement

	in EUR thousand	Note	2021	2020
1. Cash flow from operating activities				
Earnings before taxes			**3,116**	**-3,133**
+	Depreciation, amortisation and impairments	9.1.	+1,577	+1,338
+/-	Increase/decrease in provisions	9.9.	-131	+4
+/-	Other non-cash expenses/income		+45	+57
+/-	Decrease/increase in inventories, trade receivables as well as other assets not allocated to investing or financing activities		+3,857	-2,038
+/-	Increase/decrease in trade payables as well as other liabilities not allocated to investing or financing activities		+1,420	+1,282
+/-	Loss/gain from the disposal of fixed assets		-	+50
+/-	Financial result (interest expenses and income)	7.7.	+13	+124
+	Interest received	7.7.	+282	+238
Cash flow from operating activities			**10,179**	**-2,078**
2. Cash flow from investing activities				
-	Cash payments for investments in intangible assets	9.1.	-1,174	-47
-	Cash payments for investments in property, plant and equipment	9.1.	-453	-1,179
+	Proceeds from the disposal of financial assets	8.1.	+1,688	-
Cash flow from investing activities			**61**	**-1,226**
3. Cash flow from financing activities				
+	Proceeds from issue of equity	10.1.	+48	+11,031
+	Proceeds from financial liabilities	11.2.	+4,846	+2,993
-	Cash payments from the redemption of financial liabilities	11.2.	-2,364	-12,407
-	Cash payments from the redemption of lease liabilities	11.2.	-896	-945
-	Interest paid	11.2.	-295	-362
Cash flow from financing activities			**1,339**	**310**
Change in cash and cash equivalents			**11,579**	**-2,994**
Cash and cash equivalents as of 1 January		8.4.	8,305	11,316
Effects of exchange rate changes on cash and cash equivalents			-16	-17
Cash and cash equivalents as of 31 December		8.4.	**19,868**	**8,305**

Notes

1. General disclosures

Vectron Systems AG (hereinafter also referred to as "company" or "Vectron") is a stock corporation domiciled at Willy-Brandt-Weg 41, 48155 Münster, Germany. It is registered in the commercial register at Münster District Court under commercial register number HRB 10502. On 1 March 2017, the company's shares started trading in the "Scale" segment for SMEs of Deutsche Börse AG. The company's main activities are to develop, distribute and sell integrated solutions for POS systems and related systems, including software and cloud-based data analysis, data management, goods management, CRM and service modules, interfaces for third parties, related services of any kind, and the production of the required hardware, particularly POS systems and accessories.

The single financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union and the additional applicable provisions under German commercial law in accordance with Section 325 (2a) of the German Commercial Code (Handelsgesetzbuch – HGB) in conjunction with Section 315e (1) and (3) HGB. Vectron Systems AG is not obliged to prepare IFRS financial statements. The single financial statements in accordance with IFRS are prepared and published to transparently describe business developments for stakeholders in Germany and abroad.

Vectron Systems AG prepared and published its single financial statements in euros, the company's functional currency. Figures are rounded to thousands unless otherwise stated. Due to rounding, individual figures in these single financial statements may not add up to the exact total stated and the percentages may not reflect the exact absolute figures to which they relate.

The financial year matches the calendar year.

These single financial statements of Vectron Systems AG were approved by the supervisory board and released for publication by the executive board on 28 April 2022.

2. Summary of key accounting policies

2.1. Basis of preparation

2.1.1. Compliance with IFRS

The single financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC), which apply to companies that report in accordance with IFRS. The financial statements comply with the IFRS issued by the International Accounting Standards Board (IASB).

2.1.2. Historical cost principle

The financial statements were prepared on the basis of historic costs.

2.1.3. New standards and interpretations not yet applied

Various new financial reporting standards and interpretations have been published but have not been mandatory for reporting periods as of 31 December 2021 and were not applied early by the company. The company regards the effects of these new regulations on the current or future reporting periods and discernible future transactions as immaterial.

Section 2.21 contains an overview of all new standards that have not yet been applied.

2.2. Fair value measurement

The fair value is the price that would be received for the sale of an asset and/or paid for the transfer of a liability in an orderly business transaction between market participants on the measurement date. The fair value measurement is based on the assumption that the sale of the asset or transfer of the liability occurs either

- in the primary market of the asset or liability, or,
- if there is no primary market, in the most advantageous market for the asset or liability.

The company must have access to the primary or most advantageous market.

The fair value of an asset or liability is measured on the basis of the assumptions that market participants would use when pricing the asset or liability, with it being assumed that the market participants act in their best economic interest.

When measuring the fair value of a non-financial asset, the ability of a market participant to generate economic benefit from the highest and best use of the asset or its sale to another market participant which would use the asset for its highest and best use is taken into account.

The company applies measurement methods that are reasonable under the given circumstances and for which there is sufficient data for measuring the fair value, with the use of relevant input the can be monitored being maximised and the use of input that cannot be monitored minimised.

All assets and liabilities that are measured or recognised at fair value in the annual financial statements are arranged in the following hierarchy of fair values on the basis of the lowest input that is important for the fair value measurement as a whole:

- Level 1 – Listed (unadjusted) market prices in active markets of identical assets or liabilities

- Level 2 – Measurement methods where the input of the lowest level that is material for the fair value measurement can be directly or indirectly monitored

- Level 3 – Measurement methods where the input of the lowest level that is material for the fair value measurement cannot be monitored

For assets and liabilities that are stated at fair value in the annual financial statements on a recurring basis, the company determines if levels have shifted position within the hierarchy by remeasuring the classification (based on the input of the lowest level that is material for the fair value measurement as a whole) at the end of the reporting period.

The company has determined asset and liability classes based on the type, properties and risks of the asset or liability and the fair value hierarchy level for the purpose of recognising the fair value.

2.3. Revenue recognition

The accounting policies for the company's revenues from contracts with customers are explained in note 6.

2.4. Income taxes

The income tax expenses and/or credits for the period correspond with the tax liability for the taxable income in the current period, based on the applicable income tax rate of a tax jurisdiction, adjusted for changes in deferred tax assets and liabilities incurred for temporary differences and tax losses carried forward.

The actual income tax expenses are determined on the basis of the tax rate applicable or announced in Germany as of the balance sheet date. Management regularly reviews the items in the tax assessments with regard to situations where applicable tax law permits various interpretations. Management recognises provisions based on the anticipated amounts payable to the tax authorities.

Deferred taxes on temporary differences between the tax basis of the assets and liabilities and their carrying amounts are recognised in full in the single financial statements, using the liability method. However, deferred tax liabilities are not stated if they result from the initial recognition of goodwill. Deferred income taxes are determined on the basis of the tax rates (and laws) that applied or had been announced at the end of the reporting period and are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled.

Deferred tax assets are only recorded when it is probable that there will be taxable profit against which these temporary differences and losses carried forward can be offset.

Deferred tax assets and liabilities are only offset if there is a binding law under which the actual tax refund claims must be offset against the tax liabilities and the deferred tax balances relate to the same tax authority. Actual tax refund claims and tax liabilities are offset if the company has a binding right to offset these amounts and intends to offset the net amounts or to redeem the liabilities by realising the claims at the same time.

Actual and deferred taxes are recognised in profit or loss, unless they relate to items that are stated directly in equity or other comprehensive income. In this case, the taxes are also recognised in other comprehensive income or directly in equity.

2.5. Leases

2.5.1. Vectron as lessee

When concluding a contract, the company determines if the contract is or includes a lease. A contract is or includes a lease if it transfers a right of use regarding the asset(s) in exchange for consideration. To assess if a contract transfers the right to control the use of an identified asset, the company checks if:

- The contract includes the use of an identified asset. This can be explicitly or implicitly determined and it needs to be possible to physically define this or it generally must constitute the entire capacity of an asset that can be physically defined. If the supplier has a material right to substitution, the asset is not identified as a lease;

- The company has the right to exploit the full economic use from the use of the asset over its entire useful life; and

- The company has the right to determine the use of the asset. The company has this right when it holds the decision-making rights that are most relevant to the change of the type and purpose of the use of the asset. In rare cases where the decision about how and for which purpose the asset is to be used is pre-determined, the company has the right to determine the use of the asset if:

  - The company has the right to operate the asset; or

  - The company has designed the asset so that the type and purpose of use of the asset is pre-determined.

When concluding or remeasuring a contract containing a lease component, the company allocates the consideration contained in the contract to each lease component on the basis of its relative individual price. For vehicle lease contracts where Vectron is the lessee, the company has decided not to divide non-leasing and leasing components and to recognise each lease component and all related non-lease components as one individual lease component instead.

The company recognises a right-of-use asset and lease liability on the date on which the lease contract is concluded. The right-of-use asset is initially measured at cost. This figure is calculated from the initial lease liability amount, adjusted for any lease payments before or on the date the lease contract was concluded, plus any initial direct costs incurred and an estimate of the costs for uninstalling, removing or recovering the underlying asset or location where it is located, less any lease incentives received.

The right-of-use asset is amortised in a straight line from the date the lease contract was concluded, either until the end of its useful life or the expiry of the lease contract, whichever comes first. The estimated useful lives of right-of-use assets are determined on the same basis as that of property, plant and equipment. In addition, the right-of-use asset is regularly reduced by any impairments and adjusted accordingly when the lease liabilities are remeasured.

On the date the lease contract was concluded, the lease liability is measured at the cash value of the outstanding lease payments at that point, discounted by the underlying interest rate of the lease contract or, if this interest rate cannot be easily determined, at the company's incremental borrowing rate. The company generally uses its incremental borrowing rate as discount rate.

The lease payments to be taken into account when measuring the lease liabilities are composed as follows:

- fixed payments, including material fixed payments;

- variable lease payments that are linked to an index or (interest) rate and which are initially measured on the basis of the index or (interest) rate applicable on the date the lease contract was concluded;

- amounts the lessee is likely to have to pay within the scope of residual value guarantees;

- the exercise price of a purchase option if the company is sufficiently assured that it will actually exercise it, lease payments in an optional extension period if the company is sufficiently assured that it will exercise the extension option and penalties payable for the early termination of the lease contract, unless the company is sufficiently assured that it will not terminate the contract early.

The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured if the future lease payments change due to an index or interest rate change, or if the company's estimate of the amount that is expected to be payable within the scope of the residual value guarantee changes, or if the company changes its appraisal if a purchase, extension or termination option will be exercised. When lease liabilities are remeasured, the carrying amount of the value in use is adjusted accordingly or is recognised in the statement of comprehensive income if the carrying amount of the right-of-use asset was reduced to zero.

The company recognises right-of-use assets under non-current assets and lease liabilities under current or non-current liabilities in the balance sheet.

Amortisation is applied in a straight line over the expected useful lives of the assets or the lease term, whichever is the shorter.

The company does not recognise right-of-use assets and lease liabilities for lease contracts with underlying low-value assets nor for short-term leases. The related lease payments are recognised as an expense in a straight line over the term of the lease contract.

The company, being the lessee, is granted the option to treat Covid-19 rent holidays and reductions as if they are not a contractual modification. This option relieves the lessee from the obligation to check for each rent holiday if it constitutes a contractual modification within the meaning of IFRS 16, to recognise it in the balance sheet and to audit it accordingly. The amendments apply to rent holidays and reductions prior to or on 30 June 2021. Vectron decided to use this option. For further information on the effects, go to note 9.2.2.

2.5.2. Vectron as lessor

Lease contracts concluded by Vectron as the lessor are classified as finance leases if the lease contract primarily transfers all opportunities and risks related to the ownership of title to the lessee. All other lease contracts are classified as operating leases.

Finance leases

On the date the lease contract is concluded, the company must recognise the assets held as part of a finance lease in the balance sheet as a receivable in the amount of the net investment in the lease.

On the date the lease contract is concluded, the lease payments included in the measurement of the net investment in the lease comprise the subsequent payments during the term of the lease that are not received on the date the lease contract is concluded:

- fixed payments (including de facto fixed payments) less any lease incentives to be paid;

- variable lease payments that are linked to an index or (interest) rate and which are initially measured on the basis of the index or interest rate applicable on the date the lease contract was concluded;

- any potential residual value guarantees which the lessor receives from the lessee, a related party of the lessee or a third party related to the lessee which is able to meet the financial liability required for fulfilling the guarantee;

- the exercise price of a purchase option if the lessee is sufficiently assured that it will actually exercise it; and

- penalties for termination of the lease contract if the term shows that the lessee is exercising a termination option.

Vectron uses the underlying interest rate of the lease for measuring the net investment in the lease.

Initial direct costs are included in the initial measurement of the net investment in the lease and reduce the income recognised over the term of the lease, except those incurred by the lessors which are manufacturers or traders.

The company acts as a manufacturer lessor. This had the following effects on the recognition of the finance leases on the date the lease contract was concluded:

- Vectron recognises revenue, i.e. the fair value of the underlying asset or the cash value of the lease payment due to the lessor, whichever the lower, discounted at a standard market rate;

- Vectron recognises the costs of sales, i.e. acquisition or manufacturing costs, or, if different, the carrying amount of the underlying asset less the cash value of the non-guaranteed residual value; and

- Vectron recognises the sales income or losses on the date the lease contract is concluded, i.e. the difference between revenue and cost of sales in accordance with the accounting and measurement methods for the recognition of sales transactions that are subject to IFRS 15.

In the subsequent measurement, Vectron's financial income is recognised over the term in a pattern that assumes constant periodic accrual of interest of the net investment in the lease.

Vectron applies the IFRS 9 derecognition and impairment provisions to the net investment in the lease.

Operating leases

Lease income from operating leases where the company is the lessor are recognised in income in a straight line over the term of the lease as income in revenue. Initial direct costs incurred when obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the term of the lease on the same basis as lease income. The corresponding leased assets are recognised in the balance sheet according to their type.

2.6. Impairment of assets

Assets are checked for impairments as soon as events or changes in circumstances indicate that it may be impossible to still achieve the carrying amount. An impairment is recognised to the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of an asset less cost of sales and value in use. If it is impossible to estimate the recoverable amount for an individual asset, the assets are compiled into cash-generating units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are primarily unrelated to the cash inflows from other assets and/or asset groups. Impaired non-financial assets are checked for potential write-ups at the end of each reporting period.

2.7. Cash and cash equivalents

For the purpose of inclusion in the cash flow statement, cash and cash equivalents include cash and bank balances that can be called at short notice.

2.8. Inventories

Inventories are measured at the lower of cost and net disposal value. The net disposal value is the sales price in the normal course of business less estimate costs for concluding the sale.

Manufacturing costs are based on the first-in-first-out method and comprise all costs that can be directly allocated to the manufacturing process, such as direct materials, wages and production-related overheads (based on ordinary operating capacities and ordinary consumption of materials, labour and other production costs), including depreciation. If there are risks that affect inventories, such as reduced usability after long storage periods or low replacement costs, adequate impairments are applied. Inventories are also depreciated when it is probable that the estimated order costs will exceed total order income.

2.9. Financial assets

2.9.1. Classification

The company divides its financial assets into the following measurement categories:

- those that are subsequently measured at fair value (with or without effect on income), and

- those measured at amortised cost.

The classification depends on the company's business model for financial asset management and the contractually agreed cash flows.

For assets measured at fair value, profit and loss are recorded either with or without an effect on income. For investments in equity instruments that are not held for trading purposes, this depends on whether the company had made the final decision to measure the equity instruments at fair value without an effect on income.

The company only reclassifies debt instruments if the business model for managing such assets changes.

2.9.2. Recognition and derecognition

The acquisition or disposal of financial assets as is common in the market is recognised on the trading date, i.e. on the day on which the company undertakes to acquire or sell the asset. Financial assets are derecognised when the claims for the receipt of cash flows from the financial assets expire or have been transferred and the company has transferred all major risks and opportunities arising from the ownership of title.

2.9.3. Measurement

When initially recognising a financial asset, the company measures it at fair value plus the transaction costs directly related to the acquisition of the asset, in the case of a financial asset not being subsequently measured at fair value. Transaction costs of financial assets measured at fair value in income are recognised as an expense in profit or loss.

Financial assets with embedded derivatives are measured as a whole when determining if their cash flows exclusively constitute repayments and interest payments.

Debt instruments

The subsequent measurement of debt instruments depends on the company's business model for managing the asset and cash flow properties of the asset. The company divides its debt instruments into three measurement categories:

- Financial Asset at Amortised Cost / FAAC: Assets that are held for collecting the contractually agreed cash flows and where these cash flows exclusively constitute interest payments and repayments are measured at amortised cost. Interest income from these financial assets are recognised in financial income, using the effective interest rate method. Profit or loss from derecognition is recognised directly in the statement of comprehensive income.

- Fair Value through Other Comprehensive Income / FVOCI: Assets that are held for collecting the contractually agreed cash flows and sale of the financial assets and where these cash flows exclusively constitute interest payments and repayments are measured at fair value without effect on income. Changes in the carrying amount are recognised in other comprehensive income, except the income or expenses from impairments, interest income and exchange rate gains and losses, which are recognised in profit or loss. When derecognising the financial asset, the accumulated profit or loss from equity that was previously recognised in other comprehensive income is reclassified from equity to the statement of comprehensive income and recognised in other profit or loss. Interest income from these financial assets are recognised in financial income, using the effective interest rate method. Impairment expenses are recognised in a separate item in the statement of comprehensive income.

- Fair Value through Profit or Loss / FVPL: Assets that do not meet the criteria of “measured at amortised cost” or “FVOCI” are classified as “Fair Value through Profit or Loss (FVPL). Profit or loss from a debt instrument that is subsequently measured as FVPL is offset in profit or loss in the period it was incurred.

Trade receivables must be initially recognised at the amount of the unconditional consideration. If they contain significant financing components, they must be recognised at fair value instead. The company sells part of its trade receivables as part of a factoring agreement (see note 8.2.4.). This part of the trade receivables is held as part of the business model for the sale of financial assets and is therefore classified as FVPL. Trade receivables held by the company for collecting contractual cash flows are measured at amortised cost. For further information on the recognition of trade receivables, see disclosure note 8.2. as well as note 12.2.2. for a description of the company’s impairment principles.

Equity instruments

The company used the option of IAS 27.10 and measures all shares held in subsidiaries at amortised cost.

Dividends of subsidiaries are recognised in the company’s single financial statements if the company has a legal claim to the dividends. The dividends are recognised in other income in profit or loss.

2.9.4. Impairment

The company appraises the expected bad debt linked to debt instruments measured at amortised cost or at fair value without effect on income on a forward-looking basis. The impairment method depends on whether the credit risks has increased significantly.

The company applies the simplified approach permissible under IFRS 9 for trade receivables, according to which bad debt expected over the term must be recognised as from the initial recognition of the receivable. For further details, see note 12.2.2.

2.10. Property, plant and equipment

All property, plant and equipment is recognised at historic cost less depreciation. Historic costs include expenses directly allocable to the acquisition of the items.

Subsequent costs are only included in the carrying amount of the asset or recognised as separate asset if it is probable that the company will profit from the item of property, plant and equipment and its cost can be reliably determined. The carrying amount of a component that is recognised as a separate asset is derecognised when it is replaced. All other repair and maintenance costs are recognised in the period in which they were incurred with effect on income.

Depreciation is applied in a straight line. The difference between the costs and residual value is spread in a straight line across the remaining expected useful life (or for leasehold improvements, the lease term, whichever the shorter).

Asset class	Useful life
Technical equipment and machines	3 to 13 years
Other equipment, operational and business equipment	3 to 13 years

The residual values and useful lives of the assets are checked at the end of each reporting period and adjusted, if necessary.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset exceeds its recoverable amount.

Income and losses from disposal are determined by comparing the income from disposal with the carrying amount. This figure is recognised in income.

2.11. Intangible assets

2.11.1. Concessions and commercial property rights

Individually purchased concessions and commercial property rights are recognised in historical costs. These intangible assets have a limited useful life and are subsequently stated at cost less accumulated amortisation and impairments. See note 2.6. for information on the company's methods for recognising impairments.

The company amortises intangible assets with limited useful lives in a straight line over the following periods:

Asset class	Useful life
Concessions and commercial property rights	3 to 10 years

2.11.2. Research and development

Development costs that do not meet the criteria of an intangible asset are recognised as expense in the statement of comprehensive income. Development costs that were previously recognised as expenses are not stated as assets in subsequent periods. See note 7.4. for details on the recognised expenses.

2.12. Trade payables and other financial liabilities

These amounts pertain to outstanding liabilities for the goods and services received by the company before the end of the financial year. The amounts are not hedged and are usually paid within 14 days from recognition. Trade payables and other financial liabilities are stated as current liabilities, unless they are not due for repayment within 12 months from the reporting period. They are initially stated at fair value and subsequently at amortised cost, using the effective interest rate method (FLAC).

2.13. Borrowings

Loans obtained are initially recognised at fair value less transaction fees. They are subsequently measured at amortised cost. Differences between the amounts received (less transaction fees) and the repayment amount are recognised in the statement of comprehensive income over the term of the loan, using the effective interest rate method. Fees for setting up credit facilities are stated to the extent that it is probable for part or all of the facility to be drawn down. In this case, the fee is accrued until draw-down. If there are no indications that the draw-down of part or all of the facility is probable, the fee is capitalised as advance payment for financial services and amortised over the term of the facility to which it relates.

Loans are derecognised as soon as the contractual obligation has been settled, rescinded or has expired. The difference between the carrying amount of a financial liability which was derecognised or transferred to another party and the consideration paid, including transferred non-cash assets or assumed liabilities is recognised as other income or financing expenses in the statement of comprehensive income.

Loans are recognised as current liabilities if the company does not have an unreserved right to postpone the fulfilment of the liability by at least 12 months from the reporting period.

2.14. Borrowing costs

Borrowing costs are stated as expenses in the period in which they were incurred, unless the capitalisation criteria have been met.

2.15. Provisions

Provisions are recognised when the company has a current legal or factual liability due to previous events and it is probable that the fulfilment of the liability will result in an outflow of resources whose amount can be reliably estimated. No provisions are recognised for future operating losses.

If there are several similar liabilities, the probability of cash outflow for their settlement is determined by considering the group of liabilities as a whole. A provision is also recognised if the probability of cash outflow for individual items within the same group of liabilities may be low, but cash outflow for fulfilling this group of liabilities is probable as a whole.

The provisions are measured at cash value on the basis of the management's best possible estimate regarding the expenses required for fulfilling the current liability at the end of the reporting period. The discount rate for determining the cash value is an input tax rate which reflects current market expectations regarding the fair value of the funds and the specific risks associated with the liability. The increase in provision due to the lapse of time is recognised as interest expenses.

2.16. Employee benefits

Liabilities for wages and salaries, including non-cash benefits, for annual leave and overtime that are expected to be fulfilled in full within 12 months from the end of the period in which employees have provided the corresponding services are recognised for employee services until the end of the reporting period and measured at the amounts that are expected to be payable for settling the liabilities. Liabilities are recognised as current liabilities for employee benefits in the balance sheet.

2.17. Government grants

Government grants are stated at fair value if it is sufficiently assured that the grant will be obtained and the company complies with all related conditions.

Government grants must be recognised in profit or loss, as planned, during the course of the periods in which the company recognises the corresponding expenses that are to be compensated by the government grants. Government grants are deducted from the corresponding expenses.

2.18. Subscribed capital

The subscribed capital (no-par value bearer shares) must be stated at nominal value.

Additional costs incurred that are directly allocable to the issuance of new shares or share options are recognised in equity as a deduction from the issuing income less taxes.

2.19. Dividends

Liabilities are recognised in the amount of potential dividends that were resolved at or before the end of the reporting period but have not yet been distributed if the dividends were properly authorised and are no longer at the discretion of the company.

2.20. Share-based payment

Within the scope of the share option plans, the company can offer options to current and future employees, which constitute share-based payment with settlement from equity instruments within the meaning of IFRS 2.

The fees for transactions with settlement from equity instruments are measured at the fair value for the issuance, using a suitable measurement model (see note 16.2. for further details).

These fees are recognised in personnel expenses, together with the corresponding increase in equity (capital reserve) over the period in which the services are provided (service period). The expenses that have accumulated from the issuance of equity instruments until the first date in which they can be exercised that are stated on each balance sheet date reflect the part of the service period that has already lapsed as well as the number of equity instruments that can no longer expire once the service period expires, according to the company's best estimate.

2.21. Future new standards and interpretations

The financial statements of Vectron Systems AG complies with all mandatory standards and interpretations that were adopted by the European Union for financial year 2021.

The following standards had to be applied for the first time as of 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 – reference rate reform (phase 2).

In the second phase of the amendment to the standard for the IBOR reform, easements regarding interest-bearing original financial instruments as well as easements for the recognition of hedging relationships were resolved.

The amendments do not have any material effect on the financial statements of Vectron Systems AG.

The following standards had to be applied for the first time as of 1 April 2021:

Amendments to IFRS 16: Covid-19 rent holidays and reductions after 30 June 2021

The amendments affect the extension of the practical easements that were granted to lessees in May 2020 for recognising rent holidays and reductions granted due to the Coronavirus pandemic.

The company used this option. For further information on the effects, go to note 9.2.2.

New financial reporting standards

The following new standards and interpretations do not have to be applied yet to financial years ending on 31 December 2021 and Vectron Systems AG did not voluntarily apply them early.

a) EU endorsement has already taken place

IFRS 17 – Insurance Contracts

IFRS 17 comprehensively changes the rules for the recognition of insurance contracts. The standard replaces the previous provisions of IFRS 4 and specifies the recognition, measurement, presentation and disclosure of insurance contracts. The IFRS 17 measurement model is based on the determination of the current settlement amount of the insurance contracts, meaning that their measurements must be adjusted in each reporting period due to changes in estimates.

This standard is mandatory for the first time for financial years starting on or after 1 January 2023. The amendments will not have any material effect on the financial statements of Vectron Systems AG.

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update IFRS 3 to the effect that the standard now refers to the Conceptual Framework for Financial Reporting 2018. A buyer must apply IAS 37 and IFRIC 21 (instead of the Conceptual Framework) when identifying liabilities it assumed during a merger for transactions and similar events that fall within the scope of IAS 37 or IFRIC 21. The standard now also includes that contingent receivables assumed during a merger must not be recognised.

The amendments come into effect for reporting periods starting on or after 1 January 2022. The amendments will not have any material effect on the financial statements of Vectron Systems AG.

Amendments to IAS 16: Proceeds before intended use

The amendment prohibits to deduct income from the sale of goods that are produced whilst an item of property, plant and equipment is transported to the location intended by management and is readied for its planned operation from the costs of an item of property, plant and equipment. Companies instead recognise income from such sales and the production costs for such goods in operating income / expenses. Costs for test runs that check if the item of property, plant and equipment functions properly are another example of directly allocable costs.

The amendments come into effect for reporting periods starting on or after 1 January 2022. The amendments will not have any material effect on the financial statements of Vectron Systems AG.

Amendments to IAS 37: Onerous contracts – costs of fulfilling a contract

The amendment stipulates that the costs of contractual fulfilment are comprised of the costs directly relating to the contract. The costs directly relating to a contract can either be additional costs for the fulfilment of the contract (such as direct labour costs and materials, for example) or the allocation of other costs directly relating to the fulfilment of contracts (such as the allocation of the costs of depreciation of an item of property, plant and equipment that is being used at the time the contract is being fulfilled, for example).

The amendments come into effect for reporting periods starting on or after 1 January 2022. The amendments will not have any material effect on the financial statements of Vectron Systems AG.

Annual improvements to IFRS – 2018 to 2020 cycle

Four standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41) were amended as part of the annual improvement project.

The amendments come into effect for reporting periods starting on or after 1 January 2022. The amendments will not have any material effect on the financial statements of Vectron Systems AG.

b) EU endorsement outstanding

Amendments to IAS 1 – classification of liabilities as non-current or current

The amendments to IAS 1 for the classification of liabilities as current or non-current pertain only to the recognition of debt in the presentation of the financial position and not the amount or time of recognition of assets, liabilities, income or expenses or the disclosures made by the company regarding these items. In the future, only rights that exist at the end of a reporting period will be material for the classification of a liability regarding its maturity. Additional provisions for the “fulfilment” criterion in connection with classification according to maturity have also been included.

The amendments are mandatory with retrospective effect for financial years starting on or after 1 January 2023. Early application is permissible. The company currently assumes that this will not have any material effects on the financial statements.

Amendments to IFRS 10 and IAS 28: disposal or addition of assets between an investor and associated company or joint venture

The amendment to IFRS 10 and IAS 28 contains clarification according to which the profit or loss from the transfer of assets to an associated company or joint venture must be recognised in full if a business within the meaning of IFRS 3 is transferred. On the other hand, the profit or loss from such transaction has to be recognised proportionately only if the transferred assets do not constitute a business. The amendments are to be applicable prospectively.

In December 2015, the mandatory initial date of recognition of the amendments was postponed until a date yet to be determined once the equity method research project has been completed. The company currently assumes that this will not have any material effects on the financial statements.

Amendments to IAS 1 and IFRS application guidance 2: Disclosure of accounting and measurement methods

The amendments relate to revised requirements regarding the disclosures of accounting policies. The term “essential accounting policies” was also replaced with the term “material accounting policies”.

The amendments come into effect for reporting periods starting on or after 1 January 2023. The company currently assumes that this will not have any material effects on the financial statements.

Amendments to IAS 8: Definition of accounting-related estimates

The amendments comprise the clarification of the term “accounting-related estimate”, which relates to funds in the financial statements that are fraught with uncertainties regarding their measurement.

The amendments come into effect for reporting periods starting on or after 1 January 2023. The company currently assumes that this will not have any material effects on the financial statements.

Amendments to IAS 12: deferred taxes relating to assets and liabilities resulting from a single transaction

In certain circumstances, IAS 12 provides an exception according to which no deferred tax assets or liabilities must be recognised on the date on which an asset or liability is added.

The amendments come into effect for reporting periods starting on or after 1 January 2023. The company currently assumes that this will not have any material effects on the financial statements.

Amendments to IFRS 17: Initial application of IFRS 17 and IFRS 9 – benchmarking information

The amendment adds a classification overlay approach for financial assets recognised in accordance with IFRS 9 in the transitional provisions.

The amendments come into effect for reporting periods starting on or after 1 January 2023. The company currently assumes that this will not have any material effects on the financial statements.

3. Material estimates and judgements

Accounting-related estimates that as per definition rarely correspond with actual events have to be made when preparing the financial statements. The application of the company's accounting policies is also subject to various estimates made by management. We provide an overview below of areas with greater leeway for evaluation or increased complexity as well as items that are likely to be significantly adjusted if estimates and assumptions prove to be incorrect. Detailed information on these estimates and judgements is provided in the disclosures in the notes, together with the measurement basis for each affected item in the financial statements.

Material estimates or judgements were performed for the:

- Revenue recognition and breakdown of the transaction price – note 6.
- Recognition of deferred tax assets for losses carried forward – note 9.4.
- Impairment of financial assets – note 12.2.2.
- Measurement parameters of the share-based payment transaction – note 16.
- Estimate of provisions – note 9.9.
- Uncertainties regarding estimates and judgements relating to the recognition of leases – note 9.2.

All estimates and judgements are continuously reviewed and are based on past experiences and other factors, including expectations regarding future events that could have a financial impact on the company and that are regarded as appropriate under the given circumstances.

4. Initial application of IFRS

The single financial statements for the financial year ended on 31 December 2021 are the first financial statements prepared by Vectron in application of IFRS 1 First-time Adoption of International Financial Reporting Standards. Vectron prepared the single financial statements for financial years up to and including 31 December 2020 in accordance with the German accounting standards (HGB).

The initial single financial statements in accordance with IFRS comprise financial years as of 31 December 2021 and 31 December 2020. The company applied the accounting standards valid at the end of the reporting period for the reporting periods and opening balance in accordance with IFRS 1 (1 January 2020). All standards that were mandatory on the balance sheet date were applied.

The effects of the change to IFRS on the actual assets, financial position and profit position in the single financial statements and on the opening balance as of 1 January 2020 and the single financial statements as of 31 December 2020 are explained below.

Exceptions from initial application

IFRS 1 permits first-time adopters of IFRS certain exceptions from the retrospective application of certain IFRS.

Vectron applied the following exceptions:

- Vectron measured the lease liabilities in accordance with IFRS 16 for all leases at the time of transition to IFRS. The lease liabilities was measured at the cash value of the remaining lease payments, discounted by the incremental borrowing rate at the time of transition to IFRS. The right-of-use asset is measured at cost, which is determined from the cash value of the as yet outstanding lease payments. Vectron uses a single discount rate for a group of leases with similar properties. Vectron does not apply the provisions to lease liabilities and right-of-use assets with terms of less than 12 months from the transition to IFRS. Vectron does not include initial indirect costs in the measurement of a right-of-use asset at the time of transition to IFRS. To determine the term of the lease, Vectron takes into account information acquired retrospectively on the extension and termination options included in the contracts.

- Vectron applies the transitional provisions in accordance with IFRS 1.D35, meaning that contracts that were fulfilled prior to the time of transition to IFRS do not have to be remeasured. Within this meaning, a fulfilled contract is a contract with regards to which the company has transferred all goods and services that were identified in compliance with the previously applicable HGB accounting standards.

Estimates

The estimates as of 1 January 2020 and 31 December 2020 correspond with those that were performed at the same time in accordance with the German accounting standards (after adjustment for any differences in accounting standards).

The differences between the German accounting standards and IFRS are explained in the following passages.

4.1. Balance sheet

as of 1 January 2020:

in EUR thousand ASSETS	HGB as of 01/01/2020	IFRS Adjustment	IFRS as of 01/01/2020
Non-current assets			
Intangible assets	129	-	129
Property, plant and equipment	456	-	456
Right-of-use assets	-	1,380	1,380
Participations	2,054	-	2,054
Non-current lease receivables	-	2,263	2,263
Deferred tax assets	2,170	-264	1,906
Total non-current assets	**4,809**	**3,379**	**8,188**
Current assets			
Inventories	4,958	-	4,958
Trade receivables	5,010	55	5,065
Receivables from affiliated companies	219	-	219
Current lease receivables	-	1,929	1,929
Income tax receivables	-	293	293
Other current financial assets	301	-301	-
Other current assets	104	-31	73
Cash and cash equivalents	11,316	-	11,316
Total current assets	**21,908**	**1,945**	**23,853**
Total assets	**26,717**	**5,324**	**32,041**

in EUR thousand EQUITY AND LIABILITIES	HGB as of 01/01/2020	IFRS Adjustment	IFRS as of 01/01/2020
Equity			
Subscribed capital	7,292	-	7,292
Capital reserve	9,749	108	9,857
Accumulated loss	-3,227	491	-2,736
Total equity	**13,814**	**599**	**14,413**
Non-current liabilities			
Non-current financial liabilities	10,421	-8,532	1,889
Non-current lease liabilities	-	459	459
Non-current provisions	660	-356	304
Total non-current liabilities	**11,081**	**-8,429**	**2,652**
Current liabilities			
Trade payables	926	301	1,227
Current lease liabilities	-	920	920
Current financial liabilities	-	12,071	12,071
Current provisions	545	-545	-
Income tax liabilities	-11	11	-
Current employee benefits	-	267	267
Other current financial liabilities	-	145	145
Other current liabilities	362	-16	346
Total current liabilities	**1,822**	**13,154**	**14,976**
Total liabilities	**12,903**	**4,725**	**17,628**
Total equity and liabilities	**26,717**	**5,324**	**32,041**

as of 31 December 2020:

in EUR thousand ASSETS	HGB as of 31/12/2020	IFRS Adjustment	IFRS as of 31/12/2020
Non-current assets			
Intangible assets	87	-	87
Property, plant and equipment	1,071	212	1,283
Right-of-use assets	-	581	581
Participations	2,054	-	2,054
Non-current lease receivables	-	2,071	2,071
Non-current trade receivables	-	668	668
Other non-current financial assets	-	958	958
Deferred tax assets	2,891	-165	2,726
Total non-current assets	**6,103**	**4,325**	**10,428**
Current assets			
Inventories	6,714	-	6,714
Trade receivables	3,340	-557	2,783
Receivables from affiliated companies	832	-	832
Current lease receivables	-	1,710	1,710
Other current financial assets	1,291	-1,031	260
Other current assets	884	-	884
Cash and cash equivalents	8,305	-	8,305
Total current assets	**21,366**	**122**	**21,488**
Total assets	**27,469**	**4,447**	**31,916**

in EUR thousand EQUITY AND LIABILITIES	HGB as of 31/12/2020	IFRS Adjustment	IFRS as of 31/12/2020
Equity			
Subscribed capital	8,038	-	8,038
Capital reserve	20,033	148	20,181
Accumulated loss	-5,292	243	-5,049
Total equity	**22,779**	**391**	**23,170**
Non-current liabilities			
Non-current financial liabilities	-	2,662	2,662
Non-current lease liabilities	-	109	109
Non-current provisions	839	-531	308
Total non-current liabilities	**839**	**2,240**	**3,079**
Current liabilities			
Trade payables	1,893	400	2,293
Liabilities to affiliated companies	62	-	62
Current lease liabilities	-	475	475
Current financial liabilities	-	1,883	1,883
Current provisions	603	-603	-
Income tax liabilities	42	-	42
Current employee benefits	-	395	395
Other current financial liabilities	-	167	167
Other current liabilities	1,251	-901	350
Total current liabilities	**3,851**	**1,816**	**5,667**
Total liabilities	**4,690**	**4,056**	**8,746**
Total equity and liabilities	**27,469**	**4,447**	**31,916**

4.2. Statement of comprehensive income

for the period from 1 January to 31 December 2020:

in EUR thousand	HGB 2020	IFRS Adjustment	IFRS 2020
Revenue	27,772	-2,770	25,002
Change in inventories	-111	-	-111
Material expenses and purchased services	-11,648	+2,062	-9,586
Other own work capitalised	362	-	362
Gross profit	**16,375**	**-708**	**15,667**
Other operating income	624	+324	948
Personnel costs	-9,832	+189	-9,643
Other operating expenses	-9,358	+981	-8,377
Expenses/income from the impairment of financial assets	-	-259	-259
Other taxes	-7	-	-7
EBITDA	**-2,198**	**+527**	**-1,671**
Depreciation and amortisation	-388	-950	-1,338
Earnings before interest and taxes (EBIT)	**-2,586**	**-423**	**-3,009**
Financial income	20	+218	238
Financing expenses	-220	-142	-362
Financial income/expenses	**-200**	**+76**	**-124**
Earnings before taxes (EBT)	**-2,786**	**-347**	**-3,133**
Income tax income	721	+99	820
Profit (loss) for the period = Total comprehensive income	**-2,065**	**-248**	**-2,313**

4.3. Reconciliation of equity

in EUR thousand	31/12/2020	01/01/2020
Equity under HGB	**22,779**	**13,814**
Measurement of the sales promotion model under IFRS 15	797	827
Measurement of financial instruments under IFRS 9	37	36
Measurement of leases under IFRS 16	-2	-
Measurement of refinancing transactions	-276	-
Tax effects under IAS 12	-165	-264
Equity under IFRS	**23,170**	**14,413**

4.4. Cash flow statement

The cash flow statement shows differences between HGB and IFRS for the period from 1 January to 31 December 2020. The cash flow from operating activities increased under IFRS compared with cash flow under HGB, primarily due to the reclassification of the lease payments to cash flow from financing activities (EUR 945 thousand). The income from contracts with financial service providers regarding the financing of POS systems within the scope of operating leases are recognised as financial liabilities in cash flow from financing activities in accordance with IFRS. A a result, the cash flow from investing activities in accordance with IFRS decreased compared with the cash flow from investing activities in accordance with HGB (EUR 500 thousand). The cash flow from financing activities decreased as well as the lease payments due to the repayment of the financial liability from the sales promotion model (EUR 524 thousand).

4.5. Disclosures regarding the transfer of equity as of 1 January 2020 and 31 December 2020 in the statement of comprehensive income and cash flow statement for the period from 1 January to 31 December 2020

Financial instruments – financial liabilities from the sales promotion model and refinancing transactions

Within the scope of the sale and lease back transactions, revenue and/ or other operating income were recognised in the amount of the POS systems sold and corresponding lease expenses over the term of the lease at the start of the contract, in accordance with the German accounting standards.

In accordance with IFRS, Vectron recognises this transaction as a financing transaction as it is not a sale within the meaning of IFRS 16 in conjunction with IFRS 15. A financial liability in the amount of the sales income is therefore recognised and the POS systems are capitalised at cost at the start of the contract.

Revenue and/or other operating income from the sale of the POS systems are derecognised at the start of the contract and the corresponding lease expenses during the term of the lease in the statement of comprehensive income. Interest expenses that were determined using the effective interest rate method reduce the financial income accordingly over the term of the contract. Vectron transfers the POS systems to end customers within the scope of sub-leasing in the form of financing and operating leases, as described in “Leases – lessor”.

Financial instruments – impairment of trade receivables

Vectron determines the expected bad debt from trade receivables in accordance with the simplified approach under IFRS 9.

Trade receivables were pooled on the basis of days overdue for measuring the expected bad debt.

The expected loss rates are based on the payment profiles of the sales over a period of 12 months prior to 31 December 2021 and 31 December 2020 respectively or 1 January 2020 and the corresponding historic defaults during this period. The historic loss rates are adjusted to represent current and forward-looking information on macroeconomic factors with an effect on the customers’ ability to pay the receivables.

Leases – lessee

In accordance with the German accounting standards, all leases were classified as operating leases and no assets or liabilities were capitalised for the company’s leases.

Vectron measured the lease liabilities in accordance with IFRS 16 for all leases at the time of transition to IFRS. The lease liabilities was measured at the cash value of the remaining lease payments, discounted by the incremental borrowing rate at the time of transition to IFRS. The right-of-use asset is measured at cost, which is derived from the cash value of the as yet outstanding lease payments. Vectron does not apply the provisions to lease liabilities and right-of-use assets with terms of less than 12 months from the transition to IFRS. Vectron does not include initial indirect costs in the measurement of a right-of-use asset at the time of transition to IFRS. To determine the term of the lease, Vectron takes into account information acquired retrospectively on the extension and termination options included in the contracts.

Depreciation and amortisation increased correspondingly in the statement of comprehensive income, as did the financing costs due to the application of the effective interest rate method for the lease liabilities. The lease payments that were previously recognised in other operating expenses according to the previous accounting standards were eliminated accordingly.

In the cash flow statement, a negative cash flow from financing activities was recognised, primarily due to the increased financing costs and repayment of lease liabilities, and therefore a transfer of the cash flows from financing activities to the cash flows from operating activities.

Leases – lessor

In accordance with the German accounting standards, revenue from leases must be recognised in a straight line over the term of the contract.

Vectron measures leases in which Vectron is the lessor as finance leases within the meaning of IFRS 16 if almost all of the risks and opportunities related to the ownership of title are transferred to the customer. Manufacturer and/or trader leasing requirements are also applied. These state that Vectron must recognise the assets held as part of a finance lease in the balance sheet as a receivable in the amount of the net investment in the lease. Vectron uses the incremental borrowing rate for measuring the net investment.

Lease liabilities fall within the scope of the general impairment model approach in accordance with IFRS 9. For further information, go to note 12.2.2.

In the statement of comprehensive income, revenue in the amount of the cash value of the lease payment, the underlying cost of sales and profit / loss from disposal (i.e. the difference between revenue and cost of sales) are recognised at the start of the contract. During the term of the lease contract, interest income is recognised, using the effective interest rate method, which increases the financial income accordingly.

The cash flows from lease receivables are recognised in cash flow from operating activities in accordance with the German accounting standards.

Share-based payment

In accordance with IFRS, the fair value of the share option is determined with a suitable measurement method and recognised over the vesting period. Additional expenses in the amount of EUR 40 thousand were recognised as a result for financial year 2020. Share options with a fair value at the time of issuance of EUR 108 thousand that were issued prior to 1 January 2020 and had not yet been vested by that time were recognised in the capital reserve.

Deferred taxes

Adjustments from the initial application of IFRS resulted in various temporary differences. In accordance with the accounting policies in note 2.4., the company recognised deferred taxes on such differences. Deferred tax adjustments are stated in the accumulated loss.

Other IFRS adjustments

In particular, liabilities to employees were also recognised as deferred liabilities instead of provisions. Employee benefits were classified as separately stated items in the balance sheet.

Due to the application of IFRS, additional definitions were applied between provisions and liabilities.

Income from affiliated companies, shown as revenue in accordance with HGB, were reclassified to other income.

In other income stated in accordance with HGB, income relating to personnel costs were offset against the corresponding expenses in personnel expenses.

Calculation of the figures

5. Segment reporting

The company's operating activities are managed as one segment. Management regularly reviews the operating income / expenses regarding decisions on the allocation of resources and measurement of the earnings power for the company as a whole.

6. Revenue

Revenue is generated from the following activities:

in EUR thousand	2021	2020
Revenue from contracts with customers	36,110	22,922
Revenue from finance leases	1,758	1,972
Revenue from operating leases	359	108
Total	**38,227**	**25,002**

Additional information on leases where Vectron is the lessor are included in note 9.3.

6.1. Breakdown of revenue from contracts with customers

The company generates income from the sale of POS and the provision of POS software.

in EUR thousand	2021	2020
POS systems	29,780	21,544
Digital services	6,330	1,378
Total	**36,110**	**22,922**

The income breaks down as follows according to the regions where the respective customers are domiciled.

in EUR thousand	2021	2020
Germany	32,278	20,430
International	3,832	2,492
Total	**36,110**	**22,922**

Revenue break down by date as follows:

in EUR thousand	2021	2020
Non-recurring revenues	29,913	21,169
Recurring revenues	6,197	1,753
Total	**36,110**	**22,922**

Contractual liabilities, such as prepayments, are recognised in the balance sheet under trade payables. The contractual liabilities in the amount of EUR 2 thousand stated as of 31 December 2020 were stated in full as revenue in the reporting period. It is expected that the contractual liabilities in the amount of EUR 21 thousand stated as of 31 December 2021 will be repaid in full within the next reporting period.

6.2. Accounting standards and material judgements

POS systems

Vectron produces POS systems and develops POS software that are sold to end customers via specialist trade partners. The POS software is usually purchased as a one-off license with an indefinite term.

Revenue is recognised once the control over the products has been transferred, i.e. they have been delivered to the customer (specialist trade partner and/or end customer). The income from these sales is recognised in the amount of the price stated in the contract. There are no significant financing components as usually a maximum payment term of 60 days (as is standard in the market) is agreed. A provision is recognised for the company's obligation to repair or replace faulty devices within the scope of standard terms and conditions of guarantee; see note 9.9.

Digital services

Vectron concludes term contracts with customers according to which digital services are provided for use in connection with a POS system.

Income from services are recognised in the reporting period in which the services are provided. Vectron recognises income from the provision of the POS software monthly upon invoicing.

POS system leases

In addition to purchasing POS systems and software, end customers can also lease POS systems and the corresponding POS software for fixed terms. These are finance or operating leases as described in note 2.5.2..

Within the scope of finance leasing, revenue is recognised when the control over the products has been transferred, i.e. they have been delivered to the end customer. For operating leases, revenue is recognised in a straight line over the term.

7. Material profit or loss items

The company has identified numerous items that are material due to their type and/or amount. They are stated separately here to provide a better understanding of the company's profit position.

7.1. Other operating income

in EUR thousand	2021	2020
Income from the reversal of provisions	50	47
Currency gains	26	38
Income from affiliated companies	-	641
Others	49	222
Total	**125**	**948**

7.2. Material expenses and purchased services

in EUR thousand	2021	2020
Raw materials and supplies	11,173	8,433
Purchased services	1,021	1,153
Total	**12,194**	**9,586**

7.3. Personnel costs

in EUR thousand	2021	2020
Wages and salaries	8,771	7,692
Bonus payments	1,327	297
Social insurance contributions	996	721
Pension insurance contributions	748	709
Severance payments	65	114
Old-age pension	50	70
Share-based payment	29	40
Total	**11,986**	**9,643**

7.4. Other operating expenses

in EUR thousand	2021	2020
Marketing and sales costs	6,145	5,340
Administrative expenses	1,688	1,472
Costs of buildings and insurance	413	380
Personnel-related expenses	387	439
Maintenance and repairs	365	270
Cars	178	214
Remuneration of the supervisory board	83	91
Travel expenses	77	88
Currency losses	36	44
Development costs	10	38
Others	24	1
Total	**9,406**	**8,377**

In addition to the development costs contained in other operating expenses, the main personnel expenses are research and development expenses. The research costs and the development costs recognised in expenses that do not meet the criteria for an intangible asset amounted to EUR 2,402 thousand (31 December 2020: EUR 2,422 thousand).

7.5. Other taxes

in EUR thousand	2021	2020
Vehicle tax	10	10
Other tax refunds	-3	-3
Total	**7**	**7**

7.6. Government grants

In response to the spread of the Coronavirus and the related effects on the economy and labour market, the government resolved certain temporary easements for access to government wage subsidies packages.

The German government granted simplified access to wage subsidies for short-time work, which replaced the wages lost by employees due to the reduction in their usual working hours. The transfer of the wage subsidies for short-time work therefore merely constitutes a transitional item, whereas the assumption of the social insurance contributions by the German Job Centre (Bundesagentur für Arbeit) constitutes a government grant.

Under the programme, Vectron received government grants in the amount of EUR 28 thousand (2020: EUR 100 thousand), which are stated in personnel expenses. As of the balance sheet date, receivables from Coronavirus aid measures existed in the amount of EUR 0 thousand (31 December 2020: EUR 8 thousand; 1 January 2020: EUR 0 thousand).

7.7. Financial income and expenses

in EUR thousand	2021	2020
Financial income		
Interest income from leases	238	218
Interest income from financing transactions	40	-
Other financial income	4	20
Financial income	**282**	**238**
Financing expenses		
Paid / outstanding interest and financing expenses for financial liabilities measured at amortised cost	-224	-351
Interest expenses for lease liabilities	-55	-11
Other financing expenses	-16	-
Financing expenses	**-295**	**-362**
Financial income/expenses	**-13**	**-124**

7.8. Income tax expenses

The company's income tax expenses (income) are spread as follows across the actual and deferred taxes:

in EUR thousand	2021	2020
Actual taxes		
Actual taxes on the income for the period	295	-
Adjustments for actual taxes in previous years	-	-
Total actual tax expenses	**295**	**-**
Deferred income taxes		
Deferred taxes on the income for the period	384	-820
Total deferred tax expenses (income)	**384**	**-820**
Income tax expenses (income)	**679**	**-820**

Reconciliation between the expected tax expenses (income) and recognised tax expenses (income):

in EUR thousand	2021	2020
Earnings before income tax expenses	**3,116**	**-3,113**
Company's tax rate 31.90%		
Expected tax expenses (income) for the period	994	-999
Tax effect of the amounts that are non-deductible when calculating the taxable income	15	179
Previously unrecorded tax losses that are now used to reduce the actual tax expense	-335	-
Other effects	5	-
Income tax expenses (income)	**679**	**-820**

7.9. Earnings per share

The following table contains the amounts that underlie the calculation of the undiluted earnings per share:

in EUR thousand	2021	2020
Profit (loss) for the period	**2,437**	**-2,313**
Average weighted number of shares	**8,049**	**7,956**
Undiluted earnings per share	**0.30**	**-0.29**

The diluted earnings per share correspond with the undiluted earnings per share.

Options issued as part of the share option plan are classed as potential ordinary shares. They were not included in the calculation of the diluted earnings per share as they did not have a diluting effect during the reporting period and have no diluting effect on earnings per share. Detailed information on the options is included in note 16.

8. Financial assets and liabilities

This disclosure contains information on the company's financial instruments, including:

- an overview of all financial instruments held by the company,
- detailed information on every type of financial instrument,
- accounting policies,
- information on the determination of the fair value of the instruments, including related judgements and measurement uncertainties.

The company holds the following financial instruments:

Financial assets measured at amortised cost

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Participations	404	2,054	2,054
Trade receivables	3,558	3,451	5,065
Receivables from affiliated companies	20	832	219
Lease receivables	4,051	3,781	4,192
Other financial assets	1,521	1,218	-
Cash and cash equivalents	19,868	8,305	11,316
Total	**29,422**	**19,641**	**22,846**
Non-current	4,014	5,751	4,317
Current	25,408	13,890	18,529

Financial liabilities measured at amortised cost

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Trade payables	3,151	2,293	1,227
Liabilities to affiliated companies	308	62	-
Borrowings	3,000	-	10,421
Liabilities from the sales support model	2,526	3,182	3,539
Liabilities from refinancing transactions	1,225	487	-
Liabilities from hire purchases	646	876	-
Lease liabilities	8,443	584	1,379
Other financial liabilities	250	167	145
Total	**19,549**	**7,651**	**16,711**
Non-current	9,905	2,771	2,348
Current	9,644	4,880	14,363

The company's position regarding the various risks associated with the financial instruments is explained in note 12. As of the balance sheet date, the maximum default risk corresponded with the carrying amount of each financial asset class listed above.

8.1. Participations

bonVito was merged with Vectron Systems AG on 1 January 2021. The merger effect in the amount of EUR 132 thousand was recognised in the accumulated loss. As a result of the merger, cash and cash equivalents increased by EUR 938 thousand as of 1 January 2021. This figure was recognised as cash inflow from investing activities. As of 1 January 2021, the following assets and liabilities were assumed by Vectron Systems AG:

in EUR thousand	01/01/2021
Non-current assets	1,013
Current assets	1,236
Total assets	**2,249**
Accumulated loss	132
Non-current liabilities	-355
Current liabilities	-1,126
Total liabilities	**-1,349**
Disposal of participation	**900**

A capital decrease in the amount of EUR 750 thousand was resolved at posmatic GmbH in the reporting period. Due to the distribution to Vectron Systems AG, the participation decreased by EUR 750 thousand and the cash inflow from investing activities increased.

As of 31 December 2021, Vectron Systems AG acquired the operations of posmatic GmbH as part of an asset deal. The company manufactures a POS software app that is operated in an Apple hardware environment. The acquisition primarily aims to reduce the complexity of processes (monthly license settlement as well as accounting, which is currently still outsourced). The purchase price for the assumed assets and liabilities amounts to EUR 1,049 thousand, which was paid in cash in the amount of EUR 800 thousand as of the due date.

The acquired assets and liabilities were recognised at fair value within the scope of the purchase price allocation in accordance with IFRS 3. The fair values of the identified assets and liabilities were as follows on the date of acquisition:

in EUR thousand	Fair value
Intangible assets	1,129
Receivables	21
Total assets	**1,150**
Liabilities	-101
Total liabilities	**-101**
Identifiable assets and liabilities	**1,049**

8.2. Trade receivables

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Receivables from contracts with customers	4,808	4,396	6,024
Receivables from operating leases	164	69	4
Impairments	-1,414	-1,014	-963
Total	**3,558**	**3,451**	**5,065**

8.2.1. Classification as trade receivables

Trade receivables are amounts owed by customers for goods and/or services provided during the ordinary course of business as well as from operating leases. They are generally payable within a maximum period of 60 days and are therefore classified as current, with the exception of one receivable. Longer payment terms are only granted in exceptional circumstances. Trade receivables must be initially recognised at the amount of the unconditional consideration. If they contain significant financing components, they must be recognised at fair value instead. The company holds trade receivables for collecting the contractually agreed cash flows and subsequently measures them at amortised cost, using the effective interest rate method. One receivable in the amount of EUR 602 thousand (31 December 2020: EUR 600 thousand) is hedged with EUR 436 thousand (31 December 2020: EUR 417 thousand). For details on the company's impairment methods and calculation of impairment, go to note 12.2.2.

The company leases POS systems to end customers that are classed as operating leases. The accounting policies for the leases are explained in note 2.5.2.

8.2.2. Fair values of trade receivables

The fair values of current trade receivables correspond with their carrying amounts. Further information regarding the classification and fair values of non-current trade receivables are provided in note 12.4.

8.2.3. Impairments and risks

Information on impairments of trade receivables as well as the default and foreign currency risks to which the company is exposed is included in notes 12.1. and 12.2.

8.2.4. Factoring agreements

Vectron Systems AG has trade receivables that are subject to a factoring agreement. Within the scope of this agreement, the company transferred the corresponding trade receivables to the factor in return for cash and can therefore no longer sell or pledge these trade receivables. The late payment and default risks are primarily transferred to the factor. The company transfers the contractual right to cash flows from these trade receivables as well as all material risks and opportunities connected with the financial instrument to the factor, meaning that the derecognition criteria in accordance with IFRS 9 have been met for the sold trade receivables. The company therefore no longer recognises the transferred assets in its balance sheet. Furthermore, no significant continuing involvement was detected and no amounts were recognised in this respect as a result.

8.3. Other financial assets measured at amortised cost

8.3.1. Classification of financial assets measured at amortised cost

The company measures its financial assets at amortised cost if the two following conditions have been met:

- The financial asset is held as part of a business model whose objective is to hold financial assets for collecting the contractually agreed cash flows, and

- The contractual conditions result in cash flows that exclusively constitute repayment and interest payments for the outstanding capital amount.

Other financial assets measured at amortised cost are comprised as follows:

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Receivables from affiliated companies	20	832	219
Receivables from factoring	274	224	-
Receivables from security deposits	285	-	-
Loans issued	962	993	-
Other financial assets	-	1	-
Total	**1,541**	**2,050**	**219**
Non-current	912	958	-
Current	629	1,092	219

8.3.2. Fair value of the other financial assets measured at amortised cost

The fair values of current financial assets correspond with their carrying amounts. Further information regarding the classification and fair values of non-current other financial assets are provided in note 12.4.

8.3.3. Impairments and risks

Note 12.2. comprises information on the impairment of financial assets and the company's default risk volume.

All other financial assets measured at cost are denominated in euros. Consequently, there is no foreign currency risk. As the financial investments are held until maturity, there is also no market risk.

8.4. Cash and cash equivalents

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Bank balances in Euro	19,819	8,270	11,260
Bank balances denominated in foreign currency	45	33	54
Cash in hand	4	2	2
Total	**19,868**	**8,305**	**11,316**

8.5. Trade payables and other financial liabilities

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Trade payables	3,151	2,293	1,227
Liabilities to affiliated companies	308	62	-
Other financial liabilities	250	167	145
Total	**3,709**	**2,522**	**1,372**
Non-current	-	-	-
Current	3,709	2,522	1,372

Trade payables are unsecured and are predominantly payable within 14 days from receipt.

The carrying amounts of the trade payables correspond with the fair value due to their current nature.

Other financial liabilities primarily include liabilities from supervisory board remuneration as well as the costs for the preparation of the annual financial statements and tax consulting fees.

8.6. Financial liabilities from the sales promotion model and refinancing transactions

Vectron regularly concludes contracts with financial service providers for the financing of POS systems within the scope of the financing and operating leases. The amounts received are recognised as a financial liability. The amount of the liabilities corresponds with the cash value of the future payments to the financial service provider, discounted by the contractually agreed interest rate. The contracts usually have a term of three to four years and are repaid in monthly instalments.

Vectron sub-leases the financed POS systems to end customers within the scope of the lease contracts. Additional information on leases where Vectron is the lessor are included in note 9.3.

8.7. Liabilities from hire purchases

To finance a major project, Vectron concluded a contract for the hire purchase of POS systems with a financial service provider on 22 July 2020. The contractual term is 48 months and repayments are made in monthly instalments. The liability is secured with a retention of title of the POS systems with respect to the customer. As at 31 December 2021, the financial assets amounted to EUR 668 thousand (31 December 2020 EUR 896 thousand).

8.8. Borrowings

Vectron Systems AG concluded a loan agreement for increased materials consumption in the amount of EUR 4,000 thousand on 3 June 2015. The term of the loan was five years and it was repaid in quarterly instalments. The loan was repaid in full and on time on 30 June 2020.

On 27 March 2018, the company concluded an agreement for a loan for materials in the amount of EUR 10,000 thousand. The loan for materials was drawn down at EUR 3,700 thousand in September 2019 and EUR 3,000 thousand in January 2020 and was available for materials during its term. The loan for materials was repaid in one instalment on 30 December 2020, as contractually agreed.

The company concluded a loan agreement for increased materials consumption in the amount of EUR 3,000 thousand on 15 December 2020. The loan for materials was drawn down fully in January 2021. The loan is recognised in current financial liabilities in the balance sheet (see note 12.3.).

The above-stated loans bear interest between 1.01% and 1.23%.

No particular securities are issued for these loans.

Vectron Systems AG also concluded a general loan agreement in the amount of EUR 1,000 thousand. The loan term expires on 31 December 2022. In the past, it was always extended by one year at a time. At the end of the reporting period, the company partially drew down the loan in the form of two sureties. The warehouse was transferred as collateral to secure draw-downs. The carrying amount of the assets transferred as security for short-term draw-downs amounts to EUR 4,943 thousand.

Lease liabilities are factually secured as the rights to the leased items recognised in the financial statements return to the lessor in the event of a payment default.

The fair values of the loans do not materially differ from the carrying amounts as the interest payments for these loans are almost identical to the current market rates or the loans are of a current nature.

9. Non-financial assets and liabilities

9.1. Statement of changes in fixed assets

in EUR thousand	Costs			
	As of 01/01/2020	Additions	Disposals	As of 31/12/2020
Intangible assets				
Concessions and commercial property rights	7,719	47	-	7,766
	7,719	**47**	**-**	**7,766**
Property, plant and equipment				
Technical equipment and machines	1,410	4	-	1,414
Other equipment, operational and business equipment	1,518	1,175	-7	2,686
Prepayments	48	-	-48	-
	2,976	**1,179**	**-55**	**4,100**
Right-of-use assets				
Buildings	1,123	-	-	1,123
Vehicles	224	148	-	372
IT and office equipment	33	-	-	33
	1,380	**148**	**-**	**1,528**

in EUR thousand	Costs			
	As of 01/01/2021	Additions	Disposals	As of 31/12/2021
Intangible assets				
Concessions and commercial property rights	7,766	1,174	-	8,940
	7,766	**1,174**	**-**	**8,940**
Property, plant and equipment				
Technical equipment and machines	1,414	-	-	1,414
Other equipment, operational and business equipment	2,686	453	-	3,139
Prepayments	-	-	-	-
	4,100	**453**	**-**	**4,553**
Right-of-use assets				
Buildings	1,123	8,599	-	9,722
Vehicles	372	164	-	536
IT and office equipment	33	-	-	33
	1,528	**8,763**	**-**	**10,291**

Depreciation and amortisation				
As of 01/01/2020	Depreciation and amortisation	Disposals	As of 31/12/2020	Residual carrying amount as of 31/12/2020
7,590	89	-	7,679	87
7,590	**89**	**-**	**7,679**	**87**
1,270	82	-	1,352	62
1,250	220	-5	1,465	1,221
-	-	-	-	-
2,520	**302**	**-5**	**2,817**	**1,283**
-	790	-	790	333
-	134	-	134	238
-	23	-	23	10
-	**947**	**-**	**947**	**581**

Depreciation and amortisation				
As of 01/01/2021	Depreciation and amortisation	Disposals	As of 31/12/2021	Residual carrying amount as of 31/12/2021
7,679	68	-	7,747	1,193
7,679	**68**	**-**	**7,747**	**1,193**
1,352	41	-	1,393	21
1,465	551	-	2,016	1,123
-	-	-	-	-
2,817	**592**	**-**	**3,409**	**1,144**
790	751	-	1,541	8,181
134	156	-	290	246
23	10	-	33	-
947	**917**	**-**	**1,864**	**8,427**

In the reporting period, Vectron Systems AG received intangible assets in the amount of EUR 1,129 thousand resulting from the asset deal with posmatic GmbH (see note 8.1.).

The additions to other equipment, operational and business equipment affect own work capitalised in the amount of EUR 119 thousand (2020: EUR 362 thousand) as well as replacement purchases.

9.2. Leases – lessee

This disclosure provides information on leases where the company is the lessee.

The company leases an office building, various vehicles as well as IT and office equipment. Lease contracts for buildings are usually concluded with long terms (over 10 years). Lease contracts fro vehicles are usually concluded for fixed terms of up to three years.

The accounting policies for the leases are explained in note 2.5.1.

The development of the right-of-use assets is stated in the statement of changes in fixed assets in note 9.1.

The additions of right-of-use assets in financial year 2021 in the amount of EUR 8,763 thousand (2020: EUR 148 thousand) primarily resulted from the new lease contract for the leased office building.

9.2.1. Amounts recognised in the balance sheet

The following items are recognised in the balance sheet in connection with leases:

Lease liabilities

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Current	810	475	920
Non-current	7,633	109	459
Total	**8,443**	**584**	**1,379**

9.2.2. Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts in connection with leases:

in EUR thousand	2021	2020
Interest expenses for lease liabilities	55	11
Expenses in connection with short-term leases	-	41
Expenses in connection with leases of low-value assets that are not recognised in the above-stated short-term leases	8	5
Expenses for variable lease payments that are not included in the measurement of lease liabilities	47	30
Total	**110**	**87**

The cash payment for leases recognised in the cash flow statement amounted to EUR 952 thousand in 2021 (2020: EUR 956 thousand).

The company received COVID-19-related rent holidays and reductions and used the easement for the evaluation of lease modifications in accordance with IFRS 16 in this respect. The company did not evaluate if a COVID-19-related rent holiday or reduction constitutes a modification of a lease in accordance with IFRS 16. The rent holidays or reductions were instead recognised as variable lease payments. In the past reporting period, income from rent holidays or reductions amounted to EUR 197 thousand in the statement of comprehensive income.

9.3. Leases – lessor

This disclosure provides information on leases where the company is the lessor.

The company leases POS systems to end customers as part of its operations. The leases are classified as financing and operating leases and the manufacturer and/or trader leasing requirements are applied.

The accounting policies for the leases are explained in note 2.5.2.

The income from the disposal of finance leases and income from operating leases are explained in note 6.

Interest income from the net investment in the finance leases amounted to EUR 167 thousand (2020: EUR 218 thousand).

The analysis of the maturities of the lease receivables is comprised as follows:

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Less than 1 year	2,079	2,017	2,263
1-2 years	1,300	1,291	1,448
2-3 years	725	664	726
3-4 years	333	175	185
4-5 years	18	-	-
Total of undiscounted lease receivables	**4,455**	**4,147**	**4,622**
Unrealised financial income	-238	-168	-256
Net investment in the lease	**4,217**	**3,979**	**4,366**

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Lease receivables	4,217	3,979	4,366
Impairments	-166	-198	-174
Total	**4,051**	**3,781**	**4,192**

Information on the impairment of lease receivables and default risk to which the company is exposed is provided in note 12.2.

9.4. Deferred taxes

The balance sheet contains temporary differences for the following items:

31/12/2021 in EUR thousand	Net figures as of 1 January	Additions from merger	Adjusted net figures as of 1 January	Recognised in profit or loss	As of 31 December		
					Net	Deferred tax assets	Deferred tax liabilities
Tax losses	2,813	-	2,813	-427	2,386	2,386	-
Fixed assets	-52	245	193	-111	82	82	-
Right-of-use assets	-185	-	-185	-2,503	-2,688	-	-2,688
Lease receivables	-1,269	-315	-1,584	239	-1,345	-	-1,345
Liabilities from the sales support model	1,015	-	1,015	-210	805	805	-
Liabilities from refinancing transactions	155	97	252	131	383	383	-
Lease liabilities	186	-	186	2,507	2,693	2,693	-
Provisions	63	-	63	-10	53	53	-
Tax receivables (liabilities) before offset	**2,726**	**27**	**2,753**	**-384**	**2,369**	**6,402**	**-4,033**
Tax offset						-4,033	4,033
Tax receivables (liabilities) after offset						**2,369**	**-**

31/12/2020 in EUR thousand	Net figures as of 1 January	Recognised in profit or loss	As of 31 December		
			Net	Deferred tax assets	Deferred tax liabilities
Tax losses	2,121	692	2,813	2,813	-
Fixed assets	28	-80	-52	-	-52
Right-of-use assets	-440	255	-185	-	-185
Lease receivables	-1,392	123	-1,269	-	-1,269
Liabilities from the sales support model	1,129	-114	1,015	1,015	-
Liabilities from refinancing transactions	-	155	155	155	-
Lease liabilities	440	-254	186	186	-
Provisions	20	43	63	63	-
Tax receivables (liabilities) before offset	**1,906**	**820**	**2,726**	**4,232**	**-1,506**
Tax offset				-1,506	1,506
Tax receivables (liabilities) after offset				**2,726**	**-**

9.5. Inventories

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Raw materials and supplies	2,364	4,293	2,598
Finished goods / merchandise	2,579	2,421	2,360
Total	**4,943**	**6,714**	**4,958**

The inventories recognised as expenses in the reporting period as of 31 December 2021 amounted to EUR 11,173 thousand (2020: EUR 8,432 thousand). They are included in the costs of raw materials and supplies as well as in costs of purchased services. In financial year 2021, impairment of stock in the amount of EUR 76 thousand (2020: EUR 383 thousand) were recognised as expenses. In the same period, write-ups in the amount of EUR 45 thousand (2020: EUR 92 thousand) resulted in income as the net income from disposals was higher than anticipated in the previous year.

9.6. Other current assets

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Deferred items	214	832	68
VAT receivables	1	33	5
Others	-	19	-
Total	**215**	**884**	**73**

9.7. Other current liabilities

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
VAT liabilities	173	198	67
Payroll tax	133	117	213
Others	39	35	66
Total	**345**	**350**	**346**

9.8. Liabilities from employee benefits

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Bonus payments	1,386	92	67
Annual leave and overtime	281	189	200
Costs of old-age pension	1	-	-
Severance payments	65	114	-
Total	**1,733**	**395**	**267**
Current	1,733	395	267

9.9. Provisions

in EUR thousand	Warranty provision	Provision for legal disputes	Others	Total
01/01/2020	145	149	10	304
Additions	11	30	-	41
Usage in the current year	-37	-	-	-37
31/12/2020	**119**	**179**	**10**	**308**
Non-current	119	-179	10	308

in EUR thousand	Warranty provision	Provision for legal disputes	Others	Total
01/01/2021	119	179	10	308
Additions from merger	9	-	10	19
Adjusted figure as of 01/01/2021	128	179	20	327
Additions	-	30	-	30
Usage in the current year	-31	-130	-	-161
31/12/2021	**97**	**79**	**20**	**196**
Non-current	97	79	20	196

10. Equity

10.1. Subscribed capital

The shares stated in subscribed capital are no-par value bearer shares with one vote each and a book value of EUR 1.00.

The company's share capital amounted to EUR 8,057 thousand (31 December 2020: EUR 8,038 thousand; 1 January 2020: EUR 7,292 thousand). In financial year 2021, the share capital increased due to a capital increase from contingent capital.

Due to factors such as the resolutions of the annual general meeting on 10 June 2021, which included the rescission of the (unused) authorised capital 2020 as well as the creation of the authorised capital 2021, the development of the capital and subscription rights issued during the reporting period is shown below.

As per resolution of the annual general meeting on 10 June 2021, the executive board is authorised, with the approval of the supervisory board, to increase the share capital of the company by a total of up to EUR 4,019 thousand until 9 June 2026 by issuing new no-par value bearer shares against cash deposit and/or payment in kind (authorised capital 2021) and to determine a start of the profit participation which differs from legal requirements. The authorisation may be fully or partially utilised in one or several tranches. The executive board is further authorised, with the approval of the supervisory board, to decide on the content of the share rights and conditions of issue. The shareholders shall be granted a subscription right during capital increases. However, the executive board may, with the approval of the supervisory board, exclude the subscription rights for shareholders under certain conditions. The authorised capital 2021 was not drawn down in financial year 2021.

As per resolution of the annual general meeting on 10 June 2021, the share capital is conditionally increased by up to EUR 3,215 thousand by issuing up to 3,215,136 new no-par value bearer shares with profit participation as from the start of the last reporting period for which no profit appropriation has been resolved yet (contingent capital 2021). The reason for the contingent capital increase is to service bonds that are issued due to the authorisation resolution of the annual general meeting on 10 June 2021.

As per resolution of the annual general meeting on 10 June 2021, the executive board is authorised, with approval of the supervisory board, to issue convertible and warrant bonds or participation rights with or without conversion or subscription rights (hereinafter also jointly referred to as "bonds") totalling up to EUR 42,000 thousand, in one or several tranches, until 9 June 2026. Conversion or subscription rights for up to 3,215,136 of the company's no-par value bearer shares with a proportionate share in share capital totalling up to EUR 3,215 thousand can be granted to the bearers of the above-mentioned bonds. The conversion and subscription rights can be serviced from contingent capital yet to be resolved in this or future annual general meetings, from existing or future authorised capital and/or from a cash capital increase and/or existing shares and/or provide for a cash settlement instead of share delivery.

The share capital of the company was conditionally increased by up to EUR 19 thousand by issuing up to 18,672 new no-par value bearer shares (contingent capital 2011). In financial year 2021, the 18,672 subscription rights thereof were exercised. The contingent capital increase serves to issue subscription rights to executive employees of the company and subordinated associated companies in Germany and abroad in accordance with the authorisation resolution passed by the annual general meeting on 26 May 2011 regarding TOP 7. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company was conditionally increased by up to EUR 70 thousand by issuing up to 70,000 new no-par value bearer shares (contingent capital 2017). In 2021, no further subscription rights were issued in this respect. On the balance sheet date, the subscription rights, which are not stated as an expense, amounted to EUR 0 thousand. The contingent capital increase serves to issue subscription rights to executive employees of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 23 June 2017 regarding TOP 10. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company was conditionally increased by up to EUR 25 thousand by issuing up to 25,000 new no-par value bearer shares (contingent capital 2018). In 2021, no further subscription rights were issued in this respect. On the balance sheet date, the subscription rights, which are not stated as an expense, amounted to EUR 0 thousand. The contingent capital increase serves to issue subscription rights to employees of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 17 May 2018 regarding TOP 12. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company was conditionally increased by up to EUR 343 thousand by issuing up to 342,581 new no-par value bearer shares (contingent capital 2020). In 2021, 80,000 subscription rights were issued in this respect. In 2021, the subscription rights, which are not stated as an expense, amounted to EUR 0 thousand. The contingent capital increase serves to issue subscription rights to current and future employees of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 10 September 2020 regarding TOP 7. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

10.2. Capital reserve

The respective status of the capital reserve as of the balance sheet dates and development of the capital reserve in the reporting periods are reflected in the statement of changes in equity.

Premiums from the issuance of shares are recognised in the capital reserve.

Share-based payment

Personnel expenses in connection with share-based payment are recognised in the capital reserve. As of 31 December 2021, EUR 176 thousand (31 December 2020: EUR 147 thousand; 1 January 2020: EUR 108 thousand) from equity-based remuneration transactions was contained in the capital reserve.

10.3. Accumulated loss

The respective status of the accumulated loss as of the balance sheet dates and development of the accumulated loss in the reporting periods are reflected in the statement of changes in equity.

The effects from the initial application of IFRS were recognised in the accumulated loss.

11. Disclosure on cash flows

11.1. Non-cash investment and financing activities

Non-cash investment and financing activities that were stated in other disclosures in the notes:

- Acquisition of right-of-use assets – note 9.2.

- Shares issued to employees as part of the share plan – note 16.

11.2. Changes in liabilities from financing activities

2020

in EUR thousand	As of 1 January	Cash	Non-cash	As of 31 December
Borrowings	10,421	-10,587	166	-
Liabilities from the sales support model	3,539	-524	167	3,182
Liabilities from refinancing transactions	-	486	1	487
Liabilities from hire purchases	-	859	17	876
Lease liabilities	1,379	-956	161	584
Total	**15,339**	**-10,722**	**512**	**5,129**

2021

in EUR thousand	As of 1 January	Cash	Non-cash	As of 31 December
Borrowings	-	2,965	35	3,000
Liabilities from the sales support model	3,182	-780	124	2,526
Liabilities from refinancing transactions	487	338	400	1,225
Liabilities from hire purchases	876	-264	34	646
Lease liabilities	584	-952	8,811	8,443
Total	**5,129**	**1,307**	**9,404**	**15,840**

Risks

12. Financial risk management

The following section explains the company's position regarding financial risks and their potential effects on the company's future actual assets, financial position and profit position. All information that is relevant to profit and loss in the current reporting period was included to clarify correlations.

Risk	Risks	Measurement
Market risk – foreign currency	Recognised financial assets and liabilities not denominated in euros	Sensitivity analysis
Default risk	Cash and cash equivalents and debt instruments	Aging analysis Credit rating
Liquidity risk	Borrowings and other liabilities	Payment profiles

For monitoring purposes and to support decision-making, Vectron has introduced a risk management system and appointed a risk management officer who reports directly to the executive board. The risks and counter-measures are monitored and recorded on a regular basis. The risks are classified and appraised both qualitatively and quantitatively. Changes are documented so that historical developments are transparent. The results of each audit are reported to the executive board. If additional counter-measures are required, these are initiated directly by the executive board.

12.1. Market risk – foreign currency risk

Risk position and management
The percentage of foreign currency transactions in merchandise purchasing in financial year 2021 was approximately 33% (2020: 49%) of the material input. The majority of these transactions are denominated in US dollar. The prices for the materials used are therefore directly impacted by exchange rate fluctuations. To minimise the risk from exchange rate fluctuations, items denominated in foreign currency are hedged with spot purchases depending on historical and expected exchange rate developments.

The foreign currency risk was as follows at the end of the reporting period:

in EUR thousand	31/12/2021 USD	31/12/2021 GBP	31/12/2020 USD	31/12/2020 GBP	01/01/2020 USD	01/01/2020 GBP
Cash and cash equivalents	16	29	14	19	9	45
Trade receivables	25	135	10	120	3	84
Trade payables	-487	-2	-563	-	-201	-6
Total	**-446**	**162**	**-539**	**139**	**-189**	**123**

Revenue and other expenses of the company are not influenced by exchange rate fluctuations. The majority of sales in foreign currency regions are denominated in euros. Individual transactions are denominated in British pounds and US dollars.

The aggregated net foreign currency gains / losses recognised in income amounted to EUR -10 thousand (2020: EUR -6 thousand).

Sensitivity

As described above, the company is primarily exposed to fluctuations of the US dollar / euro exchange rate. The company is convinced that the sensitivity of the profit or loss related to exchange rate fluctuations primarily results from financial instruments denominated in US dollar and British pound.

	Impact on earnings after taxes	
in EUR thousand	**2021**	**2020**
USD / EUR exchange rate – 5% increase*	14	17
USD / EUR exchange rate – 5% decrease*	-16	-19
*All other variables remain constant		
Exchange rate on the balance sheet date as of 31 December	1.13	1.23

	Impact on earnings after taxes	
in EUR thousand	**2021**	**2020**
GBP / EUR exchange rate – 5% increase*	-6	-4
GBP / EUR exchange rate – 5% decrease*	6	5
*All other variables remain constant		
Exchange rate on the balance sheet date as of 31 December	0.84	0.90

The company's risk regarding other exchange rate fluctuations is immaterial.

12.2. Default risk

Default risks arise from cash and cash equivalents, receivables from contracts with customers and operating leases as well as lease receivables measured at amortised cost.

12.2.1. Risk management

The general default risk of the debtors is counteracted with various audits at portfolio and individual level, including a regular check of credit limits, regular exchange with customers, prompt and regular reminder and collection activities and additional mitigation measures.

Dependence on individual major customers constitutes a high risk in the event of payment default. However, this risk is presently low at Vectron (the largest Vectron customer accounted for 3.4% of total sales in 2021 (2020: 4.0%). This figure could increase through individual major orders.

12.2.2. Impairment of financial assets

The company holds two types of financial assets that are subject to the expected default model:

- trade receivables, and
- lease receivables.

Other financial assets as well as cash and cash equivalents are also subject to the impairment provisions of IFRS 9. Based on the current instruments and their probability of default, there was no need to recognise a risk provision.

Trade receivables

The company applies the simplified approach in accordance with IFRS 9 for measuring expected bad debt, according to which the bad debt expected over the term are referred to for all trade receivables.

Trade receivables were pooled on the basis of days overdue for measuring the expected bad debt.

The expected loss rates are based on the payment profiles of the sales over a period of 12 months prior to 31 December 2021 and 31 December 2020 respectively or 1 January 2020 and the corresponding historic defaults during this period. The historic loss rates are adjusted to represent current and forward-looking information on macroeconomic factors with an effect on the customers' ability to pay the receivables. The company identified the German gross domestic product as the most relevant factor and adjusts the historic loss rates for the expected changes in gross domestic product.

On this basis, the impairment of trade receivables as of 31 December 2021, 31 December 2020 and 1 January 2020 was determined as follows:

31/12/2021	**Not overdue**	**Overdue (in days)**				**Total**
in EUR thousand		**1-30**	**31 -60**	**61 -90**	**90+**	
Gross carrying amounts – trade receivables	1,838	182	159	117	2,555	4,852
Expected loss rate	1.53%	2.47%	2.62%	2.78%	53.77%	29.14%
Risk provision	**28**	**5**	**4**	**3**	**1,374**	**1,414**

31/12/2020	**Not overdue**	**Overdue (in days)**				**Total**
in EUR thousand		**1-30**	**31 -60**	**61 -90**	**90+**	
Gross carrying amounts – trade receivables	1,895	304	164	254	1,922	4,539
Expected loss rate	0.59%	1.01%	1.15%	1.23%	51.76%	22.34%
Risk provision	**11**	**3**	**2**	**3**	**995**	**1,014**

01/01/2020	**Not overdue**	**Overdue (in days)**				**Total**
in EUR thousand		**1-30**	**31 -60**	**61 -90**	**90+**	
Gross carrying amounts – trade receivables	3,547	610	203	171	1,454	5,985
Expected loss rate	0.42%	1.03%	1.37%	1.54%	64.38%	16.08%
Risk provision	**15**	**6**	**3**	**3**	**936**	**963**

The closing balance of the impairment of trade receivables as of 31 December is brought forward to the opening balance of the impairment:

	Trade receivables	
in EUR thousand	**2021**	**2020**
Opening balance of the impairment on 1 January	1,014	963
Additions from merger	45	-
Increase in the impairment of bad debts recognised in profit or loss	412	166
Remeasurement of the impairment of bad debts recognised in profit or loss	-	-4
Amounts written off as unrecoverable in the reporting period	-4	-74
Unused amount reversed	-53	-37
Total	**1,414**	**1,014**

Trade receivables are derecognised if they can no longer be realised according to reasonable estimates. The indicators that show that trade receivables can no longer be realised according to reasonable estimates include a debtor's failure to agree to a repayment plan with the company and failure to pay contractually agreed interest for a default period of more than 90 days.

The costs for the impairment of trade receivables are recognised in operating expenses as net impairment costs. Amounts generated in subsequent periods that were previously impaired are recognised in the same item.

The receivables management was intensified due to the uncertainties caused by the COVID-19 pandemic. No significant defaults occurred in the reporting period.

Lease receivables

Lease receivables fall within the scope of the general impairment model approach in accordance with IFRS 9.

As of the balance sheet dates, there were no objective indications of an impairment and the lease receivables were therefore classified as level 1 during initial recognition and a risk provision was determined as a 12-month ECL.

As a result, Vectron accounted for the probability of default at the time of the initial recognition of the lease receivables and the existence of a significant increase in default risk during all reporting periods. To assess if the default risk increased significantly, Vectron compared the default risk regarding the assets on the balance sheet date with the default risk at the time of initial recognition. Available, reasonable and reliable forward-looking information is taken into consideration in this respect. The following indicators are included, in particular:

- internal credit rating, and
- an actual or expected significant disadvantageous change in the business, financial or economic conditions that is expected to considerably change the debtor's ability to repay its liabilities.

A lease receivable has defaulted when the contracting party fails to pay contractually agreed payments within 90 days from their due date.

Lease receivables are written off if they are no longer realistically expected to be realisable. As of the balance sheet dates, lease receivables amounted to EUR 4,217 thousand (31 December 2020: EUR 3,979 thousand; 1 January 2020: EUR 4,366 thousand) and their impairments to EUR 166 thousand (31 December 2020: EUR 198 thousand; 1 January 2020: EUR 174 thousand).

12.2.3. Material estimates and judgements

The impairment of financial assets are based on assumptions regarding the default risk and expected loss rates. When preparing these assumptions and selecting the input factors for calculating the impairment, the company exercises discretion on the basis of the company's past experiences, existing market conditions and forward-looking estimates at the end of each reporting period.

12.3. Liquidity risk

Diligent liquidity risk management means to reserve sufficient cash and cash equivalents and also to have access to funds through credit facilities to pay liabilities on time. Vectron also aims for a high equity ratio to create economic stability.

At the end of the reporting period, the company had immediately available bank balances in the amount of EUR 19,868 thousand (31 December 2020: EUR 8,305 thousand, 1 January 2020: EUR 11,316 thousand). The company also had access to unused credit facilities in the amount of EUR 765 thousand (31 December 2020: EUR 765 thousand; 1 January 2020: EUR 7,809 thousand) as of the balance sheet date.

The unused credit facility as of 1 January 2020 comprised EUR 6,344 thousand in funds for the financing of materials that had not yet been drawn down as of the balance sheet date. The current unused credit facility matures on 31 December 2022 and can be drawn down at any time. In the past, the credit facility was always extended by one year at a time.

The tables below analyse the company's financial liabilities in the respective maturity ranges, based on their contractual terms for all non-derivative financial liabilities.

The amounts stated in the table are cash flows that have not been contractually discounted. Balances due within 12 months correspond with the carrying amounts as the impact of the discounting is insignificant.

31/12/2021 in EUR thousand	**Up to 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount**
Trade payables	3,151	-	-	**3,151**	**3,151**
Liabilities to affiliated companies	308	-	-	**308**	**308**
Borrowings	3,000	-	-	**3,000**	**3,000**
Liabilities from the sales support model	1,320	1,322	-	**2,642**	**2,526**
Liabilities from refinancing transactions	670	602	-	**1,272**	**1,225**
Liabilities from hire purchases	264	419	-	**683**	**646**
Lease liabilities	908	3,199	5,014	**9,121**	**8,443**
Other financial liabilities	250	-	-	**250**	**250**
Total	**9,871**	**5,542**	**5,014**	**20,427**	**19,549**

31/12/2020 in EUR thousand	**Up to 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount**
Trade payables	2,293	-	-	**2,293**	**2,293**
Liabilities to affiliated companies	62	-	-	**62**	**62**
Liabilities from the sales support model	1,601	1,742	-	**3,343**	**3,182**
Liabilities from refinancing transactions	162	341	-	**503**	**487**
Liabilities from hire purchases	264	683		**947**	**876**
Lease liabilities	478	110	-	**588**	**584**
Other financial liabilities	167	-	-	**167**	**167**
Total	**5,027**	**2,876**	**-**	**7,903**	**7,651**

01/01/2020 in EUR thousand	**Up to 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount**
Trade payables	1,227	-	-	**1,227**	**1,227**
Borrowings	10,421	-	-	**10,421**	**10,421**
Liabilities from the sales support model	1,797	1,979	-	**3,776**	**3,539**
Lease liabilities	930	461	-	**1,391**	**1,379**
Other financial liabilities	145	-	-	**145**	**145**
Total	**14,520**	**2,440**	**-**	**16,960**	**16,711**

12.4. Classifications and fair values of financial instruments

The table below shows the carrying amount and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not contain any information on the fair value for financial assets and liabilities that were not measured at fair value if the carrying amount constitutes a reasonable estimate of the fair value.

The fair value of cash and cash equivalents, current trade receivables, other current financial assets, current trade payables, current loans and other current liabilities essentially almost correspond with their carrying amount due to the short maturities of these instruments. Please refer to the list in the table below.

In addition, no disclosures have to be made regarding the fair value of lease liabilities in the current reporting period.

31/12/2021	IFRS 9 Category	Amortised costs EUR thousand	Fair value EUR thousand	Fair value Level
Financial assets				
Lease receivables	FAAC	4,051	4,051	3
Non-current trade receivables	FAAC	428	428	3
Other non-current financial assets	FAAC	912	912	3
Financial liabilities				
Borrowings	FLAC	3,000	3,000	3
Liabilities from the sales support model	FLAC	2,526	2,526	3
Liabilities from refinancing transactions	FLAC	1,225	1,225	3
Liabilities from hire purchases	FLAC	646	646	3

31/12/2020	IFRS 9 Category	Amortised costs EUR thousand	Fair value EUR thousand	Fair value Level
Financial assets				
Lease receivables	FAAC	3,781	3,781	3
Non-current trade receivables	FAAC	668	668	3
Other non-current financial assets	FAAC	958	958	3
Financial liabilities				
Liabilities from the sales support model	FLAC	3,182	3,182	3
Liabilities from refinancing transactions	FLAC	487	487	3
Liabilities from hire purchases	FLAC	876	876	3

01/01/2020	IFRS 9 Category	Amortised costs EUR thousand	Fair value EUR thousand	Fair value Level
Financial assets				
Lease receivables	FAAC	4,192	4,192	3
Financial liabilities				
Borrowings	FLAC	10,421	10,421	3
Liabilities from the sales support model	FLAC	3,539	3,539	3

The fair values of the lease receivables and non-current trade receivables correspond with the carrying amounts. The fair value was determined on the basis of the discounted cash flow, using a current borrowing rate. Due to unobservable input parameters, including the counterparty default risk, it is classified as level 3 within the fair value hierarchy.

The fair values of the non-current financial liabilities are based on the discounted cash flows, using the current market rate for such financing. They are classified as level 3 within the fair value hierarchy due to the use of unobservable input factors including the company's own default risk.

13. Capital management

The aims of Vectron Systems AG's capital management within the meaning of risk management are primarily designed to generate sufficiently high cash flow to optimally finance the company as a whole. The company therefore aims for a high equity ratio. Additionally, sufficient levels of liquidity are maintained so that the stability of the company is ensured at all times, even during longer periods of weak economic performance due to sales fluctuations.

During financial year 2021 (2020), Vectron's strategy was to maintain an equity ratio of at least 33% (2020: 33%) and cash and cash equivalents in the amount of at least EUR 8,000 thousand (2020: EUR 8,000 thousand).

As of the balance sheet date, cash and cash equivalents amounted to EUR 19,868 thousand (31 December 2020: EUR 8,305 thousand). The equity ration in the reporting periods was as follows:

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Equity	25,552	23,170	14,413
Total capital	47,713	31,916	32,041
Equity ratio	**53.55%**	**72.60%**	**44.98%**

The increase in equity ratio in financial year 2020 primarily resulted from two capital increases (one capital increase in return for deposits, another capital increase from contingent capital).

14. Shares in other companies

Subsidiaries

Vectron holds shares in the following companies:

Name of company	Head office	Primary activities	31/12/2021	31/12/2020	01/01/2020
bonVito GmbH	Münster	Internet services	-	100%	100%
posmatic GmbH	Münster	POS software	100%	100%	100%
VECTRON America INC.	Ontario, Canada	Sales company	80%	80%	80%

The change in shares in subsidiaries compared with the previous year resulted from the merger of bonVito GmbH as of 1 January 2021. For further information on this merger, go to note 8.1.

Other information

15. Related party transactions

Related parties within the meaning of IAS 24 are companies and natural persons which control, or are controlled by, the company. Control occurs in this respect if a shareholder has the power to make decisions regarding the subsidiary due to voting rights or other rights, participates in positive and negative return flows and is able to influence these return flows with its decision-making power.

Natural persons and their close relatives are also classed as related if they exercise material influence on the company or hold a key position in the management of the company or its parent company. The company identified the members of the executive board and supervisory board as related parties.

15.1. Subsidiaries

The shares in subsidiaries are listed in note 14.

15.2. Remuneration for members of management in key positions

The remuneration for members of the executive board and supervisory board is stated below:

in EUR thousand	**2021**	**2020**
Short-term benefits	1,122	704
of which:		
fixed remuneration	851	704
variable remuneration	271	-
Total	**1,122**	**704**

Share-based payment for members of the executive board was recognised at EUR 12 thousand (2020: EUR 12 thousand) in personnel expenses in the reporting period.

15.3. Related party transactions

The following transactions were concluded with related parties during the reporting period:

Purchased services

in EUR thousand	2021	2020
Services purchased from subsidiaries	-158	-199
Total	**-158**	**-199**

Services provided

in EUR thousand	2021	2020
Sale of goods to subsidiaries	20	679
Services provided to subsidiaries	-	638
Transactions in connection with loans to subsidiaries	4	4
Total	**24**	**1,321**

15.4. Outstanding balances from related party transactions

The following balances from related party transactions were outstanding as of the balance sheet date:

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Current liabilities to:	**-378**	**-153**	**-81**
Subsidiaries	-308	-62	-
Members of management in key positions	-70	-91	-81
Current receivables from:	**20**	**694**	**74**
Subsidiaries	20	694	74
Total	**-358**	**541**	**-7**

During financial year 2020, expenses for bad debts from subsidiaries were recognised in the amount of EUR 17 thousand. The outstanding receivables were impaired accordingly by this amount.

in EUR thousand	31/12/2021	31/12/2020	01/01/2020
Loans issued to:			
Subsidiaries	-	138	144
Total	**-**	**138**	**144**

16. Share-based payment

The employee option plans aim to create long-term incentives for current and future employees and actively boost the company's listed value in the long term. Participants of these plans are granted options that only become vested when certain performance targets have been met. Participation in the plan is at the management's discretion.

16.1. Share option plans

As of 31 December 2021, the company had the following share-based agreements:

Share option plan 2011

The setup of this share option plan was resolved by the annual general meeting on 26 May 2011.

Within the scope of the share option plan 2011, the number of vested options depends on the relative development of the company's share price compared with the TecDAX index at Frankfurt Stock Exchange. One third of the subscription rights can be exercised for the first time after four years from the date on which the options were issued. After another 12 months, the second third of the subscription rights can be exercised and the third third after another 12 months. The subscription rights mature after seven years. They expire without right to compensation at the end of the term.

The options are granted free of charge as part of the plan and do not include any dividends or voting rights.

They can only be exercised once a year within a period of six weeks from the second day following the publication of the half-year report and/or annual financial statements.

The purchase price is the mathematical average of the closing prices of the company’s shares during the closing auctions in the electronic trade at Frankfurt Stock exchange (XETRA trade) or a subsequent system during the last five days on the stock market prior to granting the subscription rights, but no less than one euro.

The following table provides an overview of the options granted within the scope of the plan:

	2021		2020	
	Average exercise price per share option	**Number of options**	**Average exercise price per share option**	**Number of options**
As of 1 January	**EUR 2.58**	**18,672**	**EUR 2.58**	**37,336**
Exercised in the reporting period	EUR 2.58	-18,672	EUR 2.58	-18,664
As of 31 December	**-**	**-**	**EUR 2.58**	**18,672**
Vested and exercisable as of 31 December	-	-	EUR 2.58	18,672

The share options outstanding at year-end have the following maturities and exercise prices:

Grant date	**Expiry date**	**Exercise price**	**Share options 31/12/2021**	**Share options 31/12/2020**
02/12/2014	01/12/2021	EUR 2.58	-	18,672
Total			**-**	**18,672**
Average remaining contractual term in years			-	0.92

Share option plan 2017

The setup of this share option plan was resolved by the annual general meeting on 23 June 2017.

Within the scope of the share option plan 2017, the number of vested options depends on the relative development of the company's share price compared with the TecDAX index at Frankfurt Stock Exchange. One third of the subscription rights can be exercised for the first time after four years from the date on which the options were issued. After another 12 months, the second third of the subscription rights can be exercised and the last third after another 12 months. The subscription rights mature after seven years. They expire without right to compensation at the end of the term.

The options are granted free of charge as part of the plan and do not include any dividends or voting rights.

The subscription rights can no longer be exercised as from the date on which the company has published an offer to its shareholders for the purchase of new shares or partial bonds with conversion or option rights by writing to all shareholders or by announcing this in the electronic Federal Gazette (Bundesanzeiger) until the expiry of the last day. The subscription rights can also only be exercised within a period of six weeks from the second day following the publication of the half-year report and/or annual financial statements (strike period in accordance with Section 193 (2) no. 4 of the German Stock Corporation Act (Aktiengesetz – AktG). The subscription rights cannot be exercised from 24 to 31 December in each calendar year.

The purchase price is the mathematical average of the closing prices of the company's shares during the closing auctions in the electronic trade at Frankfurt Stock exchange (XETRA trade) or a subsequent system during the last five days on the stock market prior to granting the subscription rights, but no less than one euro.

The following table provides an overview of the options granted within the scope of the plan:

	2021		2020	
	Average exercise price per share option	**Number of options**	**Average exercise price per share option**	**Number of options**
As of 1 January	**EUR 12.27**	**84,000**	**EUR 12.41**	**98,000**
Expired in the reporting period	EUR 13.14	-14,000	EUR 13.27	-14,000
As of 31 December	**EUR 12.10**	**70,000**	**EUR 12.27**	**84,000**
Vested and exercisable as of 31 December	-	-	-	-

The share options outstanding at year-end have the following maturities and exercise prices:

Grant date	**Expiry date**	**Exercise price**	**Share options 31/12/2021**	**Share options 31/12/2020**
25/10/2018	24/10/2025	EUR 13.14	42,000	56,000
10/04/2019	09/04/2026	EUR 10.53	28,000	28,000
Total			**70,000**	**84,000**
Average remaining contractual term in years			4.00	4.97

Share option plan 2018

The setup of this share option plan was resolved by the annual general meeting on 1 August 2018.

In the share option plan 2018, the number of vested options depends on the absolute development of the company's share price, which must be at least EUR 49.00 in the electronic trade at Frankfurt Stock Exchange (XETRA trade) or a subsequent system and a relative development of the share price of more than 20% compared with the DAX index at Frankfurt Stock Exchange or a subsequent index. Subscription rights can be exercised fully or partially after four years from the date on which the options were issued. The subscription rights mature after seven years. They expire without right to compensation at the end of the term.

The options are granted free of charge as part of the plan and do not include any dividends or voting rights.

Subscription rights cannot be exercised in the period between day 10 of the last month of each quarter and the day of the subsequent announcement of the respective preliminary company figures (quarterly / half-yearly figures). The subscription rights also cannot be exercised between the start of the month of the annual general meeting and the day of the annual general meeting (included).

The option exercise price is 80% of the mathematical average of the price at which the company shares are traded at Frankfurt Stock exchange in the last five days prior to granting the subscription rights, but no less than EUR 1.00.

The following table provides an overview of the options granted to members of management within the scope of the plan:

	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As of 1 January	**EUR 13.63**	**25,000**	**EUR 13.63**	**25,000**
As of 31 December	**EUR 13.63**	**25,000**	**EUR 13.63**	**25,000**
Vested and exercisable as of 31 December	-	-	-	-

The share options outstanding at year-end have the following maturities and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31/12/2021	Share options 31/12/2020
01/08/2018	31/07/2025	EUR 13.63	25,000	25,000
Total			**25,000**	**25,000**
Average remaining contractual term in years			3.58	4.58

Share option plan 2020

The setup of this share option plan was resolved by the annual general meeting on 10 September 2020.

Within the scope of the share option plan 2020, the number of vested options depends on the relative development of the company's share price compared with the TecDAX index at Frankfurt Stock Exchange. Subscription rights can be exercised fully or partially after four years from the date on which the options were issued. The subscription rights mature after seven years. They expire without right to compensation at the end of the term.

The options are granted free of charge as part of the plan and do not include any dividends or voting rights.

The options cannot be exercised in the period of 30 calendar days from the announcement of the company figures, i.e. prior to the publication of the annual financial statements and/or the quarterly of interim reports ("strike-free periods"). The purchase price results from the average of the prices determined for the company's shares during the closing auction in XETRA® trade or a similar subsequent system and/or subsequent price during the last five stock market trading days prior to issuing the option, but at least EUR 1.00.

The following table provides an overview of the options granted within the scope of the plan:

	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As of 1 January	**-**	**-**	**-**	**-**
Granted in the reporting period	EUR 10.37	80,000	-	-
Expired in the reporting period	EUR 10.55	-20,000	-	-
As of 31 December	**EUR 10.31**	**60,000**	**-**	**-**
Vested and exercisable as of 31 December	-	-	-	-

The share options outstanding at year-end have the following maturities and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31/12/2021	Share options 31/12/2020
04/01/2021	05/01/2032	EUR 10.55	10,000	-
21/01/2021	22/01/2032	EUR 10.00	10,000	-
01/03/2021	02/03/2032	EUR 10.33	40,000	-
Total			**60,000**	**-**
Average remaining contractual term in years			10.13	-

16.2. Fair value of the options granted

The fair value of the options granted in financial year 2021 amounted to EUR 3.87 on the date the options were granted on 4 January 2021, to EUR 3.97 on 21 January 2021 and EUR 4.17 on 1 March 2021. The fair value on the date the options were granted is determined using an adapted version of the Black-Scholes model. The method includes a Monte Carlo simulation model, which takes into consideration the exercise price, term of the option, share price on the date the options are granted, expected volatility of the underlying shares, expected dividends, risk-free interest rate for the term of the option and correlation and volatility of the TecDAX index at Frankfurt Stock Exchange.

The following measurement parameters were integrated in the model for the share options granted in financial year 2021:

Measurement parameters	04/01/2021	21/01/2021	01/03/2021
Share price on the date the options were granted	EUR 9.92	EUR 9.74	EUR 10.35
Expected volatility of the Vectron shares	49.52%	49.63%	49.37%
Risk-free interest rate	-0.61%	-0.50%	-0.34%
Dividend yield	0.00%	0.00%	0.00%
Expected term in years	11.00	11.00	11.00

The expected volatility is based on the historic development of the Vectron shares during the period that corresponds with the expected term.

The weighted fair value of the share options granted in the reporting period was EUR 4.09 on the date the options were granted.

No share options were granted in the previous year.

In financial year 2021, expenses from share-based payment in the amount of EUR 29 thousand (2020: EUR 40 thousand) were recognised in personnel expenses. As of 31 December 2021, EUR 176 thousand (31 December 2020: EUR 147 thousand) from equity-based remuneration transactions was contained in the capital reserve.

Mandatory disclosures and additional information in accordance with HGB

Additional information in accordance with Section 264 HGB

17. Number of employees

Vectron employed an average of 181 (2020: 179) persons. The following table shows the breakdown of employees by type of employment:

	2021	2020
Full-time employees	158	155
Part-time employees	23	24
Average	**181**	**179**

18. Auditor’s fees

The following fees were recognised as expenses for the services provided by RSM GmbH Wirtschaftsprüfungsgesellschaft (previous year: Impulse Digital GmbH Wirtschaftsprüfungsgesellschaft):

in EUR thousand	2021	2020
Audit of the annual financial statements	55	48
Other services	82	-
Tax consulting services	-	20
Total	**137**	**68**

19. Members of the executive board

The executive board is comprised of:

• Thomas Stümmler:	Chief Executive Officer
• Jens Reckendorf:	Chief Technical Officer
• Silvia Ostermann:	Chief Operating Officer
• Dr. Ralf-Peter Simon: (since 15 September 2021)	Chief Sales Officer

In the reporting period, the remuneration of the members of the executive board totalled EUR 1,041 thousand (2020: EUR 614 thousand).

20. Supervisory Board

The supervisory board is comprised of:

- Prof. Dr. Dr. Claudius Schikora (chairman), President of the University for Applied Management
- Thorsten Behrens (deputy chairman), Dipl.-Kaufmann [business administration graduate], managing director Stephens Inc.
- Jürgen Gallmann, Dipl.-Betriebswirt [graduate business economist] (BA), Managing Director Cumulus Ventures GmbH as well as advisor and co-investor at UnternehmerTUM, Munich
- Andreas Prenner, Mag. rer. soc. oec., CFO and Director HR & Organisation at the Federation of Austrian Industries (from 10 June 2021)

The supervisory board remuneration for the chairman generally is EUR 30 thousand (2020: EUR 30 thousand). The other members of the supervisory board generally receive remuneration in the amount of EUR 20 thousand (2020: EUR 20 thousand). Members of the supervisory board who serve only part of a reporting period receive pro-rata remuneration. In the reporting period, the supervisory board received remuneration totalling EUR 81 thousand.

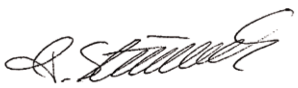
21. Subsequent events

The continuation of the Coronavirus pandemic is classed as an important event that will have an effect past the balance sheet date. The management report discusses this in detail in the forecast report.

On 24 February 2022, Russia initiated an aggressive war against the Ukraine which violates international law. This war and resulting sanctions imposed by the West impacts the global economic situation. Vectron has only been indirectly affected by this up to now (such as inflation-related additional costs). No procurement or sales bottlenecks are discernible at present. The further development of this armed conflict and its effects on Vectron could not be reliably estimated at the time the management report was prepared.

22. Declaration of compliance (Section 161 AktG)

Executive board and supervisory board have issued a declaration of compliance pursuant to Section 161 AktG [German Stock Corporation Act]. This has been made publicly available on the company's website. Vectron Systems AG declares that it follows the German Corporate Governance Code in the currently applicable version with exceptions. The exceptions are considered prudent due to company-specific circumstances. Due to the low number of supervisory board members (four individuals), it was decided to forego the formation of sub-committees.



Thomas Stümmler
CEO

Jens Reckendorf
CTO

Silvia Ostermann
COO

Dr. Ralf-Peter Simon
CSO

The auditor’s report of the independent auditor

To Vectron Systems AG:

Audit opinions

We have audited the IFRS-financial statements of Vectron Systems AG—which comprise the balance sheet as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year from 1 January 2021 to 31 December 2021 and the notes to the financial statements, including the presentation of the accounting policies and measurement methods. In addition, we have audited the management report of Vectron Systems AG for the financial year from 1 January to 31 December 2021.

In our opinion, based on the knowledge obtained in the audit,

- the accompanying financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 325 Abs. [paragraph] 2a HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 as well as its financial performance for the financial year from 1 January 2021 to 31 December 2021 and

- the accompanying management report, as a whole, provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institute of Public Auditors in Germany [Institut der Wirtschaftsprüfer (IDW)]. Our responsibilities under those requirements and principles are further described in the section “Auditor’s Responsibilities for the Audit of the Financial Statements and of the Management Report” of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and on the management report.

Other information

The executive directors are responsible for the other information. The other information comprises the remaining parts of the annual report with the exception of the audited financial statements, the audited management report and our auditor’s report.

Our audit opinions on the financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Financial Statements and the Management Report

The executive directors are responsible for the preparation of the financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 325 Abs. 2a HGB and that the financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of the financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Company or to cease operations, or there is no realistic or legal alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company’s position and is, in all material respects, consistent with the financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient and appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for monitoring the accounting-related processes for preparing the financial statements and the management report.

Auditor’s Responsibilities for the Audit of the Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the financial statements and on the management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements and in the management report, 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 audit opinions. 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 controls.

- Obtain an understanding of internal control relevant to the audit of the financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements and in the management report, or if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets and liabilities, financial position and financial performance of the Company in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 325 Abs. 2a HGB.

- Evaluate the consistency of the management report with the financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Düsseldorf, 31 March 2022

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Weyers	Schulz
Public Auditor	Public Auditor

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