VECTRON

Annual Report 2022

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 2022 was another turbulent and highly challenging year for Vectron Systems AG. Following the great success in the previous year despite the Coronavirus restrictions, which was mainly due to the fiscalisation effect, sales development in 2022 decreased to a level below that of the last pre-pandemic year. This was caused by the early replacement investments of POS operators whose systems no longer complied with the fiscalisation requirements in the previous year as well as the continuing Coronavirus restrictions, the war between Russia and Ukraine and the resulting energy shortages and rapidly rising inflation, which continued to inhibit consumers' willingness to consume and the willingness to invest among companies operating in our core industries, gastronomy and bakeries.

Even the estimated 20 % to 25 % of operators who had not switched over yet during the course of 2022 despite the upcoming deadline of the transition period to adjust their POS systems (31 December 2022) waited until the end of the year. Some latecomers waited until the last weeks to invest. The percentage of POS operators who still have to retrofit or replace their systems is likely to be almost a double-digit figure.

The development of recurring income, which Vectron has driven for some years now, supported by investments in software development and the development of corresponding marketing and sales skills and support system resources once more bore results in 2022. Recurring revenues rose significantly by EUR 2.5 million to EUR 9.0 million (IFRS) in 2022 and are expected to increase further to around EUR 11.2 million (IFRS) in the current reporting period.

Vectron generated recurring revenues from a broad portfolio of various digital services, which were expanded further in 2021 and continued to be driven further in the following year. The following new services were adding in the reporting period: our POS software as a subscription model, a report archive, a BI interface and a ZVT terminal interface. Further developments will follow in 2023. They will primarily give us the opportunity to provide our customers and/or operators with additional services during periods of slow movement in the new POS business, thus continuously increasing the value of our customer base.

Payment solutions will remain a key driver. Since introducing the solutions in April 2021, Vectron has recorded a continuous increase in the number of payment contracts. We remain confident that this product category will contribute further to growing our recurring revenues.

On 30 December 2022, Vectron reported the acquisition of all shares in acardo group AG and all of the shares in acardo activation GmbH (jointly referred to as acardo). acardo has a total of 120 employees and is a specialist in couponing and other innovative sales promotion concepts in the food retail, drugstore, pharmacies and cinema sectors. The company is domiciled in Dortmund and regarded as a coupon marketing pioneer. 20 years ago, it was the first to launch electronic coupon clearing in Germany and link to various POS systems. Further acardo innovations include POS-integrated checkout couponing where coupons are issued at the POS, depending on the shopping cart.

This acquisition will also contribute significantly to developing recurring revenues in Vectron's core business. Particularly industry and operator coupons can generate additional customer frequency and income in the gastronomy and bakery sectors. This enables Vectron to set itself apart further from competing service portfolios and to also create new momentum in the new product business. Combined with loyalty programmes and the use of our payment services, our recurring revenues will profit from this.

We are confident that with this acquisition, Vectron will be able to significantly reduce its dependence on the volatile POS systems business, as our future revenues will be generated from the three pillars, POS systems, continuously expanding digital value-added services and acardo's newly acquired marketing services. Whilst the POS systems core business continues to focus on increasing recurring revenues, primarily from payment and digital value-added services, Vectron will reduce its dependence on the gastronomy sector through the focus of acardo’s business focus.

acardo will also profit from the collaboration with Vectron as its sales path primarily targeted food retailers, drugstores, etc. until now. The gastronomy and bakery sectors open up new usage and growth potentials, which the brand manufacturers as well as the drinks and food industry aim to achieve with digital marketing concepts like the ones provided by acardo.

In acardo’s new target industries, gastronomy and bakeries, the POS system is also the key to successful digitisation. Through Vectron, acardo now has direct access to these segments and will launch its couponing solutions there. This enables acardo for the first time to implement couponing campaigns for its existing partnerships in the drinks sector through Vectron.

Overall, the collaboration with acardo is to be used to further expand the digital service portfolio. A growing number of operators, particularly in the bakery segment as well as the system catering and event gastronomy sector, are requiring their own apps with varied ordering, reservation, payment and communications functions. The combination of acardo's and Vectron's skills will help us to accelerate this path considerably.

The examples given prove that digital services are becoming an increasingly central pillar of our business development and optimally supplement traditional POS system functions. They support the customer acquisition and increase of customer value of our operators, specialist retailers and our own companies.

As the latest acquisition of acardo shows, we search for opportunities to acquire companies that can boost and accelerate our strategy in terms of sales and technology in addition to organic growth.

As described at the beginning, adverse external conditions are impairing our development in our previous core business. In the reporting period, we therefore once more reduced our personnel capacities, which we had increased in the previous growth phase. We did not take this decision lightly as we are aware of the resulting impact on the situation of the affected employees, but it was inevitable in the end. From the start to the end of the year, our number of employees decreased from 200 by just over 10 % to 179 and will continue to decrease as planned by a further 21 employees by mid-2023, based on terminations issued and/or annulment contracts entered into. The adjustments to employee numbers affected all levels, from executive board to clerical department. Based on the cost reduction measures implemented in Vectron's core business in connection with the above new product developments as well as the expansion of our direct marketing competences – in collaboration with and for specialist retailers – we expect to once more generate positive operating income in the second half of 2023.

In view of the general conditions described above, Vectron generated sales in the amount of EUR 25.2 million in accordance with IFRS and an EBITDA of EUR -3.9 million in 2022. Of this amount, EUR -1.5 million pertained to the described cost reduction measures, that can be classed as extraordinary expenses.

In a like for like comparison with the previous year, sales and EBITDA are as follows (in EUR million):

Sales:	25.2 vs. 38.2
EBITDA:	-2.4 vs. 4.7
Cash and cash equivalents:	12.6 vs. 19.9

Liquidity: Operating losses and the repayment of a KfW loan at the end of 2022 reduced cash and cash equivalents by EUR 7.3 million. The cash and cash equivalents remaining at year-end nevertheless permitted us to make the decision to fund the majority of the acardo acquisition from our own cash and cash equivalents. The corresponding payments were made at the beginning of 2023. The strengthening of our liquidity, which was mentioned in the announcement of this acquisition, through an MDF agreement with an industry partner also took place in January 2023. We are confident that during the course of 2023, the combined cash and cash equivalents of acardo and Vectron will provide us with sufficient leeway at all times for the planned business development as well as sufficient security in case of unexpected developments.

In view of the increase in black swan events, financial reserves are crucial. Technology, customers and markets nevertheless continue to develop – particularly during crises. This is why Vectron continues to consistently invest in the future, despite any caution.

This philosophy has stood Vectron in good stead in the market for 33 years and we therefore also plan to tap the significant opportunities of the digital services.

Thanks to the collaboration with acardo, which looks back on an independent, positive revenue history and pursues its own ambitious top and bottom line growth plans, we are confident that the consolidated income for 2023 will be positive.

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

Kind regards

Your Vectron executive board

Thomas Stümmler
CEO

Dr. Ralf-Peter Simon
COO

Christoph Thye
CMO

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 2022. 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. Questions by supervisory board members were also answered quickly outside the executive board meetings in regular board calls or, if required, individually. In addition to the regular supervisory board meetings, the board held an extraordinary meeting on 29 December 2022, which was attended by all supervisory board members and where the supervisory board approved the executive board's recommendation to acquire all of the shares in the acardo group. 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 2022, four regular supervisory board meetings took place that were attended by all of its members.

- At the supervisory board meeting on 28 April 2022, the annual financial statements 2021 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 and economic situation. A proposal was also made to the annual general meeting to appoint RSM GmbH, Duesseldorf, as the auditor of the annual financial statements for financial year 2022. The supervisory board further resolved the variable remuneration of the executive board for financial year 2021. Another topic was the explanation of the facts regarding the assertion of compensation claims in connection with the fine issued by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin).

- On 21 June 2022, the supervisory board met after the close of the annual general meeting. During this additional meeting, Prof. Dr. Dr. Claudius Schikora was once more elected as chairperson of the supervisory board. The executive board informed the supervisory board about the company's current business situation, development of the individual business fields, an acquisition project, possible cost reduction potentials and strategic HR topics. The current situation regarding the compensation claims in connection with the fine issued by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) was also discussed.

- At the supervisory board meeting on 21 September 2022, the executive board provided information on the current business situation, development of the individual business fields, the acardo acquisition project and the Fit for Future cost reduction programme. A new schedule of responsibilities was also approved in view of the upcoming retirement from the executive board of two of its members. The current situation regarding the compensation claims in connection with the fine issued by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) was also discussed again.

- At the final supervisory board meeting of the year on 19 December 2022, the current business situation, development of the individual business fields as well as the acardo and Fit for Future projects were discussed in great detail. The executive board further presented the planned budget 2023 for Vectron Systems AG (before the acquisition of acardo), which was approved by the supervisory board. It was also resolved to revise the bylaws of the executive board with effect from 1 January 2023.

Executive board and supervisory board have issued a compliance declaration 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 its current version 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 2022 were audited by the auditing company RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Duesseldorf, and granted an unqualified audit opinion. The annual auditor reported orally on the audit at the supervisory board meetings on 28 March 2023 and 26 April 2023 and was available to the supervisory board for supplementary information.

Following the assessment of the annual financial statement (balance sheet, profit and loss account, 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 challenging financial year 2022.

Münster, April 2023

For the supervisory board

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

Company and market

Vectron is a leading European provider of POS systems, POS software, apps as well as digital and cloud-based systems. We develop 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 260,000 POS systems sold to date. Starting in 2013 with bonVito, we also have been supplying our customer base with a growing portfolio of digital value-added services. We have been driving this development since the beginning of the 2000s.

We sell internationally through a dense core network of around 300 specialist retailers, which also provide direct customer support. We support them with regional sales representatives as well as a continuously developing back office. The majority of service enquiries from our POS operators are resolved directly by local specialist trade partners. Whilst we used to provide the majority of second-level support to the operators and specialist trade partners, we now also have to provide contemporary, effective and efficient solutions for POS operators as a result of the expansion of our digital value-added services and related increasing number of enquiries and service events. We are continuously improving this.

As in the past two years, our target industries and we as a POS system provider experienced fundamental changes due to the fiscal requirements, Coronavirus effects, digital transformation, concerning foreign political events, energy shortage and rapidly rising inflation. One of the resulting consequences is the increasing pressure to digitise operations so as to meet existing requirements with fewer employees and costs. Both the companies in our target industries and Vectron itself are experiencing this optimisation pressure. We respond to this with further substantial investments in the development of digital value-added services that ease the burden of our users as well as internal organisational measures and consistent process optimisation and automation.

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 had to be changed by 31 December 2022. It is to be assumed that nevertheless, the percentage of POS operators who have not yet complied with this obligation is almost a double-digit figure.

Real sales in the German hospitality sector in 2022 were up by around 48 % according to estimates by the Federal Statistical Office. Whereas 2020 and 2021 were already the lowest-sale years for the gastronomy sector since the beginning of the time series in 1994, 2022 was also far from “back to normal”.

The effects of the continuously difficult general conditions remain significant and their extent can only be estimated with a great degree of uncertainty. This is reflected in our planned budgets, which were repeatedly too optimistic and could not be achieved. We are operating in an environment that is far from “business as usual”. This is one of the reasons why we are driving the digital value-added services and are also organically and inorganically expanding into other market segments and business models.

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. It is still common practice for gastronomy businesses to have to conclude individual contracts for each service, which means numerous invoices, additional devices in addition to the POS and high costs per functionality for the business owners. In addition, each system works differently and the lack of integration in the POS also 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 integrated” solution that covers all aspects and all of whose functions are integrated in the POS, or at least are connected seamlessly. “Seamless” means integrated data and processes, standardised user interface, single sign-in, single check-out, etc. Part of their requirements is further to not have any additional hardware, if possible, and just “one contract – one bill”.

We are adjusting our business models and development focus accordingly in order to meet these expectations in the market. Vectron is developing into an integrated services provider and its transformation from hardware manufacturer into the described direction has already progressed greatly. We already provide fully integrated POS and service solutions from one source and are continuously developing these further with ambitious targets.

The conditions in 2022 were once again difficult, not alone because of the ongoing Coronavirus pandemic. The Russian attack on Ukraine, energy shortage, price hikes and feeling of increasing threats and uncertainties are paralysing consumption in our key market Germany and all of Europe. Willingness to invest, particularly in our target industries where numerous businesses had to discontinue their operations, is extremely low. The Coronavirus restrictions, which were eased in the second half of the year, coupled with the consumers' desire to catch up, gave at least a small glimmer of hope. Nevertheless, 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. Vectron participated in this, too, which shows in the once more promising monthly growing recurring revenues.

Our continued goal is to consistently develop the digital business and to reach the majority of gastronomy businesses with our digital offers, current and planned new developments. We have been investing in digital services for years and with our former subsidiary, bonVito GmbH, which we merged with Vectron Systems AG in financial year 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 are only now breaking ground in a more major way. As previously mentioned, the Coronavirus restrictions acted like a catalyst for the spread of digital services. Payment habits are also continuously shifting toward e-payments. We remain confident that the digital transformation in the industry will provide growth potential for years to come, and with some delay also in other European markets that we are already partially supplying. It remains a key part of our strategy to increase the value of every individual customer through additional integrated services as well as an extended lifecycle and thus ultimately significantly increase the value of our customer base and corporate value further.

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 enabled us to successfully operate 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 current market and regulatory requirements. The gastronomy and bakery sectors are our long-term key target groups, which we recently expanded by “weighing sectors” such as butchers and small retailers and service providers. Our software provides them with a portfolio of basic and tried-and-tested special functions that are almost unrivalled in the market. Flexible adjustment options provide further industry-specific solutions.

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 for our users with advanced functions. The 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 have supplemented our portfolio for years and regular further developments ensure that our solutions remain topical and up-to-date.

Our brand Duratec was launched in 2013 for the medium price and performance segment. The Duratec product range is based on the sophisticated Vectron technology; 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.

We offer a sales promotion model (leasing) for all brands as well as participation of the specialist trade partners in our recurring revenues to support sales. The costs to be paid by the operator (gastronomy business owner, bakery, etc.) cover hardware, installation, commission and certain basic services.

Whereas in the past, we developed most of our software and hardware in-house, the trend toward purchasing ready-to-use hardware systems is continuing. In 2022, we announced that we will be discontinuing all of our in-house hardware development and production by around mid-2023. We will, however, continue to provide services for systems sold by us.

In the past, our software was usually sold as a one-off license with an indefinite term. Software updates could, and still can be, purchased subsequently on an individual basis as long as they are not already included in the subscriptions purchased by operators. The trend across all industries to provide these as Software as a Service (SaaS) and invoice them monthly depending on use is also solidifying in the marketing of software products. Vectron utilises the opportunities provided by this trend and is also continuously developing its product portfolio to account for this.

As well as the actual POS software, which is also available for PC, we provide additional backoffice 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 as well as numerous needs-based individual features of our POS solutions.

The launches of the following new products are planned in financial year 2023:

- A kitchen video will drive the digitisation of bar and kitchen receipts as a hardware and software solution.

- Gastronomy businesses with and without table service will profit from ordering solutions (such as QR code at the table, per ordering station, etc.).

- An optional self-checkout option will also be implemented, enabling consumers to order directly and complete their orders with online payment.

- So-called SoftPOS solutions will provide electronic and card payment options without requiring an additional hardware component (i.e. payment terminal).

- An integrated consumer app will be provided to intensify customer retention.

- An integrated, easy-to-use reservation module will be provided through the Vectron cloud.

Digital business

In order to systematically increase revenue per customer over the useful life of the respective solutions and reduce our dependence on the market fluctuations, we continue to primarily aim to increasingly generate monthly recurring revenues from digital services in the future instead of one-off sales, particularly in the POS business, 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 regard ourselves as a professional digitisation partner for our customers that supports them with increasing their business and making it more efficient. We are able to manage hundreds of thousands of operations and branches with our scalable server structure.

The importance of the digital value-added services for our users (operators), specialist retailers and our company has been discussed repeatedly in other sections. Our future investments, primarily in our in-house development capacities, focus on developing these digital services. The acquisition of acardo group in the last days of the reporting period is also an expression of our digital strategy.

bonVito

We have collected valuable, in-depth digital experiences with bonVito, our online service platforms for major customers, which has been active since 2011. These experiences continuously flow into our further and new developments.

The bonVito customer retention services cover digital 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 EUR 300 thousand in recent years on a stand-alone basis.

We presented one of bonVito's further development at Südback, the leading trade fair for the bakery and confectionary trade (October 2022, Stuttgart). In the future, operators will be able to offer their customers the use of the bonVito functions through a white label app on their smartphones.

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, some of which can be purchased individually or increasingly also in packages. These include a reporting app, which provides comprehensive almost real-time data on business development, an ordering solution, loyalty solutions, 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 as well as numerous other solution components.

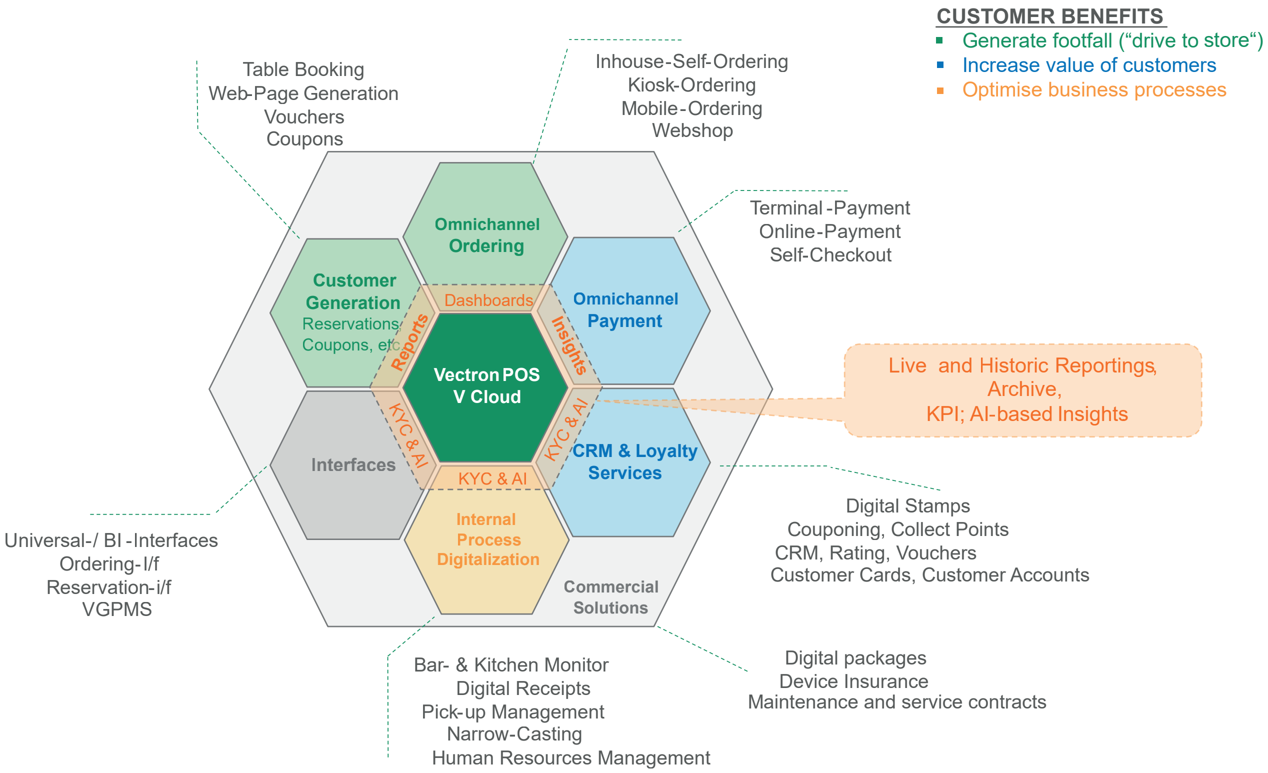
We are gradually adding further attractive services to our portfolio in order to take as many of our installed POS systems online as possible and generate regular revenues. Our service categories can be broken down into services that provide our users with additional customer frequency, services that increase the value of existing customers over their lifecycle, and finally services that optimise the internal processes of users' operations and improve the decision-making process based on data analytics and artificial intelligence.

In February 2022, we launched a multi ZVT which makes it possible to link several payment terminals to a POS system and a ZVT terminal interface with which payment systems from third-party manufacturers can be linked to Vectron POS systems via the cloud. Another digital service is the reports archive where Z-reports can be archived and accessed in the cloud. A Vectron POS software subscription was launched in March. This significantly decreases the one-off hardware price and at the same time increases revenues over the total useful life thanks to the subscription. In August, we started offering a BI interface that can be used to access POS reporting data from several branches in the Vectron cloud, which can then be used for individual analyses and as a basis for operational management.

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 around 10,000 digital package contracts. At the end of 2021, this number was 17,000, and at the end of 2022, 19,500 contracts. The growing demand in the market is being confirmed and therefore also the suitability of our strategy.

We have also expanded our payment products and launched new cloud tariffs. We sold almost 2,000 modules in the payment category by the end of 2021. This figure has now risen to at least 2,700 and in the reporting period contributed around EUR 1,450 thousand to annual sales (previous year: EUR 545 thousand).



In 2022, we significantly increased recurring revenues in all categories to EUR 9,007 thousand (previous year: EUR 6,538 thousand), which confirms the effectiveness of our digital strategy regards growth, robustness and predictability of our business development.

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 EUR 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.

Overall, we only managed to increase recurring revenues in 2022, albeit by a significant amount. Sales from one-off transactions, typically POS system sales only, fell significantly short of the previous year's figures as well as our expectations, which we already rescinded.

EUR thousand	**2022**	**2021**
Germany	21,590	34,157
Other European countries	2,522	3,249
Third countries	1,105	821
Total IFRS sales	25,217	38,227

EUR thousand	**2022**	**2021**
Non-recurring revenues	16,210	31,688
Recurring revenue	9,007	6,538
Total IFRS sales	25,217	38,227

This means that earnings fall short of our forecast margin, even after to profit warnings. The causes of this development are explained in detail above. We have been deliberately neglecting foreign markets for some years in the interest of implementing fiscalisation requirements and the new developments as well as the marketing of digital value-added services with regional focus on the German market. This course of action will end over the course of 2023 and 2024 and we will implement targeted measures in selected markets. We are developing country-specific strategies that also include a withdrawal from foreign markets with few opportunities.

Acardo

As per purchase agreement dated 30 December 2022, Vectron acquired all shares in acardo group AG and all of the shares in acardo activation GmbH (jointly referred to as acardo). Acardo has a total of 120 employees and is a specialist in couponing and other innovative sales promotion concepts in the food retail, drugstore, pharmacies and cinema sectors. The company is domiciled in Dortmund and regarded as a coupon marketing pioneer. 20 years ago, it was the first to launch electronic coupon clearing in Germany and link to various POS systems. Another innovation is the POS-integrated checkout couponing where coupons are issued at the POS, depending on the shopping cart.

Acardo ultimately profited from the increasing digitisation in the retail sector. As a close partner of retailers, acardo markets various retailer apps to the consumer goods industry, but also operates its own coupon and cashback apps with “Couponplatz” and “Scondoo”. acardo also implements the popular prize draws in the bottle tops of various drinks manufacturers. Its customers and partners include more than 30,000 collection points in the retail sector as well as over 600 leading brands in the consumer goods, healthcare and entertainment industry, including Coca Cola, Nestlé, Unilever and Warner Bros.

As acardo and its activities will assume a strategic role within Vectron Group in the future, Christoph Thye, the managing director and founder of acardo, was also given a mandate on the executive board of Vectron in February 2023.

The acquisition was paid for in two instalments. A fixed purchase price of EUR 10 million falls due with the first instalment, which is being financed in part from the advertising costs subsidy of an upstream supplier and in part from a retailer loan as well as Vectron’s liquidity.

The second instalment of the purchase price falls due as an earn-out in financial year 2026. Its amount is primarily based on acardo's average EBIT in financial years 2024 and 2025. The key component (earn-out 1) falls within an earnings-based bandwidth of at least EUR 4 million and no more than

EUR 25 million. In order to reach this maximum amount, acardo has to generate an average EBIT of more than EUR 5 million in financial years 2024 and 2025. Another, smaller purchase price component (earn-out 2) is tied to acardo's earnings after taxes.

The executive board is confident that with this acquisition, Vectron will be able to significantly reduce its dependence on the volatile POS systems business, as future revenues will be generated from the three pillars, POS systems, continuously expanding digital value-added services and acardo's newly acquired marketing services. Vectron aims to reduce its dependence on the gastronomy sector with acardo's trading focus.

The collaboration with Vectron also provides acardo with growth momentum. Major potential for sales promotions and couponing is particularly expected in Vectron’s target industries, gastronomy and bakeries. The integration of this functionality in the POS systems is key to a successful digitisation. The plan is therefore to also quickly launch acardo’s various couponing solutions in Vectron's key industries. This will make it possible for the first time to implement campaigns in the drinks industry with direct reach to even individual restaurants or bakeries. Until now, these campaigns almost exclusively reached the food retail sector.

Outlook

Our assumption for the difficult-to-plan one-off business is rather defensive for the current reporting period to account for the continuously challenging general conditions. Assumptions that up to 10 % of POS systems in the market have not yet been retrofitted are included in this sales projection.

The budget assumptions for our digital business are more robust and permit us to have cautiously optimistic expectations regarding sales development.

The acquisition of acardo group as of 1 January 2023 is expected to generate sales of around EUR 12.5 million in balance sheet under German commercial law for financial year 2023 and operating income (EBITDA) of around EUR 2.8 million. There are no plans in the near future to merge the organisational processes of both companies. Resulting synergies will be raised between the companies in a reconciled plan which clearly focuses on market synergies.

Our continued aim is to be the leader in the gastronomy sector within the scope of this market's digital transformation and to re-gain market shares in the bakery segment. We are committed to being the leading provider of digital point of sale solutions and to gradually also enter additional target segments, together with our specialist trade partners. Our capital base, which remains solid even after our acquisition, 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.

We have an overview of our cost situation and liquidity development and focus on topics that will boost sales as soon as the situation normalises. Management remains optimistic for the future and expects the digital transformation in our target sectors to speed up.

Based on our cost reduction measures, which will develop their full effect as from the middle of this year, we expect Vectron to get back into the profit zone in its core business (like for like) during individual months, but to still generate a loss for the whole year in the amount of EUR 0.8 million. The following year (ceteris paribus) is then expected to be back entirely in the profit zone.

Taking into consideration the acquired acardo business, we expect consolidated profit in 2023 ranging between EUR 1.3 million and EUR 2.2 million.

With cash and cash equivalents in the amount of EUR 12.6 million at year-end, which were not offset by any material bank loans, we are confident that we have sufficient capital for further investments in restructuring the business model toward recurring revenues. We do not rule out further capital measures, depending on the market situation and additional growth opportunities.

Management report

as of 31 December 2022

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. Almost 260,000 POS systems have been sold so far in over 30 countries and around 27,000 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

Even though the effects of the Coronavirus pandemic were less severe than in the previous year, they were still felt to a degree in 2022. Since February 2022, these effects have been overshadowed by the war in Ukraine and its severe consequences on the overall political, economic and social situation. An end to the Russian hostile military action and its extent and impact on the German and overall European market, where we focus our marketing activities, is not in sight.

In this context, the German gross domestic product, adjusted for price, increased by +1.9 % year-on-year in 2022. The German economy therefore recorded positive growth, albeit less than in the previous year and despite challenging economic circumstances.

The core segments of Vectron Systems AG developed differently in 2022: Following the end of the Coronavirus distancing measures at the beginning of 2022, the bakery sector was once more severely affected by the huge energy and raw materials (such as wheat flour) price hikes. According to the Federal Statistical Office, sales in the "bakery and sweets retail sector" (approximate value for the bakery industry chart) were up by 7.9 % in nominal terms and down by 3.4 % in real terms year-on-year in 2022.

After suffering severely from the lockdowns and distancing measures imposed by governments in 2020 and 2021, the gastronomy sector recorded a significant increase in consumer demand following the end of the Coronavirus restrictions in 2022. Sales in the reporting period increased by 48.3 % in nominal terms and by 38.7 % in real terms based on Federal Statistical Office data. In real terms, however, sales were still down by at least 13 percentage points compared with the last pre-pandemic year, 2019. Due to inflation, sales in nominal terms in 2022 were slightly up on sales in 2019. In summary, the overall general economic conditions for German customers of Vectron Systems AG can be regarded as challenging and sometimes even worse than for the rest of the economy.

1.3. Sector development

The POS systems market is varied, both on the provider and demand side, and to date is made up of a large number of small, regional providers. 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. In addition to established companies such as Vectron and other providers of POS hardware and software, pure software providers with major financial resources for financing their growth strategies are increasingly entering the market.

In the context of the fiscal requirements, growth conditions in Germany were initially good 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. The extended retrofitting period expired at the end of March 2021. The transition period for retrofitting simple POS systems finally expired at the end of December 2022. Current surveys by the DFKA (Deutscher Fachverband für Kassen- und Abrechnungssystemtechnik im bargeld- und bargeldlosen Zahlungsverkehr e. V.; German Association for POS and Invoicing System Technology) suggest hat over 90 % of companies in total have retrofitted their systems by now. The last few retrofittings are therefore likely to take place in 2023.

The trend toward digitisation in the gastronomy sector continued in the reporting period. Government restrictions, such as distancing measures, combined with the gastronomy business owners' endeavours to increasingly accept orders and provide meals either for collection or delivery, have significantly accelerated the spread of digital ordering solutions. Service personnel moved on to other industries. This ultimately increased interest in in-house ordering, digital payment systems, including self-checkout, as well as solutions for optimising the processes of the gastronomy businesses. We expect this trend to become permanent.

1.4. Sales and order development

After generating the highest sales in Vectron's history in financial year 2021, primarily as a result of the fiscalisation requirements, 2022 was much more subdued and overall fell short of our expectations, namely sales of EUR 33 million to EUR 36 million and an EBITDA between EUR 1.9 million and EUR 3.4 million. We believe the following factors to be the reasons:

- Distancing measures and partial closures in the gastronomy sector that continued at the beginning of the year
- Greatly expanded remote working regulations of the companies, which resulted in the gastronomy and bakery sector losing customer footfall
- General uncertainty and fear of war due to Russia's attack on Ukraine
- Price hikes that led to further unwillingness to consume
- Energy, and especially gas, shortages that made operating costs spike for bakeries and gastronomy businesses
- Service personnel moving on to other industries, resulting in shorter opening hours and sometimes even business closures
- Expenses of EUR 1.5 million for the Fit for Future restructuring programme, which is explained later on

Our assumption expressed in the budget for 2022, namely that the general conditions would somewhat normalise as from the third quarter of 2022, has not materialised. Even though the negative effects of the Coronavirus restrictions gradually diminished, economic developments were severely impacted by the war in Ukraine, thus blocking the economic recovery that had been expected following the Coronavirus pandemic.

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

Sales in reporting period 2022 amounted to EUR 25,217 thousand (previous year: EUR 38,227 thousand). The significant sales shortfall of 34 % year-on-year was caused by the general conditions explained above.

EUR 21,590 thousand of sales were generated in Germany (previous year: EUR 34,157 thousand), EUR 2,522 thousand in other European countries (previous year: EUR 3,249 thousand) and EUR 1,105 thousand in third countries (previous year: EUR 821 thousand).

One-off sales contributed EUR 16,210 thousand (previous year: EUR 31,688 thousand) to total sales and recurring revenues amounted to EUR 9,007 thousand (previous year: EUR 6,538 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 2022, new contracts accounted for 4.0 % of sales (previous year: 3.3 %). Demand for the sales promotion model was also impacted by the above-mentioned economic developments.

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.

Up to now, the production process consisted 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 systems 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 reporting period, stocks were reduced without this impacting the ability to deliver at all times. There were no material impairments from global supply chain bottlenecks in the reporting period, particularly for electronics from the Far East.

Almost all orders were therefore processed and delivered on time.

Due to the decision to discontinue Vectron's in-house hardware development and production by mid-2023, component stocks were consistently reduced as part of the sale of in-house systems. By stocking up on widely used hardware from international manufacturers with proven quality standards, the ability to deliver appears to have been secured going forward as well.

The procurement situation turned out to be non-critical throughout, even though individual delays still occurred caused by exogenous factors such as container bottlenecks along the global shipping routes.

1.6. Research and development

Around 30 % of the staff were once more 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 research and development. This figure was not capitalised in the past reporting period as the conditions for capitalisation were not met.

1.7. HR and social affairs

At the end of financial year 2022, Vectron Systems AG employed 179 persons (previous year: 195). During the course of the year, the executive board decreased from four to two members. In February 2023, the number of members increased to three following a new appointment. The above-stated number of employees includes seven trainees and two interns and/or working students.

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.

In the second half of 2022, the executive board resolved a restructuring programme which aims to create monthly saving of EUR 150 thousand to EUR 180 thousand by reducing staff numbers in two stages. The trigger for this restructuring programme was the continuing negative earnings development as well as the strategic decision to fully discontinue Vectron's in-house POS system production and transition to purchasing all hardware from third-party suppliers. The first stage of dismissals therefore primarily affected production as well as production-related departments (purchasing, hardware development) with a total of 30 jobs being cut. During the second stage of the restructuring programme, a further nine jobs were cut at all hierarchy levels of the company.

A provision of EUR 1,500 thousand was recognised for the restructuring programme. As of the balance sheet date, an annulment of employment contract was agreed with the majority of the affected employees. In a few of the cases, this resulted in a dispute before the employment court.

Executive employees have the opportunity to participate in a share options programme which was deliberately expanded in connection with the cost reduction programme in the second half of 2022 to retain key employees.

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

Reduced working hours were used to a small extent in the reporting period.

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, of which one retired from the board at the end of September, contained a capped performance-related component of 3 % of operative profit (EBITDA / earnings before interest, taxes, depreciation and amortisation). The variable component of one member, who retired from the board at the end of October, consisted 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 an annual remuneration, the details of which are explained in the notes to the annual financial statements. Until the annual general meeting in 2022, this was fixed remuneration only. At the annual general meeting in June 2022, it was resolved to divide the remuneration into a fixed and variable component.

1.9. Other important processes

In addition to organic growth, Vectron assesses opportunities and risks from potential M&A transactions. Talks with a potential target were intensified as from the second quarter of 2022. These resulted in the signing of a purchase agreement for all shares in the affected legal entity of acardo on 30 December 2022. This transaction and its expected effects are discussed in other sections of this report.

2. Actual assets, financial position and profit position

2.1. Actual assets (IFRS)

As of the balance sheet date on 31 December 2022, total assets decreased by EUR 11,200 thousand, from EUR 47,713 thousand to EUR 36,513 thousand.

On the asset side, this was primarily due to cash and cash equivalents, which decreased from EUR 19,868 thousand to EUR 12,575 thousand. The capitalised right-of-use assets decreased by EUR 689 thousand to EUR 7,738 thousand due to scheduled amortisation. Inventories decreased as planned (EUR 3,771 thousand compared with EUR 4,943 thousand). Trade receivables decreased from EUR 3,558 thousand to EUR 2,753 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 once more increased slightly in the past year due to the impact of the Coronavirus pandemic and overall general economic conditions. 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: 8,056,514) no-par value bearer shares with one vote each. Total equity amounts to EUR 20,466 thousand (previous year: EUR 25,552 thousand).

Debt decreased from EUR 22,161 thousand to EUR 16,047 thousand.

The current liabilities of EUR 7,171 thousand (previous year: EUR 12,060 thousand) are offset by current assets of EUR 21,222 thousand (previous year: EUR 30,566 thousand). The year-on-year change in current liabilities resulted from the loan of EUR 3,000 thousand, which was paid out in 2021, falling due as well as the decrease in trade payables from EUR 3,151 thousand to EUR 1,947 thousand. At EUR 1,710 thousand, current employee benefits were on par with the previous year's figure. Whereas in the previous year, this item included delayed variable salary payments, it currently primarily comprises severance payments from the Fit for Future restructuring programme. The non-current liabilities of EUR 8,876 thousand (previous year: EUR 10,101 thousand) are offset by non-current assets of EUR 15,291 thousand (previous year: EUR 17,147 thousand).

As of the balance sheet date, the equity ratio was 56.1 % (previous year: 53.6 %). The increase was caused by a significant decrease in debt compared with the decrease in equity through the increase in the balance sheet loss. These are the main reasons for the change in debt:

- the decrease in non-current financial and lease liabilities, including due to the shortened remaining term of the lease agreement for the office building in Münster caused by the passage of time,

- the repayment of current financial liabilities due to a loan being taken out, and

- the decrease in trade payables.

Cash flow from investing activities amounted to EUR -229 thousand (previous year: EUR +61 thousand) and primarily included the following items:

- Investments in financial assets (initial capitalisation as part of the acardo corporate transaction) in the amount of EUR -122 thousand (previous year: EUR 0 thousand).

- Investments in property, plant and equipment, particularly operational and business equipment (EUR -92 thousand; previous year: EUR -453 thousand).

- Investments in intangible assets in the amount of EUR -15 thousand (previous year: EUR -1,174 thousand).

2.2. Financial position (IFRS)

Based on the previous disclosures on cash flow from investing activities, all cash payments made 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 possible 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 12,575 thousand. This corresponds to a year-on-year decrease of EUR 7,293 thousand.

In the reporting period, cash flow from operating activities amounted to EUR -2,052 thousand (previous year: EUR +10,179 thousand) and primarily resulted from the negative earnings before income taxes and the decrease in trade payables as of the balance sheet date.

Cash flow from investing activities has been described above.

Cash flow from financing activities amounted to EUR -4,988 thousand (previous year: EUR +1,339 thousand), primarily due to the following activities:

- Repayment of a loan in the amount of EUR 3,000 thousand.

- In order to finance the POS systems provided as part of the sales promotion model and/or the bonVito Comfort offer, sale and lease back and/or sale and hire purchase transactions were conducted, resulting in cash payments received in the amount of EUR 1,595 thousand (previous year:

EUR 1,846 thousand).

- Interest payments for and repayments of financial and lease liabilities resulted in cash payments made in the amount of EUR -3,583 thousand (previous year: EUR -3,555 thousand).

The financing strategy remains geared towards long-term stability.

2.3. Profit position (IFRS)

Despite a significant decrease in sales, Vectron improved its margin in 2022. The gross margin (calculated by dividing gross earnings by revenue) increased from 68.8 % to 73.9 % year-on-year in financial year 2022.

In 2022, two thirds of revenue pertained to one-off sales and one third to recurring income. This material share of recurring revenues in total sales indicates the success of the strategic endeavours to reduce the dependence on on-off sales. Recurring revenues increased by just under 38 % year-on-year.

As in the previous year, the sales promotion model accounted for a small percentage of sales volume in 2022.

Personnel expenses include wages and salaries as well as employee entitlements for holidays and overtime. The increase by 3.7 % was caused by the restructuring expenses for the Fit for Future programme in the amount of EUR 1,500 thousand. Excluding these expenses, personnel expenses amounted to EUR 10,934 thousand compared with EUR 11,986 thousand in the previous year, with the previous year's figures containing special remuneration based on business performance. Reduced working hours had been registered for small parts of the staff in the periods of Coronavirus-related restrictions.

The average number of employees (excluding members of the executive board and trainees) in 2022, converted to full-time equivalents, was approximately 169 (previous year: 173).

Other expenses decreased slightly by -1.0 %. Cost of materials savings were offset by increased commission payments to specialist retailers due to the growth in recurring revenues.

The EBITDA amounted to EUR -3,857 thousand compared with EUR 4,706 thousand in the previous year.

Depreciation and amortisation amounted to EUR 1,501 thousand (previous year: EUR 1,577 thousand). Almost half of this figure related to amortisation of the right-of-use assets for the office building in the reporting period. Amortisations was 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 loss amounted to EUR -101 thousand (previous year: EUR -13 thousand). 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-lease-back transactions.

The percentage of foreign currency transactions in merchandise purchasing in 2022 was approximately 53 % of the material input (previous year: approximately 33 %). The EUR/USD exchange rate fluctuated significantly due to the war in Ukraine. On the sales side, exchange rates do not have any impact worth mentioning as invoices are primarily denominated in euros in foreign currency regions as well. In individual cases, invoices are issued in British pounds or US dollars. Supply bottlenecks and inflation-based price developments led to a rise in purchasing prices. The majority of cost increases were compensated by increasing the sales prices throughout the year. Earnings before income taxes amounted to EUR -5,459 thousand (previous year: EUR 3,116 thousand) and annual profit/loss to EUR -5,271 thousand (previous year: EUR 2,437 thousand).

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

Total assets of Vectron Systems AG decreased by EUR 9,681 thousand to EUR 25,847 thousand due to the decrease in bank balances and the annual loss. Intangible assets decreased from EUR 1,193 thousand to EUR 929 thousand due to scheduled amortisation.

Property, plant and equipment decreased from EUR 1,325 thousand to EUR 1,019 thousand. Financial assets increased by EUR 122 thousand to EUR 526 thousand due to capitalisation in connection with the acardo company acquisition.

In current assets, inventories continued to decrease (EUR 3,771 thousand compared with EUR 4,943 thousand in the previous year). Receivables and other assets decreased from EUR 5,119 thousand to EUR 4,162 thousand as a result of a decrease in trace receivables.

Cash and cash equivalents decreased considerably from EUR 19,868 thousand to EUR 12,575 thousand.

On the liabilities side, equity decreased from EUR 25,394 thousand to EUR 20,210 thousand due to the inclusion of the annual loss.

Provisions decreased from a total of EUR 4,341 thousand to EUR 3,192 thousand, primarily due to fewer outstanding invoices.

Liabilities decreased from EUR 5,792 thousand to EUR 2,444 thousand, primarily as a result of the repayment of a loan in the amount of EUR 3,000 thousand.

Sales amounted to EUR 27,045 thousand compared with EUR 40,193 thousand in the previous year due to overall economic effects such as the Coronavirus, the war in Ukraine and the increase in energy prices as well as general cost of living. Inventories changes amounted to EUR -970 thousand (previous year: EUR 158 thousand). Own work in the amount of EUR 7 thousand (previous year: EUR 119 thousand) was capitalised in the reporting period. Other operating income amounted to EUR 486 thousand compared with EUR 960 thousand in the previous year.

Cost of materials decreased from EUR 14,209 thousand to EUR 7,699 thousand due to the decrease in sales.

Personnel expenses amounted to EUR 12,488 thousand (previous year: EUR 12,169 thousand). Provisions for special remuneration based on business performance were included in the previous year's figures, whereas this year's personnel expenses comprise restructuring expenses in the amount of EUR 1,500 thousand. Reduced working hours had been registered for small parts of the staff in the lockdown periods.

Depreciation and amortisation decreased from EUR 777 thousand to EUR 686 thousand. Other operating expenses decreased only slightly from EUR 10,935 thousand to EUR 10,878 thousand.

The interest loss increased from EUR -43 thousand to EUR -86 thousand in the reporting period. Tax income amounted to EUR 252 thousand following tax income of EUR 724 thousand in the previous year.

Annual profit decreased significantly from EUR +2,566 thousand to EUR -5,184 thousand.

In the previous year, Vectron's forecast of future business developments stated that follow-up effects from the fiscalisation would continue to have a positive effect in 2022. It was further assumed that the development of the digital services would be one of the focal points in financial year 2022. One-off sales fell short of expectations. Income from digital services, on the other hand, increased significantly.

3. Subsequent events after 31 December 2022

As of 1 January 2023, Vectron acquired all of the shares in acardo group AG and all of the shares in acardo activation GmbH (hereinafter referred to as acardo). acardo is a provider of digital marketing services (couponing) with head office in Dortmund, Germany. Vectron acquired this company to expand its service portfolio.

The purchase price for the investment is divided into a fixed component in the amount of EUR 10.7 million and two variable components (earn-out). Earn-out 1 provides for a variable purchase price component of EUR 4.0 million to EUR 25.0 million based on acardo's EBIT in 2024 and 2025. Earn-out 1 is due for payment in 2026.

Earn-out 2 provides for an additional purchase price payment in the amount of 20 % of net profit generated by acardo in 2023 to 2025.

EUR 8.7 million was paid toward the fixed purchase price component in January. This payment was financed from the operative cash flow, particularly from prepayments received. The remaining EUR 2.0 million of the fixed purchase price component are payable in 2026 as a seller loan.

On 22 February 2023, the supervisory board of Vectron Systems AG appointed Christoph Thye, founder and CEO of acardo, as Chief Digital Marketing Officer on the executive board of Vectron Systems AG to transfer the couponing know-how to Vectron's target industries and to support the executive board with the expansion in the digital marketing and services sectors.

4. Risk reporting

For monitoring purposes and to support decision-making, Vectron Systems AG maintains 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 and opportunities

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 disconnected itself from the general pricing competition within the sector. The development and expansion of the new business fields with recurring revenues will lead to a great degree of independence from one-off income and general pricing pressure. The internal project for increasing recurring revenue, which was specifically initiated for this purpose, was a success, which shows not least in the increase in income and recurring revenue margins.

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 thus remains of great importance. For this reason, 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. We regard the overall economic and global security situation, which was shaken by the aggressive war initiated by Russia against Ukraine on 24 February 2022, which violates international law, as continuously challenging. Its further developments and effects are unforeseeable. Indirect consequences include significant unwillingness to consume and invest, including in our target industries, as well as rising energy costs and selected costs of materials. This will continue to considerably affect our earnings development in 2023. In the past, Vectron had been more indirectly affected (such as by inflation-related additional costs and lack of sales). No procurement or sales bottlenecks were and are discernible at present. In financial year 2022, the Coronavirus pandemic and related restrictions in the gastronomy sector as well as the decrease in demand following the fiscalisation in the core market, Germany, once again resulted in considerable unwillingness to invest, which was particularly reflected in the decrease in one-off sales. 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.

The general economic conditions previously described also affect specialist retailers which provide a major part of sales and services for Vectron. It cannot be ruled out that the number of specialist retailers actively engaged for Vectron will decrease slightly as a result. Vectron specifically supports the specialist retailers’ sales performance with systematic tests and rollouts of direct marketing measures, thus developing its sales landscape further in close cooperation with selected partners. A deliberately further developed special retail sector will therefore play a key role in Vectron's future sales, even though direct marketing will be an additional building block.

We expect the acquisition of acardo group at the beginning of 2023 to generate synergies as Vectron POS systems are an ideal vehicle for selling the marketing services (couponing) provided by acardo and also as the marketing services provided by acardo increase the attractiveness of the service packages offered by Vectron.

acardo’s customer base contains only few major customers in the fast moving consumer goods segment, which causes a certain degree of dependence on customers. It is also technically difficult and expensive to replace the technology used by acardo in the POS systems. It is therefore unlikely that major customers will be lost, as particularly in times of high inflation, coupon campaigns are a popular marketing instrument amongst all market participants.

The risk of Vectron having paid too much for the investment in acardo was counteracted by agreeing an earn-out clause in the purchase agreement, which states that the majority of the purchase price is variable and based on the future earnings power of acardo group. The majority of the risk of falling below budget was thus transferred to the sellers.

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 involvement of employees. A new project management standard was launched throughout the company.

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 continues to be primarily counteracted with the launch of suitable IT solutions.

The COVID-19 pandemic has disrupted parts of the global supply chains and the delivery times for electronic components have increased significantly in recent months, a situation that has been further exacerbated by an increase in global demand for electronic components. Peripheral products, in particular, cannot be delivered by some manufacturers at present. Delivery difficulties can therefore generally not be ruled out for the future. This risk was, and is being, counteracted by increasing stocks of materials and finished products as well as organisational measures.

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. Comprehensive protective measures, such as IT system security, internal access restrictions and non-disclosure agreements, continue to be implemented regardless.

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 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.

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 at least 3 % of total sales in financial year 2022), 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, which are executed by the legal unit, and additional measures to decrease the default risk.

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 effects of exchange rate changes on cash and cash equivalents may have a significantly negative impact on profits. Depending on historical and expected exchange rate developments, foreign currency items continue to be processed via spot purchases or hedged with derivative financial instruments. Due to the sometimes high volatilities, these securities are, however, not always available at financially acceptable conditions. In addition, it is almost impossible to hedge against long-term effects of exchange rate changes on cash and cash equivalents.

Longer-term business interruption, e.g. as a result of a fire, could have considerable financial costs. This risk is mitigated through a business interruption insurance, as far as 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. Financial years 2008 to 2015 have been audited so far. The report for the audits for 2016 to 2019 has been submitted by now and states that a VAT back payment is due. The causes that led to the back payment have been minimised since the first quarter of 2022 by automating advance VAT notifications.

4.4. Technical and IT risks

The company is highly dependent on numerous IT systems and other technology. Breakdowns, malfunctions, data losses or cyber attacks, which reached a new record high in Germany in recent years, particularly amongst SMEs, can endanger the continued existence of a company 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 and the continuous further development of IT security management. 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. To avoid this issue, the aim is to conclude fixed-price contracts, which prevent direct price increases by the supplier, which is becoming increasingly challenging in the current market environment. As the exchange rate trend is used for calculating the fixed price, there is nevertheless an indirect potential currency risk. The procurement prices and costs are increasing continuously and have levelled out considerably higher than before the COVID-19 pandemic. 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 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 contributed a share of just under 13 % of the total procurement volume in financial year 2022. 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. Please note that Vectron's most important supplier is based in a politically unstable region. We will therefore implement further measures to reduce any existing dependencies through diversified sourcing.

Parts of the globally linked supply chains have been disrupted by the COVID-19 pandemic. This primarily shows in longer delivery times. It has been possible up to now to fully compensate for this development with increased stocks and the change to alternative components.

4.6. Personnel risks

In view of the lack of qualified employees in recent years, problems with the acquisition of qualified employees may result in the company being unable to implement its planned product developments and sales activities and exploit corresponding business opportunities. Numerous individual measures are being implemented to position Vectron as an attractive employer.

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 share options programmes.

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. A new product development process is being implemented by the product management department to reduce the risk. 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 risks, Vectron collaborates with relevant specialist law firms and 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. Early reconciliation with qualified service providers and law firms will counteract this risk.

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. The Legal and Human resources departments are therefore responsible for raising awareness of which information must be regarded as insider information from which date and limit the group of employees involved/informed and also add provisions regarding compliance with insider regulations to the respective employment contracts.

Since the fourth quarter of 2022, the organisational structures have been deliberately streamlined and process, structural and personnel changes implemented within the company that also affect the way company agreements are handled. Despite the well-deliberated decision to reduce executive and expert employees, delays or errors may still occur in business transactions into the course of 2023 that are caused by organisational structures. The executive board, executive and expert employees have been made aware accordingly and are ready to intervene directly. A broadly diversified local law firm and a renowned national/international law firm have been engaged as a necessary precaution and to make it possible to respond immediately and appropriately to any abnormalities and urgent matters and to prevent and/or avert potential legal risks.

The governance and risk management principles of Vectron Systems AG are being gradually transferred to acardo group AG and acardo activation GmbH as from their acquisition on 1 January 2023.

5. Forecast report

5.1. Future sector development

In our target industries, particularly the gastronomy and bakeries sector, the keyword “digital transformation” refers to the varied and increasing use of digital services, such as a company website, social media advertising, online portals, online ordering, 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 and guests’ online ratings.

The Coronavirus restrictions, which have all but disappeared by now, and their subsequent effects have significantly driven the market penetration of such digital services. The necessity to maintain business operations through out-of-house sales only or to rely on digital ordering and payment processes due to a lack of service personnel have created enormous pressure to act and also significantly increased acceptance amongst consumers.

Whereas due to an increasing number of service providers, the gastronomy businesses usually had to conclude separate contracts for each service, which resulted in a large number of invoices, devices in addition to the POS, non-integrated processes, double and incorrect entries and therefore high costs per functionality, there is an increasing trend toward individual services being linked together and to the POS as a core system, thus improving usability and process efficiency.

Practically every individual system works differently and requirements such as single sign-in, single check-out, seamless user interface, data integration, etc. are therefore becoming increasingly popular. Gastronomy business owners’ expectations of future digital products are therefore to have just “one” seamless 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, if possible, and wish to have only one contract and invoice that summarises everything at a glance.

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.

With this in mind, 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 had been unable to penetrate all of the market until the start of the Coronavirus restrictions. However, they conquered the market at lightning speed afterwards.

This went hand in hand with the change in consumers' payment habits who sweepingly accepted various e-payment methods and are increasingly stopping the use of cash.

The digital transformation of the target industries 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 revenue from the customer base enable us to retain customers to significantly increase customer lifetime value.

The establishment of new pricing models is another important change that relies on recurring instead of one-off 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 continue to carefully investigate organic as well as inorganic growth and technical development options.

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

Since the easing of the Coronavirus pandemic, the war in Ukraine and the resulting economic developments, particularly energy price trends and general cost of living, has been primarily impacting the economic success of the target industries of Vectron Systems AG. Vectron generates approximately 60 % of sales 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.

Customers' willingness to invest depends in the respective willingness to buy of their customers as well as the development of prices for the required raw materials. Particularly transaction-based sales depend on the level of inflation. Vectron is confident that it is well-positioned to directly meet increasing demand. Even after the decrease in cash and cash equivalents from the acardo company acquisition, Vectron retains sufficient cash and cash equivalents to respond to crisis situations that could even endanger the existence of the company as a going concern. The restructuring programme launched in 2022 will lead to major cost reductions in 2023.

Vectron expects consolidated sales between EUR 36 million and EUR 37.8 million in 2023, which will lead to an EBITDA between EUR 1.3 million and EUR 2.2 million.

Vectron will generate approximately two thirds of sales from one-off sales. In 2023, one-off sales are expected to amount to between at least EUR 25 million and EUR 27 million. However, recurring revenues from digital products and services, which have been planned as at least EUR 11 million, will be a growth driver. 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, solutions such as in-house ordering, an interface to the "Lieferando" delivery service and digital marketing measures will be provided.

- 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.

As part of the internal restructuring programme, we plan to once more further optimise business processes and focus the use of resources even further in 2023 to enable us to act even more quickly and efficiently for our customers.

Münster, 6 April 2023

Vectron Systems AG
The executive board

Thomas Stümmler	Dr. Ralf-Peter Simon	Christoph Thye
CEO	COO	CMO

VECTRON

Single financial statements in accordance with IFRS

as of 31 December 2022

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Balance sheet

in EUR thousand ASSETS	Note	31/12/2022	31/12/2021
Non-current assets			
Intangible assets	8.1.	929	1,193
Property, plant and equipment	8.1.	891	1,144
Right-of-use assets	8.1.-8.2.	7,738	8,427
Participations	7.1., 13.	526	404
Non-current lease receivables	8.3.	1,848	2,270
Non-current trade receivables	7.2.	176	428
Other non-current financial assets	7.3.	642	912
Deferred tax assets	8.4.	2,541	2,369
Total non-current assets		**15,291**	**17,147**
Current assets			
Inventories	8.5.	3,771	4,943
Trade receivables	7.2.	2,577	3,130
Receivables from affiliated companies	7.3.	13	20
Current lease receivables	8.3.	1,416	1,781
Income tax receivables		9	-
Other current financial assets	7.3.	681	609
Other current assets	8.6.	180	215
Cash and cash equivalents	7.4.	12,575	19,868
Total current assets		**21,222**	**30,566**
Total assets		**36,513**	**47,713**

in EUR thousand EQUITY AND LIABILITIES	Note	31/12/2022	31/12/2021
Equity			
Subscribed capital	9.1.	8,057	8,057
Capital reserve	9.2.	20,424	20,239
Accumulated loss	9.3.	-8,015	-2,744
Total equity		**20,466**	**25,552**
Non-current liabilities			
Non-current financial liabilities	7.6.-7.8.	1,632	2,272
Non-current lease liabilities	8.2.	7,009	7,633
Non-current provisions	8.9.	230	196
Non-current employee benefits	8.8	5	-
Total non-current liabilities		**8,876**	**10,101**
Current liabilities			
Trade payables	7.5.	1,947	3,151
Liabilities to affiliated companies	7.5.	19	308
Current lease liabilities	8.2.	799	810
Current financial liabilities	7.6.-7.8.	1,951	5,125
Income tax liabilities		338	338
Current employee benefits	8.8.	1,710	1,733
Other current financial liabilities	7.5.	215	250
Other current liabilities	8.7.	192	345
Total current liabilities		**7,171**	**12,060**
Total liabilities		**16,047**	**22,161**
Total equity and liabilities		**36,513**	**47,713**

Statement of comprehensive income

in EUR thousand	Note	2022	2021
Revenue	5.	25,217	38,227
Change in inventories		-970	158
Material expenses and purchased services	6.2.	-5,612	-12,194
Other own work capitalised		7	119
Gross profit		**18,642**	**26,310**
Other operating income	6.1.	150	125
Personnel costs	6.3.	-12,434	-11,986
Other operating expenses	6.4.	-9,316	-9,406
Expenses/income from the impairment of financial assets	6.5., 11.2.2.	-731	-330
Other taxes	6.6.	-168	-7
EBITDA*		**-3,857**	**4,706**
Depreciation and amortisation	8.1.	-1,501	-1,577
Earnings before interest and taxes (EBIT)		**-5,358**	**3,129**
Financial income		248	282
Financing expenses		-349	-295
Financial income/expenses	6.8.	**-101**	**-13**
Earnings before taxes (EBT)		**-5,459**	**3,116**
Income tax expenses	6.9.	188	-679
Profit (loss) for the period = Total comprehensive income		**-5,271**	**2,437**

Earnings per share			
Undiluted earnings per share	6.10.	-0.65	0.30
Diluted earnings per share	6.10.	-0.65	0.30

*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 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	9.1.	19	29	-	48
Share-based payment	15.	-	29	-	29
Balance as of 31 December 2021 / 1 January 2022		**8,057**	**20,239**	**-2,744**	**25,552**
Profit (loss) for the period		-	-	-5,271	-5,271
Total comprehensive income for the period		**-**	**-**	**-5,271**	**-5,271**
Share-based payment	15.	-	185	-	185
Balance as of 31 December 2022		**8,057**	**20,424**	**-8,015**	**20,466**

Cash flow statement

	in EUR thousand	Note	2022	2021
1. Cash flow from operating activities				
Earnings before taxes			**-5,459**	**3,116**
+	Depreciation, amortisation and impairments	8.1.	+1,501	+1,577
+/-	Increase/decrease in provisions	8.9.	+34	-131
+/-	Other non-operative expenditures/income		+209	+45
+/-	Decrease/increase in inventories, trade receivables as well as other assets not allocated to investment or financing activities		+3,005	+3,857
+/-	Increase/decrease in trade payables as well as other liabilities not allocated to investment or financing activities		-1,691	+1,420
+/-	Financial result (interest expenses and income)	6.8.	+101	+13
+	Interest received	6.8.	+248	+282
Cash flow from operating activities			**-2,052**	**10,179**
2. Cash flow from investing activities				
-	Cash payments made for investments in intangible assets	8.1.	-15	-1,174
-	Cash payments made for investments in property, plant and equipment	8.1.	-92	-453
-	Cash payments made for investments in financial assets	7.1.	-122	-
+	Proceeds from the disposal of financial assets		-	+1,688
Cash flow from investing activities			**-229**	**61**
3. Cash flow from financing activities				
+	Proceeds from issue of equity injections	9.1.	-	+48
+	Proceeds from financial liabilities	10.2.	+1,595	+4,846
-	Cash payments from the redemption of financial liabilities	10.2.	-5,410	-2,364
-	Cash payments from the redemption of lease liabilities	10.2.	-824	-896
-	Interest paid	10.2.	-349	-295
Cash flow from financing activities			**-4,988**	**1,339**
Change in cash and cash equivalents			**-7,269**	**11,579**
Cash and cash equivalents as of 1 January		7.4.	19,868	8,305
Effects of exchange rate changes on cash and cash equivalents			-24	-16
Cash and cash equivalents as of 31 December		7.4.	**12,575**	**19,868**

VECTRON

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 preared 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 26 April 2023.

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 2022 and were not applied early by the company. The company regards the effects of these new provisions 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 that 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 customer contracts and leases are explained in note 5.

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 and lease liability on the date on which the lease contract is concluded. The right of use 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 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 assets with right-of-use assets are determined on the same basis as that of property, plant and equipment. In addition, the right of use 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 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 lease liabilities. The related lease payments are recognised as an expense in a straight line over the term of the lease contract.

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 estimated 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 amortisation. If there are risks that affect stocks, 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 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 7.2.4.). This part of the company's 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 note 7.2. as well as note 11.2.2. 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 risk 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 11.2.2.

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.

Amortisation 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 6.4. 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.

Virtual shares that are share-based payments with cash settlement are recognised as employee benefits within the meaning of IFRS 2. Liabilities are remeasured at fair value on each balance sheet date using a suitable measurement model (see note 8.8.). The expenses are recognised in personnel expenses over the vesting period. Liabilities are recognised as current liabilities if they are expected to be repaid within 12 months.

Benefits paid on the occasion of a termination of employment contract are due if an employment contract is terminated by the company or if an employee takes voluntary redundancy in return for a severance payment. These benefits are recognised when the company can no longer withdraw the offer of such benefits.

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 15.2. 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 2022.

Vectron applied the following financial reporting standards for the first time in financial year 2022:

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 do 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 do 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 IFRIC21 (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 do 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 do not have any material effect on the financial statements of Vectron Systems AG.

New financial reporting standards

The following new standards and interpretations do not have to be applied yet to financial years ending on 31 December 2022 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 notes regarding 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 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 amendments will not have any material effect on the financial statements of Vectron Systems AG.

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

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

Amendments to IFRS 17: Disclosure of comparison information during the initial application of IFRS 17 and IFRS 9

These changes introduce the transitional requirements for comparative figures in the initial reporting period.

The amendments come into effect for reporting periods starting on or after 1 January 2023. 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 01 January 2024. Early application is permissible. The company currently assumes that this will not have any material effects on the financial statements.

Amendments to IFRS 16: Lease liabilities in a sale-and-leaseback transaction

The change specifies that a seller (lessee) must subsequently recognise lease liabilities resulting from a sale-and-leaseback transaction so that no profit or loss is recognised that refers to the retained right-of-use asset. The new regulations do not stop a seller (lessee) from recognising profits or losses in connection with the partial or total discontinuation of a lease in the profit and loss account.

The amendments are mandatory with retrospective effect for financial years starting on or after 01 January 2024. Early application is permissible. The company currently assumes that this will not have any material effects on the financial statements.

3. Material estimates and 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 notes, together with the measurement basis for each affected item in the financial statements.

Material estimates or judgements were performed for the:

- Recognition of revenue and breakdown of the transaction price – note 5.
- Recognition of deferred tax assets for losses carried forward – note 8.4.
- Impairment of financial assets – note 11.2.2.

- Measurement parameters of the share-based payment transaction – note 15.
- Estimate of liabilities from employee benefits – note 8.8.
- Estimate of provisions – note 8.9.
- Uncertainties regarding estimates and accounting estimates and judgements relating to the recognition of leases – note 8.2.

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.

Calculation of the figures

4. 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.

5. Revenue

Revenue is generated from the following activities:

in EUR thousand	**2022**	**2021**
Revenue from contracts with customers	23,416	36,110
Revenue from finance leases	1,313	1,758
Revenue from operating leases	488	359
Total	**25,217**	**38,227**

Additional information on leases where Vectron is the lessor are included in note 8.3.

5.1. 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	2022	2021
POS systems	14,777	29,780
Digital services	8,639	6,330
Total	**23,416**	**36,110**

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

in EUR thousand	2022	2021
Germany	19,977	32,278
International	3,439	3,832
Total	**23,416**	**36,110**

Revenue breaks down by date as follows:

in EUR thousand	2022	2021
Non-recurring revenues	14,897	29,913
Recurring revenue	8,519	6,197
Total	**23,416**	**36,110**

Contractual liabilities, such as prepayments, are recognised in the balance sheet under trade payables. The contractual liabilities in the amount of EUR 21 thousand stated as of 31 December 2021 were stated in full as revenue in the reporting period. It is expected that the contractual liabilities in the amount of EUR 29 thousand stated as of 31 December 2022 will be repaid in full within the next reporting period.

5.2. 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 8.9.

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.

6. 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.

6.1. Other operating income

in EUR thousand	2022	2021
Currency gains	67	26
Income from the reversal of provisions	-	50
Others	83	49
Total	**150**	**125**

6.2. Material expenses and purchased services

in EUR thousand	2022	2021
Raw materials and supplies	4,774	11,173
Purchased services	838	1,021
Total	**5,612**	**12,194**

6.3. Personnel costs

in EUR thousand	2022	2021
Wages and salaries	8,896	8,771
Severance payments	1,305	65
Social insurance contributions	1,047	996
Pension insurance contributions	820	748
Share-based payment	185	29
Bonus payments	117	1,327
Old-age pension	64	50
Total	**12,434**	**11,986**

Restructuring expenses incurred in the reporting period as part of the Fit for Future programme primarily contain severance payments in the amount of EUR 1,305 thousand that are recognised in personnel expenses. The social insurance contributions also include expenses in the amount of EUR 195 thousand that are related to the restructuring measures. Further restructuring expenses are disclosed in note 6.4.

6.4. Other operating expenses

in EUR thousand	2022	2021
Marketing and sales costs	6,034	6,145
Administrative expenses	1,636	1,688
Costs of buildings, insurance and contributions	520	413
Maintenance and repairs	330	365
Personnel-related expenses	288	387
Cars	199	178
Travel expenses	114	77
Remuneration of the supervisory board	103	83
Development costs	2	10
Currency losses	1	36
Others	89	24
Total	**9,316**	**9,406**

Commissions for specialist retail partners amounted to EUR 4,042 thousand (2021: EUR 3,872 thousand) and are recognised in marketing and sales costs.

Administrative expenses include legal and consulting fees in the amount of EUR 38 thousand which were incurred in the reporting period as part of the restructuring programme.

In addition to the development costs contained in other 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 2,562 thousand (2021: EUR 2,402 thousand).

6.5. Expenses/income from the impairment of financial assets

The impairments of financial assets are disclosed in note 11.2.2. Impairments of trade receivables and lease receivables as well as impairments in the amount of EUR 230 thousand of loans issued were recognised in the reporting period.

6.6. Other taxes

in EUR thousand	2022	2021
VAT back payments	158	-
Vehicle tax	10	10
Other tax refunds	-	-3
Total	**168**	**7**

VAT back payments for previous years in the amount of EUR 158 thousand were recognised in expenses for other taxes in the reporting period.

6.7. 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 3 thousand (2021: EUR 28 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 (31/12/2021: EUR 0 thousand).

6.8. Financial income and expenses

in EUR thousand	2022	2021
Financial income		
Interest income from leases	220	238
Interest income from financing transactions	27	40
Other financial income	1	4
Financial income	**248**	**282**
Financing expenses		
Paid / outstanding interest and financing expenses for financial liabilities measured at amortised cost	-239	-224
Interest expenses for lease liabilities	-100	-55
Other financing expenses	-10	-16
Financing expenses	**-349**	**-295**
Financial income/expenses	**-101**	**-13**

6.9. Income tax expenses

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

in EUR thousand	2022	2021
Actual taxes		
Actual taxes on annual profit	-	295
Adjustments for actual taxes in previous years	-16	-
Total actual tax expenses	**-16**	**295**
Deferred income taxes		
Deferred taxes on the income for the period	-172	384
Total deferred tax expenses (income)	**-172**	**384**
Income tax expenses (income)	**-188**	**679**

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

in EUR thousand	2022	2021
Earnings before income tax expenses	**-5,459**	**3,116**
Company’s tax rate 31.90 %		
Expected tax expenses (income) for the period	-1,741	994
Tax effect of the amounts that are non-deductible when calculating the taxable income	112	15
Non-capitalised deferred taxes on losses	1,457	-
Adjustments for actual taxes in previous years	-16	-
Previously unrecognised tax losses that are now used for reducing actual tax expenses	-	-335
Other effects	-	5
Income tax expenses (income)	**-188**	**679**

6.10. Earnings per share

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

in EUR thousand	2022	2021
Profit (loss) for the period	**-5,271**	**2,437**
Average weighted number of shares	**8,057**	**8,049**
Undiluted earnings per share	**-0.65**	**0.30**

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 15.

7. Financial assets and liabilities

This note 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 accounting estimates and judgements and measurement uncertainties.

The company holds the following financial instruments:

Financial assets measured at amortised cost

in EUR thousand	31/12/2022	31/12/2021
Participations	526	404
Trade receivables	2,753	3,558
Receivables from affiliated companies	13	20
Lease receivables	3,264	4,051
Other financial assets	1,323	1,521
Cash and cash equivalents	12,575	19,868
Total	**20,454**	**29,422**
Non-current	3,192	4,014
Current	17,262	25,408

Financial liabilities measured at amortised cost

in EUR thousand	31/12/2022	31/12/2021
Trade payables	1,947	3,151
Liabilities to affiliated companies	19	308
Borrowings	-	3,000
Liabilities from the sales support model	2,128	2,526
Liabilities from refinancing transactions	1,050	1,225
Liabilities from hire purchases	405	646
Lease liabilities	7,808	8,443
Other financial liabilities	215	250
Total	**13,572**	**19,549**
Non-current	8,641	9,905
Current	4,931	9,644

The company's position regarding the various risks associated with the financial instruments is explained in note 11. As of the balance sheet date, the maximum default risk corresponded with the carrying amount of each financial asset class listed above.

7.1. Participations

On 1 January 2023, Vectron acquired all of the shares in acardo group AG and all of the shares in acardo activation GmbH. Purchasing costs that could be capitalised were recognised early as an investment as of 31 December 2022, which increased the investment in the reporting period to EUR 526 thousand (31/12/2021: EUR 404 thousand).

7.2. Trade receivables

in EUR thousand	**31/12/2022**	**31/12/2021**
Receivables from customer contracts	4,365	4,808
Receivables from operating leases	173	164
Impairments	-1,785	-1,414
Total	**2,753**	**3,558**

7.2.1. 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. A receivable in the amount of EUR 789 thousand (31/12/2021: EUR 602 thousand) is hedged with EUR 457 thousand (31/12/2021: EUR 436 thousand). For details on the company's impairment methods and calculation of impairment, go to note 11.2.2.

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.

7.2.2. 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 11.4.

7.2.3. Impairments and risks

Information on impairment of trade receivables as well as the default and foreign currency risks to which the company is exposed is included in notes 11.1. and 11.2.

7.2.4. 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.

7.3. Other financial assets measured at amortised cost

7.3.1. 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	31/12/2022	31/12/2021
Receivables from affiliated companies	13	20
Receivables from factoring	315	274
Receivables from security deposits	285	285
Loans issued	691	962
Other financial assets	32	-
Total	**1,336**	**1,541**
Non-current	642	912
Current	694	629

7.3.2. 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 11.4.

7.3.3. Impairments and risks

Note 11.2. 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.

7.4. Cash and cash equivalents

in EUR thousand	31/12/2022	31/12/2021
Bank balances in EUR	12,541	19,819
Bank balances denominated in foreign currency	32	45
Cash in hand	2	4
Total	**12,575**	**19,868**

7.5. Trade payables and other financial liabilities

in EUR thousand	31/12/2022	31/12/2021
Trade payables	1,947	3,151
Liabilities to affiliated companies	19	308
Other financial liabilities	215	250
Total	**2,181**	**3,709**
Non-current	-	-
Current	2,181	3,709

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 for the preparation of the annual financial statements and tax consulting fees.

7.6. 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 8.3.

7.7. 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 of 31 December 2022, the financial assets amounted to EUR 428 thousand (31/12/2021: EUR 668 thousand).

7.8. Borrowings

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 was repaid as planned on 31 December 2022 (see note 11.3.).

The interest on this loan was 1.23 %.

No particular securities were issued for this loan.

Vectron Systems AG also concluded a general loan agreement in the amount of EUR 1,000 thousand. The loan term expires on 31 December 2023. 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 drawdowns. The carrying amount of the assets transferred as security for short-term borrowings amounts to EUR 3,771 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 borrowings do not materially differ from the carrying amounts as the interest payments for these borrowings are almost identical to the current market rates or the borrowings are of a current nature.

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8. Non-financial assets and liabilities

8.1. Statement of changes in fixed assets

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**

in EUR thousand	Costs			
	As of 01/01/2022	Additions	Disposals	As of 31/12/2022
Intangible assets				
Concessions and commercial property rights	8,940	15	-	8,955
	8,940	**15**	**-**	**8,955**
Property, plant and equipment				
Technical equipment and machines	1,414	1	-	1,415
Other equipment, operational and business equipment	3,139	91	-	3,230
	4,553	**92**	**-**	**4,645**
Right-of-use assets				
Buildings	9,722	72	-	9,794
Vehicles	536	116	-	652
IT and office equipment	33	-	-	33
	10,291	**188**	**-**	**10,479**

Depreciations and amortisations				
As of 01/01/2021	Depreciations and amortisations	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**

Depreciations and amortisations				
As of 01/01/2022	Depreciations and amortisations	Disposals	As of 31/12/2022	Residual carrying amount as of 31/12/2022
7,747	279	-	8,026	929
7,747	**279**	**-**	**8,026**	**929**
1,393	10	-	1,403	12
2,016	335	-	2,351	879
3,409	**345**	**-**	**3,754**	**891**
1,541	723	-	2,264	7,530
290	154	-	444	208
33	-	-	33	-
1,864	**877**	**-**	**2,741**	**7,738**

The additions to other equipment, operational and business equipment affect own work capitalised in the amount of EUR 7 thousand (2021: EUR 119 thousand) as well as replacement purchases.

8.2. Leases – lessee

This note 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 for 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 changes in fixed assets in note 8.1.

The additions of right-of-use assets in financial year 2022 in the amount of EUR 188 thousand (2021: EUR 8,763 thousand) primarily resulted from new vehicle lease agreements.

8.2.1. Amounts recognised in the balance sheet

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

Lease liabilities

in EUR thousand	31/12/2022	31/12/2021
Current	799	810
Non-current	7,009	7,633
Total	**7,808**	**8,443**

8.2.2. Amounts recognised in the statement of comprehensive income

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

in EUR thousand	2022	2021
Interest expenses for lease liabilities	100	55
Expenses in connection with leases of low-value assets that are not recognised in short-term leases	11	8
Expenses for variable lease payments that are not included in the measurement of lease liabilities	45	47
Total	**156**	**110**

The cash payments made for leases recognised in the cash flow statement amounted to EUR 924 thousand in 2022 (2021: EUR 952 thousand).

8.3. Leases – lessor

This note 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 5.

Interest income from the net investment in the finance leases amounted to EUR 220 thousand (2021 adjusted: EUR 238 thousand). Unlike in the previous year, the company included the interest on all lease receivables in the notes to improve transparency.

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

in EUR thousand	31/12/2022	31/12/2021
Less than 1 year	1,685	2,079
1-2 years	1,112	1,300
2-3 years	665	725
3-4 years	162	333
4-5 years	2	18
Total of undiscounted lease receivables	**3,626**	**4,455**
Unrealised financial income	-220	-238
Net investment in the lease	**3,406**	**4,217**

in EUR thousand	31/12/2022	31/12/2021
Lease receivables	3,406	4,217
Impairments	-142	-166
Total	**3,264**	**4,051**

Information on the impairment of lease receivables and default risk to which the company is exposed is provided in note 11.2.

8.4. Deferred taxes

The balance sheet contains temporary differences for the following items:

31/12/2022	Net figures as of 1 January	Recognised in profit or loss	As of 31 December		
in EUR thousand			Net	Deferred tax receivables	Deferred tax liabilities
Tax losses	2,386	161	2,547	2,547	-
Fixed assets	82	-21	61	61	-
Right-of-use assets	-2,688	219	-2,469	-	-2,469
Lease receivables	-1,345	258	-1,087	-	-1,087
Liabilities from the sales support model	805	-126	679	679	-
Liabilities from refinancing transactions	383	-195	188	188	-
Lease liabilities	2,693	-202	2,491	2,491	-
Provisions	53	78	131	131	-
Tax receivables (liabilities) before offset	**2,369**	**172**	**2,541**	**6,097**	**-3,556**
Tax offset				-3,556	3,566
Tax receivables (liabilities) after offset				**2,541**	**-**

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 receivables	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**	**-**

Losses carried forward in the amount of EUR 4,568 thousand were not used for capitalising deferred taxes (31/12/2021: EUR 0 thousand).

8.5. Inventories

in EUR thousand	31/12/2022	31/12/2021
Raw materials and supplies	2,162	2,364
Finished goods / merchandise	1,609	2,579
Total	**3,771**	**4,943**

The inventories recognised as expenses in the reporting period as of 31 December 2022 amounted to EUR 4,774 thousand (2021: EUR 11,173 thousand). They are included in the costs of raw, auxiliary and operating materials as well as in costs of purchased services. In financial year 2022, impairment of inventories in the amount of EUR 154 thousand (2021: EUR 76 thousand) were recognised as expenses. In the same period, write-ups in the amount of EUR 87 thousand (2021: EUR 45 thousand) resulted in income as the net income from disposals was higher than anticipated in the previous year.

8.6. Other current assets

in EUR thousand	31/12/2022	31/12/2021
Deferred items	165	214
VAT receivables	15	1
Total	**180**	**215**

8.7. Other current liabilities

in EUR thousand	31/12/2022	31/12/2021
Payroll tax	139	133
VAT liabilities	-	173
Others	53	39
Total	**192**	**345**

8.8. Liabilities from employee benefits

in EUR thousand	31/12/2022	31/12/2021
Severance payments	1,312	65
Annual leave and overtime	304	281
Bonus payments	94	1,386
Share-based payments with cash settlement	5	-
Costs of old-age pension	-	1
Total	**1,715**	**1,733**
Non-current	5	-
Current	1,710	1,733

The severance payments stated for the reporting period are liabilities from the restructuring programme.

Since financial year 2022, one member of the executive board receives share-based payments with cash settlement. Under this programme, virtual shares are issued each year at a fixed amount, which are paid out after four years. The liability is recognised in liabilities from employee benefits. The expenses are recognised in personnel expenses over the vesting period. Personnel expenses and liabilities amounted to EUR 5 thousand on 31 December 2022.

8.9. Provisions

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
Addition	-	30	-	30
Usage in the current year	-31	-130	-	-161
31/12/2021	**97**	**79**	**20**	**196**
Non-current	97	79	20	196

in EUR thousand	Warranty provision	Provision for legal disputes	Others	Total
01/01/2022	97	79	20	196
Addition	-	60	4	64
Resolution	-30	-	-	-30
31/12/2022	**67**	**139**	**24**	**230**
Non-current	67	139	24	230

9. Equity

9.1. Subscribed capital

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

The company's share capital amounted to EUR 8,057 thousand (31/12/2021: EUR 8,057 thousand).

Due to factors such as the resolutions of the annual general meeting on 21 June 2022, which included the rescission of the (unused) authorised capital 2021 as well as the creation of the authorised capital 2022, 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 21 June 2022, 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 4,028 thousand until 20 June 2027 by issuing new no-par value bearer shares against cash deposit and/or payment in kind (authorised capital 2022) 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 2022 was not drawn down in financial year 2022.

As per resolution of the annual general meeting on 21 June 2022, the share capital is conditionally increased by up to EUR 100 thousand by issuing up to 100,000 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 2022). The contingent capital increase serves to issue variable remuneration components with long-term incentives for members of the company's executive board and management of subordinated associated companies in Germany and abroad.

The share capital of the company was conditionally increased by up to EUR 42 thousand by issuing up to 42,000 new no-par value bearer shares (contingent capital 2017). In 2022, 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 285 thousand by issuing up to 285,081 new no-par value bearer shares (contingent capital 2020). In 2022, 212,500 subscription rights were issued in this respect. In 2022, 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.

The share capital of the company was conditionally increased by up to EUR 3,215 thousand by issuing up to 3,215,136 new no-par value bearer shares (contingent capital 2021). The contingent capital increase serves to issue subscription rights to buyers of convertible and warrant bonds in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 10 June 2021 regarding TOP 9. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

9.2. 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 2022, EUR 361 thousand (31/12/2021: EUR 176 thousand) from equity-based remuneration transactions was contained in the capital reserve.

9.3. 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.

10. Disclosure on cash flows

10.1. Non-cash investment and financing activities

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

- Acquisition of right-of-use assets – note 8.2.

- Shares issued to employees as part of the share plan – note 15.

10.2. Changes in liabilities from financing activities

2022

in EUR thousand	As of 1 January	Cash	Non-cash	As of 31 December
Borrowings	3,000	-3,037	37	-
Liabilities from the sales support model	2,526	-500	102	2,128
Liabilities from refinancing transactions	1,225	-251	76	1,050
Liabilities from hire purchases	646	-264	23	405
Lease liabilities	8,443	-924	289	7,808
Total	**15,840**	**-4,976**	**527**	**11,391**

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

11. 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	Maturity structure 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.

11.1. Market risk – foreign currency risk

Risk position and management
The percentage of foreign currency transactions in merchandise purchasing in financial year 2022 was approximately 53 % (2021: 33 %) 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 effects of exchange rate changes on cash and cash equivalents. To minimise the risk from effects of exchange rate changes on cash and cash equivalents, 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:

	31/12/2022		31/12/2021	
in EUR thousand	USD	GBP	USD	GBP
Cash and cash equivalents	14	18	16	29
Trade receivables	18	127	25	135
Trade payables	-1	-2	-487	-2
Total	**31**	**143**	**-446**	**162**

Revenue and other expenses of the company are not influenced by effects of exchange rate changes on cash and cash equivalents. 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 66 thousand (2021: EUR -10 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 effects of exchange rate changes on cash and cash equivalents primarily results from financial instruments denominated in US dollar and British pound.

	Impact on earnings after taxes	
in EUR thousand	**2022**	**2021**
USD / EUR exchange rate – 5 % increase*	-1	14
USD / EUR exchange rate – 5 % decrease*	1	-16
*All other variables remain constant		
Exchange rate on the balance sheet date as of 31 December	1.07	1.13

	Impact on earnings after taxes	
in EUR thousand	**2022**	**2021**
GBP / EUR exchange rate – 5 % increase*	-5	-6
GBP / EUR exchange rate – 5 % decrease*	5	6
*All other variables remain constant		
Exchange rate on the balance sheet date as of 31 December	0.89	0.84

The company's risk regarding other effects of exchange rate changes on cash and cash equivalents is immaterial.

11.2. Default risk

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

11.2.1. 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 2022 (2021: 3.4 %). This figure could increase through individual major orders.

Please refer to the management report for details on future dependencies on individual major customers.

11.2.2. 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 2022 and 31 December 2021 respectively 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 2022 and 31 December 2021 was determined as follows:

31/12/2022 in EUR thousand	**Not overdue**	**Overdue (in days)** **1–30**	**31–60**	**61–90**	**90+**	**Total**
Gross carrying amounts – trade receivables	1,513	204	126	119	2,577	4,539
Expected loss quota	2.04 %	3.06 %	3.28%	3.43 %	67.49 %	39.31 %
Risk provision	**31**	**6**	**4**	**4**	**1,739**	**1,785**

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

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

in EUR thousand	**2022**	**2021**
Opening balance of the impairment on 1 January	1,414	1,014
Additions from merger	-	45
Increase in the impairment of bad debts recognised in profit or loss	504	412
Amounts written off as unrecoverable in the reporting period	-34	-4
Unused amount reversed	-99	-53
Total	**1,785**	**1,414**

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 3,406 thousand (31/12/2021: EUR 4,217 thousand) and their impairments to EUR 142 thousand (31/12/2021: EUR 166 thousand). In financial year 2022, additional impairments of lease receivables in the amount of EUR 114 thousand were recognised in income under impairment expenses for financial assets.

11.2.3. 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.

11.3. 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 12,575 thousand (31/12/2021: EUR 19,868 thousand). The company also had access to unused credit facilities in the amount of EUR 765 thousand (31/12/2021: EUR 765 thousand).

The current unused credit facility matures on 31 December 2023 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.

31/12/2022 in EUR thousand	**Up to 1 year**	**between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amounts**
Trade payables	1,947	-	-	**1,947**	**1,947**
Liabilities to affiliated companies	19	-	-	**19**	**19**
Liabilities from the sales support model	1,107	1,327	-	**2,434**	**2,128**
Liabilities from refinancing transactions	710	395	-	**1,105**	**1,050**
Liabilities from hire purchases	264	154	-	**419**	**405**
Lease liabilities	891	3,185	4,236	**8,312**	**7,808**
Other financial liabilities	215	-	-	**215**	**215**
Total	**5,153**	**5,061**	**4,236**	**14,450**	**13,572**

31/12/2021 in EUR thousand	**Up to 1 year**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amounts**
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**

11.4. 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.

31/12/2022	IFRS 9 Category	Amortised costs EUR thousand	Fair value EUR thousand	Fair value Level
Financial assets				
Lease receivables	FAAC	3,264	3,264	3
Non-current trade receivables	FAAC	176	176	3
Other non-current financial assets	FAAC	642	642	3
Financial liabilities				
Borrowings	FLAC	-	-	3
Liabilities from the sales support model	FLAC	2,128	2,128	3
Liabilities from refinancing transactions	FLAC	1,050	1,050	3
Liabilities from hire purchases	FLAC	405	405	3

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

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.

12. 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 2022 (2021), Vectron's strategy was to maintain an equity ratio of at least 33 % (2021: 33 %) and cash and cash equivalents in the amount of at least EUR 8,000 thousand (2021: EUR 8,000 thousand).

As of the balance sheet date, cash and cash equivalents amounted to EUR 12,575 thousand (31/12/2021: EUR 19,868 thousand). The equity ration in the reporting periods was as follows:

in EUR thousand	31/12/2022	31/12/2021
Equity	20,466	25,552
Total capital	36,513	47,713
Equity ratio	**56.05 %**	**53.55 %**

13. Shares in other companies

Subsidiaries

Vectron holds shares in the following companies:

			Shares held by the company	
Name of company	**Head office**	**Primary activities**	**31/12/2022**	**31/12/2021**
posmatic GmbH	Münster	POS software	100 %	100 %
VECTRON America INC.	Ontario, Canada	Sales company	80 %	80 %

Other information

14. 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.

14.1. Subsidiaries

The shares in subsidiaries are listed in note 13.

14.2. 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	**2022**	**2021**
Short-term benefits	905	1,122
of which:		
fixed remuneration	884	851
variable remuneration	21	271
Total	**905**	**1,122**

Share-based payment for members of the executive board was recognised at EUR 44 thousand (2021: EUR 12 thousand) in personnel expenses in the reporting period.

14.3. Related party transactions

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

Purchased services

in EUR thousand	2022	2021
Services purchased from subsidiaries	-20	-158
Services purchased from former members of management in key positions	-10	-
Total	**-30**	**-158**

Services provided

in EUR thousand	2022	2021
Sale of goods to subsidiaries	1	20
Transactions in connection with loans to subsidiaries	-	4
Total	**1**	**24**

14.4. Outstanding balances from related party transactions

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

in EUR thousand	31/12/2022	31/12/2021
Current liabilities to:	**-113**	**-378**
Subsidiaries	-19	-308
Members of management in key positions	-82	-70
Former members of management in key positions	-12	-
Current receivables from:	**43**	**20**
Subsidiaries	13	20
Members of management in key positions	20	-
Former members of management in key positions	10	-
Total	**-70**	**-358**

A bad debt from a subsidiary amounted to EUR 17 thousand (31/12/2021: EUR 17 thousand). The outstanding receivables were impaired accordingly by this amount.

15. 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.

15.1. Share option plans

As of 31 December 2022, 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:

	2022		2021	
	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**
Exercised in the reporting period	-	-	EUR 2.58	-18,672
As of 31 December	**-**	**-**	**-**	**-**
Vested and exercisable as of 31 December	-	-	-	-

Grant date	Expiry date	Strike price	Share options 31/12/2022	Share options 31/12/2021
02/12/2014	01/12/2021	EUR 2.58	-	-
Total			**-**	**-**
Average remaining contractual term in years			-	-

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 (exercise 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:

	2022		2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As of 1 January	**EUR 12.10**	**70,000**	**EUR 12.27**	**84,000**
Expired in the reporting period	EUR 11.84	-28,000	EUR 13.14	-14,000
As of 31 December	**EUR 12.27**	**42,000**	**EUR 12.10**	**70,000**
Vested and exercisable as of 31 December	EUR 13.14	28,000	-	-

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

Grant date	Expiry date	Exercise price	Share options 31/12/2022	Share options 31/12/2021
25/10/2018	24/10/2025	EUR 13.14	28,000	42,000
10/04/2019	09/04/2026	EUR 10.53	14,000	28,000
Total			**42,000**	**70,000**
Average remaining contractual term in years			**2.97**	**4.00**

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:

	2022		2021	
	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**
Expired in the reporting period	EUR 13.63	-25,000	-	-
As of 31 December	**-**	**-**	**EUR 13.63**	**25,000**
Vested and exercisable as of 31 December	-	-	-	-

Grant date	Expiry date	Exercise price	Share options 31/12/2022	Share options 31/12/2021
01/08/2018	31/07/2025	EUR 13.63	-	25,000
Total			**-**	**25,000**
Average remaining contractual term in years			-	3.58

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 or 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:

	2022		2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As of 1 January	**EUR 10.31**	**60,000**	**-**	**-**
Granted in the reporting period	EUR 3.41	212,500	EUR 10.37	80,000
Expired in the reporting period	EUR 7.16	-37,500	EUR 10.55	-20,000
As of 31 December	**EUR 4.57**	**235,000**	**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 31/12/2022	Share options 31/12/2021
04/01/2021	05/01/2032	EUR 10.55	-	10,000
21/01/2021	22/01/2032	EUR 10.00	10,000	10,000
01/03/2021	02/03/2032	EUR 10.33	30,000	40,000
30/09/2022	01/10/2033	EUR 3.41	195,000	-
Total			**235,000**	**60,000**
Average remaining contractual term in years			10.48	10.13

15.2. Fair value of the options granted

The fair value of the options issued in financial year 2022 amounted to EUR 1.45 as of the issue date on 30 September 2022. 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 2022.

Measurement parameters	30/09/2022
Share price on the grant date	EUR 3.56
Expected volatility of the Vectron shares	52.37 %
Risk-free interest rate	2.11 %
Dividend yield	0.00 %
Expected term in years	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 1.45 on the date the options were granted.

In financial year 2022, expenses from share-based payment in the amount of EUR 185 thousand (2021: EUR 29 thousand) were recognised in personnel expenses. As of 31 December 2022, EUR 361 thousand (31/12/2021: EUR 176 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

16. Number of employees

Vectron employed an average of 175 (2021: 181) persons. The following table shows the breakdown of employees by type of employment:

	2022	2021
Full-time employees	151	158
Part-time employees	24	23
Average	**175**	**181**

17. Auditor's fees

The following fees were recognised for the services provided by RSM GmbH Wirtschaftsprüfungsgesellschaft:

in EUR thousand	**2022**	**2021**
Audit of the annual financial statements	51	55
Other services	122	82
Total	**173**	**137**

The auditor's fee for the reporting period is comprised of auditing services in the amount of EUR 51 thousand and other services as part of the company acquisition in the amount of EUR 122 thousand.

18. Members of the executive board

The executive board is comprised of:

• Thomas Stümmler:	Chief Executive Officer
• Dr. Ralf-Peter Simon:	Chief Sales Officer (from 1 October 2022 Chief Operating Officer)
• Christoph Thye (from 22 February 2023)	Chief Marketing Officer
• Jens Reckendorf: (until 30 September 2022)	Chief Technical Officer
• Silvia Ostermann: (until 31 October 2022)	Chief Operating Officer

In the reporting period, the remuneration of the members of the executive board totalled EUR 806 thousand (2021: EUR 1,041 thousand).

19. 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, Managing Director, Cumulus Ventures GmbH and Advisor / Mentor at UnternehmerTUM, Centre for Innovation and Founding, Munich

- Andreas Prenner, Mag. rer. soc. oec., CFO and Director HR & Organisation at the Federation of Austrian Industries

The annual remuneration for the chairperson of the supervisory board generally amounted to EUR 30 thousand until the annual general meeting in 2022 and the other members of the supervisory board generally received annual remuneration in the amount of EUR 20 thousand. As from the annual general meeting in 2022, the remuneration model was divided into fixed and variable components. Each member of the supervisory board receives annual fixed remuneration in the amount of EUR 18 thousand as well as a fee of EUR 1 thousand for each supervisory board meeting they attend. The chairperson of the supervisory board receives 1.5 times the value of remuneration of a member of the supervisory board. 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 99 thousand.

20. Subsequent events

As of 1 January 2023, Vectron acquired all of the shares in acardo group AG and all of the shares in acardo activation GmbH (hereinafter referred to as acardo). acardo is a provider of digital marketing services (couponing) with head office in Dortmund, Germany. Vectron acquired this company to expand its service portfolio.

The purchase price for the investment is divided into a fixed component in the amount of EUR 10.7 million and two variable components (earn-out). Earn-out 1 provides for a variable purchase price component of EUR 4.0 million to EUR 25.0 million based on acardo's EBIT in 2024 and 2025. Earn-out 1 is due for payment in 2026.

Earn-out 2 provides for an additional purchase price payment in the amount of 20% of net profit generated by acardo in 2023 to 2025.

EUR 8.7 million was paid toward the fixed purchase price component in January. This payment was financed from the operative cash flow, particularly from prepayments received. The remaining EUR 2.0 million of the fixed purchase price component are payable in 2026 as a seller loan.

On 22 February 2023, the supervisory board of Vectron Systems AG appointed Christoph Thye, founder and CEO of acardo, as Chief Digital Marketing Officer on the executive board of Vectron Systems AG to transfer the couponing know-how to Vectron's target industries and to support the executive board with the expansion in the digital marketing and services sectors.

21. 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	Dr. Ralf-Peter Simon COO	Christoph Thye CMO

Audit certificate by the independent auditor

To Vectron Systems AG:

Audit opinion

We have audited the IFRS annual financial statements of Vectron Systems AG – consisting of the balance sheet for the period ended on 31 December 2022, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year from 1 January to 31 December 2022 and the notes to the annual financial statements – as well as the summary of key accounting policies. We also audited the management report of Vectron System AG for the financial year from 1 January to 31 December 2022.

Based on our audit findings,

- we have concluded that the annual financial statements comply with the IFRS as applicable in the EU in all major respects as well as the additionally applicable German legal requirements in accordance with Section 325 (2a) of the German Commercial Code (Handelsgesetzbuch – HGB) and that they are a true representation of the actual assets and financial situation of the company as of 31 December 2022 and its profit situation for the financial year from 1 January to 31 December 2022 in compliance with these standards and

- that the attached management report gives an overall true presentation of the company's situation. This management report matches the annual financial statements in all major respects, complies with German law and gives a true and fair view of the opportunities and risks of future development.

In accordance with Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations regarding the orderliness of the annual financial statements and management report.

Basis for the audit findings

We have conducted our annual financial statement appraisal pursuant to Section 317 HGB under consideration of the German principles of an orderly annual financial statement determined by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). Our responsibilities according to these provisions and principles are described in detail in the section "Responsibilities of the auditor for the audit of the annual financial statements and management report" in our audit certificate. We are an independent party to the company in compliance with German commercial and professional law and have met our other professional obligations under German law in accordance with these requirements. We are of the opinion that the proof obtained by us for the audit is sufficient and suitable to serve as the basis for our audit findings on the annual financial statements and management report.

Other information

The legal representatives are responsible for providing the other information. Other information comprises:

- the remaining parts of the management report, except the audited annual financial statements and management report as well as our audit opinion.

Our audit findings on the annual financial statements and management report do not cover the other information and we therefore do not issue an audit opinion on it nor draw any other form of conclusion from it.

In connection with our audit, we are responsible to read the other information and whilst doing so appraise if it

- contains major discrepancies to the annual financial statements, management report or our audit findings or

- if its presentation appears to have other major inaccuracies.

Responsibilities of the legal representatives and supervisory board for the preparation of the annual financial statements and management report

The legal representatives are responsible for preparing the annual financial statements, which comply with the IFRS as applicable in the EU and the additionally applicable German legal requirements in accordance with Section 325 (2a) HGB in all major respects, and for ensuring that the annual financial statements give a true and fair representation of the actual assets, financial situation and profit situation of the company in compliance with these standards. The legal representatives are further responsible for performing the internal controls which they have determined to be necessary to facilitate the preparation of annual financial statements which are free from material misstatements caused by fraudulent actions (i.e. manipulation of the accounting processes and pecuniary damage) or errors.

During the preparation of the annual financial statements, the legal representatives are responsible for assessing the ability of the company to continue as a going concern. They are also responsible to state any relevant facts relating to the continuation of the company as a going concern. They are further responsible for maintaining the accounts on the basis of the going concern principle, unless prevented from doing so by actual or legal circumstances.

In addition, the legal representatives are responsible for preparing the management report, which accurately presents the situation of the company and matches the annual financial statements in all major respects, complies with German law and gives a true and fair view of the opportunities and risks of future development. The legal representatives are also responsible for implementing all provisions and measures (systems) which they have regarded as necessary to facilitate the preparation of the management report in accordance with the applicable German laws and to provide sufficient proof for the statements contained in the management report.

The supervisory board is responsible for monitoring the accounting process for the preparation of the annual financial statements and management report.

Responsibilities of the auditor for auditing the annual financial statements and management report

We aim to ascertain with sufficient certainty if the annual financial statements are overall free from material misstatements caused by fraudulent actions or errors and if the management report overall gives an accurate representation of the situation of the company and matches the annual financial statements and audit findings in all major respects, complies with German law and gives a true and fair view of the opportunities and risks of future development and also to issue the audit certificate, which contains our audit opinion on the annual financial statements and management report.

Sufficient certainty means that there is a high degree of certainty, but does not provide any guarantee that a proper audit that has been properly performed in accordance with Section 317 HGB and the German principles of proper accounting promulgated by the Institute of Public Auditors in Germany, Incorporated Association (Institut der Wirtschaftsprüfer – IDW) will always uncover material misstatements. Misstatements can result from fraudulent actions or errors and are regarded as material if they could be reasonably expected to individually or overall impact the economic decisions made by readers based on these annual financial statements and management report.

We act with due diligence during our audit and remain a general critical attitude. We also

- identify and assess the risks of material misstatements in the annual financial statements and management report that are caused by fraudulent actions or errors, plan and perform audit activities in response to these risks and obtain proof which is sufficient and suitable to serve as a basis for our audit findings. The risk of being unable to uncover material misstatements resulting from fraudulent actions is higher than the risk of being unable to uncover material misstatements resulting from errors as fraudulent actions may include collusive collaborations, forgeries, deliberate omissions, misleading disclosures and/or the invalidation of internal controls.

- gain an understanding of the internal control system relevant to the audit of the annual financial statements and the provisions and measures relevant to the audit of the management report which are necessary for planning our audit actions which are reasonable under the given circumstances but not with the aim to issue an audit opinion on the effectiveness of these systems of the company.

- assess the appropriateness of the accounting policies applied by the legal representatives and the tenability of the estimates and related disclosures presented by the legal representatives.

- draw conclusions on the appropriateness of the accounting principles applied by the legal representatives for the continuation of the company as a going concern and, on the basis of the audit proof obtained, to assess if there is any major uncertainty in connection with events or circumstances which could cast major doubt on the ability of the company to continue as a going concern. If we draw the conclusion that there is a material discrepancy, we are obliged to point out the related disclosures in the annual financial statements and management report in the audit certificate or modify our respective audit opinion if these disclosures are inappropriate. We draw our conclusions on the basis of the audit proof obtained until the date of our audit certificate. However, future events or circumstances may result in the company being unable to continue as a going concern.

- assess the overall presentation, structure and content of the annual financial statements, including disclosures and if the annual financial statements present the underlying business transactions and events so that they give an accurate view of the actual assets, financial position and profit position of the company in accordance with the IFRS as applicable in the EU and the additionally applicable German legal requirements in accordance with Section 325 (2a) HGB.

- assess if the management report matches the annual financial statements, its compliance with the law and the view of the situation of the company presented by it.

- audit the forward-looking statements issued by the legal representatives in the management report. Based on sufficiently suitable audit proof, we particularly trace the material assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue a separate audit opinion on the forward-looking statements nor their underlying assumptions. There is a significant, unavoidable risk that future events may differ significantly from the forward-looking statements.

We discuss topics such as the planned scope and timetable of the audit as well as material audit findings, including potential material deficiencies in the internal control system, which we find during our audit with the persons responsible for monitoring the company.

Düsseldorf, 26 April 2023

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Weyers
Wirtschaftsprüfer [auditor]

Schulz
Wirtschaftsprüfer [auditor]

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