VECTRON

Consolidated Financial Statements 2023

acardo

This is a translation of the German Consolidated Financial Statements. 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.

Contents

Letter by the executive board to the shareholders

Dear fellow Shareholders,

Financial year 2023 was another challenging year for Vectron Systems AG. Domestic and foreign business was impacted by international crises, energy shortages, high rates of inflation and the resulting significant changes. Cost pressure and staff shortages increased demand for digital solutions which ease the pressure on users and optimise their work processes to manage the workload with fewer and possibly even less well-trained personnel. The latter corresponds with our change in strategy. The decision that was made already a year ago to focus increasingly on recurring revenues from Software as a Service (SaaS) products has proven to be right and extremely successful by now. In 2023, Vectron already generated almost half of its sales from recurring revenues. We are intensively working on continuing this development.

This strategic focus in connection with our completed cost reduction programme and finally also the acquisition of acardo majorly contributed to the fact that we are once more generating profits on a monthly basis.

The acquisition of acardo group AG and acardo activation GmbH – which were both merged during the reporting period – in January 2023 also followed our digitisation strategy. It reduces our dependence on gastronomy segments and bakeries and provides additional growth opportunities, including through the use of market synergies. It will now be possible to also place industry and operator coupons in Vectron's traditional target segments in cooperation with the couponing specialist, which up to now had been operating in the fast moving consumer goods, food retail, drug store, pharmacy and cinema sectors. This will create additional unique selling points for our Group.

New ordering services and the launch of a SoftPOS solution were added to our portfolio in 2023. The SoftPOS solution makes the card terminals attached to the POS for cashless payment transactions redundant and is currently already being sold in Austria.

In 2024, further innovative digital products will be added that meet the requirements of our target groups, two new POS systems will be launched and SaaS products that are already successful in Germany will be expanded to markets in other countries. One of the new POS systems, Vectron POS Life, specifically focuses on new target groups and serves to further expand our market position. All of the pricing models offered for the new products and services boost the growth of recurring revenues.

VECTRON

The successful earnings developments that are already showing strengthen our resolve to continue to consistently pursue our chosen path and thus secure the future and financial growth of the company in the long term.

In the meantime, we continuously monitor new market developments and any resulting challenges and growth opportunities to be able to respond flexibly and remain competitive at all times.

We look forward to continue pursuing this path together with you.

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 2023. 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, the executive board also reported verbally and in writing on topics of special importance.

The reports on the current economic situation, comparisons with the respective budgeting periods as well as previous reporting periods, followed by forecasts for the rest of the current reporting period and beyond were topics of the regular supervisory board meetings. This ensured that the supervisory board always had access to the latest information. Questions by supervisory board members were also answered quickly outside the regular executive board meetings in topic-related additional board calls, for instance, or, if required, individually.

Taking into consideration the prerequisites prescribed by law and the articles of association, the supervisory board gave its recommendations on the proposed resolutions of the executive board.

During financial year 2023, four regular and three extraordinary supervisory board meetings took place that were attended by all of its members.

- At the extraordinary supervisory board meeting on **15 February 2023,** which was held as a video conference call, the members engaged in a final discussion and adopted a resolution regarding the appointment of the chairman of the supervisory board of acardo Group AG, all of whose shares were acquired on 1 January 2023, as an additional member of the executive board of Vectron Systems AG as well as the contents of the executive board member employment contract. The addendum to the bylaws of Vectron's executive board, which became necessary due to the additional executive board member, was also discussed and resolved. Vectron's executive board was furthermore requested to implement the governance regulations applicable to Vectron Systems AG for acardo as well, which was done during the further course of action. Additional topics included the status of the audit of the annual financial statements. This supervisory board meeting was attended by the following persons:

    - Prof. Dr. Dr. Claudius Schikora (chairman), per video call,
    - Thorsten Behrens, (deputy chairman), per video call,
    - Jürgen Gallmann, per video call,
    - Andreas Prenner, per video call.

- At the regular supervisory board meeting on **28 March 2023**, the auditors of the annual financial statements (RSM) gave a detailed presentation of the focal points and status of their audit. This did not show any findings that would require for the audit opinion to be qualified. As some audit measures were still outstanding, a follow-up on 26 April was agreed upon. The audit opinion was to be issued on that date. The supervisory board continued to discuss the variable remuneration components of the members of the executive board for the concluded reporting period, which is based on the figures audited by RSM GmbH Wirtschafsprüfungsgesellschaft Steuerberatungsgesellschaft GmbH ("RSM GmbH") and adopted the respective resolutions. The annual financial statements were presented and discussed in detail with regard to the balance sheet, profit and loss account and cash flow statement. The business developments of Vectron and acardo in Q1 2023 were presented as well as the first projections for the further course of the year and the executive board's recommendations regarding the cooperation between the two companies resulting from the merger project following the acquisition of acardo. Further resolutions adopted by the supervisory board pertained to the final version of the executive board member employment contract for Christoph Thye, the approval of the right of the members of the executive board of Vectron, Thomas Stümmler and Dr. Ralf-Peter Simon, to appoint themselves as members of the supervisory board of acardo group AG in their roles as representatives of the annual general meeting of the same company as well as the resolution to hold the annual general meeting of Vectron Systems AG planned for 13 June 2023 as a physical meeting. This supervisory board meeting was attended by the following persons:

  - Prof. Dr. Dr. Claudius Schikora (chairman), in person
  - Thorsten Behrens, (deputy chairman), in person
  - Jürgen Gallmann, per video call,
  - Andreas Prenner, per video call.

- At the extraordinary supervisory board meeting on **26 April 2023**, which was held as a video conference call, the final annual financial statements for 2022 were presented by the auditors, RSM GmbH. It was explained that the annual and IFRS financial statements of Vectron Systems AG give an accurate view of the actual assets, financial position and profit position of the company in accordance with the principles of proper accounting. The management report is consistent with the annual and IFRS financial statement and provides overall an accurate picture of the company's situation and accurately presents the opportunities and risks of future development. Following the audit of the annual and IFRS financial statements of Vectron Systems AG for the financial year from 1 January to 31 December 2022, an unqualified audit opinion was issued on 28 April 2023. With this in mind, the supervisory board diligently checked and approved the annual financial statements and management report and also resolved the report by the supervisory board. Finally, the supervisory board resolved to once more recommend RSM as the auditor of the consolidated financial statements for the current financial year 2023 to the annual general meeting, based on the offer provided. Finally, the invitation to the annual general meeting, which was planned for 13 June 2023, was also approved. Further topics of the meeting comprised the presentation and analysis of the Q1 2023 results as well as the respective year-end forecast for Vectron and acardo as well as the consolidated forecast, and finally also the recommendation of the executive board to extend the D&O insurance policy to include the newly expanded Vectron Group and to change the insurer. In terms of acardo, operating challenges and solution elements were discussed that were created and/or became necessary in connection with the change of key business processes. This supervisory board meeting was attended by the following persons:

- Prof. Dr. Dr. Claudius Schikora (chairman), per video call,
- Thorsten Behrens, (deputy chairman), per video call,
- Jürgen Gallmann, per video call,
- Andreas Prenner, per video call.

- The regular supervisory board meeting on **13 June 2023**, which was held directly after the annual general meeting, started with a review of the annual general meeting and contributions by the shareholders regarding various topics. The results of the individual companies and the Group as of April 2023 were discussed in detail. They appeared to confirm that the half-year result fell within the guidance. One of the focal points was once again the operative challenges related to the change of acardo's processes, which made it necessary to intensify the project work, including the engagement of additional external competences. The initial experiences of the executive board gained from the newly launched lead management initiatives were presented to the supervisory board. Additional topics referred to the further development of the cooperation with the payment processor, Epay/transact, an update on the expansion of the D&O insurance policy as well as a review of the total existing insurance cover of the group companies that had been previously announced by the executive board, to which the supervisory board had no objections. This supervisory board meeting was attended by the following persons:

  - Prof. Dr. Dr. Claudius Schikora (chairman), in person,
  - Thorsten Behrens, (deputy chairman), in person,

  - Jürgen Gallmann, in person,
  - Andreas Prenner, in person.

- At the extraordinary supervisory meeting on **3 August 2023**, which was held as a video conference call, the supervisory board discussed the recommendation by the executive board that for the purpose of contacting suitable strategic partners, the global M&A consultants, Stephens Europe Limited, a company specialised in this field, should be engaged. Following an in-depth discussion of the basis of the resolution presented by the executive board, the supervisory board approved this measure. The deputy chairman of the supervisory board, Thorsten Behrens, announced his resignation from his position due to his activities as managing director of Stephens Europe Limited and to avoid potential conflicts of interest, including speculations by third parties in this respect. He handed in his resignation on 11 August 2023 with effect as of 11 September 2023. On 11 August 2023, the executive board also formally appointed Stephens Europe Limited. This supervisory board meeting was attended by the following persons:

  - Prof. Dr. Dr. Claudius Schikora (chairman), per video call,
  - Thorsten Behrens, (deputy chairman), per video call,
  - Jürgen Gallmann, per video call,
  - Andreas Prenner, per video call.

- At the regular supervisory meeting on **14 September 2023**, the half-year financial statements presented by the executive board (individual companies and group) were discussed in detail. Based on this and supplemented with the end of month results for July 2023, the supervisory board presented the forecasts for the results of the full year. Despite earnings developments being slightly above the budget, the executive board forecast considerable uncertainties for the remaining months, meaning that there was no need to adjust the guidance that was last approved at the annual general meeting. The supervisory board was further informed about the planning of the activities regarding the annual financial statements 2023, the further intensified lead management measures, which primarily serve to systematically increase recurring revenues, and finally the status of the expansion of the D&O insurance policy. The supervisory board and executive board acknowledged the previously announced resignation of the supervisory board position of Thorsten Behrens as of 11 September 2023. The supervisory board then elected Andreas Prenner as the new deputy chairman of the supervisory board. With its three members, the supervisory board remains fully able to act and adopt resolutions in accordance with the law and articles of association, which is why it was decided not to appoint another member prior to the next annual general meeting. According to a lawyer's opinion, this ad-hoc change to the supervisory board does not have to be reported. This supervisory board meeting was attended by the following persons:

- Prof. Dr. Dr. Claudius Schikora (chairman), in person,
- Andreas Prenner (deputy chairman), in person,
- Jürgen Gallmann, in person.

- At the final regular supervisory board meeting on **12 December 2023**, the quarterly results as of October 2023, the current business situation, the development of the individual business fields and the progressing change of the acardo business processes were explained and discussed in detail. The executive board presented its forecast of the full-year results (individual companies and Group) and requested for the supervisory board to approve the recommended pro-rata issuance (50%) of the inflation balancing premium to the Vectron employees that would be payable with the December salaries. After diligently analysing the effects on earnings and liquidity, the supervisory board approved this measure, which impacts Vectron's earnings by around EUR 200,000. The supervisory board confirmed that the consolidated earnings as of 31 December 2023 would be highly probable to fall within the guidance. Due to a large number of sick days taken and other prioritised topics, particularly due to comprehensive preparations for the audit of financial statements, the supervisory board only presented a basic budget consisting of sales, revenues and DB1 as well as the assumptions for financial year 2023 that form the basis for this budget and announced a full budget presentation in January 2024. Further topics included the status of the annual financial statements audit activities that had already commenced as well as further plans for individual steps up to the presentation of the annual report and the auditor's unqualified audit opinion that is the aim, and finally also the latest updates on strategic projects as well as the conclusion of the extended D&O insurance policy as well as cyber insurance policies. Finally, the supervisory board would like to thank the executive board and employees for the completion of the turnaround since the close of the loss in financial year 2022 as well as the earnings generated from attractive digital services and recurring revenues. This supervisory board meeting was attended by the following persons:

  - Prof. Dr. Dr. Claudius Schikora (chairman), in person,
  - Andreas Prenner (deputy chairman), in person,
  - Jürgen Gallmann, per video call.

Executive board and supervisory board have issued a compliance declaration pursuant to Section 161 AktG [German Stock Corporation Act]. This is 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. No committees were set up due to the small number of supervisory board members (four; three persons since September).

NEXIA GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Düsseldorf, formerly RSM GmbH, audited the single financial statements of Vectron Systems AG and acardo group AG, which were presented by the executive board for financial year 2023, as well as the consolidated financial statements, including the summarised single and group management reports, and issued them with an unqualified audit opinion. Nexia GmbH Wirtschafsprüfungsgesellschaft, Steuerberatungsgesellschaft performs this order as the universal successor of RSM GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft. The annual auditor reported orally on the audit at the supervisory board meetings on 17 April 2024 and 07 May 2024 and was available to the supervisory board for supplementary information.

Following the audit of the single financial statements and consolidated financial statements (balance sheet, profit and loss account, notes and summarised single and group management report) of Vectron Systems AG, the supervisory board approved the result of the annual auditor's audit and the annual financial statements. The annual financial statements were thus approved.

The supervisory board thanks the executive board and all employees of the company for the successful work undertaken in the challenging financial year 2023.

Münster, May 2024

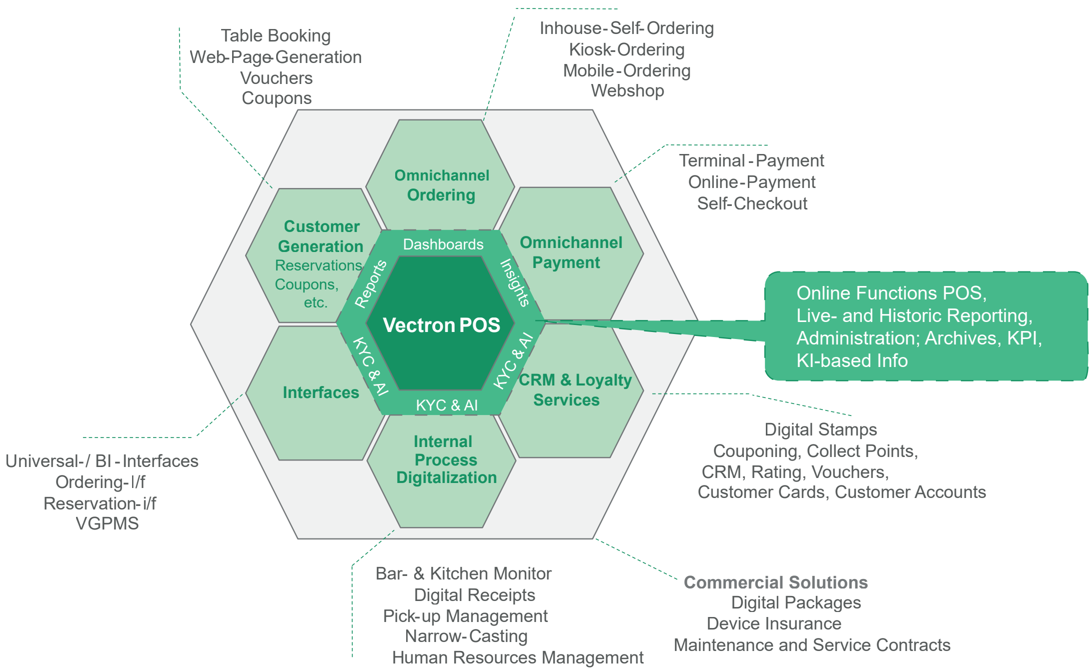
For the supervisory board

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

Company and market

Vectron

Vectron is a leading European provider of POS systems, POS software, apps as well as digital and cloud-based services. 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. Starting in 2013 with bonVito, we now also supply our customer base with a growing portfolio of digital added-value services. Since the 2000s, we have been driving this development, which is shown in the following chart.



Our sales activities have an international focus and are generally processed via a close-knit network of about 300 specialist trade partners, of which around 150 operate in the German-speaking region, who also take care of direct customer service. These indirect sales are boosted by regional sales representatives and a continuously developing customer service. State-of-the-art ACD, ticketing and CRM systems have been added in the meantime. The majority of service enquiries from our POS operators are resolved directly by local specialist trade partners. We always used to provide most of the second level support for operators and specialist trade partners directly. As a result of the expansion of our digital value-added services and the related increasing number of enquiries and service cases, it is important to also provide state-of-the-art, effective and efficient solutions for POS operators, which we are realising in the form of the above system launches, etc. The systems further enable us to analyse the service processes by topic, cause, quantity and temporal spread and to adapt to the dynamic development of demand, as planned, meaning that we also continue learning at all times.

As in the previous two years, our target industries and we, as a POS system provider, are experiencing accelerating, significant changes. This increases uncertainties in the budget. In addition to tightening fiscal requirements, the effects of the Coronavirus pandemic and digital transformation, we also regard worrisome foreign policy events, energy shortages and rising inflation as well as political decisions made by the government as main factors. One of the consequences of this development is the continuously increasing pressure for digital solutions that make it possible to meet existing demand with fewer and sometimes less well trained employees at lower costs. Both we and the other companies in our target industry are experiencing this pressure to optimise. 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) 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 may no longer be used since 1 January 2023. Violations of the new provisions for the operation of POS are an administrative offence that may incur a fine of up to EUR 25,000.00 notwithstanding any potential consequences under tax law.

It was nevertheless expected once again at the end of 2023 that a significant number of POS operators have not yet complied with this obligation.

Real – in other words price-adjusted – sales in the German hospitality sector in 2023 were up by around 1.1% according to estimates by the Federal Statistical Office. Nominal sales were even 8.5% higher. These figures indicate a positive trend despite sales still falling 11.3% short of the figures in the pre-Coronavirus year 2019. The hotel sector, in particular, generated strong real sales growth of 4.5% and nominal sales growth of 10.8% (source: destatis.de, de.statista.com).

2020 and 2021 were the lowest sales years in the gastronomy sector since the beginning of the time series in 1994, but 2022 and 2023 were also far from "back to normal". The effects of the continuously difficult and hard to plan general conditions remain significant and their extent can only be estimated with a great degree of uncertainty.

Despite a healthy amount of ambition, our budget for 2024 and beyond reflects these uncertainties. We aim to meet all of our budgets so as to further strengthen the trust in our performance and shares. It is therefore important for us to drive the digital value-added services and that we also organically and inorganically grow into other market segments and business models. The acquisition of acardo in January 2023 served this purpose. We are deliberately focussing, or are continuing to focus, on further strategic options and maintain a regular exchange with our supervisory board for this purpose.

Digital transformation means the increasing use of digital services in the gastronomy sector, such as company websites, online portals, online ordering, online table reservations, voucher cards, point collection systems, e-payment types, online guest feedback, online dialogue with consumers and finally also the IT, and increasingly also AI, based optimisation of internal processes in the respective companies. This includes, for instance, employee scheduling, payroll accounting, purchasing budgets, production process management in the kitchen and at the bar, etc. It is still common practice to conclude individual contracts for each service, resulting in more contact persons, more invoices, ncessary devices in addition to the POS and generally increased costs per functionality for the companies. In addition, each system works differently and a lack of POS integration often also means that several entries have to be made for one figure, which also costs more time and is prone to errors.

Gastronomy business owners therefore expect future digital products to ideally provide them with just "one integrated" solution that covers all of the key functions mentioned above in one consistent user interface with seamless data integration and also provides single sign-on (SSO), single check-out and many other advantages. They further expect, ideally not to have to operate any additional hardware and to exploit the advantages of "one contract and one invoice".

We are consistently aligning our business models and development focus so as to meet these expectations in the market. Vectron is thus developing into a full solution integrated services provider and has already made progress in its transformation from hardware manufacturer to the provision of the services mentioned above. We already provide fully integrated POS and service solutions from one source and are continuously developing these further with ambitious targets. It looks likely that our recurring revenues from selling and operating the above digital services will already exceed 50% in the first half of 2024.

The effects of the Coronavirus pandemic, Russia's war against Ukraine, energy shortages, price hikes and the feeling of increasing threats and uncertainties, which had already severely impacted the willingness to consume and invest in 2022, remained an issue in 2023 both in the key German market and the rest of Europe. It is to be expected that the companies in our focus segments, gastronomy and bakeries, will remain reluctant to complete major investments in the foreseeable future. We are therefore only planning a slight year-on-year rise in the sales of new POS whilst we will be focussing our product development and marketing strategies on retrofitting products and services and/or existing customer penetration with the above-mentioned digital services, which will boost both sales and earnings growth.

In addition to its established target segments, Vectron also addresses small retailers and service providers as well with a new generation of compact all-in-one hardware. Following the withdrawal of Casio and Sharp from these segments, a new business filed is opening up for Vectron.

In addition to this development, we are also preparing the existing digital services for application in our key European foreign markets in order to generate the former foreign sales figures once more over time. We are consistently continuing our investments with this aim in mind.

We notice that customers' demand for sales and efficiency-boosting "technology", in other words digital services, continues its dynamic development. Even though online delivery services, ordering and payment systems as well as other process automations have been available in the market for years, they are only now starting to become more popular. The challenging general conditions in the previous years acted, and continue to act, like a catalyst for the spread of digital services. We confirm our conviction 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. With this in mind, it remains 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.

acardo

On 1 January 2023, Vectron acquired acardo group, one of the leading shopping activation providers in Germany. acardo has been developing innovative marketing technology solutions and sales promotion concepts for key industries, such as food retailers, drug stores, non-food stores, entertainment businesses and healthcare facilities, for more than two decades and brings all of this expertise to the table.

The business model is based on coupons and cashback offers that are published as purchasing incentives for consumers within the company's own reach – e.g. the Scondoo App – and also through partners – e.g. retailer apps. acardo provides its customers with an all-in-one service, from concept to technical implementation and clearing, in other words the settlement of discounts.

The food retail, cinema, pharmacy and gastronomy sectors are each facing their own difficulties, such as the changed purchasing behaviour of consumers, tough price negotiations between manufacturers and retailers, dumping of manufacturers, increasing digitisation, lack of movies produced by Hollywood and last but not least lack of qualified employees.

In the past, the acardo services proved to be resistant to crises. acardo provides manufacturers, movie rental companies and retailers with almost one-of-a-kind options to activate consumers and at the same time supports acceptance points (such as retailers, pharmacies and cinemas) with efficient and cost-effective coupon redemption processes. Consumers also regard savings offers as especially attractive, particularly during difficult times.

Food trade

acardo supports a stable customer base of manufacturers and retailers in the food retail sector. 2023 was impacted by an important change in the coupon clearing processes; coupon funds (face values) are now paid in and out by a BaFin-certified payment institution. This organisation sets up a trust account for each acardo customer. The new process was agreed in advance with BaFin and creates additional security for acardo customers.

The check-out couponing network was also expanded – an important change. During check-out couponing, coupons for the next purchase are printed at the bottom of the receipt. Coupons are issued based on the current basket, which provides attractive targeting options, both for manufacturers and retailers. acardo was able to encourage retailers into making important decisions so as to considerably expand the network as from 2024.

Pharmacies / OTC manufacturers

Compared with the food retail sector, there is still a great need to catch up with digital and effective shopping marketing instruments for the marketing of OTC manufacturers. Linking as many pharmacies as possible to acardo's electronic coupon clearing is one of the bases for achieving this. In 2023, acardo made considerable progress and increased the number of electronically linked pharmacies from 3,800 to more than 6,000. This will form the basis for more sales promotion campaigns and facilitate new concepts in this regard, such as a digital customer card for pharmacies.

Cinema

The cinema sector has almost entirely overcome the Coronavirus crisis, despite current cinema visits still falling below pre-Coronavirus numbers. To promote cultural organisations, the German government launched the KulturPass in the summer of 2023, which promises a credit balance of EUR 200 in an app to young adults. acardo is the exclusive provider for the cinema sector and has integrated almost all German cinemas in the KulturPass app. As part of these activities, acardo increased the number of electronically linked cinemas from around 560 to more than 800, which basically means that the entire cinema market is covered. Plans are to use the expanded network for digital sales promotion concepts (such as cinema coupons via Instagram).

couponplatz app

The cooperation between acardo and Vectron started successfully in 2023. At the Internorga 2024, for instance, a connection for operator coupons generated through the "new" "myVectron" platform was premiered.

Joint outlook

Vectron acquired acardo with the aim of tapping new income sources. We are confident that this will reduce our dependence on previous market segments and business models and accelerate the growth of recurring revenues. We regard ourselves as well-positioned for further growth, both in our previous core segments and new price-sensitive market segments as well as, in particularly, in the digital services industry. acardo plans to acquire market shares through factors such as the discontinuation of a competitor.

The cooperation between the companies has been developing within the bandwidth of conservative expectations up to now. The first joint products are expected already in 2024. These will focus on tapping recognised market and income potentials. In accordance with the purchase agreement of December 2022, the companies will be continued independently to a large extent until the earn-out purchase price component will be determined in the summer of 2026. Even though this does not generally exclude the tapping of potential cost synergies by merging certain functions or purchased services, it will require corresponding agreements with the sellers. The management is focusing on the consistent further development of both companies as “stand-alones” as well as the tapping of market synergies, which are expected to generate the by far largest part of joint income potentials.

We are already working on tapping these market synergies. Up to now, digital coupons and wallets have not been widely popular in Vectron’s existing target segments, with the exception of the system gastronomy and large bakery chains sectors. Plans are for joint product developments to target these exact sectors to enable the respective operators to run largely externally financed advertising (footfall and frequency drivers), the industry (fast moving consumer goods – FMCG – breweries and other drinks manufacturers) to run directly measurable advertising with significantly fewer stray losses and consumers to easily finding and using the restaurants, clubs, leisure facilities, bakeries, etc. that are participating in the digital couponing system. These digital coupons systematically save costs for the customers.

Brand new business models are arising from the use of (anonymised) data, which give a transparent view of the direct effects of advertising measures and indirect sustainability of consumption control almost in real time and can therefore supplement, and even partially replace, other market research types and costs. We expect that the industry, especially brand product and drinks manufacturers, are willing to pay material amounts for the information that can be harvested from Vectron’s and acardo’s joint databases. Negotiations have been ongoing in this respect but are not currently being advanced as a matter of priority at present. The focus is on completing, successfully marketing and reliably operating the above-described products and services.

Products: Vectron

Our service portfolio includes POS systems, POS software, apps, digital and cloud-based services as well as payment services that are sold under the brand names Vectron, Duratec, posmatic and bonVito.

POS systems, software and peripheral appliances

Our historically grown core business that has served us well in the market for decades is based on sales through qualified specialist trade partners. We sell high-quality, technically innovative, stationary and mobile POS systems under the Vectron brand name. The service portfolio is completed by peripherals such as customer displays, payment terminals, scanners, scales, etc.

The POS software has been developed in-house; it is 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 as well as on strong simplification and ease of learning, particularly for user interfaces. We take into account current trends such as the integration of smartphones as ordering device. We integrated the bonVito online services in Duratec POS systems as well.

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 not only in Germany, but also abroad.

We offer a sales promotion model, called “leasing“ to simplify matters, 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. We discontinued all of our own hardware development activities and manufacture by mid-2023. However, we are continuing to provide services for the systems sold by us to ensure that the devices manufactured by us will continue to provide operators with reliable service for years to come.

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 explained above, our budget for 2024 plans to increase the share of recurring revenues to more than 50% of total revenues.

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.

New hardware products in 2023:
- The new mobile POS M4 Pay hardware

Planned hardware products in 2024:
- Vectron POS Life, a new POS solution for small retailers
- Vectron POS 8, the successor of the current Vectron POS 7
- Launch of a new bar and kitchen display system (hardware and software)

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 in addition to 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 at the same time making it more efficient. We particularly address our customers' increasing requirements for acquiring and retaining employees. We are already 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 new and existing digital services and earnings that can be generated with them. The acquisition of acardo Group in January 2023 aimed to further strengthen this development and to create a strong pillar in addition to our traditional core business.

The following new software products, i.e. digital services, were launched in financial year 2023:

- Gastronomy businesses with and without table service profit from in-house ordering solutions (such as QR code at the table, per ordering station, etc.)
- A SoftPOS solution that facilitates cashless payments without an additional hardware component (namely a payment terminal) was launched in Austria. It was also provided as part of the new POS M4 Pay in this country.

The following new digital product launches are planned in 2024:

- An integrated, easy to use reservation module via the Vectron-Cloud
- Kitchen video and/or bar/kitchen monitors, which were provided through a cooperation partner up to now, will be available from Vectron directly and replace physical receipts in the production areas of the gastronomy sector
- Order kiosk solutions like those used in fast food chains
- In addition to the mobile self-ordering and stationary kiosk solutions, an

optional self-checkout option will also be implemented, enabling consumers to order directly and complete their orders with online payment
- An integrated consumer app will be provided in cooperation with acardo for intensifying customer retention and consumption activation
- Improved e-commerce payment
- Online reservations where customers can trigger reservations at our operators through digital enquiries
- Adding an online ordering module to our ordering solution. This enables our operators' customers to place orders for delivery or collection online
- Improved myVectron operator portal dashboard with additional KPIs for our operators to make it even easier for them to manage their operations through the portal
- SoftPOS payment for POS M4 Pay for Germany and the Netherlands
- Marketing of our digital myVectron solutions in other European countries

New digital services

We provide various digital services, some of which can be purchased individually and increasingly also in packages. These include a reporting app, which provides comprehensive almost real-time data on business development, an ordering solution, loyalty solutions (customer retention programmes), 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 three categories that

- Provide our users with additional customer frequency,
- Increase the value of existing customers over their lifecycle, and
- Optimise the processes in the users' operations and enable users to make better decisions on the basis of data analytics and artificial intelligence.

Some services are included free of charge in the sale of a POS for a certain period 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 ordering additional services at a later date.

The number of digital packages increase from 10,000 contracts at the beginning of 2021 to almost 17,000 contracts at the end of 2021. At the end of 2022, we had 19,500 contracts, which rose to 22,000 contracts by the end of 2023. From the beginning of 2021 to the end of 2023, the number of contracts therefore increased by around 30%. These figures confirm the demand in the market and also the success of our strategy.

We also expanded our payment product portfolio and launched new cloud tariffs. In 2023, payment revenues thus increased to EUR 2.4 million (previous year: EUR 1.5 million), a positive development. In 2023, we significantly increased total recurring revenues in all categories to EUR 13.2 million (previous year: EUR 9.0 million), which confirms the effectiveness of our digital strategy regarding growth, robustness and predictability of our business development.

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.

In 2021, bonVito was merged with Vectron Systems AG and has since been a brand of our company. In 2023, bonVito generated sales of around EUR 2.7 million (previous year: EUR 2.4 million).

At year-end 2023, we had contracts with a total of more than 7,800 branches and sold approximately 13 million customer cards. Of these, around 70% were used at least once by the operators and consumers.

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). In 2023, posmatic generated sales in the amount of EUR 330 thousand (previous year: EUR 328 thousand).

Overall, we only managed to increase recurring revenues in 2023, 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.

Both sales and earnings at the end of 2023 therefore came in at the upper end of the communicated expectations, partially also due to one-off effects.

Outlook

We expect that Vectron's share of recurring sales will increase further and for the first time exceed one-off sales (POS and peripherals) during the course of the current reporting period. One-off sales are planned to increase slightly year-on-year with an increasing share of lower-priced POS in total POS sales.

acardo expects to generate sales of around EUR 11.8 million in the balance sheet under German commercial law for financial year 2024 and operating income (EBITDA) of around EUR 2.8 million. Key earnings drivers are three new EDEKA regions with around 3,500 branches (as reported). Further increases are expected from the withdrawal of a cooperation partner from the German market as well as in the cinema and pharmacy sectors. There are no plans in the near future to merge the organisational processes of both companies. In 2024, plans are to launch the first joint product, which will also open up access to gastronomy businesses for FMCG brand product manufacturers with their digital coupons. In addition to this functionality, gastronomy businesses will also be able to provide and process their own coupons through the popular acardo mechanism.

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 get through the current situation, which is difficult for us as well as all other companies, in a structurally stronger position.

We monitor our cost situation and liquidity development and continue to prioritise topics that serve recently uncovered market potentials, expand the product portfolio of our specialist trade partners and therefore boost both sales and earnings growth. Management remains optimistic for the future and expects the digital transformation in our target sectors to continue to speed up.

In addition, the cost-reduction measures, which were initiated by Vectron in 2022 and developed their full effect in 2023, improved the cost situation. Personnel expenses were thus reduced by more than 26%, from EUR 10.6 million to EUR 7.8 million.

Taking into consideration the acquired acardo business, we expect consolidated (EBITDA) profit in 2024 ranging between EUR 3.0 million and EUR 4.4 million.

With cash and cash equivalents in the amount of EUR 8.8 million at year-end, which were not offset by any bank loans, we are confident that we have sufficient capital for continuing the investments in restructuring the business model with focus on recurring revenues. We do not rule out further capital measures, depending on the market situation and additional growth opportunities.

Summarised single and group management report

as of 31 December 2023

VECTRON

Contents

1 Business performance

1.1 Basic information on the group

Vectron Systems AG (hereinafter also referred to as “group”), together with its group companies, Vectron Systems AG (hereinafter also referred to as “Vectron”), posmatic GmbH (hereinafter also referred to as “posmatic”) and acardo group AG (hereinafter also referred to as “acardo”), is a leading European provider of intelligent POS systems and leading German provider in the couponing and cashback markets. Vectron acquired all of the shares in acardo group AG and acardo activation GmbH at the beginning of 2023 and drives the integration of product components within the newly created group. In the reporting period, acardo activation GmbH was merged with acardo group AG with effect from 1 January 2023.

The product solutions of Vectron 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 customer solutions range from single POS installations to chains with more than 1,000 POS.

In particular, acardo provides services within the scope of couponing and cashback campaigns run by customers (such as brand product manufacturers) in collaboration with retailers, pharmacies and cinema operators. These services include preparing retail POS systems for these campaigns (setup services) and handling the clearing process where acardo’s customers pay settlements to retailers, pharmacists and cinema operators.

The annual financial statements of Vectron Systems AG are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG). The consolidated financial statements are prepared in accordance with Section 315e HGB and the International Financial Reporting Standards (IFRS). The group management report fundamentally corresponds with Vectron’s single management report.

Due to the initial preparation of the consolidated financial statements without the option to reference to comparable previous year’s figures (in particular, no IFRS reporting at acardo for financial year 2022), no previous year’s figures are stated. Comparisons with the previous year’s financial statements are the exception and are clearly marked.

1.2 Overall economic development

The overall economic development in 2023 was impacted by a variety of challenges and growth opportunities that were influenced by various global and local factors. The key factors include the continuing effects of the Covid-19 pandemic, geopolitical tensions, particularly the war in Ukraine, inflationary pressure, the central banks' interest rate decisions as well as progress regarding the digital transformation and green economy.

The attacks of the Huthi rebels on cargo ships in the Red Sea also cause difficulties and stress on the supply chains of European companies. There is no end in sight to Russia's war against Ukraine, whose extent and effects also affect the German and European markets where we focus our marketing activities.

In 2023, the German gross domestic product, adjusted for price, decreased slightly by 0.3% year-on-year. Whilst the gross value creation decreased in the manufacturing industries, most service industries boosted the economy. The gross value creation, adjusted for price, in the whole economic sector of retail, traffic and gastronomy decreased by 1%. The total gross value creation, adjusted for price, decreased slightly by 0.1% in 2023. Private household spending on consumer goods also decreased by 0.8%, adjusted for price, and once more drifted further away from the pre-crisis level in 2019 (decrease of 1.5%), which could be primarily due to the high consumer prices. Investments in construction projects also decreased by 2.1%, adjusted for price. High construction prices as well as a steep rise in construction period interest impacted this sector. The labour market remained slow but robust in 2023. The number of working persons increased by 0.7%. This was due to some degree as well to the immigration of foreign workers. Nearly all of the new jobs were created in the service industry.

The forecast from 2024 remains cautiously optimistic whilst the recovery in some regions will be slowed down by continuing uncertainties and potential external shocks. Both companies and governments are faced with the challenge of finding the right balance between growth, combating inflation and implementing sustainability targets. The ability to flexibly adjust to changing conditions and invest in pioneering technologies and practices will be crucial for ensuring long-term success.

The core segments of Vectron continued to developed differently in 2023: According to the Federal Statistical Office, sales in the "bakery and sweets retail sector" (approximate value for the bakery industry chart) were up by +2.3% in nominal terms and down by -3.3% in real terms year-on-year in 2023. This was primarily due to the rate of inflation of 5.9% in 2023.

Whereas the gastronomy sector experienced a significant increase in customer demand in 2022 following the rescission of the Coronavirus restrictions, the situation changed in 2023, particularly toward the end of the year, due to factors such as the rescission of the VAT relief for gastronomy businesses. The gastronomy business grew by 1.1% in real terms compared with 2022 and sales increased nominally by 8.5% year-on-year. Compared with the pre-Coronavirus year 2019, real sales in the gastronomy sector in 2023 decreased by 11.3%, whilst nominal sales increased by 8.8%. In the gastronomy sector (pubs, night clubs and bars), on the other hand, real sales decreased by 0.9% compared with 2022 and thus fell 12.9% short of the figures in 2019. The real sales of restaurants, eateries and snack bars decreased by 1.1% year-on-year and by 10.3% compared with pre-pandemic figures.

In summary, the overall general economic conditions for German customers of Vectron can still 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 also reflected on the provider side. Only few manufacturers are global players in different markets. The majority 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.

With regard to the fiscal requirements (POS Security Ordinance; Kassensicherungsverordnung (KassenSichV) since 1 January 2020), it remains to be expected that a considerable number of POS operators have not yet met their obligation to update their POS systems.

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 online 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. It is likely that these trends will become permanent.

In the food retail sector, couponing and cashback campaigns are highly popular with end customers during difficult economic periods. The principals also profit from the broad effect of the campaigns by reducing the divergence losses of advertising costs and increasing transparency regards consumer behaviour. We continue to expect business volume growth with rising budgets for such campaigns amongst the brand manufacturers.

Brand product manufacturers, especially drinks manufacturers, are also becoming increasingly interested in reaching the gastronomy sector as well with their digital advertising campaigns. This opens up further growth potential for Vectron and acardo.

1.4 Sales and order development

Total group sales revenues of EUR 37,015 thousand fall within the bandwidth of EUR 36 million to EUR 37.8 million that was forecast in the previous year's IFRS single financial statements. The group EBITDA amounted to EUR 3,716 thousand, which is considerably up on the bandwidth of EUR 1.3 million to EUR 2.2 million forecast in the previous year's IFRS single financial statements.

In October 2023, the guidance for financial year 2023 was therefore increased from EUR 1.3 million to EUR 2.2 million to EUR 2.2 million to EUR 3.2 million. The group EBITDA for 2023 exceeded the new guidance. It needs to be taken into consideration in this respect that acardo was faced with considerable challenges caused by the change to a new payment service provider and the launch of trust accounts, which slowed down growth.

After Vectron had fallen short overall of the executive board's expectations in 2022, the trend was much more positive in 2023 – a development to which both Vectron and acardo contributed. These were the key success factors:

- acardo's high EBITDA, which majorly impacted the group's total comprehensive income.

- The "Fit for Future" restructuring programme considerably reduced Vectron's personnel expenses by EUR 2.8 million compared with the previous year's IFRS single financial statements.

- The remeasurement effect of the earn-out liability with a considerable effect on the EBITDA.

- Recurring revenues increased from EUR 8.5 million to EUR 11.2 million (+32%), which continued to overcompensate for a slight decrease in revenues from the sale of POS and peripherals.

As acardo and Vectron continue to generate the majority of their sales in Germany only, around EUR 31,018 thousand was generated in Germany and EUR 3,732 thousand abroad.

Vectron started to differentiate between one-off revenues and recurring revenues. acardo does not make this distinction. Although acardo’s campaigns tend to run for long periods, the difference to Vectron is that the recurring revenues are generally based on long-term contracts. Vectron's growing recurring revenues stabilised earnings at a time when POS sales were falling short of expectations. Vectron continues to expect further recurring revenues growth, also with regard to one-off revenues. Vectron's one-off revenues contributed EUR 12,889 thousand to total sales whereas recurring sales amounted to EUR 11,232 thousand. This confirmed the trend, which had been starting to show in the previous years already, which was driven further. In financial year 2023, recurring revenues already amounted to 47% of Vectron's total sales and continued to grow based on the intensive marketing of digital services amongst existing and new customers. The share of recurring revenues amounts to 30% within the group.

Vectron provides its end customers with a financing model for new POS systems. This sales promotion model is offered by the specialist trade partners. In financial year 2023, new contracts amounted to 4.5% of Vectron's sales (previous year’s sales according to IFRS single financial statements: 4.0%). Demand for the sales promotion model was also impacted by the above-mentioned economic developments.

Vectron’s business model is based on short delivery periods, which is a major bonus for specialist trade partners. Whilst the production of Vectron’s own POS systems at the Münster site was discontinued in mid-2023, the company now procures all of its POS system product portfolio from specialised and reliable providers, especially in Asia, based on continuously developing requirements. Major parts of the hardware portfolio were already purchased this way in the previous years. The key unique selling point compared with the competing POS systems is Vectron's VPOS software. The company continues to develop, operate and continuously optimise this internally. As in the previous year, there were no outstanding order volumes worth mentioning as of the balance sheet date.

acardo uses its deep market penetration and popularity for acquiring new business. acardo significantly increased its check-out couponing network to more than 5,600 branches by acquiring the branches of a competitor that is now withdrawing from the German market. This makes acardo the largest shopper activation provider in Germany and a leading provider of check-out couponing in the German food retail sector.

1.5 Production and procurement

Within the group, a differentiation has to be made between Vectron and acardo in terms of production and procurement. acardo engages in only a few procurement activities due to its business model. The following passage therefore primarily deals with Vectron's situation. Vectron uses the same VPOS user software in most of its POS systems. It can also be used in other sectors than the actual target sectors. Various models and/or model changes and different target industries therefore create comparatively low development, maintenance and support costs.

Until the middle of the reporting period, the hardware production process consisted primarily of the assembly of modules and pre-fabricated components as well as quality controls. Highly sought after device versions were manufactured and stored and even in the traditional business model, the supply of all-in-one systems manufactured to order to key customers through specialist retailers only accounted for part of the sales. Production was discontinued in July 2023. The POS systems are manufactured in Asia according to Vectron's specifications and supplied several times a year as large consolidated orders. To ensure continuous delivery capability and fast reaction times, defined minimum amounts are stocked for all important systems and components. This enables Vectron to keep up its supplies to its specialist trade partners and operators, even when there are delays in the supply chain. Stocks are dispatched as soon as an order is received, meaning that delivery periods are generally very short.

In the past reporting period, stocks were reduced further year-on-year without this impacting the ability to deliver at all times. Procurement was negatively impacted by these two main exogenous factors:

1. Supply bottlenecks amongst the Asian POS system suppliers, and
2. Logistics challenges in the Red Sea.

These are the details:

- Vectron once again experienced POS system supply bottlenecks in 2023, generally regarding electronics from Asia. However, Vectron always remained able to supply its customers despite an overall decrease in stocks held thanks to a diligent procurement policy that budgets for a certain amount of stocks at all times. All orders could therefore be processed and delivered on time. By diligently stocking up on mostly ready-for-use hardware from international manufacturers with proven quality standards, the ability to deliver appears to have been secured going forward as well.

- The procurement situation is also impacted by logistics challenges, such as the more difficult crossing and/or circumnavigation of the Red Sea around the straights between Yemen and the Arabian peninsula. Vectron counteracts the potential risks of late deliveries with a diligent and forward-looking ordering process that accounts for these delays.

1.6 Research and development

Around one third of the staff were once more involved in the new and further development of Vectron products during the reporting period (product development in the areas of product management and software development). A material share of total personnel expenses therefore relates to fundamental new and further product developments. In the reporting period, part of the development services were capitalised for the first time as they met the capitalisation criteria of the relevant financial reporting standards. acardo, on the other hand, mainly optimised the entire process chain, from manufacturer to retailer. These activities focused on the consistent optimisation of existing processed related to the processing of coupons and cashback. In 2023, the bonVito app was further developed and the receipt data analysis (big data) was moved forward in agreement with Vectron.

1.7 HR and social affairs

The group employed an average of 256 persons in financial year 2023. Of this total, 159 persons were employed by Vectron and 97 by acardo. In February 2023, the executive board increased from two to three members due to the appointment of Christoph Thye who is also the chairman of acardo's executive board and who is responsible for this important new business unit within Vectron's executive board since its acquisition in January 2023. Christoph Thye is also the founder and one of the partners who sold acardo to Vectron. acardo’s executive board consists of two members, Christoph Thye (CEO) and Constantin Rack (CIO). The group also employed eight trainees and seven interns and/or working students as of the balance sheet date.

Vectron's executives and key employees can choose to participate in a stock option programme. The current stock option programme was launched in 2020.

No special occupational health and safety incidents (e.g. accident prevention, accidents at work, etc.) occurred within the group during the reporting period. Eye tests and vaccinations are part of Vectron's annual preventive healthcare measures and are offered in cooperation with the company physicians. Vectron also assumes part of the costs for glasses needed in the workplace and also provides its employees with hight-adjustable desks upon submission of a medical certificate. Community events, such as monthly community breakfasts at acardo or evening and leisure events at Vectron complete the group’s initiatives for retaining employees and promoting its corporate culture.

The instrument of reduced working hours was not used in 2023.

1.8 Remuneration system for executive bodies

The executive bodies comprise the executive boards and supervisory boards of Vectron and acardo. The remuneration of the members of the executive boards of both companies consists of fixed and variable components.

Vectron’s executive board remuneration has several special features. One executive board member’s variable component consists of one capped performance-based component in the amount of 3% of the EBITDA (earnings before interest, taxes, depreciation and amortisation). The two other members receive one variable component that consists of so-called phantom stocks. One of the latter member receives a capped target achievement bonus based on EBITDA and a capped bonus for increasing certain sales categories. Two executive board members have access to a Vectron company car. The third executive board member is provided with a company car by acardo, which also pays his regular executive board remuneration.

Vectron's supervisory board receives an annual remuneration, the details of which are explained in the notes to the consolidated financial statements. The remuneration is comprised of fixed and variable components. acardo’s supervisory board does not receive any separate remuneration for these activities. Only two supervisory board members, who retired from their positions as part of the acquisition, received remuneration in the low thousand euros range.

1.9 Other important processes

As a potential addition to organic growth options, Vectron also regularly assesses opportunities and risks from potential strategic partnerships, right up to M&A transactions. In the past reporting period, a material strategic option as well as two smaller potential measures were assessed intensively.

In the digital services business, which is regarded as having particular growth potential, Vectron also assessed “make or buy” options in the form of participations in and/or acquisitions of corresponding providers, usually grown-up companies. In all of the assessed cases, it was finally decided to engage in internal development activities instead.

Vectron will continue to assess inorganic options that secure the company's continued existence as a going concern and its growth.

2 Actual assets, financial position and profit position

2.1 Actual assets (IFRS)

The group’s total assets as of 31 December 2023 amounted to EUR 55,516 thousand. Of this amount, EUR 34,137 thousand pertained to non-current assets which were offset by non-current liabilities in the amount of EUR 26,747 thousand. Current assets amounted to EUR 21,379 thousand, which were offset by current liabilities in the amount of EUR 9,004 thousand.

On the asset side, intangible assets need to be highlighted due to the company acquisition of acardo. As of the balance sheet date, intangible assets in the amount of EUR 22,463 thousand were recognised, of which goodwill amounted to EUR 14,926 thousand. Customer relationships were also capitalised in the amount of EUR 4,603 thousand and technology in the amount of EUR 1,516 thousand (all of the stated figures resulted from the company acquisition of acardo). Cash and cash equivalents amounted to EUR 8,917 thousand.

In financial year 2023, cash and cash equivalents decreased, primarily due to the acquisition of acardo and related ancillary acquisition costs. Severance payments under the “Fit for Future” personnel measure in 2022 also subsequently reduced cash and cash equivalents. Inventories amounted to EUR 3,275 thousand.

Trade receivables amounted to EUR 5,348 thousand (opening balance as of 1 January 2023: EUR 26,042 thousand). This decrease resulted from a change in clearing processes at acardo and the introduction of trust accounts through which the mutual receivables and liabilities could be returned and consequently led to a decrease in total assets. Receivables are comprised of numerous individual receivables from various customer groups and/or customers of Vectron and acardo. The share of Vectron's doubtful receivables decreased slightly in the past year. Factors such as further improvement of debtor management contributed to this development. Regular monitoring and prompt reminders plus mitigation measures ensure that the number of actual bad debts remains low. acardo's doubtful receivables remained unchanged. acardo primarily works with the major food manufacturers (FMCG) whose probability of default can generally be regarded as low. Potential risks are addressed through the formation of individual and general value adjustments. Deferred tax assets amount to EUR 1,239 thousand.

On the liabilities side, the subscribed capital remains unchanged compared with the previous year's IFRS single financial statements and comprises 8,056,514 no-par value bearer shares with one vote each. Total equity amounted to EUR 19,765 thousand.

Total liabilities amounted to EUR 35,751 thousand. The main items within this item are the earn-out liabilities in the amount of EUR 12,520 thousand, contractual liabilities in the amount of EUR 4,499 thousand (of which current in the amount of EUR 500 thousand) from an advertising cost subsidy as part of the acardo acquisition as well as a seller loan in the amount of EUR 2,110 thousand. Within Vectron's operating business, financial liabilities from sale and leaseback transactions totalled EUR 2,797 thousand (of which non-current in the amount of EUR 1,474 thousand and current in the amount of EUR 1,323 thousand) as well as current and non-current liabilities of acardo.

As of the balance sheet date, the equity ratio was 35.6%.

Cash flow from investing activities amounted to EUR -9,828 thousand and primarily included the following items:

- Acquisition of a subsidiary (acardo) EUR -8,760 thousand
- Investments in intangible assets in the amount of EUR -536 thousand
- Investments in property, plant and equipment, particularly operational and business equipment (EUR -532 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 existing operating credit facility did not have to be drawn down. However, the group entered into contractual obligations (recognised in the commercial balance sheet as accrued expenses and deferred income) with a strategic partner to finance the acardo acquisition. The obligations will be repaid over a period of five years.

All financial liabilities of the group companies were always repaid on time by utilising cash discounts where possible. This ensured that the group was able to meet its financial obligations at all times.

At year-end, the group had cash and cash equivalents in the amount of EUR 8,917 thousand (1 January 2023: EUR 13,675 thousand).

In the reporting period, cash flow from operating activities amounted to EUR 7,199 thousand. There are considerable amplitudes here due to a significant decrease in trade receivables, which affected cash and cash equivalents, as well as a corresponding decrease in trade payables, which also affected cash and cash equivalents, at acardo as part of the introduction of trust accounts and consistent receivables and liabilities management. The payment of an advertising costs subsidy (recognised in the consolidated financial statements as a contractual liability) in the amount of

EUR 5,000 thousand further resulted in a considerable increase in cash and cash equivalents.

Cash flow from financing activities amounted to EUR -2,129 thousand, primarily due to the following factors:

- In order to refinance 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 outflows in the amount of EUR 1,975 thousand.

- Refinancing for the sales promotion model in the amount of EUR 1,367 thousand resulted in cash inflows.

- Interest payments for and repayments of financial and lease liabilities resulted in cash payments made in the amount of EUR -1,521 thousand.

At acardo, the change of the clearing payment modalities in financial year 2023 resulted in delays in cash inflow. The resulting liquidity bottleneck was bridged in the short term with a loan from a former shareholder. In the fourth quarter, the bottleneck was resolved and the loan repaid.

2.3 Profit position (IFRS)

The group comprises the two segments, POS Systems (Vectron and posmatic) and “Couponing and Cashback (acardo). POS Systems generated sales in the amount of EUR 26,384 thousand and Couponing and Cashback sales in the amount of EUR 10,631 thousand. The POS Systems gross margin (calculated by dividing gross earnings by sales revenue) decreased from 73.9% to 72.9% in financial year 2023 compared with the previous year’s IFRS single financial statements. The group’s gross margin was 73.5% in the reporting period. The Couponing and Cashback gross margin was 74.9%.

The EBITDA of the POS Systems segment amounted to EUR -111 thousand and the EBITDA of the Couponing and Cashback segment to EUR 1,453 thousand.

The POS Systems sales revenues were comprised of 53% in one-off sales and 47% in recurring revenues in 2023. This material and continuously increasing share of recurring revenues in total revenues reflects the strategic endeavours to become less dependent on one-off sales and to further increase the coverage of fixed costs through recurring revenues. Personnel expenses include wages and salaries as well as employee entitlements for holidays and overtime. In the group, these amounted to EUR 13,535 thousand in 2023.

The group’s EBITDA amounted to EUR 3,716 thousand, of which EUR 2,371 thousand resulted from the subsequent adjustment of the variable purchase price component (Earn Out I and Earn Out II) regarding the acquisition of acardo. Based on the budget for the following years, which was adjusted in 2023, the earn-out payments are expected to be lower, which will reduce the earn-out liabilities accordingly. The corresponding effect was recognised in the EBITDA. The original budget was adjusted due to the change of material business processes at acardo, which was necessary to meet regulatory requirements and delayed some growth measures that had been planned for 2023. These will be implemented in the current year, 2024, with renewed energy. As a side-effect of the delay and the additional costs created by the process changes, acardo’s earnings fell short of the budget and the originally anticipated earn-out obligation decreased as a result. This is accounted for in the consolidated financial statements (IFRS) as of 31 December 2023 in the balance sheet with the so-called purchase price allocation as well as with the reduction of the earn-out liability and resulting material effect on earnings.

Depreciation and amortisation amounted to EUR 3,713 thousand. Of this amount, EUR 1,510 thousand pertained to the amortisation of intangible assets within the scope of the purchase price allocation (PPA) and EUR 876 thousand to the amortisation of rights of use for the office buildings in Münster and Dortmund. 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 -1,449 thousand. The majority of interest income was generated from finance leases for the sales promotion model and bonVito comfort contracts as well as interest income from fixed-term deposits and interest on current account credit balances. Interest expenses primarily include interest expenses in accordance with IFRS 3 from the compounding of the earn-out liability in the amount of EUR 1,607 thousand. Further interest expenses were incurred for various refinancing activities such as sale-and-lease-back transactions.

Vectron's percentage of foreign currency transactions in merchandise purchasing in financial year 2023 was approximately 40% (previous year, in accordance with IFRS single financial statements: approximately 53%). acardo does not have any foreign currency transactions. The EUR/USD exchange rate fluctuated severely once again in 2023. In addition to effects from the different interest policies of the Federal Reserve (“FED”) and the European Central Bank (“ECB”) and varying expectations of inflationary trends, this was mainly due to geopolitical events such as the war in Ukraine and changing expectations with regard to other economic developments. 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. Only in individual cases, invoices are issued in British pounds or US dollars. Following the purchase price adjustments in the previous year, slight adjustments were also made in parts in the reporting period. The majority of sales prices remained unchanged year-on-year.

Earnings before income taxes amounted to EUR -1,446 thousand and the annual loss to EUR -778 thousand.

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

Vectron's total assets increased year-on-year to EUR 30,340 thousand (previous year: EUR 25,847 thousand) due to the acquisition of acardo.

Fixed assets increased from EUR 2,474 thousand to EUR 13,647 thousand, primarily due to the acquisition of acardo.

In current assets, inventories continued to decrease (EUR 3,275 thousand compared with EUR 3,771 thousand in the previous year). Receivables and other assets decreased from EUR 4,162 thousand to EUR 3,569 thousand.

Cash and cash equivalents decreased from EUR 12,575 thousand to EUR 6,246 thousand due to the acquisition of acardo.

On the liabilities side, equity decreased from EUR 20,210 thousand to EUR 19,340 thousand due to the inclusion of the annual loss.

Provisions decreased from EUR 3,192 thousand to EUR 1,999 thousand. This decrease was primarily caused by the use and partial derecognition of the provisions for restructuring measures.

Liabilities increased from EUR 2,444 thousand to EUR 4,501 thousand. The main reason for this development was a seller loan issued by the former acardo shareholders in the amount of EUR 2,110 thousand.

Accrued expenses and deferred income in the amount of EUR 4,999 thousand resulted from an advertising cost subsidy granted in 2023.

Revenues increased slightly to EUR 27,955 (previous year: EUR 27,046 thousand). Inventories changes amounted to EUR -207 thousand (previous year: EUR -970 thousand). Own work was recognised in the amount of EUR 471 thousand in the reporting period. Other operating income amounted to EUR 1,240 thousand compared with EUR 486 thousand in the previous year.

The cost of materials increased slightly more than sales (+3.4%) by 6.5% from EUR 7,699 thousand to EUR 8,200 thousand.

Personnel expenses decreased considerably by 21.7% to EUR 9,775 thousand (previous year: EUR 12,488 thousand) following the completion of the “Fit for Future” measures.

Depreciation and amortisation increased to EUR 918 (previous year: EUR 686 thousand) due to increased depreciation of POS peripherals (EUR 350 thousand; previous year: EUR 61 thousand). Other operating expenses increased by 13.4%, from EUR 10,878 thousand to EUR 12,338 thousand. The sales costs included in this item increased by 8.5% to EUR 5,506 thousand as a result of increased commissions paid to specialist trade partners, primarily due to a significant increase in recurring revenues.

The financial result increased from EUR -86 thousand in the previous year to EUR 56 thousand in the reporting period, mainly due to interest incurred on current account credit balances and fixed-term deposits. Tax income amounted to EUR 853 thousand compared with EUR 252 thousand in the previous year due to positive effects from the accrual of deferred taxes (EUR 729 thousand; previous year: EUR 237 thousand).

The annual loss decreased significantly from EUR -5,184 thousand to EUR -869 thousand.

3 Subsequent events after 31 December 2023

No material events occurred until the date of the preparation of the consolidated and annual financial statements that would require an adjustment of the carrying amounts of assets and liabilities as of the balance sheet date or additional disclosures in the consolidated and/or annual financial statements.

4 Risk reporting

The group maintains a differentiated risk management system, in which both Vectron and acardo participate, for monitoring purposes and for supporting decision-making processes. As from the acquisition of acardo on 1 January 2023, the governance and risk management principles of Vectron have been gradually also applied to acardo.

The individual company segments are assisting with this process, in particular Finance, Legal and Process Management, which is integrated in Enterprise IT. Risk management topics are collected by the executive boards of the respective group company and major risks are reported during executive board and supervisory board meetings. 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 in close agreement with the executive board. The integration of acardo in the newly created Vectron Group resulted in Christoph Thye, the CEO of acardo's executive board, also being appointed as a member of Vectron's executive board. He reports directly to the supervisory board of Vectron Systems AG and engages in a regular exchange with the latter and the other members of the executive board.

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 the previous income model that is primarily aimed at one-off income, except through a corresponding increase in volume. Following the largely concluded waves of fiscalisation measures in Vectron's geographical core markets, organic POS sales growth within existing industries is unrealistic for several years to come. However, this fact is offset by growth opportunities from the marketing of digital services in Germany and abroad.

Whilst Vectron was able to largely remove itself from the general pricing competition in the industry through product-specific unique selling points, this will become even more difficult in the future due to new competitors, changed owner structures amongst established competitors and changing business models. Traditional POS systems are being increasingly marketed under license and/or SaaS models. With this in mind, it is important to continue to consistently develop and expand new business fields – digital value-added services for POS operators, to be precise. This is firmly embedded in Vectron's strategy and operational business planning.

In the reporting period, Vectron achieved further material progress in this respect in its core business. In addition, the acquisition of acardo group in January 2023 considerably contributed to further reducing the dependence on one-off POS revenues.

The special focus on developing and expanding recurring revenues, which was implemented back in financial year 2022, was successful. Recurring revenues continued to increase significantly.

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. The choice, prioritisation and specific features of product developments are therefore continuously adjusted to current findings. 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. 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, is being regarded as continuously challenging. Its further developments and effects are unforeseeable. Even renowned political and conflict experts cannot see an end to the military action. Indirect consequences include a considerable drop in the willingness to consume and invest, also in Vectron's target industries, as well as rising energy costs and selected costs of materials that, however, also have other causes, primarily changes in political policies in Germany and Europe.

The sales and earnings development in the group's target industries will remain affected by this in 2024 and therefore also affect Vectron. The executive board expects the willingness to consume and invest to remain at the current level in the known target industries. It will therefore remain increasingly important to focus on system solutions that provide great functions and top quality as well as the transition to business models with recurring instead of one-off income in order to achieve the greatest possible independence from the political and overall economic developments described above.

The challenges encountered during the procurement of hardware, spare parts and consumables, particularly from Asia, as well as logistics issues regarding the sales paths are explained in Section 4.5 of the management report.

The general economic conditions previously described also pertain to 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, some of them managed by the second generation by now, 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. The specialist retailer structure, which developed over many years, also requires for Vectron to actively support successor management and Vectron ensures that it provides the corresponding assistance. A continuous and regular dialogue with the affected companies ensures that Vectron participates at an early stage in the discussions and is able to support the companies with suitable solutions. Several examples of such successor processes amongst the existing specialist retailers confirm the success of these endeavours. Overall, the executive board anticipates a continuously stable specialist retailer base in Germany and abroad which actively contributes to the ongoing business model transformation and growth ambitions.

acardo's customer base contains only few major customers in the fast moving consumer goods (FMCG) segment, which causes a certain degree of dependence on customers. On the other hand, it is technically difficult and costly to replace the technology used by acardo in the respective POS systems in the retail sector. It is therefore not to be expected to lose key accounts, as particularly in times of high inflation, coupon campaigns are a popular marketing instrument amongst all market participants.

The acquisition of acardo at the beginning of 2023 is also expected to create market synergies between the group companies; acardo provides access to the brand product manufacturers as well as its established business models whilst Vectron has access to around 65,000 branches in the European gastronomy and hospitality sector. These target industries have been difficult to tap until now, especially for the brand drinks manufacturers. The Vectron POS systems now provide them with the opportunity to expand their digital marketing activities into the gastronomy sector. This will provide acardo with access to additional sales potentials and Vectron will gain additional unique selling points and recurring revenues from gastronomy companies (POS operators).

Due to the differences in the business models as well as separate locations, cost synergies are regarded as less material and are therefore not systematically pursued. In financial year 2023, acardo changed its business model so that the clearing process, in other words the settlements paid by the manufacturers to the retailers resulting from couponing campaigns, is no longer processed through the company's accounts but through external trust accounts. This change further reduced the company's liquidity risk.

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. The majority of the risk of falling below budget was thus transferred to the sellers. The originally expected earn-out liabilities decreased in financial year 2023. No risks of a potentially necessary increase in the earn-out liability that would go hand in hand with a negative impact on earnings are discerned at present.

4.2 Process and value creation risks

The group's growth and adjustment processes, particularly for the development of the new business fields and the increase of marketing activities in other countries may lead to the complexity of internal processes increasing, thus leading to loss of efficiency and lack of quality. Vectron therefore integrated its own dedicated project and process optimisation management. A group-wide standardised project management was launched in this context. This standard is being adhered to consistently and is also gradually being implemented at acardo.

The processing and invoicing of digital services is fundamentally complex and prone to potential errors, especially in the case of system breakdown and resulting manual activities. This can have considerable negative effects on sales, revenues and customer satisfaction. Vectron counteracts these risks with the above-stated process optimisation function within the company, which systematically analyses and assesses the business processes, recommends necessary adjustments, particularly automations, and implements these in cooperation with other departments.

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 of construction and organisational measures. In addition, employees receive training on data protection and data security risks as well as their non-disclosure obligations when they first join the company and now also once a year thereafter.

During the course of 2024, acardo aims to get certified in accordance with the ISO 27001 quality standard, which is required by some of the brand product manufacturers. Whilst this standard is not yet required of Vectron by its business partners, Vectron nevertheless aims to develop its own quality management based on the findings and measures from the acardo project. Vectron does not plan its own certification in the foreseeable future as this is not a crucial requirement for its business activities.

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 group. The group therefore aims for an adequately 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. The consistent push toward an increase of recurring revenues is another crucial component of the financial risk prevention policy.

Dependencies on individual, major customers always pose a risk, such as in the case of payment default. However, this risk is low for Vectron at present (Vectron's top 10 customers totalled around 9% of the group's sales in financial year 2023; this figure was around 11% at acardo). 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 Vectron buys a significant share of the material in foreign currency (primarily US dollar), and/or prices are directly impacted by exchange rates, unfavourable exchange rate changes 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. Long-term exchange rate fluctuations are not hedged as this does not appear financially useful in a lot of the cases.

Longer-term business interruption, e.g. as a result of a fire, could have considerable financial costs for the group. Whilst most acardo employees could continue working from home, this would only be possible to a limited extent at Vectron. In particular, it would no longer be possible to supply customers on time from the warehouse in Münster. This risk is financially mitigated as much as possible through a business interruption insurance. However, certain risks, such as force majeure, cannot be insured or would be too expensive to insure to be economically viable.

acardo's receivables decreased significantly due to the change of clearing payment processes. As a result, the counterparty default risk of receivables also decreased sustainably. A large volume of receivables generally bears a higher counterparty default risk. However, acardo's customers are major consumer goods manufacturers with excellent credit ratings which cooperate closely with the company, meaning that the counterparty default risk is to be regarded as low. As Vectron's POS are used in particular in the gastronomy and bakery sectors, which are exposed to greater risks than the economic sector as a whole due to overall economic developments, diligent risk counter-measures have been implemented for years. This applies to both group companies. For instance, Vectron writes off receivables that are overdue by more than 90 days except in justified exceptional circumstances. In the past, both group companies had practically no bad receivables.

In view of the excellent credit ratings of acardo's customers and low counterparty default risk, the liquidity risk is generally expected to be low. Vectron's liquidity risk is also assessed as low in view of the above explanations.

acardo implemented BaFin's general coupon clearing requirements by integrating a payment service provider and the related change to trust accounts.

4.4 Technical and IT risks

The group is highly dependent on numerous IT systems and other technology. Breakdowns, malfunctions, data losses or cyber attacks, which reached a new record high amongst groups and in the meantime also increasingly amongst SMEs in recent years, 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 can 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.

In November 2023, cyber insurance was concluded which covers the group to mitigate potential cyber risks. Brokers and specialist insurers performed risk assessments prior to concluding this policy. Their risk assessment was a requirement for the issuance of the cyber insurance.

4.5 Purchasing and cooperation risks

A price increase for purchased components can result in a narrowing of the margin. To prevent this issue, general agreements and fixed price orders were aimed for in the past. The conclusion of corresponding general agreements is becoming increasingly challenging in the current market environment and in view of the decrease in global purchasing volumes. As the exchange rate trend is used for calculating the fixed price, there is nevertheless still an indirect potential currency risk. The procurement prices and costs continued to increase slightly and 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 slow product sales and 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 products or components, the downtime of a supplier can result in delivery delays. The group's largest single supplier contributed a share of just under 22% of the total procurement volume in financial year 2023. To avoid shortages, minimum amounts of all critical systems, accessories and replacement 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. It needs to be pointed out that Vectron's key system supplier is domiciled in a politically unstable region. The company itself as well as Vectron implement risk prevention measures: The supplier is relocating to other Asian countries and expanding its sites and Vectron procures its materials from a diverse range of sources. This appears to be suitable to prevent the country and supplier risks.

The conflict in the Red Sea, where Huthi rebels are shooting at cargo ships, increases the current supply chain risk. Up to now, longer delivery times have been fully compensated thanks to a diligent and forward-looking warehousing strategy.

4.6 Personnel risks

In view of the increasing lack of qualified employees across all industries, the group may encounter issues with acquiring and retaining qualified employees, which would lead to it becoming impossible to implement and/or operate product developments and sales activities as well as critical business processes and systems as planned and to being unable to exploit related business opportunities.

Vectron and acardo are positioning themselves as attractive employers in the regions of Münster and Dortmund and beyond by deliberately modernising the leadership style toward participation and self-responsibility, by further developing the internal and external corporate communications and finally, by implementing additional training, career support and development measures. Various employee benefits complete the package of measures and form part of further developments. The trusting cooperation with the (Vectron) supervisory board is also playing an increasingly important role in this respect.

The unavailability of key employees can lead to noticeable problems with operations. The fact that it may not be possible to retain these key employees or find suitable replacements in a timely manner if these key employees leave the company is a risk in this respect. In order to promote employee retention, thegGroup places great importance on a good working climate and the targeted promotion of cooperation amongst colleagues.

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 group'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 in cooperation with operators and specialist retailers to ensure that findings in the market flow into these activities as quickly as possible. This further increases the interactivity, agility and, primarily, the needs basis of product development. A new product development process has already been implemented 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.

To ensure the best possible competence and neutrality when further developing its own data protection profile, Vectron outsourced the role of data protection officer to a specialised service provider. The data protection officer reports directly to the executive board, in writing and verbally, to ensure that the executive board obtains transparency of potential risks without delay and detours and is able to assess and implement recommended measures immediately.

Errors can occur in publications that are relevant to the capital market (adhoc 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 “Fit for Future” cost reduction project in 2022, Vectron implemented changes in connection with the deliberate slimming down of its organisation that also affected how almost all of the risk categories described in this report are handled. The executive board and executive employees are trained to recognise the signs of insufficient organisational structures and to intervene to prevent potentially arising risks.

5 Forecast report

5.1 Future sector development

As in almost all industries, a “digital transformation” is also taking place in the group's target industries. In Vectron's key customer segments, particularly in the gastronomy and bakeries sector, numerous developments are taking place, such as the increasing use of digital services. These include the operation of company websites, social media advertising, online portals, online ordering, online table reservations, digitisation of internal business processes of the operators, bar and kitchen monitoring, staff deployment planning, customer orders at self-service terminals, so-called kiosks, or via smartphone, issuance and redemption of voucher cards, point collection systems, e-payment types and guests’ online ratings.

The Coronavirus restrictions, which have been discontinued everywhere 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, which increasingly also includes payment functions. It can be expected that in the future, almost all new and replacement POS will be provided with (integrated) payment functionality.

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, among other things, this is due to the new SaaS business models that are becoming established, which enable increasing recurring revenue from the customer base and significantly increase the length of stay of customers as well as 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.

It is becoming apparent that organic company developments in the industry are increasingly being supplemented with inorganic scenarios. The POS systems industry is becoming more attractive for strategic as well as financial investors.

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. With this in mind, Vectron will continue to closely monitor and assess organic and inorganic growth and technical development opportunities.

The merger of both companies is also providing interesting joint growth potential by improving the links between couponing and cashback solutions with POS services.

5.2 Future product development

The group is divided into Vectron and acardo in this respect. The need for increased digitisation and the comprehensive end-to-end digitisation of coupon and cashback campaign invoicing processes was already pointed out previously.

Vectron's 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 the modernisation of the user interface, in particular, is in the pipeline.

The hardware of stationary POS systems is also being continuously updated.

In financial year 2023, further highly sought after digital services were added to the product portfolio and several existing services were optimised to meet demand. Special attention needs to be drawn to the launch of our SoftPOS solution in Austria in which the payment function is already integrated in the POS system so that no additional payment terminal is required any more.

In financial year 2024, some additional services, such as online checkout, online ordering and table reservations were already launched. Further new products are in the pipeline: Pos M4 Pay and successors of our POS 7 and POS Touch 14 Wide POS systems.

5.3 Future business development

General external political and economic conditions continue to determine the group's immediate business environment and potential development scenarios. The general willingness to consume and invest in the group's key target segments impact business developments. In the POS Systems segment, around 60% of sales was generated in the gastronomy sector, around 30% in the bakeries sector and around 10 % in other industries (as of April 2024 according to the current company evaluations). In the Couponing and Cashback segment, cooperations are maintained with the major FMCG manufacturers (Krombacher, SC Johnson, Aoste, Beiersdorf, Milupa, etc.) as well as with the major retail chains (EDEKA, Kaufland, HIT, Müller und Budni, etc.) with more than 24,000 branches in total. A total of more than 700 brands use the couponing. As the leading couponing and cashback provider, acardo appears to be well positioned to further expand its market shares.

In the POS Systems segment, the operators' willingness to invest depends on the respective willingness of its customers to consume as well as the development of the prices for the required raw materials, pre-products and other services. Vectron is confident that it is well-positioned to directly meet increasing demand. Thanks to the cost reduction measures and constant recurring revenues growth, Vectron retains sufficient cash and cash equivalents to respond even to crisis situations that could endanger the group's existence as a going concern, even after the acquisition of acardo at the beginning of 2023. The EBITDA reflects a positive trend within the group, supported by both segments, POS Systems and Couponing and Cashback. This trend is continuing in 2024, as expected.

In 2024, Vectron expects sales as stated in the commercial balance sheet in the amount of 29.0 million and EUR 35.0 million as well as a slightly positive EBITDA. The group forecasts sales between EUR 41.0 million and EUR 45.5 million, which will result in an EBITDA between EUR 4.0 million and EUR 6.2 million.

It is expected that the POS Systems segment will generate more than 50% of revenues from recurring revenues already in financial year 2024.

In addition to the continued strong market positioning in the couponing and cashback segment, recurring income from digital offers for POS systems will therefore remain the growth driver.

In order to achieve the sales and earnings targets stated in this report, the group needs to continue to consistently focus on and diligently pursue product developments and marketing initiatives as well as further increase potentials of the two group companies, Vectron and acardo. 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, the additional components described above as well as additional digital marketing measures will be provided through and for the specialist retail sector,

- the further development of payment solutions. In addition to attractive packages, all-in-one terminals, which can be used for serving, payment and invoice printing and/or for generating digital invoices (such as via QR code), are gaining in importance.

Potential-driven product developments, the modernisation of our specialist retailer concept, cost awareness and process optimisations go hand in hand with the further development of our corporate and leadership culture. The group will thus continue to be attractively positioned as a group of companies, provider of solutions for its customers, partner of specialist retailers, FMCG manufacturers and retailers, as well as employer of its staff and executives in its segments, POS Systems and Couponing and Cashback.

Münster, 7 May 2024

Vectron Systems AG
The executive board

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

VECTRON


17.07.2020 15:34
Bediener 1
Funktionen
Chef-Funktionen
Korrektur
Storno
Notiz
Außer Haus
Hausbon
Rabatt
Bestellung Start
1 x
Pils 0,5 3,30
1 x
Apfelschorle 0,3 4,00
1 x
Gemischter Salat 6,00
1 x
Gefüllte Tortellini 12,00
Gefüllte Tortellini
12,00
7 8 9 x
4 5 6
CL 1 2 3 Offene Tische
ESC 0 00 ,
Alkoholfrei
Saft
Bier
Weißwein
Rotwein
Sekt
Cocktails
Spirituosen
Heißgetränke
Cola 0,3
Limonade 0,3
Tafelwasser 0,3
Apfelschorle 0,3
Orangensaft 0,3
Pils 0,5
Alt 0,25
Erdinger 0,5
Pinot Grigio 0,2
Spätburgunder 0,2
Merlot 0,2
Gin Tonic
Wodka Bull
Jägermeister 5cl
Fernet Branca 2cl
Espresso
Cappuccino
Pils 0,25
Pils 0,5
Alt 0,25
Alt 0,5
Alster 0,25
Alster 0,5
Krefelder 0,25
Krefelder 0,5
Erdinger 0,5
Erdinger dkl. 0,5
BAR
Zahlung
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VECTRON

VECTRON

IFRS consolidated financial statements

as of 31 December 2023

VECTRON

Contents

Balance sheet

in EUR thousand ASSETS	Note	31/12/2023	01/01/2023
Non-current assets			
Intangible assets	12.1	22,463	23,728
Property, plant and equipment	12.1	600	939
Right-of-use assets	12.1 -12.2	7,097	8,430
Participations	11.1, 5	180	135
Non-current lease receivables	12.3	1,947	1,848
Non-current trade receivables		0	176
Other non-current financial assets	11.3.1	610	641
Deferred tax assets	12.4	1,239	39
Total non-current assets		**34,137**	**35,935**
Current assets			
Inventories	12.5	3,275	3,771
Trade receivables	11.2	5,348	26,042
Receivables from affiliated companies	11.3.1	3	13
Current lease receivables	12.3	1,340	1,416
Income tax receivables		3	9
Other current financial assets	11.3.1	2,288	1,234
Other current assets	12.6	206	1,193
Cash and cash equivalents	11.4	8,917	13,675
Total current assets		**21,379**	**47,353**
Total assets		**55,516**	**83,289**

in EUR thousand EQUITY AND LIABILITIES	Note	31/12/2023	01/01/2023
Equity			
Subscribed capital	13.1	8,057	8,057
Capital reserve	13.2	20,502	20,424
Balance sheet loss	13.3	-8,793	-8,012
Equity		**19,765**	**20,469**
Non-current liabilities			
Non-current financial liabilities	11.6 -11.8	3,674	3,632
Non-current lease liabilities	12.2	6,244	7,509
Non-current provisions	12.9	293	235
Non-current employee benefits	12.8	16	5
Other non-current financial liabilities	11.5	12,520	13,486
Deferred tax liabilities	12.4	0	0
Non-current contractual liabilities	11.9	3,999	0
Total non-current liabilities		**26,747**	**24,866**
Current liabilities			
Trade payables	11.5	3,831	22,241
Liabilities to affiliated companies	11.5	0	20
Current lease liabilities	12.2	963	990
Current financial liabilities	11.6 -11.8	1,323	1,951
Income tax liabilities		665	395
Current employee benefits	12.8	490	1,709
Other current financial liabilities	11.5	955	9,336
Other current liabilities	12.7	276	1,312
Current contractual liabilities	11.9	500	0
Total current liabilities		**9,004**	**37,954**
Total liabilities		**35,751**	**62,820**
Total equity and liabilities		**55,516**	**83,289**

Statement of comprehensive income

The profit and loss account and statement of comprehensive income are identical. They are therefore not reported separately.

in EUR thousand	Note	2023
Revenue	9	37,015
Change in inventories		-207
Material expenses and purchased services	10.2	-9,603
Other own work capitalised		514
Gross profit		**27,718**
Other operating income	10.1	3,102
Personnel costs	10.3	-13,535
Other operating expenses	10.4	-13,213
Expenses/income from the impairment of financial assets	10.5	-349
Other taxes		-6
EBITDA*		**3,716**
Depreciation and amortisation	12.1	-3,713
Earnings before interest and taxes (EBIT)		**3**
Financial income		486
Financing expenses		-1,934
Financial income/expenses	10.6	**-1,449**
Earnings before taxes (EBT)		**-1,446**
Income tax expenses	10.7	667
Annual profit/loss = consolidated profit/loss		**-778**

Earnings per share		
Undiluted earnings per share	10.8	-0.10
Diluted earnings per share	10.8	-0.10

*EBITDA is an alternative performance indicator that is not defined in the IFRS.
No earnings pertain to minority shares.

Statement of changes in equity

in EUR thousand	Note	Subscribed capital	Capital reserve	Balance sheet loss	Total Equity
Balance as of: 1 January 2023		**8,057**	**20,424**	**-8,012**	**20,469**
Annual profit/loss				-778	-778
Total comprehensive income for the period				**-778**	**-778**
Share-based payment	18		77		77
Balance as of: 31 December 2023		**8,057**	**20,502**	**-8,793**	**19,765**

Cash flow statement

	in EUR thousand	Note	2023
	1. Cash flow from operating activities		
	Earnings before income taxes		**-1,446**
+	Depreciation, amortisation and write-downs	12.1	+3,713
+/-	Increase/decrease in provisions	12.9	+58
+/-	Other non-operative expenditures/revenues		-1,913
+/-	Decrease/increase in inventories, trade receivables as well as other assets not allocated to investment or financing activities		+20,779
+/-	Increase/decrease in trade payables as well as other liabilities not allocated to investment or financing activities		-15,670
+/-	Financial result (interest expenses and income)	10.6	+1,449
+	Interest received	10.6	+486
+/-	Tax payments/refunds		-257
	Cash flow from operating activities		**7,199**
	2. Cash flow from investing activities		
-	Cash payments made for investments in intangible assets	12.1	-536
-	Cash payments made for investments in property, plant and equipment	12.1	-532
-	Cash payments made for investments in non-current financial assets		-8,760
	Cash flow from investing activities		**-9,828**
	3. Cash flow from financing activities		
+	Proceeds from financial liabilities	14.2	+1,367
-	Cash payments from the redemption of financial liabilities	14.2	-1,975
-	Cash payments from the redemption of lease liabilities	14.2	-1,194
-	Interest paid	10.6	-327
	Cash flow from financing activities		**-2,129**
	Net increase in cash and cash equivalents		**-4,757**
	Cash and cash equivalents as of 1 January	11.4	+13,675
	Cash and cash equivalents as of 31 December	11.4	**8,917**

Notes

1 General disclosures

Vectron Systems AG (hereinafter referred to as "Vectron") is a stock corporation domiciled at Willy-Brandt-Weg 41, 48155 Münster, Germany. It is the parent company of Vectron Systems AG Group (hereinafter referred to as "group" or "Vectron Group"). It is registered in the commercial register at Münster District Court under commercial register number HRB 10502. The company's shares are traded in the "Scale" segment for SMEs of Deutsche Börse AG. The group'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. acardo Group AG (hereinafter referred to as "acardo") provides specialised services within the scope of couponing and cashback campaigns that are implemented by customers (such as brand manufacturers) in cooperation with retailers, pharmacies and cinema operators. These services include preparing retail POS systems for these campaigns (setup services) and handling the clearing process where acardo's customers pay settlements to retailers, pharmacists and cinema operators. On 1 January 2023, acardo and its affiliated company, acardo activation GmbH (merger in 2023) became part of the group. Vectron acquired all of the shares in both acardo companies at the beginning of 2023 and is pressing ahead with their integration in the newly created group.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union and the applicable provisions under German commercial law in accordance with Section 315e (1) and (3) of the German Commercial Code (Handelsgesetzbuch – HGB). Due to the acquisition of acardo as of 1 January 2023, consolidated financial statements were prepared for the first time at that point in time. posmatic was also included for the first time in the consolidated financial statements.

Vectron Systems AG prepared and published its consolidated financial statements in euros, the Group's functional currency. Figures are rounded to thousand euros unless otherwise stated. Due to rounding, individual figures in these consolidated 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 consolidated financial statements of Vectron Systems AG were approved by the supervisory board and released for publication by the executive board on 7 May 2024.

2 Summary of key accounting policies

2.1 Basis of preparation

2.1.1 Compliance with IFRS

The consolidated 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 consolidated financial statements comply with the IFRS issued by the International Accounting Standards Board (IASB).

2.1.2 Historical cost principle

The consolidated 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 2023 and were not applied early by the group. The group regards the effects of these new provisions on the current or future reporting periods and discernible future transactions as immaterial.

Section 2.22 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 group 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 group 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 consolidated 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 consolidated financial statements on a recurring basis, the Group 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 group 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 group's revenues from customer contracts and leases are explained in note 9.

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 income. In this case, the taxes are also recognised in other income or directly in equity.

2.5 Leases

2.5.1 Vectron Group as a lessee

When concluding a contract, Vectron Group 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 group 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 group has the right to exploit the full economic use from the use of the asset over its entire useful life; and

- The group has the right to determine the use of the asset. The group 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 group has the right to determine the use of the asset if:

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

  - The group 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 group 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 group 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 group 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 group's incremental borrowing rate. The group 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 group is sufficiently assured that it will actually exercise it, lease payments in an optional extension period if the group is sufficiently assured that it will exercise the extension option and penalties payable for the early termination of the lease contract, unless the group 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 group’s estimate of the amount that is expected to be payable within the scope of the residual value guarantee changes, or if the group 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 group 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 group 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 Group as a lessor

Lease contracts concluded by Vectron Group 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 group 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 Group 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 group 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 Group 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 Group 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 Group 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 Group'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.

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

Operating leases
Lease income from operating leases where the group 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 payments received that are primarily unrelated to the cash payments received 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 (FIFO) 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 group 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 group had made the final decision to measure the equity instruments at fair value without an effect on income.

The group 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 group 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 group has transferred all major risks and opportunities arising from the ownership of title.

2.9.3 Measurement

When initially recognising a financial asset, the group 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 group’s business model for managing the asset and cash flow properties of the asset. The group 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 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 group sells part of its trade receivables as part of a factoring agreement (see note 11.2.4). This part of the group'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 group for collecting contractual cash flows are measured at amortised cost. For further information on the recognition of trade receivables, see note 11.2.1 as well as note 11.2.3 for a description of the group’s impairment principles.

2.9.4 Impairments

The group 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 group 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 11.2.3.

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 group 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 15 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 Customer-related and technology-based intangible assets

In connection with the acquisition of acardo, intangible assets in the form of measurements of order backlog, customer relationships and technology were capitalised for the first time. In accordance with IFRS 3, 23 et seqq., customer-related intangible assets are called “customer list” and “contractual and non-contractual customer relationships”. A customer relationship that is not based on a contractual right can be identified within a purchase price allocation (PPA) in accordance with IFRS 3, 24 and IFRS 3, 31 if it can be separated.

In accordance with IFRS 3, 23 et seqq., contractually secured order backlog can be identified within the scope of customer relationships. The contracts for which a secured order volume for 2023 could be identified were recognised for financial year 2023.

In accordance with IFRS 3, 39 et seqq., even internally produced software solutions could constitute intangible assets. The apps developed internally by acardo, such as scondoo, couponplatz and the Add-2-Wallet technology as well as websites on the joint backend system, acardo Promotion Hub, were recognised as such.

The recognised useful lives are shown in the following table.

Asset class	**Useful life**
Order backlog	1 year
“Retail” customer relationship	7 years
“Manufacturer” customer relationship	5 years
“Pharma” customer relationship	5 years
“Cinema” customer relationship	5 years
Technology	10 years

2.11.2 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 depreciation, amortisation and write-downs. See note 2.6 for information on the group’s methods for recognising impairments.

The group 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

2.11.3 Internally produced intangible assets

Internally produced intangible assets resulting from the development activities for new products or the material expansion of existing products and meeting the criteria for recognition were recognised for the first time at Vectron Group in financial year 2023.

The internally produced intangible assets were recognised at the amount of the expenses incurred during the development phase. These primarily pertain to personnel expenses. Research costs are not capitalised and recognised in expenses.

The group will amortise the internally produced intangible assets in a straight line over the following useful lives in the coming years:

Asset class	Useful life
Internally produced intangible assets	3 to 10 years

2.12 Trade payables and other financial liabilities

These amounts pertain to outstanding liabilities for the goods and services received by the group 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 group 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 Contractual liabilities

In connection with the purchase price financing of the acardo acquisition, an agreement was concluded with a strategic partner of the group regarding a multi-year advertising costs subsidy based on a yearly growing business volume. The advertising costs subsidy will decrease in the following years due to commission income from the payment agreements arranged for the strategic partner. See Note 11.9 for further details.

2.16 Provisions

Provisions are recognised when the group 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 payment made for their settlement is determined by considering the group of liabilities as a whole. A provision is also recognised if the probability of cash payment made for individual items within the same group of liabilities may be low, but cash payment made 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.

2.17 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 group balance sheet date using a suitable measurement model (see note 18.). 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 group or if an employee takes voluntary redundancy in return for a severance payment. These benefits are recognised when the group can no longer withdraw the offer of such benefits.

2.18 Government grants

Government grants are stated at fair value if it is sufficiently assured that the grant will be obtained and the group 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.

2.19 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.

2.20 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.

2.21 Share-based payment

Within the scope of the share option plans, the group 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 18.2 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 group 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 group's best estimate.

2.22 Future new standards and interpretations

The consolidated financial statements of Vectron Systems AG comply with all mandatory standards and interpretations that were adopted by the European Union for financial year 2023. All IFRS standards relating to company mergers and consolidation principles were applied for the first time. We refer to the information in Sections 3 and 6. Vectron applied the following financial reporting standards for the first time in financial year 2023:

a) EU endorsement has already taken place

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 consolidated 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 consolidated 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 consolidated financial statements of Vectron Systems AG.

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 consolidated 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 consolidated financial statements of Vectron Systems AG.

New financial reporting standards

The following new standards and interpretations are not yet mandatory for reporting periods ending on 31 December 2023 and Vectron Group did not voluntarily apply them early.

b) EU endorsement outstanding

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

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

The amendments are mandatory with retrospective effect for financial years starting on or after 1 January 2024. Early application is permissible. The Group currently assumes that this will not have any material effects on the consolidated 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 1 January 2024. Early application is permissible. The group currently assumes that this will not have any material effects on the consolidated financial statements.

3 Material estimates and accounting estimates and judgements

Accounting-related estimates that as per definition rarely correspond with actual events have to be made when preparing the consolidated financial statements. The application of the group'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 accounting estimates and judgements is provided in the notes, together with the measurement basis for each affected item in the consolidated financial statements.

Material estimates or accounting estimates and judgements were performed for the:

- Measurement of the earn-out liability from the acardo acquisition – note 4.2
- Measurement of non-financial assets, particularly order backlog, customer relationships and technology within the scope of the acardo acquisition – Notes 2.11.1 and 4.1
- Recognition of revenue and breakdown of the transaction price – note 9

- Recognition of deferred tax assets for losses carried forward – note 12.4
- Impairment of financial assets – note 15.2.2
- Measurement parameters of the share-based payment transaction – note 18
- Estimate of liabilities from employee benefits – note 12.8
- Estimate of provisions – note 12.9
- Uncertainties regarding estimates and accounting estimates and judgements relating to the recognition of leases – note 12.2
- Further also the measurement of goodwill – notes 4.1 and 7

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

4 Mergers

On 1 January 2023, Vectron acquired all of the shares in acardo group AG and acardo activation GmbH. acardo activation was merged with acardo group AG (hereinafter referred to as “acardo”) with retroactive effect as of 1 January 2023. acardo is one of the leading consumer activation providers in Germany. For over 20 years, acardo has been developing innovative marketing technologies and sales promotion concepts for the food retail, drug store, non-food, gastronomy, bakeries, entertainment and healthcare sectors, which are covered by the retail, manufacturer, pharma and cinema customer segments. The strategic goal of this transaction is to complement Vectron’s and acardo's product portfolios with the companies’ respective software solutions.

4.1 Consideration transferred and goodwill

in EUR thousand	Original PPA	Updated PPA	Delta
Transferred consideration	29,411	24,200	-5,211
Carrying amount of net assets	3,308	4,147	839
Provisional goodwill	**26,103**	**20,052**	**-6,051**
Intangible assets	**7,803**	**5,944**	**-1,859**
Order backlog	317	312	-5
Customer relationships	7,487	5,632	-1,855
Intangible assets	**2,247**	**1,685**	**-562**
Technology	2,247	1,685	-562
Total fair value adjustments	**10,050**	**7,629**	**-2,421**
Deferred tax liabilities	-3,297	-2,502	795
Fair value of purchased net assets	**10,061**	**9,274**	**-787**
Goodwill	**19,350**	**14,926**	**-4,424**

The transferred consideration for the acquisition of acardo comprises a fixed purchase price in the amount of EUR 10,714 thousand which was payable in two instalments of EUR 6,700 thousand on 2 January 2023 and EUR 4,014 thousand by 31 January 2023. Of the second instalment, EUR 2,000 thousand is being deferred until 2026 at an interest rate of 6.00% p.a. The deferred part, including interest payments, is discounted at the borrowing costs of the group in accordance with the agreement as of the balance sheet date.

The fair value of the non-deferred fixed purchase price amounts to EUR 8,714 thousand and that of the deferred fixed purchase price to EUR 2,000 thousand.

The transferred consideration was originally valued at EUR 29,411 thousand. Based on new information that brought to light new findings regarding the original measurement of the purchase price allocation, the transferred consideration was remeasured. The latter was based on an adjusted planning scenario with scenarios that are weighted by their probability of occurrence as well as management judgement. As a result, the transferred consideration was reduced from EUR 29,411 thousand to EUR 24,200 thousand (EUR -5,211 thousand). acardo's goodwill pertains to potentials and synergies from the company acquisition which, however, did not meet the capitalisation criteria. Vectron further managed to secure a material sales promotion market share in Germany with this acquisition.

4.2 Earn-out liability

Two earn-out components were also agreed. Earn-out component I will be calculated on the basis of the average EBIT in 2024 and 2025 plus a multiplier that depends on the amount of the EBIT. 20% of the normalised net profit generated in financial years 2023, 2024 and 2025 will be paid out as earn-out component II. During the fair value measurement, the corresponding earn-out payments were derived from the existing business plan and discounted as of the balance sheet date. The fair value of the earn-out payment amounts to EUR 13,486 thousand, of which EUR 12,471 thousand pertains to earn-out I and EUR 1,015 thousand to earn-out II. In financial year 2023, the compounding effect amounted to EUR 1,607 thousand, which was stated in interest income.

in EUR thousand	Original PPA	Updated PPA	Delta
Distribution of the adjustment of the transferred consideration			
Earn-out I	17,321	12,471	-4,850
Earn-out II	1,376	1,015	-361
Delta of the transferred consideration	**18,697**	**13,486**	**-5,211**

4.2.1 Initial measurement

The earn-out liability was measured at fair value for the first time at the time of the company acquisition. The fair value is measured on the basis of the estimated probability of future payments, which depend on the achievement of certain financial targets specified in the purchase agreement. The measurement takes into account the best available information regarding the expected fulfilment conditions as well as an adequate adjustment for risks and other market-specific factors. In accordance with IFRS 3, it is determined if it is a contingent purchase price component or variable remuneration component.

4.2.2 Subsequent measurements

In accordance with IFRS 9, the earn-out liability is remeasured at fair value on every balance sheet date following its initial measurement. Changes in fair value based on new information on the achievement of the targets or changes in market parameters are recognised in the profit and loss account. If one of the conditions occurs, the contingent liability is reclassified as an actual liability to the seller.

4.2.3 Recognition and disclosure

The earn-out liability is recognised as other financial liability in the balance sheet. Changes in the fair value of the liability are recognised in other operating expenses or income in the profit and loss account.

4.3 Merger-related costs

Merger-related costs in the amount of EUR 291 thousand were incurred for legal and notary fees. These costs are recognised in other operating expenses.

4.4 Identifiable acquired assets and assumed liabilities

The recognised amounts of the acquired assets and assumed liabilities at the time of acquisition are summarised below.

	2023		
in EUR thousand	**Opening balance**	**PPA adaptation**	**Balance after PPA**
Intangible assets	244	7,629	7,873
Property, plant and equipment	47		47
Right-of-use assets: buildings, vehicles	692		692
Non-current assets	**983**	**7,629**	**8,612**
Inventories	0		0
Trade receivables	23,465		23,465
Other assets	1,445		1,445
Cash and cash equivalents	828		828
Current assets	**25,738**		**25,738**
Non-current lease liabilities	-501		-501
Other provisions	-4		-4
Deferred tax liabilities	0	-2,502	-2,502
Non-current liabilities	**-505**	**-2,502**	**-3,007**
Current lease liabilities	-191		-191
Trade payables	-20,294		-20,294
Other provisions	-190		-190
Other current liabilities	-1,393		-1,393
Current liabilities	**-22,068**		**-22,068**
Total identifiable purchased net assets	**4,147**		

The acquired identifiable net assets amount to EUR 4,147 thousand.

4.5 Fair value measurements

These are the methods used for determining the fair values of the material acquired assets:

	Measuring method
Technology	License fee analogy method: The license fee analogy method takes into account the estimated discounted payments of license fees that are expected to be saved due to the group owning the patents.
Customer relationships	Residual value method: The residual value method measures an asset on the basis of the expected profit. The expected revenue, the group's own cost of sales and other operating expenses as well as returns required by the capital used must be accounted for.

5 Consolidated entity

The consolidated financial statements include Vectron Systems AG as well as all material German and foreign subsidiaries over which Vectron has direct or indirect control. This is the case when a parent company has direct or indirect influence on a subsidiary.

The Vectron Group structure is shown in the following table:

Company name	Key activities	Registered office of company	Shares held by the company in % 31/12/2023
acardo group AG	Couponing and Cashback	Dortmund, Germany	100%
posmatic GmbH	POS software	Münster, Germany	100%
VECTRON America INC.	Sales company	Ottawa, Ontario, Canada	80%

The share held in VECTRON America INC is recognised at amortised cost in the consolidated financial statements. Vectron America INC is not consolidated due to its immaterial size.

acardo activation GmbH was merged with acardo group AG with retroactive effect as of 1 January 2023.

6 Consolidation principles

The assets and liabilities of the companies included in the consolidated financial statements are recognised in accordance with the group's standardised accounting and measurement principles.

The assets and liabilities of initially consolidated subsidiaries are always recognised at fair value at the time of acquisition. The measurements are continued in subsequent years. Goodwill is created when the purchase price of the participation exceeds the fair value of the identified assets less liabilities. This value of this goodwill is impairment tested in accordance with IFRS 36 "Impairment of assets" at least once a year. If the value has decreased, the goodwill is impaired. If it remained unchanged, the same measurement as in the previous year is applied.

If the purchase price of the participation falls below the net amount of the identified assets and liabilities, the difference is recognised as income in the year of acquisition.

Initial measurement
The earn-out liability is initially recognised at fair value. This figure is based on the best available information on the expected payments that are measured in consideration of the probability of occurrence and fair value.

Subsequent measurements
In the subsequent reporting periods, the earn-out liability is recognised at amortised cost in accordance with IFRS 9. Changes in fair value not based on market conditions are recognised in other income and changes based on market conditions are recognised in income.

Recognition of subsequent effects
Changes in the earn-out liability that occur after its initial measurement are recognised in the profit and loss account or other income, depending on if they are caused by changes in the credit risk measurement or other factors.

7 Impairment test

The entire goodwill pertains to the acardo acquisition. Please refer to Section 4 for more information. The value of the goodwill was measured with an impairment test in accordance with IAS 36. To check the value, acardo's value in use was calculated and compared with acardo’s carrying amount. The value is impaired if the carrying amount exceeds the value in use. The value in use results from the operating cash flow in the planning period that is discounted at the WACC. The WACC used for the discounting was derived from a peer group. The cash flow forecasts are based on the respective detailed budgets for the coming three years; the value after the planning period is determined on the basis of a perpetuity. In accordance with IFRS 13, the following Level 3 parameters were selected for the impairment test:

- Risk-free basic interest rate: 2.75%
- Market risk premium: 7.50%
- Beta factor: 0.63
- WACC (after taxes): 7.57%

The budget is based on the following key premisses and/or assumptions:

- A 1% decrease in growth was assumed for the plan figures of the following years.

- As reported in the meantime, the check-out couponing network was expanded by another 3,500 branches, particularly in the food retail sector.

- The withdrawal of a key competitor had a considerable impact on sales and earnings.

- In the cinema and pharmacy sectors, further sales and earning contributions are expected due to increased sales activities and the renewed and expanded distribution of the “Kulturpass”.

- Advertising and personnel expenses are calculated at rates of increase commonly applied in the market.

The budget is also impacted by uncertainties regarding the estimation of the market environment and macroeconomic environment. Sensitivity analyses were therefore carried out at acardo level that take into consideration changes in key assumptions that appear probable. Even taking into consideration the changes in key assumptions that appear probable, no impairments had to be recognised as of the balance sheet date.

8 Segment reporting

The group's operating activities are managed via two segments. 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.

The identification of reportable operating segments is based on the management approach. When using this approach, external segment reporting is based on the group's internal organisational and management structure as well as internal financial reporting to the responsible corporate instance. Within the group, Vectron's executive board is responsible for assessing and managing the segments and is therefore classed as the responsible corporate instance.

The executive board determines the segments according to their services provided. To do this, the services are broken down by their relation to Vectron's POS systems and the couponing and cashback services of acardo.

Segments in accordance with IFRS 8	Allocated companies	Purpose
POS systems	Vectron Systems AG, posmatic GmbH	Developing, selling and renting of integrated solutions for POS installations and related systems, including accessories
Couponing and Cashback	acardo group AG	Development of marketing technology solutions as well as sales promotion concepts for certain industries

The management regularly checks the composition of the segments and their operating income/expenses with regard to decisions on the allocation of resources. The segments' income development is also checked, analysed and managed on a regular basis and necessary adjustments resolved.

The accounting principles used for the group's segment reporting are based on the IFRSs applied in the consolidated financial statements. The group assesses the segments' performance on indicators such as the EBITDA.

01/01/2023 – 31/12/2023 in EUR thousand	**POS systems**	**Couponing and Cashback**	**Total segments**	**Consolidation**	**Total**
Third-party sales revenues	26,384	10,630	37,015		**37,015**
Total sales revenues	**26,384**	**10,630**	**37,015**		**37,015**
EBITDA	**-111**	**1,453**	**1,342**	**2,374**	**3,716**

Accordingly, 71% of sales were generated in the POS Systems segment and 29% in the Couponing and Cashback segment in 2023. The EBITDA ratio in the POS business was slightly negative at -0.4%, whereas it amounted to 13.7% in the Couponing and Cashback segment. Consolidation effects pertained to the positive effects from the remeasurement of the earn-out resulting from the acardo acquisition. There are no further consolidation effects between Vectron and acardo due to a lack of intercompany supply and service relationships.

	POS systems		**Couponing and Cashback**		**Total segments**		Consolidation entries / purchase price allocation	**Consolidated financial statements**
in EUR thousand	**31/12/2023**	**01/01/2023**	**31/12/2023**	**01/01/2023**	**31/12/2023**	**01/01/2023**	31/12/2023	**31/12/2023**
Non-current assets	25,691	25,883	482	1,205	26,173	27,088	7,963	34,137
Current assets	14,206	21,616	7,234	25,852	21,440	47,468	-61	21,379
Total assets	**39,897**	**47,500**	**7,716**	**27,057**	**47,614**	**74,556**	**7,902**	**55,516**
Equity	**19,675**	**20,738**	**4,659**	**4,160**	**24,334**	**24,898**	-4,570	**19,765**
Non-current liabilities	14,217	8,876	10	727	14,228	9,602	12,520	26,748
Current liabilities	6,006	17,886	3,047	22,170	9,053	40,056	-49	9,003
Total liabilities	**20,223**	**26,762**	**3,057**	**22,897**	**23,281**	**49,659**	**12,471**	**35,752**
Total equity and liabilities	39,899	47,500	7,716	27,057	47,615	74,556	7,901	55,516

9 Revenue

Revenue is generated from the following activities:

in EUR thousand	2023
Revenue from contracts with customers	34,751
Revenue from finance leases	1,786
Sales revenues from operating leases	477
Total	**37,015**

9.1 Breakdown of revenue from contracts with customers

The group generates income from the sale of POS and the provision of POS software as well as couponing and cashback activities.

in EUR thousand	2023
POS systems	24,120
Couponing and Cashback	10,631
Total	**34,751**

The income breaks down as follows according to the regions where the respective customers are domiciled. The majority of customer revenues (89%) are generated in Germany.

in EUR thousand	2023
Germany	31,018
International	3,732
Total	**34,751**

Revenue breaks down by date as follows:

in EUR thousand	2023
Non-recurring revenues	23,519
Recurring revenue	11,232
Total	**34,751**

Recurring revenues therefore amount to 32% of total direct customer sales.

9.2 Accounting standards and material accounting estimates and 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 group's obligation to repair or replace faulty devices within the scope of standard terms and conditions of guarantee; see note 12.9.

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.

Couponing and Cashback

For the clearing, the couponing fees are collected and the payable amounts requested from the manufacturers. Once payment has been received, acardo distributes the fees to the participating retailers. The cleared coupons do not generate sales for acardo group AG, they are merely transitory items. In financial year 2023, acardo's clearing process was changed, meaning that the procedure described above is only recognised any more as a transitory item in few cases. The clearing has been recognised through trust accounts since mid-2023.

acardo is compensated by the manufacturers for developing the marketing campaigns. The company further receives pro-rata compensation for each cleared coupon that is submitted by the coupon provider. Sales are realised based on the provision of services.

No financing component is required for the processing of orders. The amounts distributable to retailers are generally requested by the manufacturers with short payment targets.

Within the scope of cashback campaigns, end customers do not receive a deduction of the coupon from their payment due directly at the POS but instead receive a credit directly to their own bank accounts. acardo collects the coupons, determines the amounts to be reimbursed and requests the amount from the manufacturers. Once the manufacturers have paid the fees into the trust accounts, acardo distributes them to the participating end customers. acardo receives a fixed fee as well for the campaigns and a service fee for each processed coupon.

10 Material profit or loss items

The group 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 group’s profit position.

10.1 Other operating income

in EUR thousand	2023
Earn-out adjustment	2,371
Income from other periods	627
Currency gains	42
Income from the reversal of provisions	14
Others	47
Total	**3,102**

10.2 Material expenses and purchased services

in EUR thousand	2023
Purchased services	4,844
Raw, auxiliary and operating materials	4,759
Total	**9,603**

10.3 Personnel costs

in EUR thousand	2023
Wages and salaries	10,751
Social insurance contributions	2,088
Bonus payments	389
Share-based payment	77
Old-age pension	69
Others	161
Total	**13,535**

10.4 Other operating expenses

in EUR thousand	**2023**
Marketing and sales costs	6,813
Administrative expenses	3,024
Costs of buildings, insurance and contributions	702
Maintenance and repairs	671
Personnel-related expenses	673
Cars	313
acardo ancillary acquisition costs	291
Travel expenses	166
Remuneration of the supervisory board	114
Currency losses	57
Development costs	4
Others	385
Total	**13,213**

Commissions for specialist retail partners amounted to EUR 5,051 thousand and are recognised in sales costs.

Administrative expenses include consulting fees in the amount of EUR 1,083 thousand that were incurred in the reporting period following the restructuring programme for items such as necessary interim staffing as well as consulting fees in connection with the acardo acquisition. IT service fees amounted to EUR 211 thousand. They are included in this item.

In addition to the development costs contained in other expenses, the main personnel expenses are research and development expenses.

10.5 Expenses/income from the impairment of financial assets

The impairments of financial assets are disclosed in note 15.2.2. In financial year 2023, impairments decreased year-on-year. The resulting net income amounts to EUR 47 thousand, of which EUR 236 thousand pertain to the adjustment of expected counterparty defaults and a total of EUR 283 thousand to derecognitions.

10.6 Financial income and expenses

in EUR thousand	2023
Financial income	
Interest income from leases	262
Other financial income	26
Interest on bank account credit balances	198
Financial income	**486**
Financing expenses	
Paid/outstanding interest and financing expenses for financial liabilities measured at amortised cost	-195
IFRS interest expenses for lease liabilities	-97
Interest expenses from earn-out liabilities	-1,607
Other financing expenses	-35
Financing expenses	**-1,934**
Financial income/expenses	**-1,449**

10.7 Income tax expenses

The Group's tax advantages are spread across actual and deferred taxes as follows:

in EUR thousand	2023
Actual taxes	
Actual taxes on the income for the period	-533
Total actual tax expenses	**-533**
Deferred income taxes	
Deferred taxes	1,200
Total deferred taxes	**1,200**
Tax income	**667**

Reconciliation between the expected tax income and actual tax income:

in EUR thousand	2023
Earnings before income taxes	**-1,446**
Company’s tax rate 31.90%	
Expected tax income in the period	461
Tax income from losses carried back	181
Other effects	25
Actual tax income	**667**

10.8 Earnings per share

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

in EUR thousand	2023
Annual profit/loss	**-778**
Average weighted number of shares	**8,057**
Undiluted earnings per share	**-0.10**

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 18.

11 Financial assets and liabilities

This note contains information on the group’s financial instruments, including:

- an overview of all financial instruments held by the group,
- 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 group's position regarding the various risks associated with the financial instruments is explained in note 15. As of the balance sheet date, the maximum default risk corresponded with the carrying amount of each financial asset class listed above.

11.1 Participations

Only the share in VECTRON America INC is recognised as participation. The share increased in financial year 2023 due to a capital increase by way of conversion of an existing receivable.

11.2 Trade receivables and other financial assets

in EUR thousand	31/12/2023	01/01/2023
Receivables from customer contracts	6,940	27,919
Receivables from operating leases	235	173
Impairments	-1,827	-1,875
Total	**5,348**	**26,217**

11.2.1 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 group 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 653 thousand (01/01/2023: EUR 789 thousand) is hedged with EUR 253 thousand (01/01/2023: EUR 457 thousand). For details on the group's impairment methods and calculation of impairment, go to note 15.2.2.

The group 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.

11.2.2 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 15.4.

11.2.3 Impairments and risks

Information on impairment of trade receivables as well as the default and foreign currency risks to which the group is exposed is included in notes 15.1 and 15.2.

11.2.4 Factoring agreements

Vectron has trade receivables that are subject to a factoring agreement. Within the scope of this agreement, Vectron 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. Vectron 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 Group 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.

11.3 Other financial assets measured at amortised cost

11.3.1 Classification of financial assets measured at amortised cost

The Group 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	31/12/2023	01/01/2023
Receivables from affiliated companies	3	13
Receivables from factoring	283	315
Receivables from security deposits	82	285
Loans issued	660	691
Other financial assets	1,872	585
Total	**2,900**	**1,888**

Non-current	610	641
Current	2,291	1,247

11.3.2 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 15.4.

11.3.3 Impairments and risks

Note 15.2 comprises information on the impairment of financial assets and the group'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.

11.4 Cash and cash equivalents

in EUR thousand	31/12/2023	01/01/2023
Bank balances in EUR	8,844	13,641
Bank balances denominated in foreign currency	72	32
Cash in hand	2	2
Total	**8,917**	**13,675**

11.5 Trade payables and other financial liabilities

in EUR thousand	31/12/2023	01/01/2023
Liabilities from earn-out	12,520	13,486
Trade payables	3,831	22,241
Other financial liabilities	955	9,336
Liabilities to affiliated companies	-	20
Total	**17,307**	**45,082**
Non-current	12,520	13,486
Current	4,787	31,596

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.

The liabilities from the agreed earn-out of the acardo acquisition in the amount of EUR 12,520 thousand are included in this item.

The other financial liabilities primarily include provisions for personnel expenses in the amount of EUR 530 thousand as well as for the preparation of the consolidated financial statements in the amount of EUR 165 thousand and the reimbursement of expenses incurred by specialist retail partners in the amount of EUR 121 thousand.

11.6 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 12.3.

11.7 Liabilities from hire purchases

To finance a major project, Vectron concluded a contract for the hire purchase of POS systems with a financial service provider on 22 July 2020. The contractual term is 48 months and repayments are made in monthly instalments. The liability is secured with a retention of title of the POS systems with respect to the customer. As at 31 December 2023, the financial assets amounted to EUR 303 thousand.

11.8 Borrowings

The group did not have any borrowings as of the balance sheet date.

Vectron concluded a general credit agreement in the amount of 1,000 thousand. The loan term expires on 31 December 2024. In the past, it was always extended by one year at a time. Vectron sometimes draws down part of this loan as a surety. The warehouse was transferred as collateral to secure draw-downs. The carrying amount of the assets transferred as security for short-term borrowings amounts to EUR 3,275 thousand. acardo also has two sureties totalling EUR 317 thousand, part of which in the amount of EUR 67 thousand is based on cash.

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

11.9 Contractual liabilities

The advance payment received in the amount of EUR 5,000 thousand is comprised of five annual instalments and is repaid from the additionally arranged business volume. In financial year 2023, EUR 501 thousand was repaid as planned. Of the remaining amount, EUR 500 thousand is repayable in the short term and the remainder of EUR 3,999 thousand can be regarded as long term. Th subsidy was granted by a cooperation partner for the acquisition of additional payment customers and is repaid through arranged payment agreements. It has been agreed to assign the payment agreements as a contractual guarantee in the event of the subsidy not being repaid in full. The cooperation has a term of five years.

12 Non-financial assets and liabilities

12.1 Statement of changes in fixed assets

in EUR thousand	Costs			
	As of 01/01/2023	Additions	Disposals	As of 31/12/2023
Intangible assets				
Concessions and commercial property rights	9,605	1	-9	9,597
Internally produced assets	-	257		257
Prepayments	-	280	-	280
Customer relationships	5,632	-	-	5,632
Technology	1,685	-	-	1,685
Order backlog	312	-	-	312
Goodwill	14,926	-	-	14,926
	32,160	**537**	**-9**	**32,688**
Property, plant and equipment				
Technical equipment and machines	1,415	-	-	1,415
Other equipment, operational and business equipment	3,666	533	-92	4,107
Prepayments	-	-	-	-
	5,081	**533**	**-92**	**5,522**
Right-of-use assets				
Buildings	10,433	-	-386	10,047
Vehicles	705	109	-	814
IT and office equipment	33	-	-	33
	11,171	**109**	**-386**	**10,894**

Depreciations and amortisations				
As of 01/01/2023	Depreciation and amortisation	Disposals	As of 31/12/2023	Residual carrying amount as of 31/12/2023
-8,441	-274	10	-8,706	891
-	-9	-	-9	247
-	-	-	-	280
-	-1,029	-	-1,029	4,603
-	-168	-	-168	1,516
-	-312	-	-312	-
-	-	-	-	14,926
-8,441	**-1,794**	**10**	**-10,225**	**22,463**
-1,403	-7	-	-1,409	6
-2,740	-857	84	-3,513	594
-	-	-	-	-
-4,143	**-863**	**84**	**-4,922**	**600**
-2,264	-876	-	-3,140	6,907
-444	-179	-	-623	190
-33	-	-	-33	-
-2,741	**-1,056**	**-**	**-3,797**	**7,097**

12.2 Leases – lessee

This note provides information on leases where the group is the lessee.

Vectron leases an office building, various vehicles as well as IT and office equipment. acardo currently leases three office spaces and underground parking bays, various vehicles as well as IT and office equipment. Lease agreements for buildings are generally concluded over long terms. In December, acardo concluded a new lease agreement for an office building which the company moved into in January. The lease agreement for the previous two offices was terminated within the required notice period as of 31 December 2024. Due to the positive situation, it is expected that the agreement will be terminated early. The new lease agreement has a term of five years with an extension option until 30 June 2032. 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 12.1.

The additions of right-of-use assets in financial year 2023 in the amount of EUR 109 thousand resulted from new vehicle lease agreements.

12.2.1 Amounts recognised in the balance sheet

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

Lease liabilities

in EUR thousand	**31/12/2023**	**01/01/2023**
Current	963	990
Non-current	6,244	7,509
Total	**7,207**	**8,499**

12.2.2 Amounts recognised in the statement of comprehensive income

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

in EUR thousand	2023
Interest expenses for lease liabilities	97
Expenses in connection with short-term leases	4
Expenses in connection with leases of low-value assets that are not recognised in short-term leases	93
Expenses for variable lease payments that are not included in the measurement of lease liabilities	94
Total	**288**

The cash payments made for leases recognised in the cash flow statement amounted to EUR 1,194 thousand in 2023.

12.3 Leases – lessor

This note provides information on leases where the group is the lessor.

Vectron 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 9.

Interest income from the net investment in the finance leases amounted to EUR 262 thousand. The group 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:

Maturity analysis

in EUR thousand	31/12/2023	01/01/2023
Less than 1 year	1,679	1,685
1-2 years	1,205	1,112
2-3 years	637	665
3-4 years	230	162
4-5 years	16	2
Total of undiscounted lease receivables	**3,766**	**3,626**
Unrealised financial income	-262	-220
Net investment in the lease	**3,505**	**3,406**

in EUR thousand	31/12/2023	31/12/2022
Lease receivables	3,505	3,406
Impairments	-218	-142
Total	**3,287**	**3,264**

Information on the impairment of lease receivables and default risk to which the group is exposed is provided in note 15.2.

12.4 Deferred taxes

The balance sheet contains temporary differences for the following items:

in EUR thousand	Net figures as of 1 January	Recognised in profit or loss	As of 31 December 2023		
			Net	Deferred tax receivables	Deferred tax liabilities
Tax losses	2,547	963	3,510	3,510	
Fixed assets	61	-77	-17		-17
Right-of-use assets	-2,469	205	-2,264		-2,264
Lease receivables	-1,087	-17	-1,103		-1,103
Liabilities from the sales support model	679	55	734	734	
Liabilities from refinancing transactions	188	-155	33	33	
Lease liabilities	2,491	-192	2,298	2,298	
Provisions	131	-76	55	55	
PPA	-2,502	495	-2,007		-2,007
Tax receivables (liabilities) before offset	**38**	**1,201**	**1,239**	**6,630**	**-5,391**
Tax offset				-5,391	5,391
Tax receivables (liabilities) after offset				**1,239**	**-**

12.5 Inventories

in EUR thousand	31/12/2023	01/01/2023
Raw, auxiliary and operating materials	1,875	2,162
Finished products/merchandise	1,401	1,609
Total	**3,275**	**3,771**

The inventories recognised as expenses in the reporting period as of 31 December 2023 amounted to EUR 4,759 thousand. They are included in the costs of raw, auxiliary and operating materials as well as in costs of purchased services. In financial year 2023, inventories were impaired in the amount of EUR 89 thousand and recognised as an expense.

12.6 Other current assets

Other non-financial assets

in EUR thousand	31/12/2023	01/01/2023
Deferred items	190	207
VAT receivables	15	986
Total	**206**	**1,193**
Non-current	-	-
Current	206	1,193

12.7 Other current liabilities

in EUR thousand	31/12/2023	01/01/2023
Payroll tax	155	184
VAT liabilities	51	655
Others	70	473
Total	**276**	**1,312**
Non-current	-	-
Current	**276**	**1,312**

12.8 Liabilities from employee benefits

in EUR thousand	31/12/2023	01/01/2023
Severance payments	-	1,312
Annual leave and overtime	312	304
Bonus payments	169	94
Costs of social security	9	-
Share-based payments with cash settlement	16	5
Costs of old-age pension	1	-
Total	**506**	**1,715**
Non-current	16	5
Current	490	1,710

Since financial year 2022, one member of Vectron's 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 amounted to EUR 11 thousand and the liability amounted to EUR 16 thousand as of 31 December 2023. As of 2024, another executive board member will receive share-based payments with cash settlement.

12.9 Provisions

in EUR thousand	Warranty provision	Provision for legal disputes	Others	Total
01/01/2023	67	139	29	235
Addition		90	42	132
Resolution	-27		-23	-50
Consumption in the current year			-24	-24
31/12/2023	**40**	**229**	**24**	**293**
Non-current	40	229	24	293
Current	-	-	-	-

13 Equity

13.1 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 group's share capital amounted to 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 group 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 2023.

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 group's executive board and management of subordinated associated companies in Germany and abroad.

The share capital of the group was conditionally increased by up to EUR 28 thousand by issuing up to 28,000 new no-par value bearer shares (contingent capital 2017). In 2023, 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 group 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 253 thousand by issuing up to 252,581 new no-par value bearer shares (contingent capital 2020). In financial year 2023, no subscription rights were issued in this respect. In financial year 2023, 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 Group 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.

13.2 Capital reserve

The respective status of the capital reserve as of the balance sheet date and development of the capital reserve in the reporting period 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 2023, EUR 439 thousand from equity-based remuneration transactions was contained in the capital reserve.

13.3 Balance sheet loss

The respective status of the balance sheet loss as of the balance sheet date and development of the balance sheet loss in the reporting period are reflected in the statement of changes in equity.

14 Disclosure on cash flows

14.1 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 12.2
- Shares issued to employees as part of the share plan – note 18.

14.2 Changes in liabilities from financing activities

in EUR thousand	As of 01/01/2023	Cash	Non- cash	As of 31/12/2023
Deferred seller loan/partial amount Earn-out I	2,000		201	2,201
Liabilities from the sales support model	2,128	71	125	2,324
Liabilities from refinancing transactions	1,050	-742	14	322
Liabilities from hire purchases	405	-265	12	152
Lease liabilities	8,500	-1,194	-99	7,207
Total	**14,083**	**-2,130**	**253**	**12,206**

Risks

15 Financial risk management

The following section explains the group's position regarding financial risks and their potential effects on the group'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 from	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

The group maintains a differentiated risk management system, in which both Vectron and acardo participate, for monitoring purposes and for supporting decision-making processes. As from the acquisition of acardo on 1 January 2023, the governance and risk management principles of Vectron have been gradually also applied to acardo.

15.1 Market risk – foreign currency risk

Risk position and management

The percentage of Vectron's foreign currency transactions in merchandise purchasing in 2023 was approximately 40% of the material input. The risk is carried by Vectron alone and has no relevance for acardo. 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:

USD

in EUR thousand	31/12/2023	01/01/2023
Cash and cash equivalents	1	14
Trade receivables	3	18
Trade payables	-474	-1
Total	**-470**	**31**

GBP

in EUR thousand	31/12/2023	01/01/2023
Cash and cash equivalents	71	18
Trade receivables	134	127
Trade payables	-	-2
Total	**205**	**143**

Sales revenues and other expenses of the group are immaterially impacted by exchange rate fluctuations. Only few transactions are denominated in British pounds and US dollars.

The aggregated net foreign currency gains/losses recognised in income amounted to EUR -15 thousand.

Sensitivity
As described above, Vectron is primarily exposed to fluctuations of the US dollar/euro exchange rate. The group 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.

in EUR thousand	2023
USD/EUR exchange rate – 5% increase*	15
USD/EUR exchange rate – 5% decrease*	-16

*All other variables remain constant	
Exchange rate on the balance sheet date as of 31 December	1.11

in EUR thousand	2023
GBP/EUR exchange rate – 5% increase*	-6
GBP/EUR exchange rate – 5% decrease*	7

*All other variables remain constant	
Exchange rate on the balance sheet date as of 31 December	0.87

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

15.2 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.

15.2.1 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.

Dependencies on individual, major customers always pose a risk, such as in the case of payment default. However, this risk is low for Vectron at present (Vectron’s top 10 customers totalled around 9% of the group's sales in financial year 2023; this figure was around 11% at acardo). 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.

15.2.2 Impairment of financial assets

The group 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 group applies the simplified approach in accordance with IFRS 9 for measuring expected bad debt, according to which the bad debt expected over the term is 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 2023 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 group 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 2023 was determined as follows:

31/12/2023	**Not overdue**	**Overdue (in days)**				**Total**
in EUR thousand		**1–30**	**31–60**	**61–90**	**90+**	
Gross carrying amounts – trade receivables	2,112	1,185	949	144	2,785	7,175
Expected loss quota	1.55%	2.05%	2.54%	2.69%	62.55%	25.46%
Risk provision	**33**	**24**	**24**	**4**	**1,742**	**1,827**

The closing balance of the impairment of trade receivables as of 31 December 2023 is brought forward to the opening balance of the impairment:

in EUR thousand	**2023**
Opening balance of the impairment on 1 January 2023	1,874
Increase recognised in profit or loss	236
Amounts written off as unrecoverable in the reporting period	-181
Unused reversed amounts	-102
Total	**1,827**

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 group and failure to pay contractually agreed payments for a default period of more than 90 days as well as soft factors such as the duration of the cooperation with customers.

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.

Due to the continuing uncertainties, the receivables management was intensified. 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. Vectron incurs lease receivables.

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 group 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 date, lease receivables amounted to EUR 3,505 thousand and related impairments in the amount of EUR 218 thousand. In financial year 2023, additional impairments of lease receivables in the amount of EUR 30 thousand were recognised in income under impairment expenses for financial assets.

15.2.3 Material estimates and accounting 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 group exercises discretion on the basis of the group’s past experiences, existing market conditions and forward-looking estimates at the end of each reporting period.

15.3 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. The group also aims for a high equity ratio to create economic stability.

At the end of the reporting period, the group had immediately available bank balances in the amount of EUR 8,917 thousand. As of the balance sheet date, Vectron also had access to unused credit facilities in the amount of EUR 803 thousand (EUR 197 thousand pertain to a surety issued).

The current unused credit facility matures on 31 December 2024 and can be drawn down by Vectron at any time. In the past, the credit facility was always extended by one year at a time.

The tables below analyse the group'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.

in EUR thousand	Up to 1 year	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amounts as of 31/12/2023
Trade payables	3,831	-	-	**3,831**	**3,831**
Liabilities from the sales support model	1,102	1,433	-	**2,535**	**2,324**
Liabilities from refinancing transactions	201	137	-	**338**	**320**
Liabilities from hire purchases	154	-	-	**154**	**152**
Lease liabilities	953	3,087	3,401	**7,440**	**7,207**
Other financial liabilities	955	12,520	-	**13,475**	**13,475**
Total	**7,196**	**17,177**	**3,401**	**27,773**	**27,309**

15.4 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.

31/12/2023	IFRS 9 Category	Amortised costs EUR thousand	Fair value EUR thousand	Fair value Level
Financial assets				
Lease receivables	FAAC	3,287	3,287	3
Other non-current financial assets	FAAC	610	610	3
Financial liabilities				
Deferred seller loan/partial amount Earn-out I	FLAC	2,201	2,201	3
Liabilities from the sales support model	FLAC	2,324	2,324	3
Liabilities from refinancing transactions	FLAC	322	322	3
Liabilities from hire purchases	FLAC	152	152	3
Earn-out liability	FLTPL	12,520	12,520	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.

16 Capital management

The aims of the group's capital management within the meaning of risk management are primarily designed to generate sufficiently high cash flow to optimally finance the group as a whole. The group 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 the course of financial year 2023, the group pursued the strategy of maintaining a minimum equity ratio of 33% and available cash and cash equivalents of at least EUR 5,000 thousand.

As of the balance sheet date, cash and cash equivalents amounted to EUR 8,917 thousand. The equity ratio amounted to 35.6%. The equity ratio primarily increased due to the decrease in total assets caused by acardo's trade receivables and payables.

in EUR thousand	31/12/2023	01/01/2023
Equity	19,765	20,469
Total capital	55,516	83,289
Equity ratio	**35.60%**	**24.58%**

Other information

17 Related party transactions

Related parties within the meaning of IAS 24 are companies and natural persons which control, or are controlled by, the group. 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 group identified the members of the executive board and supervisory board as related parties.

17.1 Subsidiaries

The shares in subsidiaries are listed in note 5.

17.2 Remuneration for members of management in key positions

Below is a breakdown of the remuneration of the executive board and supervisory board of the group parent:

in EUR thousand	2023
Short-term benefits	635
of which:	
fixed remuneration	543
variable remuneration	92
Total	**635**

This figure includes remuneration for the supervisory board in the amount of EUR 99 thousand. Share-based payments for members of the executive board were recognised at EUR 11 thousand in personnel expenses in the reporting period. One executive board member only receives reimbursement for his expenses and remuneration for his position on acardo's executive board. The remuneration for executive board members at acardo is not included in the tables above.

17.3 Related party transactions

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

Purchased services

in EUR thousand	2023
Reimbursement of ancillary expenses payments to members of management in key positions	-3
Services purchased from members of management in key positions	-29
Total	**-32**

During the course of the reporting period, a loan was issued in the amount of EUR 1.5 million by a former shareholder of acardo to acardo. This was repaid as planned at the end of the year. The loan bore interest at a standard market rate. Interest expenses amounted to EUR 30 thousand.

17.4 Outstanding balances from related party transactions

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

in EUR thousand	31/12/2023
Current liabilities to:	**-47**
Subsidiaries	-
Members of management in key positions	-43
Former members of management in key positions	-4
Current receivables from:	**202**
Subsidiaries	46
Members of management in key positions	157
Former members of management in key positions	-
Total	**155**

18 Share-based payment

The employee option plans aim to create long-term incentives for current and future employees of Vectron and actively boost the group'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.

18.1 Share option plans

As of 31 December 2023, Vectron 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. No further claims from entitled employees arose under this share option plan in financial year 2023.

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 group'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 group 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 consolidated 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 group’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:

	2023	
	Average exercise price per share option	**Number of options**
As of 1 January		**42,000**
Expired in the reporting period	EUR 13.14	-14,000
As of 31 December	**EUR 11.84**	**28,000**
Vested and exercisable as of 31 December	EUR 11.84	28,000

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

Grant date	Expiry date	Exercise price	Share options 31/12/2023
25/10/2018	24/10/2025	EUR 13.14	14,000
10/04/2019	09/04/2026	EUR 10.53	14,000
Total			**28,000**
Average remaining contractual term in years			**1.82**

Share option plan 2018

The setup of this share option plan was resolved by the annual general meeting on 1 August 2018. No further claims from entitled employees arose under this share option plan in financial year 2023.

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 group'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 consolidated 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 group'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.

In financial year 2023, no new options were issued to employees under this programme.

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

	2023	
	Average exercise price per share option	**Number of options**
As of 1 January	**EUR 4.57**	**235,000**
Granted in the reporting period		-
Expired in the reporting period	EUR 3.41	-32,500
As of 31 December	**EUR 4.76**	**202,500**
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 31/12/2023
04/01/2021	05/01/2032	EUR 10.55	-
21/01/2021	22/01/2032	EUR 10.00	10,000
01/03/2021	02/03/2032	EUR 10.33	30,000
30/09/2022	01/10/2033	EUR 3.41	162,500
Total			**202,500**
Average remaining contractual term in years			**9.44**

18.2 Fair value of the options granted

In financial year 2023, no new options were issued.

In financial year 2023, expenses from share-based payment in the amount of EUR 77 thousand were recognised in personnel expenses. As of 31 December 2023, EUR 439 thousand from equity-based remuneration transactions was contained in the capital reserve.

Mandatory disclosures and additional information in accordance with HGB

19 Number of employees

The group employed an average of 256 persons. The following table shows the breakdown of employees by type of employment:

	2023
Full-time employees	182
Part-time employees	74
Average	**256**

20 Auditor’s fees

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

in EUR thousand	2023
Audit services	99
Total	**99**

The auditor's fee for the reporting period pertained to audit services in the amount of EUR 99 thousand for the audit of the single financial statements of acardo and Vectron as well as the consolidated financial statements.

21 Members of the executive board

The executive board is comprised of:

- Thomas Stümmler — Chief Executive Officer
- Dr. Ralf-Peter Simon — Chief Operating Officer
- Christoph Thye (from 22 February 2023) — Chief Marketing Officer

In the reporting period, the remuneration of the members of the executive board totalled EUR 536 thousand.

22 Supervisory Board

The supervisory board is comprised of:

- Prof. Dr. Dr. Claudius Schikora (chairman), President of the Senate of the University for Applied Management
- Andreas Prenner (deputy chairman since 11 September 2023) Mag. rer. soc. oec., CFO and Director HR & Organisation at the Federation of Austrian Industries
- Thorsten Behrens (deputy chairman), Dipl.-Kaufmann [business administration graduate], Managing Director Stephens Inc. (until 11 September 2023)
- Jürgen Gallmann, Dipl.-Betriebswirt [graduate business economist] (BA), Managing Director Cumulus Ventures GmbH and Advisor and Co-Investor in UnternehmerTUM, Munich

The remuneration model is 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.

23 Subsequent events

No material events occurred until the date of the preparation of these consolidated financial statements that would require an adjustment of the carrying amounts of assets and liabilities as of the balance sheet date or additional disclosures in the consolidated financial statements.

24 Declaration of compliance (Section 161 AktG)

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 group'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 (three 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 REPORT ON THE IFRS CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Audit opinion

We have audited the consolidated financial statements of Vectron Systems AG and its subsidiaries (the group) – consisting of the group balance sheet for the period ended on 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2023 and the notes to the consolidated financial statements – as well as the summary of key accounting policies. We further audited the group management report of Vectron Systems AG, which is combined with the company's management report (hereinafter referred to as "group management report") for the financial year from 1 January to 31 December 2023. We did not audit the contents of the components stated in the "Other information" section of our audit report in accordance with the provisions of German law.

Based on our audit findings,

- we have concluded that the consolidated 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 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB) and that they are a true representation of the actual assets and financial situation of the group as of 31 December 2023 and its profit situation for the financial year from 1 January to 31 December 2023 in compliance with these standards and

- that the attached group management report gives an overall true presentation of the group's situation. This group management report matches the consolidated 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. Our audit opinion on the group management report does not include the contents of the components of the group management report stated in the "Other information" section.

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 consolidated financial statements and group management report.

Basis for the audit findings

We conducted our audit of the consolidated financial statement and group management report in accordance with Section 317 HGB under consideration of the German principles of the proper audit of financial statements 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 consolidated financial statements and group management report” in our audit certificate. We are an independent party to the group 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 consolidated financial statements and group management report.

Other information

The legal representatives are responsible for providing the other information. Other information comprises the remaining parts of the annual report, except the audited consolidated financial statements and group management report as well as our audit opinion. Our audit findings on the consolidated financial statements and group 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 consolidated financial statements, group 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 consolidated financial statements and group management report

The legal representatives are responsible for preparing the consolidated financial statements, which comply with the IFRS as applicable in the EU and the additionally applicable German legal requirements in accordance with Section 315e (1) HGB in all major respects, and for ensuring that the consolidated financial statements give a true and fair representation of the actual assets, financial situation and profit situation of the group 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 consolidated 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 consolidated financial statements, the legal representatives are responsible for assessing the ability of the group to continue as a going concern. They are also responsible to state any relevant facts relating to the continuation of the group as a going concern. They are further responsible for preparing the financial reports based on the accounting principle of the continued existence of the group as a going concern, unless they plan to liquidate the group or discontinue operations or there is no realistic alternative in this respect.

In addition, the legal representatives are responsible for preparing the group management report, which accurately presents the situation of the group and matches the consolidated 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 group management report in accordance with the applicable German laws and to provide sufficient proof for the statements contained in the group management report.

The supervisory board is responsible for monitoring the group's accounting process for the preparation of the consolidated financial statements and group management report.

Responsibilities of the auditor for auditing the consolidated financial statements and group management report

We aim to ascertain with sufficient certainty if the consolidated financial statements are overall free from material misstatements caused by fraudulent actions or errors and if the group management report overall gives an accurate representation of the situation of the group and matches the consolidated 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 consolidated financial statements and group 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 consolidated financial statements and group 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 consolidated financial statements and group 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 consolidated financial statements and the provisions and measures relevant to the audit of the group 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.

- 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 group 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 group 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 consolidated financial statements and group 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 group being unable to continue as a going concern.

- assess the overall presentation, structure and content of the consolidated financial statements, including disclosures and if the consolidated 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 group in accordance with the IFRS as applicable in the EU and the additionally applicable German legal requirements in accordance with Section 315e (1) HGB.

- we obtain suitable audit evidence of the group's accounting information or business activities within the group that is sufficient to issue an audit opinion on the consolidated financial statements and group management report. We are responsible for instructing, monitoring and implementing the audit of the consolidated financial statements. We carry the sole responsibility for our audit opinion.

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

- audit the forward-looking statements issued by the legal representatives in the group 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, 7 May 2024

Nexia GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Weyers
Wirtschaftsprüfer [auditor]

Schulz
Wirtschaftsprüfer [auditor]

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