Mister Spex AG, Berlin

Consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and Combined management report of the Company and the Group for fiscal year 2020

31 December 2020

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Consolidated statement of comprehensive income

Consolidated income statement (in EUR k)	Note	2020	2019
Revenue	1.	164,201	139,282
Own work capitalized	6.	4,289	3,386
Other operating income	3.	478	1,332
Total operating performance		**168,968**	**144,000**
Cost of materials	10.	-82,984	-74,464
Personnel expenses	2., 14.	-35,747	-27,815
Other operating expenses	3.	-44,424	-38,435
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**5,814**	**3,286**
Amortization and depreciation	6., 7.	-10,937	-8,277
Earnings before interest and taxes (EBIT)		**-5,123**	**-4,991**
Financial result	4.	-4,654	-4,182
Share in loss of associates	8.	-94	-
Earnings before taxes (EBT)		**-9,870**	**-9,173**
Income taxes	5.	-388	-135
Loss for the period		**-10,258**	**-9,308**
Thereof loss attributable to the shareholders of Mister Spex AG		-10,258	-9,308
Basic and diluted earnings per share (in EUR)	26.	**-8.63**	**-8.98**

Consolidated statement of other comprehensive income (in EUR k)		
Loss for the period	**-10,258**	**-9,308**
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign financial statements	-81	24
Other comprehensive income	**-81**	**24**
Total comprehensive loss	**-10,339**	**-9,284**
Thereof loss attributable to the shareholders of Mister Spex AG	-10,339	-9,284

Consolidated statement of financial position

Financial position in EUR k

ASSETS	Note	31 Dec 2020	31 Dec 2019
Non-current assets		**82,561**	**60,420**
Goodwill	**6.**	12,113	12,113
Intangible assets	**6.**	13,947	11,421
Property, plant and equipment	**7.**	15,311	9,188
Right-of-use assets	**16.**	35,783	25,814
Investments in associates	**8.**	2,418	-
Other financial assets	**9.**	2,988	1,884
Current assets		**40,182**	**60,199**
Inventories	**10.**	17,606	14,586
Right of return assets	**1.**	695	750
Trade receivables	**9.**	1,322	1,425
Other financial assets	**9.**	1,604	16,648
Other non-financial assets	**11.**	4,420	3,496
Cash and cash equivalents	**12.**	14,536	23,295
Total assets		**122,743**	**120,619**

LIABILITIES			
Equity	**13.**	**33,412**	**29,152**
Subscribed capital		1,193	1,124
Capital reserves		116,048	101,518
Other reserves		-835	-755
Accumulated loss		-82,993	-72,735
Non-current liabilities		**33,487**	**52,983**
Provisions	**18.**	259	126
Liabilities to banks	**15.**	-	28,625
Lease liabilities	**16.**	31,698	22,981
Other financial liabilities	**15.**	320	-
Other non-financial liabilities	**17.**	327	581
Deferred tax liabilities	**5.**	882	670
Current liabilities		**55,843**	**38,484**
Provisions	**18.**	728	573
Trade payables	**15.**	10,028	10,695
Refund liabilities	**15.**	1,993	2,038
Lease liabilities	**16.**	5,741	3,455
Liabilities to banks	**15.**	30,255	290
Other financial liabilities	**15.**	467	15,539
Contract liabilities	**1.**	698	1,408
Other non-financial liabilities	**17.**	5,933	4,486
Total equity and liabilities		**122,743**	**120,619**

Consolidated statement of changes in equity

In EUR k	Note	Subscribed capital	Treasury shares	Capital reserves	Other reserves	Accumulated loss	Total
As of 1 Jan 2019		**1,050**	**-67**	**76,535**	**-779**	**-63,427**	**13,311**
Loss for the period						-9,308	-9,308
Other comprehensive income					24		24
Total comprehensive income							-9,284
Capital increases		141		24,542			24,683
Transaction costs				-638			-638
Share-based payments				1,080			1,080
As of 31 Dec 2019		**1,191**	**-67**	**101,518**	**-755**	**-72,735**	**29,152**
Loss for the period						-10,258	-10,258
Other comprehensive income					-81		-81
Total comprehensive income							-10,339
Capital increases	13.	70		14,930			15,000
Transaction costs				-349			-349
Share-based payments	14.			658			658
Other changes	13.			-710			-710
As of 31 Dec 2020		**1,261**	**-67**	**116,048**	**-835**	**-82,993**	**33,412**

Consolidated statement of cash flows

Consolidated statement of cash flows in EUR k	Note	2020	2019
Operating activities			
Loss for the period		-10,258	-9,308
Adjustments for:			
Finance income	4.	-430	-133
Finance costs	4.	5,084	4,315
Income tax expense	5.	388	135
Amortization of intangible assets	6.	3,173	3,367
Depreciation of property, plant and equipment	7.	2,015	1,366
Depreciation of right-of-use assets	16.	5,749	3,544
Non-cash expenses for share-based payments	14.	658	1,080
Increase (+)/decrease (-) in non-current provisions	18.	134	38
Increase (-)/decrease (+) in inventories	10.	-3,019	-360
Increase (-)/decrease (+) in other assets	9.	12,817	-15,711
Increase (+)/decrease (-) in trade payables and other liabilities	15., 17.	-14,970	15,559
Share in loss of associates	8.	94	-
Income tax paid	5.	-25	-281
Interest paid		-2,961	-2,457
Interest received		1	3
Cash flow from operating activities		**-1,553**	**1,157**
Investing activities			
Purchase of investments in associates	8.	-2,512	-
Purchase of equity instruments	13.	-710	-
Investments in property, plant and equipment	7.	-8,138	-3,889
Investments in intangible assets	6.	-5,702	-4,459
Cash flow from investing activities		**-17,061**	**-8,348**
Financing activities			
Cash received from capital increases, net of transaction costs	13.	14,581	24,044
Cash received for the resolved capital increase	13.	-	70
Cash received from liabilities to banks	15.	-	2,500
Repayments of liabilities to banks	15.	-290	-2,060
Payment of principal portion of lease liabilities	16.	-4,436	-2,836
Cash flow from financing activities		**9,855**	**21,717**
Net increase (+)/decrease (-) in cash and cash equivalents		**-8,759**	**14,525**
Cash and cash equivalents at the beginning of the period		23,295	8,770
Cash and cash equivalents at the end of the period		**14,536**	**23,295**

I. Information on the Company

The consolidated financial statements of Mister Spex AG (change of legal form from GmbH to AG on 21 December 2020 in accordance with Sec. 190 (1) UmwG [“Umwandlungsgesetz”: German Reorganization Act]) and its subsidiaries (“Mister Spex Group”) for the year ended 31 December 2020 were authorized for issue by management resolution dated 26 March 2021. Mister Spex AG was established on 8 January 2008 at Greifswalder Strasse 156, 10409 Berlin, Germany. The Company is entered in the commercial register of Charlottenburg Local Court under HRB no. 224441 B.

The Group primarily engages in the marketing of glasses, sunglasses and contact lenses in Europe.

II. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements were prepared applying Sec. 315e HGB [“Handelsgesetzbuch”: German Commercial Code] in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standards Board in effect and adopted by the European Union (EU) at the reporting date and the interpretations of the IFRS Interpretations Committee (formerly IFRIC) approved by the IASB.

The primary objective of the Group’s capital management, as detailed in the following note to the financial statements (20), is to support business growth and secure the Company’s continued existence in the long term. The Group is currently dependent on external funding sources to finance growth.

As of 31 December 2020, the Group reported liabilities to a bank of EUR 30,255k due on 1 May 2021. The Group plans to refinance by obtaining funding of EUR 42.5m from various banks in the short term.

In light of this financing agreement, the management board expects the solvency of the Mister Spex Group to be secured until at least the end of June 2022. These financial statements were thus prepared on a going concern basis.

The consolidated financial statements were prepared on an historical cost basis except for certain financial instruments and share-based payments, which were measured at fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The income statement within the statement of comprehensive income was prepared using the nature of expense method.

Due to rounding differences, figures in tables may differ slightly from the actual figures.

Presentation currency

The consolidated financial statements were prepared in euros (EUR), which is the functional and presentation currency of the Group, and all values in the consolidated financial statements and the related notes are rounded to the nearest thousand (EUR k) except where otherwise indicated. This may result in rounding differences in the tables of the notes to the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of Mister Spex AG and its subsidiaries as of 31 December 2020. Control within the meaning of IFRS 10 is achieved when the Group is exposed, or has the right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee that significantly affect its returns)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, the related assets (including goodwill), liabilities, non-controlling interests and other equity components are derecognized. Any resultant gains or losses are recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

Unchanged from the prior year, five entities were fully consolidated in the fiscal year.

By purchase agreement dated 8 October 2020, the group parent acquired 45% (prior to the capital increase on 20 November 2020) of the shares in Tribe GmbH, Berlin. On 20 November 2020, the group parent purchased an additional 5.75% in connection with a capital increase at Tribe GmbH, raising its shareholding to a total of 48.17% after the capital increase. The investment is included in the consolidated financial statements as an associate using the equity method (see note (8)).

These consolidated financial statements were prepared for fiscal year 2020 with a reporting period from 1 January to 31 December. The consolidated entities also have the calendar year as their fiscal year.

The structure of the Group is described in note (23).

The financial statements of the entities included in the consolidated financial statements were prepared in accordance with the uniform accounting policies of the parent company. The group entities each prepare their financial statements in their own functional currency.

Currency translation

The consolidated financial statements are presented in euros, which is the functional currency of Mister Spex AG and the Group's presentation currency pursuant to IAS 21.

Items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially translated into the functional currency by the group entities at the respective rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot rate prevailing at the end of the reporting period. Any differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets, liabilities, expenses and income of all the group entities are translated into the presentation currency as follows:

- The assets and liabilities of subsidiaries are translated at the closing rate on the reporting date.
- Income and expenses included in the statements of comprehensive income are translated using the exchange rate at the date of the transaction. If exchange rates do not fluctuate strongly, the weighted average rates are used instead.
- The equity of the subsidiaries is translated using the historical rate. All resulting exchange differences are recognized in other comprehensive income as an adjustment item for exchange differences on translating foreign operations.

The Group uses the following exchange rates:

	2020	**2019**
Norwegian krone (NOK)		
Closing rate	10.4703	9.8638
Annual average exchange rate	10.7228	9.8511
Swedish krona (SEK)		
Closing rate	10.0343	10.4468
Annual average exchange rate	10.4848	10.5891

III. Accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identified net assets.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements.

Acquisition-related costs such as advisory, legal, valuation and similar professional services are expensed as incurred. Acquisition-related costs and the costs to issue equity instruments are deducted from equity.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this way is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost, including transaction costs. As of each reporting date, the carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor separately tested for impairment. The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. The aggregate of the Group's share of profit or loss of an associate is shown

on the face of the income statement outside operating profit and represents profit or loss after tax.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount, and then recognizes the loss within “Share in loss of associates” in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Measurement of the fair value of financial assets and liabilities

The Group measures certain financial instruments, such as derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the parties involved in setting the price always act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

The following measurement hierarchy is used for fair value measurement. The inputs used in the valuation techniques are categorized in three levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

When measuring fair value, the Group maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The categorization of valuation techniques in the various levels is reviewed at the end of each reporting period.

Current versus non-current classification

The Group presents its assets and liabilities in the statement of financial position based on current/non-current classification.

The Group classifies assets and liabilities as current if

- the asset is expected to be realized or the liability is due to be repaid in the normal operating cycle,
- the assets and liabilities are primarily held for trading,
- the asset is expected to be realized or the liability is due to settled within 12 months after the reporting date,
- it is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

The Group classifies all other assets and liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Revenue from contracts with customers

The Group generates revenue primarily from the sale of glasses, sunglasses and contact lenses.

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer, usually on delivery of the goods. Revenue is recognized at the amount of the consideration received or receivable. This revenue is generally recognized prior to performance. The Mister Spex Group therefore presents contract liabilities for the outstanding performance. The Group has generally concluded that it is the principal in its revenue arrangements because it regularly controls the goods or service before transferring them to the customer.

Rights of return

Our contracts for the sale of products provide customers with a right of return within a fixed period.

The Group uses the expected value method to estimate the goods that will not be returned, because this method best predicts the amount of variable consideration to which the Group will be entitled. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. It is measured at the amount the Group ultimately expects it will have to return to the customer. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are recognized as provisions in accordance with IAS 37. Details on the accounting policy for warranty provisions are included in note (18).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment

is made. Contract liabilities are recognized as revenue when the Group performs under the contract. The length of time between the transfer of the product to the customer and payment of the product can be up to 15 days. Refer to note (1) for more information.

Factoring

With a view to recognizing the receipt of cash flows at an early stage, receivables from sales by invoice and direct debit are sold and assigned to factors and then derecognized from the consolidated statement of financial position (non-recourse factoring). In this connection, the Group transfers, on a notification basis, the cash flows to a third party which bears the full credit risk. No del credere risk is retained.

Expense recognition

Operating expenses are recognized in profit or loss when a service is used or when the costs are incurred.

Interest is recognized as a financial income or expense item in the period to which it relates using the effective interest method (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts and payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Taxes

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

The income tax expense or income relates to current and deferred taxes and is recognized in the income statement for the fiscal year.

Deferred taxes

Deferred tax is recognized using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date and for tax loss carryforwards.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- With regard to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

VAT

Expenses and assets are recognized net of VAT when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included in the statement of financial position under other non-financial assets and other non-financial liabilities, respectively.

Intangible assets

Intangible assets acquired separately are recognized initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangible assets are recognized at the costs incurred in the development phase from the time when the technical and economic feasibility has been demonstrated until the time when the intangible asset has been completed.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for internal use or sale
- Its intention to complete the asset and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and, if necessary, accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Research costs were insignificant and were immediately expensed.

The useful lives of intangible assets are assessed as either finite or indefinite.

Internally generated and purchased intangible assets that have a determinable useful life are amortized over their expected useful lives using the straight-line method, starting from the time when they become available for use by the enterprise, as follows:

	Useful life in years
Customer lists	2.5 to 9.5
Software	2 to 6.8
Other licenses	3 to 10

The amortization period for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. These intangible assets are not amortized. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Property, plant and equipment

Property, plant and equipment as well as assets under construction are stated at cost less accumulated depreciation and impairment, if any. Costs of repairs and maintenance are expensed as incurred.

The present value of the expected cost for the decommissioning of assets after their use is included in the cost of the respective asset if the recognition criteria for a provision are met. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The residual values, useful lives and depreciation methods of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are depreciated using the straight-line method, with the cost being allocated over their estimated useful lives:

	Useful life in years
Plant and machinery	8 to 15
Furniture, fixtures and office equipment	3 to 20

Leases – the Group as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. It recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

Rental agreements may contain both a lease and a non-lease component. The Group allocates the transaction price to these components on the basis of their relative standalone selling prices.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of the right-of-use assets includes the present value of lease payments, any initial direct costs incurred by the lessee and any lease payments made on or prior to the commencement date, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Further information on lease terms is included in note (16).

Lease liability

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

The Group is exposed to potential increases in variable lease payments resulting from a change in an index or rate. Such potential changes in lease payments are not included in the lease liability until they become effective. As soon as the change in an index or rate affects lease payments, the lease liability and the right-of-use asset are adjusted accordingly.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Group discounts lease payments using the incremental borrowing rate. The interest rate was determined by reference to current market benchmark rates for real estate and company-specific risk factors, resulting in a weighted average rate.

The carrying amount of the lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

COVID-19-related rent concessions

The Group applied COVID-19-Related Rent Concessions (Amendment to IFRS 16). The Group applies the exemptions afforded by the practical expedient and is therefore not required to assess whether an admissible rent concession arising as a direct consequence of the COVID-19 pandemic is a lease modification. The Group consistently applies the practical expedient to all

contracts with similar characteristics and in similar circumstances. When the Group elects not to apply the practical expedient to rent concessions under leases or the practical expedient is not applicable, the Group determines whether the lease has been modified.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the income statement in the expense categories which are consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in profit or loss.

Goodwill is tested for impairment once a year as of 30 November. A test is also performed if circumstances indicate that the value may be impaired.

Impairment losses relating to goodwill may not be reversed in future periods.

Inventories

Inventories are measured at the lower of cost or net realizable value on the reporting date. Net realizable value is the estimated selling price less the estimated costs to make the sale. The cost of items of inventory is determined on the basis of an item-by-item valuation by means of the weighted average cost method.

Inventories comprise merchandise, raw materials, consumables and supplies.

Adequate write-downs to the net realizable value provide for valuation risks resulting from slow-moving stock and/or reduced usability. Write-downs of inventories are reversed if the reasons for the write-down no longer exist.

Financial assets

The Group's financial assets mainly comprise cash and cash equivalents, trade receivables and other financial assets.

Initial recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At the Group, this category includes trade receivables, receivables from sales by invoice and direct debit and other financial assets initially recognized at fair value.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Receivables from sales by invoice and direct debit are regularly sold and assigned to factors and then derecognized (non-recourse factoring). In this connection, the Group transfers, on a notification basis, the cash flows to a third party which bears the full credit risk. No del credere risk is retained.

Trade receivables are recognized at the transaction price determined under IFRS 15.

Losses arising from the impairment of financial assets are recorded in the income statement under other operating expenses in separate accounts.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The *financial assets at amortized cost (debt instruments)* category is the category most relevant to the consolidated financial statements.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets at amortized cost (debt instruments) are subsequently measured using the effective interest method and are subject to impairment.

The Group uses the new impairment model for financial assets measured at amortized cost introduced by IFRS 9. Mister Spex uses the simplified approach to assess credit risk and calculates the expected credit losses (ECL) using a loss allowance equal to the amount of the lifetime expected credit losses, regardless of the timing of the default. The new impairment model in accordance with IFRS 9 did not have a significant effect on the recognized financial assets as most receivables from sales by invoice and direct debit are sold and assigned to factors. Refer to note (9) for more information.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement.

A financial asset is generally derecognized when the contractual rights to receive the cash flows from the financial asset expire.

Financial liabilities

Initial recognition

Financial liabilities are classified, at initial recognition, as liabilities or as liabilities to banks.

All financial liabilities are recognized initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other financial liabilities and liabilities to banks including bank overdrafts.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

For purposes of subsequent measurement, trade payables and other financial liabilities are classified in the category *at amortized cost*.

The "liabilities to banks" category is most relevant to the consolidated financial statements. After initial recognition, interest-bearing liabilities to banks are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the income statement. Refer to note (15) for more information.

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

Provisions

Provisions are non-financial liabilities of uncertain timing or amount. They are recognized in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount of the provision is the best estimate taking all identifiable risks from the obligation into account. The settlement value that is the most probable is used. Provisions with a term of more than one year were discounted to the reporting date.

Warranty provision

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these assurance-type warranties are recognized when the product is sold or the service is provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Share-based payments

In the Mister Spex Group, employees receive share-based payments in the form of equity instruments.

The payments granted to executive staff and employees are recognized as an expense, on the one hand, and as a contribution to capital reserves in the amount of the fair value, on the other. Expenses are recognized and amounts are allocated to the capital reserves over the contractually agreed vesting period. The fair value of the options issued is calculated at the grant date.

The cost of equity-settled transactions is recognized, together with a corresponding increase in capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in profit or loss for represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not vest because a service condition was not observed. No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the original terms of the award had been met. Mister Spex also records the increase in the fair value of the promised equity instruments as a result of a modification.

When an equity-settled award is canceled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the canceled award, and designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Refer to note (14) for more information.

Accounting for transaction costs in connection with equity transactions

The share of transaction costs relating to new share issues is recognized under other non-financial assets in the statement of financial position and accounted for as a deduction from equity in accordance with IAS 32.35 upon successful completion of the equity transaction.

Earnings per share

Basic earnings per share are calculated by dividing the share in profit or loss for the period attributable to the shareholders of Mister Spex AG by the weighted average number of shares outstanding. New share issues during a period are considered on a pro rata basis for the period during which they are outstanding.

Segment reporting

The segment reporting of the Mister Spex Group is based on its internal organizational and reporting structure using the management approach.

IV. Significant accounting estimates and judgments in applying accounting policies

The preparation of financial statements in accordance with IFRSs requires management to make assumptions and estimates which impact the reported amounts as well as the related disclosures. In preparing the consolidated financial statements as of 31 December 2020, management assessed the effect of the COVID-19 pandemic on the Group's assets, liabilities, financial position and financial performance as well as the significant assumptions and estimates, but did not identify any significant impact on the Group. Significant estimates and assumptions are made particularly with regard to the following matters:

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note (14).

Goodwill

Goodwill is tested for impairment in accordance with IAS 36 on an annual basis. The impairment test is based on the future net cash flows generated for individual assets or in groups of assets combined into cash-generating units. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. A discounted cash flow method is used to calculate the value in use, with the inputs classified as level 3 of the fair value hierarchy. The recoverable amount is sensitive to the discount rate used for the discounted cash flow method as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

See note (6) of the notes to the consolidated financial statements on goodwill and intangible assets for further details regarding impairment testing.

Leases

The Group determines the lease term as the non-cancelable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group uses its incremental borrowing rate to measure lease liabilities, which is estimated using observable inputs when available. In addition, the Group is required to make certain entity-specific estimates.

V. Amendments and new accounting pronouncements

As of 1 January 2020, the Group applied all standards and amendments for the first time that became effective as of that date. However, these do not have a significant impact on the consolidated financial statements.

- Amendments to References to the Conceptual Framework in IFRSs
- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material

New accounting pronouncements that have not yet been applied

The Mister Spex Group does not plan early application of the following standards and interpretations that will only become effective in future fiscal years. The Group does not expect their application to have a material impact on its consolidated financial statements.

- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9 (first-time application: reporting periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (first-time application: reporting periods beginning on or after 1 January 2021)

New standards and interpretations that are not yet effective

The following standards have not yet been endorsed by the EU. The Group has not yet applied these standards and does not expect them to have any impact on its consolidated financial statements:

- IFRS 17 *Insurance Contracts* (including amendments to IFRS 17)
- Amendments to IFRS 3: References to the Conceptual Framework
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (including deferral of the effective date)
- Amendments to IAS 16: *Property, Plant and Equipment* – Proceeds before Intended Use
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRSs 2018-2020

VI. Operating segments

For corporate management purposes, the Mister Spex Group is organized according to geographic regions and comprises two reportable segments in accordance with IFRS 8 presented below:

Reportable segments	Divisions
Germany	Purchase and sale of prescription glasses, sunglasses and contact lenses via the German web shops and stores in Germany
International	Purchase and sale of prescription glasses, sunglasses and contact lenses via the international web shops in Austria, Finland, France, the Netherlands, Norway, Spain, Sweden, Switzerland and the UK.

The “Reconciliation” column shows the consolidation entries between the two reportable segments.

The management board, comprising the Group’s two CEOs, is the chief operating decision maker (CODM) and separately monitors the operating results of the Group’s segments to decide on the allocation of resources and assess performance.

Inter-segment pricing is determined on an arm’s length basis.

Information on the two reportable segments is presented below. The adjusted segment earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) are used to measure performance because the management board believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. Adjusted EBITDA is EBITDA adjusted for share based compensation expenses pursuant to IFRS 2, for one-off transformation costs and non-recurring effects that are not part of the normal course of business. In addition, the adjusted EBITDA for the fiscal year ended December 31, 2018 is adjusted for the effects resulting from IFRS16 as if IFRS 16 had already been applied in the year ended December 31, 2018. This ensures that adjusted EBITDA for the fiscal year ended December 31, 2018 is comparable to adjusted EBITDA for the fiscal years ended December 31, 2019 and 2020 since IFRS 16 was adopted from January 1, 2019 onwards.

2020 in EUR k	**Germany**	**International**	**Reconciliation**	**Total**
External revenue	117,782	46,419	-	**164,201**
Inter-segment revenue	5,750	655	-6,405	-
Segment revenue	**123,532**	**47,074**	**-6,405**	**164,201**
Adjusted EBITDA	**7,631**	**-877**	**-**	**6,754**

2019 in EUR k	**Germany**	**International**	**Reconciliation**	**Total**
External revenue	99,538	39,744	-	139,282
Inter-segment revenue	4,942	296	-5,238	-
Segment revenue	**104,480**	**40,040**	**-5,238**	**139,282**
Adjusted EBITDA	**4,655**	**-325**	**-**	**4,330**

2018 in EUR k	**Germany**	**International**	**Reconciliation**	**Total**
External revenue	88,725	34,053	-	122,778
Inter-segment revenue	5,125	547	-5,672	-
Segment revenue	**93,850**	**34,600**	**-5,672**	**122,778**
Adjusted EBITDA	**2,685**	**139**	**-**	**2,824**

In EUR k	2020	2019	2018
I. Revenue			
Revenue of the reportable segments	170,606	144,520	128,450
Elimination of inter-segment revenue	-6,405	-5,238	-5,672
Consolidated revenue	**164,201**	**139,282**	**122,778**
II. Adjusted EBITDA			
Adjusted EBITDA of the reportable segments	6,754	4,330	2,824
Special effects	-939	-1,044	-3,861
Thereof effects arising from the application of IFRS 2	*-658*	*-1,080*	*-127*
Thereof effects arising from the application of IFRS 16	*-*	*-*	*-2,898*
Thereof transformation costs	*-579*	*-274*	*-982*
Thereof other special effects	*298*	*-310*	*147*
Finance income and costs	-4,654	-4,182	-5,129
Depreciation and amortization	-10,937	-8,277	-4,178
Share in loss of associates	-94	-	-
Earnings before taxes	**-9,870**	**-9,173**	**-10,344**

The following table shows the Group's revenue by product type.

In EUR k	2020	2019	2018
I. Revenue			
Prescription glasses	66,916	49,638	40,826
Sunglasses	38,611	31,096	26,946
Contact lenses	55,450	55,818	52,564
Total products	**160,977**	**136,553**	**120,336**
Marketing services	2,915	2,456	2,088
Other services	309	273	354
Total	**164,201**	**139,282**	**122,778**

The following table shows the Group's non-current assets broken down by the Company's country of domicile (Germany) and other countries (International). In presenting the geographic information, segment assets are based on the location of the assets.

In EUR k	2020	2019	2018
Non-current assets			
Germany	68,934	46,691	17,182
International	13,627	13,729	13,369
Total	**82,561**	**60,420**	**30,551**

Non-current assets exclude financial instruments, deferred tax assets and employee benefit assets.

Revenue from transactions with a single customer never exceeded 10% of the Group's total revenue generated in fiscal years 2020, 2019 or 2018.

VII. Notes to the consolidated statement of comprehensive income

1. Revenue

Revenue comprises sales of merchandise, marketing services provided and other services related to the core business.

Income from product sales amounted to EUR 160,977k in the fiscal year (prior year: EUR 136,553k).

Revenue from marketing and other services provided amounted to EUR 3,224k in 2020 (prior year: EUR 2,729k).

Assets and liabilities under IFRS 15 *Revenue from Contracts with Customers* break down as follows:

In EUR k	**2020**	**2019**	**1 Jan 2019**
Right of return assets	695	750	689
Refund liability	1,993	2,038	1,899
Provisions for warranties	728	573	401
Contract liabilities	698	1,408	1,504

Contract liabilities of EUR 698k (prior year: EUR 1,408k) arising from prepayments received are generally realized (settled) within a few weeks after the reporting date by delivery of the products to customers. The prior-year amount was realized in full in fiscal year 2020. As the contract liabilities relate to prepayments received from customers, the balances of this item vary and depend on the invoiced orders at the end of the year.

Rights to the surrender of goods from anticipated returns by customers in the amount of EUR 695k (prior year: EUR 750k) and refund liabilities of EUR 1,993k (prior year: EUR 2,038k) are presented as separate items in the statement of financial position.

2. Personnel expenses

Personnel expenses developed as follows in the fiscal year:

In EUR k	**2020**	**2019**
Wages and salaries	30,266	23,549
Social security costs	5,481	4,266
Total	**35,747**	**27,815**

Social security costs include pension costs in the form of contributions to statutory pension insurance of EUR 2,107k (prior year: EUR 1,873k).

Personnel expenses were reduced by an amount of EUR 308k due to the refund of social security contributions in connection with the provision of short-time working allowances to the Mister Spex Group by the Federal Employment Agency in Germany.

3. Other operating income and expenses

Other operating income for the fiscal year comprises income from subsidies of EUR 252k (prior year: EUR 292k), other out-of-period income of EUR 136k (prior year: EUR 654k) and other income of EUR 90k (prior year: EUR 385k).

Other operating expenses for the fiscal year break down as follows:

In EUR k	**2020**	**2019**
Marketing costs	19,453	17,544
Freight and fulfillment costs	13,298	11,526
General business costs	5,207	4,099
External services	2,820	2,260
Legal and consulting fees	1,227	987
Miscellaneous	2,418	2,019
Total	**44,424**	**38,435**

In addition, other operating expenses include out-of-period expenses of EUR 310k (prior year: EUR 197k).

4. Finance income and costs

Finance income for the fiscal year breaks down as follows:

In EUR k	**2020**	**2019**
Interest income	36	6
Income from change in exchange rates	394	127
Total	**430**	**133**

Finance costs for the fiscal year break down as follows:

In EUR k	**2020**	**2019**
Interest expense	4,612	3,951
Expenses from change in exchange rates	472	364
Total	**5,084**	**4,315**

Interest expenses also contain interest on lease liabilities of EUR 1,168k (prior year: EUR 726k).

5. Income taxes

Income tax expenses in profit or loss relate to the following items:

In EUR k	**2020**	**2019**
Current taxes	25	276
Deferred taxes	363	-141
Income tax expenses	**388**	**135**

The reconciliation of current tax expense and the expected tax expense for fiscal years 2020 and 2019 is as follows:

	2020	2019
Earnings before taxes	**-9,870**	**-9,173**
Tax rate	*29.1%*	*29.7%*
Expected tax income calculated at domestic tax rates applicable to earnings in the respective countries	2,874	2,726
Unrecognized deferred tax assets on tax losses	-2,661	-1,955
Non-deductible business expenses	-314	-470
Share-based payment expenses not deductible for tax purposes	-198	-326
Other effects	-89	-110
Recognized income tax expenses	**-388**	**-135**

The weighted average applicable tax rate was 29.1% (prior year: 29.7%) which was derived from the tax rates in the individual countries weighted by the relevant pre-tax earnings.

Deferred taxes

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of these temporary differences and used tax loss carryforwards is detailed below:

	Deferred tax assets		**Deferred tax liabilities**	
In EUR k	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Intangible assets from internally generated software	-	-	3,648	2,898
Intangible assets from business combinations	-	-	127	191
Leases	11,308	7,982	10,798	7,789
Other financial liabilities	-	-	39	-
Other	4	4	28	-
Aggregate amount of temporary differences	**11,312**	**7,986**	**14,639**	**10,878**
Loss carryforwards recognized	2,445	2,222	-	-
Total deferred taxes (before offsetting)	**13,757**	**10,208**	**14,639**	**10,878**
Offsetting	-13,757	-10,208	-13,757	-10,208
Total deferred taxes (after offsetting)	**-**	**-**	**882**	**670**

Corporate income tax loss carryforwards of EUR 67,064k (prior year: EUR 57,645k) and trade tax loss carryforwards of EUR 61,047k (prior year: EUR 51,676k) gave rise to deferred taxes on recognized loss carryforwards of EUR 2,445k (prior year: EUR 2,222k). Deferred tax assets are recognized in the amount of the expected future tax benefit. No deferred tax assets were recognized on corporate income tax loss carryforwards of EUR 59,014k and trade tax loss carryforwards of EUR 52,979k. Additionally, there are interest carryforwards of EUR 3,265k for which no deferred taxes were recognized. The unused losses and interest can be carried forward indefinitely.

Tax loss carryforwards for foreign subsidiaries for which no deferred taxes were recognized amount to EUR 13,144k.

VIII. Notes to the consolidated statement of financial position

6. Goodwill and intangible assets

Changes in the carrying amounts of goodwill and intangible assets are presented below:

Cost:

In EUR k	**Goodwill**	**Customer lists**	**Brands**	**Software**	**Software under development**	**Total**
As of 1 Jan 2019	**12,113**	**3,144**	**221**	**18,211**	**1,606**	**35,295**
Additions	-	-	-	96	4,363	**4,459**
Reclassifications	-	-	-	1,023	-1,023	**-**
Currency effects	-	-	-	-4	-	**-4**
As of 31 Dec 2019	**12,113**	**3,144**	**221**	**19,327**	**4,946**	**39,751**
Additions	-	427	-	112	5,154	**5,693**
Reclassifications	-	-	-	4,786	-4,786	**-**
Currency effects	-	-	-	8	-	**8**
As of 31 Dec 2020	**12,113**	**3,571**	**221**	**24,233**	**5,313**	**45,450**

Amortization:

In EUR k	Goodwill	Customer lists	Brands	Software	Software under development	Total
As of 1 Jan 2019	**-**	**1,988**	**221**	**10,645**	**-**	**12,854**
Amortization	-	289	-	3,078	-	**3,367**
Currency effects	-	-	-	-4	-	**-4**
As of 31 Dec 2019	**-**	**2,277**	**221**	**13,719**	**-**	**16,217**
Amortization	-	349	-	2,815	-	**3,165**
Currency effects	-	1	-	8	-	**9**
As of 31 Dec 2020	**-**	**2,627**	**221**	**16,542**	**-**	**19,390**

Net carrying amounts:

In EUR k	Goodwill	Customer lists	Brands	Software	Software under development	Total
As of 31 Dec 2019	**12,113**	**867**	**-**	**5,608**	**4,946**	**23,534**
As of 31 Dec 2020	**12,113**	**944**	**-**	**7,690**	**5,313**	**26,060**

The Mister Spex Group performed an impairment test of goodwill of the two cash-generating units *Nordic Eyewear* and *Lensit* (both part of the International reportable segment) as of 30 November 2020 (and an update as of 31 December 2020). As of 30 November 2020 (and 31 December 2020), the *Nordic Eyewear* and *Lensit* cash-generating units were allocated goodwill of EUR 6,854k (prior year: EUR 6,854k) and EUR 5,259k (prior year: EUR 5,259k), respectively, as in the prior year.

The recoverable amounts of the *Lensit* and *Nordic Eyewear* cash-generating units were determined on the basis of the value in use in a discounted cash flow calculation. The impairment tests were based on the business plan for fiscal years 2021 to 2025 and a discount rate of 9.3% p.a. after taxes (11.2% before taxes). Cash flows beyond the five-year medium-term forecast are extrapolated using a growth rate of 2%.

The impairment test is based on cash flow projections for the cash-generating units and estimates concerning the future market development. The five-year planning period reflects the medium-term business plan. The recognized cash flows were derived from past information. In the business plans for subsequent years, growth in the operating margin for both reporting units is expected over an initial four-year period. Growth for both reporting units is expected to slow beyond this period and will amount to 2% in the terminal value period.

In August 2020, the Group acquired a customer list for a purchase price of EUR 427k in an asset deal. The customer list has a useful life of three years and a carrying amount of EUR 366k as of 31 December 2020.

7. Property, plant and equipment

Changes in the carrying amount of property, plant and equipment are presented below:

Cost:

In EUR k	**Plant and machinery**	**Furniture, fixtures and office equipment**	**Assets under construction**	**Total**
As of 1 Jan 2019	**3,207**	**7,228**	**5**	**10,440**
Additions	868	808	2,214	**3,890**
Reclassifications	-	1,549	-1,549	**-**
Disposals	-	-10	-	**-10**
Currency effects	-	1	-	**1**
As of 31 Dec 2019	**4,075**	**9,576**	**669**	**14,320**
Additions	1,060	1,227	5,859	**8,146**
Reclassifications	737	4,012	-4,749	**-**
Disposals	-	-	-	**-**
Currency effects	-	-8	-	**-8**
As of 31 Dec 2020	**5,872**	**14,808**	**1,780**	**22,459**

Depreciation:

In EUR k	**Plant and machinery**	**Furniture, fixtures and office equipment**	**Assets under construction**	**Total**
As of 1 Jan 2019	**472**	**3,299**	**-**	**3,771**
Depreciation	323	1,043	-	**1,366**
Disposals	-	-5	-	**-5**
Currency effects	-	-	-	**-**
As of 31 Dec 2019	**795**	**4,337**	**-**	**5,132**
Depreciation	509	1,515	-	**2,024**
Disposals	-	-	-	**-**
Currency effects	-	-8	-	**-8**
As of 31 Dec 2020	**1,304**	**5,844**	**-**	**7,148**

Net carrying amounts:

In EUR k	Plant and machinery	Furniture, fixtures and office equipment	Assets under construction	Total
As of 31 Dec 2019	**3,280**	**5,239**	**669**	**9,188**
As of 31 Dec 2020	**4,567**	**8,964**	**1,780**	**15,311**

Management did not identify any signs of impairment of property, plant and equipment in the fiscal year. In making this assessment, potential impairment of furniture, fixtures and office equipment of the stores in connection with the COVID-19 pandemic was considered. No borrowing costs were capitalized in the reporting period.

8. Investments in associates

By purchase agreement dated 8 October 2020, Mister Spex AG acquired a 45% interest in Tribe GmbH (prior to the capital increase on 20 November 2020). On 20 November 2020, Mister Spex AG purchased an additional 5.75% in connection with a capital increase at Tribe GmbH, raising its shareholding to a total of 48.17%. The entity specializes in the development and sale of communication software. The Group's investment in Tribe GmbH is accounted for using the equity method.

The purchase price including incidental purchase costs amounted to EUR 3,222k, of which EUR 710k relates to an option to purchase additional shares in the company (see note (13)). The option was recognized directly in the capital reserves pursuant to IAS 32. In the view of management, these potential voting rights from the purchase option are not substantive rights for the purpose of IFRS 10. The carrying amount of the investment in the associate thus came to EUR 2,512k upon initial recognition. As of 31 December 2020, the carrying amount of the investment stood at EUR 2,418k. This change was recognized in the income statement under results of associates.

The following table summarizes the financial information of Tribe GmbH including fair value adjustments as of the acquisition date. The table also reconciles the summarized financial information to the carrying amount of the Group's investment in Tribe GmbH. The information for fiscal year 2020 presented in the table includes the results for the period from 8 October 2020 to 31 December 2020.

In EUR k	**2020**
Current assets	232
Non-current assets	19
Current liabilities	265
Non-current liabilities	252
Net assets (100%)	**-266**
Group's share of net assets: 48.17%	-128
Goodwill	2,351
Consolidation adjustments	289
Equity method result	-94
Carrying amount of investment in associate	**2,418**

In EUR k	2020
Revenue	**0**
Total comprehensive income for the year, net of tax (100%)	**-86**
Group's share of total comprehensive income	**-42**
Consolidation adjustments	**-52**
Equity method result	**-94**

Consolidation adjustments include fair value adjustments in connection with the purchase price allocation and further adjustments recognized in profit or loss under the equity method.

9. Financial assets

Financial assets break down into current and non-current assets as follows:

In EUR k	31 Dec 2020	31 Dec 2019
Non-current financial assets	2,988	1,884
Current financial assets	2,925	18,073
Total	**5,913**	**19,957**

Non-current financial assets of EUR 2,988k (prior year: EUR 1,884k) comprise receivables from rent deposits and collateral pledged of EUR 2,738k (prior year: EUR 1,884k) and loans to associates of EUR 250k (prior year: EUR 0k).

Non-current receivables from rent deposits and collateral pledged are recognized at their respective carrying amounts, since they bear interest at market interest rates.

Current financial assets comprise trade receivables of EUR 1,322k (prior year: EUR 1,425k), receivables from sales by invoice and direct debit of EUR 1,457k (prior year: EUR 911k) and other financial assets of EUR 147k (prior year: EUR 15,737k).

The carrying amounts of the financial assets are the same as their fair values.

Trade receivables are generally on terms of 30 to 90 days and are non-interest bearing.

All significant financial assets are classified and measured at amortized cost in accordance with IFRS 9.

As the Group has not experienced any historical default events in relation to its current and non-current financial assets and, in light of the good credit quality of its debtors, it does not expect any significant losses, it did not recognize any expected credit losses in the fiscal year.

10. Inventories

Inventories comprise the following:

In EUR k	**31 Dec 2020**	**31 Dec 2019**
Raw materials, consumables and supplies	673	416
Merchandise	16,933	14,170
Inventories	**17,606**	**14,586**

Write-downs of inventories amounted to EUR 28k in the reporting period (prior year: EUR 35k) and reflect the estimated inventories at risk at year-end.

Cost of inventories included as an expense under cost of materials amount to EUR 82,984k (prior year: EUR 74,464k).

11. Other non-financial assets

As of 31 December 2020, other non-financial assets amounted to EUR 4,420k (prior year: EUR 3,496k).

Other non-financial assets again comprise other receivables (EUR 2,823k; prior year: EUR 1,656k), prepayments (EUR 1,385k; prior year: EUR 1,035k), VAT receivables (EUR 194k; prior year: EUR 805k) and current income tax receivables (EUR 18k; prior year: EUR 0k).

Other current non-financial assets include receivables from the Federal Employment Agency of EUR 247k (prior year: EUR 0k) related to the use of short-time working allowances in Germany and transaction costs of EUR 94k (prior year: EUR 115k) related to the planned issue of new shares.

All other non-financial assets are classified as current.

12. Cash and cash equivalents

Cash and cash equivalents largely comprise bank balances and are not subject to any restraint on disposal.

13. Equity

Subscribed capital:

After a resolution to carry out a capital increase had been adopted in December 2019, the called contributions of EUR 70k were paid into the subscribed capital in full. The capital increase was entered in the commercial register in January 2020. Compared with the prior reporting date, the number of shares thus rose from 1,190,876 to 1,260,626 Capital stock is divided into 1,260,626 no-par value shares. The shares have been issued and paid in in full. All shares entail the same rights and obligations. Each share entitles the holder to one vote at the annual general meeting and determines the holder's share of the Company's profit after tax.

Capital reserves:

The capital reserves include additional shareholder contributions of EUR 14,930k (prior year: EUR 24,542k) from the capital increase resolved in fiscal year 2019 and entered in the commercial register in January 2020. In addition, amounts arising from share-based payment transactions pursuant to IFRS 2 of EUR 658k (prior year: EUR 1,080k) were reflected.

Directly attributable transaction costs of EUR 500k were incurred in connection with the capital increases and were directly deducted from capital reserves net of a tax benefit of EUR 151k.

When the Group acquired the 48.17% interest in Tribe GmbH, it also obtained the right to purchase the remaining 51.83% interest in Tribe GmbH at a later date. At the acquisition date on 8 October 2020, the fair value of the option amounted to EUR 710k. Due to the arrangements in the purchase agreement, the acquired purchase option is an equity instrument, since the number of own equity instruments to be delivered and the amount of consideration are determined at the date of issue. The option premium paid in the amount of the fair value of the purchase option was recognized in equity pursuant to IAS 32.22.

Authorized capital:

As of the reporting date 31 December 2020, authorized capital amounted to EUR 260,721 (prior year: EUR 221k). The authorized capital also serves to create equity in connection with the employees' share-based payments.

Other comprehensive income:

Other comprehensive income solely includes gains or losses from currency translation.

Treasury shares:

The number of treasury shares was unchanged compared with 31 December 2019.

14. Share-based payments

The Group has set up four stock option plans which give eligible employees the option of investing directly or indirectly in the Company's equity instruments. The share-based payment awards granted by the Mister Spex Group are equity-settled plans. In the reporting period, a total expense of EUR 658k was recognized in this connection.

The vesting period for the equity-settled share-based payment awards is usually 48 months. The first tranche vests after 12 months, while the remaining tranches vest on a monthly basis in equal amounts over the residual vesting period. The share-based payment awards become exercisable after a certain period of time, when an exit event occurs or the participant leaves.

The inputs used in the measurement were determined as follows: The share price used was derived from the financing rounds performed close to the issue date and a sale of shares. The expected volatility is based on the development of the share price volatility of comparable companies (peer group) over the expected term of the option in each case. The maturity-matched risk-free interest rate was calculated using the Svensson method.

No options were exercised during the 2020 reporting period. The weighted average share value at the date of exercise of an option exercised during the 2019 reporting period amounted to EUR 138.38.

ESOP I

The payment awards granted by Mister Spex AG in Germany under Employee Stock Option Program I (ESOP I) were granted at different times between 2012 and 2015.

The number of outstanding options developed as follows in the reporting period:

	Number	Weighted average exercise price (in EUR)
Options outstanding on 1 Jan 2019	46,267	11.33
Options granted during the period	-	-
Options forfeited during the period	-	-
Options exercised during the period	6,012	3.88
Options outstanding on 31 Dec 2019	40,255	12.44
Options exercisable on 31 Dec 2019	40,255	12.44
Options outstanding on 1 Jan 2020	40,255	12.44
Options granted during the period	-	-
Options forfeited during the period	-	-
Options exercised during the period	-	-
Options outstanding on 31 Dec 2020	40,255	12.44
Options exercisable on 31 Dec 2020	40,255	12.44

The range of exercise prices for options issued and outstanding under ESOP I as of the reporting date was EUR 1 to EUR 65 (prior year: EUR 1 to EUR 65); of which 32,870 outstanding options (prior year: 32,870 outstanding options) have an exercise price of EUR 1, 460 outstanding options (prior year: 460 outstanding options) have an exercise price of EUR 38.66 and 6,925 outstanding options (prior year: 6,925 outstanding options) have an exercise price of EUR 65. The beneficiaries may exercise vested options up to a maximum of six years after the start date specified in the option plan.

The weighted average fair value of an option granted in fiscal year 2015 is EUR 83.73. The fair value of the option rights consists of the intrinsic value and the time value. The weighted average remaining contractual life for the share options outstanding as of 31 December 2020 was 1.0 years.

The Black-Scholes model was used to determine the fair values of the option rights. The inputs used to calculate the options granted are summarized in the following overview:

Weighted average share value (EUR)	EUR 65.92
Weighted average exercise price (EUR)	EUR 12.44
Expected volatility (%)	14.73% to 38.68%
Expected option term (years)	2.47 to 5.31
Expected dividends (%)	0%
Maturity-matched risk-free interest rate (%)	-0.28% to 1.33%

ESOP II

Employee Stock Option Program II (ESOP II) was introduced by Mister Spex AG in October 2015. The vesting conditions are the same as under ESOP I.

The number of outstanding options developed as follows in the reporting period:

	Number	**Weighted average exercise price (in EUR)**
Options outstanding on 1 Jan 2019	46,430	65.39
Options granted during the period	-	-
Options forfeited during the period	-	-
Options exercised during the period	4,088	65.39
Options outstanding on 31 Dec 2019	42,342	65.39
Options exercisable on 31 Dec 2019	40,161	65.39
Options outstanding on 1 Jan 2020	42,342	65.39
Options granted during the period	-	-
Options forfeited during the period	271	65.39
Options exercised during the period	-	-
Options outstanding on 31 Dec 2020	42,071	65.39
Options exercisable on 31 Dec 2020	41,315	65.39

No new options under ESOP II were issued during the 2020 reporting period. The uniform exercise price for option rights outstanding under ESOP II as of the reporting date was EUR 65.39. The beneficiaries may exercise vested options up to a maximum of six years after the start date specified in the contract.

The weighted average fair value of a new option granted in fiscal year 2017 is EUR 76.77. The fair value of the option rights consists of the intrinsic value and the time value. The weighted average remaining contractual life for the share options outstanding as of 31 December 2020 was 1.1 years.

The Black-Scholes model was used to determine the fair values of the option rights. The inputs used to calculate the options granted are summarized in the following overview:

Weighted average share value (EUR)	EUR 107.58
Weighted average exercise price (EUR)	EUR 65.39
Expected volatility (%)	33.47% to 36.93%
Expected option term (years)	1.85 to 3.22
Expected dividends (%)	0%
Maturity-matched risk-free interest rate (%)	-0.90% to -0.22%

ESOP III

Employee Stock Option Program III (ESOP III) is the name of the current employee stock option program launched in November 2017. The vesting conditions are the same as under ESOP I and II.

The number of outstanding options developed as follows in the reporting period:

	Number	Weighted average exercise price (in EUR)
Options outstanding on 1 Jan 2019	17,421	160.00
Options granted during the period	-	-
Options forfeited during the period	200	160.00
Options exercised during the period	-	-
Options outstanding on 31 Dec 2019	17,221	160.00
Options exercisable on 31 Dec 2019	8,190	160.00
Options outstanding on 1 Jan 2020	17,221	160.00
Options granted during the period	-	-
Options forfeited during the period	821	160.00
Options exercised during the period	-	-
Options outstanding on 31 Dec 2020	16,400	160.00
Options exercisable on 31 Dec 2020	11,763	160.00

No options under ESOP III were exercised during the 2020 reporting period. The uniform exercise price for option rights outstanding under ESOP III as of the reporting date was EUR 160.00. The beneficiaries may exercise vested options up to a maximum of six years after the start date specified in the contract.

The weighted average fair value of a new option granted in fiscal year 2018 is EUR 20.03. The fair value of the option rights consists of the intrinsic value and the time value. The weighted average remaining contractual life for the share options outstanding as of 31 December 2020 was 3.1 years.

The Black-Scholes model was used to determine the fair values of the option rights. The inputs used to calculate the new options granted are summarized in the following overview:

Weighted average share value (EUR)	EUR 155.59
Weighted average exercise price (EUR)	EUR 160.00
Expected volatility (%)	28.86% to 33.60%
Expected option term (years)	1.07 to 2.36
Expected dividends (%)	0%
Maturity-matched risk-free interest rate (%)	-0.79% to -0.59%

ESOP IV

Employee Stock Option Program IV (ESOP IV) is the name of the current employee stock option program launched in January 2019. The vesting conditions are largely the same as under ESOP III.

The number of outstanding options developed as follows in the reporting period:

	Number	Weighted average exercise price (in EUR)
Options outstanding on 1 Jan 2019	70,800	132.69
Options granted during the period	-	-
Options forfeited during the period	-	-
Options exercised during the period	-	-
Options outstanding on 31 Dec 2019	70,800	132.69
Options exercisable on 31 Dec 2019	15,800	132.69
Options outstanding on 1 Jan 2020	70,800	132.69
Options granted during the period	14,400	132.69
Options forfeited during the period	4,428	132.69
Options exercised during the period	-	-
Options outstanding on 31 Dec 2020	80,772	132.69
Options exercisable on 31 Dec 2020	33,307	132.69

The uniform exercise price for option rights outstanding under ESOP IV as of the reporting date was EUR 132.69. The beneficiaries may exercise vested options up to a maximum of four years after the start date specified in the contract.

The weighted average fair value of a new option granted in fiscal year 2020 amounts to EUR 59.37 (prior year: EUR 24.21). The fair value of the option rights consists of the intrinsic value and the time value. The weighted average remaining contractual life for the share options outstanding as of 31 December 2020 was 2.3 years.

The Black-Scholes model was used to determine the fair values of the option rights. The inputs used to calculate the new options granted are summarized in the following overview:

Weighted average share value (EUR)	EUR 146.07
Weighted average exercise price (EUR)	EUR 132.69
Expected volatility (%)	34.39% to 37.26%
Expected option term (years)	1.86 to 4.00
Expected dividends (%)	0%
Maturity-matched risk-free interest rate (%)	-0.90% to -0.66%

15. Financial liabilities

Financial liabilities mainly include current liabilities to banks, trade payables and refund liabilities to customers from anticipated returns.

As of 31 December 2020, financial liabilities had the following maturities based on the contractually agreed amounts:

In EUR k	**Up to one year**	**One to five years**	**More than five years**	**Total**
As of 31 Dec 2020				
Liabilities to banks	30,255	-	-	**30,255**
Trade payables	10,028	-	-	**10,028**
Refund liabilities	1,993	-	-	**1,993**
Other financial liabilities	467	320	-	**787**
Financial liabilities	**42,743**	**320**	**-**	**43,063**
As of 31 Dec 2019				
Liabilities to banks	290	28,625	-	**28,915**
Trade payables	10,695	-	-	**10,695**
Refund liabilities	2,038	-	-	**2,038**
Other financial liabilities	15,539	-	-	**15,539**
Financial liabilities	**28,563**	**28,625**		**57,188**

Liabilities to banks are secured by pledges or assignment as security of assets such as property, plant and equipment, receivables, bank balances, inventories and shares in the subsidiaries International Eyewear GmbH, Nordic Eyewear AB and Lensit.no AS. The carrying amount of bank balances pledged as security is EUR 14,536k.

The carrying amounts of the financial liabilities are the same as their fair values.

The following table shows the reconciliation carried out by the Group from the opening to the closing balance of liabilities to banks and other financial liabilities:

in EUR k	**2020**	**2019**
Financial liabilities – 1 Jan	**44,455**	**27,492**
Change due to cash flow from financing activities		
Cash received from liabilities to banks	-	2,500
Repayments of liabilities to banks	-290	-2,060
Total change	**-290**	**440**
Other cash and non-cash changes		
Contribution made to effect the resolved capital increase	-70	69

Contribution not yet made to effect the resolved capital increase	-	14,930
Other financial liabilities	-13,053	1,524
Total change	**-13,122**	**16,523**
Financial liabilities – 31 Dec	**31,042**	**44,455**

16. Leases

Leases comprise rental agreements for office, warehouse and store space, usually with terms between 5 and 10 years. There are several lease contracts that include extension and termination options and variable payments, which are further discussed below.

The carrying amounts of right-of-use assets in the statement of financial position are as follows:

In EUR k	**Commercial and office space**
As of 1 Jan 2019	**20,049**
Additions	9,310
Depreciation	- 3,544
As of 31 Dec 2019	**25,814**
Additions	15,719
Depreciation	-5,750
As of 31 Dec 2020	**35,783**

EUR 13,286k of the additions relates to new rental agreements, most of which were concluded for store space.

The following table presents the carrying amounts of the lease liabilities and the changes in the fiscal year:

In EUR k	**Commercial and office space**
As of 1 Jan 2019	**20,049**
Additions	9,224
Accretion of interest	726
Payments	- 3,562
As of 31 Dec 2019	**26,436**
Thereof current	3,455
Thereof non-current	22,981
Additions	15,439
Accretion of interest	1,168
Payments	-5,604
As of 31 Dec 2020	**37,439**
Thereof current	5,741
Thereof non-current	31,698

The following amounts were recognized in profit and loss in the reporting period:

In EUR k	**2020**	**2019**
Depreciation of right-of-use assets	5,750	3,544
Interest expense on lease liabilities	1,168	726
Expense for variable lease payments not included in the lease liabilities	696	398
Total	**7,614**	**4,668**

The table below summarizes the maturities of the Group's lease liabilities as of 31 December 2020.

The information presented is based on contractual discounted payments:

In EUR k	**Up to one year**	**One to five years**	**More than five years**	**Total**
As of 31 Dec 2020				
Lease liabilities	5,741	26,529	5,169	**37,439**

In EUR k	**Up to one year**	**One to five years**	**More than five years**	**Total**
As of 31 Dec 2019				
Lease liabilities	3,455	17,399	5,582	**26,436**

The following figures are based on contractual undiscounted payments:

In EUR k	**Up to one year**	**One to five years**	**More than five years**	**Total**
As of 31 Dec 2020				
Lease liabilities	6,899	29,389	5,419	**41,706**

In EUR k	Up to one year	One to five years	More than five years	Total
As of 31 Dec 2019				
Lease liabilities	4,595	19,729	5,837	**30,161**

The Group's cash outflows for leases came to EUR 6,300k in the fiscal year (prior year: EUR 3,960k), of which EUR 968k (prior year: EUR 539k) related to fixed payments and EUR 4,636k (prior year: EUR 3,022k) related to variable payments that depend on the consumer price index. The other variable payments not included in the measurement of the lease liability are based on consumption and totaled EUR 696k in the fiscal year (prior year: EUR 398k).

In fiscal year 2020, the adjustments of contractual terms gave rise to a EUR 2,433k (prior year: EUR 607k) increase in recognized lease liabilities and right-of-use assets.

The Group did not exercise any termination options in the reporting period.

In addition, Mister Spex entered into several lease agreements that have not yet commenced. These relate to additional space for future stores. Additional payments of EUR 8m (prior year: EUR 9m) are expected over the non-cancelable term of the lease.

As a result of the COVID-19 pandemic, right-of-use assets were tested for impairment. This did not give rise to any impairment losses in the fiscal year.

In response to the COVID-19 pandemic, the Group negotiated rent concessions for individual leases of store space with its lessors in the fiscal year. The Group consistently applies the practical expedient for COVID-19-related rent concessions to all admissible rent concessions in connection with leases of store space.

In the fiscal year, an amount of EUR 245k was recognized in the income statement to reflect the changes in lease payments as a result of the rent concessions due to the Group applying the practical expedient for COVID-19-related rent concessions.

17. Other non-financial liabilities

Other non-financial liabilities comprise current and non-current liabilities.

While other non-current non-financial liabilities mainly include liabilities from government grants of EUR 306k (prior year: EUR 560k), other current non-financial liabilities amounting to EUR 5,933k (prior year: EUR 4,486k) chiefly comprise liabilities from outstanding invoices of EUR 1,897k (prior year: EUR 1,349k), accrued personnel-related expenses of EUR 1,366k (prior year: EUR 1,025k) and VAT liabilities of EUR 714k (prior year: EUR 455k).

18. Provisions

In EUR k	Warranties	Asset retirement obligations	Total
As of 1 Jan 2020	**573**	**126**	**699**
Provisions recognized	155	133	**288**
As of 31 Dec 2020	**728**	**259**	**987**
Non-current	-	259	259
Current	728	-	728

Current provisions include warranty provisions of EUR 728k for products sold during the fiscal year (prior year: EUR 573k).

Non-current provisions of EUR 259k (prior year: EUR 126k) primarily relate to asset retirement obligations for leased properties.

IX. Other notes

19. Financial risk management

In the ordinary course of business, the Mister Spex Group is exposed to credit risk, liquidity risk and market risk (primarily currency and interest rate risk).

The financial instruments used by the Mister Spex Group comprise current and non-current liabilities to banks, cash and cash equivalents and factoring instruments which serve to finance its business activities.

Group management is responsible for managing the risks and develops principles for overall risk management. The significant risks are presented below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The risk of default is very low due to the payment structures. By way of factoring agreements, the Mister Spex Group has transferred the del credere risk for sales by invoice and direct debit to third parties in full. No default risk arises from payments via the service provider PayPal or payments in advance. Credit card risks are closely monitored and managed.

With regard to other financial assets that are neither past due nor impaired on the reporting date, there were no indications that the customers will be unable to meet their payment obligations.

Liquidity risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations. The Group is exposed to the risk of daily calls on its available cash resources. Liquidity risk is managed by the management of the Company.

The Group manages liquidity development in the course of annual budgeting and on a monthly basis.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, and lease contracts.

As of 31 December 2020, the Group's current liabilities (EUR 55,843k; prior year: EUR 38,484k) exceeded its current assets (EUR 40,182k; prior year: EUR 60,199k) by EUR 15,662k. The Group's liquidity portfolio comprises cash and cash equivalents of EUR 14,536k (prior year: EUR 23,295k).

The Group's current financial liabilities as of 31 December 2020 amounted to EUR 30,722k (prior year: EUR 15,830k) and consisted exclusively of short-term liabilities due within one year. As of 31 December 2020, there were no non-current liabilities to banks (prior year: EUR 28,625 k). This change in financial liabilities is attributable to the reclassification of liabilities to banks that are due on 1 May 2021. Based on the underlying covenant, the Group is obliged to hold cash and cash and cash equivalents in an average amount of EUR 2m. The Group plans to refinance by obtaining funding of EUR 42.5m from various banks in the short term.

As of the reporting date there were undrawn credit facilities for Nordic Eyewear AB of SEK 8m. Most of the credit facilities totaling EUR 8m available to Mister Spex AG in the prior year have either expired (EUR 5m) or have been terminated (EUR 2.5m).

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency positions, primarily with respect to the Swedish krona (SEK), the Norwegian krona (NOK), the Swiss franc (CHF) and the British pound (GBP). Currency risk arises from future commercial transactions and assets and liability positions.

There are two kinds of currency risk. While translation risk describes the risk of exchange differences leading to changes in the items of the statement of financial position and income statement of a subsidiary when the local separate financial statements are translated into the group currency, transaction risk represents exchange differences at transaction level. Exchange differences resulting from translation risk are presented in equity.

The sensitivities of transaction risk are as follows: If the euro had appreciated by 5% as of 31 December 2020 against the foreign currencies presented above, earnings before taxes would have been EUR 570k (prior year: EUR 464k) lower. If it had depreciated by 5%, earnings before taxes would have been EUR 576k (prior year: EUR 471k) higher.

Interest rate risk

The interest rates of the loan agreements are contractually agreed. The interest rate of each loan arises from the sum of several fixed components and one variable component. The variable component depends on the one-month EURIBOR limit being exceeded. Compared with prior years, the one-month EURIBOR is currently significantly below the limit and therefore no interest rate risk is expected from this development.

20. Capital management

The Mister Spex Group is not subject to any obligations to preserve capital either under the articles of incorporation and by-laws or contractual provisions. The financial ratios used for corporate management are largely performance-oriented. The capital management objectives, methods and processes are geared to achieving the performance-based financial ratios with the overarching goal to support business growth and secure the Company's continued existence in the long term. The flexibility needed in the provision of funds requires a healthy financial structure

with a focus on equity. As debt instruments are already being used, capital management comprises equity and debt capital.

The key performance indicator for active capital management is the free cash flow comprising the sum of cash flows from operating activities and investing activities as well as cash repayments of lease liabilities. Free cash flow is a key indicator for changes in the liquidity situation. As of the reporting date, it came to -EUR 23,049k (prior year: -EUR 10,028k).

Management's targets for this key indicator were achieved in the fiscal year and in the prior year.

21. Related parties

In accordance with IAS 24, parties are considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party's financial and operating policies.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

For the purposes of related party disclosures, the Mister Spex Group defines all shareholders of Mister Spex AG, the members of the management board of Mister Spex AG, including any of their immediate family members and any entity owned or controlled by such persons as a related party.

In addition to the business relationships with its consolidated subsidiaries, the Group had a business relationship with one associate in the reporting year.

Management board member compensation
The management board comprises Dirk Graber and Dr. Mirko Caspar.

In EUR k	**2020**	**2019**
Short-term benefits		
Salaries	542	589
Share-based payments		
Granting of options	174	437
Total	**716**	**1,026**

Supervisory board member compensation

Expenses for supervisory board compensation came to EUR 56k in 2020 (prior year: EUR 72k). Additionally, the share-based compensation for the supervisory board amounted to EUR 74k (prior year: EUR 74k).

Other related party transactions

	Transaction values		Outstanding receivable as of 31 December	
In EUR k	**2020**	**2019**	**2020**	**2019**
Other				
Associates				
- Loan and related interest	3	-	253	-

All outstanding receivables from related parties are based on arm's length conditions. None of the balances is secured.

22. Other financial obligations

The Group rents office, warehouse and store space under non-cancelable leases with terms of up to 10 years.

The following table shows the total future minimum lease payments under non-cancelable leases classified as non-lease components as well as other financial obligations.

In EUR k	**2020**	**2019**
Up to one year	3,813	3,743
Between one and five years	3,080	3,771
More than five years	808	759
Total commitments	**7,701**	**8,273**

Furthermore, under the shareholders' agreement of Tribe GmbH, Mister Spex AG shall be obliged to provide loans to the company totaling EUR 4,250k (prior year: EUR 0k) over the next three fiscal years and to make payments in connection with license agreements totaling EUR 380k (prior year: EUR 0k) to Tribe GmbH.

23. Significant subsidiaries and associates

Mister Spex AG, as the group parent, held direct and indirect equity investments in the following subsidiaries and associates as of 31 December 2020:

	Registered office	Share in equity (in %)	
		2020	2019
Subsidiaries:			
International Eyewear GmbH	Berlin, Germany	100	100
Mister Spex France SAS	Rouen, France	100	100
Nordic Eyewear Holdings AB	Stockholm, Sweden	100	100
Nordic Eyewear AB	Stockholm, Sweden	100	100
Lensit.no AS	Karmsund, Norway	100	100
Associates:			
Tribe GmbH	Berlin, Germany	48.17	-

The voting interests in the subsidiaries and associates are the same as the ownership interests presented in the table.

24. Number of employees

	2020	2019
Male	415	331
Female	550	444
Total	**965**	**775**

The average number of employees in the Group during the fiscal year was 965 (prior year: 775); there were 824 full-time equivalents (prior year: 600).

25. Auditor’s fees

The auditor’s fees paid to Ernst & Young Wirtschaftsprüfungsgesellschaft recognized as an expense in the reporting period come to EUR 106k for the audit (separate and consolidated financial statements) (prior year: EUR 125k) and EUR 35k for audit-related services (prior year. EUR 31k). The auditor did not provide any other services.

26. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic earnings per share calculation:

Weighted average number of ordinary shares		
In thousands of shares	**2020**	**2019**
Issued ordinary shares as of 1 January	1,191	1,050
Effect of treasury shares held	-67	-67
Effect of capital increase	65	54
Weighted average number of ordinary shares as of 31 December	**1,189**	**1,037**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

The following table provides the profit/(loss) amount used:

Basic earnings per share	**2020**	**2019**
Loss (in EUR k)	-10,258	-9,308
Weighted average number of ordinary shares as of 31 December (in thousands of shares)	1,189	1,037
Earnings per share (in EUR)	**-8.63**	**-8.98**

The ESOP equity instruments were excluded from the calculation of basic earnings per share as their effect would have been anti-dilutive. The number of ordinary shares potentially outstanding during fiscal year 2020 would have been 255,000.

27. Events after the reporting date

Mister Spex AG is the sole shareholder of Mister Spex N.V., Amsterdam, which was newly founded on January 15, 2021 (entry in the Dutch commercial register on January 18, 2021). The company was founded due to the planned merger with Mister Spex AG in 2021 and the subsequent planned conversion from the AG to an SE. No further events having a significant impact on the Group’s assets, liabilities, financial position and financial performance have occurred since the reporting date.

Berlin, March 26, 2021

The Management Board

Dirk Graber Dr. Mirko Caspar

I. Background of the Group

Preliminary remarks

Mister Spex's management reports of the Company and of the Group have been combined. The comments below relate to the entire Group. They also apply for Mister Spex AG. Selected information on the economic situation of the parent company is presented in a separate section of this report.

Business model

Mister Spex perceives itself as Europe's leading omnichannel optician and as the leading digital native omnichannel retail brand in the ophthalmic industry in Europe. The Group operates platforms for prescription glasses, sunglasses, contact lenses and contact lens care products. Our offering is based on a seamless and customer-oriented omnichannel retail strategy.

Mister Spex's mission is to sell glasses that its customers enjoy and feel confident wearing and to make optical expertise effortlessly and easily accessible via the available channels (omnichannel experience), offering inspiration, products, information and services on these channels.

The Berlin-based company offers glasses, sunglasses, contact lenses and contact lens care products on country-specific websites and in its own stores. Mister Spex operates in 10 European markets: Austria, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden, Switzerland and the UK.

In addition to our 34 owns stores in Germany (as of 31 December 2020) operating under the Mister Spex brand, Mister Spex offers on-site advice and other ophthalmic services through its partner optician network which spans more than 400 (prior year: 500) opticians in Germany, Austria, Switzerland, the Netherlands and Sweden. The services include vision tests and adjustments available either prior to purchasing based on a free trial order or after purchasing a vision product.

In fiscal year 2020, further 16 stores were opened in Germany to expand our position as Europe's leading omnichannel optician and be able to provide comprehensive services to customers across all sales channels.

Our logistics locations in Berlin, Stockholm, Sweden, and Karmsund, Norway, enable us to supply all customers throughout Europe. Quick delivery times and ease of returns are part of our business model.

Group structure

As in the prior year, Mister Spex AG, as the group parent having its registered office in Berlin, Germany, holds direct and indirect investments in the following subsidiaries: International Eyewear GmbH, Berlin, Germany, Mister Spex France SAS, Rouen, France, Nordic Eyewear Holdings AB, Stockholm, Sweden, Nordic Eyewear AB, Stockholm, Sweden, and Lensit.no AS, Karmsund, Norway. With the exception of Nordic Eyewear Holdings AB, all subsidiaries also sell eyewear products via their own online shops. As of 31 December 2020, the group parent also held 48.17% of the shares in Tribe GmbH, Berlin, Germany. The investment is included in the consolidated financial statements as an associate using the equity method.

II. Economic report for the Group

General economic and industry development

Economic performance in Europe was hard hit by the COVID-19 pandemic in 2020. In light of high infection rates and stringent lockdown measures, gross domestic product (GDP) dropped by 4.9% in the eurozone and by 4.6% in the European Union.[1]

In fiscal year 2020, macroeconomic development was shaped by the COVID-19 pandemic and the recession that followed. German GDP fell by 5% in calendar year 2020, having seen a 0.6% rise in 2019. The retail sector was greatly affected by the tight lockdown in the spring as well as in December. Bricks-and-mortar retailers suffered from the measures imposed to combat the pandemic, while online and mail-order trade continued to grow substantially.

In the fiscal year, the negative effect of the COVID-19 pandemic was also observed on the glasses market. In 2020, overall revenue on the European glasses market was down on the prior years at approximately EUR 32b (prior year: EUR 37b). Likewise, the German glasses market saw a negative development with total revenue of EUR 6,237m in 2020 (prior year: EUR 6,801m).

The most recent report by the ZVA ["Zentralverband der deutschen Augenoptiker": Association of German Opticians] cites annual figures for 2019 which indicate that, as in prior years, online/omnichannel revenue performed more strongly than revenue in the conventional bricks-and-mortar channel. Growth in the online segment is estimated at approximately 26% with total revenue of EUR 379m (prior year: EUR 301m). Current market data for 2020 are not available at the time of this report.

Both the European and German eyewear markets are expected to grow in the future, underpinned by a number of structural changes, including an aging population, increasing shortsightedness and greater awareness of the need to correct poor eyesight.
Another reason for the growth on the eyewear market could be advancing digitalization and the fact that glasses are not only medically necessary, but are regarded as a fashion accessory. In 2020, 12.6 million prescription glasses were sold in Germany.[2]

This trend bolstered revenue growth of online retail as a whole in the reporting period since omnichannel retailers overtook pure play bricks-and-mortar retailers.

Given that online retail is driving the overall growth of retail in Germany and is becoming an increasingly important channel, many retailers are focusing on improving their online presence. An omnichannel strategy entails the optimization of all channels relevant for customers.

Mister Spex again benefited from the strong performance of the omnichannel retail and ophthalmic industries this year and grew its revenue stronger than the German and European ophthalmic market.

[1] Eurostatistics, data for short-term economic analysis, 03/2021
[2] Source Euromonitor: Volume of Sales for Spectacle Frames, 2020

Assets, liabilities, financial position and financial performance of the Mister Spex Group
Financial performance

in EUR k	1 Jan to 31 Dec 2020	1 Jan to 31 Dec 2019	Changes
Revenue	164,201	139,282	**24,919**
Own work capitalized	4,289	3,386	**903**
Other operating income	478	1,332	**-854**
Cost of materials	-82,984	-74,464	**-8,520**
Personnel expenses	-35,747	-27,815	**-7,932**
Other operating expenses	-44,424	-38,435	**-5,989**
EBITDA	**5,814**	**3,286**	**2,528**
Amortization and depreciation	-10,937	-8,277	**-2,660**
EBIT	**-5,123**	**-4,991**	**-132**
Financial result	-4,654	-4,182	**-472**
Share in loss of associates	-94	-	**-94**
Income taxes	-388	-135	**-253**
Loss for the period	**-10,258**	**-9,308**	**-950**

The consolidated income statement for 2020 shows revenue growth and a slight deterioration in earnings for the period. Revenue developed as expected, with a loss for the period slightly above expectations.

The Mister Spex Group grew its revenue by 18% or EUR 24,919k to EUR 164,201k in 2020.

Despite the impact of the COVID-19 pandemic, which temporarily limited the operation of bricks-and-mortar retail, revenue in fiscal year 2020 in a month-by-month comparison with the prior year was higher in each case with the exception of April. Revenue in the product categories prescription glasses and sunglasses was up by 35% and 24%, respectively, at EUR 66,916k and EUR 38,611k (prior year: EUR 49,638k and EUR 31,096k), respectively. The drivers of revenue growth were largely the greater awareness of our corporate brand as a result of marketing initiatives and new branches. Revenue from contact lenses was down slightly on the prior year by 1% from EUR 55,818k to EUR 55,450k. Other services, which mainly comprise marketing services, were 18% higher than in the prior year at EUR 3,224k (prior year: EUR 2,729k).

Revenue in Germany was up by 18% on the prior year from EUR 99,538k to EUR 117,782k. The revenue growth in a moderate double-digit percentage range forecast in the prior year was thus achieved. In the fiscal year, revenue from the International segment was 17% higher at EUR 46,419k year on year (prior year: EUR 39,744k).

The most important of our non-financial performance indicators that are relevant for measuring our performance in terms of our customers, the market and the offerings are the number of customers and growth of new customers, orders, the number of visits to our websites and customer satisfaction.

Revenue growth is largely attributable to an improvement in these non-financial performance indicators.

In fiscal year 2020, more visits to our online platform were once again registered and the number of orders also increased. Adjustments to websites for different end-user devices and people’s ability to use our online platform given the limitations on bricks-and-mortar shops were positive drivers of revenue growth in the fiscal year.

The number of online shop visitors increased by 5% for the entire Group. In 2020, average order value both before and after returns grew another 7% and 8%, respectively, against the prior year. Based on our Trusted Shop score, our customer satisfaction is at a constantly high level compared with the prior year. Our customer satisfaction rating stood at 4.8 (prior year: 4.8) of a maximum 5.0 points at Trusted Shops.

Both our non-financial performance indicators and our financial performance indicators relate to the entire Group.

Cost of materials rose by EUR 8,520k to EUR 82,984k in 2020. Compared to year-on-year revenue growth of 18%, cost of materials merely increased by 11%, due to factors such as improved procurement terms and conditions and shifts in the product mix.

Personnel expenses increased by EUR 7,932k on the prior year to EUR 35,747k (2019: up EUR 3.5m to EUR 27.8m) due in particular to the increase in headcount from 775 to an average of 965 (2019: from 670 to an average of 775). This development was mainly the result of our new stores and new hires in logistics.

Other operating expenses increased by 16% year on year to EUR 44,424k. The growth in consolidated revenue was accompanied by an increase in fulfillment costs such as shipping and logistics charges, while marketing expenses were also up year on year. At the same time, the marketing expense ratio improved by one percentage point.

Depreciation of right-of-use assets recognized under IFRS 16 in the course of the fiscal year for the new leases concluded for the new stores were the key drivers for the 32% year-on-year increase in amortization and depreciation.

To assess the Group’s operating performance, management considers adjusted EBITDA as key performance indicator. Adjusted EBITDA is EBITDA adjusted for share based compensation expenses pursuant to IFRS 2, for one-off transformation costs and non-recurring effects that are not part of the normal course of business. In addition, the adjusted EBITDA for the fiscal year ended December 31, 2018 is adjusted for the effects resulting from IFRS16 as if IFRS 16 had already been applied in the year ended December 31, 2018. This ensures that adjusted EBITDA for the fiscal year ended December 31, 2018 is comparable to adjusted EBITDA for the fiscal years ended December 31, 2019 and 2020 since IFRS 16 was adopted from January 1, 2019 onwards.

Adjusted EBITDA improved by EUR 2,424k to EUR 6,754k in 2020. EUR 7,631k (prior year: EUR 4,655k) of adjusted EBITDA relates to the German market and -EUR 877k (prior year: -EUR 325k) to the international market.

In EUR k	**1 Jan to 31 Dec 2020**	**1 Jan to 31 Dec 2019**	**Changes**
Revenue	164,201	139,282	24,919
Adjusted EBITDA	6,754	4,330	2,424
Ratio of adjusted EBITDA to revenue	**4.1%**	**3.1%**	

The increase in adjusted EBITDA compared to our forecast is largely the result of rent reductions due to COVID-19 lockdown phases, reversals of personnel provisions, higher revenue and higher advertising allowances.

The Mister Spex Group's earnings before interest, taxes, depreciation and amortization (EBITDA) increased to EUR 5,814k, which was also considerably higher than the prior-year level of EUR 3,286k.

Average exchange rates for fiscal year 2020 were EUR/SEK 10.4848 and EUR/NOK 10.7228, while the rates for fiscal year 2019 were EUR/SEK 10.5891 and EUR/NOK 9.8511. This leads to a negative effective of just under EUR 19k on EBITDA measured in EUR compared to the prior-year exchange rate.

The negative financial result deteriorated by EUR 472k on the prior year to -EUR 4,654k (2019: improvement by EUR 947k to -EUR 4,182k) as a result of additional interest expenses of EUR 305k due to new leases recognized under IFRS 16 in connection with the opening of new stores. By contrast, the Company recorded exchange gains of EUR 159k in 2020.

The Mister Spex Group's loss for the period came to EUR 10,258k (prior year: loss of EUR 9,308k).

Assets, liabilities and financial position

Assets in EUR k	**31 Dec 2020**	**31 Dec 2019**	**Change**
Non-current assets	82,561	60,420	**22,141**
Current assets	40,182	60,199	**-20,018**
Total assets	**122,743**	**120,619**	**2,123**

Equity and liabilities in EUR k	**31 Dec 2020**	**31 Dec 2019**	**Change**
Equity	33,412	29,152	**4,260**
Non-current liabilities	33,487	52,982	**-19,495**
Current liabilities	55,843	38,484	**17,358**
Total capital	**122,743**	**120,619**	**2,123**

Total assets increased by EUR 2,123k in the fiscal year as a result of two offsetting effects. On the one hand, there was an increase in non-current assets in particular as a result of the recognition of leases in accordance with IFRS 16 due to the opening of the new stores. On the other hand, the payment of the called-up unpaid contribution for the capital increase of EUR 14,930k resolved in December 2019 led to a decrease in current assets.

In 2020, right-of-use assets of EUR 9,969k were recognized in non-current assets, which are depreciated over the term of the lease agreements. The carrying amount as of 31 December 2020 came to EUR 35,783k (prior year: EUR 25,814k).

Further additions to non-current assets stem from investments in intangible assets of EUR 5,693k (prior year: EUR 4,459k) and property, plant and equipment of EUR 8,146k (prior year: EUR 3,890k). Mister Spex develops core components of the software used in the Company internally to optimize its operating activities and the procurement process as well as to continuously boost customer satisfaction. Research costs were expensed as incurred. Property, plant and equipment also rose in 2020 as a result of investments in our logistics location and fitting out our new retail space.

As in the prior year, inventories of EUR 17,606k in 2020 (prior year: EUR 14,586k) largely comprised merchandise for Mister Spex's retail business.

The decrease in current assets mainly relates to the payment of an unpaid contribution for the capital increase resolved in December 2019 of EUR 14,930k and the decrease in cash and cash and cash equivalents by EUR 8,759k to EUR 14,536k. Cash and cash equivalents largely comprise bank balances and are not subject to any restraint on disposal.

In fiscal year 2020, Mister Spex generated negative cash flows from operating activities of EUR 1,553k (prior year: positive cash flows of EUR 1,157k). The cash outflow is largely attributable to the higher loss for the period, repayments of liabilities, interest payments and inventory build-ups.

Cash outflows from investing activities of EUR 17,061k (prior year: EUR 8,348k) are mainly due to investments in shop fittings, the logistics infrastructure, internally developed software and other equipment, furniture and fixtures. Furthermore, there was a cash outflow of EUR 2,512k for the acquisition of shares in Tribe GmbH.

The EUR 11,862k decrease in cash flows from financing activities is primarily attributable to lower inflows from capital increases and the rise in repayments of lease liabilities.

Overall, Mister Spex's cash and cash equivalents fell by EUR 8,759k and amounted to EUR 14,536k as of 31 December 2020.

The change in equity is due to the capital increase, the share-based payments and the loss for the period. At 27%, the equity ratio was above the prior-year level as of the reporting date (prior year: 24%). Business activities continue to be financed by a combination of equity and debt.

Total current and non-current financial liabilities were down by EUR 13,413k on the prior-year figure of EUR 44,455k, largely as a result of the payment of the called-up unpaid contribution for the capital increase of EUR 14,930k resolved in December 2019. The EUR 1,340k increase in financial liabilities, largely due to the repayment of unpaid interest, had an offsetting effect.

As of the reporting date there were undrawn credit facilities for Nordic Eyewear AB of SEK 8m. Most of the credit facilities totaling EUR 8m available to Mister Spex AG in the prior year have either expired (EUR 5m) or have been terminated (EUR 2.5m).

As of 31 December 2020, lease liabilities of EUR 37,439k (prior year: EUR 26,436k) comprised rental agreements for office, warehouse and store space, usually with terms of between 5 and 10 years. In addition, Mister Spex entered into several lease agreements that have not yet commenced. These relate to additional space for future stores. Additional payments of EUR 8m (prior year: EUR 9m) are expected over the non-cancelable term of the lease.

In the fiscal year, current liabilities increased by EUR 17,358k to EUR 55,843k, chiefly as a result of the expansion of business activities. As of 31 December 2020, current liabilities largely related to liabilities to banks, trade payables and other liabilities for returns, warranties, employee obligations and outstanding invoices.

The Mister Spex Group was in a position to meet its financial obligations at all times during the fiscal year. From May 2021, the Mister Spex Group plans to refinance using long-term funding from various banks of EUR 42.5m.

III. Economic report for Mister Spex AG

Preliminary remarks

The management report and the group management report of Mister Spex AG, Berlin, have been combined. The following comments are based on the financial statements of Mister Spex AG, which were prepared in accordance with the provisions of the German Commercial Code [“Handelsgesetzbuch”: HGB] and the German Stock Corporation Act [“Aktiengesetz”: AktG].

Business activities

Mister Spex AG operates its own national and international Mister Spex websites and sells prescriptive glasses, sunglasses, contact lenses and contact lens care products via its country-specific online shops.

The product advice and services offered in conjunction with sales of glasses in cooperation with local opticians in Germany, Austria, Switzerland and the Netherlands are coordinated on an international level by Mister Spex AG in Berlin. The Company already collaborates with more than 400 (prior year: 500) opticians, who it supports in a growing network of partners.

In February 2016, Mister Spex opened its first own store in Berlin, thereby enhancing its omnichannel strategy with an additional sales channel. Glasses and sunglasses are on display to try on and for sale in the store, complemented by access to the online range. The Mister Spex team also offers free services such as vision tests and fittings. At the end of fiscal year 2020, Mister Spex AG operated 34 stores in Germany.

Due to the Company’s significance within the Group, the Company and the Group share the same performance indicators. Mister Spex AG is subject to the same risks and opportunities as the Group. The information provided in the Group’s economic report also reflect the results and expectations in this section.

In the fiscal year, Mister Spex AG acquired 48.17% of the shares in Tribe GmbH, Berlin, Germany.

Assets, liabilities, financial position and financial performance of Mister Spex AG

Financial performance

The Company's financial performance developed as follows:

In EUR k	1 Jan to 31 Dec 2020	1 Jan to 31 Dec 2019	Changes
Revenue	144,598	119,766	24,832
Own work capitalized	4,613	3,719	894
Other operating income	700	1,486	-786
Cost of materials	-68,940	-61,355	-7,585
Gross profit	**80,971**	**63,616**	**17,355**
Personnel expenses	-33,709	-25,216	-8,493
Amortization and depreciation	-4,979	-4,548	-431
Other operating expenses	-46,961	-39,287	-7,674
Operating result	**-4,678**	**-5,435**	**757**
Financial and investment result	**-2,054**	**-1,378**	**-675**
Income taxes	**-317**	**110**	**-427**
Loss for the year	**-7,049**	**-6,703**	**-346**

Mister Spex AG closed fiscal year 2020 with a loss for the period that had deteriorated by EUR 346k.

Growth for Mister Spex AG was as expected with revenue up EUR 24,832k to EUR 144,598k (2019: up EUR 15,786k to EUR 119,766k). In 2020, Germany was again the largest sales market for our core products prescription glasses, sunglasses and contact lenses.

Own work capitalized of EUR 4,613k relates to internally developed software. In the fiscal year, additions included both internally generated intangible assets and assets under development.

Cost of materials rose by EUR 7,585k to EUR 68,940k (2019: up EUR 7,139k to EUR 61,355k) in line with revenue growth. At 48%, cost of materials as a percentage of revenue was three percentage points below the prior-year level due to factors such as improved procurement terms and conditions and shifts in the product mix.

Personnel expenses increased by EUR 8,493k on the prior year to EUR 33,709k (2019: up EUR 2,574k to EUR 25,216k), due in particular to an increase in headcount in the omnichannel and logistics divisions.

At EUR 46,961k, other operating expenses were higher than the prior year (EUR 39,287k). The EUR 7,674k increase is mainly attributable to the expansion of our omnichannel activities in other cities and the variable costs associated with revenue growth, including costs for distribution and sales as well as transaction costs for the change of legal form from a limited liability company (GmbH) to a stock corporation (AG). Marketing costs are 11% higher than in the prior year.

The financial and investment result for the fiscal year mainly comprises interest expenses of EUR 3,572k (prior year: EUR 2,932k), income from loans classified as non-current financial assets of EUR 1,414k (prior year: EUR 1,409k) and income from profit transfers of EUR 104k (prior year: EUR 140k).

Assets, liabilities and financial position

The following table provides an overview of the balance sheet:

Assets

in EUR k	31 Dec 2020	31 Dec 2019	Change
Non-current assets	59,597	45,181	14,417
Current assets	38,055	42,032	-3,977
Prepaid expenses	687	632	55
Total assets	**98,339**	**87,845**	**10,494**

Equity and liabilities

in EUR k	31 Dec 2020	31 Dec 2019	Change
Equity	49,134	41,183	7,951
Contribution made to effect the resolved capital increase	0	70	-70
Special item for Government grants received	306	560	-254
Provisions	6,009	4,508	1,501
Liabilities to banks	30,439	29,072	1,367
Liabilities[3]	11,120	11,693	-572
Deferred income	254	0	254
Deferred tax liabilities	1,076	759	317
Total capital	**98,339**	**87,845**	**10,494**

In fiscal year 2020, investments in intangible assets amounted to EUR 5,589k (prior year: EUR 4,792k) and in property, plant and equipment to EUR 8,027k (prior year: EUR 3,852k). Investments in property, plant and equipment mainly relate to the enlargement of the logistics center and the expansion of the stores.

As in the prior year, inventories exclusively comprise merchandise for the operating business and amount to EUR 16,011k (prior year: EUR 13,045k).

Receivables and other assets increased by EUR 1,602k to EUR 9,512k year on year. Outstanding trade receivables as of the reporting date mainly relate to year-end invoicing with our suppliers (EUR 1,091k; prior year: EUR 1,132k). Other assets of EUR 7,927k (prior year: EUR 5,984k) increased due to other receivables, an increase in security deposits paid and a premium paid for the option to acquire the outstanding shares in Tribe GmbH.

The equity ratio increased to 50% in the fiscal year (prior year: 47%).

The provisions and liabilities rose by EUR 2,296k in line with the expansion in business (prior year: EUR 1,242k). As of 31 December 2020, provisions primarily related to employee obligations, obligations from outstanding invoices, warranties and returns.

At the end of the fiscal year, liabilities to banks totaled EUR 30,439k (prior year: EUR 29,072k). The change is attributable to accrued interest for liabilities to banks.

Liabilities to banks are secured by pledges or assignment as security of assets such as property, plant and equipment, receivables, bank balances, inventories and shares in the subsidiaries International Eyewear GmbH, Nordic Eyewear AB and Lensit.no AS.

[3] Liabilities comprise prepayments received on account of orders, trade payables and other liabilities.

The Company was in a position to meet its financial obligations at all times during the fiscal year.

Cash and cash equivalents of EUR 12,531k (prior year: EUR 21,077k) largely comprise bank balances and are not subject to any restraint on disposal.

IV. Overall assessment of assets, liabilities, financial position and financial performance

The management board regards the Group's performance in fiscal year 2020 and that of Mister Spex AG as positive despite the negative impact of the COVID-19 pandemic on bricks-and-mortar retail. Revenue was generated as forecast, some cost ratios improved and adjusted EBITDA increased as a result.

Overall, the Company's assets, liabilities, financial position and financial performance can be described as very satisfactory.

V. Risks and opportunities

While opportunities can positively shape financial performance and business value, risks are seen as negative deviations from planned developments and targets. Mister Spex again attached great importance to consciously weighing up opportunities and risks in its business activities in 2021.

Early recognition and informed action moved further into focus in the fiscal year. Our internal monitoring and early warning systems are continually enhanced and adapted to market requirements.

The risks and opportunities deemed most important by management are presented below.

Risks

The overall risk exposure of Mister Spex is composed of various individual risks. We have chosen to present risks on a net basis. The reported risks largely relate to the 2021 forecast period and cover all Mister Spex segments.

Risks that could have a material negative impact on the achievement of our business objectives are explained below. Risks are ordered according to their materiality for Mister Spex.

The risk situation remained unchanged on the prior year and there are no indications that the Company's ability to continue as a going concern is jeopardized.

IT risks

For companies in online trade, the availability of the IT systems and the integration of the underlying technology in business processes are a risk factor. Besides consequences under data protection law, disruption or failure of online services can lead to revenue losses. The growing market gives rise to increasing cybercrime, which also represents a risk.

Internal disruptions in the IT environment, e.g., affecting inventories and logistics, also have significant influence on the performance of Mister Spex and could lead to short-term revenue losses.

To avoid IT system failures and criminal acts in our systems, a set of KPIs was devised and implemented to monitor processes and recognize risks at an early stage. Regular hardware and software updates help ensure the security and stability of our systems. Our measures and their effectiveness with regard to managing the risk of failure are confirmed by security and stability tests.

Market and competitive risks

Market and competitive risks generally refer to changes in sales and procurement conditions and the performance of competitors.

Mister Spex's economic environment is generally characterized by a high level of competitive pressure. The size, resources and expertise of some of our competitors could allow them to operate more effectively on the market. This could have a negative impact on our revenue growth and market share. Rising price pressure in the online eyewear market and bricks-and-mortar market could curb Mister Spex's profitability.

We counter this risk by offering a clearly distinguishable range of products, our customer service as well as through flexible marketing strategies. Furthermore, our omnichannel strategy is diverse, offering our customers all services they are familiar with either on the website, from our partner opticians or in our own stores.

Mister Spex opened 16 additional stores across Germany in the past year and has already signed further rental agreements for the coming year. The expansion of our omnichannel strategy entails higher levels of inventories, which puts earnings at risk if the carrying value of inventories is not recoverable.

Mister Spex counters such risks through specific ongoing inventory checks and by keeping stocks commensurate with the level of orders. Uniform operational management for the national and international sales market optimizes the use of resources. In addition, risk-mitigating measures are taken which include regular warehouse analyses to ensure the adequate valuation of goods.

Mister Spex depends on its suppliers and business partners for the procurement of products. As the demand for our products grows, we see ourselves exposed to the risk that planned procurement activities cannot be completed in the planned volumes or by the expected dates due to supply bottlenecks or delays on the part of our suppliers and business partners. Moreover, a potential loss of key suppliers could lead to insufficient ability to meet our demand. We aim to counter these risks through active procurement management and targeted expansion of our supplier and business partner network.

Current risk related to COVID-19

The World Health Organization declared the global spread of COVID-19 a pandemic on 11 March 2020. The Robert Koch Institute assesses the situation in Germany and the rest of the world as very fast moving and serious.

Thanks to our sophisticated hygiene policies, our stores were only closed for brief periods in the fiscal year, when they operated on a contingency basis. However, due to the retail space restrictions imposed by the federal government as part of its lockdown policy, we expect revenue in our stores to be lower compared to the pre-COVID period. At the same time, we believe we have a duty to protect our employees and customers by implementing the best possible hygiene and distancing policies to keep the infection risk as low as possible.

Mister Spex will also have to face revenue losses due to the continuing social restrictions, especially on retail trade in our stores. The extent of such losses currently cannot be estimated reliably.

Currency and trade risks

A changing regulatory environment may give rise to risks as the Company expands its business activities within and outside of the eurozone. Potential additional costs for transportation and import duties as well as the associated currency risks could represent future scenarios.

The Mister Spex Group's currency and trade risk is significantly reduced by the fact that it generates the lion's share of its business within the eurozone. Currency developments within Europe are closely monitored and any foreign currency holdings are changed in good time through established service providers.

Personnel risks

Mister Spex relies on competent and dedicated professionals and executives to realize its strategic goals. The loss of professionals and executives is a significant risk.

The difficulty of recruiting young professionals and executives represents a steadily growing risk. Demographic change and mounting competition on the labor market are making it increasingly difficult to attract qualified personnel. Because of steadily progressing digitalization, demand for IT professionals remains particularly high.

The number of opticians seeking employment is also decreasing with unemployment on the ophthalmic market close to zero. The lack of skilled personnel in this industry could also also impede the economic development of Mister Spex.

To address this risk, personnel management at the Mister Spex Group invests resources in measures such as training, promoting flexible working time models and bonuses, which are all aimed at maintaining and enhancing employee satisfaction.

In 2016, Mister Spex began offering training for the profession of optician in its own workshops with the objective of alleviating the general lack of skilled personnel.

Mister Spex's management does not believe that the risks, either individually or collectively, pose a threat to the Company's ability to continue as a going concern.

Opportunities

Opportunities arising from changed market structures or improvements in the internal value chain should be identified early on and systematically leveraged in order to secure the Company's ongoing success. The reported opportunities largely relate to the 2021 forecast period.

Market opportunities

The European eyewear market is very large and continues to offer many opportunities for development for omnichannel retailers. Transferring the business model of Mister Spex to other markets offers major opportunities for further revenue growth in the future.

Strategic opportunities

The expansion of our omnichannel strategy allows us to convince customers of our vision for the modern glasses purchase journey on a personal level as well. Excitement over our business model and the expansion of our customer base could present an opportunity for future growth and rising earnings. We also stand to benefit from the growing awareness of the Mister Spex brand and our customers' confidence in the quality of our products.

The positive development of mobile commerce presents an equally significant opportunity for Mister Spex. Given the rising use of tablets and smartphones and the related revenue growth from mobile devices, targeted optimization and enhancement of our online stores could further enhance the shopping experience, thereby boosting revenue.

Constant analysis of customer needs by brand or product attribute allow us to tailor our product portfolio. New brands and product lines can appeal to additional customer groups. A large and diversified product selection enables us to increase customer appeal, thereby impacting positively on revenue growth.

The continuously growing technological requirements faced by online retailers are, if implemented successfully, matched by a high level of customer satisfaction and related high usage of our platform. Our market position can be strengthened and revenue figures increased through ongoing improvements and adjustments in line with market needs. The accompanying rise in customer satisfaction and loyalty can generate positive effects on earnings.

VI. Outlook

Anticipated economic environment

More year-on-year growth is expected on both the ophthalmic market and in online retail in 2021. The positive development of both markets will play an important role, contributing significantly to overall growth. Mister Spex aims to take advantage of this trend and leverage it for its further growth strategy. We aim to continue pursuing our omnichannel strategy in 2021 in order to expand our customer base and combine the benefits of offline and online.

Mister Spex intends to further grow its market share on the European market. The expansion of the omnichannel strategy including more new stores both in Germany and abroad will be a key factor, enabling the Company to win further customer groups. We will also continue to develop our online stores, using our existing cash resources to finance the expansion of our activities.

In recent years, the eyewear market in Germany showed an emerging growth trend. This will support the approach and affirm the strategic direction of Mister Spex. The positioning of Mister Spex as one of the leading companies in the industry and the investments in structures and processes in 2020 provide an excellent basis for sustained revenue growth for the Mister Spex Group in 2021.

Anticipated development

Mister Spex plans to continue pursuing a strategy of growth with the overall aim of further expanding its position as leading omnichannel optician.

Mister Spex expects revenue growth in a moderate double-digit percentage range. Based on this forecast, the management board expects a corresponding improvement in adjusted EBITDA. We expect the store expansions and the increase in orders and average order value per product category to contribute to an increase in revenue and improvement in adjusted EBITDA in 2021.

VII. Statement on corporate governance

In 2015, the German legislator adopted the Act to Promote Equal Participation of Women and Men in Management Positions in the Private and Public Sectors. This law requires the supervisory board of the Company to establish a target for the percentage of women on the management board and a date for achievement of this target. The management board of the Company is also required to establish targets for the percentage of women at the two management levels below the management board and dates for their achievement.

The statement on corporate governance regarding the equal participation of women and men in management positions at Mister Spex has been included in reporting since 2017. The supervisory board is required to establish a target quota for itself as well as for the management board. The management board is responsible for establishing a target for the two levels of management below the management board, which are the C level and the VP level.

The Company’s supervisory board as well as its management board are comprised of male executives. The targets they have established for the two management levels beneath them – C level and VP level – were set at a minimum of 20% for the period from 1 January 2017 to 31 December 2020. The target will remain at 20% from 1 January 2021 onwards.

In fiscal year 2020, management (C level) consisted of nine people, of whom three were female (33%). As such, another woman joined Mister Spex’s C level management at the beginning of fiscal year 2020, as a result of which it now has a balanced number of male and female members. The next level down (VP level) has four people in management positions, of whom one is female (25%).

The set targets for the fiscal year were achieved.

The past has shown that Mister Spex has demonstrated a diverse and balanced mix of women and men in the team structures at the levels beneath the management board.

As in the prior year, at 57%, the percentage of women in the overall staff of Mister Spex AG was already at a very good level in the reporting period. It was also 57% at the Mister Spex Group level.

Berlin, March 26, 2021

The Management Board

Dirk Graber Dr. Mirko Caspar

VIII. Responsibility Statement

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group, and the combined management report includes a true and fair review of the development and performance of the business and the position of the Mister Spex Group, together with a description of the principal opportunities and risks associated with the expected future development of the Group.

Berlin, March 26, 2021

The Management Board

Dirk Graber Dr. Mirko Caspar

Independent auditor's report

To Mister Spex AG

Opinions

We have audited the consolidated financial statements of Mister Spex AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Mister Spex AG, which was combined with the management report of the Company, for the fiscal year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the information in the statement on corporate governance pursuant to Sec. 289f (4) HGB ["Handelsgesetzbuch": German Commercial Code] (disclosure on women´s quota) included in the group management report section VII.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the information pursuant to Sec. 289f (4) HGB (disclosure on women´s quota) included in section VII.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

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

Other information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sec. 289f (4) HGB (disclosure on women´s quota).

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

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

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

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB,

and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the combined management report of the Company and the Group.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, 26 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Röders Wirtschaftsprüfer [German Public Auditor]	Kostolnik-Briedela Wirtschaftsprüfer [German Public Auditor]