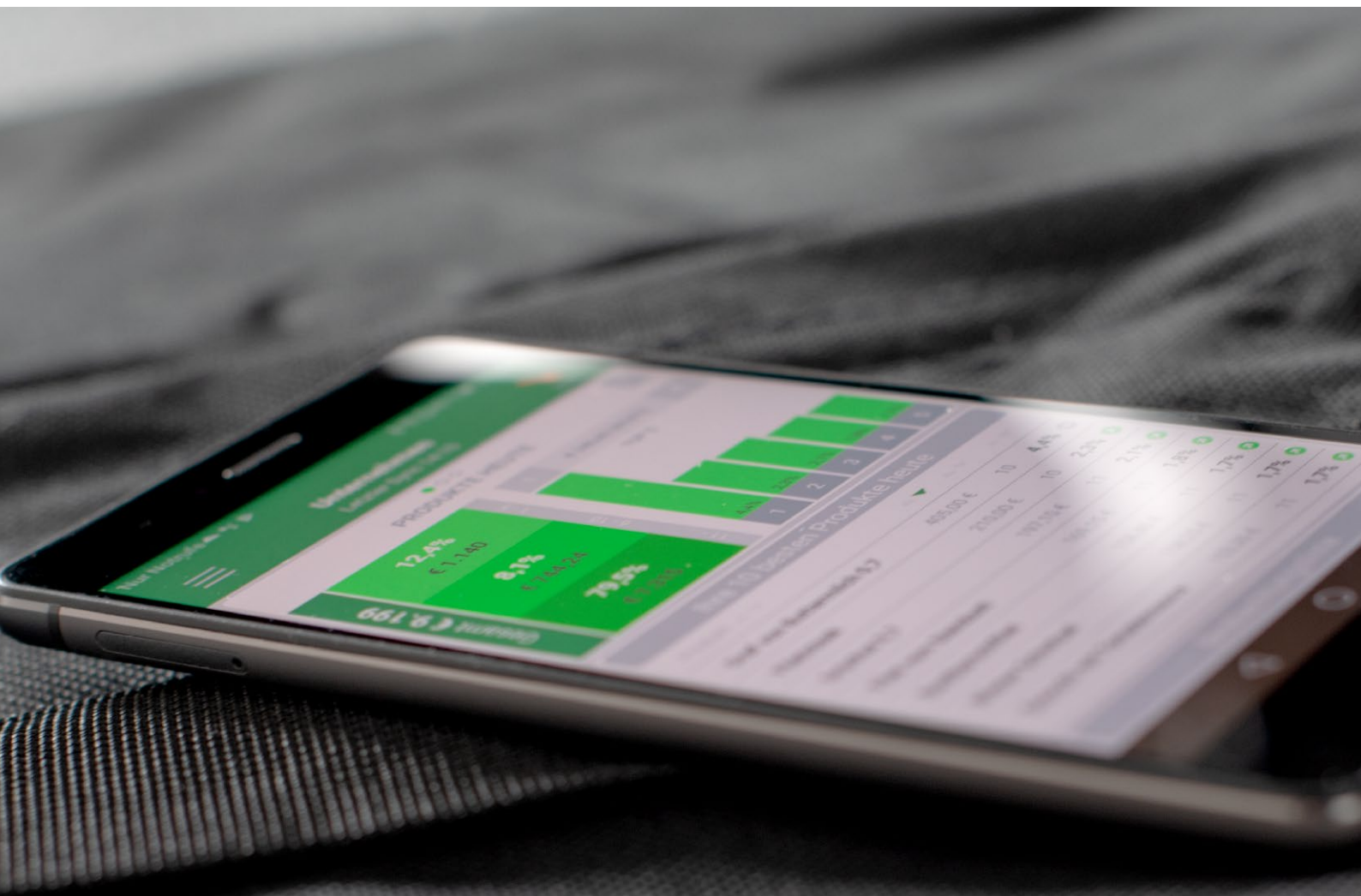
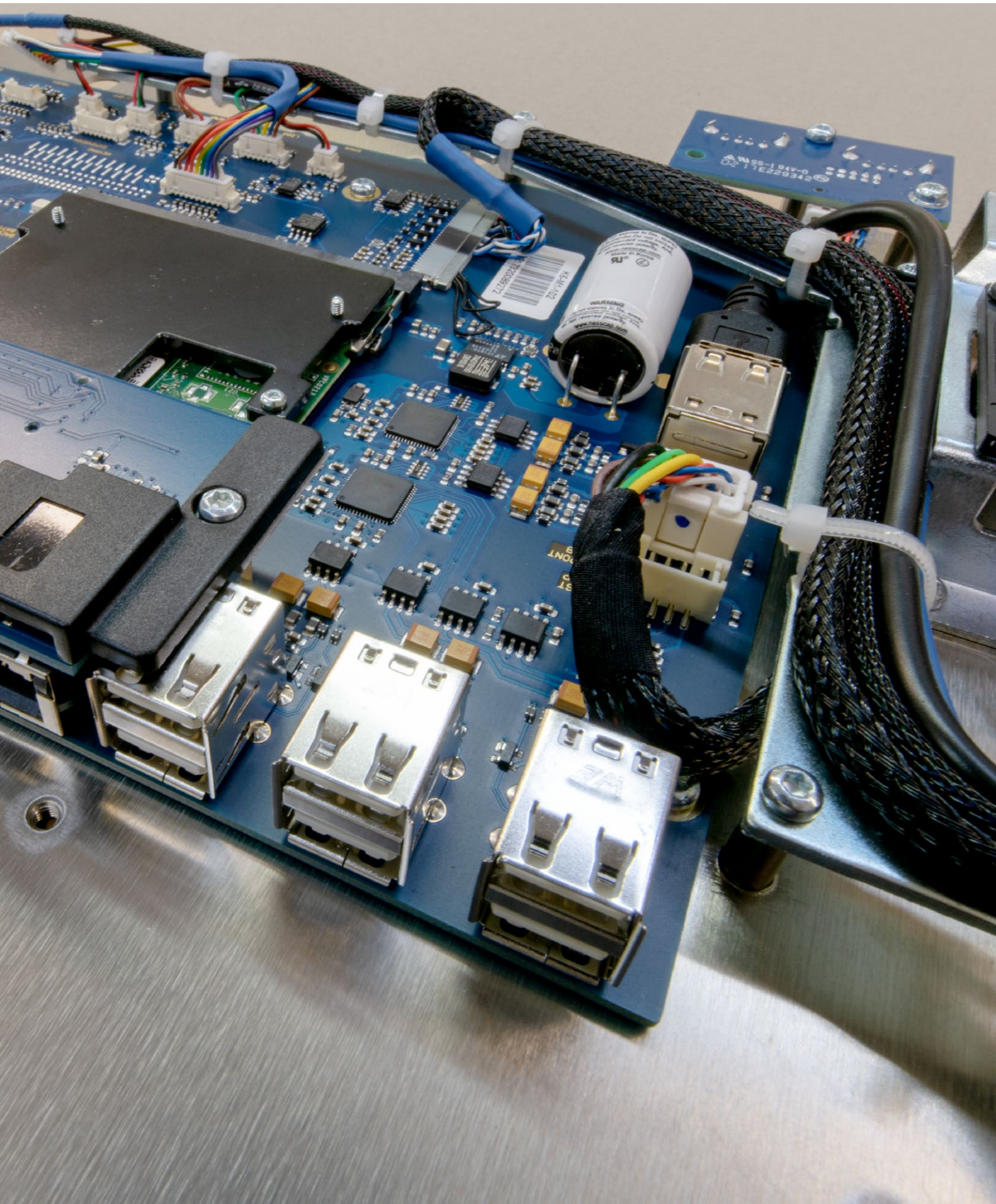


Annual Report 2018



This is a translation of the German Annual Report. In case of any divergences, the German original is legally binding.



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Letter by the executive board to the

Dear shareholders,

2018 was a turbulent year in many respects for our company. Co-founder Thomas Stümmeler left the executive board in January 2018 and was elected as a member of the supervisory board at the annual general meeting 2018. Oliver Kaltner was appointed as the new chairman of the executive board at the same time.

Unfortunately, during the course of the cooperation it became apparent that the chairman of the executive board on the one hand, and the company founders and supervisory board on the other hand have greatly differing views regarding the right path for implementing the digitisation strategy – especially when it comes to the role of the specialist retail business. These differences could not be resolved and resulted in a separation as part of a solution that works for us all. The founders and supervisory board assume the full responsibility for the fact that the first reorganisation of the executive board in many years has not led to the desired success. The knowledge gained from this situation will flow into the process for hiring top executives.

Mr. Stümmeler thus returned to the executive board as the CEO to successfully implement the digitisation strategy together with his co-founder Jens Reckendorf and Silvia Ostermann, who was appointed to the executive board on 1 August 2018.

In a first step, the relationships with the existing cooperation partners were reorganised.

The practical test with Coca Cola for the mutually planned “GetHappy” platform found that although the product generally functions, the placement of an entirely new digital platform for the catering industry involves enormous marketing costs and would have taken several years. In view of these findings, the partners concluded that it would make more sense to combine the digital ambitions in the catering sector with a firmly established customer retention system. A cooperation with DeutschlandCard, which to date has 20 million card holders and renowned partners such as Edeka and Esso, was therefore agreed. The joint objective is now to create the first multi-industry customer retention system where users of the DeutschlandCard are able to use the card with retailers and catering operations. This cooperation significantly reduces the launch costs and has a much bigger chance of success, in our opinion, as DeutschlandCard is already a well-established brand. DeutschlandCard, on the other hand, benefits from Vectron’s access to the

catering industry. This provides both partners with significant opportunities whilst keeping investment costs at a reasonable level. Even though many shareholders may have been disappointed by the discontinuation of the GetHappy cooperation, it is certainly obvious that this realignment made a lot of sense.

In entirely new business sectors, such tests are an important way to quickly gain knowledge. For external shareholders, this process may appear to be dissatisfactory, but we can assure you that for the development of the digital ecosystem for the catering industry, this is the quickest and safest path for working out the approaches that will provide the catering industry and end customers with real added value – because at the end of the day, these are the people who have to be willing to pay for it.

In the case of GetHappy, the test results and conclusions were clear. However, this does not end the partnership with Coca Cola. We continue to jointly work with Coca Cola on scenarios where our POS data can be used for digital projects.

A field test involving 100 catering operations was also agreed with the Metro Group and implemented to test new digital business models in a practical environment.

We are confident that this course of action will lead to profitable business models in the foreseeable future. We aim to generate considerable additional income per customer this way and thus end our dependence on the fluctuating POS market.

There is sustained interest amongst major industry players to link their digital business models with on-site POS systems. As the largest provider in the German market with a comprehensive portfolio of digital products, we are predestined to be a contact for these groups.

In spring 2019, we announced another cooperation with the epay payment system provider, which further emphasises this point. Our view of the future is a combination of numerous digital business models and POS systems, which will create individual income streams for us. The POS system data is also highly interesting for many industry players and suppliers.

These steps are complimented by fundamental changes in the company. All software development activities were changed over to agile methods and the entire organisation changed so that we are able to react much more quickly to new requirements and findings. Like every change process, this takes a lot of time and effort, but we have come a long way already.

The sales development in the core business in 2018 shows just how important the general change of our business model is. At the end of the first fiscalisation phase, sales once again decreased significantly from K€ 32,383 (2017) to K€ 24,825 (2018). As we increased our headcount by around one third at the same time to develop the digital business sectors, this resulted in a net loss of K€ 3,876 in financial year 2018. Although we expect demand to increase again significantly as from the effective date of the second fiscalisation phase on 1 January 2020, it is becoming apparent that our dependence on brand-new business must be terminated and changed to stable, permanent income from digital business models.

In order to financially secure this transition period, we increased the company's share capital on 6 February 2019, which resulted in net cash inflow of K€ 4,876. The fact that management has subscribed to more than half of this capital increase clearly shows you the extent of our conviction and belief in the success of our strategy.

When comparing our expenses with the astronomical launch losses of other known catering platforms, we are convinced that our shareholders are being provided with similar business opportunities in return for a comparatively reasonable investment.

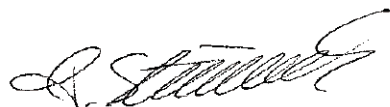
We trust that we will be able to exploit these business opportunities together with you in the near future.

Kind regards

Your Vectron executive board



Jens Reckendorf



Thomas Stümmler



Silvia Ostermann

Report by the supervisory board

The supervisory board performed the duties it is charged with by law and according to the articles of association during the financial year 2018. The supervisory board was involved by the executive board in all fundamental business decisions and was always informed promptly of current developments. In addition to the regular meetings, each month the executive board reported in writing on the current economic situation by way of a clearly defined budget report, provided an outlook towards the remainder of the ongoing financial year and drew comparisons with previous reporting periods, which meant that up-to-date information was available at all times. If required, questions by supervisory board members were also answered quickly outside the executive board meetings individually or in telephone conferences. The supervisory board gave its recommendations on the proposed resolutions of the executive board under consideration of the prerequisites prescribed by law and in the articles of association.

In financial year 2018, the supervisory board held four scheduled and two ad-hoc meetings.

- At the supervisory board meeting on 21 March 2018, the annual financial statements 2017 were presented by the auditor, mutually discussed and approved by the supervisory board. The management report was approved. The resolutions on the recommended use of profits were passed. The supervisory board approved the proposal of Jens Reckendorf (shareholder with a share in excess of 25 %) to include Thomas Stümmeler in the election for a new member of the supervisory board at the annual general meeting on 17 May 2018. The revision of the bylaws of the executive board plus schedule of responsibilities as well as the bylaws of the supervisory board were approved.
- The supervisory board held another meeting on 14 June 2018. The executive board presented the revised business plan for 2018 and reported on the status of the key projects. Potential future income sources were presented and discussed. A new organisational structure was presented for the Development and Sales units.
- Due to the differing opinions regarding the right implementation of the corporate strategy of the supervisory board and the chairman of the executive board, first discussions were held on a potential change to the executive board at an ad-hoc supervisory board meeting on 22 June 2018.



- At another ad-hoc meeting on 6 July 2018, the supervisory board was able to come to an agreement with the chairman of the executive board at the time regarding the termination of his mandate and went on to agree the corresponding resolutions. Mr. Stümmler was appointed to the executive board.
- At the meeting on 2 October 2018, the executive board presented a revised strategy paper for the coming years. It included the status and outlook of the current cooperation projects, which were discussed. The further course of action regarding the posmatic brand and Vectron America Inc. was discussed. The updated schedule of responsibilities was approved by the supervisory board.
- In the final meeting of the year on 20 December 2018, the supervisory board resolved to extend Thomas Stümmler's appointment to the executive board until 4 July 2019. The updated business plan was presented in connection with the new cooperations entered into during the financial year. The modalities for the takeover of all of the shares in posmatic GmbH were discussed by the executive board. The planning for financial year 2019 was presented, discussed and approved by the supervisory board.

Executive board and supervisory board have issued a compliance declaration pursuant to Article 161 AktG [German Stock Corporation Act]. This has been made publicly available on the company's website. Vectron Systems AG declares that it follows the German Corporate Governance Code in the version dated 7 February 2017 with exceptions. The exceptions are considered prudent due to company-specific circumstances. Due to the low number of supervisory board members (three individuals), it was decided to forego the formation of sub-committees.

The management report and annual financial statement submitted by the executive board for 2018 were audited by the auditing company Impulse Digital GmbH Wirtschaftsprüfungsgesellschaft and granted an unqualified audit opinion. The annual auditor reported orally on the assessment in the supervisory board meeting on 08 April 2019 and was available to the supervisory board for supplementary information.

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

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

Münster, April 2019

For the supervisory board



Christian Ehlers
Chairman of the supervisory board



Company and market

The Company

Vectron Systems AG is a leading European provider of intelligent POS systems consisting of hardware, software and cloud services which are developed at the company's head office in Münster. One of our key unique selling points is that unlike other manufacturers, we base all of our system solutions on the same software, making it easy to create networks. Our developed software is also open and flexible so that it can be adapted to a multitude of industries and used with all major operating systems – Windows, Android, iOS and Linux. Our cloud services are aimed at the B2B segment as well as the B2C segment.

This makes us a full-size system solution provider, which offers hardware, software and cloud services on the international market using its own engineering services. Partners are generally interested in product-related transaction data, which can be found at the core of a POS system, in other words the Vectron Business Solution Platform. Its analysis, evaluation and use is entirely changing goods management and CRM systems. This creates brand new business, collaboration and monetisation models in the catering industry which is only just starting to go digital. Sales have an international focus and are generally processed via a close-knit network of about 300 specialist trade partners, who also take care of end users. Specialist trade partners are supported by a combination of external and internal sales representatives and the Support Team.

The Market

The traditional market for POS systems is characterised by a large number of smaller companies, which mainly work on a regional basis. Only few POS system manufacturers focus on large market shares and international sales. The market had been quite stagnant over many years. The market shares had been allocated, the manufacturers focussed on certain industries and the total number of POS systems, particularly in Germany and Western Europe, remained rather constant over many years. The current market is on the verge of far-reaching, fundamental changes due to both fiscalisation and digital transformation. Customers expect state-of-the-art technological equipment and continuous updates for software and cloud services, thus creating the need for high investments in development. The food market is growing by around 5 % each year with its structures changing toward snack food chains, system catering and restaurants with a unique brand essence.

As in other industries, the SME sector of this industry is declining. Similar to the SME sector, the catering industry is attempting to cope with the generation issue. These trends provide Vectron Systems AG with particular growth opportunities in the national and international market due to the high-end solutions it develops and its own large market share. We are convinced that especially the analysis and use of product-related transaction data will result in an optimisation of the business activities throughout the entire goods management chain and therefore provide the industry with higher margins and profits. Data is the crucial currency of the digital age. This awareness is now also dawning in the catering industry, with bakeries, which have been increasingly focussing on catering in recent years, at the forefront of this trend as customer footfall data is already being used for adjusting production and supply chain.

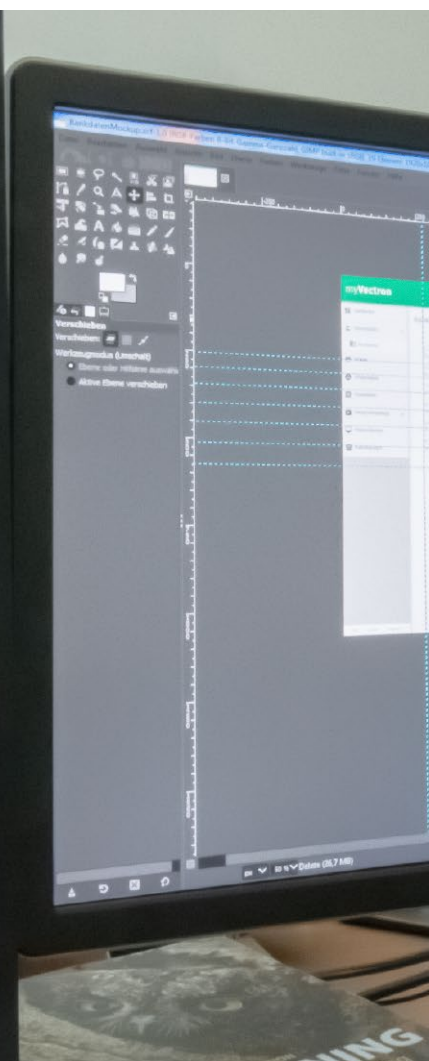
When analysing the direct potential for Vectron, it is clear that there is significant potential for growth and increasing sales in the German-speaking region as well as in the European and other foreign markets. Vectron Systems AG is the leading provider of digital solutions for the catering industry by far.

Sales segments

Vectron Systems AG is divided into two main segments, Vectron Hardware and Vectron Cloud-Services. In the Vectron Hardware segment, we generate sales from digitalised POS systems which combine hardware and software. We developed all of the products ourselves and some peripherals, with some peripherals being purchased. The Vectron Cloud-Services segment combines digital solutions for the bonVito, GetHappy, posmatic and myVectron brands with the aim of developing and marketing digital solutions which create relevance and good usability in the market for the B2B and B2C sectors. Core services include the analysis, processing and reporting of transaction data as well as digital stamps, coupons, deals, table reservations, delivery service and other services. All cloud services are directly linked to the POS systems, meaning that POS data flows directly into the POS system. This transforms a former cash register into a central data centre.

- operator-portal
- operator-portal-e2e
- gitkeep
- ets
- ress
- environments
- ixtures
- ntegration
- admin-portal
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 - addFiscalData.ts
 - addFurtherSiteInformation.ts
 - addSiteGroup.ts
 - addSupportUser.ts
 - addTasks.ts
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 - login_spec.ts
 - sideMenue.ts
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- model
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- module
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 - new_operator.ts
 - news.ts
 - Site.ts
 - tariffSelect.ts

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115     }
116   }
117 });
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135     cy.get('input[name="phone"]').clear().type(phone).should('have.value', phone).
136     cy.get('input[name="phone"]').clear().type(phone).should('not.be.visible');
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138 });
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140   //7000 data-test="button"
141   cy.contains('button', 'Weiter').click();
142   cy.get('input[formcontrolname="latitude"]').should('be.visible');
143 });
144 if (firstSite) {
145   addressModule.inputAddress();
146 }
147 if (firstSite) {
148   function() {
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150     cy.get('button[data-test="tipper-save"]').click();
151     cy.get('input[id="tariff-id"]').should('be.visible');
152     cy.get('input[id="tariff-id"]').click();
153     cy.contains('tariff').click();
154   }
155 });
156 if (firstSite) {
157   function() {
158     // ...
159   }
160 }
```



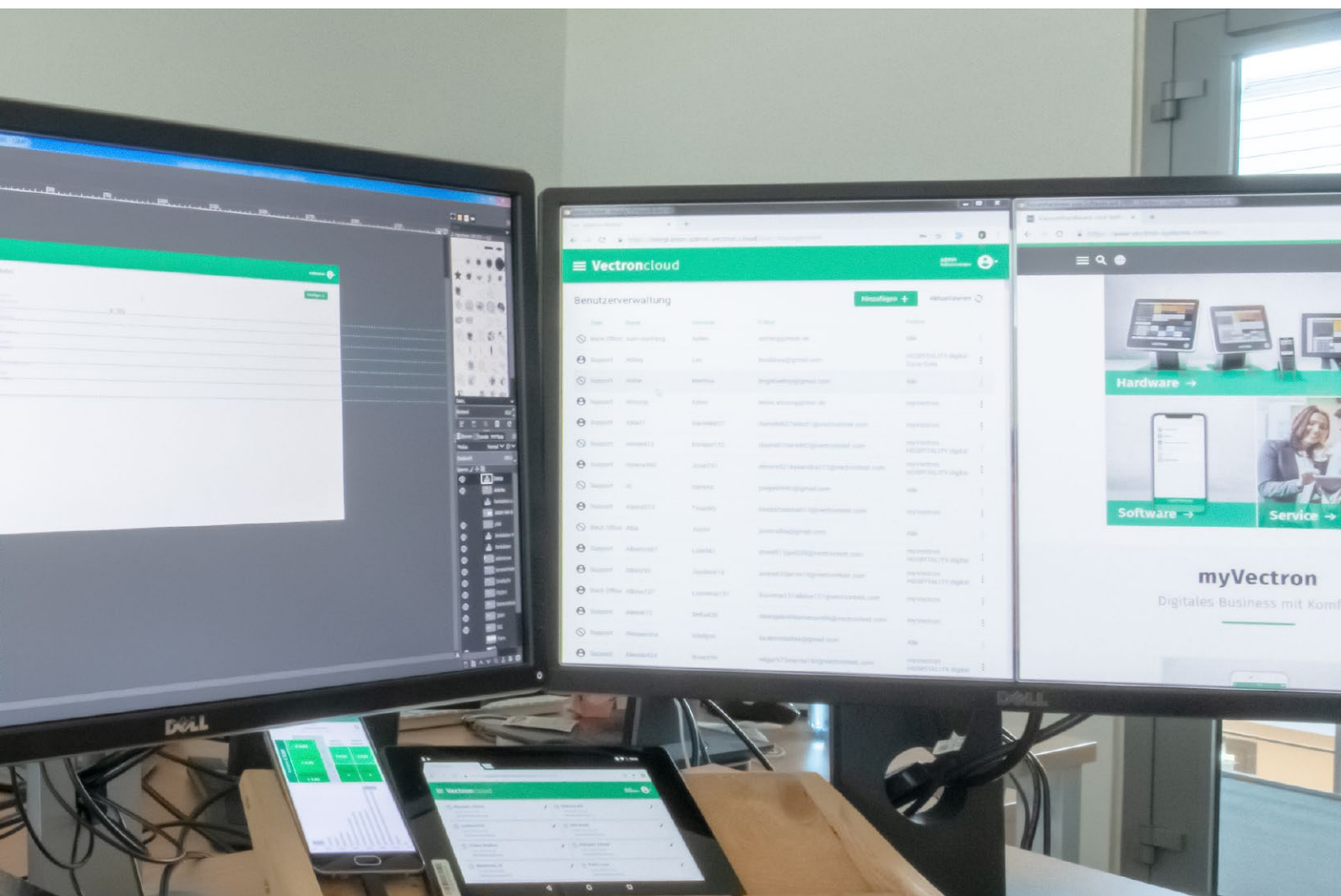
Vectron hardware: Three brands, one objective

The Vectron Hardware segment consists of three brands, Vectron, Duratec and posmatic. Vectron is the established POS system brand which places state-of-the-art premium hardware solutions in the market, in cooperation with specialist retail partners.

The Duratec concept is a highly important addition to the product portfolio which aims to establish technologically advanced POS systems with low installation and service costs in the market. Both brands use Vectron software and are therefore highly performant.

posmatic is a POS software app which runs on Apple hardware. The company was fully merged with Vectron System AG on 1 January 2019. End customers generally purchase their own hardware and pay a monthly user fee for the software. This sales model is particularly popular amongst smaller companies, which often cannot afford to finance traditional POS systems.

The Vectron hardware portfolio covers all of the key technology and price segments, enabling Vectron to position itself in the market as a full-range supplier.





The three hardware brand segments are described in more detail below:

Vectron: Premium Hardware

Under the brand of Vectron the company sells high-quality, technological-ly innovative stationary and mobile POS systems. The range is completed by some peripherals, e.g. customer displays. The POS system software is based on Vectron development services and is adjusted continuously to meet requirements in the market using the company's own competences. Main target groups are bakeries and the catering industry. For these trades the software offers numerous proven special functions and is also flexible enough to be used by numerous other industries, such as hairdressers.

Stationary POS systems

With its comprehensive stationary POS system range, Vectron provides suitable equipment for various company sizes and types and creates more efficient workflows and processes with advanced functions. Numerous interfaces make it easy to connect peripherals such as printers, scanners, tap systems, etc. High-quality materials provide robustness for daily use and great durability. All products meet the respective requirements of the national financial authorities.

Mobile POS systems and apps

Vectron's mobile POS systems are robust, stand-alone, professional devices that do not require a server station or internet connection. Their touch keyboard combination makes them particularly quick and intuitive to use, which is particularly popular with shops with high footfall and numerous individual sales transactions. The Vectron MobileApp for mobile Android and iOS devices completes the options of mobile cashing with Vectron. It only requires WLAN rather than an internet connection which may go down at any time. It can be used as an alternative or in addition to mobile Vectron POS systems.

Customer displays

Vectron provides customer displays in three sizes with designs to match the range of stationary POS systems. They can either be fixed to the back of the cash registers or set up on their own stand.

Software products

Vectron's "POS PC" makes the entire POS system software available to PC-based POS system solutions based on the Windows operating system. Despite its different hardware basis, the Vectron POS PC can be networked with all proprietary Vectron POS systems. Both systems offer the same functions and a unified, interchangeable data format for PLUs, sales and additional services.

The "Vectron Commander" is a versatile communication software with which Vectron POS systems can be linked. The complete programming and configuration of the connected Vectron POS systems can be effected via this software. It serves for simplified data management, automated data transfer and data evaluation via the central hub. The Commander can also be used for sending messages to the POS systems and it provides a basis for comprehensive analyses and POS system reports. The Commander reads POS system data and transmits it for instance to special backoffice programs.

"Vectron Contacts" is a simple contact and invoice manager. It can be used for maintaining and managing customer and contact data, which can also be transmitted to all connected Vectron POS systems using the Commander software. Sales transactions recorded by the POS system can be allocated to customers and concluded as delivery slips. These delivery slips can easily be turned into individual or collective invoices (e.g. for monthly invoices) and processed further on the PC.

The "Vectron Journal Tool" is a tool for evaluating, archiving and analysing the POS system journal data that was read out by means of the Vectron Commander. All sales transactions and campaigns are displayed in detail and suspicious cash transactions filtered.

"Vectron Analytics" is a backoffice solution which analyses the sales data read with the Commander and compiles the key company indicators into easy charts. Analytics users are able to recognise critical company developments in good time and are given useful assistance with their decision-making process.

The cloud-based "myVectron Reporting-App" makes the key company indicators also available on mobile devices such as smartphones and tablets, enabling partners to monitor the performance of their businesses anywhere, at any time and in real time.

Duratec: simple to install and use and highly performant

Duratec was launched in 2013 and is Vectron's brand for the medium price-performance segment. The Duratec product range is based on the sophisticated Vectron technology; the software, however, focusses on the essential for user interfaces as well as on strong simplification and ease of learning. For the hardware Vectron relies on long-lived special hardware. At the same time, Duratec takes into account current trends like the integration of smartphones as order phone. A PC version of the software is also available. Duratec is aimed at catering businesses, retailers and hairdressers with standard requirements yet high-performance expectations. The Duratec devices provide an optimal price-performance ratio. Furthermore they can be protected with a Full-Service Agreement.

Mobile cashing with Duratec

To also facilitate mobile payment processing, a POS system app for Android and iOS devices has been developed which can be used for simply recording and invoicing orders. The App works in a network with a stationary Duratec POS system as server. A monthly payment is required to use the App, thus generating a regular income for the Vectron Systems AG. The scope of functions of Duratec devices, which purposefully has been considerably restricted compared to that of Vectron POS systems, allows a clear distinction of both brands and prevents cannibalism effects for the Vectron core business. As the programming of the devices is clearly faster and easier the Duratec is also interesting for dealers in Germany and abroad. The bonVito online services were integrated in Duratec POS systems as well.

posmatic: innovative iPad solution

posmatic provides all of the functions of a modern POS system in a contemporary design. Its unique professional features, such as waiter lock, voucher management and interfaces to other catering software products such as personnel planning, goods management and hotel software (PMS), make posmatic into a comprehensive tool for mastering all of the challenges in the catering industry.

Vectron cloud services: Relevant solutions

The phrase “Vectron cloud services” combines all existing cloud services which are already known as “bonVito” and “myVectron”. These services embody the digitalisation process which is increasingly penetrating our core industries. Vectron aims to be a professional partner which realises digitalisation for its customers, thus creating new, market-relevant and targeted added value. The Vectron server structure is at the heart of the versatile cloud services. It can be scaled to suit all requirements and used for managing hundreds of thousands companies and branches. We divide the Vectron Cloud-Services into the key sub-areas, customer retention, efficiency tools and marketing platform. The individual customer retention services cover all relevant functions of the segments stamps, coupons, bonus points, e-payments, online payments and direct discounts. This provides our customers with excellent features for retaining customers and increasing footfall and average consumption. It has further been proven that customer retention measures transform customers into loyal customers and loyal fans in the long term who recommend the business and therefore generate additional business.

Table reservations and real time reporting are efficient services which speed up, digitalise and simplify processes. Tables that are currently available can be reserved directly through the website of a business. Tables currently reserved at the restaurant cannot be booked online as the reservation system communicates with the POS in real time. The reporting tool provides extensive real time data which provides users with continuous information on the development of their business. The reservation system module can be used without being linked to a POS due to its special web interface and can therefore be used by all catering facilities such as restaurants and bakeries.

The exclusive partnership with DeutschlandCard enables us to provide catering business owners with a module for issuing DeutschlandCard points and accepting them as payment. This gives them access to 20 million card holders who can now pay them with the points they have collected on their DeutschlandCards. Their operations also become attractive to card holders as they collect points for any purchases made at these companies, just like they are used to with retailers. This is unique in the market and strengthens the leading position of Vectron Systems AG in the market in the long term.

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Management report

1. Business performance

Vectron is a leading European provider of intelligent POS systems consisting of hardware, software and cloud services which are developed at the company's head office in Münster. Unlike other manufacturers, all our system solutions are based on the same software and can therefore be easily linked. Our developed software is also open and flexible so that it can be adapted to a multitude of industries and used with all major operating systems – Windows, Android, iOS and Linux. Cloud services are aimed at the B2B segment as well as the B2C segment.

1.1. Sector development

The POS system market is highly diverse. The diversity of the sector and varying company sizes among users are reflected on the provider side. As only few manufacturers are active globally in various markets, most competitors are small, often only regional providers.

The key change in recent years was the appearance of competing providers of solutions based on iOS and android devices. Despite high investments by the providers, these systems have not yet been able to gain a large market share and some consolidations have already taken place as a result. New pricing models are also starting to establish themselves, particularly ongoing instead of one-off payments.

The requirements placed on cash registers by the tax authorities have a considerable effect on the German market. The current legal position is determined by two letters of the Federal Ministry of Finance (Bundesfinanzministerium – BFM) dated 26 November 2010 (“Aufbewahrung digitaler Unterlagen bei Bargeschäften” – “Storing digital documents for cash transactions”) and 14 November 2014 (GoBD = “Grundsätze zur ordnungsgemäßen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie Datenzugriff” – “Principles for properly maintaining and storing books, records and documents in electronic form as well as data access”). These state that a POS system must keep detailed records of all booking data and also record other data in electronic form (obligation to keep individual records). This

data must be archived for a minimum period of 10 years. The transitional period, during which it was still permitted to use systems that could not be retrofitted, expired at the end of 2016. However, numerous users did not comply with this period and changed over only after the due date or not at all.

The Law on the Protection Against Manipulation of Digital Background Recordings [Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen] came into force on 29 December 2016. This law prescribes that all cash registers must be fitted with a certified technical security device as from 1 January 2020. There is a transitional regulation for previously purchased systems that cannot be retrofitted which must comply with the requirements of the BFM letter dated 26 November 2010. These systems may still be used until the end of 2022.

On 12 February 2019, the BMF (German Federal Ministry of Finance) sent a draft ordinance for the application of Section 146a of the German Tax Code (Abgabenordnung – AO) to associations and various companies for written hearing. This remains a draft at present and has therefore not yet become legally binding.

The key new provisions of the application ordinance include the introduction of the digital interface to the Financial Administration for POS Systems (Finanzverwaltung für Kassensysteme – DSFinV-K). This is the taxonomy for POS data, the standardisation of the format and content for day closings and individual records developed under the guidance of the DFKA (German Association for POS and Invoicing System Technology). The application ordinance does not include any new information on technical security equipment.

With over 200,000 installed systems in more than 30 countries, Vectron Systems AG is in the “Top 10” of European manufacturers of POS systems. The products are sold through a network of approximately 300 specialist trade partners. Vectron primarily provides solutions for the catering industry and bakeries. The end customer spectrum ranges from single cash register installations to branch networks comprising over 1,000 cash registers.

The hardware is updated at regular intervals and the software on an ongoing basis to always be in a position to service the market with technologically advanced stationary and mobile POS systems. With the secondary brand Duratec, which was launched in the autumn of 2013, Vectron now also provides the entry-level sector with robust, easy-to-use POS systems. With bonVito, Vectron has established its own internet-based, multifunctional customer retention programme in the market. It can be integrated directly in the POS systems and is sold by the subsidiary bonVito GmbH. For all products, Vectron offers its own leasing model that maintains liquidity for customers.

The phrase “customer retention systems” describes all of the marketing means implemented to create stronger customer ties to a company. Profitable loyalty programmes, tokens and special campaigns for loyal customers (so-called loyalty solutions) are employed to achieve this goal.

Since August 2018, Vectron has been cooperating with DeutschlandCard, one of the largest providers of loyalty solutions in the German market. The aim is to jointly develop a digital customer card solution for the catering industry. The plan is for the DeutschlandCard to be accepted in the catering industry as well as the retail sector in the future. This cooperation was contractually agreed in December 2018.

In addition to the DeutschlandCard, another focus is on the cooperation with Hospitality.digital (HD), the digital unit of the Metro Group. Together, both companies aim to drive digitisation in the catering industry. In September 2018, we announced that both companies started a pilot project with around 100 installations in the catering sector.

Following in-depth testing together with Coca Cola, both contracting partners concluded that it is quicker, more cost-effective and much more successful to establish a customer retention system by entering into a partnership with an existing successful system rather than developing a brand new one. The original cooperation between Coca Cola and Vectron for the self-developed “GetHappy” catering industry platform was therefore terminated. Afterwards, both parties agreed to enter

into another cooperation for the implementation of field tests regarding the delivery of POS data.

1.2. Sales and order development

Total sales in the reporting period in the amount of K€ 24,825 fell short of total sales in the previous year in the amount of K€ 32,383. When breaking down the sales segments, 73.8 % (previous year: 73.3 %) of sales revenues in the amount of K€ 18,309 pertained to Germany, 24.9 % (previous year: 25.4 %) in the amount of K€ 6,181 to other EU countries and 1.3 % (previous year: 1.3 %) in the amount of K€ 335 to third countries.

The share of customers using the internet services provided by the bonVito GmbH subsidiary increased considerably. Vectron also profited directly from this development. The number of contracts increased from 4,264 to 4,972, which corresponds to an increase of approximately 17 %.

Vectron Systems AG provides its end customers with an attractive sales increase model for financing their new POS systems. This sales promotion model is offered by Vectron specialist trade partners. The financing portfolio contributed around 18 % (previous year: around 14 %) to total sales in financial year 2018.

Vectron’s business model is geared towards extremely short delivery times and corresponding short production lead times, from which the Vectron specialist trade partners profit in particular. This business model does not result in significant order backlogs.

The first digital sales were initiated at the end of 2018.

1.3. Production and procurement

The POS systems are developed and produced on the basis of a “double platform strategy”, i.e. each product uses the same application software and can be used in all respective industries. Hardware development follows an extensive standard-part strategy, meaning that material procurement and development can be structured more efficiently.

The standard-part strategy permits the production of a relatively broad diversity of models without establishing disproportionately high stocks. The production process consists primarily of the assembly of modules and pre-fabricated components. In order to ensure high quality standards, the suppliers are already involved in the development phase.

Device types in high demand are produced for stockpiling. Stocks are dispatched as soon as an order is received, meaning that delivery periods are usually very short. Less frequently demanded products are made specifically to order.

To ensure continuous delivery capability and fast reaction times, pre-defined minimum amounts are stocked for all important components. New product lines or expected peak demand may thus result in temporarily increased stock levels. In the past two financial years, stocks were deliberately increased several times to remain able to deliver goods at all times.

1.4. Investments

Investments in the reporting year amount to K€ 326 (previous year: K€ 2,412). The majority pertains to the modernisation and expansion of the IT infrastructure and/or operational and business equipment.

Around 33 % (previous year: 37 %) of employees were involved in the development and further development of new and existing Vectron products. A considerable share of personnel costs therefore relates to development services. Some of the personnel expenses therefore constitute pre-investments in the new business models, which the company chose not to capitalise as own work.

1.5. Financing

Cash and cash equivalents amounted to K€ 11,562 (previous year: K€ 5,546) at year-end, corresponding to a significant K€ 6,016 increase year-on-year.

In the reporting year, the cash flow from ongoing business activity amounted to K€ -2,323 (previous year: K€ -1,463). The cash flow from ongoing business activity therefore decreased by K€ 860 year-on-year. In the reporting period, this primarily resulted from a loss at year-end and a decrease in provisions and liabilities as well as inventories and receivables.

Investments in fixed assets in the reporting period resulted in cash flow from investment activity of K€ -278 (previous year: K€ -2,412). Of this amount, K€ 77 related to software licenses and K€ 58 to technical plant and machinery, of which K€ 52 could be traced back to the digital platform scales project. The remainder of K€ 190 includes investments in operational and business equipment and prepayments made.

In the reporting period, cash inflow and outflow from financing activities resulted in cash flow of K€ 8,617 (previous year: K€ -2,239), which primarily contains the cash flows from the repayment of loan liabilities, a new loan in the amount of K€ 10,000 and the dividend for 2017 of K€ 331 (previous year: K€ 1,649), which was distributed in 2018.

The financing strategy is geared towards long-term stability.

Significant obligations not contained in the balance sheet include a rental agreement for the property at the company head office as well as the refinancing of the sales promotion model. Further existing lease contracts (transport fleet, tools, trade fair construction etc.) are of only immaterial importance. To support bonVito GmbH in the start phase, guarantee commitments were entered into. The total sum of the other obligations by the balance sheet date is K€ 6,223 (previous year: K€ 7,239). All of the liabilities have remaining terms of up to four years. We refer to the explanations in the notes.

1.6. Human resources

At the year end the workforce comprised 183 employees (previous year: 180 employees). This figure contains three members of the executive board and 15 trainees.

To motivate employees, Vectron uses a variable, multi-level remuneration model based on annual profit. When the profit situation is positive, all employees profit considerably from the variable salary components; these are in turn reduced if there is a reduction in profits. This model balances the employer's and the employees' interests in a way that is accepted by the workforce. In addition to this, a share option programme (contingent capital, see information in the notes) was introduced for managers.

1.7. Remuneration system for executive bodies

All members of the company's executive board contain fixed and variable remuneration. The variable components of two of the members contain a performance-related component of one percent of operative profit (earnings before interest, taxes, depreciation and amortisation). The variable component of one of the members contains a capped target bonus. In addition, 25,000 pre-emptive rights for the acquisition of 25,000 no-par value bearer shares of the company with a mathematical share in share capital of € 1.00 each (base value) were issued at the strike price during the exercise period. The issuance of pre-emptive rights to members of the company's executive board was effectively resolved at the annual general meeting on 17 May 2018 with the required majority for the creation of contingent capital 2018. Furthermore, each member of the executive board is entitled to a company car.

The supervisory board receives fixed annual remuneration. No variable components are provided. Please refer to the notes.

1.8. Other important processes

There were no other important processes during the financial year.

2. Assets and financial situation

Intangible assets primarily contain the design and construction plans purchased from the development partners as well as development services for software components of the Vectron Cloud platform. Production tools are stated as tangible assets (technical installations). The majority of fixed assets relates directly to product development.

The wholly-owned subsidiary bonVito GmbH, founded in 2012, is recognised in financial assets. The company provides internet services in connection with POS systems. During the company's start-up phase, ordinary and business model-specific start-up losses were incurred. Due to the positive forecast for the future, the shares in the company are stated at amortised cost. This item also contains the 75 % investment in Posmatic GmbH, which was acquired from share capital in the amount of K€ 26 as per agreement of December 2016. The usual start-up losses for this specific business model were incurred during the start-up phase. Based on a positive forecast, the shares are stated at amortised cost. Vectron Systems AG acquired the remaining 25 % of the shares on 1 January 2019. Posmatic manufactures a POS software app which runs on Apple hardware, such as iPads, iPods and iPhones. End customers generally purchase their own hardware and pay a monthly user fee for the software.

Stocks have decreased by approximately 23.7 % compared to the previous year. For popular products, production already moved from make-to-order production to make-to-stock production in 2014, resulting in an increase of the proportion of finished products in the total volume. Fundamentally, the ability to supply goods at any time is given a high priority, which means that temporary expansions of stock levels are deliberately accepted. Due to the business model with very short order lead times by the Vectron customers, delivery shortages would otherwise have an immediate negative effect on sales. There are no noteworthy risks as the stocks are materials for current models.

Receivables consist of numerous smaller individual receivables related to different customers. The average days sales outstanding varied between 43 and 59 days throughout the reporting period. Longer payment terms are only granted in exceptional circumstances. The actual payment default rate is very low. Potential risks are addressed through the formation of individual and general value adjustments.

On the balance sheet date, the issued capital consisted of 6,611,996 no-par value bearer shares with one vote each. The total equity capital amounted to K€ 10,133 (previous year: K€ 14,339).

The short-term liabilities and accruals of K€ 4,305 (previous year: K€ 3,323) can be paid from short-term tied capital (excluding liquid resources).

The financing and liquidity situation of the company can be described as positive. The cash flow statement shows the changes in cash and cash equivalents. Please refer to Section 1.5 in this respect and regarding off-balance sheet commitments.

3. Profit situation

Whereas sales in the first half of 2018 increased by 6 % compared with the second half of 2017, the POS business normalised significantly (sales generated in an ordinary reporting period without one-off effects such as fiscalisation) in the second half of the year. The information obtained from the tel-sales campaigns continues to confirm that more than 30 % of customers have not yet met the government requirements and therefore still have to update or replace their POS systems.

In addition to the traditional specialist trade partner sales business, the company also offers a sales promotion model ("sale-and-lease-back with subsequent sublease of these POS systems by Vectron to end customers"). Within the framework of this model, the sales revenues from sublease (K€ 2,609; previous year: K€ 2,322) during the term are offset against corresponding leasing expenses (K€ 2,001; previous year: K€ 1,769) in the material costs item. Direct sales costs (K€ 1,170; previous year: K€ 1,318) were incurred within the scope of this model, which are contained in material costs.

If the sales processed through the sales promotion model were to be conducted in the ordinary manner and if there were no non-product-related sales with associated companies, the adjusted performance indicators would be as follows: Sales would amount to € 20.2 million (previous year: € 27.7 million), material costs to € 8.5 million (previous year: € 11.5 million), resulting in a gross profit ratio of 57.4 % (previous year: 58.3 %) compared with an unadjusted gross profit ratio of 52.9 % (previous year: 54.8 %).

Personnel expenses contain wages and salaries paid as well as annual leave entitlements and accrued overtime and special employee bonuses for the financial year. This resulted in a monthly average of K€ 850 compared with the previous year's figure of K€ 808. Converted to full-time equivalents, the average number of employees (excluding 15 trainees) was around 158 (previous year: 154).

Depreciation and amortisation in the reporting period increased significantly year-on-year due to the additional need for writing down impaired intangible assets relating to the GetHappy platform. Without this circumstance, depreciation and amortisation would have been on par with the previous year.

Other operating expenses increased from an average of K€ 580 per month to K€ 613. The average monthly operating costs amount to K€ 144 (previous year: K€ 148) and sales costs to K€ 290 (previous year: K€ 275).

Other operating income decreased by K€ 113 year-on-year to K€ 453 and primarily contained exchange rate gains, offset benefits in kind and income from the reversal of accruals and impairments.

The ordinary financial result in the amount of K€ -165 (previous year: K€ -88) primarily included payments for participation capital II and loan liabilities.

The percentage of foreign currency transactions in merchandise purchasing in financial year 2018 was approximately 35 % (previous year: approximately 47 %) of the material input. Unfavourable exchange rate fluctuations can therefore have a negative impact on gross profit. To limit the exchange rate risk, derivative financial instruments are concluded, depending on the market situation. Other expenses by the company are not significantly influenced by exchange rate fluctuations. The same applies to distribution, as foreign currency regions mostly also use the euro for billing purposes. There are at present no recognisable trends toward inflation.

Annual profit before income taxes amounts to K€ -5,619 (previous year: K€ 1,656) and annual profits to K€ -3,876 (previous year: K€ 1,075). The operating result in relation to total operating performance of -15.5 % is down on the previous year's figure of 3.3 %.

It remains to be said that at the end of the first fiscalisation phase, sales once again decreased significantly from K€ 32,383 in 2017 to K€ 24,825 in 2018. On the other hand, the internal adjustment of the sales generated from the digitisation strategy and especially also the role of specialist retailers in the future development of the company tied up resources. 33 % of employees are furthermore involved in the development of the future digital business units. In financial year 2018, this as well as the one-off write-downs of intangible assets and the lack of capitalisation options for compensation claims enforced against third parties in this respect resulted in a net loss for the year of K€ 3,876.

4. Significant events after 31/12/2018

On 1 January 2019, the remaining 25 % of the shares in Posmatic GmbH were acquired. Posmatic manufactures a POS software app which runs on Apple hardware. End customers generally purchase their own hardware and pay a monthly user fee for the software. The product is to be fully integrated in the sales, development and support structure. Posmatic is sold as a POS brand in addition to Vectron and Duratec and is to be established as the leading provider of iPad POS systems in Germany using the comprehensive sales network.

The company successfully implemented its capital increase, which had been resolved on 6 February 2019, from € 6,611,996.00 to up to € 7,273,195.00 by issuing up to 661,199 new no-par value bearer shares against cash deposits whilst partially utilising the existing authorised capital and excluding the shareholders' pre-emptive rights. All shares were privately and exclusively placed with investors in Germany and other European countries at the placement price of € 7.60 per share, which had been resolved by the executive board with consent from the supervisory board, thus generating gross issue income of € 5,025,112.4 for the company. Tosho Capital GmbH, a company owned by the major shareholder and chairman of the executive board, Thomas Stümmler, acquired a total of 390,199 shares from the capital increase.

5. Risk reporting

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

5.1. Business risks

The ongoing pricing pressure may result in investment decisions, particularly during a weak economic situation, being increasingly oriented along the sale price and not the service offered. A decline in margins that cannot be otherwise compensated would then be feasible. By offering unique selling points, Vectron has so far succeeded in removing itself from the general pricing competition within the sector. Insofar, the aim of being technology leader is of central significance for Vectron.

Various technical developments result in lowering market entry hurdles and in a continuous change of products and business models. Missing a new trend could damage Vectron's profitability in the long-term. The monitoring of competitors and other sectors in order to constantly check and adjust the company strategy is thus of great importance. For this reason, product developments are continually adjusted to current findings. Agile development methods, such as Scrum, are used throughout to create maximum reaction speed.

The POS sector is increasingly restricted by the requirements of the financial authorities. Apart from the fiscal memory device obligation that has been in place in many countries for years, there are increasingly stringent requirements for the capturing and storage of sales data in the POS systems, which are, however, not regulated in detail in technical terms. These sometimes constitute a considerable interference with market activity. Corresponding political decisions are rarely agreed internationally, which may lead to distortions of competition. Delays in the introduction of legal requirements can result in

investment decisions being delayed and therefore postpone sales to a future date. Competition could also be distorted by providers of POS with manipulation options. Thus legislative proposals and drafts that affect the POS sector directly are monitored continuously so that adjustments can be integrated into the development process at an early stage. Vectron is a supporting member of Deutscher Fachverband für Kassen- und Abrechnungssysteme (DFKA e.V.), a professional association which represents the interests of the POS and invoicing systems industry in the political sector.

Economic fluctuations have an effect on the willingness to invest in POS systems. Periods of weak general economic performance can have a significantly negative effect on Vectron's sales. The focus on high-quality, complex system solutions has established itself as a useful way for Vectron to achieve the best possible independence from economic fluctuations as investment decisions for high-quality systems are less dependent on short-term economic trends and more on strategic considerations. Moreover, the international business helps to diversify the risk. The planned change-over to business models with ongoing instead of one-off income will result in the highest possible independence from economic cycles.

As a technology company, Vectron may become the target of industrial espionage. Due to the particular market characteristics and the specialist knowledge required to use the technology, the actual risk is considered relatively small. Despite this, Vectron has taken extensive protective measures, e.g. IT systems security, internal access restrictions and non-disclosure agreements.

5.2. Process and value creation risks

Growth and adjustment processes of the company may result in the internal process complexity increasing faster than the positive effects of the capacity expansion and/or the changes. Insufficient internal processes may thus negatively affect the company's efficiency on a temporary basis. During corresponding changes, particular importance is thus placed on suitable project management and involvement of employees. New processes are recorded in writing and monitored.

5.3. Finance risks

Sales fluctuations may have a significant short-term effect on the available cash flow and thus endanger the overall financing of the company. Vectron therefore aims for a high equity ratio and has chosen stable and long-term refinancing partners. Additionally, sufficient levels of liquidity are maintained so that the stability of the company is ensured at all times, even during longer periods of weak economic performance.

Dependencies on individual, major customers always pose a risk, such as in the case of payment default. However, the company is not exposed to any such risks at present. The receivables are distributed between numerous end customers. When entering into contracts with major customers, payments by instalment are agreed to limit the default risk. In 2018, Vectron's largest specialist trade partner was responsible for approx. 4.8 % of overall sales.

As the company buys a significant proportion of the materials in foreign currency and prices are directly impacted by exchange rates, unfavourable variations may have a detrimental result on profits. Depending on the market situation, foreign currency items are secured with derivative financial instruments. Due to the sometimes high volatilities, these securities are, however, not always available at acceptable conditions. In addition, it is almost impossible to hedge against long-term exchange rate fluctuations.

Longer-term business interruption, e.g. as a result of a fire, could have considerable financial costs. This risk is mitigated through a business interruption insurance.

5.4. IT risks

The IT infrastructure is of extremely high, and still increasing, importance for the handling of business processes. The linking of internal systems with business partners and the provision of internet services increases the threat of attacks by hackers, spam and viruses as well as general system failures. The risks of system breakdowns for our online platforms (Vectron Cloud and bonVito) and the related damage is becoming more important in view of the rising number of online customers. Vectron thus places great importance on extensive security measures, backup solutions and regular updates of the IT systems. Together with the new General Data protection Reg-

ulation (GDPR), the transition to new business models with ongoing income and related increase in data processing activities could increase the risk of data protection issues. Bad PR as well as fines are just some of the consequences. Various technical and organisational measures are implemented to protect data.

5.5. Purchasing and cooperation risks

Price savings for electronic assemblies and components can generally only be achieved by purchasing larger quantities. Larger purchasing volumes, however, have the disadvantage of increased capital commitment as well as a reduced flexibility during product revisions. For this reason, Vectron concludes framework agreements with maximum terms of up to one year so that both flexibility and price savings are maintained. This makes it possible to anticipate price adjustments in good time.

In the case of Vectron-specific or single-source components, the downtime of a pre-supplier can result in delivery delays. The largest single supplier contributed a share of around 10 % of the total acquisition volume in 2018. To avoid shortages, minimum amounts of all critical components are stocked so that a sufficient lead time for a reaction to downtimes is ensured. Replacement suppliers are on stand-by if technically and economically feasible.

5.6. Personnel risks

Acquiring qualified personnel generally takes a lot of time and costs, particularly in the current situation on the labour market. Medium-sized companies, in particular, face strong competition for the best experts from renowned large corporations. The company thus places great emphasis on the working atmosphere as well as on other non-monetary benefits. A financial incentive for all employees is created by the variable remuneration model. This has made it possible up to now to employ qualified personnel and also to retain them in the long term.

5.7. Product risks

The model portfolio undergoes ongoing adjustments, changes and expansions. The resulting development and product complexity can lead to product faults that have a significant effect on the company's profit situation. The planning and development processes are therefore being further optimised on an ongoing basis. Software tests are automated as much as possible. The risk is further limited through product liability insurance.

6. Forecast report

6.1. Future sector development

The intensity of the competition will continue to be felt strongly in future. It can be expected that the structure in the previous core market, in other words POS systems for catering businesses and bakeries, will generally remain unchanged, i.e. the industry is dominated by many small and regional market participants. At the same time, user requirements will continue to increase, particularly regarding ease of use and powerful analysis functions. The complex constraints imposed by the financial authorities, which are different in every country, and the requirement for individual customer solutions will further push up development activities and costs. Vectron Systems AG's size, which is an advantage compared with numerous competitors, provides the company with the opportunity to develop its market share.

The competition for data and data management will also increasingly impact the POS industry. Digital services are already considerably changing the catering market. The trend is similar to that in the retail sector, but with a significant delay due to the fragmented structure of the industry.

We are convinced that especially the analysis and use of product-related transaction data will result in an optimisation of the business activities throughout the entire goods management chain and therefore provide the industry with higher margins and profits. Data is the crucial currency of the digital age. This awareness is now also dawning in the catering industry, with bakeries, which have been increasingly focussing on catering in recent years, at the forefront of this trend as customer footfall data is already being used for adjusting production and supply chain.

The analysis, evaluation and use of product-related transaction data are entirely changing goods management and CRM systems. This creates brand new business, collaboration and monetisation models in the catering industry which is only just starting to go digital.

In the German core market, the Law on the Protection Against Manipulation of Digital Background Recordings [Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen]

gen] and existing tax requirements for cash registers (see Section 1.1) will continue to have a significant effect on the market. According to the company's own surveys, more than 30 % of operators in Vectron's target industries have not yet changed over to POS systems which comply with the financial authorities' requirements. It is to be expected that the tax audits implemented by the financial authorities will put pressure on operators to change over to compliant systems or retrofit existing ones.

The use of mobile consumer hardware, in particular tablet computers, as a basis for POS systems is expected to increase further. The integration of POS systems in the internet with corresponding new products and business models will further contribute to a change within the sector. Customer retention and CRM systems as well as reporting services are becoming more usable and affordable for many users in the form of cloud solutions. In future, the innovative capability of the providers will therefore even more so determine the competitive success. However, the changes will not take place as quickly as in the consumer segment.

The sales structures – in the market segment of Vectron this refers to sales through specialist trade partners – are forecast to remain highly stable in the long term.

6.2. Future product development

The main focus remains on the continuous further development of the various software and service products. Special importance is being placed on cloud services for customer retention as well as reporting and data analysis, both with own products and through cooperations.

The further development of the Vectron Cloud online platform is a major project. This platform pools customer retention, ordering, reservation and e-payment services in the catering industry.

The Vectron and Duratec POS system portfolio consists of hardware, software and services and in combination with the Posmatic App solution provides an opportunity to further develop or newly tap various markets and industries.

Vectron is the established POS system brand which places state-of-the-art premium hardware solutions in the market, in cooperation with specialist retail partners. The Duratec concept is a highly important addition to the product portfolio which aims to establish technologically advanced POS systems with low installation and service costs in the market. Both brands use Vectron software and are therefore highly performant. With the Posmatic POS software app, end customers purchase the iOS-based hardware themselves and pay monthly software user fees.

The hardware for the stationary and mobile POS systems is complemented with other products in a targeted manner to position the company in other niche markets.

6.3. Future business development

Vectron continues to modernise the product range in the core business through continuous investments and new innovations. The aim here is to defend and expand the strong market position. An additional objective is opening up new target markets and new customer sections.

The sales segments can be divided into two major segments, Vectron Hardware and Vectron Cloud Services. The Vectron hardware segment generates sales from digitalised POS systems with a combination of self-produced and third-party hardware, software and peripherals. The Vectron Cloud-Services segment combines solution concepts for the bonVito, posmatic and myVectron brands with the aim of developing and marketing digital solutions which create relevance and good usability in the market for the B2B and B2C sectors. Core services include the analysis, processing and reporting of transaction data as well as digital stamps, coupons, deals, table reservations, delivery services and other services. All cloud services are directly linked to the POS systems, meaning that data flows directly from and to the POS system. This transforms a former cash register into a central data centre.

bonVito has become firmly established in the market in its current form as a customer loyalty solution for individual enterprises and continues to grow steadily. The existing customer base is highly stable and the termination rates are extremely

low. This proves that cloud services can be successfully marketed in Vectron's markets. This business is to be extensively expanded with new functions, packages and the further development of the online platform. The focus on services which generate a high percentage of recurring income and on a large number of internet-enabled POS systems aims to provide future opportunities for data marketing. However, it is almost impossible to forecast any time scales in this respect.

The requirements of the financial authorities, particularly the Law on the Protection Against Manipulation of Digital Background Recordings [Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen], have a significant impact on future business developments. As the technical requirements have not yet been sufficiently specified and the exact timetable for the implementation is not yet known, it has been impossible to forecast this impact up to now. Prior to the spike in demand for retrofitting and replacement devices, it may well be possible that demand will slump temporarily.

Potential effects of Brexit could include the extension of delivery periods due to customs duties and the processing of goods deliveries as well as an increase in freight costs imposed by forwarders. A hard Brexit could also result in low demand, although this effect should remain within reason for Vectron.

In addition to the cooperation with DeutschlandCard and Hospitality.digital (HD), a cooperation agreement was concluded with epay in the meantime in March 2019. Vectron and epay, part of the listed payment service provider Euronet Worldwide Inc., agreed to jointly develop and provide new functionalities for POS system operators. These activities focus on alternative payment methods, such as Alipay, and the distribution of traditional products, such as mobile charging and electronic vouchers.

Epay provides access to numerous popular, alternative payment methods, as well as prepaid and voucher cards, via its POS integration software and terminals. The aim of this cooperation is to combine these functionalities with the POS as industry-specific service modules, thus giving restaurant owners and bakers an easy way to offer modern payment options and retain customers. The industry solution, which should be adjustable to specifically meet customers' needs, contains entry level versions without a terminal as well as advanced versions, including comprehensive POS systems with terminal solution and customer retention options.

Restaurant owners and bakers will be able to provide easy non-cash payments and tap new customer groups and additional income with the popular alternative payment methods and prepaid solutions. The wide range of possible POS-based payments and the large prepaid and voucher card product portfolio with internationally known brands is a valuable addition to the existing product portfolio.

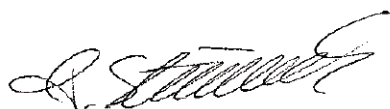
Although demand is expected to increase again significantly in 2019 due to the effective date of the second fiscalisation phase on 1 January 2020, it is becoming apparent that the company's dependence on brand-new POS business must be terminated and changed to stable, permanent income from digital business models. However, pre-investments in technical developments, and therefore in personnel, need to continue to achieve this objective.

Münster, 21/03/2019

Vectron Systems AG
The executive board



Jens Reckendorf



Thomas Stümmler
(until 31 January 2018
from 5 July 2018)



Silvia Ostermann
(from 01 August 2018)





Balance sheet as of 31/12/2018

Assets	31/12/2018		31/12/2017
	€	€	€
A Fixed assets			
I Intangible assets			
1. Purchased concessions, commercial property rights and similar rights and values as well as licenses to such rights and values	199,266		326,821
2. Prepayments made	0	199,266	1,218,839
II Tangible assets			
1. Technical facilities and machines	223,323		229,723
2. Other facilities, operational and business equipment	305,570		371,361
3. Prepayments made and work in progress	31,980	560,873	8,816
III Financial assets			
Shares in associated companies		1,804,214	2,564,353
B Current assets			
I Stocks			
1. Raw, auxiliary and operating materials	3,779,777		4,422,301
2. Finished products and merchandise	2,026,265	5,806,041	3,188,770
II Claims and other assets			
1. Trade receivables	2,268,332		3,295,355
- of which with a remaining term of more than one year: € 0			
2. Receivables from associated companies	520,005		413,629
- of which trade receivables: € 389,392.61			
- of which with a remaining term of more than one year: € 0			
3. Other assets	410,909	3,199,245	343,670
- of which with a remaining term of more than one year: € 0			
III Cash-in-hand, bank balances and cheques		11,561,664	20,566,951
C Accrued and deferred items			68,512
D Deferred tax assets			1,659,432
		24,859,248	97,564
			21,478,855

Liabilities	31/12/2018		31/12/2017
	€	€	€
A Equity capital			
I Subscribed capital	6,611,996		6,611,996
- conditional capital: € 436,000			
II Capital reserve	5,355,295		5,355,295
III Retained earnings			
Statutory reserve	40,000		40,000
IV Balance sheet profit	-1,874,588	10,132,702	2,332,337
- of which profit carried forward: € 1,257,005 (previous year: € 942,201)			
B Accruals			
1. Tax accruals	22,000		224,000
2. Other accruals	944,472	966,472	1,428,131
C Liabilities			
1. Participation rights capital II	1,500,000		1,500,000
- of which with a remaining term up to one year: € 1,500.00			
- of which with a remaining term of more than one year: € 0			
- of which with a remaining term of more than five years: € 0			
2. Liabilities to banks	11,263,110		2,315,760
- of which with a remaining term up to one year: € 842,120			
- of which with a remaining term of more than one year: € 10,420,990			
- of which with a remaining term of more than five years: € 0			
3. Trade payables	603,663		1,440,735
- of which with a remaining term up to one year: € 603,663			
- of which with a remaining term of more than one year: € 0			
- of which with a remaining term of more than five years: € 0			
4. Other liabilities	393,301		230,601
- of which from taxes: € 330,336 (previous year: € 184,264			
- of which for social security: € 90 (previous year: € 871			
- of which with a remaining term up to one year: € 393,301			
- of which with a remaining term of more than one year: € 0			
- of which with a remaining term of more than five years: € 0		13,760,074	
		24,859,248	21,478,855

Profit and loss account

P&L 1 January – 31 December 2018	Financial year 2018			Financial year 2017		
	€	€	€	€	€	€
1 Sales revenues		24,824,923			32,382,725	
2 Increase or decrease in finished goods and work in progress		220,655			621,447	
3 Other operating revenues, of which from currency exchange: € 28,609		453,046	25,498,623		565,914	33,570,085
4 Material costs						
A) Cost of raw materials, consumables and supplies, and of merchandise	-8,524,485			-11,538,845		
b) Costs for services obtained	-3,179,643	-11,704,128		-3,106,815	-14,645,660	
5 Personnel costs						
a) Wages and salaries	-8,724,734			-8,316,199		
b) Social security, post-employment and other employee benefit costs, of which for old age pensions: € 82,035 (previous year: € 81,527)	-1,476,158	-10,200,892		-1,391,394	-9,707,593	
6 Depreciation of tangible and intangible fixed assets		-1,682,141			-509,282	
7 Other operating expenses, of which from currency exchange: € 44,358		-7,361,140	-30,948,301		-6,960,175	-31,822,710
8 Other interest and similar income, of which from the discounting of accruals: € 0 of which from associated companies: € 25,902		42,574			63,195	
9 Interest and similar expenses, of which from the compounding of accruals: € 0 of which to associated companies: € 0		-207,090			-151,742	
10 Income tax expenditure, of which deferred taxes: Expenditure € 1,561,868 (previous year: expenditure € 24,807)		1,742,715	1,578,199		-580,274	-668,822
11 Earnings after taxes			-3,871,479			1,078,553
12 Other taxes			-4,847			-3,221
13 Net loss / profit for the year			-3,876,326			1,075,333
14 Retained profits from the previous year			2,001,737			1,257,005
15 Balance sheet loss / profit			-1,874,588			2,332,337

Cash flow statement

Cash flow statement 1 January – 31 December 2018		
	2018	2017
	€	€
Ordinary income for the period before income tax	-5,614,194	1,655,607
+ Depreciation on fixed assets	1,682,142	509,282
+/- Increase/decrease of other accruals, where these are not allocated to the investment or financing activities	-483,660	-632,145
+/- Other non-operative expenditures/revenues	-1,042	160,993
+/- Loss/profit from the sale of fixed assets	-9,214	216
+/- Decrease/increase in stocks, receivables from deliveries and services as well as other assets not allocated to investment or financing activities	2,990,382	-1,133,549
+/- Increase/decrease in liabilities from deliveries and services as well as other liabilities not allocated to investment or financing activities	-674,372	-365,960
+/- Cash inflow / outflow from extraordinary items	0	0
-/+ Income taxes paid / received	-213,556	-1,657,200
= Cash flow from ongoing business activities	-2,323,513	-1,462,756
+ Cash inflows from the disposal of tangible fixed assets	48,055	0
- Cash outflows for investments in tangible and intangible fixed assets	-325,563	-1,527,482
- Cash outflows for investments in financial assets	0	-884,714
= Cash flow from investment activities	-277,508	-2,412,196
+ Cash inflows from equity injections	0	42,330
+ Cash inflows from borrowing	10,000,000	0
- Cash outflows from the redemption of loans	-1,052,650	-631,590
- Cash outflows for the repayment of advances	0	0
- Cash outflows to company owners (dividends)	-330,600	-1,649,999
= Cash flow from financing activities	8,616,750	-2,239,259
= Change in cash and cash equivalents affecting payment	6,015,729	-6,114,211
+ Cash and cash equivalents at the start of the period	5,545,935	11,660,147
= Cash and cash equivalents at the end of the period	11,561,664	5,545,936

Notes

1. Information on the company

Vectron Systems AG Münster produces and sells intelligent POS systems and communication software for the networking of branch operations. The location Münster is both the production centre and head office from which the domestic and international sales regions are supplied.

Company:	Vectron Systems AG
Head office:	Willy-Brandt-Weg 41, 48155 Münster, Germany
Register court:	Münster District Court
Commercial register no.:	B 10502
Authorised representative:	Jens Reckendorf Thomas Stümmler (until 31 January 2018, from 5 July 2018) Oliver Kaltner (from 1 February 2018 until 5 July 2018) Silvia Ostermann (from 01 August 2018)

2. Information on the annual financial statement and the accounting and assessment methods

These annual financial statements as of 31/12/2018 were compiled in Euro (€) on the basis of the regulations under German commercial law and the supplementary specific requirements stipulated by law and the articles of association.

The structure of the balance sheet and the profit and loss account complies with commercial law regulations and supplementary, legal form-specific legal regulations. The profit and loss account is structured pursuant to Section 275 Paragraph 2 of the German Commercial Code (Handelsgesetzbuch – HGB) in accordance with the total cost format. The option right under Section 265 Paragraph 5 HGB was exercised. Pursuant to Section 267 Paragraph 2 HGB, the company is a medium-sized corporation.

On 01/03/2017, the company started trading its shares in the “Scale” segment for SMEs (previously in the Entry Standard)

of Deutsche Börse AG, a sub-section of the OTC market. The company is therefore not a company with focus on the capital market within the meaning of Section 264d HGB and therefore a Non-PIE company.

Intangible and tangible fixed assets are stated at cost. Self-produced intangible fixed assets have not been activated. Assets that are subject to wear and tear are written down on the basis of scheduled linear depreciation. The lower fair value was applied if this was below the amortised acquisition or production costs on the balance sheet date and the impairment was expected to be permanent. Financial assets are stated at cost. The planned depreciations are generally determined on the basis of the following operating lives across the group.

Category	Years
IT programs/other rights	3 -10
POS software/construction plans	5 -6
Tangible fixed assets	3 -13

Stocks are stated at average acquisition or production costs. Finished products are stated at production costs, i.e. manufacturing and general material costs as well as the manufacturing-related value reduction of the fixed assets were considered. The lower fair value was applied if this was below the acquisition or production costs on the balance sheet date. Interest for borrowed capital was not included.

Trade receivables, receivables from associated companies, other assets as well as liquid resources are shown at par. Default risks and value risks applicable to trade receivables have been suitably considered, both through individual and global valuation adjustments.

Assets and liabilities in foreign currency were stated at the average spot exchange rate as of the balance sheet date. All foreign currency items have terms of less than one year.

Deferred taxes are stated for temporary differences between the valuations of assets and liabilities under commercial and tax law.

This also includes deferred taxes on tax losses carried forward which are expected to be utilised within five years.

Accruals are stated at the fulfilment amount required in accordance with a prudent commercial judgement. Future price and cost increases are accounted for. Any existing accruals with a term of more than one year are discounted.

Liabilities are stated at their fulfilment amounts.

3. Information on assets

Intangible assets primarily contain purchased software components as well as software licenses and prepayments for contracts for work and services.

The overall development of the fixed assets can be seen in the fixed assets statement (appendix 4).

Vectron Systems AG owns all of the shares in the subsidiary bonVito GmbH Münster founded in 2012. The equity capital of bonVito GmbH amounted to K€ 54 as of 31 December 2017 (previous year: K€ 164). The company finished financial year 2017 with an annual deficit of K€ 111 (previous year: K€ 118). Due to the positive development of the subsidiary, which can be expected to occur in 2018, the investment book value is stated at amortised costs.

In December 2016, Vectron Systems AG invested in a 75% share in the POS software start-up posmatic GmbH with head office in Münster. The company also provided additional capital for the acquisition of sales operations, development measures and sales promotion. The investment was entered in the commercial register on 23 January 2017. posmatic GmbH produces a POS software which runs on Apple hardware, such as iPads, iPods and iPhones. End customers generally purchase their own hardware and pay a monthly user fee for the software. This sales model is particularly popular amongst smaller companies, which often cannot afford to finance traditional POS systems. In order to also cover this market, posmatic will be marketed in addition to Vectron and Duratec as a further POS brand of the Vectron Group. The equity capital of posmatic GmbH amounted to K€ 514 as of 31 December 2017. K€ 776). The company finished financial year 2017 with an annual deficit of K€ 262 (previous year: K€ 0). Due to the positive development of the subsidiary, which is to be expected, the invest-

ment book value is stated at amortised costs. On 1 January 2019, the remaining 25 % of the shares in posmatic GmbH were acquired.

At the end of 2017, VECTRON America INC. started operations upon payment of the deposit in the 80 % shareholding in the translated amount of K€ 135 to further expand the North American business. The equity capital of the company amounted to KCAD 313 as of 31 December 2017. The company finished financial year 2017 with an annual result of KCAD 0. Due to the positive development of the subsidiary, which is to be expected following planned start-up losses, the investment book value is stated at amortised costs.

4. Information on liabilities

The shares stated in subscribed capital are no-par value bearer shares with one vote each and a book value of € 1.

The company's share capital now amounts to € 6,611,996.00 and is divided into 6,611,996 no-par value bearer shares.

Due to the resolutions of the annual general meeting on 17 May 2018, which included the rescission of the authorised capital 2017 and the contingent capital 2016 as well as the creation of the authorised capital 2018 and contingent capital 2018, the development of the capital and pre-emptive rights issued during the reporting period is shown below:

Equity capital development (€)	Subscribed capital***	Capital reserve	Retained earnings** Statutory reserve	Participation rights capital I	Balance profit *	Total
Equity capital as of 01/01/2017	1,649,999	10,274,962	40,000	0	2,907,003	14,871,964
Dividend payout					-1,649,999	-1,649,999
Capital increase from company funds (incl. share split 1:4)	4,949,997	-4,949,997				0
Capital increase from contingent capital	12,000	30,330				42,300
Annual net income					1,075,333	1,075,333
Equity capital as of 31/12/2017	6,611,996	5,355,294	40,000	0	2,332,337	14,339,627
Dividend payout					-330,600	-330,600
Net loss for the year					-3,876,326	-3,876,326
Equity capital as of 31/12/2018	6,611,996	5,355,294	40,000	0	-1,874,589	10,132,701

* The balance sheet loss / profit of € -1,874,589 (previous year: € 2,332,337) contains profit carried forward of € 2,001,737 (previous year: € 1,257,004).

** No retained earnings due to a lack of write-ups of fixed and current assets.

*** shares subscribed from authorised capital in financial year 2018: 0; shares subscribed from contingent capital in financial year 2018: 0

	Shares	Authorised capital			Contingent capital			
		2013	2017	2018	2011	2016	2017	2018
01/01/2017	1,649,999	600,001	0	0	45,000	45,000	0	0
Capital increase	4,949,997							
Share split 1:4	6,599,996	600,001	0	0	180,000	180,000	0	0
AGM resolutions 2017		-600,001	3,299,998				180,000	0
Exercised	12,000				-12,000			
31/12/2017 (I)	6,611,996	0	3,299,998	0	168,000	180,000	180,000	0
Limitation					-70,000			
31/12/2017 (II)	6,611,996	0	3,299,998	0	98,000	180,000	180,000	0
AGM resolutions 2018			-3,299,998	3,305,998		-180,000		200,000
Exercised								
31/12/2018 (I)	6,611,996	0	0	3,305,998	98,000	0	180,000	200,000
Limitation					-42,000			
31/12/2018 (II)	6,611,996	0	0	3,305,998	56,000	0	180,000	200,000
of which pre-emptive rights issued (after share split 2017) in units:					56,000		56,000	25,000
of which in cash (as of the balance sheet date) in EUR:					331,940		0	0

As per resolution of the annual general meeting on 17 May 2018, the executive board is authorised, with the approval of the supervisory board, to increase the share capital of the company by a total of up to € 3,305,998.00 until 17 May 2023 by issuing new no-par value bearer shares against cash deposit and/or payment in kind (authorised capital 2018) and to determine a start of the profit participation which differs from legal requirements. The authorisation may be fully or partially utilised in one or several tranches. The executive board is further authorised, with the approval of the supervisory board, to decide on the content of the share rights and conditions of issue. The shareholders shall be granted a subscription right during capital increases. However, the executive board may, with the approval of the supervisory board, exclude the subscription rights for shareholders under certain conditions.

The share capital of the company is conditionally increased by up to € 98,000.00 by issuing up to 98,000 new no-par value bearer shares (contingent capital 2011). The contingent capital increase serves to issue subscription rights to executive employees of the company and subordinated associated companies in Germany and abroad in accordance with the authorisation resolution passed by the annual general meeting on 26 May 2011 regarding TOP 7. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company is conditionally increased by up to € 180,000.00 by issuing up to 180,000 new no-par value bearer shares (contingent capital 2017). The contingent capital increase serves to issue subscription rights to executive employees of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 23 June 2017 regarding TOP 10. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company is conditionally increased by up to € 200,000.00 by issuing up to 200,000 new no-par value bearer shares (contingent capital 2018). The contingent capital increase serves to issue subscription rights to members of the executive boards of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolu-

tion passed by the annual general meeting on 17 May 2018 regarding TOP 12. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

In accordance with Section 71 paragraph 1 no. 8 AktG [German Stock Corporation Act], the company is entitled to buy own shares during the period up to 12 June 2020. The purchase is limited to a quantity corresponding to 10 % of the existing share capital. The authorisation can be exercised within the upper limit in full or in partial amounts. The purchase can be made via the stock exchange or through a public offering. This was not exercised during the financial year.

The other accruals that are comprehensively classified as short-term are primarily distributed amongst the following areas:

Designation	€
Annual leave/overtime	192,500
Outstanding purchase invoices	467,952
Variable remuneration components	0
Other accruals	284,020
Total	944,472

By way of resolution made at the annual general meeting on 07 June 2013, participation rights capital of up to K€ 10,000 can be issued. The participation rights exclusively establish rights under the law of obligations and do not give rise to membership rights. With the supervisory board's agreement, the executive board exercised this right and issued participation rights amounting to K€ 1,500 (participation rights capital II). The subordinate participation rights capital II has a residual term up to 15 February 2019 and has been repaid in the meantime.

At K€ 1,263, the liabilities to banks result from an unsecured development loan taken out in June 2015. The loan has a term up to 30 June 2020. In June, an earmarked loan was taken up in the amount of K€ 10,000 for the financing of projects within the scope of a growth-oriented transformation strategy. The loan has a term up to 30/12/2020.

The other liabilities contain outstanding liabilities for the participation rights capital II of K€ 30 (previous year: K€ 36).

The usual retentions of title from the acquisition of assets exist for trade payables.

5. Notes on the profit and loss calculation

A large proportion of the sales is achieved through internally developed and produced Vectron POS systems. In addition to the sale of hardware, the internally developed software (network communication, expansion licences) is also sold. Furthermore, Vectron's complete portfolio is rounded off by peripheral appliances (printers, scanners, cash drawers etc.) and services.

In addition to the traditional specialist trade partner sales business, the company also offers a sales promotion model ("sale-and-lease-back with subsequent sublease of these POS systems by Vectron to end customers"). Within the framework of this model, the sales revenues from sublease (K€ 2,609; previous year: K€ 2,322) during the term are offset against corresponding leasing expenses (K€2,001; previous year: K€ 1,769) in the material costs item. Direct sales costs (K€ 1,170; previous year: K€ 1,318) were incurred within the scope of this model, which are contained in material costs.

After deducting the figures for these effects and for non-product-related sales generated by associate companies, adjusted

sales amounted to € 20.2 million (previous year: € 27.2 million), adjusted material expenditure to € 8.5 million (previous year: € 11.5 million) and consequently the adjusted gross profit ratio to 57.4 % (previous year: 58.3 %) for the company as a "POS manufacturer with traditional sales business" compared to the unadjusted gross profit rate of 52.9 % (previous year: 54.8 %). The gross profit rate shown results from the material costs in proportion to sales (excluding stock changes).

Other operating income primarily contains exchange rate gains, offset benefits in kind, income from the reversal of accruals and impairments as well as other income.

Depreciation and amortisation contains impairments in the amount of K€ 1,218.

The profit and loss account contains the auditor's fees for the audit of the annual financial statement of K€ 30 and for tax advisory services of K€ 12.

In financial year 2018, payments for participation capital II of K€ 117 (previous year: K€ 116) were made.

The income taxes stated in the profit and loss account contain deferred tax income of K€ 1,562 and other tax income from losses carried back in the amount of K€ 158. In the previous

Segment [€]	Period	Germany	EU	Third country	Total
POS systems	2018	10,649,845	3,682,737	219,549	14,552,131
	2017	14,764,546	5,176,868	277,978	20,219,392
Software	2018	1,407,940	581,668	55,280	2,044,888
	2017	1,844,433	846,169	32,237	2,722,838
Goods for resale/service	2018	6,251,315	1,916,465	60,124	8,227,904
	2017	7,119,633	2,207,163	113,698	9,440,495
Total	2018	18,309,100	6,180,870	334,953	24,824,923
	2017	23,728,611	8,230,200	423,913	32,382,725
Percentage distribution	2018	73.8 %	24.9 %	1.3 %	100.0 %
	2017	73.3 %	25.4 %	1.3 %	100.0 %

year, tax expenses amounted to K€ 580. Additional amounts result from taxes for previous financial years.

The balance sheet was compiled under consideration of the partial use of the annual result. The executive board did not exercise the option of endowment of statutory reserves. Furthermore, no proposal / resolution for appropriation had been made as yet.

6. Other information

Other financial obligations in the form of liquidity-protecting leasing and rental obligations amount to a nominal K€ 6,223 (previous year: K€ 7,239).

Contingent liabilities in the form of guarantees for the benefit of the associated company, bonVito GmbH, pursuant to Section 251 HGB amount to K€ 1,158 (previous year: K€ 1,270). These are not expected to be utilised due to the anticipated positive development of the subsidiary.

During the reporting period, an average of 161 employees (consisting of 151 full-time employees and 10 part-time employees) worked at Vectron Systems AG. These figures were determined in accordance with the methods stated in Section 267 V HGB.

The members of the executive board can be contacted at the company's administrative address. Jens Reckendorf is the member of the executive board responsible for Technology & Development, IT and Support & Services, Thomas Stümmler is

the CEO and responsible for Strategy, Products/Brands, Public and Investor Relations as well as Marketing and Sales (until 31 January 2018 and from 6 July 2018) and Silvia Ostermann (from 1 August 2018) is the member of the executive board responsible for Personnel, Finances, Law, Purchasing, Production as well as Workflows and Processes.

Mr Oliver Kaltner retired from the executive board as of 5 July 2018. Mr Thomas Stümmler was appointed as a member of the executive board by resolution of the supervisory board dated 5 July 2018. The entry notification is dated 13 July 2018. Ms Silvia Ostermann was appointed as a member of the executive board as per entry notification dated 8 August 2018.

The executive board member remuneration including expenses, benefits in kind, profit participation and pre-emptive rights for the reporting period for Mr Reckendorf amounts to € 216,327.38 (of which success-dependent: € 0.00 plus pre-emptive rights € 0.00), for Mr Stümmler to € 132,703.67 (of which success-dependent: € 0.00 plus pre-emptive rights € 0.00) and for Ms Ostermann to € 66,375.82 (of which success-dependent: € 0.00 plus pre-emptive rights € 25,000.00). The executive board member remuneration of Mr Kaltner amounted to € 675,000.00 (including his one-off payment for the early termination of his office in the amount of € 300,000.00).

- The supervisory board consists of the following four members:
- Mr Christian Ehlers (chairman), lawyer
- Mr Maurice Oosenbrugh (deputy chairman), business manager, managing partner of EUCON GmbH

Other financial obligations (€)	of which with a remaining term of			
	Total	up to 1 year	1 to 5 years	over 5 years
Leasing obligations	4,258,404	2,199,163	2,059,241	0
Rental obligations**	1,964,785	813,015	1,151,771	0
Total	6,223,189	3,012,177	3,211,012	0

* The sale-and-lease-back transactions concluded within the framework of the sales promotion model have terms of 36 or 48 months with a remaining volume for the following financial years of K€ 4,258 (previous year: K€ 4,164) which are offset by slightly increased subleasing contracts.

** Rental obligations relate to the period until May 2021.

- Mr Heinz-Jürgen Buss, Dipl.-Kaufmann [business administration graduate], managing director Winkelmann Group GmbH & Co. KG
- (Thomas Stümmeler, business manager, (from 17 May 2018; from 6 July 2018 as member of the supervisory board deployed to the executive board))

The supervisory board remuneration for the chairman is K€ 30. The other members of the supervisory board, Mr Oosenbrugh and Mr Buss receive K€ 20 remuneration each.

The company successfully implemented its capital increase, which had been resolved on 6 February 2019, from € 6,611,996.00 to up to € 7,273,195.00 by issuing up to 661,199 new no-par value bearer shares against cash deposits whilst partially utilising the existing authorised capital and excluding the shareholders' pre-emptive rights. All shares were privately and exclusively placed with investors in Germany and other European countries at the placement price of € 7.60 per share, which had been resolved by the executive board with consent from the supervisory board. Tosho Capital GmbH, a company owned by the major shareholder and chairman of the executive board, Thomas Stümmeler, acquired a total of 390,199 shares from the capital increase.

7. Events after the balance sheet date:

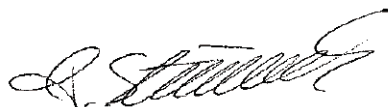
On 1 January 2019, the remaining 25 % of the shares in posmatic GmbH were acquired.

Münster, 21/03/2019

Vectron Systems AG
The executive board



Jens Reckendorf



Thomas Stümmeler
(until 31 January .2018
from 5 July 2018)



Silvia Ostermann
(from 01 August 2018)

VECTRON



Fixed assets analysis

Development of the fixed assets during the financial year 2018					
	Acquisition costs				
	Current as of: 01/01/2018	Reclassi- fication	Addition*)	Disposal	Current as of: 31/12/2018
	€	€	€	€	€
I Intangible assets					
1. Purchased concessions, commercial property rights and similar rights and values as well as licenses to such rights and values	7,614,582.41	8,816.00	77,146.75	46,712.75	7,653,832.41
2. Prepayments made	1,218,839.37	0	0	1,218,839.37	0
	8,833,421.78	8,816.00	77,146.75	1,265,552.12	7,653,832.41
II Tangible assets					
1. Technical facilities and machines	1,296,490.31	28,540.60	58,403.05	0	1,383,433.96
2. Other facilities, operational and	1,376,626.56	0	129,492.45	83,327.46	1,422,791.55
3. Prepayments made	8,816.00	-37,356.60	60,520.60	0	31,980.00
	2,681,932.87	-8,816.00	248,416.10	83,327.46	2,838,205.51
III Financial assets					
Shares in associated companies	1,804,214.15	0	0	0	1,804,214.15
	1,804,214.15	0	0	0	1,804,214.15
	13,319,568.80	0	325,562.85	1,348,879.58	12,296,252.07

*) No interest on debt was capitalised as assets in the financial year.

**) No write-ups and impairments were recorded in assets in the financial year.

Depreciations and amortisations				Book values		
Current as of: 01/01/2018	Reclassi- fication	Addition**)	Disposal**)	Current as of: 31/12/2018	Current as of: 31/12/2018	Current as of: 31/12/2017
€	€	€	€	€	€	€
7,287,761.73	0	174,676.58	7,871.99	7,454,566.32	199,266.09	326,820.68
0	0	1,218,838.37	1,218,838.37	0	0	1,218,839.37
7,287,761.73	0	1,393,514.95	1,226,710.36	7,454,566.32	199,266.09	1,545,660.05
1,066,767.62	0	93,343.61	0	1,160,111.23	223,322.73	229,722.69
1,005,265.95	0	195,282.91	83,327.74	1,117,221.12	305,570.43	371,360.61
0	0	0	0	0	31,980.00	8,816.00
2,072,033.57	0	288,626.52	83,327.74	2,277,332.35	560,873.16	609,899.30
0	0	0	0	0	1,804,214.15	1,669,500.00
0	0	0	0	0	1,804,214.15	1,669,500.00
9,359,795.30	0	1,682,141.47	1,310,038.10	9,731,898.67	2,564,353.40	3,825,059.35

Audit certificate

Audit opinion

We have audited the annual financial statements of Vectron Systems AG – consisting of the balance sheet for the period ended on 31 December 2018, the profit and loss account for the financial year from 1 January to 31 December 2018 and the notes to the annual financial statements – as well as the presentation of the accounting methods. We also audited the management report of Vectron System AG, including the cash flow statement for the financial year from 1 January to 31 December 2018.

Based on our audit findings,

- we have concluded that the annual financial statements comply with German commercial law applicable to corporate entities in all major respects and that they are a true representation of the actual assets and financial situation of the company as of 31 December 2018 and its profit situation for the financial year from 1 January to 31 December 2018 in compliance with the German principles of proper accounting and
- that the attached management report gives an overall true presentation of the company's situation. This management report matches the annual financial statements in all major respects, complies with German law and gives a true and fair view of the opportunities and risks of future development.

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

Basis for the audit findings

We have conducted our annual financial statement appraisal pursuant to Section 317 HGB under consideration of the German principles of an orderly annual financial statement determined by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). Our responsibilities according to these regulations and principles are described in detail in the section "Respon-

sibilities of the auditor for the audit of the annual financial statements and management report" in our audit certificate. We are an independent party to the company in compliance with German commercial and professional law and have met our other professional obligations under German law in accordance with these requirements. We are of the opinion that the proof obtained by us for the audit is sufficient and suitable to serve as the basis for our audit findings on the annual financial statements and management report.

Other information

The legal representatives are responsible for providing the other information. Other information comprises the annual report, which we expect to be provided with after the date of this audit certificate, with the exception of the audited annual financial statements and management report as well as our audit certificate.

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

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

- major discrepancies to the annual financial statements, management report or our audit findings or
- if its presentation appears to have other major inaccuracies.

If upon reading the annual report, with the exception of the audited annual financial statements and management report as well as our audit certificate, we conclude that it contains material inaccuracies, we are obliged to report this fact to the persons responsible for monitoring the company.

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

The legal representatives are responsible for preparing the annual financial statements, which comply with German commercial law applicable to corporate entities in all major respects, and for ensuring that the annual financial statements give a true and fair representation of the actual assets, financial situation and profit situation of the company in compliance with the German principles of proper accounting. The legal representatives are further responsible for performing the internal controls which they have determined to be necessary in accordance with the German principles of proper accounting to facilitate the preparation of annual financial statements which are free from material misstatements of a deliberate or accidental nature.

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

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

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

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

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

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

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

- identify and assess the risks of material deliberate or accidental misstatements in the annual financial statements and management report, plan and perform audit activities in response to these risks and obtain proof which is sufficient and suitable to serve as a basis for our audit findings. The risk of failing to uncover material misstatements is higher in the case of violations than for inaccuracies, as violations may contain fraudulent cooperations, counterfeits, deliberate omissions, misleading presentations and/or the disablement of internal controls.
- gain an understanding of the internal control system relevant to the audit of the annual financial statements and

the provisions and measures relevant to the audit of the management report which are necessary for planning our audit actions which are reasonable under the given circumstances but not with the aim to issue an audit opinion on the effectiveness of these systems of the company.

- assess the appropriateness of the accounting methods applied by the legal representatives and the tenability of the estimates and related disclosures presented by the legal representatives.
- draw conclusions on the appropriateness of the accounting principles applied by the legal representatives for the continuation of the company as a going concern and, on the basis of the audit proof obtained, to assess if there is any major uncertainty in connection with events or circumstances which could cast major doubt on the ability of the company to continue as a going concern. If we draw the conclusion that there is a material discrepancy, we are obliged to point out the related disclosures in the annual financial statements and management report in the audit certificate or modify our respective audit opinion if these disclosures are inappropriate. We draw our conclusions on the basis of the audit proof obtained until the date of our audit certificate. However, future events or circumstances may result in the company being unable to continue as a going concern.
- assess the overall presentation, structure and content of the annual financial statements, including disclosures and if the annual financial statements present the underlying business transactions and events so that they give an accurate view of the actual assets, financial position and profit position of the company in accordance with the German principles of proper accounting.
- assess if the management report matches the annual financial statements, its compliance with the law and the view of the situation of the company presented by it.
- audit the forward-looking statements issued by the legal representatives in the management report. Based on sufficiently suitable audit proof, we particularly trace the material assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue a separate audit opinion on the forward-looking statements nor their un-

derlying assumptions. There is a significant, unavoidable risk that future events may differ significantly from the forward-looking statements.

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

Münster, 05/04/2019

Impulse Digital GmbH
Wirtschaftsprüfungsgesellschaft



A handwritten signature in black ink, appearing to be 'F. Pühse'.

Frank Pühse
- Auditor -



VECTRON

Willy-Brandt-Weg 41
48155 Münster,
Germany

T +49 (0)251 2856 0

F +49 (0)251 2856 560

www.vectron.de