

Leading in POS Technology
... since 1990

ANNUAL REPORT

2016



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

KEY FIGURES 2016

Financial key figures		BIIRUG* 2016	BIIRUG* 2015	Change in %
Turnover	K€	33,717	25,866	+30.4
EBITDA	K€	3,610	2,644	+36.5
EBIT	K€	3,082	2,066	+49.2
Result after income tax	K€	1,965	1,183	+66.1
Cash flow from ongoing business activity	K€	782	1,511	-48.2
Investments in tangible fixed assets and immaterial assets	K€	435	421	+3.3
Amortisations on tangible fixed assets and immaterial assets	K€	528	578	-8.6
Earnings per share	€	1.19	0.79	51.0
Book value per share	€	9.01	5.15	75.0
Equity ratio	%	61	40	--
Export ratio	%	23	28	--

* This annual financial statement to 31 December 2016 was compiled in the Euro (€) currency on the basis of the regulations under German commercial law and the supplementary, legal form-specific statutory and legal regulations. The initial application of the accounting policy in accordance with the Accounting Policy Implementation Act [Bilanzrichtlinie-Umsetzungsgesetz - BIIRUG] is regulated in the Introductory Act to the German Commercial Code [Einführungsgesetz zum Handelsgesetzbuch - HGBEG] and must be applied to financial years starting after 31 December 2015. The company applied the above accounting policy for the first time to financial year 2016.

Employment figures	2016	2015	Change
Number of employees by year end	167	138	+29
- of which product development and management	54	44	+10
- of which sales and support	32	25	+7
- of which production	31	30	+1
- of which other	38	29	+9
- of which trainees	12	10	+2
Independent sales agents	10	8	+2

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LETTER BY THE EXECUTIVE BOARD



Dear fellow shareholders,

Developments in financial year 2016 were positive at many levels. We further improved and modernised our product portfolio with innovations such as the opportunity to accept orders via mobile phone and related app and the new graphic user interface, which now also allows our stationary POS systems to be operated with hand gestures.

This continuous flow of product innovations is the very bedrock of the upward trend in recent years. Our secondary brand, Duratec, also continued to grow, with sales in 2016 increasing by K€ 367, or 57 %, to K€ 1,007 year-on-year. We forecast further growth for Duratec and expect good global opportunities for the combination of top quality, favourable prices and heavily simplified software. After focusing on the German market up to now, we are planning to successively launch Duratec in various export markets as from 2017.

The bonVito online marketing service also continued to grow in 2016 with the number of participating branches increasing from 2,074 to 2,671. More than 5 million bonVito cards are in circulation by now. Vectron is also preparing to market the new end customer platform in 2017, which will significantly improve bonVito's business opportunities.

Despite strongly basing our business on internal growth and innovation in the past, we have made a justified exception this year by acquiring a 75 % share in Posmatic GmbH. This technically sophisticated iPad POS system adds a new product category to our range and further expands our multi-brand strategy.

In 2016, new legal requirements were introduced for the German POS market. Following long political discussions, the Law for the Protection Against the Ma-

nipulation of Digital Background Recordings [Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen] was resolved in December. This law stipulates for all POS systems to be fitted with a certified safety device by 1 January 2020. Vectron expects this law to create significant one-off momentum in the market, which it aims to use to increase its profits to the fullest extent possible.

As this law does not repeal the directive issued by the ministry of finance in 2010 which prescribes that all devices must be changed to electronic devices which can record individual transactions by 2016, there was still some backlog in this market in the last quarter of 2016, which should continue into 2017.

It was possible to increase sales by 30 % to K€ 33,717. The EBITDA increased to K€ 3,610, thus reaching a

rate of 11 %. Thanks to Vectron also successfully implementing a capital increase in April of the reporting period, the balance sheet structure will remain extremely stable despite the growth.

We would be delighted if you, dear shareholders, continue to take this journey with us.

Kind regards,

Vectron Systems AG

The executive board



Jens Reckendorf



Thomas Stümmler

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 2016. 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.

During the financial year 2016, four supervisory board meetings took place:

- At the meeting of the supervisory board on 26 April 2016, the annual financial statements 2015 were discussed and approved and the management report was approved. The resolution on the recommended use of profits was also passed. The executive board and supervisory board analysed developments in financial year 2015 and the first quarter of 2016 with focus on the new bonVito and Duratec business fields



- On 30 June 2016 a further meeting of the supervisory board took place following the company's annual general meeting in Frankfurt. The course of the annual general meeting as well as business developments in the first half of the year were discussed. The current and future effects of the legal requirements for cash registers in Germany and Austria constituted an important topic.
- The meeting on 28 September 2016 primarily dealt with potential acquisitions and cooperations as well as the status of the key development projects. The executive board explained the current status and positive effects of organisational changes.
- At the last meeting of the year on 14 December 2016, the current particularly high demand in Germany due to the requirements of the financial authorities, measures for securing the company's ability to supply goods and the investment in Posmatic GmbH were key topics. The planning for financial year 2017

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 07 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 2016 were audited by the auditing company KJP TreuConsult GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft and granted an unqualified audit opinion. The annual auditor reported orally on the assessment in the supervisory board meeting on

24 April 2017 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 agreed to the executive board's recommendation for the use of the profits.

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

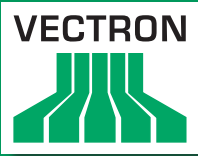
Münster, April 2017

For the supervisory board



Christian Enlers

Chairman of the supervisory board

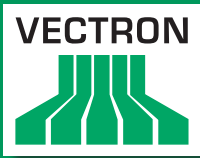


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COMPANY AND MARKET

The Company

Vectron Systems AG is one of Europe's leading suppliers of intelligent POS systems. Every year, more than 16,000 POS systems are produced at the company's head office in Münster. In contrast to other manufacturers all the POS models use the same software and can therefore be networked without problems. At the same time the software is so flexible that it can be tailored to diverse trades. In short: One software for all models and for all industry sectors.

The Market

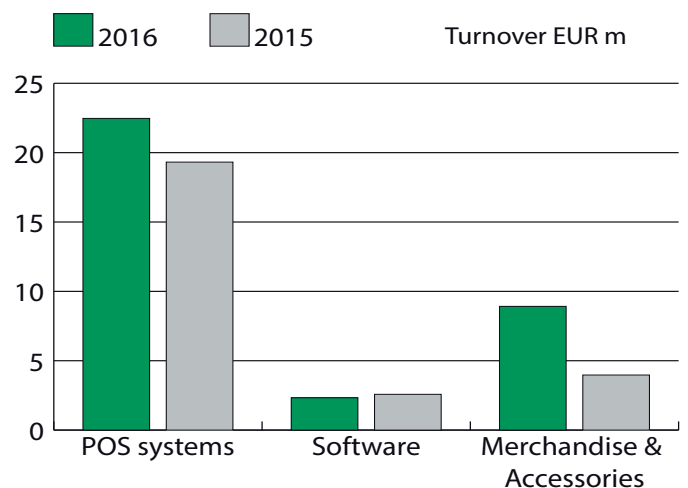
The market for POS systems is characterized by a large number of smaller companies, which mainly work on a regional basis. Only few manufacturers are internationally oriented. The majority focussed on specific industries. The number of point of sales in Germany and Western Europe has been relatively constant for years; however, a continuous trend towards high-quality, powerful systems can be observed. This applies in particular to restaurant and bakery chains, two of the main target groups of Vectron Systems AG with a correspondingly high market share. High-quality systems are especially used when not just cashing functions are required but management solutions (enterprise resource planning, time & attendance, etc.) are to be covered as well.

The sale is internationally oriented. At present the products are sold in countries all over the world via a close-knit network of about 300 specialist trade

partners, who also take care of end users. The trade partners are backed by area sales managers and by employees in the sales and support department. Vectron sees considerable remaining sales growth potential in the foreign markets. In Austria, the Netherlands and in Switzerland the company considers itself to be among the leading suppliers.

Sales segments

Sales of the Vectron Systems AG can be divided into the product segments "POS systems" (these consist of a combination of hard- and software), "Software" (PC-based POS and back office software and other licences), and "Merchandise and accessories". The predominant part of the turnover is generated with the core business, the POS systems.



THE VECTRON PRODUCT RANGE



Under the main brand of Vectron the company sells high-quality, technologically sophisticated stationary and mobile POS systems. The range is completed by some peripherals, e.g. customer displays. The POS software is also developed by Vectron and is constantly adjusted to current market demands. Main target groups are bakeries and the catering industry. The software provides numerous tested special functions for the latter but at the same time is so flexible that it can be tailored to a large number of other trades.

Stationary POS systems

With its extensive range of stationary POS systems, Vectron offers suitable equipment compatible with diverse company sizes and types and increases the efficiency of work routines with sophisticated functions. In addition to state-of-the-art touch models that can be controlled like tablets by swiping, touch keyboard models are also available. Numerous interfaces enable easy connection of peripherals, such as printers, scanners, dispensing systems, etc. High-quality materials guarantee robustness and a long

service life. All products meet the relevant requirements of the national financial authorities.

Mobile POS systems and apps



Mobile POS systems by Vectron are robust, stand-alone professional devices that do not depend on a server station or internet connection. Their touch and keyboard combination makes their operation particularly quick and intuitive, which will be particularly popular among companies with a high customer turnover. The Vectron MobileApp, a POS app for mobile Android and iOS devices, completes the options of mobile cashing with Vectron. It also only requires a local WiFi network and can do without an error-prone Internet connection. It can be used alterna-

tively or additionally 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

With "POS PC", Vectron is making the comprehensive POS software also available for PC-based POS solutions with Windows operating systems. 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.

"Vectron Commander" is a versatile communication software which can be used for linking Vectron POS systems. The complete programming and configuration of the connected Vectron POS systems can be effected with it. It simplifies data maintenance and automates data transfer and data analysis by headquarters. 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. POS system data is read through Commander and transferred to specific backoffice programmes, for instance.

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 payment processes are filtered.

"Vectron Analytics" is a new backoffice solution which analyses sales data read out by the Commander and processes the key figures in a clearly structured graphics display. Analytics users can use this tool, which is also a useful decision-making aid, for recognising critical developments at an early stage.

The cloud-based "MyVectron App" will make key figures accessible on mobile devices such as smartphones and tablets. It will be available in the near future.

DURATEC: SECONDARY BRAND FOR THE MEDIUM PRICE SEGMENT

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 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 device. A PC version of the software is also available. Two stationary touch POS systems with 12" and 15" screen are currently available. A third system with a 14" widescreen is about to be launched.

Duratec is aimed at restaurants, retailers and hairdressers with standard requirements. Duratec devices provide an optimal price-performance ratio and can also be purchased as part of the company's sales promotion model. Furthermore they can be comprehensively protected with a Full-Service Agreement.

Mobile cashing with Duratec

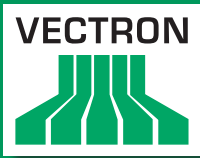
To facilitate mobile payment processing, a POS system app for Android and iOS devices has been developed which can be used for recording and invoicing orders. The App only works in a network with a stationary Duratec POS system as server. A monthly payment is required to use the App, thus generating a regular income for the Vectron Systems AG.

The scope of functions of Duratec devices, which is considerably restricted compared to that of Vectron POS systems, allows a clear distinction of both brands and prevents cannibalisation of the Vectron core business. As the programming of the devices is clearly faster and easier Duratec is interesting for dealers in Germany and abroad. The bonVito online services were also integrated in the Duratec POS systems. Sales generated by the secondary brand increased by 57 % year-on-year.

Sales activities are being driven further in order to increasingly advance the distribution of the secondary brand.



DURATEC



BONVITO: INTERNET SERVICES AND CUSTOMER LOYALTY

Under the brand name of bonVito, Vectron offers Internet services in the fields of customer loyalty, customer cards, e-payment, voucher management, reservation, online ordering and reporting. bonVito can be integrated in Vectron and Duratec POS systems, which makes it possible to automatically and securely handle individual marketing campaigns via POS system. End customers can register on the bonVito portal, thus providing bonVito partners with valuable information about their customers and their buying behaviour. All relevant campaign data is also saved in the POS system, making it possible to analyse each campaign and its success in detail.

bonVito also works across branches; the numerous modules can be booked individually or combined. Various tariff models are available. Furthermore, most of the modules can be used without connection to a POS system. Around 5 million customer cards have been circulated by now.

Online marketing platform

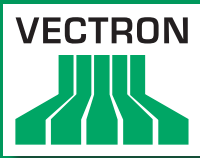
Vectron and Coca Cola concluded a cooperation agreement with the aim of jointly developing the leading online marketing platform for the takeaway market. The existing GetHappy app by Coca Cola, which was launched in 2015, has been linked to the strengths of the bonVito technology for this purpose. The digital all-in-one solution where end customers can order, reserve, collect stamps and points, buy vouchers, participate in prize draws, etc. online

is scheduled for launch in autumn 2017. It will be the first platform in the German market which combines all of these options in one system. Restaurateurs also enjoy fair conditions and they benefit from the fact that data from the online platform is directly sent to the integrated Vectron and Duratec POS systems, which facilitates the handling and leads to efficient workflows. To ensure that no marketing barriers are created, restaurateurs can use GetHappy through a service app even without POS system integration. However, this option provides less comfort as the data has to be transferred manually to the existing POS system. A prototype of the project has already been presented to the public at this year's Internorga, Germany's leading trade show for hospitality.

At the same time, bonVito will continue to exist and be developed further as an individual solution for operators. bonVito will continue to provide restaurateurs with a comprehensive online marketing solution and the advantages of their own customer retention system, including their own customer card and individual marketing campaigns tailored to suit each business.

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1. Business performance

1.1. Sector development

The POS system provider market is very varied. The diversity within the industry and different company sizes of users is also reflected amongst providers. In recent years, providers of iOS and Android device solutions have been increasingly entering the market. These systems have not been able to gain a major market share up to now.

The predatory competition and pricing pressure also continued in financial year 2016. As only few manufacturers are active globally in various markets, most competitors are small, regionally active manufacturers.

With over 190,000 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 approx. 300 specialist trade partners. Vectron primarily supplies solutions for restaurants and bakeries. The end customer spectrum ranges from single cash register installations to cash register networks comprising over 1,000 POS.

The hardware is updated at regular intervals and the software on an ongoing basis to be able to always service the market with stationary and mobile POS systems with pioneering technology. With the sec-

ondary brand Duratec, which was launched in the autumn of 2013, Vectron now also serves the entry-level sector in the cash register area, with robust, easy-to-use POS systems. With the bonVito brand, 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. Vectron provides a favourably priced sales variant for all products.

The cash register obligation in Austria and the requirements for POS systems imposed by the German financial authorities were events with a particular impact during the reporting period.

In Austria, the cash register obligation became effective on 1 May 2016. All cash registers must also be fitted with a security device by 1 April 2017.

In Germany, the transitional period specified in the BMF (German Federal Ministry of Finance) letter of 26 November expired at the end of 2016. All cash registers had to electronically record sales in detail by this time and either had to be retrofitted or replaced.

The Law for the Protection Against the Manipulation of Digital Background Recordings [Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen] came into effect on 22 December 2016. It does

not stipulate a cash register obligation, but makes it compulsory to use a technical security device as from 1 January 2020. Any devices purchased previously must be retrofitted, if technically possible, or replaced by no later than the end of 2022.

1.2. Sales and order development

It was possible to increase total sales by approx. 30 % compared to the previous year to K€ 33,717 (previous year: K€ 25,865). The primary influences in the reporting period were the cash register obligation in Austria as well as the requirements imposed on cash register systems in Germany by the financial authorities. The domestic market generated 76.7 % compared to 72.1 % in the previous year. Despite above-average sales growth being generated in Austria due to the alignment with tax laws, the other foreign markets displayed rather inconsistent trends. The political events in Turkey and Great Britain are of particular importance. They caused domestic sales growth to increase much more strongly than abroad.

As detailed in the management report 2015, sales of the Duratec brand were expected to grow in 2016. Furthermore, additional parts of the active Vectron customer base will continue to be transferred to bonVito as it has become evident that the internet services offered by the subsidiary bonVito GmbH have a positive connective effect on Vectron's hardware sales and that Vectron further benefits from the con-

tracts concluded by the subsidiary, even beyond the Vectron online customer retention system bonVito.

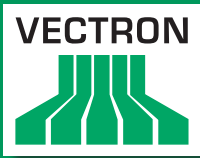
Sales increased by 57 % year-on-year within the scope of developing the Duratec brand. By the end of the financial year, a sales volume of K€ 1,007 was achieved (previous year: K€ 640). With Duratec, Vectron now also serves the entry-level sector in the cash register area, with robust, easy-to-use POS systems.

With its sales promotion model, Vectron offers its end customers an attractive option of refinancing their investments into new cash register models. The sales promotion model is offered through the existing sales network and uses the competency and market knowledge of the Vectron specialist trade partners locally. The financing offer contributed to total sales during the past financial year with a share of around 10 % (previous year: 11 %) and therefore increased year-on-year in absolute terms.

Vectron's business model is geared towards very short delivery periods 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.

1.3. Production and procurement

The POS systems are manufactured on the basis of a so-called double platform strategy, i.e. each prod-



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uct uses the same application software and can be used, developed and produced in each sector. Hardware development follows a consistent common-part strategy, meaning that material procurement and development cycles can be designed efficiently and flexibly.

The common-part strategy permits the generation of a relatively broad diversity of models without establishing a disproportionate stock inventory. 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.

High-demand model ranges were already changed over from order specific production to make-to-stock production in the previous year. The stock goods are then merely finished when the order is received, so that it was possible to reduce reaction and production times yet again. At the same time, this transition enables optimum production utilisation during fluctuating demand. Less frequently demanded products continue to be 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 may thus result in temporarily increased stock levels, independently of sales. Stock was increased deliberately as from the middle of the year in expect-

tation of increased demand. This ensured that the company was able to supply goods at all times.

1.4. Investments

The material investments in the reporting year amount to K€ 416 (previous year: K€ 421). As during the previous year, the focus was on the new development of stationary and mobile POS systems as well as the modernisation and expansion of the IT infrastructure and office equipment.

34 % of the staff are involved in the immediate development (including new development and further development) of Vectron products. A considerable proportion of the personnel expenses are thus directly attributable to the development efforts. Capitalisation of own work was and is however waived in this context.

At the end of December 2016, Vectron Systems AG invested a 75 % share in the POS software start-up Posmatic GmbH, Münster, and also provided capital for the acquisition of business operations as well as development measures and sales support. Posmatic GmbH manufactures POS software that runs on Apple hardware, such as iPads, iPods and iPhones. End customers usually purchase this hardware themselves and pay a monthly fee for the use of the software. This sales model is particularly popular amongst small businesses, which are often unable 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.

1.5. Financing

At the end of the year, cash and cash equivalents amounted to K€ 11,660 (previous year: K€ 9,458), thus increasing by K€ 2,202 year-on-year.

Due to the positive business development, positive operative cash flow of K€ 781 was generated despite the increase in stocks and receivables, which goes hand in hand with such development.

Liabilities decreased significantly due to the repayment of the subordinate participation rights capital I and the redemption of loans.

The subordinate participation rights capital II with a volume of K€ 1,500, has a term until 15 February 2019.

On 20 April 2016, the company was able to successfully implement a capital increase from authorised capital. By placing the 149,999 new shares with institutional investors in Germany and abroad, the company generated K€ 5,925 before deductions. The shares were placed at € 39.50 each. The shareholders' statutory subscription right was excluded. The share capital increased to € 1,649,999 due to the capital increase and after registering the implemen-

tation in the commercial register. The funds thus generated serve to strengthen equity and promote further organic growth.

The pronounced internal financing capability of the company means that current and planned development projects can be funded using available liquid resources. The financing is generally 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 successful sales promotion model. Existing leasing contracts beyond this (transport fleet, tools, trade fair construction etc.) only play a minor role. 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€ 7,499 (previous year: K€ 7,461). All of the liabilities have remaining terms of up to five years. We refer to the explanations in the notes.

1.6. Human resources

At the year end the workforce comprised 167 employees (previous year 126 employees). Additionally there are 12 trainees.

To motivate employees, Vectron uses a variable, multi-level remuneration model dependent on the annual profit. When the profit situation is good, all

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employees participate considerably in 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 of the organs

In addition to a fixed remuneration, the members of the company's executive board also receive a profit-dependent component of one percent of the operative profit (profit before taxes, interest and depreciations). Furthermore, each member of the executive board is entitled to a company car. Option rights for the acquisition of own shares are not granted.

The supervisory board receives a fixed annual remuneration. No variable components are provided.

Regarding information on the individualised remunerations we refer to the notes.

1.8. Other important processes

There were no other important processes during the financial year.

2. Assets and financial situation

The intangible assets contain primarily the design and construction plans purchased from the devel-

opment partners. Production tools are presented as tangible assets (technical installations). The majority of the fixed assets relates directly to product development.

The wholly owned subsidiary bonVito GmbH founded in 2012 is presented under the financial assets. The company provides internet services in connection with POS systems. During the company's start phase, normal and business model-specific start-up losses were incurred. Due to the positive forecast for the future, the shares in the company are appraised at the ongoing acquisition costs.

The stock volume has increased by approx. 25 % compared to the previous year. For popular product models, production already moved from order production to make-to-stock production in 2014, resulting in an increase of the proportion of finished products in the total volume. This strategy remains adhered to. 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.

The inventory of receivables consists of numerous smaller individual receivables related to different customers. The average days sales outstand-

ing varied between 44 and 66 days throughout the year. Longer payments 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.

The issued capital consists of 1,649,999 no-par value bearer shares with one vote each. The total equity capital on the balance sheet date amounts to K€ 14,871 (previous year: K€ 7,724). The economic equity capital (incl. participation rights capital II) amounts to 66.7 %.

The short-term liabilities and accruals of K€ 6,078 (previous year: K€ 7,116) may be serviced at any time from the operative cash flow and the existing liquid resources. The financing of the company is secured in the medium and long term even if sales vary or there is a temporary decrease in cash flow. The financing and liquidity situation of the company can be described as very good. The changes of the cash and cash equivalents are to be found in a separate cash flow statement. Regarding the amount of the off-balance sheet commitments, we refer to subsection 1.5.

3. Profit situation

As previously stated in Section 1.1, new regulatory requirements force the users of POS systems to retrofit

or replace their cash registers. Provisions such as the cash register obligation in Austria, on the one hand, and the storage of detailed sales data in Germany, on the other hand, had a material impact on business developments in the reporting period. Following a strong third quarter, the positive trend in the fourth quarter continued, resulting in sales of K€ 33,717, the highest figure in the company's history and corresponding to an increase of 30 % compared with the already high sales figures in the previous year. In financial year 2016, the EBITDA grew by 37 % to K€ 3,610, corresponding to an EBITDA margin of around 11 %, whereas the EBIT amounted to K€ 3,082, thus around 49 % up year-on-year. At the same time, annual net income increased to K€ 1,965, which corresponds to an increase of K€ 782 in absolute terms compared with the previous year.

This increase was achieved despite hiring additional employees for further advancing the next development stage of the online marketing tool for the bonVito brand. This system, which previously had been primarily used as a marketing tool for bakeries and restaurants, will be developed into an end customer platform combining order, voucher and reservation services for restaurants. It will therefore by far exceed the offers available in the market up to now, at significantly lower costs for the linked gastronomic enterprises.

Again in 2016, legislative measures in some sales areas resulted in market distortions that led to in-

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creased development costs and were also influenced by political events. Domestic sales increased significantly by 39 % and sales in other EU countries by 12 %.

Compared with the unadjusted gross profit rate of 54.4 % (previous year: 54.9 %) and deducting the influence of the sales support model and non-product-related sales generated by associated companies and the continuation of the previous internal controlling measures, the adjusted gross profit rate amounts to 57.7 % (previous year: 59.0 %). We refer to the explanations in the notes on the gross profit rates.

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.

The personnel costs have increased due to increased staffing and higher variable salary components by approximately 22 %.

Of the main items recorded in other operating expenses in the amount of K€ 6,565, 51 % pertains to sales costs and 27 % to operating costs.

Interest expenses primarily contain the interest accrued on the loan from 2015 and interest on participation rights capital II. We refer to the explanations

in the notes. Due to the existing financing structure, the company is subject to few interest change risks.

The percentage of foreign currency transactions in merchandise purchasing in 2016 was approx. 43 % of the material input. To limit the resulting exchange rate risk, derivative financial instruments may be concluded depending on the market situation. Unfavourable exchange rate changes can have a negative influence on the gross profit. Other expenses by the company are not significantly influenced by exchange rate variations. The same applies to distribution, as foreign currency areas mostly also use the Euro for billing purposes. There are at present no recognisable inflationary tendencies.

4. Significant events after the balance sheet date

Coca Cola and Vectron are jointly investing in the new generation of the GetHappy app. Both companies have concluded a cooperation agreement for this purpose. The aim is to develop the leading online marketing platform for the takeaway market. The existing GetHappy app, which was launched in 2015, has been linked to the strengths of the bonVito technology for this purpose. In the future, restaurateurs will be able to process online orders and reservations placed in the GetHappy app in the Vectron POS systems without any media disruption and fully automatically scan and redeem vouchers. This part-

nership will facilitate the use of synergies to provide restaurateurs with a significantly improved marketing portal to generate additional growth and also drive the digital transformation in this industry.

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. There is a regular risk inventory. 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 short-term 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 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 being disconnected 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 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.

The POS sector is increasingly restricted by the requirements of the financial authorities. Apart from the fiscal memory device obligation that has been commonplace in many countries for years, there are increasingly stringent requirements for the capturing and storage of sales data in the cash register systems. These sometimes constitute a considerable interference with market activity. Corresponding political decisions are rarely agreed internationally, which may lead to distortions of competition. Delays during the implementation of legal requirements may result in investment decisions being postponed and therefore in a delay of future sales. Thus there is continuous monitoring of legislative proposals and drafts that affect the POS sector directly, so that adjustments can be integrated into the development process at an early stage.

Economic fluctuations have an effect on the willingness to invest in POS systems. Sudden and unexpected economic downturns can have a serious effect on

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Vectron's sales. The concentration on high-quality, complex system solutions has established itself as a sensible 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 contributes to a diversification of the risk.

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. safeguarding of the IT systems, internal access restrictions and confidentiality 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 or the changes. Insufficient internal processes may thus negatively affect the company's efficiency on a temporary basis. During corresponding changes, particularly 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 variations may have a significant short-term effect on the available cash flow and thus endanger the overall financing of the company. For this reason, Vectron has chosen stable, long-term refinancing partners. Additionally, sufficient levels of liquidity holdings are kept, so that the stability of the company is ensured at all times even during longer periods of weak economic performance. A capital increase was also implemented in April of the reporting year to further strengthen the capital base as well. We refer to the explanations in Section 1.5 in this respect.

There are at present no significant dependencies on suppliers or individual customers. The requirements are distributed between numerous end customers. When entering into contracts with large customers, partial payments are agreed to limit the default risk. In 2016, Vectron's largest specialist trade partner was responsible for approx. 5 % of overall sales.

As the company bought a significant share of the material in foreign currency, 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. Securing against long-term exchange rate changes is generally only possible to a very limited extent.

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 very high and still increasing importance for the handling of business processes. As a result of the networking of internal systems with business partners and the provision of internet services, the threat of attacks by hackers, spam and viruses as well as general system failures increases. Vectron thus places great importance on extensive security measures, backup solutions and regular updates of the IT systems. Data protection is accommodated a.o. through a corresponding rights concept.

5.5. Purchasing and cooperation risks

For electronic components, price savings can generally 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 18.2 % of the total acquisition volume in 2016. To avoid shortages, minimum amounts of all specific components are stored and also, where technically and economically feasible, replacement suppliers are on stand-by so that a sufficient lead time for a reaction to downtimes is ensured.

5.6. Personnel risks

Obtaining qualified personnel is both time-consuming and costly. Medium-sized companies in particular face strong competition for the best specialists 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 the variable remuneration model. In this way it has so far been possible to employ qualified personnel and also to retain it in the long term.

5.7. Product risks

The model range undergoes ongoing adjustments, changes and expansions. The resulting development and production complexity can lead to product errors that have a significant effect on the company's profit situation. The expansion of the development team thus always goes hand in hand with adjustments to the organisation structure. The increased complexity is met with improved planning processes. The risk is further limited through a product liability insurance.

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6. Forecast report

6.1. Future sector development

The intensity of the competition will remain to be felt strongly in future. It can be expected that the general market structure remains unchanged, i.e. a sector dominated by many small and regional market participants. The trend of some of the global players continuing to withdraw from the market is likely to continue. The structure of numerous small competitors will therefore become even stronger. Particularly due to the complex requirements by the financial authorities, which differ in each country, and the specific regional requirements of the end customers, realising economies of scale is very difficult for many suppliers.

The Law for the Protection Against the Manipulation of Digital Background Recordings [Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen] came into effect in Germany, the key market, on 22 December 2016. All new POS systems and a majority of the previously installed devices must be fitted with a certified security device as from 1 January 2020. This law will have a positive effect on demand. When and to which extent the effect will occur depends on the specific implementation of the legal requirements by the financial authorities and other authorities involved in the process.

The use of mobile consumer hardware, in particular

tablet computers, as a basis for cash register systems can increase further.

The integration of cash register systems into the internet with corresponding new products and business models will further contribute to changing the sector. These changes will take place surely but slowly, not matching the intensity and speed of the consumer goods sector. In future, the innovative capability of the market participants will determine the competitive success even more.

The sales structures - in the market segment of Vectron this is sales through specialist trade partners - are forecast to remain very stable in the long term. In the area of small and medium-sized end customers there are no recognisable significant tendencies to move to direct sales.

6.2. Future product development

A significant focus at Vectron is and remains the continuous development of the various software products. The iOS and Android app product portfolio will be developed further. Once these apps have been installed, smartphones can be used for placing orders, reporting and customer retention programmes. For POS systems of the Duratec brand there are also continuous improvements and adjustments for additional foreign markets.

The hardware for the stationary and mobile POS sys-

tems is complemented in a targeted manner through additional products that fill other niche areas (e.g. butchers) in the market.

The back office functions for reporting, data analysis and product management are extended considerably - in some cases with own products, in others through cooperations.

The Vectron-owned internet-based customer retention system bonVito, which is sold by the subsidiary bonVito GmbH, is continually developed further. This pertains to reporting and administration functions as well as the development of a bonVito end customer portal. The end customer platform aims to pool the order, coupon and reservation services in the restaurant industry in order to provide a comprehensive online marketing tool.

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 good market position. An additional objective is opening up new target markets and customer sections. Overall we consider further growth in 2017 very likely. In November 2016, the company acquired 75 % of the POS system software start-up Posmatic GmbH and agreed to provide it with additional growth capital. The Posmatic software, which runs on Apple hardware such as iPads, iPods and

iPhones, is not sold with a one-off license, but as a SaaS (software as a service) model with monthly or annual user fees.

During financial year 2016, the increase of sales of the Duratec brand showed that products and business model are successful. Sales have almost quadrupled since the launch of the Duratec brand. The establishment of our own sales channel contributed to this, among other aspects. For the coming business year 2017 we expect continuing growth of the Duratec brand's contribution to sales. This is boosted by the withdrawal of some competitors from the market.

It has become evident that the internet services offered by the subsidiary bonVito GmbH have a positive connective effect on Vectron's hardware sales and that Vectron further benefits from the contracts concluded by the subsidiary, even beyond the Vectron-owned customer loyalty system bonVito.

bonVito has become firmly established at the market in its current form as customer loyalty solution for individual enterprises and continues to grow steadily. The existing customer base is very stable and the termination rates very low. The company has also started to develop its own internet-based customer loyalty system bonVito into a gastronomy end customer platform. Vectron is confident that a competitively priced superior product providing all relevant

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functions in one package and with direct integration into POS systems offers a good chance of establishing this platform successfully whilst creating added value for customers and the company. This demonstrates that there are further business opportunities based on the bonVito product idea.

Münster, 23 February / 30 March 2017

Vectron Systems AG

The executive board

A handwritten signature in black ink, appearing to be "J. Reckendorf".

Jens Reckendorf

A handwritten signature in black ink, appearing to be "T. Stümmler".

Thomas Stümmler



VECTRON

Item		Price		Qty	
Item 1	Item 2	Item 3	Item 4	Item 5	Item 6
Item 7	Item 8	Item 9	Item 10	Item 11	Item 12
Item 13	Item 14	Item 15	Item 16	Item 17	Item 18
Item 19	Item 20	Item 21	Item 22	Item 23	Item 24
Item 25	Item 26	Item 27	Item 28	Item 29	Item 30
Item 31	Item 32	Item 33	Item 34	Item 35	Item 36
Item 37	Item 38	Item 39	Item 40	Item 41	Item 42
Item 43	Item 44	Item 45	Item 46	Item 47	Item 48
Item 49	Item 50	Item 51	Item 52	Item 53	Item 54
Item 55	Item 56	Item 57	Item 58	Item 59	Item 60
Item 61	Item 62	Item 63	Item 64	Item 65	Item 66
Item 67	Item 68	Item 69	Item 70	Item 71	Item 72
Item 73	Item 74	Item 75	Item 76	Item 77	Item 78
Item 79	Item 80	Item 81	Item 82	Item 83	Item 84
Item 85	Item 86	Item 87	Item 88	Item 89	Item 90
Item 91	Item 92	Item 93	Item 94	Item 95	Item 96
Item 97	Item 98	Item 99	Item 100	Item 101	Item 102
Item 103	Item 104	Item 105	Item 106	Item 107	Item 108
Item 109	Item 110	Item 111	Item 112	Item 113	Item 114
Item 115	Item 116	Item 117	Item 118	Item 119	Item 120
Item 121	Item 122	Item 123	Item 124	Item 125	Item 126
Item 127	Item 128	Item 129	Item 130	Item 131	Item 132
Item 133	Item 134	Item 135	Item 136	Item 137	Item 138
Item 139	Item 140	Item 141	Item 142	Item 143	Item 144
Item 145	Item 146	Item 147	Item 148	Item 149	Item 150
Item 151	Item 152	Item 153	Item 154	Item 155	Item 156
Item 157	Item 158	Item 159	Item 160	Item 161	Item 162
Item 163	Item 164	Item 165	Item 166	Item 167	Item 168
Item 169	Item 170	Item 171	Item 172	Item 173	Item 174
Item 175	Item 176	Item 177	Item 178	Item 179	Item 180
Item 181	Item 182	Item 183	Item 184	Item 185	Item 186
Item 187	Item 188	Item 189	Item 190	Item 191	Item 192
Item 193	Item 194	Item 195	Item 196	Item 197	Item 198
Item 199	Item 200	Item 201	Item 202	Item 203	Item 204
Item 205	Item 206	Item 207	Item 208	Item 209	Item 210
Item 211	Item 212	Item 213	Item 214	Item 215	Item 216
Item 217	Item 218	Item 219	Item 220	Item 221	Item 222
Item 223	Item 224	Item 225	Item 226	Item 227	Item 228
Item 229	Item 230	Item 231	Item 232	Item 233	Item 234
Item 235	Item 236	Item 237	Item 238	Item 239	Item 240
Item 241	Item 242	Item 243	Item 244	Item 245	Item 246
Item 247	Item 248	Item 249	Item 250	Item 251	Item 252
Item 253	Item 254	Item 255	Item 256	Item 257	Item 258
Item 259	Item 260	Item 261	Item 262	Item 263	Item 264
Item 265	Item 266	Item 267	Item 268	Item 269	Item 270
Item 271	Item 272	Item 273	Item 274	Item 275	Item 276
Item 277	Item 278	Item 279	Item 280	Item 281	Item 282
Item 283	Item 284	Item 285	Item 286	Item 287	Item 288
Item 289	Item 290	Item 291	Item 292	Item 293	Item 294
Item 295	Item 296	Item 297	Item 298	Item 299	Item 300

ANNUAL FINANCIAL STATEMENT 2016 - BALANCE SHEET TO 31/12/2016

Assets	31/12/2016			Acc. to Bil- RUG 31/12/2015
	€	€	€	€
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	325,534			431,223
2. Prepayments made	105,791	431,325		38,117
II Tangible assets				
1. Technical facilities and machines	349,581			533,176
2. Other facilities, operational and business equipment	356,669	706,250		247,623
III Financial assets				
Shares in associated companies		919,500	2,057,076	900,000
B Current assets				
I Stocks				
1. Raw, auxiliary and operating materials	3,534,317			3,100,830
2. Finished products and merchandise	1,229,030	4,763,347		708,414
II Claims and other assets				
1. Claims arising from deliveries and services	4,898,606			3,409,512
2. Claims towards associated companies	684,329			255,279
- of which claims arising from deliveries and services: € 584,329				
3. Other assets	279,035	5,861,970		118,427
III Cash-in-hand, bank balances and cheques		11,660,147	22,285,465	9,457,664
C Accrued and deferred items			91,909	64,613
D Deferred tax assets			122,371	131,947
			24,556,820	19,396,825

Liabilities

	31/12/2016		Acc. to BilRUG 31/12/2015
	€	€	€
A Equity capital			
I Subscribed capital	1,649,999		1,500,000
- conditional capital: € 45,000			
II Capital reserve	10,274,962		4,500,000
III Retained earnings			
Statutory reserve	40,000		40,000
IV Net profit	2,907,004	14,871,964	1,684,701
- of which retained profits: € 942,201 (previous year: € 501,612)			
B Accruals and deferrals			
1. Tax accruals	1,139,933		473,500
2. Other accruals	2,060,277	3,200,210	1,480,349
C Liabilities			
1. Participation rights capital II	1,500,000		1,500,000
- of which with a residual term up to one year: € 0			
- of which with a residual term of more than one year: € 1,500,000			
- of which with a residual term of more than 5 years: € 0			
2. Liabilities towards financial institutions	2,947,350		3,789,470
- of which with a residual term up to one year: € 842,120			
- of which with a residual term of more than one year: € 2,104,820			
- of which with a residual term of more than 5 years: € 0			
3. Liabilities from deliveries and services	1,454,953		1,492,559
- of which with a residual term up to one year: € 1,454,258			
- of which with a residual term of more than one year: € 694			
- of which with a residual term of more than 5 years: € 0			
4. Other liabilities	582,343		2,935,047
- of which from taxes: € 474,525 (previous year: € 293,224)			
- of which in the context of social security: € 0 (previous year: € 0)			
- of which with a residual term up to one year: € 582,343			
- of which with a residual term of more than one year: € 0			
- of which with a residual term of more than 5 years: € 0		6,484,646	
D Accrued and deferred items		0	1,200
		24,556,820	19,396,825

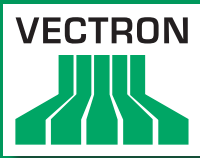
ANNUAL FINANCIAL STATEMENT 2016 - PROFIT AND LOSS ACCOUNT

Profit and loss account 1 January - 31 December 2016		Financial year 2016			Acc. to BiRUG Financial year 2015			
		€	€	€	€	€	€	
1	Sales revenues			33,717,388			25,865,846	
2	Increase or decrease in finished goods inventories and work in progress			29,047			74,260	
3	Other operating revenues, of which from currency exchange € 32,725.51			441,420	34,187,856		1,061,028	27,001,135
4	Material costs							
	A) Cost of raw materials, consumables and supplies, and of merchandise	-12,414,925					-9,144,781	
	b) Costs for services obtained	-2,972,682	-15,387,607				-2,546,445	-11,691,226
5	Personnel costs							
	a) Wages and salaries	-7,224,555					-5,982,585	
	b) Social security, post-employment and other employee benefit costs, of which in respect of old age pensions: € 73,980 (previous year: € 73,537)	-1,396,895	-8,621,450				-1,076,918	-7,059,504
6	Depreciation of tangible and intangible fixed assets			-527,912			-577,575	
7	Other operating expenses, of which from currency exchange € 11,822			-6,565,270	-31,102,239		-5,606,574	-24,934,878
8	Other interest and similar income, of which from the discounting of accruals: € 0 of which from associated companies: € 28,443				76,203			53,003
9	Other interest and similar expenses, of which from the compounding of accruals: € 0 of which to associated companies: € 0 of which remuneration for participation rights capital: € 118,260				-196,756			-283,254
10	Income tax expenditure, of which latent taxes: Expenditure € 9,576 (previous year: revenue € 7,514)			-997,520	-1,118,072		-651,246	-881,497
11	Earnings after taxes				1,967,544			1,184,760
12	Other taxes				-2,742			-1,672
13	Annual net income				1,964,803			1,183,088
14	Retained profits from the previous year				942,201			501,612
15	Net profit				2,907,004			1,684,700

ANNUAL FINANCIAL STATEMENT 2016 - CASH FLOW STATEMENT

Cash flow statement 1 January - 31 December 2016

	2016	2015
	€	€
Ordinary period result before income tax	2,962,323	1,834,334
- Depreciation on fixed assets	527,912	577,575
+/- Increase/decrease of other accruals, where these are not allocated to the investment or financing activity	579,928	644,323
+/- Other non-operative expenditures/revenues	-85,943	-276,000
+/- Loss/profit from the sale of fixed assets	109	-1,072
+/- Decrease/increase in stocks, claims from deliveries and services as well as other assets not allocated to investment or financing activity	-3,050,576	-1,735,972
+/- Increase/decrease in liabilities from deliveries and services as well as other liabilities not allocated to investment or financing activity	92,490	715,022
- Out-payments from exceptional items	0	0
- - Income taxes paid	-245,144	-246,731
= Cash flow from ongoing business activity	781,099	1,511,478
+ In-payments from disposals of tangible fixed assets	0	20,586
- Out-payments for investments into tangible fixed assets and intangible Fixed assets	-434,958	-420,791
- Out-payments for investments into financial assets	0	0
= Cash flow from investment activity	-434,958	-400,205
+ In-payments from equity injections	5,924,961	0
+ In-payments from borrowing	0	4,000,000
- Out-payments from the redemption of loans	-842,120	-210,530
- Out-payments for the repayment of advances	-2,484,000	-103,528
- Out-payments to company owners (dividends)	-742,500	-450,000
= Cash flow from financing activity	1,856,341	3,235,942
= Cash change to the cash and cash equivalents	2,202,482	4,347,215
+ Cash and cash equivalents at the start of the period	9,457,664	5,110,449
= Cash and cash equivalents at the end of the period	11,660,147	9,457,664



ANNUAL FINANCIAL STATEMENT 2016 - NOTES

1. General information on the company

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

Company:	Vectron Systems AG
Headquarters:	Willy-Brandt-Weg 41, 48155 Münster
Register court:	Münster Magistrates Court
Commercial register no.:	B 10502
Members of the executive board with power of representation:	Jens Reckendorf, Thomas Stümmler

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

This annual financial statement to 31/12/2016 was compiled in the Euro (€) currency on the basis of the regulations under German commercial law and the supplementary, legal form-specific statutory and legal regulations. The initial application of the accounting policy in accordance with the Accounting Policy Implementation Act [Bilanzrichtlinie-Umsetzungsgesetz - BilRUG] is regulated in the Introductory Act

to the German Commercial Code [Einführungsgesetz zum Handelsgesetzbuch - HGBEG] and must be applied to financial years starting after 31 December 2015. The company applied the above accounting policy for the first time to financial year 2016.

Due to the application of BilRUG for 2016, the previous year's (2015) figures were also adjusted to provide a better comparison. The following effects of the adjustment of the previous year's figures resulting only in the profit and loss account are therefore described below.

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 Article 275 section 2 HGB [German Commercial Code] in accordance with the total cost format. The option right under Article 265 section 5 HGB was exercised. Pursuant to Article 267 section 2 HGB, the company is a medium-sized corporation. The shares are traded in the Entry Standard (as from 1 March 2017 in the subsequent SME segment "Scale") of Deutsche Börse AG, a section of the open market.

The intangible assets and the tangible fixed assets are appraised at acquisition cost. Self-produced intangible fixed assets have not been activated. Assets that are subject to wear and tear are reduced by

In €	2015 acc. to BIIRUG	Change	2015 before BIIRUG
Sales revenues	25,865,846	-654,683	25,211,163
Other operating revenues	1,061,028	611,103	1,672,131
Material costs			
b) Costs for services obtained	-2,546,445	1,143,771	-1,402,674
Personnel costs			
a) Wages and salaries	-5,982,585	43,580	-5,939,005
Other operating expenses	-5,606,574	-1,143,771	-6,750,345
Interest and similar expenses	-283,254	241,223	-42,031
Remuneration for participation rights capital	n.a.	-241,223	-241,223

planned linear depreciation. The financial assets are appraised at acquisition 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

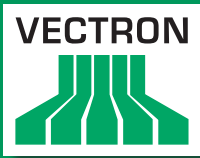
Stocks are appraised at acquisition or production costs. The acquisition costs correspond with the most recent purchase prices. The finished products are appraised at production costs, i.e. manufacturing and general material costs as well as the manufacturing-related value reduction of the fixed assets 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.

Claims from deliveries and services, other assets as well as liquid resources are shown at par. Default risks and value risks applicable to claims from deliveries and services have been suitably considered both through individual and global valuation adjustments.

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

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

Accruals are set at the fulfilment amount required in accordance with a prudent commercial assessment. Future price and cost increases are taken into con-



ANNUAL FINANCIAL STATEMENT 2016 - NOTES

sideration. Any existing accruals with a term of more than one year are discounted.

Liabilities are set at their fulfilment amounts.

3. Illustrations on assets

The intangible assets contain in particular hardware construction plans for cash register models. The construction plans are written off according to the average useful life of the cash register models over a period of five to six years.

The overall development of the fixed assets can be seen in the fixed assets statement.

Vectron Systems AG owns 100 % of the shares in the subsidiary bonVito, Münster, which was established in 2012. The equity capital of bonVito GmbH as of 31 December 2016 is € 164,345. The company finished the financial year 2016 with an annual deficit of € 117,551. Due to the expected positive development of the subsidiary, the investment book value is set at the amortised costs. There is no obligation to prepare consolidated financial statements pursuant to Article 293 HGB.

At the end of December 2016, Vectron Systems AG invested a 75 % share in the POS software start-up Posmatic GmbH, Münster, and also provided capital for the acquisition of business operations as well as

development measures and sales support. The event was entered in the commercial register on 23 January 2017. Posmatic GmbH manufactures POS software that runs on Apple hardware, such as iPads, iPods and iPhones. End customers usually purchase this hardware themselves and pay a monthly fee for the use of the software. This sales model is particularly popular amongst small businesses, which are often unable 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.

There was no unrealised investment income from the above shares, for which an accrual blocked from distribution would have to be set aside in accordance with Article 272 V HGB [German Commercial Code], in the reporting period.

The stocks mainly consist of raw materials, consumables and supplies for the production of the cash register models. Due to drop shipments, goods for resale only play a minor role. In view of the continuing financial boom and related demand for the ability to supply goods at all times, the changeover of some product lines from order production to make-to-stock production undertaken for the first time in 2014 was continued in the reporting year.

As of the balance sheet date, cash in hand and bank balances amounted to € 11,660,147. The liquid re-

sources resulting from a development loan taken out in June 2015 in the amount of € 3,994,416 as of the balance sheet date have been invested with interest and pledged at WGZ Bank until their intended use.

Due to temporary differences between the valuations of assets and liabilities under commercial law and tax law, in future years there will be a tax relief. Deferred tax assets were formed at the amount of this tax relief on the basis of differences regarding the useful life of some fixed assets. The appraisal was made at a tax rate of 31.9 %.

As a result of the capitalisation of deferred tax assets, profits can only be paid out if the accruals freely available after the pay-out amount to at least € 122,371 in addition to retained profits and minus accumulated losses.

4. Illustrations on liabilities

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

With approval of the supervisory board, the executive board is authorised to increase the share capital of the company during the period up to 06 June 2018 through issuing new bearer shares against a cash or non-cash contribution once or repeatedly, but not exceeding a total of € 750,000 (authorised capital 2013).

In financial year 2016, part of the authorised capital (2013) in the amount of € 149,999 was used for increasing capital by an equal amount. As a result, the authorised capital (2013) decreased to € 600,001 as of the balance sheet date.

Further, the share capital was conditionally increased by up to € 45,000 through the issuing of up to 45,000 new bearer shares within the scope of the contingent capital (2011). The conditional capital increase (authorisation resolution to 31 May 2016) ensures that pre-emptive rights are granted to company managers. On the effective date, 27,500 pre-emptive rights with a volume of € 27,500 were issued. No pre-emptive rights have been redeemed so far. As of the balance sheet date, the pre-emptive rights not stated as an expense amounted to € 1,411,230.

In addition, the share capital was further conditionally increased by up to € 45,000 through the issuing of up to 45,000 new bearer shares within the scope of the contingent capital (2016). The conditional capital increase (authorisation resolution to 30/06/2021) ensures that pre-emptive rights are granted to company managers. No pre-emptive rights were issued as of the balance sheet date.

In accordance with Article 71 section 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

ANNUAL FINANCIAL STATEMENT 2016 - NOTES

Equity capital development (Euro)	Subscribed capital***	Capital reserve	Retained earnings** Statutory reserve	Participation rights capital I	Balance sheet profit *	Sum
Equity capital at 01/01/2015	1,500,000	4,500,000	40,000	2,760,000	951,612	9,751,612
Dividend payout					-450,000	-450,000
Value adjustment				-276,000		-276,000
Reclassification in other obligations				-2,484,000		-2,484,000
Annual net income					1,183,089	1,183,089
Equity capital at 31/12/2015	1,500,000	4,500,000	40,000	0	1,684,701	7,724,701
Dividend payout					-742,500	-742,500
Capital increase	149,999	5,774,962				5,924,961
Annual net income					1,964,802	1,964,802
Equity capital at 31/12/2016	1,649,999	10,274,962	40,000	0	2,907,003	14,871,964

* The balance sheet profits of € 2,907,003 (previous year: € 1,684,701) contain retained earnings of € 942,201 (previous year: € 501.612).

** No addition to retained earnings as no fixed and current assets were written up.

*** Shares subscribed from authorised capital in the financial year: 149,999 / shares subscribed from contingent capital in the financial year: 0

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 following funds managed by Alto Invest SA, France, contain summarily 85,000 shares and an equal amount of voting rights (5.67 %) according to notification dated 04 June 2016:

- ALTO INNOVATION 2012:
21,190 shares and voting rights (1.41 %)
- FORTUNE EUROPE 2013:
28,750 shares and voting rights (1.92 %)

• FCPI EUROPE LEADERS:

35,060 shares and voting rights (2.34 %)

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

Designation	EUR
Annual leave/overtime	161,000
Outstanding purchase invoices	709,379
Variable remuneration elements	880,017
Other accruals	309,881
Sum	2,060,277

By way of resolution made at the annual general meeting on 07 June 2013, participation rights capital of up to € 10,000,000 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 € 1,500,000 (participation rights capital II). The subordinate participation rights capital II has a residual term up to 15 February 2019.

The liabilities towards financial institutions result from an unsecured development loan taken out in June 2015. We refer to Section 3 for explanations on liquid resources.

The other liabilities contain outstanding liabilities for the participation rights capital II of € 53,585.

Regarding the liabilities from deliveries and services, the usual retentions of title from the acquisition of assets exist.

5. Notes on the profit and loss calculation

Due to the application of BilRUG in 2016, the previous year's figures (2015) in the profit and loss account were also adjusted to facilitate an easier comparison. We refer to bullet point 2 in this respect.

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) are also sold. Furthermore, Vectron's complete portfolio is rounded off by peripheral appliances (printers, scanners, cash register drawers etc.) and services.

Segment (EUR)	Period	Germany	EU	Third country	Sum
POS systems	2016	17,333,417	4,809,489	323,934	22,466,840
	2015	13,513,363	5,329,048	476,792	19,319,202
Software	2016	1,677,780	613,330	39,524	2,330,633
	2015	1,882,227	608,282	85,454	2,575,963
Goods for resale/service	2016	6,849,162	1,972,117	98,636	8,919,915
	2015	3,259,649	689,101	21,932	3,970,682
Total	2016	25,860,360	7,394,936	462,093	33,717,388
	2015	18,655,239	6,626,431	584,065	25,865,848
Percentage distribution	2016	76.7 %	21.9 %	1.4 %	100.0 %
	2015	72.1 %	25.6 %	2.3 %	100.0 %

ANNUAL FINANCIAL STATEMENT 2016 - NOTES

In addition to the classic specialist trade partner sales business, the company also offers a sales promotion model ("sale-and-lease-back with subsequent sublease of these cash registers by Vectron to end customers"). Within the framework of this model, the sales revenues from sublease (K€ 1,972; previous year: K€ 1,734) during the term always need to be viewed against (almost) identical leasing expenses (K€ 1,522; previous year: K€ 1,355) under the material expenses item. Additionally, direct sales costs (K€ 1,412; previous year: K€ 1,143) are incurred within the scope of this model, which are now also included in the material expenses item, even under BilRUG. After deducting the figures for these effects and for non-product-related sales generated by associate companies, adjusted sales amounted to € 29.4 million (previous year: € 22.4 million) and adjusted material expenses of € 12.4 million (previous year: € 9.2 million), resulting in an adjusted gross profit ratio of 57.7 % (previous year: 59.0 %). These figures are reported as "POS system manufacturer with traditional trade partner sales business" and compare to the unadjusted gross profit ratio of 54.4 % stated in the profit and loss account (previous year: 54.9 %) (the gross profit ratio corresponds to the material expenditure in proportion to the turnover plus inventory changes).

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

The profit and loss account contains the auditor's fees for the audit of the annual financial statement of K€ 30 plus K€ 10 for the previous year and for tax advisory services of K€ 14.

In 2016, remuneration for the participation rights capital II amounted to € 118,260.

The result from ordinary business activity incurred income taxes of € 997,520 listed in the profit and loss account (previous year: € 651,246). 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. A proposal/resolution regarding the appropriation of profits has also not yet been put forward.

6. Other information

Other financial obligations in the form of liquidity-protecting leasing obligations came to the nominal amount of € 7,499,584.

There are contingent liabilities in the form of guarantees in favour of the associated company pursuant to Article 251 HBG of € 792,984. Due to the anticipated positive development of the subsidiary these are not expected to be utilised.

Other financial obligations (Euro)	of which remainder term			
	Total	up to 1 year	1 to 5 years	over 5 years
Leasing obligations*	3,908,769	1,683,694	2,225,075	0
Rental obligations	3,590,815	813,015	2,777,800	0
Sum	7,499,584	2,496,709	5,002,875	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 remainder volume for the following financial years of € 3,487,741, which must be viewed against slightly increased sublease contracts.

During the reporting period, an average of 143 (previous year: 125) employees (consisting of 135 full-time employees and 8 part-time employees) worked at Vectron Systems AG.

The members of the executive board can be contacted at the company's administrative address. Mr Jens Reckendorf is the managing director for the business divisions technology and development, Mr Thomas Stümmler is the managing director for the divisions finance and marketing/sales. A spokesperson for the executive board has not been appointed. The executive board member remuneration including expenses, benefits in kind and profit participation for Mr Reckendorf amounts to € 254,479 (of which success-dependent: € 41,138) and for Mr Stümmler to € 259,012 (of which success-dependent: € 41,138). A loan agreement with interest of 3.5 % p.a. was concluded for the period until the repayment of the participation rights capital I, which expired at the end of the previous year. The two members of the executive board received interest of € 16,410 each.

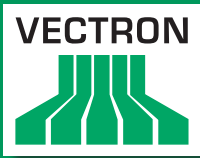
The supervisory board consists of the following three members:

- Mr Christian Ehlers (chairman), lawyer
- Mr Maurice Oosenbrugh (vice chairman), Kaufmann [business administration specialist], managing partner EUCON GmbH
- Mr Heinz-Jürgen Buss, Dipl.-Kaufmann [business administration graduate], managing director Winkelmann Group GmbH & Co. KG

The supervisory board remuneration for the chairman is € 15,000. The other supervisory board members receive a remuneration of € 10,000 each.

Events after the balance sheet date:

Coca Cola and Vectron are jointly investing in the new generation of the GetHappy app. Both companies have concluded a cooperation agreement for this purpose. The aim is to develop the leading online marketing platform for the take away market. The existing GetHappy app, which was launched in 2015, has been linked to the strengths of the bonVito



ANNUAL FINANCIAL STATEMENT 2016 - NOTES

technology for this purpose. In the future, restaurateurs will be able to process online orders and reservations placed in the GetHappy app in the Vectron POS systems without any media disruption and fully automatically scan and redeem vouchers. This partnership will facilitate the use of synergies to provide restaurateurs with significantly improved marketing potential to generate additional growth and also drive the digital transformation in this industry.

Münster, 22 February / 30 March 2017

Vectron Systems AG
The executive board



Jens Reckendorf



Thomas Stümmler



ANNUAL FINANCIAL STATEMENT 2016 - FIXED ASSETS ANALYSIS

Development of the fixed assets during the financial year 2016

	Acquisition costs				Current as of: 31/12/2016
	Current as of: 01/01/2016	Reclassification	Addition*	Disposal	
	€	€	€	€	€
I Intangible assets					
1. Purchased concessions, Commercial property rights and similar rights and assets as well as licences to such rights and assets	7,688,358	26,057	61,251	328,850	7,446,815
2. Prepayments made	38,117	-26,057	93,731	0	105,791
	7,726,474	0	154,982	328,850	7,552,606
II Tangible assets					
1. Technical facilities and machines	1,616,471	0	35,493	370,155	1,281,809
2. Other facilities, operational and business equipment	966,468	0	224,983	31,626	1,159,825
3. Prepayments made	0	0	0	0	0
	2,582,939	0	260,476	401,781	2,441,634
III Financial assets					
1. Shares in associated companies	900,000	0	19,500	0	919,500
	900,000	0	19,500	0	919,500
	11,209,414	0	434,958	730,631	10,913,741

* No interest on borrowed capital was reported in 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: 01/01/2016	Reclassifica- tion	Addition**	Disposal**	Current as of: 31/12/2016	Current as of: 31/12/2016	Current as of: 31/12/2015
€	€	€	€	€	€	€
7,257,135	0	192,977	328,831	7,121,281	325,534	431,223
0	0	0	0	0	105,791	38,117
7,257,135	0	192,977	328,831	7,121,281	431,325	469,340
1,083,295	0	219,056	370,122	932,229	349,581	533,177
718,845	0	115,879	31,569	803,155	356,670	247,623
0	0	0	0	0	0	0
1,802,140	0	334,935	401,691	1,735,384	706,251	780,799
0	0	0	0	0	919,500	900,000
0	0	0	0	0	919,500	900,000
9,059,275	0	527,912	730,522	8,856,665	2,057,076	2,150,139

ANNUAL FINANCIAL STATEMENT 2016 - AUDIT CERTIFICATE

Audit certificate by the auditor

We have assessed the annual financial statement - consisting of balance sheet, profit and loss account as well as notes (incl. assets analysis) - under inclusion of the book keeping and the management report (incl. cash flow statement) of

Vectron Systems AG
Münster

for the period from 1 January to 31 December 2016. The accounting records, the compilation of the annual financial statement and the management report in accordance with German commercial law regulations as well as the supplementary provisions of the articles of association are the responsibility of the company's legal representative. It is our duty to issue an appraisal of the annual financial statement under inclusion of the accounting records and the management report on the basis of the assessment conducted by us.

We have conducted our annual financial statement appraisal pursuant to Article 317 HGB under consideration of the German principles of an orderly annual financial statement determined by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). According to this, the appraisal must be planned and conducted in a way that ensures the sufficiently certain recognition of errors and infringements that

have a considerable effect on the picture of the financial situation conveyed by the annual financial statement under consideration of the principles of orderly accounting and the management report. When determining the audit measures, the knowledge of the business activity and the economic and legal environment of the company as well as the expectation of possible errors are considered. In the course of the appraisal, the effectiveness of the internal accounting control system as well as evidence for information contained in the accounting records, the annual financial statement and the management report are assessed primarily on the basis of spot checks. The appraisal comprises the assessment of the applied accounting principles and the fundamental evaluations of the company's legal representatives as well as the appraisal of the overall depiction of the annual financial statement and the management report. We consider that our appraisal is a sufficiently certain basis for our assessment.

Our assessment has not resulted in any objections.

On the basis of information obtained during the appraisal, we consider that the annual financial statement complies with the statutory regulations and the supplementary provisions of the articles of association and provides a picture of the company's financial situation that corresponds with the actual

situation. The management report is consistent with the annual financial statement and provides overall an accurate picture of the company's situation and accurately presents the chances and risks of future development.

Münster, 10/04/2017

KJP TreuConsult GmbH

Auditing company

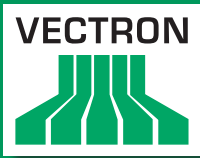
Tax consultancy



Frank Pühse

- Auditor -





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