



Leading in POS Technology

... since 1990



Interim report

1 January to 30 June 2017

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



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MANAGEMENT REPORT

1. Business performance

The POS provider market is highly diverse. The diversity of the sector and varying company sizes among users are reflected on the provider side. An increasing number of iOS and Android device solution providers have been entering the market in recent years. These systems have not yet been able to gain a major market share.

The predatory competition and pricing pressure also continued in the reporting year 2017. As only few manufacturers are active globally in various markets, most competitors are small, regionally active manufacturers.

The products are sold through a network of approx. 300 specialist trade partners. Vectron primarily provides solutions for the hospitality sector as well as for bakeries. The end customer spectrum ranges from single cash register installations to cash register 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 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. For all products, Vectron offers customers sales variants that maintain liquidity.

In Germany, the transitional period specified in the BMF (German Federal Ministry of Finance) letter of 26 November 2010 expired at the end of 2016. This is the cut-off date by which all POS had to be retrofitted or replaced so as to electronically record all sales in detail. However, many users did not change their systems by the cut-off date.

Furthermore, the Law on the Protection Against Manipulation of Digital Background Recordings (Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen) came into force on 22 December 2016. It does not prescribe any obligation to run a cash register, but stipulates the duty to use a technical safety device as from 1 January 2020. Previously purchased devices must be retrofitted, if technically possible, or replaced no later than the end of 2022.

Whilst the new law passed in 2016 has not yet taken any effect on business developments, the BMF letter



of 2010 has contributed to a year-on-year increasing in total sales of around 26 % to K€ 19,311 (previous year: K€ 15,327). 73.1 % of sales were generated in Germany, compared to 71.2 % in the previous year. Sales in the domestic market therefore grew by 29 %, whereas the foreign markets increased by 18 %.

Sales increased by 256 % year-on-year during the course of the further development of the Duratec brand. In the first half of the year a sales volume of K€ 998 was achieved (previous year: K€ 390). 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 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 local Vectron specialist trade partners. The financing offer contributed to total sales during the past financial year with an approximate share of 13 % (previous year: 15.7 %), thus increasing year-on-year in absolute terms.

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 POS systems are developed and manufactured on the basis of a so-called double platform strategy, i.e. each product uses the same application software and can be used 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 disproportionately high 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.

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 deliberately increased as from the middle of the year in expectation of increased demand. The company was therefore able to deliver at all times.

Cash and cash equivalents increased to K€ 8,998 (previous year: K€ 9,981) in the interim report, corresponding to a K€ 983 decrease year-on-year.

Due to the positive business development, positive operative cash flow of K€ 1,167 was generated despite the increase in stocks and receivables, which goes hand in hand with such development.

Liabilities decreased primarily due to the repayment of loans.

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

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 30 June 2017 is K€ 7,063 (previous year: K€ 7,538). All of the liabilities have remaining terms of up to five years. We refer to the explanations in the notes.

On 30 June 2017, the workforce comprised 169 employees. Additionally there are 10 trainees.

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).

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

2. Assets and financial situation

The intangible assets contain primarily the design and construction plans purchased from the development partners as well as development services for individual systems. 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. 33 % compared to the previous year's balance sheet date on 31 December 2016. 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 outstanding varied between 40 and 58 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 30 June 2017 amounts to K€ 15,121 (previous year: K€ 14,872). The economic equity capital (incl. participation rights capital II) amounts to 71.8 %.

The short-term liabilities and accruals of of K€ 6,118 (previous year: K€ 6,078) 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. Concerning the amount of the off-balance sheet commitments, we refer to subsection 6 in the notes.

3. Profit situation

The regulatory requirements for POS continued to have a major impact on business developments in the reporting period. At K€ 19.311, sales were around 26 % up year-on-year. EBITDA increased by 104 % from K€ 1,532 to K€ 3,129. EBIT increased by 129 % from K€ 1,259 in the previous year to K€ 2,879. The result increased as much as 225 % from K€ 584 in the previous year to K€ 1,899 in the first half of 2017.

This increase was achieved despite the workforce being increased, particularly for advancing the next development phase of the online marketing tool for the bonVito brand. This system, which has mainly been used as a marketing tool for bakeries and restaurants up to now, is to be developed into an end

customer platform that combines order, voucher and reservation services in the hospitality sector. The existing GetHappy app by Coca-Cola is being combined with the strengths of the bonVito technology by Vectron for this purpose. This app will therefore by far exceed all previous offers in the market at considerably lower costs for the linked restaurants.

Sales in Germany increased significantly by 29 % and abroad by 18 %.

Compared with the unadjusted gross profit rate of 57.1 % (previous year: 54.2 %), and deducting the influences of the sales support model and non-product related sales generated by associated companies and the continuation of the margin optimisation measures, the adjusted gross profit rate amounts to 59.1 % (previous year: 56.3 %). 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 insurance refunds.

The personnel costs have increased due to increased staffing and higher variable salary components by around one third.

Of the main items recorded in other operating expenses in the amount of K€ 3,384, around 46 %

pertains to sales costs and approx. 29 % to operating costs. The operating costs contain rent and similar expenses, expenses for maintenance and repairs, production costs as well as vehicle costs. The sales costs include marketing, travel and hospitality, freight and commission expenses.

Interest expenses primarily contain interest due on the borrowing in 2015 and interest on participation right 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 the first half of the year was approx. 49 % 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.

The annual general meeting of Vectron Systems AG on 23 June 2017 resolved to increase the company's share capital from company funds by € 4,949,997.00, from € 1,649,999.00 to € 6,599,996.00, in accordance with the provisions of the German Stock Corpo-



ration Act (Aktengesetz - AktG) on capital increases from company funds. 4,949,997 new no-par value bearer shares will be issued with a mathematical share in share capital of € 1.00 each, which will be issued to the shareholders at a ratio of one to four. The new shares will entitle their bearers to participate in profit as from 1 January 2017. The resolution and corresponding amendment to the articles of association were entered in the company's commercial register at Münster District Court on 10 July 2017 (capital increase) and 13 July 2017 (share split), thus becoming effective. The company's share capital now amounts to € 6,599,996.00 and is divided into 6,599,996 no-par value bearer shares.

4. Risk reporting

For monitoring purposes and to support decision-making, Vectron has installed 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.

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 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 distor-

tions of competition. 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.

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. However, distortions in the customer structure may have a negative effect on the risk of bad debt.

Economic fluctuations have an effect on the willingness to invest in POS systems. Sudden and unexpected economic downturns can have a serious effect on Vectron's sales. The concentration on high-quality, complex system solutions has established itself as a sensible way 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.

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 compa-

ny is ensured at all times even during longer periods of weak economic performance.

As the company buys 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 therefore 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 only possible to a very limited extent.

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. Forecast report

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. Currently it can be observed that in particular a part of the globally active companies continues to withdraw from the market, thus strengthening the structure of the many small competitors. Particularly due to the complex requirements by the financial authorities and the specific regional requirements of the end customers, realising economies of scale is very difficult for many suppliers.

The Law on the Protection Against Manipulation of Digital Background Recordings (Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen) came into force Germany, the key market, on 22 December 2016. It stipulates that all new POS systems and the majority of previously installed devices must be fitted with a certified safety device as from 1 January 2020. This law will have a positive effect on demand. When and to which extent this effect will occur will depend on how exactly the financial authorities and other authorities involved will implement the legal requirements.

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.

A significant focus at Vectron is and remains the continuous development of the various software products. The Vectron mobile apps for iOS and Android continue to be extended. These can be used with smartphones for order input. 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 systems 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 ERP are extended considerably - in some cases with own products, in others through cooperations.

The Vectron-owned internet-based customer loyalty system bonVito, which is sold by the subsidiary bonVito GmbH, is continually developed further. A significant focus is the further expansion of the internet service. This relates to the development of further reporting and administration functions and, last but not least, the development of a bonVito end customer portal. The aim is to combine the order, voucher and reservation services in the hospitality sector on the end customer platform, thus providing a comprehensive online marketing tool.

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 new customer sections.

During the current financial year 2017, the increase in sales of the Duratec brand showed that products and the business model are successful. The establishment of our own sales channel contributed to this, among other aspects. For the current business year 2017, we expect continuing growth of the Duratec brand's contribution to sales. This is being boosted by expanding the foreign target markets.

Münster, 31 July 2017

Vectron Systems AG
The executive board



Jens Reckendorf



Thomas Stümmler

INTERIM BALANCE SHEET AS OF 30 JUNE 2017

Assets	30/06/2017			31/12/2016
	€	€	€	€
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	1,056,562			325,534
2. Prepayments made	151,695	1,208,257		105,791
II. Tangible assets				
1. Technical facilities and machines	278,590			349,581
2. Other facilities, operational and business equipment	407,046			356,669
3. Prepayments made	945	686,580		0
III. Financial assets				
Shares in associated companies		1,669,500	3,564,337	919,500
B. Current assets				
I. Stocks				
1. Raw, auxiliary and operating materials	4,269,181			3,534,317
2. Finished products and merchandise	2,072,859	6,342,040		1,229,030
II. Claims and other assets				
1. Claims arising from deliveries and services	3,532,336			4,898,606
2. Claims towards associated companies	577,964			684,329
- of which claims arising from deliveries and services: € 577,964				
3. Other assets	23,668	4,133,968		279,035
III. Cash-in-hand, bank balances and cheques		8,998,187	19,474,195	11,660,147
C. Accrued and deferred items			5,973	91,909
D. Deferred tax assets			115,771	122,371
			23,160,276	24,556,820

Liabilities	30/06/2017		31/12/2016
	€	€	€
A. Equity capital			
I. Subscribed capital	1,649,999		1,649,999
- conditional capital: € 45,000			
II. Capital reserve	10,274,962		10,274,962
III. Retained earnings			
Statutory reserve	40,000		40,000
IV. Balance sheet profit	3,155,876	15,120,837	2,907,004
B. Accruals and deferrals			
1. Tax accruals	1,130,419		1,139,333
2. Other accruals	1,265,454	2,395,873	2,060,277
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	2,526,290		2,947,350
- of which with a residual term up to one year: € 421,060			
- of which with a residual term of more than one year: € 2,105,230			
- of which with a residual term of more than 5 years: € 0			
3. Liabilities from deliveries and services	1,375,736		1,454,953
- of which with a residual term up to one year: € 1,375,736			
- of which with a residual term of more than one year: € 0			
- of which with a residual term of more than 5 years: € 0			
4. Other liabilities	241,540		582,343
- of which from taxes: € 214,882 (previous year: € 188,772)			
- of which in the context of social security: € 0 (previous year: € 0)			
- of which with a residual term up to one year: € 241,540			
- of which with a residual term of more than one year: € 0			
- of which with a residual term of more than 5 years: € 0		5,643,566	
D. Accrued and deferred items	0	0	0
		23,160,276	24,556,820

Interim profit and loss account as of 30 June 2017

	01/01-30/06/2017			01/01-30/06/2016		
	€	€	€	€	€	€
1. Sales revenues		19,311,283		15,327,070		
2. Increase or decrease in finished goods inventories and work in progress		197,289		2,105,427		
3. Other operating revenues, of which from currency exchange: € 0		314,191	19,822,764	177,623	17,610,120	
4. Material costs						
A) Cost of raw materials, consumables and supplies, and of merchandise	-6,837,531			-7,580,662		
b) Costs for services obtained	-1,652,166	-8,489,697		-1,538,911	-9,119,573	
5. Personnel costs						
a) Wages and salaries	-4,179,028			-3,097,591		
b) Social security, post-employment and other employee benefit costs, of which in respect of old age pensions: € 37,075 (previous year: € 33,754)	-698,072	-4,877,100		-624,942	-3,722,533	
6. Depreciation of tangible and intangible fixed assets		-250,277		-272,844		
7. Other operating expenses, of which from currency exchange: € 0		-3,384,142	-17,001,215	-3,237,530	-16,352,480	
8. Other interest and similar income, of which from the discounting of provisions: € 0 of which from associated companies: € 11,609		25,083		25,081		
9. Interest and similar expenses, of which from the compounding of provisions: € 0 of which from associated companies: € 0		-40,081		-242,445		
10. Income tax expenditure, of which latent taxes: Expenditure € 6,600 (previous year: expenditure € 2,845)		-965,449	-980,447	-457,491	-674,855	
11. Earnings after taxes			1,841,101		582,785	
12. Other taxes		57,770		1,604		
13. Net income for H1			1,898,871		584,389	
14. Retained profits from the previous year			1,257,005		942,201	
15. Net profit			3,155,876		1,526,590	

Cash flow statement 1 January - 30 June 2017

	01/01-30/06/2017	01/01-30/06/2016
	€	€
Ordinary period result before income tax	2,864,320	1,040,276
+ Depreciation on fixed assets	250,277	272,844
+/- Increase/decrease of other accruals, where these are not allocated to the investment or financing activity	-804,337	-211,434
+/- Other non-operative expenditures	173,314	61,000
+/- Loss/profit from the sale of fixed assets	0	0
- Increase in stocks, claims from deliveries and services as well as other assets not allocated to investment or financing activity	200,044	-2,592,913
+/- Increase/decrease in liabilities from deliveries and services as well as other liabilities not allocated to investment or financing activity	-548,619	-2,417,095
- Out-payments from exceptional items	0	0
- Income taxes paid	-968,363	-197,042
= Cash flow from ongoing business activity	1,166,636	-4,044,363
+ In-payments from disposals of tangible fixed assets	0	0
- Out-payments for investments into tangible fixed assets and intangible fixed assets	-1,007,539	-194,144
- Out-payments for investments into financial assets	-750,000	0
= Cash flow from investment activity	-1,757,539	-194,144
+ In-payments from equity injections	0	5,924,961
+ In-payments from borrowing	0	0
- Out-payments from the redemption of loans	0	0
- Out-payments for the repayment of advances	-421,060	-421,060
- Out-payments to company owners (dividends)	-1,649,999	-742,500
= Cash flow from financing activity	-2,071,059	4,761,401
= Cash change to the cash and cash equivalents	-2,661,961	522,894
+ Cash and cash equivalents at the start of the period	11,660,147	9,457,664
= Cash and cash equivalents at the end of the period	8,998,186	9,980,559



Notes on the interim financial report as of 30 June 2017

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
Head office:	Willy-Brandt-Weg 41, 48155 Münster, Germany
Register court:	Münster District Court
Commercial register no.:	B 10502
Executive board:	Jens Reckendorf, Thomas Stümmeler

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

This interim financial report as of 30 June 2017 was 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 initial application of the new accounting directives imposed by the Accounting Directives Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz - BilRUG) is regulated in the Introductory Law to the German Commercial Code (Einführungsgesetzes zum Handelsgesetzbuch - EGHGB) and applicable for financial years starting after 31 December 2015. The company applied the accounting directives stated above for the first time for financial year 2016.

The structure of the balance sheet and the profit and loss account complies with commercial law regulations and supplementary, 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. On 1 March 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 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 planned linear depreciation. The financial assets are appraised at acquisition cost. The planned depreci-

ations 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 stated for temporary differences between the valuations of assets and liabilities

under commercial and tax law. Accruals are set at the fulfilment amount required in accordance with a prudent commercial assessment. Future price and cost increases are being accounted for. Any existing provisions 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.

Vectron Systems AG owns 100 % of the shares in the subsidiary bonVito GmbH Münster founded in 2012. The equity capital of bonVito GmbH as of 30 June 2017 is € 113,590. The company closed the first half of 2017 with a loss of € 50,755. Due to the expected positive development of the subsidiary, the investment book value is stated at cost. There is no obligation to prepare consolidated financial statements pursuant to Article 293 HGB.

At the end of 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 provides 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 company did not receive any unrealised investment income from the above-stated shares which would have to be barred from distribution in accordance with Article 272 V of the German Commercial Code (Handelsgesetzbuch - HGB) during the financial year.

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 corresponding demand for large delivery capacities, the change of some production lines from contract manufacture to make-to-stock production, which was initially implemented in 2014, was continued in the reporting year.

Cash in hand and bank balances amounted to € 8,998,186 as of the balance sheet date. The liquid resources 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 (in full) at DZ Bank (former 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 € 115,771 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

Equity capital development (Euro)	Share capital	Capital reserve	Statutory reserve **	Participation rights capital I	Balance profit *	Sum
Equity capital at 01/01/2016	1,500,000	4,500,000	40,000		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
Dividend payout					-1,649,999	-1,649,999
Net income for H1					1,898,871	1,898,871
Equity capital at 30/06/2017	1,649,999	10,274,962	40,000	0	3,155,875	15,120,836

* The balance sheet profit of € 3,155,875 (previous year: € 1,526,591) contains profit carried forward of € 1,257,004 (previous year: € 942,201).

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

of the company during the period up to 6 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, the authorised capital (2013) in the amount of € 149,999 was partially drawn down for the contractually compliant capital increase and therefore decreased to just € 600,001 as of the balance sheet date.

Further, the share capital is conditionally increased by up to € 45,000 through the issuing of up to 45,000 new no-par value bearer shares within the scope of the conditional capital (2011). The conditional capital increase (authorisation resolution to 31 May 2016) ensures that pre-emptive rights are granted to com-

pany managers. On the balance sheet date, 27,500 pre-emptive rights with a volume of € 27,500 were issued. No pre-emptive rights have been redeemed so far.

The share capital has furthermore been conditionally increased by an additional € 45,000 by issuing up to 45,000 new no-par value bearer shares within the scope of the conditional 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 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	Euro
Annual leave/overtime/variable remuneration components	358,772
Outstanding purchase invoices	597,825
Other accruals	308,856
Sum	1,265,454

By way of resolution made at the annual general meeting on 7 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.

Liabilities towards financial institutions resulted from an unsecured development loan taken out in

June 2015 and amounted to € 2,526,290 in the reporting period. We refer to Section 3 for details on liquid resources.

The other liabilities contain outstanding liabilities for the participation rights capital II of € 15,818.

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

5. Notes on the interim profit and loss account

Due to the application of BilRUG for 2016, the previous year's profit and loss items were also adjusted to provide a better comparison.

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.

In addition to the classic specialist trade partner sales business, the company also offers a sales promotion model ("sale-and-lease-back with subsequent

Segment (Euro) on 30/06	Period	Germany	EU	Third country	Total
POS systems	2017 H1	9,468,190	3,206,367	138,694	12,813,251
	2016 H1	7,033,825	2,582,514	143,122	9,759,462
Software	2017 H1	1,160,765	521,018	9,661	1,691,444
	2016 H1	668,422	317,431	17,386	1,003,239
Goods for resale/service	2017 H1	3,482,619	1,282,722	41,247	4,806,588
	2016 H1	3,204,157	1,308,991	51,220	4,564,369
Total	2017 H1	14,111,574	5,010,108	189,602	19,311,283
	2016 H1	10,906,405	4,208,936	211,728	15,327,070
Percentage distribution	2017 H1	73.1	25.9	1.0	100
	2016 H1	71.2	27.5	1.4	100

sublease of these cash registers by Vectron to end customers"). Within the framework of this model, the sales revenues from sublease (K€ 1,124; previous year: K€ 953) during the term always need to be viewed against (almost) identical leasing expenses (K€ 858; previous year: K€ 731) under the material expenses item. Additionally, direct sales costs (K€ 790; previous year: K€ 796) are also incurred under this model, which are contained in material expenditure in accordance with BilRUG. After deducting the figures for these effects and for non-product-related sales generated by associate companies, adjusted sales amounted to € 18.2 million (previous year: € 14.4 million), adjusted material expenditure to € 7.4 million (previous year: € 6.3 million) and consequently the adjusted gross profit ratio to 59.1 % (previous year:

56.3 %) for the company as a "POS manufacturer with traditional sales business" compared to the unadjusted gross profit rate of 57.1 %. (The gross profit rate corresponds to the material expenditure in proportion to sales plus inventory changes.)

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

In the first half of 2017, payments of € 53,969 arose for the participation capital II.

The income taxes of € 965,449 (previous year: € 457,491) listed in the profit and loss account were

incurred on profit from ordinary business activity. Additional amounts result from taxes for previous financial years.

The balance sheet was compiled under consideration of the partial use of the half year 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 obligations amount to € 7,062,642.

There are contingent liabilities in the form of guarantees in favour of the associated company pursuant to Article 251 HBG of € 722,829. Due to the anticipated positive development of the subsidiary these are not expected to be utilised.

During the reporting period, an average of 168 employees (consisting of 160 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 supervisory board consists of the following three members:

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

Other financial obligations (Euro)	of which remainder term			
	Total	up to 1 year	1 to 5 years	over 5 years
Leasing obligations*	3,878,335	1,821,510	2,056,825	0
Rental obligations	3,184,307	813,015	2,371,293	0
Sum	7,062,642	2,634,525	4,428,118	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 € 3,518,607, and are offset by slightly increased sublease contracts.

Events after the balance sheet date:

The annual general meeting of Vectron Systems AG on 23 June 2017 resolved to increase the company's share capital from company funds by € 4,949,997.00, from € 1,649,999.00 to € 6,599,996.00, in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz - AktG) on capital increases from company funds (Sections 207 et seqq. AktG). 4,949,997 new no-par value bearer shares will be issued with a mathematical share in share capital of € 1.00 each, which will be issued to the shareholders at a ratio of one to four. The new shares will entitle their bearers to participate in profit as from 1 January 2017. The resolution and corresponding amendment to the articles of association were entered in the company's commercial register at Münster District Court on 10 July 2017 (capital increase) and 13 July 2017 (share split), thus becoming effective. The company's share capital now amounts to € 6,599,996.00 and is divided into 6,599,996 no-par value bearer shares.

The no-par value shares of Vectron Systems AG are securitised in a global certificate deposited with Clearstream Banking AG, Frankfurt am Main. The shareholders are not entitled to have their shares securitised in accordance with the articles of association. The shareholders of Vectron Systems AG are therefore registered as co-owners of the global certificate of no-par value shares held by Clearstream

Banking AG in proportion to their shares and receive a corresponding depository credit note.

18 July 2017 was the last trading day in the OTC market of the Scale segment of Frankfurt Stock Exchange prior to capital increase DE000AOKEXC7.

The shares have been traded in the market excluding the capital increase as from 19 July 2017.

The shares after market closing on 20 July 2017 were used as the record date for determining the authorised shares after market closing of the new shares (bonus shares). For one (1) no-par value share with a proportionate share in share capital of € 1.00 (ISIN DE000AOKEXC7) an additional three (3) bonus shares with a proportionate share in share capital of € 1.00 (ISIN DE000AOKEXC7) were deposited in the shareholders' depository accounts on 21 July 2017.

The shares were automatically converted into securities depositories by the custodian banks.

Münster, 31 July 2017

Vectron Systems AG
The executive board



Jens Reckendorf



Thomas Stümmler



Leading in POS Technology

... since 1990

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