VECTRON

Annual Report 2020

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


myVectron

Contents

Letter by the executive board to the shareholders

Dear fellow Shareholders,

2020 will undoubtedly go into the history books of the Company as one of its biggest ever challenges. The outbreak of the Covid-19 pandemic and resulting lockdown measures have severely affected large parts of Vectron System AG's customers. Particularly the gastronomy sector was shut down for months on end. It is obvious that such crisis situation, which deprived numerous companies of their income, has an extremely negative effect on customers' willingness to invest.

In our German core market, the legal requirement to use a technical security device in every POS resulted in great demand for corresponding retrofitting despite the deadline being postponed yet again to 31 March 2021. This overcompensated for poor demand in Germany and abroad. Total sales even increased by 10 % contrary to all expectations. Without the pandemic, sales would have even been significantly higher. Encouragingly, the majority of customers who retrofitted their equipment chose our chargeable "digital package", which includes various digital services as well as cloud storage of the POS data and evaluation of this data for users in a modern reporting app. The majority of customers are thus linked to the Vectron cloud service and can be supplied directly with additional digital services.

Thanks to a successful and several times oversubscribed capital increase in February 2020, Vectron Systems AG had, and has, a strong balance sheet. The Company's liquidity amounted to € 8.3 million at year-end despite a € 10 million loan being redeemed as planned at the end of the year. Vectron was therefore able to once again invest a disproportionately high € 4.4 million in developing and expanding the digital business fields in 2020, which significantly contributed to the annual loss of € -2.1 million. The steep increase in service sales in 2020 proved that this was the right decision. The experiences of 2020 have given rise to plans to expand the Company's sales activities in financial year 2021. From today's perspective, costs are expected to be considerably lower at the same time.

The business trend of the subsidiary bonVito GmbH was positive. Despite the pandemic, the company kept sales at a stable level (€ 2.9 million) and even increased its customer numbers. The company generated annual profits of € 0.3 million in 2020 and therefore was able to offset all tax losses carried forward and is to be merged with Vectron Systems AG in the future.

Due to the fact that more than 50 % of customers had not yet fitted a technical security device by the end of 2020, we expect considerable momentum from this business again in 2021 and even in 2022. Once the lockdown measures have been stopped, the investment behaviour should also normalise again during the course of 2021 and therefore result in increased demand. Government support programmes are also expected to create considerable momentum.

Despite our daily business currently being dominated by the Coronavirus pandemic, we also work on other social topics. We aim to create a more sustainable Vectron for the future. Ecological and social criteria must be integrated in the decisions made by modern corporate management. Environmental-social governance (ESG) criteria are a hot topic at present. We also aim to make these criteria an integral part of our corporate and business strategy and account for them more strongly. We are therefore going to start developing ESG criteria for Vectron and critically assess our actions this year. We plan to be guided by the United Nations' global sustainable development goals (SDG) to increase the transparency of our activities. We will publish corresponding documents in 2021.

We would also like to take this opportunity to once again sincerely thank all of our employees for their work. They did a great job, particularly in the times of the Coronavirus pandemic, during which it was hardly possible to make long-term plans. But we would also like to thank our shareholders for their trust placed in us.

Kind regards

Your Vectron executive board

Thomas Stümmler CEO	Jens Reckendorf CTO	Silvia Ostermann COO

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 2020. 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 regular board calls. 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 2020, four regular supervisory board meetings took place.

- At the supervisory board meeting on 23 April 2020, the annual financial statements 2019 were presented by the auditor, mutually discussed and approved by the supervisory board. The management report was approved. The executive board reported on the current market situation and business trend, particularly with regard to the lockdown imposed due to the pandemic. Various scenarios and their financial effects based on various assumptions were presented as well as measures for saving and/or increasing liquidity.
- The supervisory board held another meeting on 10 June 2020. The executive board informed the supervisory board about the company's current business situation and presented the situation amongst the gastronomy and bakery business on the basis of the development of sales data it had collected itself. The product development focal points, which were newly adjusted to reflect the Coronavirus situation, were presented.
- At the supervisory board meeting on 10 September 2020, Prof. Dr. Dr. Claudius Schikora became the successor of Mr Christian Ehlers, who retired from the supervisory board at the close of the annual general meeting, and was appointed as chairman of the supervisory board. The executive board reported on the development of the digital business model, and particularly on “Duratec Digital World” (DDW). Key personnel changes and the status of the change to a divisional organisational structure were presented and explained.
- At the final supervisory board meeting on 17 December 2020, the supervisory board was presented with the planned adjustments to the DDW sales concept as well as the expansion of the digital services product portfolio to the Vectron brand, which were discussed in detail. The executive board presented the new reporting structure as well as the structure and contents of selected reports. It explained the 2021 budget, particularly financial, investment and personnel plan-

ning. The supervisory board resolved to reappoint Mr Thomas Stümmler and Mr Jens Reckendorf to the executive board. The members of the supervisory board, Mr Heinz-Jürgen Buss and Mr Maurice Oosenbrugh, were bid farewell as they both retired from the supervisory board on 31 December 2020.

Executive board and supervisory board have issued a compliance declaration pursuant to Section 161 AktG [German Stock Corporation Act]. This has been made publicly available on the company's website. Vectron Systems AG declares that it follows the German Corporate Governance Code in the versions dated 7 February 2017 and 20 March 2020 respectively with exceptions. The exceptions are considered prudent due to company-specific circumstances. Due to the low number of supervisory board members (four individuals), it was decided to forego the formation of sub-committees.

The management report and annual financial statement submitted by the executive board for 2020 were audited by the auditing company Impulse Digital GmbH Wirtschaftsprüfungsgesellschaft and granted an unqualified audit opinion. The annual auditor reported orally on the assessment in the supervisory board meeting on 20 April 2021 and was available to the supervisory board for supplementary information.

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

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

Münster, April 2021

For the supervisory board

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

Company and market

We are a leading European provider of POS systems, POS software, apps as well as digital and cloud-based systems, which we develop at our head office in Münster, Germany. We have developed our POS software to be open and flexible so that it can be adapted to a multitude of industries and used with all major operating systems – Windows, Android, iOS and Linux. Our target customers primarily operate in the gastronomy and bakery sectors. As a successful provider in various markets, we have developed a huge customer base over the past decades, and we now also supply our customers with digital services.

Our sales activities have an international focus and are generally processed via a close-knit network of about 300 specialist trade partners, who also take care of direct customer service. We support specialist trade partners with a combination of external and internal sales representatives and the Support Team.

Before the breakout of the global Coronavirus pandemic, the German food market had been growing by around 5 % annually and its structure had been changing in favour of system gastronomy and restaurants with a unique core brand. The new fiscal requirements, digital transformation and, since March 2020, the effects of the Coronavirus crisis are creating sweeping and profound changes in the current market. In the past year, the gastronomy businesses in Germany generated around 35 %

less real sales than in 2019 according to the Federal Statistical Office. The effects of the Covid-19 pandemic on the gastronomy sector are massive and their extent cannot yet be finally estimated.

Digital transformation in the gastronomy sector refers to the use of an increasing number of digital services, such as own business website, online portals, online orders, online table reservations, voucher cards, point collection systems, e-payment types and online guest feedback. At present, gastronomy business owners usually have to conclude various individual contracts, which means numerous invoices, additional devices next to the POS and extremely high costs per functionality. In addition, each system works differently and the lack of integration in the POS means that all data has to be entered twice, which costs time and is also prone to errors. Gastronomy business owners' expectations of future digital products are therefore to have just one solution that covers all aspects and all of whose functions are integrated in the POS. They do not wish to run any additional hardware and wish to have only one contract and invoice, if possible. We have adjusted our business model accordingly in order to meet these expectations in the market. We provide fully integrated solutions with POS and services from one source.

The initial conditions in 2020 were ideal. The new POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) in effect since the beginning of 2020 stipulates that all electronic cash registers must be fitted with a technical security device, amongst other things. As a result, all POS systems in Germany will either require an upgrade or replacement. Even though the last extension of the deadline by which all POS systems must be fitted with a technical security device expired at the end of March 2021, we expect that less than half of the POS systems have actually been fitted with such device. The repeated closure of most shops and gastronomy businesses due to the spread of the Coronavirus has presented us, like all other companies, with an entirely new and barely assessable situation since March 2020. Once the gastronomy sector reopens and the market gains momentum again, our large installation basis will bear enormous potential. We plan to acquire additional market shares with the replacement business and, in particular, significantly develop the digital business.

We have been investing in digital services for years and with our wholly owned subsidiary, bonVito GmbH, which has not yet been consolidated, have already proven that we are able to develop software as a service (SaaS) models and to take them into the profit zone. Our online service platform for major customers broke even in the first half of 2019 and also generated monthly profit in 2020.

We continue to plan to reach the vast number of gastronomy business owners with our digital products. Customers expect state-of-the-art technological equipment and continuous updates for software and cloud services, thus creating the need for high investments in new development, which we satisfy on an ongoing basis.

Although digital services such as online delivery services and ordering systems have been on the market for years, they were unable to penetrate all of the market for a long time. Online orders have become increasingly attractive due to the repeated lockdowns imposed by the government in the gastronomy sector since March 2020. Payment habits have also seen a strong trend toward e-payments. We therefore are confident that the digital transformation of the industry continues to bear huge potential. We aim to significantly increase the lifecycle value through recurring revenue and to multiply sales per customer over the useful life.

Service portfolio

Our service portfolio comprises POS systems, POS software, apps, digital and cloud-based services sold under the brand names Vectron, Duratec, posmatic and bonVito.

Core business: POS systems, software and peripheral appliances

Our core business, which has been extremely successful in the market for decades, is the sale of POS systems via specialist trade partners. We sell high-quality, technically innovative, stationary and mobile POS systems under the Vectron brand name. The range is completed by peripherals, e.g. customer displays. The POS software has been developed in-house and is being continuously adapted to meet market requirements. Main target groups are bakeries and the catering industry. For these trades the software offers numerous proven special functions and is also flexible enough to be used by numerous other industries.

With our comprehensive range of stationary POS systems, we provide suitable equipment for various company sizes and types and create more efficient workflows and processes with advanced functions. The large number of hardware and software interfaces, which has not been achieved by our competition, enables us to implement individual requirements and makes our solutions interesting, particularly for large chains. In addition to stationary systems, we also provide mobile devices for table service. Modern POS apps for iOS and Android devices are also part of the portfolio.

The Duratec brand was launched in 2013 and aims at the medium price-performance segment. The Duratec product range is based on the sophisticated Vectron technology; with the software, however, we have focussed on the essential for user interfaces as well as on strong simplification and ease of learning. We take into account current trends like the integration of smartphones as ordering device. In addition to special hardware with long useful lives, a software version for PC is also available. Duratec is aimed at gastronomy businesses, retailers and hairdressers with standard requirements. The scope of functions of Duratec devices, which purposefully has been restricted compared to that of Vectron POS systems, allows a clear distinction of both brands and prevents cannibalism effects for the Vectron core business. As the programming of the devices is clearly faster and easier, Duratec is also interesting for dealers in Germany and abroad. We integrated the bonVito online services in Duratec POS systems as well.

To support sales, we offer a sales promotion model ("sale-and-lease-back with subsequent sublease of these POS systems by Vectron to end customers"). Vectron reserves the right to sublease POS systems. Hardware, installation and commission have been factored into the costs.

One of our unique selling points is that we develop both POS software and part of the hardware and are thus able to offer optimally matched POS systems. The software is usually purchased as a one-off license with an indefinite term. Software updates are only available to a limited extent to promote the purchase of new licenses when software versions change considerably. As well as the actual POS software, which is also available for PC, we provide additional backoffice software products such as the "Vectron Commander", which makes it possible to link and centrally program the individual POS. It also provides the basis for comprehensive analyses and POS reports. Additional software products include the "Vectron Contacts" contact and invoice manager and the "Vectron Journal Tool" evaluation, archiving and analysis tool.

We are continuously developing our products further in order to maintain our competitiveness in the long term. In 2020, we launched the first model of a new POS generation with a modular structure in the form of the POS 7. We launched our own weighing platform for butchers and farm shops, in particular, in April 2020 and therefore expanded our target group.

Innovation: Digital business

In order to significantly increase revenue per customer over the useful life and reduce our dependence on the market fluctuations, we aim to increasingly generate monthly recurring revenues from digital services in the future instead of the one-off POS sales, which at the same time will improve sales planning.

With our myVectron and bonVito brands, we have been providing software as a service products for many years. We are a professional partner which realises digitalisation for its customers and creates new, market-relevant and targeted added value. We are able to manage hundreds of thousands of operations and branches with our scalable server structure.

bonVito

We have been able to collect in-depth digital experiences with bonVito, our online service platform for major customers, which has been active since 2011.

The bonVito customer retention services cover stamps, coupons, bonus points, e-payments, online payments and direct discounts in all relevant functions. This provides our major customers with excellent features for retaining existing consumers and increasing footfall and average consumption. Table reservation is an efficient service which speeds up and simplifies processes by providing the option to reserve a table directly on the website of a gastronomy business. Current bookings and reservation status are taken into account throughout this process, meaning that customers booking online can reserve all tables that are actually available at the time and will be automatically referred to the next available slot should all tables be booked.

bonVito has been clearly profitable since 2018. It is used in more than 6,000 branches by now and over 5 million active customer cards indicate the great acceptance amongst customers. This success was also reflected by the EBITDA, which developed from K€ 208 in 2018 to K€ 633 in 2019 and K€ 612 in the past financial year 2020. bonVito GmbH is currently not yet being consolidated. Plans are to include the company in the next consolidated financial statements.

New digital services

We provide various digital services that are bundled in the myVectron digital package, for instance. These include a reporting app which provides comprehensive real-time data and thus keeps business owners updated about the developments in their businesses, a software update subscription and a fiscal archive, which reliably backs up all fiscal data daily on Vectron servers located in Germany. These backups comply with data protection regulations and can be accessed at any time. We are gradually adding further attractive services to our portfolio in order to take as many of our installed POS systems online as possible and generate regular revenues.

In January 2020, we launched a digital receipt solution which meets the market's expectations for environmentally friendly alternatives to paper receipts. The digital receipt is included in our digital package. We were able to increase the number of digital package contracts from around 2,000 at the start of 2020 to more than 10,000 by the end of the year. This fivefold increase of the contractual basis shows the growing need in the market and accuracy of our strategy. In the future, cost-effective digital services entry products are to be offered with every POS sale to ensure that as many devices as possible are online from the start. This lowers the hurdle of purchasing additional services at a later date and expands our database.

Our cloud-based iPad POS system, posmatic, provides all of the functions of a modern POS system and is fully offline-compatible. posmatic contains professional features such as waiter lock, voucher management, customer pager and interfaces to other gastronomy industry software products, e.g. personnel placement management, goods management and hotel software (PMS).

The exclusive partnership with DeutschlandCard enables us to provide bakeries and gastronomy business owners with a module for issuing DeutschlandCard points and accepting them as payment.

Overall, we have been investing in the development of our digital business for years. Our investments increased from € 3.5 million in 2019 to € 4.4 million in 2020. The investments in 2020 were made possible thanks to various actions, such as a capital increase in February of the same year. By increasing the share capital by around 10 %, we generated income of approximately € 11 million.

We are focussing on developing new business models in order to generate faster and stronger growth in the digital business. The result was Duratec Digital World, our all-inclusive solution for the gastronomy sector. Revenues are generated through withheld digital services that are offered on a pay-per-use basis. Experiences from previous projects have shown that in most cases it is quicker and more cost-effective to resort to cooperations instead of in-house developments for digital projects. We therefore identified suitable cooperation partners for the project. The product package contains the DeutschlandCard bonus programme, epay and EVO are our partners for cash-free payments, online table reservations are processed by resmio and online orders by restablo. All of these cooperation partners are linked to our POS systems via interfaces, which facilitates automated processes and forms the basis for the collection of transaction data. A coupon solution developed by us completes the package. We expanded the Duratec Digital World project in 2020 and have concluded more than 1,000 contracts by now. In 2021, we will gradually introduce the digital services at Vectron as well.

Including the currently unconsolidated wholly-owned subsidiary bonVito GmbH, we generated recurring income of € 4.7 million in the past year, despite two lockdowns lasting for several months each. The significant growth in this area shows that our strategy is starting to pay off.

We acquired three major contracts in the reporting period. In February, Macxipan, a Spanish company with 180 branches, placed an order with us for adding bonVito to its Vectron POS. In March, the confectionery "Wiener Feinbäckerei Heberer" engaged us to fit touch screen POS, including cashless payment functions, and further digital services at 300 branches. The biggest contract was concluded in December with the bakery chain "von Allwörden". The majority of the POS fleet at the 493 branches is replaced and all branches are gradually being supplied with bonVito and other digital services. These major contracts emphasise the already considerable importance of additional digital offers in the POS business and strengthen our conviction that the change of our business model is the right and necessary step to take to ensure a successful future for our company.

One-off effect: Fiscalisation

The POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) came into effect on 1 January 2020. The ordinance sets new standards for the prevention of cash register manipulation and therefore tax evasion. Accordingly, it is mandatory to fit electronic recording devices with POS function with a technical security device. If the construction of the POS makes it impossible to upgrade, the POS must be replaced. At the same time, digital records must be secured and held available for perusal and tax audits. It is also mandatory to issue till receipts. For tax audits, the recorded data must be presented in a standardised format – the "Digital Interface of the Financial Administration for POS Systems" [Digitale Schnittstelle der Finanzverwaltung für Kassensysteme (DSFinV-K)]. The financial authorities can also check that the systems are being used correctly and that all sales are being recorded by carrying out unannounced POS checks at any time. Any cash registers purchased between 25 November 2010 and 1 January 2020 that meet the requirements of the "Principles for the Proper maintenance and Storage of Ledgers, Records and Documents in Electronic Format as well as Data Access" [Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie zum Datenzugriff" (GoBD)] but cannot be upgraded in accordance with the POS Security Ordinance (Kassensicherungsverordnung – KassenSichV) due to their construction must be replaced by 31 December 2022 at the latest. Violations of the new regulations for the operation of POS are an administrative offence that may incur a fine of up to € 25,000 – notwithstanding any potential consequences under tax law.

In order to implement the wide-spread upgrade of electronic recording systems, electronic recording systems that did not yet have a certified technical security device or DSFinV-K digital interface were generally not queried until 30 September 2020. This deadline was extended again until 31 March 2021. The condition was that a corresponding binding order had to be placed by no later than 30 September 2020. Although this deadline has also passed by now, our own market research gives us reason to assume that around half of the POS still do not meet the new requirements. We can profit significantly from the replacement/retrofitting business due to our high market share.

We therefore generated 10 % sales growth in 2020 despite the Coronavirus crisis and have therefore met expectations. The EBITDA decreased from € -1.4 million to € -2.2 million. The improved sales situation resulted almost entirely from business in Germany as all foreign markets made a considerable loss due to the effects of the Coronavirus measures. The upturn in business in Germany is primarily caused by the initial strong wave of demand in connection with the retrofitting of POS systems in accordance with the new legal requirements.

Outlook

The planned sales will be postponed due to the continuing Coronavirus crisis and its economic consequences. We cannot estimate reliably at present how long this situation will prevail. As the majority of POS systems have not been retrofitted or replaced up to now, we estimate that we will continue to profit from the ordinance for another one to two years. As long as the fiscalisation effect continues, we aim to continue the replacement business and acquire as much new business as possible and at the same time considerably expand our digital business. At the end of 2022, the second deadline will expire, which means that sales are likely to once again be significantly up on regular business that year. By then, we aim to develop the digital business to a point that recurring income will account for a significant share in total sales.

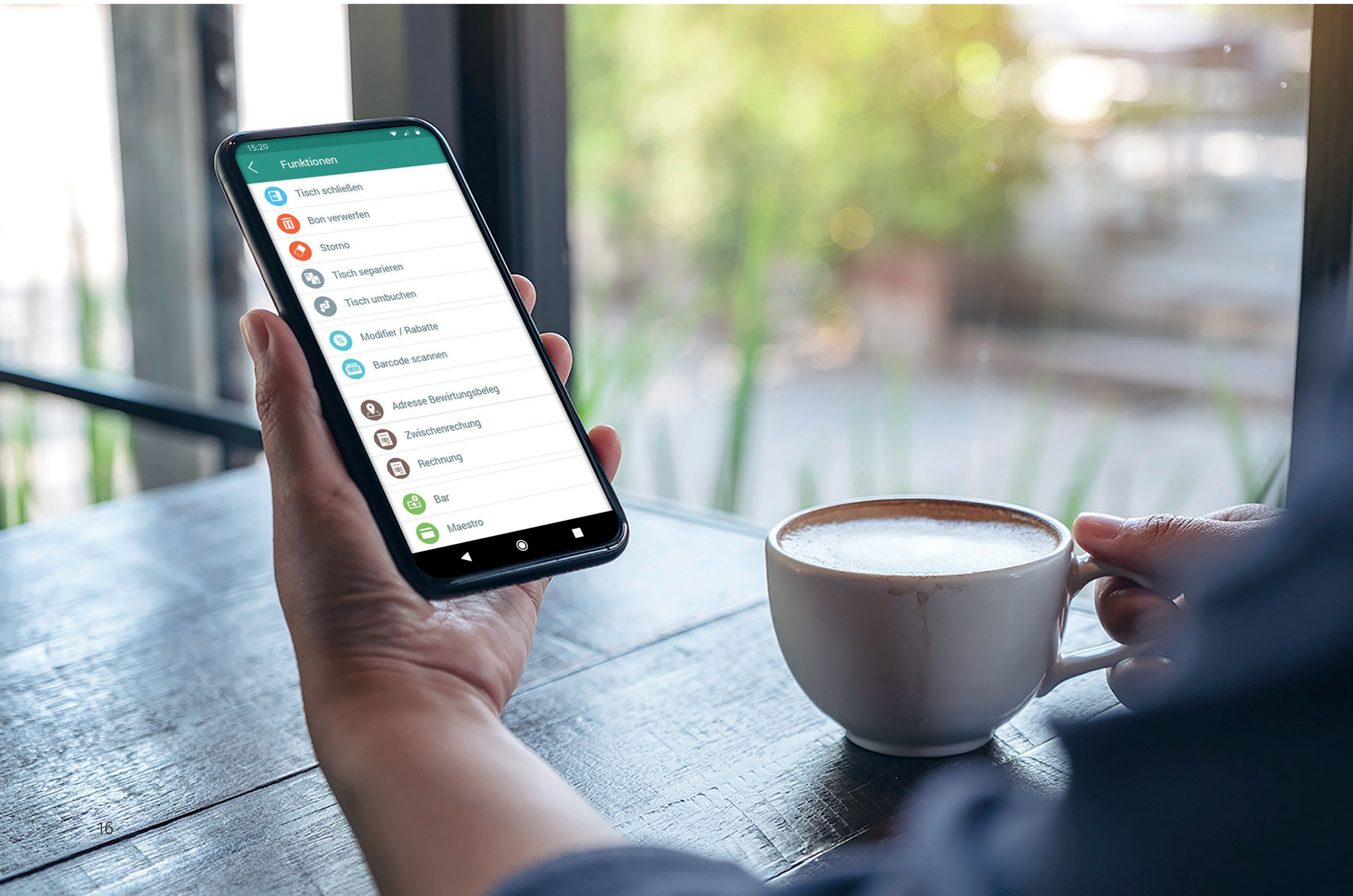
We are focusing our development on expanding our digital services. We are adding further services and are expanding them in all markets. Based on our experiences with Duratec Digital World, we can see enormous potential in this sector. Particularly the payment sector has proven to be highly interesting and will become an individual division within the company.

We expect that the digital business will become the most attractive business sector in the future and that it can help to multiply the lifecycle value of our POS systems.

Our great market share and significant number of POS that are online via our cloud services at present, which continues to increase, provide us with an ideal basis for collecting transaction data. We regard data analysis as another profitable business field and are developing intelligent forecast models. We are convinced that especially the analysis and use of product-related transaction data will result in an optimisation of the business activities throughout the entire goods management chain and therefore provide the industry with higher margins and profits. Businesses that own sufficiently large data volumes and are able to analyse them according to relevant criteria can use the results for developing profitable business models. We plan to use this as an additional pillar for our company in the future.

Our top goal remains to be the leading provider during the digital transformation in the gastronomy industry. As a digital leader, we aim to be the largest provider with broadly diversified online services that are optimally tailored to meet the requirements of the target group. Our solid capital base enables us to take further steps in this direction and to overcome the current situation, which is difficult for us as well as all other companies. Since the beginning of the Coronavirus crisis, we have reduced ongoing costs as much as possible and wherever useful and focused on business that will boost sales as soon as the situation normalises.

The management remains optimistic for the future. It is starting to appear that the extraordinary economic developments are likely to continue into 2022 due to legal requirements. Digital services such as online orders, digital menus and receipts have also become more of a focal point for our main target groups. This gives cause to expect a speed-up of the digital transformation in the gastronomy sector. This provides us with a good initial position for emerging strengthened from the crisis.



VECTRON

Annual financial statement 2020

Management report

1. Business performance

1.1. Company situation

With more than 240,000 installed systems in over 30 countries and around 16,000 online service customers, Vectron Systems AG is one of the leading European providers of intelligent POS systems. The company's solutions comprise hardware, software and cloud services. They are primarily aimed at the gastronomy and bakery industry, but can also be used by retailers and service providers. Weighing solutions for additional customer groups such as butchers and farm shops were added to the portfolio in 2020.

The products are sold through a network of approx. 300 specialist trade partners, mainly in Germany and other European countries. The end customer spectrum ranges from single cash register installations to branch networks comprising over 1,000 cash registers.

1.2. Overall economic development

The Coronavirus pandemic was the globally dominant topic in 2020. The number of infected and deceased persons continued to rise as from the end of January 2020, with the result of the first lockdown in Germany between mid-March and May 2020. The so-called second wave of the COVID-19 pandemic caused the German government to stipulate further social distancing measures as from autumn 2020, which initially culminated in the so-called lockdown light in November 2020, which was toughened as from mid-December 2020 and escalated into the second, hard, lockdown. The first easements started in March 2021.

According to the information provided by the Federal Statistical Office, Germany's gross domestic product (GDP), adjusted for price, decreased by 4.9 % year-on-year in 2020 due to the two lockdowns. After ten years of consecutive growth, the German economy therefore plunged into a deep recession last year whose extent is comparable with that of the financial crisis in 2009.

The social distancing measures caused the majority of gastronomy businesses in Germany to remain shut for almost five months or merely enabled them to sell take-away food in 2020. The various aid programmes implemented by the German government aim to at least partially buffer the sales slumps. Most of this aid was paid out with significant delays.

According to the Federal Statistical Office, gastronomy sales in 2020 collapsed by 32.0 % in nominal terms (based on respective prices) and 35.1 % in real terms (based on constant prices) year-on-year in 2020. The main driver of this development were the lockdown months. These figures largely coincide with the sales data of the users of the Vectron online services with a decrease of 33.9 % (in nominal terms including VAT). Taking into consideration the effect from the VAT reduction, this would be around 31.4 % in nominal terms, in other words the same as the figures of the Federal Statistical Office. The bakery sector was also negatively impacted by the government closure of cafes and outdoor seating areas. According to the Federal Statistical Office, sales in the "bakery and sweets retail sector" (this sector does not reflect the bakery sector in a clearly assessable manner) decreased by 16.7 % in nominal terms and 18.7 % in real terms year-on-year in 2020. The data collected by Vectron indicates a nominal decrease in gross sales by around 11.8 %.

A study ordered by the Federal Ministry for Economic Affairs and Energy concludes that the hotel and gastronomy sector are affected the most frequently and strongest by the Coronavirus pandemic. The general economic conditions for the German customers of Vectron Systems AG were therefore worse than for the rest of the economy.

1.3. Sector development

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

An important change in recent years is the establishment of new pricing models based on recurring instead of one-off payments.

The requirements placed on cash registers by the tax authorities have a considerable effect on the market. In the past, the legal position in Germany was determined by two letters of the Federal Ministry of Finance (Bundesfinanzministerium – BFM) dated 26 November 2010 ("Aufbewahrung digitaler Unterlagen bei Bargeschäften" – "Storing digital documents for cash transactions") and 14 November 2014 (GoBD = "Grundsätze zur ordnungsgemäßen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie Datenzugriff" – "Principles for properly maintaining and storing books, records and documents in electronic form as well as data access"). These state that a POS system must keep detailed records of all booking data and also record other data in electronic form (obligation to keep individual records). This data must be archived for a minimum period of 10 years. The transitional period, during which it was still permitted to use systems that could not be retrofitted, expired at the end of 2016. However, numerous users did not comply with this period and changed over only after the due date or have still not done so.

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

The practical implementation of the law is regulated by the POS Security Ordinance (Kassensicherungsverordnung – KassenSichV), various technical guidelines issued by the Federal Office for Information Security (BSI) and the application ordinance on Section 146a of the German Tax Code (Abgabenordnung – AO). The last part of the specifications, the "Digital Interface of the Financial Administration for POS Systems" [Digitale Schnittstelle der Finanzverwaltung für Kassensysteme (DSFinV-K)] was only published on 12 August 2019. As the remaining period until the end of the year was not nearly enough for the technical implementation of a wide-spread installation, the German Federal Ministry of Finance (BMF) granted a period of grace until 30 September 2020. POS systems without technical security devices may still be used during this period. However, all POS systems sold as from 1 January 2020 must already be upgradable with a technical security device.

In July 2020, the German federal states (with the exception of Bremen) approved another deadline extension for the leniency period until 31 March 2021 on condition that POS operators place a binding order for, or initiate the order of, the technical security devices and can provide evidence thereof. The providers questioned by DFKA (German Association for POS and Invoicing System Technology) estimated the average changeover rate at 36 % at the end of November 2020. In order to meet the requirements, all electronic cash registers in Germany must either be upgraded or replaced. Vectron was able to provide DSFinV-K compliant solutions as far back as of the end of 2019. Based on the large installation base of Vectron, a great potential for acquiring further market shares and at the same time considerably expanding the digital business prior to the easing of the fiscalisation effect can be generally expected. The digital business constitutes the use of digital services such as reporting, voucher cards, point collection systems, online orders, online table reservations and payment solutions. An unusually high number of POS system updates instead of new purchases was recorded in the gastronomy sector due to the massive economic impact of the Coronavirus pandemic stated above. This should result in follow-up effects where operators decide to purchase a new POS system at a later date.

On the other hand, digital services such as table reservations, delivery services and payment solutions have gained in importance due to the government restrictions imposed in response to the Coronavirus pandemic. In 2020, Vectron Systems AG once again invested considerable sums internally for further developing the digital services. These investments were not capitalised.

1.4. Sales and order development

Sales development in 2020 was shaped by the fiscalisation and Coronavirus pandemic. In its original medium-term planning, Vectron Systems AG forecast a steep year-on-year sales increase for which corresponding personnel and material resources were held available. Based on K€ 25,169 in sales in 2019, 2020 started promisingly. In the first quarter of 2020, sales in the amount of K€ 7,478 was generated due to the fiscalisation effect. Afterwards, the massive effects of the Coronavirus pandemic started to show. Due to the resulting lockdown, sales plummeted to K€ 5,120 in the second quarter of 2020. In the third and fourth quarter, sales development improved again at K€ 7,598 and K€ 7,576 respectively. Total sales in 2020 were up year-on-year, primarily due to increased sale of POS updates and technical security devices as well as the continuing development of recurring sales from the digital business. The share of recurring sales in total sales doubled from just under 5 % in January 2020 to 10 % since April 2020. The average share of recurring sales in total sales was just under 9 % in 2020. This trend also continued in the first months of 2021. Sales in absolute terms increased year-on-year and the share of recurring income also rose to just under 12 %. The recurring sales of the unconsolidated wholly-owned subsidiary bonVito GmbH are not included in the above figures. They amounted to approximately K€ 250 per month. If this company had been consolidated, the share of recurring sales would therefore be just under 18 %.

Total sales in financial year 2020 amounted to K€ 27,772 (previous year: K€ 25,169), corresponding to a year-on-year increase of 10 %.

K€ 24,772 (previous year: K€ 19,742) of sales revenues, or 89.2 % (previous year: 78.4 %), pertained to Germany, K€ 2,915 (previous year: K€ 5,113), or 10.5 % (previous year: 20.3 %), to other EU countries and K€ 85 (previous year: K€ 314), or 0.3 % (previous year: 1.2 %) to third countries. The decrease in foreign shares in sales revenues are caused by the long-term lockdowns experienced by these countries as well and the lack of balancing effects from fiscalisation.

bonVito GmbH, wholly-owned subsidiary of Vectron Systems AG which primarily operates in the bakery segment, has developed positively in recent years. Based on annual profits of K€ 101 in 2018, this figure increased in 2019 (K€ 370) and 2020 (K€ 333). The number of contracts increased by just under 19 % to 6,605 in 2020. Vectron Systems AG and bonVito GmbH maintain a business relationship. Vectron Systems AG sells hardware to bonVito GmbH and also provides material and personnel resources the costs of which are reimbursed by bonVito GmbH. The consolidation of bonVito would primarily result in the addition of the annual profits of the two companies. Usage intensity decreased in 2020 due to the closure of cafes and outdoor seating areas caused by the pandemic.

Vectron Systems AG provides its end customers with a financing model for new POS systems. This sales promotion model is offered by Vectron specialist trade partners. The financing portfolio contributed just under 16 % (previous year: 17 %) to total sales in financial year 2020.

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.

1.5. Production and procurement

Vectron uses the same application software in most of its POS systems. It can also be used in other sectors than the actual target sectors. Different models and/or model changes and diverse target industries therefore cause comparatively little cost.

The production process consists primarily of the assembly of modules and pre-fabricated components as well as quality controls. Device variants in great demand are manufactured and kept in stock. Sometimes complete devices manufactured to order are also supplied. Stocks are dispatched as soon as an order is received, meaning that delivery periods are usually very short. Less frequently demanded products are made specifically to order.

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

1.6. Investments

Investments in the reporting year amount to K€ 1,226 (previous year: K€ 465). In addition to cash inflows from the sale of fixed assets, the majority of cash outflows pertains to the free-of-charge provision of POS systems to operators in connection with the use of the digital services, ongoing modernisation and expansion of the IT infrastructure as well as operational and business equipment.

Around one third of employees continue to work on new and further developments of Vectron products. A considerable share of personnel costs therefore relates to development services. However, the company chose not to capitalise these costs.

1.7. Financing

At year-end, cash and cash equivalents amounted to K€ 8,305 (previous year: K€ 11,316), K€ 3,000 down year-on-year.

On 3 February 2020, Vectron Systems AG resolved to implement a capital increase by issuing up to 727,319 new no-par value bearer shares against cash deposits whilst partially utilising the existing authorised capital and excluding the shareholders' subscription rights. The share capital increased to € 8,019,178 as a result. All new shares were placed in an accelerated private placement at the placement price of € 15.10 per share, which had been resolved by the executive board with consent from the supervisory board. The gross transaction income from issuing the shares amounted to K€ 10,983.

As of 31 December 2020, a loan in the nominal amount of K€ 10,000 was redeemed as planned.

In the reporting year, the cash flow from ongoing business activity amounted to K€ -3,771 (previous year: K€ -2,511). The cash flow from ongoing business activity therefore decreased by K€ -1,260 year-on-year. The balance is primarily comprised of the loss at year-end and the increase in inventories.

Investments in fixed assets in the reporting period resulted in cash flow from investment activity of K€ -726 (previous year: K€ -465). Of this amount, K€ 47 (previous year: K€ 66) pertained to software licenses and K€ 4 (previous year: K€ 27) to technical plant and machinery. The remaining amount of K€ 1,175 (previous year: K€ 372) comprises K€ 1,071 (previous year: € 0) in investments in POS systems which were provided to operators free of charge for a limited period of time within the scope of the use of the digital services. The remainder was invested in operational and business equipment.

In the reporting period, cash inflow and outflow from financing activities resulted in cash flow of K€ 1,486 (previous year: K€ 2,731), primarily resulting from the capital increase in February 2020 and the redemption of a capital market loan in the nominal amount of K€ 10,000.

The financing strategy remains 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 in Münster, Germany, as well as the refinancing of the sales promotion model. Further existing lease contracts (transport fleet, tools, trade fair construction etc.) are of only immaterial importance. To support bonVito GmbH in the start phase, guarantee commitments were entered into. Due to the extension of the rental agreement at the company head office in Münster, Germany, by 12 years, other obligations totalled K€ 13,436 (previous year: K€ 3,986) as of the balance sheet date. With exception of this rental agreement, the obligations have remaining terms of up to four years. We refer to the explanations in the notes.

1.8. Human resources

At year-end, the workforce comprised 205 employees (previous year: 187 employees), including three members of the executive board and 16 trainees. Vectron applies a profit-based, variable, multi-level remuneration model for almost all employees to automatically adjust personnel costs to the economic situation and to motivate employees. If the profit situation is positive, employees earn considerably more through their variable salary components. 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. Reduced working hours were used to a small extent.

1.9. Remuneration system for executive bodies

All members of the company’s executive board contain fixed and variable remuneration. The variable components of two of the members contain a performance-related component of one percent of operative profit (earnings before interest, taxes, depreciation and amortisation). One member's variable component consists of a capped target bonus based on EBITDA. All members of the executive board are entitled to a company car.

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

1.10. Other important processes

There were no other important processes during the financial year.

2. Assets and financial situation

Intangible assets primarily contain purchased development services for software components of the Vectron cloud platform and software licenses.

The wholly-owned subsidiary bonVito GmbH, founded in 2012, is recognised in financial assets. The company provides internet services in connection with POS systems and has been generating net profit, the most recent being K€ 333 in 2020 (previous year: K€ 370).

This item also includes the wholly-owned subsidiary posmatic GmbH. It manufactures a POS software app which runs on Apple hardware, such as iPads, iPods and iPhones. End customers generally purchase their own hardware and pay a monthly user fee for the software. The usual start-up losses for this specific business model were incurred during the start-up phase. Based on a positive forecast, the shares are stated at amortised cost.

Inventories increased by 35.4 % year-on-year. In order to meet the increase in demand expected from the fiscalisation at all times, inventories were increased, as planned. The main inventory items to be increased are technical security devices and POS systems. Popular products are produced in advance and the proportion of finished products in the total volume increased as a result. 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 could otherwise have an immediate negative effect on sales. There are no noteworthy risks as the stocks are materials for current models.

Receivables consist of numerous smaller individual receivables related to different customers. The average days sales outstanding are usually a maximum of 60 days. Longer payment terms are only granted in exceptional circumstances. The actual payment default rate is very low. Potential risks are addressed through the formation of individual and general value adjustments.

Accrued and deferred items primarily include prepaid expenses for the specialist trade partners. Other assets contain repayable development financing for distributors.

As of the balance sheet date, the issued capital was comprised of 8,037,842 (previous year: 7,291,859) no-par value bearer shares with one vote each. The total equity capital amounts to K€ 22,779 (previous year: K€ 13,813).

The short-term liabilities and accruals of K€ 4,045 (previous year: K€ 12,903) can be paid from short-term tied capital in the amount of K€ 19,043 (previous year: K€ 21,840).

The financing and liquidity situation of the company can be described as positive. The cash flow statement shows the changes in cash and cash equivalents. Please refer to Section 1.7 in this respect and regarding off-balance sheet commitments.

3. Profit situation

In three of the four quarters in financial year 2020, Vectron Systems AG generated average sales of € 7.6 million. Sales in the second quarter amounted to € 5.1 million due to the lockdown. The year-on-year increase was primarily caused by the new legal requirements for POS manipulation protection and the further development of the business model.

The further development of the business model created expenses for sales support and the development of additional employee capacities. All costs are included in the EBITDA. Reduced working hours had been registered for part of the staff in the lockdown period.

Despite all external influences, the restructuring of the business model (development of the share of recurring income) could be advanced further.

In addition to the traditional sales business through specialist trade partners, the company also offers a sales promotion model (“sale-and-lease-back with subsequent sublease of these POS systems by Vectron to end customers”). In 2020, POS system sales in the amount of K€ 1,890 (previous year: K€ 1,626) were thus generated. The specialist trade partners who arrange transactions receive commission once a contract is concluded. This commission amounted to K€ 1,020 (previous year: K€ 845). Sales revenues from subleases (K€ 2,461; previous year: K€ 2,717) are offset against corresponding leasing expenses (K€ 1,969; previous year: K€ 2,056) over the respective three and four-year terms in the material costs item. After deducting the figures for these effects and for non-product-related sales generated by associate companies, adjusted sales amounted to € 23.6 million (previous year: € 21.0 million) and adjusted material costs to € 8.7 million (previous year: € 7.8 million) and consequently the adjusted gross profit ratio to 63.4 % (previous year: 63.0 %) for the company as a “POS manufacturer with traditional sales business”, compared with the unadjusted gross profit rate of 58.1 % (previous year: 57.7 %). The gross profit rate shown results from the material costs in proportion to sales (excluding inventory changes).

Personnel expenses contain wages and salaries paid as well as annual leave entitlements and accrued overtime and special employee bonuses for the financial year. This resulted in a monthly average of K€ 819 compared with the previous year’s figure of K€ 775. Converted to full-time equivalents, the average number of employees (excluding 16 trainees and three members of the executive board) was around 168 (previous year: 158).

The amount of depreciation and amortisation was at the usual level from the previous years (excluding 2018) in the reporting period.

Other operating expenses increased from an average of K€ 579 per month to K€ 780. This rise was caused by increased external support (mainly consulting and sales services) as well as the costs for the capital increase. This is a temporary rise in costs for the adjustment of the business model, which will not be incurred again to the same extent in 2021.

Other operating income increased by K€ 304 year-on-year to K€ 624. In addition to exchange rate gains, benefits in kind and income from the reversal of accruals and impairments, this item includes system sales, including lease-back agreements, for initially activated POS systems which were provided to customers within the scope of digital offers for time-limited use.

The ordinary financial result in the amount of K€ -200 (previous year: K€ -174) primarily includes loan liabilities.

The percentage of foreign currency transactions in merchandise purchasing in 2020 was approx. 49 % (previous year: approx. 37 %) of the material input. Other expenses by the company are not significantly influenced by exchange rate fluctuations. The same applies to distribution, as foreign currency regions mostly also use the euro for billing purposes. There are at present no recognisable trends toward inflation.

Annual profit before income taxes amounts to K€ -2,787 (previous year: K€ -1,956) and annual profits to K€ -2,065 (previous year: K€ -1,392).

Earnings in 2020 are marked by two contrary effects: the considerable impairment of the target sector, gastronomy, by the five-month lockdown as well as the changed general tax conditions for operators. Despite the challenges created by the Coronavirus pandemic, sales increased by 10 % year-on-year in 2020. The further development of the business model and related investments in sales and personnel resources as well as the costs in connection with the capital increase decreased earnings, which were slightly more negative than in the previous year. Consistent cost management and a clear sales alignment provide a positive basis for the future.

4. Significant events after 31 December 2020

For significant events after the balance sheet date,

- the effects of Brexit and
- the continuation of the Coronavirus pandemic,

please refer to the disclosures in the significant events section of the notes as well as the forecast report in the management report.

5. Risk reporting

For monitoring purposes and to support decision-making, Vectron Systems AG has introduced a risk management system and appointed a risk management officer who reports directly to the executive board. The risks and counter-measures are monitored and recorded on a regular basis. The risks are classified and appraised both qualitatively and quantitatively. Changes are documented so that historical developments are transparent. The results of each audit are reported to the executive board. If additional counter-measures are required, these are initiated directly by the executive board. A performance indicator is calculated from the probability of occurrence and potential damage. This forms the basis for inclusion in the risk report.

5.1. Business risks

The long-standing pricing pressure in the industry may result in a narrowing of the margins for the sale of POS systems, which could not be compensated with other means under the previous income model (one-off income). By offering unique selling points, Vectron has so far largely disconnected itself from the general pricing competition within the sector. The development and expansion of the new business fields with recurring revenues will lead to a great degree of independence from one-off income and general pricing pressure.

Various technical developments have lowered market entry hurdles for new providers and lead to a continuous change of products and business models. Missing a new trend could damage Vectron's profitability in the long-term. The monitoring of competitors and other sectors in order to constantly check and adjust the company strategy is thus of great importance. For this reason, product developments are continually adjusted to current findings. All developments are now based on agile methods (Scrum) to ensure maximum reaction speeds.

Economic fluctuations impact users' willingness to invest in POS systems, meaning that an economic downturn (potentially only in individual sales countries) can lead to significant sales decreases. In 2020, willingness to invest decreased significantly due to the Coronavirus pandemic and related closures in the gastronomy sector. The fiscalisation compensated for the reduced willingness to invest. The aim remains to gain independence from economic cycles as much as possible by focusing on high-quality and complex system solutions as well as transitioning to business models with recurring instead of one-off income. Since 1 January 2020, POS systems in Germany must be fitted with a certified technical security device in accordance with Section 146a of the German Tax Code (Abgabenordnung – AO) so as to prevent the manipulation of electronic records. Due to the delayed availability of the technical and tax law requirements, the German Federal Ministry of Finance (BMF) granted a period of grace for implementing the upgrades until 30 September 2020. Despite the economic effects of the Coronavirus pandemic, the BMF did not extend this period of grace. However, 15 ministries of finance of the federal states (except Bremen) responded so that the deadline was postponed once more until 31 March 2021 if certain conditions were met. In the markets of other countries with similar constraints, numerous users let similar periods of grace pass without responding and reacted with a significant delay. Further postponements of the date cannot be ruled out. Sales expected in 2020 generated from upgrades and the replacement of devices have therefore been delayed. When exactly these sales can be generated once the deadline expires on 31 March 2021 primarily depends on the enforcement of the legal constraints by the financial authorities.

5.2. Process and value creation risks

The company's growth and adjustment processes, particularly for the development of the new business fields and the expansion in other countries may lead to the complexity of internal processes increasing too quickly, thus leading to loss of efficiency and lack of quality. During corresponding changes, particular importance is thus placed on suitable project management and involvement of employees.

The process development and invoicing of digital services is generally complex and prone to errors. Problems can have considerable negative effects on sales, revenues and customer satisfaction. This is primarily counteracted with the launch of suitable IT solutions.

The obligation to use a technical security device and the consequences of the business closures have made it more difficult to plan demand for suitable POS systems. Furthermore, the delivery times for electronic components have become considerably longer in recent months, mainly as a result of the COVID-19 pandemic. Delivery difficulties can therefore not be ruled out for the future. This risk was, and is being, counteracted by increasing stocks of materials and finished products as well as organisational measures.

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

5.3. 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. Vectron therefore aims for a high equity ratio. Additionally, sufficient levels of liquidity are maintained so that the stability of the company is ensured at all times, even during longer periods of weak economic performance.

Dependencies on individual, major customers always pose a risk, such as in the case of payment default. However, this risk is currently low for Vectron (the largest Vectron customer accounted for 3.6 % of total sales in 2020), but may increase due to individual major orders. The general default risk of the debtors is counteracted with various audits at portfolio and individual level, including a regular check of credit limits, regular exchange with customers, prompt and regular reminder and collection activities and additional mitigation measures.

As the company buys a significant share of the material in foreign currency (primarily US dollar), and/or prices are directly impacted by exchange rates, unfavourable exchange rate fluctuations may have a significantly negative impact on profits. Depending on historical and expected exchange rate developments, foreign currency items are processed via spot purchases or hedged with derivative financial instruments. Due to the sometimes high volatilities, these securities are, however, not always available at acceptable conditions. In addition, it is almost impossible to hedge against long-term exchange rate fluctuations.

Longer-term business interruption, e.g. as a result of a fire, could have considerable financial costs. This risk is mitigated through a business interruption insurance, if possible. However, certain risks, such as force majeure, cannot be insured or would be too expensive to insure to be economically viable.

Tax audits always bear a potential revenue and/or liquidity risk. Up to now, financial years 2008 to 2015 have been audited without resulting in any material back payments. A tax audit for 2016 to 2018 has been announced for the third quarter of 2021.

5.4. Technical and IT risks

The company is highly dependent on numerous IT systems and other technology. Breakdowns, malfunctions, data loss or hacker attacks could endanger the company's continued existence as a going concern. This particularly applies to the digital services offered as cloud solutions where even short breakdowns have considerable effects on users. Vectron places great importance on state-of-the-art security measures and backup solutions as well as regular IT system updates. The requirements regarding reliability and resilience are taken into consideration in the architecture and operating concept of the cloud solution.

5.5. Purchasing and cooperation risks

A price increase for purchased components can result in a narrowing of the margin. In order to prevent this issue, Vectron agrees fixed-price contracts that prevent direct price increases by suppliers. As the exchange rate trend is used for calculating the fixed price, there is nevertheless an indirect potential currency risk. However, it is impossible to fix prices in the long term.

Price savings for electronic assemblies, components and finished devices can generally only be achieved by purchasing larger quantities. However, larger purchasing volumes require more tied capital and bear the risk of impairments in the event of products being cancelled. The company therefore only concludes framework agreements for quantities whose sale is largely secured.

In the case of Vectron-specific or single-source components, the downtime of a pre-supplier can result in delivery delays. The largest single supplier contributed a share of 14.2 % of the total acquisition volume in 2020. To avoid shortages, minimum amounts of all critical components are stocked so that a sufficient lead time for a reaction to downtimes is ensured. Replacement suppliers are on stand-by if technically and economically feasible.

Parts of the globally linked supply chains have been disrupted by the COVID-19 pandemic. This primarily shows in the longer delivery times previously mentioned in section 5.2. It has been possible up to now to fully compensate for this development with increased stocks and the change to alternative components.

5.6. Personnel risks

In view of the lack of qualified employees in recent years, problems with the acquisition of qualified employees may result in the company being unable to implement its planned product developments and sales activities and exploit corresponding business opportunities. Numerous individual measures are being implemented to position Vectron as an attractive employer.

The unavailability of key employees can lead to noticeable problems with operations. A risk in this respect is that it may be impossible to retain these key employees in the company. In order to promote employee retention, Vectron places great importance on a good working climate and the targeted promotion of cooperation amongst colleagues. Managers are tied to the company with a share options programme.

5.7. Product and product development risks

The product portfolio undergoes ongoing adjustments, changes and expansions. The resulting development and production complexity can lead to delays and product errors that can have a significant effect on the company's profit situation. There is also a risk of developing products that do not meet requirements in the market. Both planning and development are therefore as iterative as possible to ensure that findings in the market flow into these activities as quickly as possible. Software tests are automated as much as possible. The risk is further limited through product liability insurance.

6. Forecast report

6.1. Future sector development

The POS systems market is considerably impacted by developments in the target industries, this being the gastronomy and bakery sectors for Vectron. The impact in 2020 was explained in detail in section 1.2. The development in the coming reporting periods will be materially affected by the Coronavirus pandemic and the handling of the changed fiscal requirements.

According to data collected by DEHOGA, the two lockdowns in 2020 could lead to major distortions in the gastronomy sector. Approximately 25 % of companies participating in a survey conducted by DEHOGA in February 2021 stated that they were considering closing down. The structure in the gastronomy sector could therefore change visibly in the coming months and years. The long-term trend toward an increasing product range and use of the gastronomy sector should generally continue. The default risks amongst the customer base of Vectron Systems AG has not yet increased to an extent worth mentioning, which is mainly due to the government support for the gastronomy sector. Assuming a relatively constant total number of companies in an atomistic gastronomy market in the future, it is also to be assumed that new businesses will be founded / opened following business closures once the situation normalises, which will generally create opportunities for the sale of new POS systems.

In the bakery segment, which was much less affected by the lockdowns, the concentration will continue with a roughly constant number of sales outlets. Such consolidation could result in changed market shares, which is both an opportunity and risk for Vectron.

User requirements will continue to get tougher. The focal point here is moving toward analysis functions, digital services and other additional services such as payment solutions. The Coronavirus pandemic has considerably boosted demand for digital services. Customer retention systems as well as reporting services are becoming more usable and affordable for an increasing number of users in the form of cloud solutions. This is promoting a change toward subscription and pay-per-use models.

Particularly in financial year 2021, further positive effects from the changed tax legislation requirements ("fiscalisation") are to be expected as the gastronomy sector has been rather reluctant to invest during the Coronavirus pandemic. The end of the period of grace on 31 March 2021 should result in increased demand for compliant POS systems. It is discernible that a majority of customers will only invest in changing their POS systems once the period of grace has expired. It can be expected that the follow-on effect will continue until the third quarter of 2021.

The use of mobile consumer hardware, in particular tablet computers, as a basis for cash register systems is expected to increase further. In future, the innovative capability of the providers will determine the competitive success even more. However, the technical changes will not take place as quickly as in the consumer segment. Competition is likely to remain as fierce as ever.

The required development costs will continue to grow. Vectron's size, which is an advantage compared with numerous competitors, provides the company with the opportunity to develop its market share.

The sales structures – in the market segment of Vectron this is sales through specialist trade partners in all regions – are forecast to remain largely stable in the long term and continue to enable Vectron to quickly process the market in the target industries.

6.2. Future product development

The main focus remains on the continuous further development of the various software and service products.

The further development of the Vectron Cloud online platform is a focal point. Customer retention, ordering, reservation and e-payment services are technically integrated on this platform, both with the company's own products and cooperations. These services are marketed in various combinations under different product names.

The existing POS system software is being continuously improved and also to be replaced with newly developed software in the medium to long term.

The hardware for the stationary POS systems is being modernised on a regular basis.

6.3. Future business development

The measures for combating the COVID-19 pandemic had, and are having, a massive effect on Vectron's target markets.

Approximately 60 % of Vectron's sales are generated in the gastronomy sector, around 30 % in the bakery sector and roughly 10 % in other sectors. This is an estimate as the majority of sales are concluded by the specialist trade partners.

Sales in the gastronomy sector collapsed after the closures in all regions in mid-March 2020. Only some of the restaurants offered a take-away service and generated merely a fraction of their usual sales by doing so. The situation was the same in the second lockdown starting in November. Thanks to the comparatively good summer, sales in the full year decreased by only one third year-on-year.

Bakeries did not close, but without their cafe business, sales initially slumped by almost 25 % during March 2020, then started to increase again. The effects of the second lockdown were slightly less severe.

The effects on Vectron's future business development cannot be fully estimated at present. The slow payout of government aid and uncertain perspectives are causing considerable restraint in the short term, especially in the gastronomy sector, despite the government aid programmes helping with bridging periods of closure. The medium and long-term outlook also depends on overall economic developments. It cannot be reliably estimated at present as the date on which the gastronomy sector can reopen in all regions crucially depends on the comprehensive success of the vaccination programme and local case number developments. It is to be expected that once the gastronomy sector will be able to reopen in all regions, with this hopefully being in spring / summer 2021, demand for gastronomy products will increase straight away. The length of the lockdown and severity of opening conditions are crucial parameters for a successful business trend.

In view of liquidity in the amount of € 8.3 million at the end of 2020, which increased by a further € 3.0 million due to a loan with a two-year term granted in December 2020 and paid out in January 2021, Vectron continues to have sufficient liquidity, even in crisis situations that potentially could endanger the company's existence as a going concern. Costs can also be arranged more flexibly to a certain extent so that it is possible to respond to potential sales decreases by implementing various measures.

The decisions surrounding Brexit, which were only made shortly before the end of 2020, had a negative effect on the UK sales market. Increased customs duties, longer delivery periods and more complex VAT regulations impeded the transport and delivery of goods and services in the United Kingdom. With just under 2 % of sales volume, the United Kingdom is of minor importance to Vectron's total sales.

By focussing on services, the company plans to reduce its dependence on general economic developments, particularly during economic downturns when customers are unwilling to invest.

- bonVito has become firmly established in the market in its current form as a customer loyalty solution for individual enterprises and continues to grow steadily. The existing customer base is very stable and the termination rates are low.
- Vectron markets various supplementary products for POS systems under the "myVectron" product name and based on the new Vectron cloud platform. The main products include reporting apps, data backups in the cloud and interfaces to DATEV cloud solutions.
- Vectron's "Digital World" product provides customers with an all-in-one package comprising digital services and a POS system, which is fully or partially financed through the use of the services.
- For 2021, it has been planned and partially implemented already to make the products integrated in Digital World as well as other partner products available for Vectron POS systems as well, both individually and as bundle solutions.

The transformation of the new business model away from one-off income to recurring income, which depends on terms and is higher in total, tends to be linked to a temporary negative effect on sales and earnings due to the realisation principle, which should be overcompensated afterwards, as expected. However, the effects ultimately depend on the future mix of one-off and recurring income.

The Law on the Protection Against Manipulation of Digital Background Recordings [Gesetz zum Schutz vor Manipulationen an digitalen Grundaufzeichnungen] is expected to have a positive effect on future business developments, even after the changeover deadline has expired on 31 March 2021. This assumption is based on experiences with similar laws in countries such as Austria. Due to the delays caused by the COVID-19 pandemic, a considerable proportion of the systems has not yet been changed, as a result of which Vectron continues to expect momentum for this special economic development in 2021. In the POS business as well as the new service business, which requires intensive sales support, Vectron therefore continues to aim for increased sales and expects the EBITDA to rise year-on-year, even taking into consideration normalising sales support measures as well as the transformation effects in 2021 stated above and based on developments in the first three months of 2021. Should the Coronavirus restrictions in the target sectors last considerably longer, i.e. past the summer of 2021, a decrease in sales, contrary to the above forecast, cannot be ruled out. Even in the times of the pandemic, Vectron is confident that the adjustment of the business model, which was previously initiated and will be implemented as from 2021, places the company in a good position. However, Vectron, like probably all other market participants, yet has to master the time until this implementation.

Münster, 31 March 2021

Vectron Systems AG
The executive board

Jens Reckendorf	Thomas Stümmler	Silvia Ostermann
CTO	CEO	COO

Balance sheet as of 31/12/2020

Assets		31/12/2020			31/12/2019
		€	€	€	€
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	86,938.39			129,029.66
	2. Prepayments made	0.00	86,938.39		0.00
II	**Tangible assets**				
	1. Technical facilities and machines	62,853.02			140,559.45
	2. Other facilities, operational and business equipment	1,008,489.41			267,145.29
	3. Prepayments made and work in progress	0.00	1,071,342.43		48,430.00
III	**Financial assets**				
	Shares in associated companies		2,054,214.15	3,212,494.97	2,054,214.15
B	**Current assets**				
I	**Stocks**				
	1. Raw, auxiliary and operating materials	4,293,455.87			2,598,210.67
	2. Finished products and merchandise	2,420,746.27	6,714,202.14		2,360,043.17
II	**Claims and other assets**				
	1. Trade receivables	3,339,782.08			5,010,094.63
	- of which with a remaining term of more than one year: € 557,178.54 (previous year: € 0)				
	2. Receivables from associated companies	832,013.60			218,848.14
	- of which trade receivables: € 693,901.66 (previous year: € 84,486.02)				
	- of which with a remaining term of more than one year: € 0 previous year: € 0)				
	3. Other assets	1,343,839.79	5,515,635.47		336,731.70
	- of which with a remaining term of more than one year: € 933,353.00 (previous year: € 0)				
III	**Cash-in-hand, bank balances and cheques**		8,304,753.82	20,534,591.43	11,316,281.74
C	**Accrued and deferred items**			831,259.71	68,235.98
D	**Deferred tax assets**			2,890,940.87	2,169,510.52
				27,469,286.98	26,717,335.10

Liabilities	31/12/2020		31/12/2019
	€	€	€
A Equity capital			
I Subscribed capital	8,037,842.00		7,291,859.00
- conditional capital: € 741,253.00 (previous year: 417,336.00)			
II Capital reserve	20,033,477.40		9,748,743.70
III Retained earnings			
Statutory reserve	40,000.00		40,000
IV Balance sheet loss	-5,331,900.51	22,779,418.89	-3,266,785.83
- of which loss carried forward: € -3,266,785.83 (previous year: € -1,874,588.48)			
B Accruals			
1. Tax accruals	42,169.35		0.00
2. Other accruals	1,442,720.11	1,484,889.46	1,205,171.50
C Liabilities			
1. Liabilities to banks	0.00		10,420,990.00
- of which with a remaining term up to one year: € 0 (previous year: € 10,420,990.00)			
- of which with a remaining term of more than one year: € 0 (previous year: € 0)			
- of which with a remaining term of more than five years: € 0 (previous year: € 0)			
2. Trade payables	1,892,564.94		926,244.24
- of which with a remaining term up to one year: € 1,892,564.94 (previous year: 926,244.24)			
- of which with a remaining term of more than one year: € 0 (previous year: € 0)			
- of which with a remaining term of more than five years: € 0 (previous year: € 0)			
3. Liabilities to associated companies	61,795.60		0.00
- of which with a remaining term up to one year: € (previous year: € 0)			
- of which with a remaining term of more than one year: € 0 (previous year: € 0)			
- of which with a remaining term of more than five years: € 0 (previous year: € 0)			
- of which trade receivables: € 61,795.60 (previous year: € 0)			
4. Other liabilities	1,250,618.09		351,112.49
- of which from taxes: € 314,956.59 (previous year: € 300,535.00)			
- of which for social security: € 0 (previous year: € 0)			
- of which with a remaining term up to one year: € 604,962.63 (previous year: € 351,112.49)			
- of which with a remaining term of more than one year: € 645,655.46 (previous year: 0)			
- of which with a remaining term of more than five years: € 0 (previous year: € 0)		3,204,978.63	
		27,469,286.98	26,717,335.10

Profit and loss account

01/01 – 31/12/2020		Financial year 2020			Financial year 2019		
		€	€	€	€	€	€
1	Sales revenues		27,771,723.42			25,169,313.44	
2	Increase or decrease in finished goods and work in progress		-110,845.55			29,696.36	
3	Other own work capitalised		361,867.00			0.00	
4	Other operating revenues, of which from currency exchange: € 2,291 (previous year: 22,339)		623,701.90	28,646,446.77		319,666.15	25,518,675.95
5	Material costs						
	a) Cost of raw materials, consumables and supplies, and of merchandise	-8,432,474.51			-7,566,369.19		
	b) Costs for services obtained	-3,214,893.91	-11,647,368.42		-3,090,158.23	-10,656,527.42	
6	Personnel costs						
	a) Wages and salaries	-8,331,427.35			-7,832,922.56		
	b) Social security, post-employment and other employee benefit costs, of which for old age pensions: € 70,249 (previous year: € 73,003)	-1,501,034.64	-9,832,461.99		-1,464,648.75	-9,297,571.31	
7	Depreciation of tangible and intangible fixed assets		-388,133.19			-390,254.02	
8	Other operating expenses, of which from currency exchange: € 52,391 (previous year: € 27,687)		-9,358,458.99	-31,226,422.59		-6,952,189.58	-27,296,542.33
9	Other interest and similar income, of which from the discounting of accruals: € 0 (previous year: € 0) of which from associated companies: € 13,749 (previous year: € 9,596)		20,322.55			19,126.12	
10	Interest and similar expenses, of which from the compounding of accruals: € 0 (previous year: € 0) of which to associated companies: € 0 (previous year: € 0)		-220,305.67			-193,364.73	
11	Income tax expenditure, of which deferred taxes: Income € 721,430 (previous year: Income € 510,078)		721,430.35	521,447.23		564,268.95	390,030.34
12	**Earnings after taxes**			**-2,058,528.59**			**-1,387,836.04**
13	Other taxes			-6,586.09			-4,361.31
14	**Net loss for the year**			**-2,065,114.68**			**-1,392,197.35**
15	Loss carried forward from the previous year			-3,266,785.83			-1,874,588.48
16	**Balance sheet loss**			**-5,331,900.51**			**-3,266,785.83**

VECTRON

Cash flow statement

01/01 – 31/12/2020		2020	2019
		€	€
	Ordinary income for the period before income tax	**-2,786,545**	**-1,956,466**
+	Depreciation on fixed assets	388,133	390,254
+/-	Increase/decrease of other accruals, where these are not allocated to the investment or financing activities	237,549	260,700
+/-	Other non-operative expenditures/revenues	0	0
+/-	Loss/profit from the sale of fixed assets	-234,877	0
+/-	Decrease/increase in stocks, receivables from deliveries and services as well as other assets not allocated to investment or financing activities	-2,426,764	-1,610,722
+/-	Increase/decrease in liabilities from deliveries and services as well as other liabilities not allocated to investment or financing activities	1,051,642	280,392
+/-	Cash inflow / outflow from extraordinary items	0	0
-/+	Income taxes paid / received	0	124,547
=	**Cash flow from ongoing business activities**	**-3,770,863**	**-2,511,295**
+	Cash inflows from the disposal of tangible fixed assets	500,000	92
-	Cash outflows for investments in tangible and intangible fixed assets	-1,226,372	-215,371
-	Cash outflows for investments in financial assets	0	-250,000
=	**Cash flow from investment activities**	**-726,372**	**-465,279**
+	Cash inflows from equity injections	11,030,717	5,073,312
+	Cash inflows from borrowing	968,910	0
-	Cash outflows from the redemption of loans	-10,420,990	-2,342,120
-	Cash outflows for the repayment of advances	-92,930	0
-	Cash outflows to company owners (dividends)	0	0
=	**Cash flow from financing activities**	**1,485,707**	**2,731,192**
=	**Change in cash and cash equivalents affecting payment**	**-3,011,528**	**-245,382**
+	Cash and cash equivalents at the start of the period	11,316,282	11,561,664
=	**Cash and cash equivalents at the end of the period**	**8,304,754**	**11,316,282**

Notes

1. Information on the company

The purpose of Vectron Systems AG is to develop, distribute and sell integrated solutions for POS systems and related systems, including software and cloud-based data analysis, data management, goods management, CRM and service modules, interfaces for third parties, related services of any kind, and the production of the required hardware, particularly POS systems and accessories.

The location Münster is both the production centre and head office from which the domestic and international sales regions are supplied.

Company:	Vectron Systems AG
Head office:	Willy-Brandt-Weg 41, 48155 Münster, Germany
Register court:	Münster District Court
Commercial register no.:	B 10502
Authorised representative:	Thomas Stümmler (CEO) Silvia Ostermann (COO) Jens Reckendorf (CTO)

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

These annual financial statements as of 31 December 2020 were compiled in Euro (€) on the basis of the regulations under German commercial law and the supplementary specific requirements stipulated by law and the articles of association.

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

On 1 March 2017, the company started trading its shares in the "Scale" segment for SMEs (previously in the Entry Standard) of Deutsche Börse AG. Apart from Frankfurt, other OTC trading places are Berlin, Duesseldorf and Stuttgart. The company is therefore not a company with focus on the capital market within the meaning of Section 264d HGB and therefore a Non-PIE company.

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

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

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

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

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

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

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

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

Liabilities are stated at their fulfilment amounts.

3. Information on assets

Intangible assets primarily contain purchased software licenses as well as development services.

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

Vectron Systems AG owns all of the shares in the subsidiary bonVito GmbH Münster founded in 2012. The equity capital of bonVito GmbH amounted to K€ 493 as of 31 December 2019 (previous year: K€ 123). bonVito GmbH finished financial year 2019 with net profit for the year of K€ 370 (previous year: K€ 69). The equity capital of bonVito GmbH amounted to K€ 826 as of 31 December 2020 (previous year: K€ 493). bonVito GmbH finished financial year 2020 with net profit for the year of K€ 333 (previous year: K€ 370). Due to the positive development of the subsidiary, which has taken place since 2018, the investment book value is stated at amortised costs.

Since 2019, Vectron Systems AG owns all of the shares (previously 75 %) in posmatic GmbH. posmatic GmbH provides POS software which runs on Apple hardware, such as iPads, iPods and iPhones. The equity capital of posmatic GmbH amounted to K€ 414 as of 31 December 2019 (previous year: K€ 483). The company finished financial year 2019 with net loss for the year of K€ -68 (previous year: K€ -31). The equity capital of posmatic GmbH amounted to K€ 429 as of 31 December 2020 (previous year: K€ 414). The company finished financial year 2020 with net profit for the year of K€ 15 (previous year: K€ -68). Due to the positive development of the subsidiary, which continues to be expected following planned start-up losses and taking into consideration the pandemic, the investment book value is stated at amortised costs.

Since the end of 2017, VECTRON America INC. has been responsible for the continued development of the North American business. Vectron Systems AG owns 80 % of the company's shares. The equity capital of the company amounted to KCAD 49 as of 31 December 2019 (previous year: KCAD 67). The company finished financial year 2019 with net loss for the year of KCAD 18 (previous year: KCAD 18). The equity capital of the company amounted to KCAD 31 as of 31 December 2020 (previous year: KCAD 49). The company finished financial year 2020 with net loss for the year of KCAD 18 (previous year: KCAD 18). The investment book value is stated at amortised costs due to the readjusted and not yet completed start-up phase and delays caused by the pandemic as well as the expected subsequent positive development of the subsidiary, especially as the POS have now been further adjusted to meet the requirements of US users.

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 Section 272 V HGB [German Commercial Code] during the financial year.

There is no obligation to prepare consolidated financial statements pursuant to Section 293 HGB.

The stocks mainly consist of raw materials, consumables and supplies for the production of the POS models and finished products and merchandise. Trade goods only play a minor role as a logistics partner is managing both inventories and dispatch.

Cash in hand and bank balances amounted to K€ 8,305 as of the balance sheet date (previous year: K€ 11,316). In addition to ordinary operations, the capital increase in February 2020 (+€ 11 million) and the planned redemption of a loan in the nominal amount of € 10 million as of 31 December 2020 had an effect on liquidity.

Due to temporary differences between the valuations of assets and liabilities under commercial law and tax law and due to tax losses carried forward, there will be a tax relief in future

Equity capital development [K€]	Subscribed capital*	Capital reserve	Retained earnings** Statutory reserve	Balance sheet profit / loss***	Total
Equity capital as of 01/01/2019	6,612.0	5,355.3	40.0	-1,874.6	10,132.7
Dividend payout					
Capital increase against deposits	661.2	4,363.9			5,025.1
Capital increase from contingent capital	18.7	29.5			48.2
Net loss for the year				-1,392.2	-1,392.2
Equity capital as of 31/12/2019	7,291.9	9,748.7	40.0	-3,266.8	13,813.8
Dividend payout					
Capital increase against deposits	727.3	10,255.2			10,982.5
Capital increase from contingent capital	18.7	29.5			48.2
Net loss for the year				-2,065.1	-2,065.1
Equity capital as of 31/12/2020	8,037.9	20,033.4	40.0	-5,331.9	22,779.4

* Shares subscribed from authorised capital in financial year 2020: 727,319; shares subscribed from contingent capital in financial year 2020: 18,664
** No retained earnings due to a lack of write-ups of fixed and current assets.
*** The balance sheet loss of K€ -5,331.9 (previous year: K€ -3,266.8) contains loss carried forward of K€ -3,266.8 (previous year: K€ -1,874.6).

years. Deferred tax assets were recorded at the amount of this tax relief on the basis of differences regarding the useful life of some fixed assets as well as provisions for impending losses and tax losses carried forward. The valuation was based on a tax rate of 31.9 %.

Due to the capitalisation of deferred tax assets, profits can only be distributed if the accruals freely available after the distribution plus retained profits and less losses carried forward amount to at least K€ 2,891 (previous year: K€ 2,170).

4. Information 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.

The company’s share capital now amounts to € 8,037,842.00 and is divided into 8,037,842 no-par value bearer shares. It went up year-on-year due to two capital increases.

Due to factors such as the resolutions of the annual general meeting on 10 September 2020, which included the rescission of the (unused) authorised capital 2019 as well as the creation of the authorised capital 2020, the development of the capital and subscription rights issued during the reporting period is shown below.

As per resolution of the annual general meeting on 19 June 2019, the executive board is authorised, with the approval of the supervisory board, to increase the share capital of the company by a total of up to € 3,636,597.00 until 19 June 2024 by issuing new no-par value bearer shares against cash deposit and/or payment in kind (authorised capital 2019) and to determine a start of the profit participation which differs from legal requirements. The authorisation may be fully or partially utilised in one or several tranches. The executive board is further authorised, with the approval of the supervisory board, to decide on the content of the share rights and conditions of issue. The shareholders shall be granted a subscription right during capital increases. However, the executive board may, with the approval of the supervisory board, exclude the subscription rights for shareholders under certain conditions. Based on this authorisation, the executive board, with the approval of the supervisory board, resolved to increase the company's share capital by

		Authorised capital			Contingent capital			
	Shares	2018	2019	2020	2011	2017	2018	2020
Originally resolved nominal amount (including 1 to 4 share split in 2017)		3,305,998	3,636,597	4,009,589	180,000	180,000	200,000	342,581
Current as of: 31/12/2018	**6,611,996**	**3,305,998**			**56,000**	**180,000**	**200,000**	
AGM resolutions 2019		-2,644,799	3,636,597					
Exercised	679,863	-661,199			-18,664			
Limitation								
Current as of: 31/12/2019	**7,291,859**	**0**	**3,636,597**		**37,336**	**180,000**	**200,000**	
AGM resolutions 2020			-2,909,278	4,009,589				342,581
Exercised	745,983		-727,319		-18,664			
Limitation								
Current as of: 31/12/2020	**8,037,842**		**0**	**4,009,589**	**18,672**	**180,000**	**200,000**	**342,581**
of which number of subscription rights granted:					18,672	84,000	25,000	0
of which in cash (as of the balance sheet date) in €:					147,882	0	0	0
of which fair value (as of the granting date) in €:							0	

€ 727,319.00 against cash deposits by issuing 727,319 new no-par value bearer shares with a mathematical share in share capital of € 1.00 each. The shareholders' legal subscription right was excluded in application of Sections 203 Paragraph 1 and 186 Paragraph 3 Sentence 4 AktG. The authorised capital 2019 was therefore drawn down by € 727,319 in the reporting period. The remainder was rescinded.

As per resolution of the annual general meeting on 10 September 2020, the executive board is authorised, with the approval of the supervisory board, to increase the share capital of the company by a total of up to € 4,009,589.00 until 9 September 2025 by issuing new no-par value bearer shares against cash deposit and/or payment in kind (authorised capital 2020) and to determine a start of the profit participation which differs from legal requirements. The authorisation may be fully or partially utilised in one or several tranches. The executive board is further authorised, with the approval of the supervisory board, to decide on the content of the share rights and conditions of issue. The shareholders shall be granted a subscription right during capital increases. However, the executive board may, with the approval of the supervisory board, exclude the subscription rights for shareholders under certain conditions. The authorised capital 2020 was not drawn down in the reporting period.

The share capital of the company is conditionally increased nominally by up to € 180,000.00 by issuing up to 180,000 new no-par value bearer shares (contingent capital 2011). Subscription rights were exercised in the reporting period. In financial year 2020, a further 18,664 subscription rights thereof were exercised. As of the balance sheet date, the contingent capital 2011 was effectively only increased further by up to € 18,672.00 by issuing up to 18,672 new no-par value bearer shares. On the balance sheet date, the subscription rights, which are not stated as an expense, amounted to K€ 148. The contingent capital increase serves to issue subscription rights to executive employees of the company and subordinated associated companies in Germany and abroad in accordance with the authorisation resolution passed by the annual general meeting on 26 May 2011 regarding TOP 7. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company is conditionally increased by up to € 180,000.00 by issuing up to 180,000 new no-par value bearer shares (contingent capital 2017). In 2020, no further subscription rights were issued in this respect. On the balance sheet date, the subscription rights, which are not stated as an expense, amounted to K€ 0. The contingent capital increase serves to issue subscription rights to executive employees of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 23 June 2017 regarding TOP 10. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company is conditionally increased by up to € 200,000.00 by issuing up to 200,000 new no-par value bearer shares (contingent capital 2018). In 2020, no further subscription rights were issued in this respect. On the balance sheet date, the subscription rights, which are not stated as an expense, amounted to K€ 0. The contingent capital increase serves to issue subscription rights to employees of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 17 May 2018 regarding TOP 12. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

The share capital of the company is conditionally increased by up to € 342,581.00 by issuing up to 342,581 new no-par value bearer shares (contingent capital 2020). In 2020, no further subscription rights were issued in this respect. On the balance sheet date, the subscription rights, which are not stated as an expense, amounted to K€ 0. The contingent capital increase serves to issue subscription rights to executive employees of the company and subordinated associated companies in Germany and abroad in accordance with the provisions of the authorisation resolution passed by the annual general meeting on 10 September 2020 regarding TOP 7. The contingent capital increase shall only be implemented if the holders of subscription rights exercise their rights.

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

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

Designation	K€
Annual leave/overtime	189.0
Outstanding purchase invoices	323.6
Variable remuneration components	94.3
Other accruals	835.9
Total	**1,442.7**

Liabilities to banks decreased from K€ 10,421 to K€ 0 due to the timely redemption of the loans. Stock remains assigned as security for future loans.

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

5. Notes on the profit and loss account

The majority of sales pertain to one-off income from the sale of internally developed and produced POS systems as well as internally developed software (network communication, expansion licenses). Vectron’s hardware portfolio is rounded off by peripheral appliances (printers, scanners, cash register drawers etc.) and services. Recurring sales are gaining in importance with the transformation of the business model. They are generated from term contracts with end customers through which digital services (including payment solutions, table reservations, delivery services, customer retention systems, etc.) are made available for use in connection with a POS system.

With a sales increase in absolute terms, recurring sales, whose share in sales increased from just under 5 % to approximately 9 %, are gaining in importance.

Type of sales [K€]	Period	Germany	EU	Third country	Total
One-off sales	2020	22,321.6	2,880.1	84.8	25,286.5
	2019	18,590.5	5,094.5	313.8	23,998.8
Recurring sales	2020	2,450.5	34.7	0.0	2,485.2
	2019	1,151.3	18.8	0.4	1,170.5
Total	**2020**	**24,772.1**	**2,914.8**	**84.8**	**27,771.7**
	2019	**19,741.8**	**5,113.3**	**314.2**	**25,169.3**

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 POS systems by Vectron to end customers"). In 2020, POS system sales in the amount of K€ 1,890 (previous year: K€ 1,626) were thus generated. The specialist trade partners who arrange transactions receive commission once a contract is concluded. This commission amounted to K€ 1,020 (previous year: K€ 845). Sales revenues from subleases (K€ 2,461; previous year: K€ 2,717 recognised in one-off sales) are offset against corresponding leasing expenses (K€ 1,969; previous year: K€ 2,056) over the respective three and four-year terms in the material costs item. After deducting the figures for these effects and for non-product-related sales generated by associate companies, adjusted sales amounted to € 23.6 million (previous year: € 21.0) and adjusted material costs to € 8.7 million (previous year: € 7.8 million) and consequently the adjusted gross profit ratio to 63.4 % (previous year: 63.0 %) for the company as a "POS manufacturer with traditional sales business", compared with the unadjusted gross profit rate of 58.1 % (previous year: 57.7 %). The gross profit rate shown results from the material costs in proportion to sales (excluding stock changes).

Other operating income of K€ 624 (previous year: K€ 320) contains exchange rate gains, offset benefits in kind, income from the reversal of accruals and impairments as well as other income. Other operating income also include system sales, including buy-back agreements for initially activated POS systems, which were provided to customers for use as part of digital offers.

Depreciation and amortisation in the amount of K€ 388 (previous year: K€ 390) exclusively contain scheduled depreciation and amortisation.

The profit and loss account contains the auditor's fees for the audit of the annual financial statement of K€ 48 and for tax advisory services of K€ 20.

The income taxes stated in the profit and loss account contain deferred tax income in the amount of K€ 721. Additional amounts result from taxes for previous financial years.

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

6. Other information

Other financial obligations in the form of liquidity-protecting leasing and rental obligations amount to a nominal K€ 13,436 (previous year: K€ 3,988).

Contingent liabilities in the form of guarantees for the benefit of the associated company, bonVito GmbH, pursuant to Section 251 HGB amount to K€ 323 (previous year: K€ 754). Due to the positive development of the subsidiary these are not expected to be utilised.

During the reporting period, an average of 179 employees (consisting of 155 full-time employees and 24 part-time employees) worked at Vectron Systems AG. These figures were determined in accordance with the methods stated in Section 267 No. 5 HGB.

The members of the executive board can be contacted at the company's administrative address. In the reporting period, Thomas Stümmler, CEO, was responsible for Sales, Sales Support and Marketing, Jens Reckendorf, member of the executive board, for Research & Development, Product Development Hardware, Technical Support and Product Management, and Silvia Ostermann, member of the executive board, for Finance & Controlling, Human Resources, Procurement, Production & Hardware Support as well as Legal & Compliance and Executive Office.

The executive board member remuneration including expenses, benefits in kind, profit participation and subscription rights for the reporting period for Mr Stümmler amounts to K€ 224.1 (of which success-dependent: K€ 0.00 plus subscription rights K€ 0.00), for Mr Reckendorf to K€ 218,9 (of which success-dependent: K€ 0.00 plus subscription rights K€ 0.00) and for Ms Ostermann to K€ 171.4 (of which success-dependent: K€ 0.00 plus subscription rights K€ 0.00).

These were the members of the supervisory board in 2020:

- Mr Christian Ehlers (chairman), until 10 September 2020 Lawyer
- Prof. Dr. Dr. Claudius Schikora, from 10 September 2020 (chairman), President of the University for Applied Management
- Mr Maurice Oosenbrugh (deputy chairman), business manager, managing partner of EUCON GmbH
- Mr Heinz-Jürgen Buss, Dipl.-Kaufmann [business administration graduate], managing director Winkelmann Group GmbH & Co. KG
- Mr Thorsten Behrens, Dipl.-Kaufmann [business administration graduate], managing director Stephens Inc.

The supervisory board remuneration for the chairman is K€ 30. The other supervisory board members receive a remuneration of K€ 20 each. Members of the supervisory board who serve only part of a reporting period receive pro-rata remuneration.

7. Events after the balance sheet date

The Coronavirus pandemic impacted the entire year 2020 and continues to have an effect in 2021. In January 2021, Vectron acquired a KfW loan in the amount of K€ 3,000 with a term of two years, thus increasing its liquidity to around € 11 million. Vectron is sufficiently prepared even for crisis situations that potentially could endanger the company's existence as a going concern thanks to the company's good liquidity situation at all times as well as robust demand in the first three months of 2021 arising from the changes in legal requirements ("fiscalisation") in the domestic market, Germany, despite the Coronavirus pandemic. Regular scenario calculations form the basis for prompt corporate management and adequate consideration of general economic developments. The usual options in crisis situations can also be implemented. Reduced working hours are already being used as an instrument for adjusting to the drop in capacity utilisation and for saving costs. Potential financing solutions and cost reduction measures could also be taken into consideration.

Other financial obligations [K€]		of which with a remaining term of		
	Total	up to 1 year	1 to 5 years	over 5 years
Leasing obligations*	3,281.2	1,627.2	1,654.0	0
Rental obligations**	10,154.8	815.9	3,272.0	6,066.9
Total	13,436.0	2,443.1	4,926.0	6,066.9

* The sale-and-lease-back transactions concluded within the framework of the sales promotion model have original terms of 36 or 48 months with a remaining volume for the following financial years of K€ 3,027 (previous year: K€ 2,836) which are offset by slightly increased subleasing contracts.

** Rental obligations relate to the period until May 2033.

Please refer to the forecast in the management report for further details.

Münster, 31 March 2021

Vectron Systems AG
The executive board

Jens Reckendorf | Thomas Stümmler | Silvia Ostermann

Fixed asset analysis (appendix 4)

Development of the fixed assets during the financial year 2020						
	Commercial law	Acquisition costs				
		Current as of: 01/01/2020	Reclassifi-cation	Addition*)	Disposal	Current as of: 31/12/2020
		€	€	€	€	€
I	**Intangible assets**					
	1. Commissions, commercial property rights and similar rights and values as well as licenses to such rights and values	7,719,346.91	0.00	47,297.12	0.00	7,766,644.03
	2. Prepayments made	0.00	0.00	0.00	0.00	0.00
	Total intangible assets	**7,719,346.91**	**0.00**	**47,297.12**	**0.00**	**7,766,644.03**
II	**Tangible assets**					
	1. Technical facilities and machines	1,410,271.36	0.00	3,999.00	0.00	1,414,270.36
	2. Other facilities, operational and business equipment	1,517,417.97	0.00	1,175,076.11	255,359.64	2,437,134.44
	3. Prepayments made	48,430.00	0.00	0.00	48,430.00	0.00
	Total tangible fixed assets	**2,976,119.33**	**0.00**	**1,179,075.11**	**303,789.64**	**3,851,404.80**
III	**Financial assets**					
	Shares in associated companies	2,054,214.15	0.00	0.00	0.00	2,054,214.15
	Total financial assets	**2,054,214.15**	**0.00**	**0.00**	**0.00**	**2,054,214.15**
		12,749,680.39	**0.00**	**1,226,372.23**	**303,789.64**	**13,672,262.98**

*) No interest on debt was capitalised as assets in the financial year.
**) No write-ups and impairments were recorded in assets in the financial year.

Depreciations and amortisations					Book values	
Current as of: 01/01/2020	Reclassifi- cation	Addition**)	Disposal**)	Current as of: 31/12/2020	Current as of: 31/12/2020	Current as of: 31/12/2019
€	€	€	€	€	€	€
7,590,317.25	0.00	89,388.39	0.00	7,679,705.64	86,938.39	129,029.66
0.00	0.00	0.00	0.00	0.00	0.00	0.00
7,590,317.25	**0.00**	**89,388.39**	**0.00**	**7,679,705.64**	**86,938.39**	**129,029.66**
1,269,711.91	0.00	81,705.43	0.00	1,351,417.34	62,853.02	140,559.45
1,250,272.68	0.00	217,039.37	38,667.02	1,428,645.03	1,008,489.41	267,145.29
0.00	0.00	0.00	0.00	0.00	0.00	48,430.00
2,519,984.59	**0.00**	**298,744.80**	**38,667.02**	**2,780,062.37**	**1,071,342.43**	**456,134.74**
0.00	0.00	0.00	0.00	0.00	2,054,214.15	2,054,214.15
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**2,054,214.15**	**2,054,214.15**
10,110,301.84	**0.00**	**388,133.19**	**38,667.02**	**10,459,768.01**	**3,212,494.97**	**2,639,378.55**

Audit certificate by the independent auditor

for Vectron Systems AG, Münster

Audit opinion

We have audited the annual financial statements of Vectron Systems AG – consisting of the balance sheet for the period ended on 31 December 2020, the profit and loss account for the financial year from 1 January to 31 December 2020 and the notes to the annual financial statements – as well as the presentation of the accounting methods. We also audited the management report of Vectron System AG, including the cash flow statement for the financial year from 1 January to 31 December 2020.

Based on our audit findings,

- we have concluded that the annual financial statements comply with German commercial law applicable to corporate entities in all major respects and that they are a true representation of the actual assets and financial situation of the company as of 31 December 2020 and its profit situation for the financial year from 1 January to 31 December 2020 in compliance with the German principles of proper accounting and
- that the attached management report gives an overall true presentation of the company's situation. This management report matches the annual financial statements in all major respects, complies with German law and gives a true and fair view of the opportunities and risks of future development.

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

Basis for the audit findings

We have conducted our annual financial statement appraisal pursuant to Section 317 HGB under consideration of the German principles of an orderly annual financial statement determined by the Institute of Auditors (Institut der Wirtschaftsprüfer, IDW). Our responsibilities according to these regulations and principles are described in detail in the section "Responsibilities of the auditor for the audit of the annual financial statements and management report" in our audit certificate. We are an independent party to the company in compliance with German commercial and professional law and have met our other professional obligations under German law in accordance with these requirements. We are of the opinion that the proof obtained by us for the audit is sufficient and suitable to serve as the basis for our audit findings on the annual financial statements and management report.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material deliberate or accidental misstatements in the annual financial statements and management report, plan and perform audit activities in response to these risks and obtain proof which is sufficient and suitable to serve as a basis for our audit findings. The risk of failing to uncover material misstatements is higher in the case of violations than for inaccuracies, as violations may contain fraudulent cooperations, counterfeits, deliberate omissions, misleading presentations and/or the disablement of internal controls.
- gain an understanding of the internal control system relevant to the audit of the annual financial statements and the provisions and measures relevant to the audit of the management report which are necessary for planning our audit actions which are reasonable under the given circumstances but not with the aim to issue an audit opinion on the effectiveness of these systems of the company.
- assess the appropriateness of the accounting methods applied by the legal representatives and the tenability of the estimates and related disclosures presented by the legal representatives.
- draw conclusions on the appropriateness of the accounting principles applied by the legal representatives for the continuation of the company as a going concern and, on the basis of the audit proof obtained, to assess if there is any major uncertainty in connection with events or circumstances which could cast major doubt on the ability of the company to continue as a going concern. If we draw the conclusion that there is a material discrepancy, we are obliged to point out the related disclosures in the annual financial statements and management report in the audit certificate or modify our respective audit opinion if these disclosures are inappropriate. We draw our conclusions on the basis of the audit proof obtained until the date of our audit certificate. However, future events or circumstances may result in the company being unable to continue as a going concern.
- assess the overall presentation, structure and content of the annual financial statements, including disclosures and if the annual financial statements present the underlying business transactions and events so that they give an accurate view of the actual assets, financial position and profit position of the company in accordance with the German principles of proper accounting.
- assess if the management report matches the annual financial statements, its compliance with the law and the view of the situation of the company presented by it.
- audit the forward-looking statements issued by the legal representatives in the management report. Based on sufficiently suitable audit proof, we particularly trace the material assumptions on which the forward-looking statements of the legal representatives are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue a separate audit opinion on the forward-looking statements nor their underlying assumptions. There is a significant, unavoidable risk that future events may differ significantly from the forward-looking statements.

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

Münster, 13/04/2021

Impulse Digital GmbH
Wirtschaftsprüfungsgesellschaft

IMPULSE DIGITAL GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
WIRTSCHAFTS-
PRÜFUNGS-
GESELLSCHAFT
SIEGEL
MÜNSTER

Frank Pühse
- Auditor -

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