

ifa systems AG
annual report 2017



Life Science in Eye Care



in €'000, unless stated otherwise	2013	2014	2015	2016	2017
Revenue	7,771	8,077	8,267	8,864	8,553
own development work capitalized	2,335	2,341	2,395	1,596	824
Total performance	10,473	10,806	11,676	11,893	9,592
EBITDA	2,648	3,297	3,414	1,030	-2,942
EBITDA margin (%) in relation to total performance	25.3	30.5	29.2	8.7	n.a.
EBIT	1,601	2,419	2,686	-2,216	-7,797
EBIT margin (%) in relation to total performance	15.3	22.4	23.0	n.a.	n.a.
Consolidated net income / loss	1,043	1,538	2,062	-2,224	-9,291
Earnings per share (EUR)	0.42	0.56	0.75	-0.81	-3.38
Operating cash flow	3,267	2,502	1,708	1,222	544
Free cash flow	679	-384	-1,108	-474	-296
Total	18,774	23,446	26,446	22,965	20,740
Shareholders' equity	14,138	17,875	20,271	15,806	8,267
Equity ratio (%)	75.3	76.2	76.7	68.8	39.8
Employees (average)	72	82	87	91	73
Performance per employee	145	132	134	131	131
Number of shares (€'000)	2,500	2,750	2,750	2,750	2,750

The above mentioned figures can be derived from the balance sheet and the profit and loss account. However, they cannot and shall not replace these.

CONTENT PAGE

Content Page	Page
About ifa systems AG	5
Questions to the Management Board	9
Report of the Supervisory Board	12
Group Management Report and Management Report of ifa systems AG	
Basic Information on the Group	16
Economic Report	22
Asset, financial and operational results of ifa systems AG	28
Supplemental Report	32
Dependency Report	32
Forecast Report	33
Report on Risks and Opportunities	36
Disclosure of takeover provisions	40
Consolidated Financial Statements	
Consolidated Balance Sheet	41
Group Profit and Loss Statement	43
Consolidated Income Statement	43
Consolidated Cashflow Statement	44
Consolidated Statement of Changes in Group Equity	45
Notes to the Financial Statement (Group Annex)	46
Statement by the Legal Representatives	66
Auditor's Report	67
Corporate Bodies	69



An overview of the ifa group

Health-IT solutions are a growth market. The ifa group specializes in software solutions and components for ophthalmologist and eye clinics around the world. The focus lies on the Electronic Medical Record where all information about the examination and treatment can be documented. Besides this product, the so-called connectivity business - the connection of more than 480 different ophthalmic devices from different vendors - is not only a core competence of the company but also a unique selling point in the market.

The goal is to ensure that the patients receive the best treatment. Doctors can gain knowledge on the respective guidelines, treatment methods and possible risks based on the captured data. Various specialized database solutions additionally archive and assess images, documents and data. They are often an integral part of quality management or are used for research projects. According to experts this niche market will grow to a volume of over USD 6.2 billion by 2020.

GROWTH MARKET
DATA BASE
HEALTH IT
6 BILL. \$ IN 2020
480 OPTHALMOLOGY
> CORRESPONDING DEVICES

ifa's products and services

With its specialization in ophthalmology, ifa systems AG has become a leading supplier of the electronic medical record. More than 15,000 workplaces worldwide are equipped with ifa solutions. More than 200,000 patients are processed every day in ifa programs. The result is a unique and comprehensive database that is installed at our customers. These solutions are extended by products such as scheduling and workflow management.

The Connectivity Business area includes various solutions which enable the capture, analysis and archiving of data across devices of various manufacturers. Thanks to the careful structuring of data it is possible to support doctors in their search for the proper diagnosis and treatment. This is the area of activity which is becoming even more crucial as trends develop in Clinical Decision Support Systems and Telemedicine.

CONNECTIVITY BUSINESS
ARCHIVE ANALYSIS
15.000 WORKSTATIONS
ELECTRONIC MEDICAL REPORT
WORKFLOW
APPOINTMENT MANAGEMENT
200.000 PATIENTS

Telematics infrastructure project

The data highway for the healthcare sector is finally becoming reality in Germany! All parties involved in the healthcare sector like doctors, psychotherapists, clinics, pharmacies and health insurances are going to be connected with each other within the framework of the e-Health law until the end of 2018. This opens up the possibility that medical information relevant for the patient's treatment is available more easily and faster, and that the communication like doctor's letters is carried out only via TI. The next step has already been defined: the electronic medical record and the electronic patient box will follow as further solutions.

ifa customers

ifa enjoys an outstanding reputation with ophthalmologists and large eye clinics, who are customers of ifa solutions worldwide. The focus is on support and ensuring optimal patient treatment. References include the Dean McGee Eye Institute (Oklahoma City, USA) or the Magrabi group in Saudi Arabia and the United Arab Emirates. They all value the specific program functions which support their daily work. Within the ophthalmic practices the system supports conservative and surgical single and group practices, community health centers as well as medium size and big practice associations and eye centers with partially more than 150 workstations at different sites.

>150 DECENTRAL WORKSTATIONS
EYE CARE PRACTICES
DIAGNOSIS SURGERY
MFAS
CLINICS
FIRST-LEVEL-SUPPORT
WORLD-WIDE LANGUAGE VERSIONS

As there are generally heterogeneous software and hardware environments in the clinics and practices, ifa systems can demonstrate its strength here. Nearly every ophthalmic device, which is used worldwide for diagnosis or examinations, can be connected to ifa's system and the data for analysis and archiving is made available. All requirements are covered and the best solutions are developed.

Who works with ifa solutions?

Ophthalmologists as well as medical assistants, orthoptists, opticians and optometrists

International references (excerpt):

Singapore National Eye Center, the Dean McGee Eye Institute (Oklahoma City, USA), the Magrabi group in Saudi Arabia and the United Arab Emirates, the Pallas group (Switzerland), Isala Zwolle (Zwolle, the Netherlands), Vista clinic group (Switzerland), Centro Oftalmológico Macula D&T (Peru)

References in Germany (excerpt):

Eye department of the UMG (University Medical Center Göttingen), hospitals of various clinic and practice groups (Hamburg, Wuppertal, Pforzheim, Wiesbaden, Frankfurt, Erfurt, etc.), practice associations such as the Dardenne eye clinic and sehkraft eye center.

Worldwide

The customers are supported worldwide by our own sales staff and regional distribution partners. They do not only support us by distribution activities but also by specific market knowledge. Furthermore, they take over the first level support of the customers. There is great growth potential in particular in Latin America, Asia and the Middle East. Various language versions and certification under regional requirements mean that the conditions have been created to win these markets. A further advantage of the worldwide activities is the fact, that customers document data include genetic differences that manifest themselves e.g. between Europe and Asia.

Employees

About 70 employees work in the ifa group in 2018. The team works with passion, commitment and focus on ifa's success. In order to ensure continued growth, the company invests heavily in research and development.



Our partners

The ifa Group is proud to have been selected by several well-known organizations as a cooperation partner.

These include international professional associations of ophthalmologists like e.g. the European Society of Cataract and Refractive Surgeons (ESCRS). Together with distribution and technology partners, the ifa group has access to large, complex projects which are frequently jointly developed.

Our vision

With pioneering solutions and concentration on a niche market, in which the group has been successful for over 30 years and has become today one of the leading suppliers of software, IT services and medical information systems, the

ifa group will build on its position, and not only profit from trends such as Clinical Decision Support Systems and Telemedicine, but help to structure them.

1.6 MILL. CATARACT SURGERIES
 COOPERATION PARTNER
 FOCUS NICHE MARKET
EUREQUO
 STANDARDIZES GUIDELINES
 PROFESSIONAL ASSOCIATIONS
 TRENDS

EUREQUO project

Together with the ESCRS, the ifa group has created the "EUREQUO" project, a platform to document and assess data from cataract operations and refractive surgery (correction of visual impairments). Already, more than 1.6 million cataract operations have been entered into the system (as of 2017). These data can improve cataract and refractive treatments and develop standardized treatment guidelines.



QUESTIONS TO THE BOARD OF MANAGEMENT



Jörg Polis

Born 1958, office administrator, with the company since 1989 in the areas of project implementation, project management, human resources and finance, Member of the Executive Board since 2001 (COO), Chief Executive Officer since 2016, contract until 2021

Jörg Polis, CEO of ifa systems AG in dialog

Mr. Polis, you were appointed as CEO in November 2016. How was your first complete business year as CEO?

After 15 years as a member of the management board, the appointment to CEO was naturally a wonderful acknowledgment. Unfortunately, the timing wasn't right to just shine in the first year. There were too many construction sites.

Looking at it from today's perspective, the 2017 financial year consisted of three phases. In the first phase we concentrated completely on the cooperation with Topcon. Our new cooperation partner and majority shareholder had placed development orders with our American subsidiary and was at times our biggest customer. We took our work with them very seriously – unfortunately we were not as successful as we would have liked. The second phase then began with Topcon's announcement to strategically position itself differently. By the end of August, we were working to account for the consequences of this decision. Much of this, such as write-offs of development services, was already processed in the 2016 Annual Report. And the third phase was marked by the restructuring of the ifa group as a result of our strategic decision to focus (again) on our core business.

Is this restructuring finalized?

The fundamental decisions have been made, the corresponding measures have been taken, for example to align our development activities. However, it will be several months before we see results.

You had promised that the financial year 2017 could be completed by breaking even at EBIT level. That did not happen; the result is deep red. What were the reasons for that?

The restructuring also meant that we looked at and reviewed all the components of the current business model. We came to the conclusion that for the foreseeable future, the US market does not offer the necessary potential that would be required to justify the book value and intangible assets of the subsidiary there. And that had an enormous impact on the balance sheet and earnings.

Does that mean that you are completely pulling out of the American market?

Not necessarily. We have various options that we will be testing in the coming months. It was just important to us that we iron out all the risks now. The chances are naturally there. So there is only an up-side here, no downside-potential anymore. But I don't want to speculate about the magnitude at the moment.

Looking to the future: what perspectives do you see for ifa over the next year or two?

ifa is still a leading player in the health IT sector, specializing in ophthalmology. All the experts expect that this market will grow further in the coming years, depending on the study between 5 and 19 percent per year. By concentrating on our core competencies, in particular the electronic medical record and interface solutions, we want to ensure that we claim an appropriate share of the growth in this niche. As a German company, we benefit from the environment in our home market. Germany is generally and globally regarded as a pioneer in the field of health IT. This contributed to our success in the past and will continue to do so in the future.

Does that mean that you are going to reduce your international activities altogether?

No, certainly not! It's just a lot easier for a company of our size to take advantage of the potential on our doorstep than to try to conquer the world market. But in markets where we have, for example, run initial pilot installations, we are, so to speak, recommended by word-of-mouth. Of course, we will also make use of these opportunities. In addition, we will also strengthen our position in established markets such as the Middle East and South Africa.

What role do cooperations play, for example, in sales or technology partnerships?

It is true that cooperations in sales can be helpful. We already have some existing corporations, also long-standing relationships, and we wouldn't want to miss out on them. With technology partnerships the focus is a bit different. Either our product will be integrated in a solution or we integrate another solution in our product. In this way, complete solutions are created, which are especially used in large projects. This is undoubtedly interesting and we will continue to build such partnerships. We're just completely clear: We cannot delegate responsibility for our success to partners, we have them all alone.

In your opinion, what are topics that will move the markets of tomorrow?

Aside from any privacy concerns; cloud solutions, smart data, artificial intelligence, and big data will certainly be a big topic. Through the use of artificial intelligence, physicians will be able to anonymously compare treatment data with large databases and get suggestions for treating their patients. Access to comparable patient data also increases the safety of diagnosis and treatment. Considering the numerous advantages, these applications will gradually be pushed through. And because the structure of our electronic patient record is perfect for the automated analysis of data, we are sure that ifa will be part of these solutions.

Does telemedicine play a role in this context?

When you look at the fact that today there are already apps for the smartphone that remind patients to take their medication, to receive instructions for treatment, or also to contact their doctor and directly communicate with them, I am very confident. "Compliance" is a big topic for treatment and ways that support patients will also help ensure the success of the treatment. Concerning ophthalmology, it will also probably be possible to create and evaluate photos in the cloud. That is easier in practice than making an appointment, but the doctor and his or her patients will nevertheless remain in contact. Then in the background our solutions will ensure that everything in the medical record is documented.

But that sounds very much like dreams of the future!

No, not at all! For example, the E-Health Law makes it completely compulsory for all of Germany. Until December 31st, 2018 all practices should be connected to the telematics infrastructure, or "TI" for short, and as the first application the insured master data management can be carried out. TI will connect everybody involved in healthcare, so doctors, psychotherapists, hospitals, pharmacies, and health insurance. The doctor's note on paper, black and white, then will be a thing of the past. And with clear advantages for the patients, since medical information necessary for treatment are more quickly and more easily accessible.

QUESTIONS TO THE BOARD OF MANAGEMENT

So also for ophthalmologists and eye clinics?

Yes, of course. And I am not exaggerating when I say that the electronic patient file is the central element of this networked health care! This is the only way to ensure that all physicians in private practice as well as the clinics have access to findings, diagnoses, therapy measures already decided and treatment reports. And it is obvious that this ultimately reduces the costs in the health care system if not so many steps have to be carried out twice and three times over.

Then you definitely have some work to do to use TI for ifa...

Yes, we have our work cut out for us and we have a market that currently gives us more tailwind. We will work on it intensively to make it the best for ifa – both in the short- and long-term.

Report of the Supervisory Board

Also in the previous fiscal year, the Supervisory Board carried out the duties required by law, the articles of association and the company's rules of procedure without limitation. It regularly advised the Management Board on the management of the company and continuously supervised and monitored its conduct of business. The Supervisory Board was directly and promptly involved in all major company decisions.

Until the Annual General Meeting on October 24, 2017, the Supervisory Board consisted of the following three members: Matthias Maus (Cologne), Takayuki Yamazaki (Tokyo) und Shigehiro Ogino (Tokyo). The Supervisory Board members had resigned from their positions with effect from October 24, 2017. Therefore, the Annual General Meeting appointed on October 24, 2017, on a proposal from the Supervisory Board, Robert Gaulke (Cologne, Germany), Nick Smit (LG Capelle aan den IJssel, The Netherlands) and Randy Samuels (Livingston, USA) for the duration until the Annual General Meeting in the year 2022 as members of the Supervisory Board.

At its constituent meeting on October 24, 2017, the Supervisory Board elected Nick Smit as its Chairman and Randy Samuels as its Vice-Chairman.

In their capacity as employees of the Topcon Corporation, some members of the Supervisory Board cannot, in absolute terms, be considered as independent. The Topcon Cooperation holds indirectly through its subsidiary Topcon Europe B.V. more than 50% of the shares of ifa systems AG. No conflicts of interests exist, that must be disclosed to the Supervisory Board and that need to be reported in the Annual General Meeting. All members of the Supervisory Board have sufficient time to perform their mandates. In the run-up to the meetings as well as during the plenary session, they always had ample opportunity to deal with and to discuss the reports and proposed resolutions submitted by the Management Board.

During and after the fiscal year 2017, the Management Board regularly, promptly and comprehensively informed the Supervisory Board, in both written and verbal reports, and in accordance with its obligations under Section 90 of the German Stock Corporation Act (AktG), about the current status of the business performance, business development, economic situation, risk situation, risk management as well as relevant matters relating to compliance, strategy and planning. Based on the reports by the Management Board, important business transactions were discussed at length in the meetings. Deviations in the course of business from the plans and targets set were explained to the Supervisory Board in detail and dealt with by the Supervisory Board intensively.

In the past fiscal year, the Supervisory Board approved transactions requiring approval after thoughtful consideration and examination; the Supervisory Board updated the list of transactions requiring approval. The Chairman of the Supervisory Board also maintained regular contact with the Management Board. In addition, the Chairman of the Management Board informed the Chairman of the Supervisory Board in a timely manner about developments of vital importance for assessing the situation and development as well as for managing the company.

In the fiscal year 2017, the Supervisory Board convened for a total of six scheduled meetings in the presence of the Management Board, which took place on April 12, 2017, May 5, 2017, June 20, 2017, July 7, 2017, August 10, 2017 and December 7, 2017. These meetings addressed the written and verbal reports by the Management Board on the business situation of ifa systems AG and its subsidiaries, particularly the company's revenue and earnings development as well as the financial performance and net asset situation. The Supervisory Board was informed in detail and consulted about significant business transactions, the strategy and its implementation, and the risk management of the company. The members of the Supervisory Board and Management Board were present at all meetings, apart from one meeting where one member of the Management Board was absent with valid excuse. Where necessary, resolutions were also passed in these meetings.

REPORT OF THE SUPERVISORY BOARD

Further, the Supervisory Board was informed about the current business situation, individual business transactions and the implementation of the product and sales strategy in the various markets during regular telephone conferences with the Management Board.

The key items of the Supervisory Board meetings during the reporting period were:

- The annual financial statement and the consolidated financial statement 2016 as well as the interim financial statement 2017.
- The adoption of the agenda for the Annual General Meeting on October 24, 2017 including the proposed resolutions.
- The statement of independence and the appointment of the auditing company HLB Treumerkur, Dr. Schmidt und Partner KG, Wuppertal, as annual auditor and group auditor for the fiscal year 2017, in accordance with the resolution of the Annual General Meeting on October 24, 2017.
- The planning of the Management Board with regard to revenue, costs, earnings, liquidity, investment and personnel, the current forecast for the running fiscal year and budgeting for 2018's fiscal year, including a gross planning for the coming years.
- Issues of corporate financing.
- The internal efficiency audit with regard to the organization and conduct of the Supervisory Board meetings as well as the optimization of reporting by the Management Board with respect to the presentation of the company's financial performance and cash flows and the situation of the subsidiaries.
- The contracts of the Topcon Corp. with companies of the ifa group and the future development especially of the companies in the USA.
- The monitoring and development of the internal control system (risk monitoring and early warning system in accordance with Section 91 (2) of the German Stock Corporation Act) and the information gathered from it.
- The appointment of Nobuo Takase succeeding Kaoru Nihei as a member of the Management Board.

The Supervisory Board also met in the presence of the auditor as well as the Management Board, in order to address issues pertaining to the annual financial statements, accounting processes, controlling and risk management. Other aspects included tax-related topics, compliance as well as determining the audit priority areas and the level of compensation for the auditor.

The audit reports as well as the annual reporting for the fiscal year 2017 were submitted to all members of the Supervisory Board in a timely manner. They were debated intensively and extensively in the meeting on May 8, 2018. The annual financial statements prepared by the Management Board for ifa systems AG for the fiscal year 2017 in accordance with the German Commercial Code (HGB), and the consolidated financial statements for the fiscal year 2017 prepared in accordance with Section 315a of the German Commercial Code (HGB) based on the International Financial Reporting Standards (IFRS), as well as the combined management report were reviewed by the auditor. The auditor issued in each case an unqualified audit certificate.

After reviewing the annual financial statements, the consolidated financial statements and the combined management report, the Supervisory Board has no objections regarding the results of the audit and has approved the annual and consolidated financial statements drawn up by the Management Board. Therefore, the annual financial statements for fiscal year 2017 are finally approved.



Nick Smit

In addition, the Management Board submitted the prepared report on relationships to affiliated companies in the fiscal year 2017. The auditor, HLB Treumerkur Dr. Schmidt & Partner KG, Wuppertal, verified the report and issued the following audit certificate: "According to our audit and assessment, we confirm that 1. the information in the report is correct, 2. the payments by the company for the legal transactions conducted and reported were not unreasonably high." The auditor submitted the audit report to the Supervisory Board. The dependency report and audit report were made available to the Supervisory Board in a timely manner.

The Supervisory Board closely reviewed the dependency report with regard to completeness and correctness, taking the auditor's results into consideration. The Supervisory Board made no complaint with regard to the results of the audit and didn't raise any objections with regard to the declaration of the Management Board regarding the relationship to affiliated companies submitted at the end of the report.

The Supervisory Board thanks Kaoru Nihei for his successful work as a member of the Management Board over the past two years. Finally, the Supervisory Board thanks the Management Board and all employees of the group for their committed service. Together, their great dedication has helped to shape the development of the company in the fiscal year 2017.

Frechen, on May 8, 2018

For the Supervisory Board:

sgd Nick Smit

Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT AND
MANAGEMENT REPORT OF IFA SYSTEMS AG

The following translation is provided for information purposes only.
In case of doubt the German version shall prevail.

Basic Information on the Group

Group structure and operating activities

The ifa systems group (hereafter also “the ifa group”) consists of the parent company, ifa systems AG, which is based in Frechen-Königsdorf, and four subsidiary companies, in which the parent company holds 100% of the shares. Compared to the previous year, the intangible assets of the American subsidiaries have been adjusted in the current consolidated financial statement due to changed market expectations. The Integration AG i.A. is in liquidation. The operative business shall be continued by ifa systems AG. The investment book value in MedKaizen AG has been adjusted as well. An overview of the group companies can be found in the notes under “List of the consolidated companies”.

Business model

In the growing market of health-IT software solutions, the ifa systems group develops, distributes and installs software solutions and components specifically for ophthalmologists and eye clinics. In this market, which is influenced on the one hand by efforts towards cost reduction and on the other hand by the demographic change in the developed economies, ifa makes an important contribution to an exceptional efficient and safe treatment and diagnosis of patients. The core is the electronic health record specialized in ophthalmology where all the details of examinations and treatments are stored. To accomplish this, data can be retrieved from more than 450 different devices and software products in use throughout the world from different manufacturers. Thanks to the interfaces of the devices and software products, doctors can reach a high level of integration of all data that is available for the patient. This guarantees at any time that the data is available at each examination and that the correct treatment for the current symptoms can be chosen. In addition, potential risks can be mitigated. Various specialized database solutions additionally archive and assess images, documents and data. They are often an integral part of quality management and quality assurance or are used for research projects. Around half of the sales revenue is attributable to runtime licenses, which customers pay for the duration that the software is in use. Only in the financial year 2017 revenues shifted in favor of services provided due to the cooperation with the Topcon group.

The ifa group works with distribution partners world-wide, and our solutions have already been installed in more than 30 countries. In order to further expand our international presence and develop technological synergies, partnerships were formed with renowned market participants. Development activities currently focus on adapting and expanding the existing product portfolio. In addition, the company is already well positioned to participate in the trends of tomorrow, due to the use of documentation standards, including cognitive computing and “Big Data”, where cloud-based health information systems analyze and link data. The usual standards (ICD 10, SNOMED, etc.) are used for coding within the software. During the assessment the users of the ifa software use codes that are clearly comparable. The amount of “free text” during is minimized.

Segments

Segmentation is not used to manage the ifa group.

BASIC INFORMATION ON THE GROUP

Locations

The group's headquarters is located in Frechen, Germany (near Cologne). The majority of the Development Department and the Sales Department, which markets the products worldwide, is found here. Further development capacities are provided in the USA and can be supplemented by freelancers, if needed.

ifa united i-tech Inc. supports the customers in the USA, Canada and Latin America. To meet the challenges of the different time zones, support staff is working from their home offices, for instance in California.

Products, services and business processes

In the growing market of health-IT software solutions, the ifa systems group develops, distributes and installs software solutions and components specifically for ophthalmologists and eye clinics. The most important product areas are the EMR (Electronic Medical Record) and the connectivity business. In the majority of the projects, a combination of different products is used:

- EMR software: The electronic medical record, specialized in ophthalmology, as a comprehensive solution for worldwide use.
- ecPACS and MDI (Medical Device Interface): An image archiving system as proprietary solution that is specialized in all data from ophthalmology and that merges all data from different sources. Though, numeric data as well as images, texts, etc. are stored and are displayed highly structured or prepared for transfer to other software systems.
- CDSS (Clinical Decision Support System): Software for direct analysis of already available clinical patient data, in order to provide information about the respective guidelines, treatment methods, risks, etc. Individual specifications (e.g. Filter criteria) of the users are supported.
- WFM software (workflow management) for efficiently managing treatment processes (preliminary examination, diagnostic findings, administration, special examinations, etc.) within a clinic or practice. The patient is guided through the module to the different examinations and treatments. The staff knows at all time, where the patient is, which examinations are to follow and if someone must act, e.g. when there is a bottleneck.
- Web based registry solutions to improve treatment and standards of treatment for cataract and refractive surgery, on behalf of patient safety and further development of guidelines.

The services offered by the ifa group are complemented by software installation and training for users, including doctors and specialist medical staff as well as the consulting of customers to optimize the use of the software.

Therefore, the key business processes are development and sales as well as installation, training and consulting.

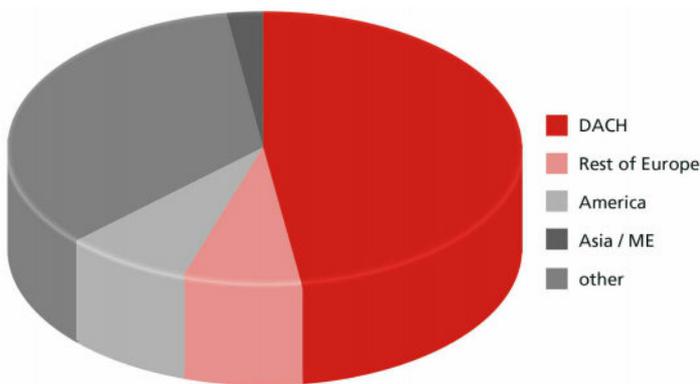
Development focuses on the further development and extension of the current ifa product portfolio. This ensures that our solutions comply with requirements from eye clinics and ophthalmologists, not just today but also in the future. This also guarantees that innovations in ophthalmology – for example, new diagnostic equipment – are always reflected in the products offered by ifa. Localization is also a focus of development. Here, the individual requirements of the regional markets are considered; certain certifications, for example, and ensuring that terminology is provided in the correct language.

Global sales are supported by our own employees and by our sales partners. They are the key link to eye clinics and specialist practices in the local markets and are the basis for the leading position that ifa systems has achieved in this niche market: Worldwide, the data of more than 200,000 patients is processed in our systems every day.

Installation and user training is the third key business process. Implementation not only provides the foundation for the smooth operation of our solutions, but also often involves the integration of a large number of devices from a wide range of manufacturers. Our expertise here is a unique selling point for ifa's software solutions. The user training is a key element, so that the customers are able to work rapidly and efficiently with the new instruments. However, this often has to be carried out parallel to the everyday business and therefore the capacity of the customers builds a bottleneck.

Sales markets

In the growing market of health-IT, ifa systems focuses on software solutions and components for ophthalmology. Accordingly, customers include specialist eye clinics, both public and private, the relevant specialist departments of large hospitals and the practices of established ophthalmologists. The global health-IT market will achieve a size of nearly US\$ 70 billion by 2020 in the segment relevant to ifa according to estimates of the market research institute Markets and Markets, of which US\$ 2.8 billion are attributable to the area of ophthalmology. Given the competitive position of the ifa group, a potential sales volume of Euro 40 million can be derived from this.



The DACH region (Germany with Austria and Switzerland) was the most important regional market during the last financial year. The company achieved 47.6 % of its sales here (previous year: 45.6%). The rest of Europe accounted for 7.4% (previous year: 12.8%). 7.9 % of sales were generated in America, including Canada and Latin America (previous year: 26.4 %). The change is a result of the relocation of a major customer from the place of performance to the registered office of the customer. For the

same reason, in Asia and Middle East the revenue share increased to 34.7% (previous year: 6.8%). The remaining sales (2.3%) were generated in the rest of the world. Larger projects can have a considerable impact on the shift in sales revenues between the regions.

External influencing factors

External influencing factors are described as factors that can have a positive or negative impact on the planned business performance and which the company cannot control or influence. According to this definition, e.g. rapid technological developments in the area "Big Data" and artificial intelligence, among others, have a positive impact. It is already possible today to cross-check anonymized treatment data with big data bases in order to give the doctor recommendations for the treatment. The expansion of genome information will provide completely new insights in the future. Trends such as the use of mobile devices open up new and further application possibilities for ifa solutions.

In the past, however, two factors rather have proven to be obstacles, and it can be assumed that these will also play a role in the future. First, in some regions there are efforts to heavily regulate or standardize the use of such software solutions. In this case, lengthy certification procedures would have to be completed before a product could be successfully launched on the market. But in the past, they have only caused delay of the market launch. On the other hand, the appeal of this niche market has also attracted various companies that are often well-capitalized but have little experience and offer ill-conceived products. This type of competitive environment puts a strain on price quality, so that the ifa group must take a deliberately cautious stance here.

BASIC INFORMATION ON THE GROUP

Goals and strategies

In recent years, ifa systems has successfully established itself as a leader in the area of health-IT for ophthalmology. The goal is to secure and further expand this position. To achieve this goal, we focus on the existing product range and initiate strategic development projects to ensure that the solutions from ifa remain the best in class. At the same time, we will continue to drive the internationalization of the group.

The cooperation with distribution and technology partners play a key role for the company's further development. As a result of the integration of specialized solutions from technology partners via respective interfaces, an overall solution can arise that will support the doctor in providing the best possible treatment. Thus, healthcare costs can be saved and the patient can count on a high-quality treatment. Our technology partners that incorporate ifa's solutions into their own, larger projects also give us access to projects, which are particularly sophisticated due to their complexity. Therefore, technology partners are also an important source of inspiration for our development work, since they can provide us with information about which solutions the market will expect from us in the future. The strategies are directed towards a long-term, sustainable business model that balances growth and profitability.

Strategic financing measures

So far, no strategic financing measures have played a role in the ifa group. The operative business should largely be financed from the cash flow. The customary options to borrow outside capital also exist. As a publicly listed company, ifa systems AG is also free to make use of the capital market. At the time of this report, however, there are no plans concerning this matter.

Internal Management System of the Company

The operative business of the ifa group is run by the management board, which consists of three people who are appointed by the supervisory board. In accordance with the law and the articles of incorporation, the management board is monitored by the supervisory board.

The management board develops the corporate strategy and implements this in coordination with the supervisory board and in consideration of the best interests of all stakeholders. Derived from the strategic targets, once a year an annual plan will be created, agreed with the supervisory board and implemented. Controlling the corporate group primarily serves to monitor this implementation, in order to identify any deviations as early as possible and, if necessary, to introduce appropriate measures in a timely manner. In line with company growth, the instruments and processes for company management are continually developed and adapted.

Performance indicators used

ifa systems AG and its subsidiaries are controlled primarily in the current company situation according to the target figures sales and operating cash flow. Furthermore, the EBIT (earnings before interest and taxes) will play a greater importance in the future. Our long-term goal is to bring the growth of our company into harmony with sustainable profitability.

Remuneration system for the management board

The remuneration system for the management board of ifa systems AG is determined by the supervisory board. The elements of the remuneration system include a fixed and a variable component as cash components. The fixed component amounts to around 90 percent of the total remuneration and is paid out monthly in 12 equal installments. The variable remuneration component is tied to achieving earnings targets. The individual remuneration of the board members is determined by the role and the area of responsibility.

Furthermore, the members of the management board are contractually entitled to fringe benefits, such as the use of a company vehicle. The company has concluded a D&O insurance in its own interest and covers the cost of the premium. The insurance currently covers damages up to EUR 3 million per event with a deductible of at least 10% of the damage up to the amount of one-and-a-half times the fixed annual remuneration of the management board member. This deductible is covered by a pecuniary damage liability insurance, up to 25% of which the members of the management board must cover themselves.

The management board contracts provide compensation for early termination by the company. The amount of compensation is the contractual remuneration for the remaining term of the contract, but for a maximum period of 24 months.

An overview of the remuneration paid to members of the management board in financial year 2017 can be found under 35 of the notes.

Remuneration system for the supervisory board

In accordance with the statutes, the annual general meeting decides once-a-year on the remuneration of the members of the supervisory board. Neither in the annual general meeting in 2016 nor in 2017 resolutions were proposed concerning this matter. A change of statutes shall be proposed to the annual general meeting 2018 as the professionalization of the board and the acquisition of new members will be facilitated by an adequate remuneration.

Research and Development

In the dynamic health-IT market, research and development plays a significant role in the company's success. This applies to the continuous development of existing solutions; for example, by adding additional functionalities. Besides, applications are developed that will only find a sales market in the future. Especially the area "registry" needs to be named here, that are developed by us. Priority here is based on external market data, which provides information about future opportunities. Resources and competencies, often across locations, must be carefully managed, so that development projects can be completed within their agreed time frames and at the planned costs. This also includes external service providers, who become involved for capacity reasons or due to their specific area of expertise.

ifa systems AG has maintained long-term business relationships with a number of renowned eye clinics and practices worldwide. We have very close contact with the owners as well as chief and senior physicians. These contacts are used again and again to verify and identify necessary modifications to the software but also to identify and assess trends, market requirements and the market in general.

BASIC INFORMATION ON THE GROUP

R&D key figures			
in €'000, if not stated otherwise	2015	2016	2017
New activations and development work	2,395	1,596	824
Book values of the activations	14,705	15,119	11,220
Amortization of capitalized development services	419	1,294	4,225

Capitalization of development costs only occurs if the criteria according of IAS 38 are met.

In the financial year 2017, the own work capitalized amounted to only EUR 824 thousand (previous year: EUR 1.6 million). Previously in the financial year 2016, the amortization period of individual products was adjusted due to the changed estimates concerning the potential useful life. The amortization of capitalized development services was influenced in the financial year 2017 by the value adjustments at the American subsidiaries, that were necessary due to the strategic reorientation.

The preparation of certifications, e.g. in the USA, were in the forefront in the financial year 2017. They are necessary to enable the customer to continue working with ifa products even after the deadline at the end of September 2018. Additional certifications are due in Germany and Austria, where the electronic interchange between partners in the healthcare sector is pushed by the government. Other countries of the European Union are expected to follow. Furthermore, specific customer requirements were implemented in connection with a major project. The resulting modules can be offered to other customers and thereby strengthen ifa's market position. Projects of ifa united i-tech inc. for and together with Topcon were completed in 2017.

Economic Report

Total economic and general conditions by branch

Development of total economy

From a statement by experts of the IfW (Kiel Institute of Economy) the world economy 2017 finds itself in a strong upswing. At 3.9 percent, they were listed as the highest growth rates of global production since 2011. Lately, the economic mood diminished to a certain extent. The increasing uncertainty about the expected rate of monetary tightening in the United States and worries about the free world trade especially contributed to this.

The Federal Statistical Office indicated the economic position in Germany in 2017 as characterized through a strong growth. The price-adjusted net domestic product (NDP) was around 2.2 percent higher than the year before. With it, the German economy has achieved growth for the eighth year in a row. In comparison to the years prior, the growth could be accelerated again and was almost one percentage point above the average of 1.3 percent of the last ten years.

Development of the market for Health IT Eye Care

According to estimates done by the market research institute Markets and Markets, the worldwide volume of the IT market in health services in 2016 amounted to around USD 135 billion. Yearly it is expected to grow an average of 15.9 percent until 2021 up to USD 280 billion. Identified drivers for the growth included factors such as the growing importance of legal regulation, the support by governments for health services via IT solutions, the focus on the improvement of quality of medical care, the high profitability of health IT solutions and the increasing use of Big Data analyses.

According to our estimates, around 4 to 5 percent of the general market is attributed to applications in ophthalmology. Based on the product range of ifa and the competitive position in the market, we anticipate an addressable market of USD 2.8 billion in 2020.

In a member survey, the Federal Association of Medical Technology identified the focal points of the digitalization to be telemedical and Big Data Applications as well as cognitive systems. The Federal Ministry for Education and Research also emphasized in a medical technology study that the increased use of IT will contribute to discovering the causes of specific illnesses and, through the analysis of comparable cases, will optimize the diagnostics and therapy. They speak of the vision of a Europe-wide electronic medical record whose data structures will guarantee the biggest advantages for patients. Thus telemedicine and adaptive workflow can lead to cost savings and quality improvements. A further fundamental research question concerns the use of data ("Big Data"), which is produced in greater and greater amounts qualitatively and quantitatively. These must be prepared and evaluated in a suitable form, for example in registers. This is followed by the research of comprehensive patient models, with whose help, diagnoses and therapy decisions are becoming faster and safer. Altogether the supply flows will change for both clinical as well as outpatient care when patients are embedded into cross-site-networked monitoring and data environments.

Financial performance, financial position and net worth

Business development 2017 and comparison with the development forecast

The business year 2017 was shaped by the one-off items of the restructuring. Indeed, the sales reached the lower frame of the forecast with EUR 8.6 million (previous year: EUR 8.9 million) and were only 3.5 percent under the level of the year prior, despite the restructuring phase. Following the strategic realignment, the activities in the American market were subjected to a comprehensive reappraisal, according to plan. This had a one-off effect, predominantly through value adjustments of immaterial financial assets, in an amount

of EUR 5.2 million altogether. Furthermore, the results encumbered the restructuring measurements. The operational result (EBIT) therefore amounted to EUR -7.8 million (previous year: EUR -2.2 million). The goal of reaching a “black zero” at this level, although with heightened uncertainty, became impossible through these special circumstances.

Target values of the performance indicators for the financial year 2017

The financial year 2017 was part of the planning period 2015 to 2017. The management board planned to increase sales annually by about 5 percent for this period, and to increase the EBIT by around 5 to 10 percent. The concrete planning for the financial year 2017 deviated from this mid-term planning.

Comparison of forecast and actual values 2017

The following table represents the previous values reached, the forecast numbers, as well as the actual value in the past business year:

	2016	Forecast 2017	2017
Sales €'000	8,864	8,500 – 9,000	8,553
EBIT €'000	-2,216	0	-7,797

The guidance for the business year 2017 was announced with the publication of the annual report 2016 on August 30th, 2017 and confirmed on the same day in the semi-annual report. The sales planning for the business year were reached, although at the lower end of the range. With the publication of the forecast the management board already indicated the increased uncertainty of the results predictions, and emphasized, in connection with the restructuring, the necessity to adjusting the business in the USA for the restrained demand. These measurements ultimately led to the fact that the result target has not been reached.

Earnings

Sales and results

During the business year 2017, sales reached a volume of EUR 8.6 million, which corresponds to a slight decline of 3.5 percent compared to the previous year (EUR 8.9 million).

In line with the prioritized processing of projects from and for Topcon, the base licenses that stand for new business were slightly declining. During the business year 2016 it was still advertised to pay run time licenses for a period in advance, and this effect has normalized again in 2017. The project business from and with Topcon contributed considerably to the sales in the financial year 2017. These projects were closed in 2017 and new ones are not planned.

Sales by product groups in €'000 unless otherwise indicated	2017	2016
Basic licenses	744	853
RTL	3,537	4,170
Hardware, Foreign-SW and Equipment	676	746
Services	612	785
Topcon Base business	392	268
Topcon Project business	2,340	1,362
Other	251	680
Total	8,553	8,864

Germany was once again by far the most important market, together with Austria and Switzerland (DACH). They generated EUR 4.1 million of the sales, which corresponds to 47.6 percent (previous year: EUR 4.0 million = 46%). In the other European countries sales were achieved in the amount of EUR 0.6 million, which is a proportion of 7.4 percent (previous year: EUR 1.1 million = 12.8%). While during the prior year EUR 2.2 million (26.4% of sales) were still generated in America, including Canada and Latin America, this amount sank by EUR 0.7 million or 7.9 percent, because a big client was reclassified. For the same reason the sales in Asia and the Middle East contributed EUR 3.0 million (previous year: EUR 0.6 million = 6.8%), corresponding to a share of 34.7 percent in the business year 2017. The remaining sales were generated in the rest of the world.

At the end of 2017 the order backlog in the ifa systems AG amounted to about 370 thousand, which corresponds with the workload for a period of three months. New orders per month usually lie in a magnitude between EUR 100 and 300 thousand, the runtime licenses are not being recorded. At the beginning of 2017 the Topcon development contract was still in the books of ifa united i-tech inc., which secured the workload in the first months of the year.

Earnings

The overall performance for the business year 2017 amounted to EUR 9.6 million (previous year: EUR 11.9 mil., EUR -2.3 mil.). Causing the decline were different reasons: the other income that, in the year before, amounted to EUR 1.4 million, especially as a result of the release of provisions, had no other effects and was reduced back to EUR 215 thousand. The capitalized development costs amounted to 824 thousand after EUR 1.6 mil. in the year before. Already the year before the market expectations were adjusted for certain products and the capitalized volumes were reduced accordingly.

Compared with the year before the volume of purchased goods and services changed only marginally. They amounted to 869 thousand after 858 thousand the year before (+1.2 percent). The personnel expenses, on the other hand, rose from EUR 4.6 mil. to EUR 4.9 mil. (+8.0 percent). Here the first-time application of provisions for the hotline under the personnel costs (246 thousand) show their impact as well as the increasing number of highly qualified employees. The other operating expenses rose from EUR 5.4 to EUR 6.7 mil. (+14.9 percent). The important drivers of this increase are of unique nature and related to the restructuring: next to the direct restructuring expenses (EUR 643 thousand) are these bad debt losses (altogether EUR 755 thousand). Also unique is the decline in work in progress (EUR 465 thousand). Beyond that, a critical rating of the open risks was performed, which led to an increase in provisions.

Overall, the named reasons contributed to the fact that the operating result before depreciation (EBITDA), with a EUR 2.3 mil. lower overall performance than the previous year is now negative at EUR -2.9 mil. (previous year: EUR +1.0 mil.).

Depreciation rose to EUR 4.9 mil. (previous year: EUR 3.2 mil.). Next to the scheduled depreciation for the business year, EUR 3.3 mil accounted for the new assessment of the American subsidiary ifa united i-tech inc. The result before interest and taxes (EBIT) therefore amounts to EUR -7.8 mil. (previous year: EUR -2.2 mil.).

The financial result was characterized by the new valuation of the book value of the interest in the company. The resulting expense of EUR 2.2 mil. had, in large part, been identified directly in equity as other result in the financial year 2016. At the end of the business year 2017 the management considers this impairment to be long-lasting. Consequently, this was now recognized as an expense.

As a result of the decrease in immaterial financial assets deferred taxes in the amount of EUR 1.0 mil. were released. Resulting from that was a tax income in the amount of EUR 990 thousand (previous year: EUR 18 thousand). The group result for the business year 2017 amounts to EUR -9.3 mil. (previous year: EUR -2.2 mil), which corresponds to a result per share of EUR -3.38 (previous year: EUR -0.81).

In light of the considerable burden as a result of the strategic realignment, the management board suggests once again distributing no dividends for the year 2017. The goal, however, among other things, is to secure the future profitability through the planned restructuring measures and to once again create the prerequisites for further dividend distributions.

Financial position

Principles and targets of financial management

The aim of the financial management of ifa systems is to secure the liquidity for the operative business and for the development process and the growth. The control is performed centrally by the ifa systems AG. It primarily includes the liquidity control and the procurement of loans, as well as the management of interest rate and currency risks, when needed.

Derivative financial instruments are not used.

Capital structure

The equity of the ifa group, at the reporting date of 12/31/2017, amounted to EUR 8.3 mil. (previous year: EUR 15.8 mil.). This is a result of the net loss for the business year 2017, whereby the other reserves after EUR 5.8 mil. in the previous year now amount to EUR -1.8 mil. In return the debt rose from EUR 2.9 to EUR 9.2 mil. in the short-term range mostly due to the loan from Topcon (EUR 4 mil.) and the Mizuho Bank (EUR 2 mil.). All loans have a duration of a maximum of one year; for the loan from Topcon there is a subordination. The long-term debt, on the other hand, went back through the release of deferred taxes as a result of the decrease in immaterial financial assets from EUR 4.3 to EUR 3.3 mil. The equity ratio is now 39.8 percent (previous year: 68.8 percent).

The net debt (as difference from financial liabilities and liquid funds) rose over the course of the year from EUR 254 thousand to EUR 1.7 mil.

in €'000 unless otherwise indicated	2017	2016	Δ absolut
Long-term financial liabilities	0	0	0
Short-term financial liabilities	6,000	472	5,528
Liquid funds	4,328	218	4,110
Net debt	1,672	254	1,418

A credit facility in the amount of 800 thousand was not taken advantage of as of the balance sheet date, 12/31/2017.

In 2017 there were no restrictions on the availability of the granted loans. The business relationships with our banks showed again to be stable. The current environment, however, offers no guarantee that they want to or are able to become equitable in their role as a financial partner, also prospectively in the usual scope. Furthermore, ifa systems AG as a listed company can make use of the means provided by the capital market.

The current liquidity is sufficient to carry out the necessary adjustment measurements and, at the same time, offers a margin to cover the preliminary work for the implementation of the larger projects, since the returns via runtime licenses always start with a delay.

It is also assumed for the future that the ifa group will be in the position to finance operational business and the planned growth from the available funds. A utilization of the capital market is not planned for the foreseeable future.

Off-balance sheet financing instruments are not being used by ifa.

Investments

Investments in property, plant, and equipment within the group were reduced from EUR 191 thousand to EUR 119 thousand.

While in the area of immaterial financial assets, own development expenses with an amount of EUR 0.8 mil. were capitalized (previous year: EUR 1.6 mil.), the total amount was reduced from EUR 18.7 mil. around EUR 5.1 mil. to EUR 13.6 mil. At the balance sheet date. The reason for this clear decline (around 27.2 percent) were comprehensive impairments at the American subsidiary due to the strategic realignment.

Liquidity

Despite the group result of EUR -9.3 mil. (previous year: EUR -2.2 mil.), the operating cash flow amounted to EUR 544 thousand in the business year (previous year: EUR 1.2 mil.). Causal for this development were the high burdens of the group results with non-cash expenditures (depreciation of property, plant, and equipment and especially of immaterial financial assets with EUR 4.9 mil. (previous year: EUR 3.2 mil.)). From the changes of the accounts receivable and other financial assets, a positive contribution of EUR 3.1 mil. (previous year: EUR -455 thousand) resulted. Valuation allowances on the book value also contributed an essential part.

Investments in immaterial financial assets were again declining in the business year 2017. They burdened the cash flow with EUR -824 thousand (previous year: EUR 1.6 mil.). The cash flow from investment activities amounted to EUR 840 thousand altogether (previous year: EUR 1.7 mil.). The free cash flow improved but is again slightly negative with EUR -296 thousand (previous year: EUR -474 thousand).

The cash flow from financing activities is characterized by the recording of the loans from Topcon (EUR 4.0 mil.) and the Mizuho Bank (EUR 2.0 mil.). It amounted to EUR 5.6 mil. (previous year: EUR -83 thousand).

The liquid funds at the end of the period consequently amounted to EUR 4.3 mil. after EUR 218 thousand the year before. With this the liquidity is comfortable and will allow the group to fulfill their payment obligations anytime in 2018.

Financial assets

The balance sheet total for the end of 2017 was reduced to EUR 20.7 mil. (previous year: EUR 23.0 mil.), a decline of about 9.6 percent. The equity ratio decreased to a still satisfactory 39.8 percent (previous year: 68.8 percent).

Assets

In the area of assets the long-term financial assets changed substantially. The immaterial financial assets were reduced by about 27.2 percent from EUR 18.7 mil. to EUR 13.6 mil. A cause for that was a reappraisal of the potential in the American market in connection with the strategic realignment. Subsequently the immaterial financial assets of the subsidiary businesses there were fully adjusted. In return the self-created development expenses newly capitalized reached an amount of EUR 824 thousand (previous year: EUR 1.6 mil.).

The short-term financial assets, on the other hand, clearly increased. They rose by about 86.6 percent from EUR 3.4 mil. to EUR 6.3 mil. The stocks and unfinished services decreased from EUR 562 thousand to EUR 46 thousand, which above all was due to the completion of the unfinished services. The accounts payable for supplies and services decreased from EUR 2.0 to EUR 1.1 mil. Through the payment of the loans from Topcon and the Mizuho Bank the liquid funds rose from EUR 0.2 mil. to EUR 4.3 mil.

Liabilities

On the side of liabilities the biggest changes concern the equity, which clearly went back as a result of the net loss for the business year 2017 and is now EUR 8.3 mil. (previous year: EUR 15.8 mil.).

In the area of long-term debt the decrease resulted from the release of deferred tax liabilities as a result of the lower immaterial financial assets. Last year they still amounted to EUR 4.3 mil. and sank down to EUR 3.3 mil.

While the provisions within the short-term debt clearly increased (+67.5 percent to EUR 2.4 mil.), the biggest changes resulted from the loans. EUR 2.0 mil. were made available by the Mizuho Bank, EUR 4.0 mil. from Topcon. All debts have a loan period of up to one year; for the loan from Topcon there is a subordination. As of the reporting date, the accounts payable for supplies and services declined around 56.7 percent, which amounted to EUR 455 thousand (previous year: EUR 802 thousand). The short-term debt amounted to EUR 9.2 mil. (previous year: EUR 2.9 mil.).

The working capital (as inventories plus the receivables for supplies and services less the liabilities from supplies and services) fell to EUR 0.7 mil. on the date of reporting (previous year: EUR 1.7 mil.). Here the completion also affected the unfinished orders and with it the decrease in stocks at the time of reporting. As a result of the balance sheet changes the capital employed also was reduced, it amounted to EUR 14.4 mil. (previous year: EUR 20.6 mil.). Because of the negative results at the EBIT-level, a negative ROCE (return on capital employed) is the result.

The net debt of EUR 1.7 mil. in relation to equity (gearing) on the balance sheet date was 20.7 percent (previous year: 1.6 percent).

Asset, financial and operational results of ifa systems AG (HGB – German Commercial Code)

Profit and loss accounts

ifa systems AG Individual financial statement (HGB) in €'000	2017	2016
Sales revenues	6,052	6,161
Other income	229	601
Own development expenses capitalized	343	550
Total performance	6,624	7,312
Cost of goods	634	1,199
Personnel costs	3,167	2,723
Other operating expenses	4,867	2,855
Earnings before interest, taxes and depreciation (EBITDA)	-2,044	535
Amortizations	607	880
Earnings before interest and taxes (EBIT)	-2,651	-345
Financial income	50	7
Financial costs	47	46
Depreciation of financial assets	3,631	703
Earnings before taxes	-6,279	-1,087
Taxes	303	116
Annual income/loss	-5,976	-971

[This short presentation of the profit and loss account for the individual company ifa systems AG should be used as an aid to the reader. It does not replace the detailed presentation in the individual financial statements.]

Despite the strategic realignment, the **revenues** of ifa systems AG remained almost unchanged with EUR 6.1 million compared to the previous year (EUR 6.2 million). However, they did not reach the planned level (EUR 6.5 million to EUR 7 million). The other income amounted to EUR 229 thousand and returned to normal compared to the previous year (EUR 601 thousand), which were increased due to the release of provisions. The own development work capitalized was significantly decreasing compared to the previous year. It amounted to EUR 343 thousand (previous year: EUR 550 thousand). Altogether, the **total performance** decreased by 9.4% to EUR 6.6 million (previous year: EUR 7.3 million).

The material expenses could be decreased significantly from EUR 1.2 million in the previous year to EUR 634 thousand (- 47.1 percent), mainly due to less development work by third parties. In return, personnel expenses rose significantly by 19.0 percent from EUR 2.7 million to EUR 3.2 million. On the one hand, the first time of recording of provisions for the service hotline had an impact, on the other hand the insourcing of previously bought-in services. The other operating expenses finally had a significant impact on the results of ifa systems AG. They were increased from EUR 2.9 million to 4.9 million. While the costs at operational level have been partially reduced significantly, the value adjustments of intercompany loans granted to the American subsidiaries and the individual value adjustments in a total order of EUR 2.3 million contributed significantly to the increase. Differences resulting from exchange rates also had a negative impact amounting to EUR 169 thousand (previous year: EUR 20 thousand). While the operating result as **EBITDA** (earnings before interest, taxes, depreciation and amortization) was still positive with EUR 0.5 million in the previous year, it amounted to EUR -2.0 million in the completed financial year.

The volume of depreciation on intangible assets reached EUR 0.6 million in 2017 as compared with EUR 0.9 million in the previous year. The **EBIT** (earnings before interest and taxes) reduced to EUR -2.7 million (previous year: EUR -0.3 million).

Due to the improved liquidity, the financial income raised compared to the previous year. However, balanced against the financial expenses, this effect was negligible. The depreciation of financial assets amounted to EUR 3.6 million (previous year: EUR 0.7 million). This corresponds to the book value of the American subsidiary. The **earnings before tax** are therefore negative with EUR -6.3 million (previous year: EUR -1.1 million) due to the predominantly one-off burdens.

After tax income of EUR 116 thousand in 2016, there was a tax income in the financial year 2017 of EUR 303 thousand. The **net loss** for 2017 amounts in total to EUR 6.0 million (previous year: EUR -1.0 million).

Based on balance sheet changes and the resulting accumulated loss, the **equity** decreased significantly to nearly EUR 5.0 million (previous year: EUR 10.9 million). The **equity ratio** is still 35.9 percent (previous year: 79.3 percent).

Due to the loan from Topcon (EUR 4.0 million) as well as the credit lines of the Mizuho Bank (EUR 2.0 million), which both have been provided in 2017, **cash** improved by the end of the year to EUR 3.9 million (previous year: EUR 28 thousand).

52 **employees** (54 previous year) were employed at the company on annual average. The board members are not included in this total.

For the **financial year 2018** the management board expects that ifa systems AG will generate revenues of 15 percent below the previous year's level (EUR 6.0 million). Due to the ongoing restructuring measures the aim in the first place is a positive cash flow and only in the second place a positive operating result (EBIT). The management board is confident that this can be achieved in 2018.

Balance sheet

ifa systems AG
individual financial statement (HGB) in €'000

ASSETS	2017	2016
Long-term Assets		
Intangible assets	7,068	7,083
Tangible fixed assets	50	67
Financial assets	279	3,909
	7,397	11,059
Short-term Assets		
Inventories	46	41
Trade receivables	827	1,534
Receivables from affiliated companies	294	489
Other short-term receivables	610	332
Cash and cash equivalents	3,911	28
	5,688	2,424
Prepaid expenses	51	104
Deferred tax assets	663	197
Total	13,799	13,784
EQUITY AND LIABILITIES	2017	2016
Stockholders' equity		
Subscribed capital	2,750	2,750
Capital reserve	7,652	7,652
Income reserves	1,499	1,499
Balance sheet income/loss	-6,947	-971
	4,954	10,930
Provisions	1,339	793
Liabilities		
Financial liabilities	2,000	457
Trade payables	330	530
Liabilities with affiliated companies	4,359	240
Other short-term liabilities	65	143
	6,754	1,370
Deferred tax liabilities	751	691
Total	13,799	13,784

[This short presentation of the balance sheet for the individual company ifa systems AG should be used as an aid to the reader. It does not replace the detailed presentation in the individual financial statements.]

Overall statement

In the financial year 2017, the ifa systems group has decided on a comprehensive restructuring and concentration on the core business. The current annual financial statement shows that significant milestones were achieved and carryovers from the past were consistently corrected. Because of the reorganization, the focus of the development work has changed as well. After a few months on the way towards the new (old) direction, we can already identify the first results. However, until they will contribute to our revenues and earnings some more months of development work still lie ahead of us. We will analyze thoroughly the chances resulting from cooperation with technology partners. They can contribute to the company's success, but the responsibility for our future lies in our own hands. ifa systems AG and its subsidiaries will soon return to their profitable growth path.

Development of non-financial performance indicators

Employees

Qualified employees are essential to the group's success. At the balance sheet date, the team consists of 68 employees (previous year: 86) plus three management board members, of which 17 people are employed in the USA. Despite belonging to the technology sector, approximately half of the employees are female.

Quality management

Quality management at ifa systems forms the basis for the continuous improvement process of the company's own quality management system (QMS). This does not only ensure that customer requirements are met, but also increases the transparency of operational procedures and, in addition, error rates and costs are thus reduced. Regular inspections related to ISO 9001 certification enable the company to ensure continuous quality assurance, and to improve quality management. The last recertification took place in autumn 2017, based on DIN ISO 9001:2015.

Supplemental report

Significant events and procedures of particular importance, that have occurred after the end of the financial year 2017 and that have impact on the assets, financial position and operation results, are not known to the management board.

Dependency report

Since December 17, 2015, and as a result of a public takeover bid Topcon Europe B.V., a wholly-owned subsidiary of Topcon Corporation holds 1,377,750 shares (50.1%) and thus the majority of ifa systems AG's shares listed on the Frankfurt Stock Exchange. After the reporting date the stake has been assigned to Topcon Europe Medical BV, Capelle aan den IJssel, NL in the meantime.

As a consequence, ifa systems AG has become a dependent company since December 17, 2015 according to section 17 para. 2 of the AktG [German Stock Corporation Act]. The management board of ifa systems AG thus creates a dependency report as per section 312 of the AktG about the relationship with affiliated companies. The management board made the following statement at the end of the report: "The Management Board of ifa systems AG declares that, under the circumstances known to it at the time the transaction was entered into or the measure was taken or omitted, the company received an appropriate consideration for each transaction and was not disadvantaged by the fact that the measure was taken or omitted".

Forecast report

Macro-economic and sector-specific conditions

Overall economic development

The IfW (Kiel Institute for the World economy) experts expect the world production to increase by 4.0 percent and 3.8 percent in the years 2018 and 2019. They increased the forecast of December 2017 again by 0.1 or rather 0.2 percentage points, which is not least caused by the increased forecast resulting from the tax reform for the United States. The turmoil on the financial markets in the course of the upcoming monetary policy normalization and the escalation of commercial policy conflicts rank among the significant risks for their forecast of a global economy which slows down this year and next year but all in all remains strong.

For the year 2018, the IfW's economic researcher expect a growth rate of the German gross domestic product (GDP) of 2.5 percent and for 2019 of 2.3 percent. Thereby, they increase slightly their forecast for 2019 by 0.1 percentage points. The planned fiscal policy measures of the new German government are one of the reasons. The researchers do not yet see direct effects for the German economy due to the current debate on penal duties. But, an escalating trade conflict could have a significant impact on the economy.

Condition in the markets for health IT – Eye care

The drivers for health IT applications growth are, according to the market research institute Markets and Markets, increasing pressure to fulfill regulatory requirements, state support for the use of IT solutions in this sector (this should apply to the US market), the need to control costs in health care without reducing quality, and high ROI for health IT solutions.

Limiting factors are the comparatively high costs for their introduction, and hesitancy on the part of doctors for advanced IT tools.

The 2015 global health IT solutions market was about USD 122 billion. Estimates are that the market will grow at 13 to 14% per year to a volume of about USD 230 billion by 2020. The share of clinical applications is about 47% of the total volume. This market will grow at an average rate of 19.8% to 2020 to USD 35 billion. The reason for this assumption is increased demand for improved patient security and patient care, growing regulatory requirements, and increasing demand for integrated systems. There is great potential despite the already-installed base in developed markets like the US (this market will increase from USD 46.5 billion in 2015 to USD 87.0 billion in 2020) and Germany (from USD 12.8 billion in 2015 to USD 23.7 billion in 2020).

A recent study from Frost & Sullivan comes to similar results where the markets of Great Britain, Germany, France and Spain were investigated with a total volume of EUR 6 billion. Especially Germany, with its leading role implementing health-IT solutions, has a promising potential concerning the future topics like data interchange and interoperability solutions, cloud-based platforms, digital health care and investment in technologies supporting new models in health care like telemedicine and telecare.

We estimate that around four to five percent of the total market is for ophthalmology applications. The ifa group is a leading supplier in this niche.

Market and competition

ifa group's products are software solutions which can be deployed in many areas. The strongest products are EMR software as well as all connectivity modules to various devices, other clinical systems, etc. In recent decades, these have reached a very high stage of development, which makes the ifa group one of the largest, if not the largest, player in ophthalmology. These areas will be further built out with new and improved modules. There is also great potential in SaaS (software as a service). Relevant solutions should be available in 2020.

Also in ophthalmology there are more and more devices on the market that are cross-linked (IoT=Internet of Things). There are already apps available that remind patients to take their medicine or that take and evaluate photos. They facilitate the direct contact between patient and doctor. With most of these solutions it is also possible to transfer data directly into the patient record.

Forecast for 2018 business

Revenue

For the financial year 2018, we expect a sales level in the amount of EUR 6.3 to 6.8 million for the ifa group which is considerably below the previous year's level (EUR 8.6 million). The reason for this is the fact, that the project business with Topcon is completed, which boosted the last two financial years. In addition, we weighed opportunities outside of this area considerably less due to the strategic reorientation with focus on the core business.

The regional focus of our sales activities apart from the DACH region (Germany, Austria, Switzerland) will be Poland, South Africa, Latin America and the Middle East. In the USA we will concentrate on the support of existing customers.

We will focus on our core business in 2018. We will focus on systematically exploiting the potential of electronic medical records (EMR). We will integrate new functions to further strengthen this basic business to provide further benefits to our customers. In the future, telematics will play a more important role as the cooperation between doctors, clinics, surgeons and patients will become more and more important. Up to now the majority of this is still subject to email, postal mail or fax. Here, a big pilot project has been initiated in Germany together with a company specialized in such web-based solutions.

Results

Our goal is to bring the growth of our company into harmony with appropriate profitability. This should produce positive cash flows. As well as the year 2017, the year 2018 is therefore a transition year as the implementation of the restructuring program has to be carried out in the first place to adapt the company to the current market conditions. Corresponding provisions were made in the current financial statement and in the financial statement 2016. The first cost reductions could already be reached in the financial year 2017, more will become apparent in 2018. Our goal is to strengthen the cash flow.

The achievement of the goal is associated with a greater degree of uncertainty which we want to reduce by measures that have been initiated already in 2017. The restructuring effects should be completed by the end of 2018 at the latest.

Financial and asset position

Our goal is for the ifa group to generate positive cash flows. We will come closer to this goal also during the financial year 2018, depending on profitability improvements. The loan from Topcon and credit line from Mizuho bank give us sufficient room to be able to finance prepayments for larger projects. The amortization of intangible assets will continue to be subject to a low capitalization volume. This will reduce the risk of extra impact through impairments in the future.

Overall statement

The overall and industry environment for 2018 appears to be positive to reach our financial year goals. The management board of ifa systems AG plans to produce sales below the level of the previous year, or EUR 6.3 to 6.8 million. This plan considers the orders and sales already in house. The results will improve compared to the previous year as the restructuring and rightsizing measures have been initiated and most of them have been implemented already. We will use 2018 to equip the group for future success.

Report on Risks and Opportunities

In this section of the report, opportunities and risks are to be understood as impacts or events that can contribute to exceeding or falling short of management's expectations for the short- and medium-term business development.

Risk management system

Goals

In the course of its business operations, the ifa group is exposed to a variety of risks which are in-separably associated with commercial activities. The goal of risk management is to ensure that risks are detected in a timely manner and countermeasures are taken promptly, in order to control and minimize the impact on the company. Avoiding all risks, however, is not the goal of risk management since risks are also always associated with opportunities. Instead, an opportunity-risk profile that fits with the strategy should help achieve the company's goals.

Strategy

Risks are handled in various ways according to their assessment. If they can have considerable disadvantages for the company's development or even endanger the company's continued existence, they are strictly avoided. The appropriate controls have been put into place, in order to limit the effects of risks; for example, through quality management. Certain risks can also be limited by setting maximum and minimum values on a case-by-case basis. If it is economically feasible and possible, risks are outsourced to insurers, for example.

Structure and processes

The structures and processes of risk management come together in the Management Board, where risks are categorized and assessed in regard to both their probability of occurrence and their potential impacts on the financial position, financial performance and cash flow of the company. If necessary, measures for managing the identified risks are subsequently defined.

Significant risks

The following risks can likely impact the company's ability to achieve its goals and are therefore relevant to the decision-making process of investors.

Market risks

Various risks exist in the growing market of health-IT and here in the niche market of solutions for the field of ophthalmology. For example, ifa could overlook technological trends or identify them too late, resulting in products that no longer meet customer requirements. This risk is reduced through close exchange with experts on the user side. Furthermore, new market competitors could introduce new solutions on the market or individual markets, which would threaten ifa's role. We consider this risk to be mostly manageable, however, due to our intensive development activities, decades of experience and large number of reference customers. This also applies to the commercial benefit of our solutions, which set themselves apart with comprehensible ROI calculations from other low-price products.

Overall, we assess the market risks as "medium to high", as the impact on the revenue situation could be considerable.

REPORT ON RISKS AND OPPORTUNITIES

Technological risks

As a company that invests substantial resources in the development of its products, ifa is exposed to the risk of setting the wrong priorities when selecting projects. This can be based on incorrect assumptions about market developments, the needs of customers or the future competitive situation. Since development costs are capitalized according to the criteria laid out in IAS 38, a false decision can lead to impairment losses in the future. This risk is countered through intensive dialog with key users in markets around the world and with our international partners. However, both do not necessarily guarantee that the right conclusions will be drawn from these exchanges or that the conclusions cannot change over time.

This risk is of particular importance, since as of balance sheet date, in the area intangible assets ifa reported capitalized development costs of 11.2 million at Group level and goodwill in the amount of € 279 thousand at ifa systems AG. The risks here are primarily posed by development projects that do not reach market maturity or by revenue expectations that have to be corrected, because the projected earnings are not generated in these cases. Regular impairment tests are carried out to check for impairment losses. In addition, if the economic environment were to weaken considerably, the risk of further adjustments to goodwill could also tend to increase. Currently, there are no indications for this.

In the case of new products, the company must often find the right balance between product quality and customer expectations. Time to market is an important criterion; however, customer relationships can suffer when products are introduced too early. This risk is minimized through careful preparation and implementation plans.

Overall, we assess the technological risks as “medium”, even though the impact on the earnings situation in particular could be considerable.

Sales risks

ifa systems takes advantage of distribution partnerships, in order to expand its geographical reach into the market. The success of these partnerships largely depends on the level of expertise applied by distributor employees at third parties, over which ifa often has no direct influence. Also, it cannot be ruled out that the potentials and goals of these partnerships will change over time. Therefore, ifa management remains in close personal contact with key partners, in order to ensure that interests and goals coincide as much as possible.

A significant portion of ifa’s revenues results from implementing larger projects. If a customer postpones order placement or there is a delay in the completion of such a large project, it can have a very significant impact on the planned targets for revenues and earnings. We reduce this risk by implementing realistic-conservative business planning.

Especially in the subsidiaries in the US being active in the markets of the USA, Canada and Latin America we see the need to refocus their activities towards the core business of EMR and Connectivity. This poses the risk that sales do not progress as swiftly as planned and new orders do not reach the targeted volume. This could lead to further impairments and restructuring needs above what has already been recognized in this financial statement.

Overall, we assess the sales risks as “medium”.

Personnel risks

The lack of skilled workers and the change in demographics are two influencing factors that ifa cannot completely prevent. The company relies on highly-qualified employees, who ideally also strengthen the teams on a permanent basis, so that it can achieve its short- and medium-term goals. So far job vacancies have been filled within a reasonable time, but it is not guaranteed that this will always be the case in the future. The same applies, of course, to the possible unforeseen loss of key personnel with special skills. Here there is a risk that the unplanned resignation of such experts would be difficult to offset in the short term. However, ifa already uses suppliers that take on certain defined tasks on a case-by-case basis. But the goal must be to provide for a certain level of core competence within the company itself.

The initiated and ongoing restructuring measures have and can still lead persons with relevant know-how to leave the company upon their own request. This could lead to higher expenses in connection with the employment and qualification of new staff. The company intend to offset this by intensive communication with the top performers.

Currently, we assess the personnel risks as “medium”.

Liquidity Risks

There is a trend on the sales market towards “pay per use”. The purchase of basic licenses when implementing the system is replaced by “leasing”. In contrast to the advantage of long-term predictable cash-flows from the projects (SaaS, pay per use), there is a risk that at the start of a project ifa will have to be able to finance the resulting costs in advance. A long-term financing concept should minimize this risk.

We assess the liquidity risks as “medium”.

Interest and exchange rate risks

As ifa currently has no significant external debt, risks with regard to the possibly rising basis for calculating variable interest rates in the future play a subordinate role. The development of exchange rates is also negligible in terms of their influence on the overall result, both in terms of sales and earnings and in terms of the balance sheet.

Therefore, we assess the interest and exchange rate risks as “low”.

Risks on receivables

Defaults on trade receivables, which led to corresponding value adjustments, were also of minor significance in 2017. The solvency and past payment behavior of customers from the health sector do not lead to any significant risks in the future. In certain cases, specific agreements are made with the customers, which minimize the possible effects.

Overall, we assess the risks on receivables as “low”.

Other risks

Regulatory risks

In many regions, certifications are required in order to operate successfully in the market. If these certifications are not completed to the extent required or are not completed on time, this would possibly have a significant impact on the operative business. Since the certification process from ifa cannot be fully controlled, for example because the corresponding guidelines are defined too late or because the authorities are busier than usual. This risk is particularly relevant for Germany, Austria and the USA.

REPORT ON RISKS AND OPPORTUNITIES

Therefore, due to the regulatory conditions we assess the risk as “low” to “medium”.

Summary of the risk situation

According to the assessment of the Management Board, the risks that ifa systems AG is exposed to at the time of this report and for the current planning period are manageable, and the continued existence of the group is in no way endangered. Despite the comprehensive analysis of risks, their occurrence cannot be systematically excluded.

Opportunity management system

Similar to the risks, the opportunities within the group are prepared in a transparent manner and systematically incorporated into the company's decisions. They represent future developments or events that can lead to a positive deviation from the company's forecast or from goals. The goal of opportunity management is to recognize these opportunities at an early stage and to take advantage of them.

Opportunity categories

ifa systems primarily makes a distinction between opportunities that can make a positive impact on revenue targets and those that can make a positive impact on earnings targets.

Revenue-relevant opportunities

There is a chance that products can be launched on the market faster than planned and that the demand will surpass the original expectations. Potentials also open up through products that have been developed for certain new applications but can also be used by existing customers. We see big opportunities in intersectoral connectivity and in doctor-to-doctor networks, or other solutions that can become the focus of attention in the next 12 to 24 months. Trends like cloud solutions, wearables and the Internet of Things (IOT) will open new potential also in the area of ophthalmology. Even a big new project could possibly be enough to exceed the planned targets.

Earnings-relevant opportunities

Of course, an unplanned increase in sales would also have a positive impact on earnings. At the same time, we are working on optimizing costs, processes and structures. If these projects show positive results faster than planned or if the extent of the planned optimizations are clearly exceeded, the earnings expectations could prove to be too low.

Summary of opportunity situation

With its solutions in the niche market of health-IT for ophthalmology, the ifa group is well positioned to systematically take advantage of opportunities for the group. While we are working to develop these opportunities on the one hand, it is rather unlikely that we will make unexpected progress here in the short term. This is one of the main reasons why our strategy is geared toward growth, accompanied by an appropriate level of profitability.

Disclaimer: The Group financial report contains future-related statements. Actual results could differ significantly from expectations in regard to planned growth if one of the named or any other uncertainties or the assumptions underlying the statements, also in relation to overall economic growth, occur.

Disclosure of takeover provisions

in accordance with section 289a or 315a para. 1 HGB (German Commercial Code)

1. Composition of the subscribed capital

The composition of the subscribed capital is described in section 16 of the attachment. All shares grant identical rights in accordance with the German Stock Corporation Act.

2. Restrictions affecting the voting right or the transfer of shares

The management board is not aware of any restrictions that would affect voting rights or the transfer of shares. Otherwise, only the legal requirements of section 136 (1) AktG (German Stock Corporation Act), as well as trading ban in accordance with art. 19 para. (11) MAR, apply particularly for members of the management board.

3. Direct shareholding over ten percent

To the best of our knowledge, Topcon Europe B.V., a subsidiary of Topcon Corp., has held 50.1 percent of the ifa systems AG from the time of the public acquisition offer to the takeover in 2015.

4. Disclosure of shareholders conferring special control rights

Employees who hold an interest in share capital may exercise their voting rights directly.

5. Type of voting rights control, when employees hold an interest in share capital and do not directly exercise their control rights

Arbeitnehmer, die am Kapital beteiligt sind, üben ihre Stimmrechte unmittelbar aus.

6. Legal regulations and provisions governing the appointment and replacement of members of the management board and the amendments to the articles of incorporation

The legal provisions apply to the appointment and dismissal of the members of the management board (sections 84, 85 AktG) and to the amendment of the articles of incorporation (section 179 AktG).

7. The management board's power to issue or buy back shares

The management board is authorized until 23 October 2022, with the approval of the supervisory board, to increase the share capital of the company by issuing new bearer shares, once or several times, for cash or non-cash contributions with a maximum increase of up to 1,375,000,- Euro.

8. Agreements of the company under the condition of a change of control

There are no significant agreements of the company that are subject to the condition of a change of control following a takeover bid.

9. Compensation agreements of the company in the event of a takeover bid

ifa systems AG has no compensation agreements with members of the management board or employees in the event of a takeover bid.

CONSOLIDATED FINANCIAL STATEMENT

Consolidated financial statement

Consolidated balance sheet
as of December 31, 2017

Assets

in €'000	Annex	2017	2016
Long-term Assets			
Intangible assets	(3)	13,577	18,652
Tangible fixed assets	(4)	119	191
Financial assets	(5)	0	83
Other long-term receivables	(6)	113	155
Deferred taxes	(7)	662	521
Other long-term assets	(8)		0
		14,471	19,602
Short-term Assets			
Inventories	(9)	46	562
Trade receivables	(10)	1,073	1,969
Receivables from affiliated companies	(11)	169	118
Tax receivables	(12)	400	301
Other short-term receivables	(13)	253	195
Cash and cash equivalents	(14)	4,328	218
		6,269	3,363
		20,740	22,965

Shareholders' equity and liabilities

in €'000	Annex	2017	2016
Shareholders' equity	(15)		
Subscribed capital	(16)	2,750	2,750
Capital reserve	(17)	7,305	7,305
Other reserves	(17)	-1,788	5,751
		8,267	15,806
Long-term liabilities			
Long-term interest-bearing liabilities	(18)	0	0
Other long-term liabilities		50	55
Deferred taxes	(7)	3,247	4,250
		3,297	4,305
Short-term liabilities			
Other accruals	(19)	2,377	1,419
Tax liabilities		0	8
Short-term interest-bearing liabilities	(18)	2,000	472
Trade payables	(20)	455	803
Liabilities with affiliated companies	(18)	4,038	0
Other short-term liabilities	(21)	306	152
		9,176	2,854
		20,740	22,965

CONSOLIDATED FINANCIAL STATEMENT

Group profit and loss statement for the financial year 2017

in €'000	Annex	2017	2016
Sales revenues	(22)	8,553	8,864
Other income	(23)	215	1,433
Own expenses capitalized	(24)	824	1,596
Total performance		9,592	11,893
Costs of purchased goods and services	(25)	-869	-858
Personnel costs	(26)	-4,949	-4,581
Other expenses	(27)	-6,716	-5,424
Earnings before interest, taxes and depreciation (EBITDA)		-2,942	1,030
Amortizations	(28)	-4,855	-3,246
Earnings before interest and taxes (EBIT)		-7,797	-2,216
Financial income	(29)	7	5
Financial costs	(29)	-2,492	-31
Earnings before taxes		-10,282	-2,242
Income taxes	(30)	991	18
Consolidated net income / loss		-9,291	-2,224

Consolidated income statement for the financial year 2017

in €'000	2017	2016
Consolidated net income / loss	-9,291	-2,224
Changes in value	2,077	-2,077
Currency translation differences	-325	249
Total income	-7,539	-4,052
Sums that may be regrouped into the income statement in future periods	-325	249

Consolidated cash flow statement
for the financial year 2017

	in €'000	2017	2016
Consolidated net income / loss		-9,291	-2,224
Depreciation and amortization of property, plant and equipment as well as intangible assets		4,855	3,246
Change in accruals		-45	392
Non-cash expenses		2,077	0
Change in receivables, other assets		3,116	-455
Change in liabilities		-168	263
Cash flow from operating activities		544	1,222
Cash outflows for investments in property, plant and equipment		-16	-94
Cash outflows for investments in intangible assets		-824	-1,602
Cash flow from investment activities		-840	-1,696
Cash inflows from shareholders' equity increase		0	0
Dividends paid		0	-412
Repayment (-) and raising (+) of credits		5,528	329
Cash flow from financing activities		5,528	-83
Cash funds at beginning of period		218	823
Cash flow		5,232	-557
Effect of exchange rates and changes in the consolidated group		-1,122	-48
Cash funds at end of period		4,328	218

CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of changes in group equity for the financial year 2017

	Subscribed capital in €'000	Capital reserves in €'000	Income reserves in €'000	Other income in €'000	Group equity in €'000
as of December 31, 2015	2,750	7,305	8,873	1,343	20,271
Consolidated net income / loss	0	0	-2,224	0	-2,224
Changes in value	0	0	0	-2,077	-2,077
Currency translation differences	0	0	0	249	249
Total income	0	0	-2,224	-1,828	-4,052
Rounding adjustment	0	0	-1	0	-1
Transactions with equity holders					
Dividend payment	0	0	-412	0	-412
as of December 31, 2016	2,750	7,305	6,236	-485	15,806
Consolidated net income / loss	0	0	-9,291	0	-9,291
Changes in value	0	0	0	2,077	2,077
Currency translation differences	0	0	0	-325	-325
Total income	0	0	-9,291	1,752	-7,539
Rounding adjustment	0	0	0	0	0
Transactions with equity holders					
Dividend payment	0	0	0	0	0
as of December 31, 2017	2,750	7,305	-3,055	1,267	8,267

Group annex for the financial year 2017

1. General information

Parent company of the group is ifa systems AG. ifa systems AG is entered as HRB 42943 in the commercial register of the local court in Cologne, Germany. The shares of ifa systems AG are listed in the Open Market of Frankfurt Stock exchange in the segment "Basic Board".

The headquarters and registered business address of ifa systems AG are:
Augustinusstrasse 11b, 50226 Frechen, Germany

List of the consolidated subsidiaries and affiliated companies		Country	12/31/2017	12/31/2016
			Share of capital in %	
Full consolidation				
integration AG, Frechen	Germany		100.00	100.00
ifa informationssysteme für Augenärzte GmbH	Austria		100.00	100.00
ifa united i-tech; Inc., Fort Lauderdale	USA		100.00	100.00
Inoveon Corp., Oklahoma City	USA		100.00	100.00
Equity consolidation				
MedKaizen AG, Frechen	Germany		22.92	22.92

2. Accounting and valuation method

2.1. Principles for creating the annual statement

These consolidated financial statements have been prepared in accordance with section 315a of the German Commercial Code (HGB) and in accordance with the rules of the International Accounting Standards Board (IASB) adopted by the European Union on the balance sheet date and the additional requirements of German commercial law. They are in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as required by the European Union, including the International Accounting Standard (IAS), which is still in force, and supplementary interpretations (IFRIC or SIC). All IFRS and IFRICs, which are mandatory for the 2017 financial year, were taken into consideration. Standards and interpretations of the IASB, which have not yet come into force, have not been applied.

Report currency

The consolidated financial statements are prepared in euros. Unless otherwise stated, all values are rounded to the nearest thousand.

Consolidated group

The consolidated financial statements include the financial statements of ifa systems AG and those of the companies controlled by the company. An affiliated company was accounted for using the equity method.

CONSOLIDATED FINANCIAL STATEMENT

Consolidation principles

All companies included as of December 31, 2017 prepare their annual financial statements as of December 31. These are translated into uniformly prepared consolidated financial statements in accordance with the IFRS, which are mandatory in the European Union. Intra-group transactions are then eliminated.

Receivables and liabilities between the consolidated companies were offset against each other as part of the debt consolidation process. Internal sales as well as intercompany profits were eliminated as part of the consolidation of expenses and income.

The consolidated net loss for the year is calculated as a fully consolidated profit for the period according to the total cost method, in which all income and expenses have been consolidated between the individual companies.

The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated in accordance with IAS 21. The functional currency is the respective national currency for all companies. Assets and liabilities are therefore translated at the closing rate; with the annual result translated at the average rate and the equity capital at historical rates. Resulting translation differences are recognized in other comprehensive income in equity capital. Translation differences resulting from the debt consolidation are recognized in the income statement.

2.2 Changes to the accounting and valuation method

The accounting and valuation methods applied fundamentally correspond to the methods used in the previous year. However, the IASB and IFRIC have issued amendments to existing standards and some new interpretations. All IAS, IFRS and IFRICs, which are mandatory for the 2017 financial year, were taken into consideration. The following table shows the new or changed standards or interpretations that were either applied in the financial year or else have not yet been applied.

New, currently valid requirements

Standard / Interpretation	Title of the standard / interpretation or amendment	Application for financial years starting from	Effects on the consolidated financial statement
Amendment to IAS 7	Notes to the cash flow statement	Januar 1, 2017	No effects
Amendment to IAS 12	Balancing account of deferred taxes at losses carried forward	Januar 1, 2017	No effects

Future requirements

Standard / Interpretation	Title of the standard / interpretation or amendment	Application for financial years starting from	Effects on the consolidated financial statement
EU Endorsement has been given until			
IFRS 9	Financial instruments	January 1, 2018	Effects still to be determined
IFRS 15	Revenues from contracts with customers	January 1, 2018	Effects still to be determined
IFRS 16	Leasing	January 1, 2018	Effects still to be determined
Amendments to IFRS 4	Application of IFRS 9 financial instruments and IFRS 4 insurance contracts	January 1, 2018	No effects
Improvements to IFRS 2014 – 2016	Amendments to IFRS 1, IFRS 12, IAS 28	January 1, 2018	Effects still to be determined
EU Endorsement still pending			
Amendments to IFRS 2	Classification and valuation of shar-based payment	January 1, 2018	Effects still to be determined
Amendments to IFRS 10 and IAS 28	Disposal or deposit of assets in associated companies or joint ventures	On December 17, 2015, the IASB determined to postpone the date of initial application of this amendment standard for an indefinite period..	No effects
Amendments to IAS 40	Transfers of real estate held as financial investment	January 1, 2018	No effects
Amendments to IFRS 9	Classification of financial assets	January 1, 2019	Effects still to be determined
Amendments to IAS 28	Long-term shares in associated companies or joint ventures	January 1, 2019	Effects still to be determined
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018	Effects still to be determined
IFRS 17	Accounting standards applicable to insurance transactions	January 1, 2021	No effects
IFRIC 23	Accounting for income taxes	January 1, 2019	Effects still to be determined

CONSOLIDATED FINANCIAL STATEMENT

2.3 Significant discretionary decisions, estimates and assumptions

The most important discretionary decisions, forward-looking assumptions and other significant sources of estimation uncertainty at the balance sheet date, as a result of which there is a considerable risk that a material adjustment to the carrying amounts of assets and liabilities will be necessary within the next financial year, are explained below.

Impairment of goodwill

The group reviews at least once a year whether the goodwill has been impaired. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

The recoverable amount is the higher of the two amounts from the fair value of a cash-generating unit minus selling costs and the value in use. To estimate the value in use, the group also needs to estimate the future cash flows as well as an appropriate discount rate to determine the cash value of these cash flows.

Development costs

Development costs are capitalized in accordance with the accounting and valuation method described in Note 2.4. For the capitalization of the production costs of self-created developments the future useful life must be estimated to determine the type of depreciation and its duration.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses carried forward to the extent that it is likely that taxable income will be available and will continue to exist, so that the losses carried forward can actually be used. To determine the amount of deferred tax assets, a significant exercise of discretion by corporate management is required, based on the expected date of entry and the amount of future taxable income, as well as future tax planning strategies.

2.4 Summary of significant accounting and valuation methods

Structure

The assets and liabilities in the balance sheet were classified according to their maturity. The profit and loss account was compiled according to the total cost method.

Intangible assets

Acquired intangible assets are valued at acquisition cost on initial recognition and are subsequently reported net of accumulated depreciation and impairment losses. The depreciation of acquired intangible assets is based on useful lives between 3 and 15 years.

Internally generated intangible assets are not capitalized except for capitalized development costs. The capitalization is carried out at production cost, provided the preconditions set out in IAS 38.57 are cumulatively met. If these preconditions are not met, the development costs are recognized in the income statement in the year in which they are incurred. The capitalized intangible assets are amortized over the economic operating life and tested for possible impairment. Depreciation is based on useful lives of up to 15 years.

The excess of the acquisition cost of a company over the acquired portion of the fair value of the identifiable assets and liabilities at the date of acquisition is designated as goodwill and recognized as an asset in the balance sheet. Goodwill is recognized for an indefinite operating life. Goodwill is tested for impairment at least once a year or as a result of impairment if situations or changes in circumstances indicate that the carrying value may be impaired.

Tangible fixed assets

Tangible fixed assets are stated at acquisition or production cost less accumulated depreciation and accumulated impairment losses. Depreciation is based on useful lives of between 3 and 10 years. The operating life and the depreciation method are reviewed periodically. This ensures that they are consistent with the expected economic benefit.

Financial assets

Financial assets are classified according to IFRS rules (IAS 39) in the following categories: (A) loans and receivables (LaR); and (b) available-for-sale assets (afs). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are regarded as current assets if their maturity does not exceed twelve months after balance sheet date.

Available-for-sale financial assets are allocated to this category or to none of the other categories presented. These are allocated to long-term assets unless management intends to sell them within twelve months after the balance sheet date and the asset is not due during this period.

Impairment of financial instruments

Financial instruments are reported either at fair value or at amortized cost. Management will determine on each reporting date whether there is objective evidence that a financial asset has been impaired.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

Derivative financial instruments and hedging

Derivative financial instruments and hedging are not relevant within the ifa systems AG group.

Inventories

Inventories and stocks of goods are valued at the lower of acquisition or production costs and net realizable amount. Costs of production include service costs of personnel as well as overhead costs attributable to direct service costs. Costs such as general administration and distribution, which do not function as direct service costs, are not included in production costs.

The net realizable amount corresponds to the selling price minus all probable costs up to the completion or sale and including costs for sales and marketing.

Trade receivables

Trade receivables are shown under current assets taking into account individual valuation adjustments as of the balance sheet date. Receivables in foreign currencies are translated at the exchange rate on the balance sheet date.

Cash and cash equivalents

Cash funds relate to current bank balances. Their development can be derived from the cash flow statement.

Shareholders' equity

Equity capital (divided into 2,750,000 shares in ifa systems AG) consists exclusively of similar shares. Capital increases in the reporting period are reported separately.

CONSOLIDATED FINANCIAL STATEMENT

Trade payables

Liabilities are measured at fair value minus transaction costs at the time of entry. Subsequent valuation is carried out at amortized cost, taking into account the effective interest rate method. For liabilities in foreign currencies, these are calculated at the exchange rate on the balance sheet date.

Financial debts

Financial debts are divided into short-term and long-term debts. Their remaining maturities are specified globally.

Borrowing costs

The expenses for financial debts (short-term and long-term) are reported separately as cost of capital. A distinction is made between the cost of redeemable loans and bank overdrafts. There is no capitalization of borrowing costs according to IAS 23, as there are no qualifying assets.

Compound financial instruments

No compound financial instruments are present within the ifa systems AG group.

Income taxes

The current tax expense and the deferred taxes calculated yield the income tax expense. Liabilities for the income tax expense are derived from taxable income and the applicable tax rates as of the balance sheet date.

Deferred taxes are determined according to the provisions of IFRS (IAS 12) and reported in the balance sheet as of the balance sheet date.

Deferred tax assets are recognized for tax losses carried forward.

Deferred taxes are recognized in the income statement (exception: initial consolidation), unless they relate to items recognized directly in equity or else in other comprehensive income. Taxes are also recorded there.

Employee benefits

There are no pension obligations in the group. Employee benefits are recognized as expenses. The usual provisions are shown for vacation entitlements.

Share-based payment

There are no share-based payments within the group.

Provisions

Provisions are recognized for commitments (legally and in fact) that arose as of the balance sheet date or were caused economically. The valuation is made at the settlement amount with the highest probability of occurrence. Provisions are generally reported at the present value of the expected expenses. If guarantee obligations exist, they are recorded as a provision at the time of sale. The value is based on the estimated expenses that are expected to be fully incurred. If there are many similar guarantees, the estimates of the probability of an impact on assets is calculated on a group basis.

Revenue recognition

The recognition of revenues was made in accordance with IAS 18 in the financial year 2017 and from the financial year 2018 according to IFRS 15.

Interest income

Interest income from loans granted is calculated on a regular basis, taking into account the interest rate and the residual loan amount.

Dividend income

The ifa systems AG group does not hold any financial investments that generate dividend income.

Leases

If leasing assets for which the ifa systems AG group bears the main risks and benefits are leased, this situation is determined to be a finance lease. The assets from finance leases are capitalized at the lower of the fair value of the leasing item and the present value of the minimum leasing payment at the beginning of the lease term. A leasing liability is set as a liability in long-term liabilities for the same amount. Lease installments are divided into interest and repayments. The leasing liability therefore bears interest continuously. The net lease obligation is reported as long-term debt. The interest rate determined for the leasing rate is recognized as an expense in the income statement. Tangible fixed assets held based on a leasing contract are amortized. The depreciation period determined as either the operating life or the duration of the leasing contract, whichever is the shorter period.

Operating leases are classified as such if significant portions of the risks and opportunities associated with the leased item lie with the lessor. The payments are recorded in the income statement on a straight-line basis over the duration of the leasing contract.

Leasing ratios for which the ifa systems group is a lessee are almost exclusively classified as operating leases.

In the reporting period, there are no transactions in which the ifa systems group is the lessor.

Extraordinary income and expense

According to the IFRS, extraordinary income and expense (as defined by the German Commercial Code) are not disclosed separately but are listed in the income statement documentation (IAS 1.87).

CONSOLIDATED FINANCIAL STATEMENT

3. Intangible assets

	in €'000	2017	2016
Internally generated intangible assets		11,220	15,119
Goodwill		0	133
Other intangible assets		2,357	3,400
		13,577	18,652

Internally generated intangible assets

In the financial year 2017 EUR 824 thousand own expenses (previous year EUR 1,596 thousand for software development, database content) were capitalized according to regulations IAS 38. Valuation is based on directly attributable costs.

For capitalized own expenses, the depreciation in the reporting year amounted to EUR 4,225 thousand (previous year: EUR 1,294 thousand). This increase mainly results from the changed market expectations of the American subsidiaries. For the development of intangible assets see the separate overview "development of intangible and tangible assets".

Goodwill

	in €'000	2017	2016
Integration AG		0	133
		0	133

On December 21, 2017, the shareholder's meeting resolved to dissolve the company with effect from the end of December 31, 2017. As a result, the goodwill of Integration AG was fully depreciated.

Other intangible assets

	in €'000	2017	2016
Clinical Information Systems		1,759	2,569
Connectivity / Interface Applications		140	160
Disease Registries / Clinical Research		63	79
Standard software, operating systems, etc.		395	592
		2,357	3,400

4. Tangible fixed assets

For the development of tangible assets see the separate overview "development of intangible and tangible assets".

5. Financial assets

	in €'000	2017	2016
MedKaizen AG		0	83
		0	83

Business of MedKaizen AG has been rapidly declining. A reversal of this trend is not in sight. Accordingly, the group does not expect any future financial inflows from this financial asset.

6. Other long-term receivables

	in €'000	2017	2016
Other credits		58	65
Deposits, permanent advances		55	90
		113	155

7. Deferred taxes

	in €'000	Assets		Liabilities	
		2017	2016	2017	2016
Intangible assets		324	324	3,247	4,250
Losses carried forward		339	197	0	0
		663	521	3,247	4,250

8. Other long-term assets

ifa united i-tech, Inc. has purchased 33.3 % of the shares of MedKaizen Corp, San Jose, CA, USA by contributions with effect from August 1, 2011. According to the management board, ifa systems AG does not exert significant influence on the company as the company is not effectively involved in the business activities. The shares of the MedKaizen Corp are therefore classified as non-current financial assets (IAS 39) – available for sale.

Changes to the business orientation resulted in changes to the fair value. The value change of EUR 2,077 thousand was accounted for in the shareholders' equity as other results in 2016. Up to the end of the financial year 2017, the management board considers this depreciation as permanent. Therefore, the costs have been recorded as expenses. This has no impact on the equity of the company.

CONSOLIDATED FINANCIAL STATEMENT

9. Inventories

in €'000	2017	2016
Orders in progress	0	522
Raw materials, auxiliary materials and operating materials	5	5
Goods	41	35
	46	562

The carrying amount of inventories primarily includes inventories for computer hardware and network components. As a rule, these are only kept for orders already issued (approx. 4-week inventory).

10. Trade receivables

in €'000	2017	2016
Maturity structure		
Receivables, neither overdue nor impaired	722	1,541
Receivables, overdue but not impaired		
0 to 3 months	179	169
4 to 6 months	20	240
More than 6 months	151	0
Receivables, overdue and impaired	263	78
Itemized valuation allowance	-262	-59
	1,073	1,969
Regions		
Receivables, domestic	163	270
Receivables, foreign	1,172	1,758
Itemized valuation allowance	-262	-59
	1,073	1,969

The significant decline in receivables can be explained by written-off receivables within the framework of restructuring.

11. Receivables from affiliated companies

The amount disclosed in the consolidated balance sheet in the amount of EUR 169 thousand is exclusively receivables from companies of the Topcon group.

12. Tax receivables

	in €'000	2017	2016
Income tax financial year		334	244
Income tax previous year		66	57
		400	301

Tax receivables were mainly based on advance tax payments by the parent company, which exceeded the tax liability.

13. Other short-term receivables

	in €'000	2017	2016
Advance payments for future periods		80	184
Others		173	11
		253	195

14. Cash and cash equivalents

The credit balance at banks relate to current accounts. Regarding changes to the cash stock see the cash flow statement. Cash and cash equivalents are not subject to restrictions on use.

15. Shareholders' equity

Regarding changes to the shareholders' equity see the shareholders' equity analysis.

16. Subscribed capital

The subscribed capital of EUR 2,750,000.00 is divided into 2,750,000.00 bearer shares with a nominal value of EUR 1.00.

17. Reserves

Regarding changes to the reserves see the shareholders' equity analysis.

Due to the balance sheet loss for the financial year 2016, no dividend was paid to the shareholders in 2017

18. Interest-bearing debts

(short- and long-term)	in €'000	RT <1 y.	RT 1–5 y.	RT > 5 y.	Sum
Liabilities December 31, 2017		6,000	0	0	6,000
Liabilities December 31, 2016		472	0	0	472

In the financial year 2016 the liabilities were virtually exclusively current account liabilities to banks. In the financial year 2017 this amount comprises of a bank loan amounting to EUR 2,000 thousand and of a loan from Topcon Europe B.V. amounting to EUR 4,000 thousand.

CONSOLIDATED FINANCIAL STATEMENT

19. Other accruals	in €'000	2017	2016
Personnel costs		275	458
Audit fees		280	156
Guaranty, warranties, outstanding services		427	142
Restructuring costs		1,030	397
Remaining		365	266
		2,377	1,419

20. Trade payables

Trade accounts payable of EUR 455 thousand (previous year: EUR 803 thousand) only have a remaining term of up to one year.

21. Other short-term liabilities

	in €'000	2017	2016
Deferred income		236	4
Liabilities from regarding wages and salaries		50	47
Accounts receivable with loan balances		15	1
Other short-term liabilities		6	100
		307	152

22. Sales revenues

	in €'000	2017	2016
Basic licenses		744	853
RTL		3,537	4,170
Hardware, third-party SW and accessories		676	746
Services		612	785
Topcon basic transactions		392	268
Topcon project transactions		2,340	1,362
Others		251	680
Sum		8,553	8,864

While in 2016 runtime licenses were successfully advertised to be paid in advance for a longer period of time, this effect returned to normal in 2017.

23. Other income

	in €'000	2017	2016
Incomes from the reversal of accruals		3	767
Increase of not-invoiced services		0	423
Remuneration in kind		183	187
Income from currency translation differences		10	18
Remaining other incomes		19	38
		215	1,433

The remuneration in kind include, amongst others, the passed-on charges for employee vehicle use.

24. Own expenses capitalized

This relates exclusively to the capitalization of internally generated intangible assets.

25. Costs of purchased goods and services

	in €'000	2017	2016
Hardware, third-party software		524	499
Other cost of sales		251	103
Third-party services		94	256
		869	858

26. Personnel costs

	in €'000	2017	2016
Salaries		3,948	3,918
Social security		572	508
Fringe benefits		137	124
Other personnel costs		292	31
		4,949	4,581

Staff costs are mainly influenced by the first-time allocation of provisions for the support hotline (EUR 246 thousand). Furthermore, this is due to a high proportion of very well qualified employees, that are hard to find on the market.

73 employees (previous year: 91) were employed at the company on annual average, 72 workers and 1 trainees. Board members are not counted.

27. Other expenses

	in €'000	2017	2016
Legal expenses and consulting costs		864	1,004
Bad debts		755	102
Advertising costs/travel expenses		745	1,259
Third-party development costs		702	1,115
Restructuring		643	0
Premises expenses		566	510
Reduction of unfinished services in inventories		465	0
Licenses		347	194
Provisions, fees		226	624
Vehicle costs		196	214
Communication costs		196	177
Office equipment		78	50
Insurances, contributions, fees		44	84
Maintenance costs		33	34
Remaining other expenses		855	57
		6,716	5,424

CONSOLIDATED FINANCIAL STATEMENT

Among other things, the remaining other expenses include price losses resulting from handling with foreign currencies, non-current expenses and other company taxes.

28. Amortizations

For a structure and development of amortizations see the separate overview „development of tangible and intangible assets“.

29. Financial result

	in €'000	2017	2016
Interest expense for short-term liabilities		-39	-31
Interest expense for long-term liabilities		0	0
Depreciation of financial assets		-2,160	0
Exchange loss		-293	0
Interest income		7	5
		-2,485	-26

The amortization of intangible assets consists of amortization of investment values of the MedKaizen Corp. (EUR 2,077 thousand) and the MedKaizen AG (EUR 83 thousand).

The changes to the business orientation resulted in changes to the fair value for MedKaizen Corp. This value change of EUR 2,077 thousand was accounted for in the shareholders' equity as other results in 2016. At the end of the financial year 2017, the management board considers this depreciation as permanent. Therefore, the costs have been recorded as expenses. This has no impact on the equity of the company.

Business of MedKaizen AG has been rapidly declining. A reversal of this trend is not in sight. Therefore, the group does not expect any future financial inflows of this financial position and has written off the investment book value in full.

30. Income tax

The income taxes break down as follows:

	in €'000	2017	2016
Current tax expense (-) / income (+)		-8	-28
LatDeferred tax expense (-) / income (+)		999	46
		991	18

The group tax rate is the quotient of the income tax charge, identified in the profit and loss statement, and the annual result before taxes. Therefore, the group's tax expenditure generally resulted from the current and deferred tax.

The transition from total tax rate to effective tax rate is as follows:

	2017		2016	
	in €'000	%	in €'000	%
Profit before tax	-10,282		-2,242	
Total tax rate				
– theoretical tax expense	-3,247	31.58%	-708	31.58%
Tax impact from unrecognized deferred tax assets on loss brought forward and temporary differences	2,256	21.94%	686	30.61%
Tax expense from permanent differences	0	0.00%	0	0.00%
Remaining differences	0	0.00%	4	0.18%
Effective tax expense	-991	9.64%	-18	0.79%

31. Earnings per share

	2017	2016
Consolidated net income / loss (in €'000)	-9,291	-2,224
Number of shares	2,750,000	2,750,000
Earnings per share (Euro)	-3.38	-0.81

CONSOLIDATED FINANCIAL STATEMENT

32. Additional disclosures on financial instruments

In the regard of classification of financial instruments ifa systems AG aligned with the classification categories according to IAS 39, as the risk diversification in these categories is similar.

The following tables show the book values and fair values for each category of financial assets and liabilities on 12/31/2017 and 12/31/2016.

		Assigned value in balance sheet acc. to IAS 39					
		Book value 12/31/2017	amortized costs	acquisition costs	Fair Value Not affecting net income	Fair Value Affecting net income	Fair Value 12/31/2017
		€'000	€'000	€'000	€'000	€'000	€'000
Financial assets							
Financial assets	LaR	0	83	0	0	0	0
Other long-term receivables	LaR	113	113	0	0	0	113
Other long-term assets	AfS	0	0	0	0	0	0
Trade receivables	LaR	1,073	1,073	0	0	0	1,073
Other short-term receivables	LaR	821	821	0	0	0	821
Cash and cash equivalents	LaR	4,328	4,328	0	0	0	4,328
		6,335	6,418	0	0	0	6,335
Financial liabilities							
Financial debt	OL	2,000	2,000	0	0	0	2,000
Trade payables	OL	455	455	0	0	0	455
Other short-term liabilities	OL	306	306	0	0	0	306
		2,761	2,761	0	0	0	2,761
Aggregated by measurement categories according to IAS 39							
Loans and receivables (LaR)		6,335	6,418	0	0	0	6,335
Other Liabilities (OL)		2,761	2,761	0	0	0	2,761

Assigned value in balance sheet acc. to IAS 39

		Book value 12/31/2016 €'000	amortized costs €'000	acquisition costs €'000	Fair Value Not affecting net income €'000	Fair Value Affecting net income €'000	Fair Value 12/31/2016 €'000
Financial assets							
Financial assets	LaR	83	83	0	0	0	83
Other long-term receivables	LaR	155	155	0	0	0	155
Other long-term assets	AfS	0	0	0	0	0	0
Trade receivables	LaR	1,969	1,969	0	0	0	1,969
Other short-term receivables	LaR	614	614	0	0	0	614
Cash and cash equivalents	LaR	218	218	0	0	0	218
		3,039	3,039	0	0	0	3,039
Financial liabilities							
Financial debt	OL	472	472	0	0	0	472
Trade payables	OL	803	803	0	0	0	803
Other short-term liabilities	OL	152	152	0	0	0	152
		1,427	1,427	0	0	0	1,427
Aggregated by measurement categories according to IAS 39							
Loans and receivables (LaR)		3,039	3,039	0	0	0	3,039
Available for Sale (AfS)		0	0	0	0	0	0
Other Liabilities (OL)		1,427	1,427	0	0	0	1,427

Determination of actual cash value (Fair Value)

Due to the short maturity, the book value of financial instruments such as receivables and liabilities essentially match the market value.

The company watches the performance of liabilities with fixed and variable interest rates, as well as long-term and short-term liabilities. In this context, the business risk and other financial risks are examined.

CONSOLIDATED FINANCIAL STATEMENT

Disclosures on the profit and loss statement

The following table shows the net profit (+) and net losses (-) of financial instruments according to classification categories considered in the profit and loss statement.

	in €'000	2017	2016
Loans and Receivables (LaR)		-817	-102
Other Liabilities (OL)		-123	-31

In the financial statement of the ifa systems AG the adjustments to receivables and deliverables and other assets that can be categorized as "loans and receivables" are recorded as other operating expenses. The financial assets categorized as „loans and receivables“ mainly result from deliveries and deliverables. Net profits mainly include interest income, allowances and receivables defaults, as well as income from the release of allowances.

In the category "available for sale" it was necessary to re-evaluate the shares due to the changes to the business orientation. The resulting expenses of EUR 2,077 thousand have been directly identified as other results in the equity in the financial year 2016. At the end of the financial year 2017, the management board considers this depreciation as permanent. Therefore, the costs have been recorded as expenses. This has no impact on the equity of the company.

The net losses in the category "other liabilities" mainly result from the interest costs for financial liabilities.

Development of the intangible assets and tangible assets

	Acquisition costs or production costs				as of 12/31/2017 in €'000
	as of 01/01/2017 in €'000	Asset additions in €'000	Asset retirements in €'000	Currency adjustment in €'000	
Intangible assets					
Internally generated intangible assets	18,361	824	-337	-378	18,470
Goodwill	133	0	0	0	133
Other intangible assets	5,651	0	-316	-479	4,856
	24,145	824	-653	-857	23,459
Tangible fixed assets	936	16	-19	-85	848
	25,081	840	-672	-942	24,307

	Amortizations				as of 12/31/2017 in €'000
	as of 01/01/2017 in €'000	Asset additions in €'000	Asset retirements in €'000	Currency adjustment in €'000	
Intangible assets					
Internally generated intangible assets	3,242	4,225	-114	-103	7,250
Goodwill	0	133	0	0	133
Other intangible assets	2,251	436	-1	-187	2,499
	5,493	4,794	-115	-290	9,882
Tangible fixed assets	745	61	-6	-71	729
	6,238	4,855	-121	-361	10,611

33. Auditor's fee in accordance with section 314 (1) no. 9 of the HGB

The following statement considers the total auditor's fee and the services towards the ifa group for the financial year of 2017.

	in €'000	2017	2016
Auditing company and group statements		71	90
Other services		1	0
		72	90

34. Business relations with related individuals and companies

As of December 31, 2017, the members of the management board and supervisory board hold shares in ifa systems AG, either personally or through related companies:

Management board

Jörg Polis	30,798 shares
Christoph Reinartz	23,945 shares
Kaoru Nihei (until March 31, 2018)	No shares
Nobuo Takase (since April 1, 2018)	No shares

Supervisory board

Nick Smith (since October 24, 2017)	No shares
Robert Gaulke (since October 24, 2017)	No shares
Randy Samuels (since October 24, 2017)	No shares

Members of the former supervisory board and their families or family members of the board provided direct or indirect services for the company that are billed at customary market fees and rates.

Brigitte Polis, the wife of the management board member Jörg Polis, worked as freelancer until March 31, 2017 for wkomma GmbH and afterwards for JP Verwaltungs- und Service GmbH (partner Jörg Polis). The services performed by her were calculated with EUR 53,092.79 in 2017. This contractual relationship was ended on December 31, 2017.

Best Service GmbH (partner Robert Gaulke) performed consulting services in the amount of EUR 12,000.

CONSOLIDATED FINANCIAL STATEMENT

35. Compensation of the Management Board	in €'000	2017	2016
Compensation of the Management Board in total		500	489
Fixed salary thereof		500	489
Profit sharing thereof		0	0

Due to the results, the board members did not receive variable remuneration for the financial year 2017.

36. Events after the balance sheet date

Significant events and transactions of particular importance, that occurred after the end of the financial year 2017 and had impact on the net assets, financial position and operation results, are not known to the management board.

The date for release of the annual financial statements by the management board pursuant to IAS 10.17 is May 8, 2018.

Statement by the legal representatives (responsibility statement)

in accordance with section 264 (2) sentence 3 and section 289 (1) sentence 5 HGB
(German Commercial Code)

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

Frechen, May 08, 2018

ifa systems AG



Jörg Polis



Christoph Reinartz



Nobuo Takase

BESTÄTIGUNGSVERMERK DES ABSCHLUSSPRÜFERS

Wir haben den von der ifa systems AG, Frechen, aufgestellten Konzernabschluss – bestehend aus Konzernbilanz, Konzern-Gewinn- und Verlustrechnung, Konzern- Gesamtergebnisrechnung, Konzern-Eigenkapitalveränderungsrechnung, Konzern-Kapitalflussrechnung, Konzern-Anhang – und den Konzernlagebericht, der mit dem Lagebericht der Gesellschaft zusammengefasst ist, für das Geschäftsjahr vom 1. Januar 2017 bis 31. Dezember 2017 geprüft. Die Aufstellung von Konzernabschluss und zusammengefassten Konzernlagebericht nach den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315a HGB anzuwendenden handelsrechtlichen Vorschriften liegt in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Konzernabschluss und über den zusammengefassten Lagebericht abzugeben.

Wir haben unsere Konzernabschlussprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung unter ergänzender Beachtung der International Standards on Auditing (ISA) vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Konzernabschluss unter Beachtung der Grundsätze ordnungsmäßiger Buchführung und durch den zusammengefassten Lagebericht vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben im Konzernabschluss und zusammengefassten Lagebericht überwiegend auf der Basis von Stichproben beurteilt.

Die Prüfung umfasst die Beurteilung der Jahresabschlüsse der in den Konzernabschluss einbezogenen Unternehmen, der Abgrenzung des Konsolidierungskreises, der angewandten Bilanzierungs- und Konsolidierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Konzernabschlusses und des zusammengefassten Lageberichts.

Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Konzernabschluss den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315a Abs. 1 HGB anzuwendenden handelsrechtlichen Vorschriften und vermittelt unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns. Der Konzernlagebericht steht in Einklang mit dem Konzernabschluss, vermittelt insgesamt ein zutreffendes Bild von der Lage des Konzerns, entspricht den gesetzlichen Vorschriften und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar."

Wuppertal, den 08. Mai 2018

TREUMERKUR Dr. Schmidt und Partner KG

Wirtschaftsprüfungsgesellschaft



Dipl.-Oec. Andreas F. Wildoer
Wirtschaftsprüfer



Dipl.-Kfm. Arvid Feuerstack
Wirtschaftsprüfer

Corporate Bodies

Board of Management

Jörg Polis	CEO since Nov. 1, 2016
Christoph Reinartz	CIO since 2001
Kaoru Nihei	CMO until March 31, 2018
Nobuo Takase	CMO since April 1, 2018

Supervisory Board

Nick Smit	Chairman since October 24, 2017
Robert Gaulke	since October 24, 2017
Randy Samuels	since October 24, 2017
Matthias Maus	Chairman until October 24, 2017
Takayuki Yamazaki	until October 24, 2017
Shigehiro Ogino	until October 24, 2017



ifa systems AG, Frechen

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