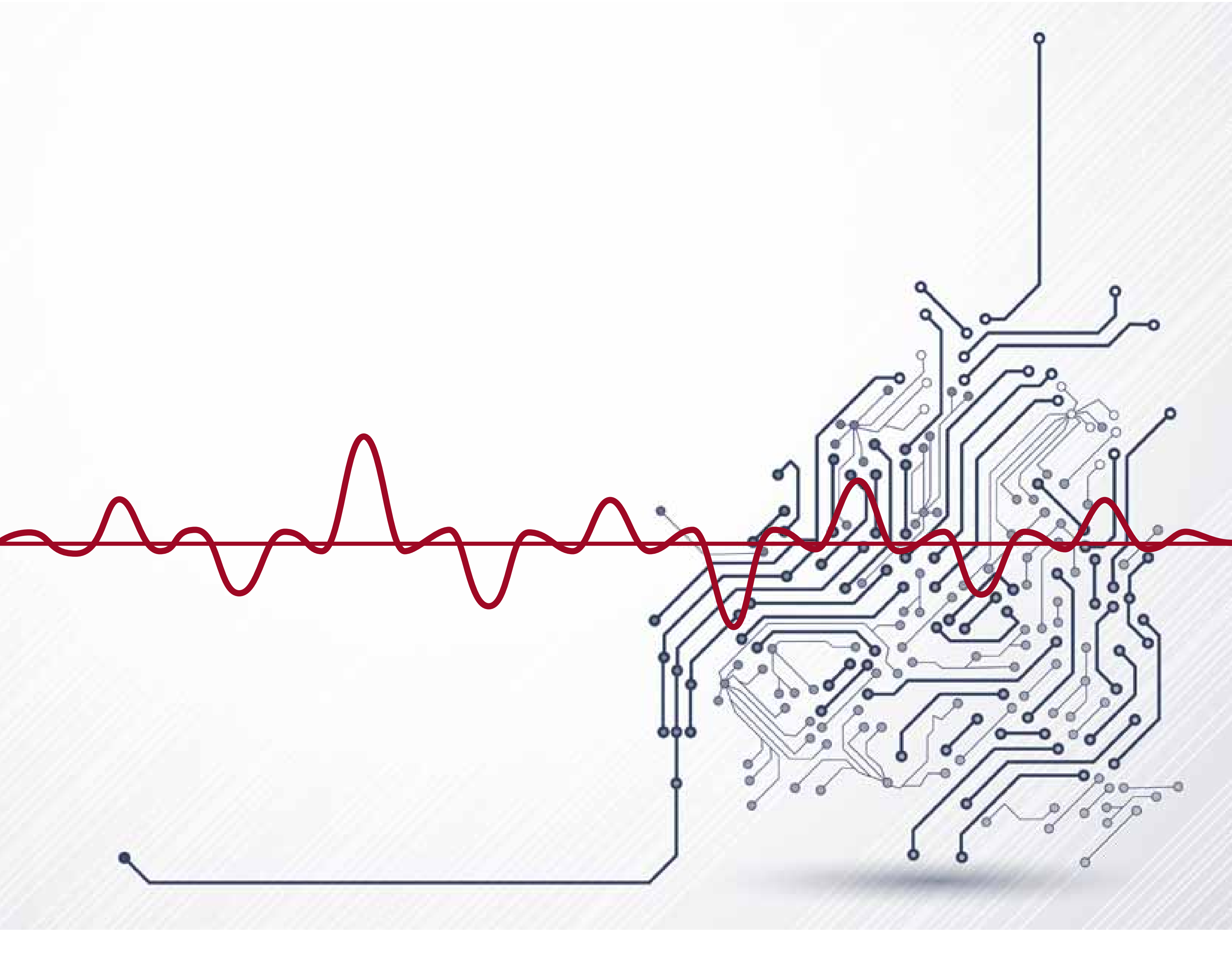
VISCOM
vision technology

WE TAKE A CLOSER LOOK.

SOLUTIONS FOR ME.



ANNUAL REPORT 2017

CONTENT

OPERATING FIGURES

Profit and loss

		2017	2016
Revenues	K€	88,542	77,245
EBIT	K€	13,829	10,497
Net profit for the period	K€	9,073	7,129

Balance sheet and cashflow statement figures

		2017	2016
Total assets	K€	71,342	66,637
Equity ratio	%	79.6	78.5
CF from operating activities	K€	12,752	95
CF from investing activities	K€	-3,428	-1,968
CF from financing activities	K€	-3,999	-3,554
Cash and cash equivalents	K€	11,506	6,517

Share

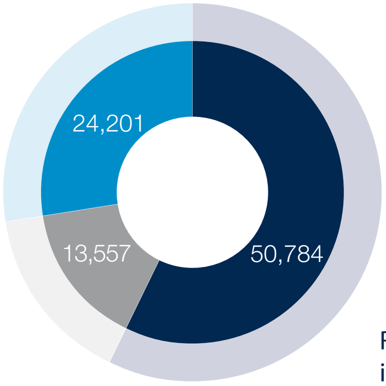
		2017	2016
Result per share	€	1.02	0.80
Dividend per share*	€	0.60	0.45

Employees

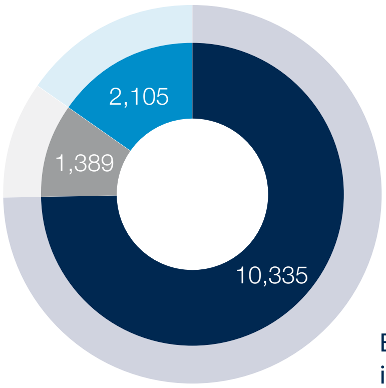
	2017	2016
Employees at year-end	415	382
Employees in annual average	402	375

*Dividend proposal 0,60 € per dividend-bearing share for the financial year 2017

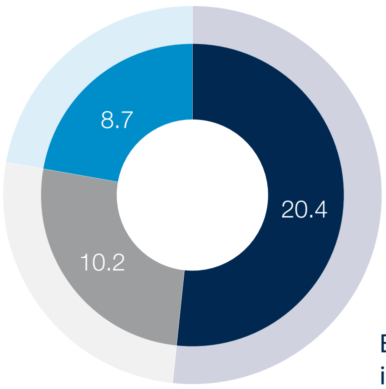
SEGMENT INFORMATION



Revenue
in K€



EBIT*
in K€



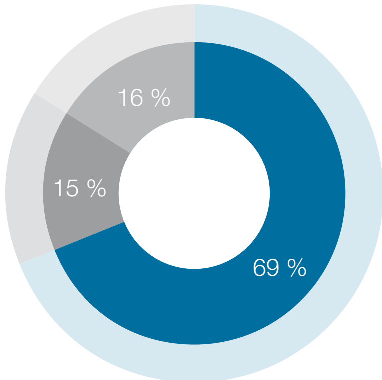
EBIT-Margin*
in %

■ Europe ■ Americas ■ Asia

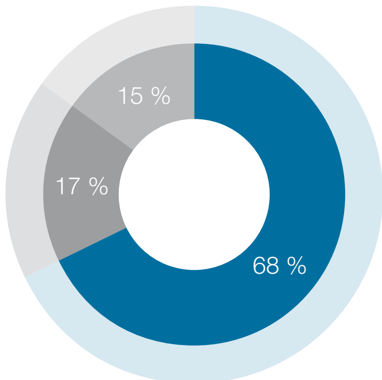
* in consideration of consolidation differences

PRODUCT GROUPS

Revenue distribution of product groups 2017



Revenue distribution of product groups 2016



■ Optical and X-ray series inspection systems

■ Special optical and X-ray inspection systems

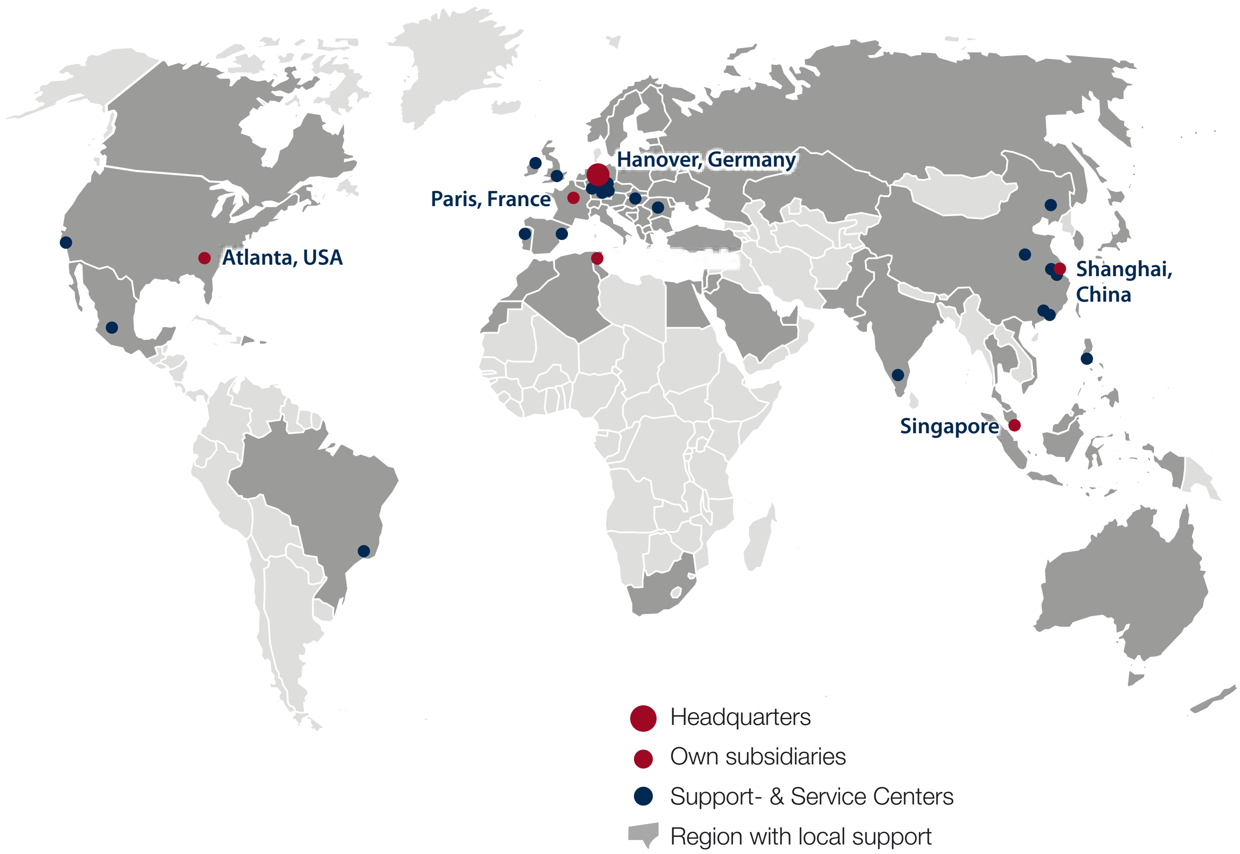
■ Service

VISCOM.
VISION TECHNOLOGY.

Viscom has been successfully represented on the market with its inspection solutions since 1984. From its origins as a pioneer in the field of industrial image processing, it has grown into a company with 415 employees and revenue of around € 88.5 million. Its portfolio focuses on high-quality inspection systems for the electronics industry, especially automated optical inspection systems, solder paste inspection and mounting and solder joint inspection, as well as X-ray inspection. The company is now one of the leading global providers and the European market leader in this area. With its core competency of component inspection, Viscom is a specialist for quality assurance in electronics production. The company offers series systems and customer-specific inspection solutions.

Viscom inspection systems are leading-edge technological products that are used successfully around the world by high-profile companies across a wide range of industries.

INCOMING ORDERS	REVENUE	EBIT	EBIT-MARGIN	EQUITY RATIO
€ 90.3 MILLION	€ 88.5 MILLION	€ 13.8 MILLION	15.6 %	79.6 %



FOREWORD FROM THE EXECUTIVE BOARD

Dear Ladies and Gentlemen,

We demonstrated our strength and continued on our successful path in the 2017 financial year. The technological and strategic orientation of the Group again proved to be the right one. We comfortably achieved our forecast for the past financial year and successfully realised our goals.

„We offer custom-made solutions for any inspection job and combine sophisticated engineering with easy handling.“

Dr. Martin Heuser
Member of the Executive Board (Technology)

We generated double-digit growth in consolidated revenue, which rose by 14.6 % to € 88.5 million. Operating profit (EBIT) improved by as much as 31.7 % to € 13.8 million. Accordingly, our return on revenue increased from 13.6 % in the previous year to 15.6 % in the year under review. The Group's extremely positive development was driven by excellent performance in all regions and divisions. In 2017 alone, we increased our revenue from serial products by 17.3 % and our revenue from services by an outstanding 21.4 % year-on-year. At 15 %, the share of revenue attributable to special products remained largely unchanged as against the previous year (17 %). Our statement of financial position also has solid foundations, as illustrated by our equity ratio of 79.6 %.

Our aim is to allow you, the loyal shareholders of Viscom AG, to participate in the Group's positive economic development. Together with the Supervisory Board, we will propose a dividend payment of € 0.60 per dividend-bearing share to the Annual General Meeting on 30 May 2018. This corresponds to a dividend yield of 2.0 % based on the closing share price at the end of 2017.

Our high-end technological developments are setting new standards – in areas from 3D and X-ray technology to networked integration. At the same time, Viscom's intensified presence is making an impression in the regions that are important to the Group. For example, our Chinese branch celebrated its tenth anniversary last year.

We are particularly pleased to be able to offer strong solutions and partnerships for Industry 4.0 – from our open interface for third-party systems through to our participation in the Hermes Standard, which is defining standards for the intelligent networking of the individual systems on a production line. Viscom is a partner in pioneering projects for various customer industries around the world. We are optimistic about the future.

We operate in an extremely strong growth market. The continued upturn in the proportion of electronics and the ongoing miniaturisation of electronic components are the driving factors behind the market potential enjoyed by our inspection systems. They are also the market developments behind megatrends like e-mobility and autonomous vehicles. These advancements are continuously creating new and more stringent process and quality requirements. Our customers meet these requirements by using our technologies to guarantee the quality of complex

„Customers worldwide value our technological lead and our potential.“

Volker Pape
Member of the Executive Board (Sales)

assemblies. Industry 4.0, which is now fairly well established, is increasingly being accompanied by calls for the use of artificial intelligence, and particularly for specific projects for applications in electronics production and quality assurance. There are two reasons why Viscom is already excellently positioned compared with its competitors in this respect: Firstly, we offer a complete technology portfolio for the inspection industry. This means we can boast in-depth process expertise and have already developed intelligent system communications on the production line with the Quality Uplink. We have also been investing in research in this area for many years and are working internally, represented by a team of IT specialists, on various specific implementations for applications in industrial production in the near future.

This gives us extremely good foundations for continuing to gain market share and remaining firmly on our growth path in future.

In 2018, Viscom will again systematically leverage the growth opportunities that present themselves. We are aiming for revenue of between € 93 million and € 98 million and an EBIT-Margin of 13 to 15 %. An order backlog of € 19.8 million at the end of 2017 represents a good starting point for achieving this.

„Our staff‘s know-how, their motivation and Viscom‘s team spirit are the key to our success.“

Dirk Schwingel
Member of the Executive Board (Finances)

We would like to take this opportunity to thank our employees for their dedication and loyalty and our customers, business partners and shareholders for the trust they have placed in us. We look forward to continuing on our path with you in 2018.

The Executive Board

Dr. Martin Heuser   Volker Pape   Dirk Schwingel

REPORT OF THE SUPERVISORY BOARD

The following section comprises the Supervisory Board's report on its activities in the 2017 financial year, and in particular the focal points of its monitoring and advisory functions, compliance with the German Corporate Governance Code, and the audit of the single-entity and consolidated financial statements.

Dear Ladies and Gentlemen,

The figures presented by the management of Viscom AG for the 2017 financial year were extremely satisfactory. Thanks to the contribution of all its branches, subsidiaries and divisions, the Group continued on its growth path and closed the year under review extremely successfully. Consolidated revenue increased by 14.6 % year-on-year to € 88,542 thousand, while operating profit amounted to € 13,829 thousand, corresponding to an EBIT-Margin of 15.6 %. These figures are within the increased target range issued by the management on 20 July 2017.

Advising the Executive Board and Monitoring Management

In the 2017 financial year, the Supervisory Board carried out the duties and obligations required of it by law and the Articles of Association, continuously monitoring the Executive Board's management of the company and regularly acting in an advisory capacity on corporate management issues in order to ensure that the Executive Board acted in accordance with the relevant rules and statutory provisions. It also obtained regular, prompt and comprehensive information on the development of business operations over the course of the year, the company strategy and its implementation, planning, the risk situation, risk management measures and compliance. The Supervisory Board continuously monitored management on the basis of written and verbal Executive Board reports and joint meetings, receiving explanations from the Executive Board of any deviations from plans and objectives for business developments and the reasons for these. The Supervisory Board carefully examined transactions that were important for the business and that required its approval, and discussed each of them with the Executive Board. The Supervisory Board also satisfied itself that the Executive Board had developed its effective and efficient corporate compliance system and the internal risk management and control system for the Viscom Group.

Composition of the Supervisory Board

In compliance with section 11 (1) of the Articles of Association in conjunction with section 95 sentences 1 to 4, section 96 (1), section 101 (1) AktG, the Supervisory Board of the company consists of three members who are elected by the Annual General Meeting without it being bound by any specific proposals. In the 2017 financial year, the three members of the Supervisory Board of Viscom AG were Bernd Hackmann (Chairman of the Supervisory Board), Klaus Friedland (Deputy Chairman of the Supervisory Board) and Prof. Ludger Overmeyer. The terms of office of the three appointed Supervisory Board members are identical and will expire at the end of the Annual General Meeting that approves the actions of the members of the Supervisory Board for the 2018 financial year.

Meetings of the Supervisory Board

The Supervisory Board held seven regular meetings in the 2017 financial year, including one meeting for an efficiency review under exclusion of the Executive Board. The meetings took place on 24 January, 14 March, 3 May, 31 May, 2 August, 7 November and 5 December. At these meetings, the Supervisory Board was provided with prompt and comprehensive information on

Klaus Friedland
Deputy Chairman of the Supervisory Board

Bernd Hackmann
Chairman of the Supervisory Board

Prof. Dr. Ludger Overmeyer
Member of the Supervisory Board

current business policies, relevant aspects of company planning including financial, investment and human resources planning, the course of business, the company's current revenue, earnings and liquidity position, budget planning, the economic situation of the company and the Group including risk factors and risk management, as well as corporate compliance within the Group, strategic objectives and all major organisational and personnel changes. All meetings were held in person. Resolutions on urgent matters were also passed outside meetings, both in conference calls and in writing. At the beginning of the sessions, the Supervisory Board regularly consulted on matters relating to the Supervisory Board without the presence of the Executive Board. The Supervisory Board was involved in all decisions of fundamental importance to the company. The single-entity and consolidated financial statements, the management report and Group management report and the interim reports were discussed in detail with the Executive Board prior to their publication. In addition, the Supervisory Board was presented with transactions requiring its approval. These were approved following detailed examination and discussion with the Executive Board. Among other things, these included the annual adoption of the budget for the next financial year, comprising revenue, cost, earnings, investment, human resources and financial planning including statements of cash flows for the company and its affiliated companies, and the purchase of additional land by Viscom AG to build a car park for the company's employees. The Executive Board provided the Supervisory Board with the key figures required to assess business developments, in each case including comparisons with the current budget and the prior-year figures, as part of monthly reporting. Reporting by the Executive Board took place on request and in response to specific enquiries by the Supervisory Board, as well as periodically according to the rules of procedure for the Executive Board issued by the Supervisory Board.

Additionally, the Chairman of the Supervisory Board was regularly informed about current business events by the Executive Board.

Focal points of the Supervisory Board's discussions and examinations

Information passed from the Executive Board to the Supervisory Board focused on the revenue situation as well as its effects on the business operations of Viscom AG and the Group. Key topics discussed at the meetings of the Supervisory Board in the 2017 financial year included the strategic direction of the company and its further development, the business operations of the Group and the individual business areas. The Supervisory Board discussed the organisation, and in particular risk management and the economic, financial and strategic situation of the company and each of its business areas, as well as key questions of corporate policy and strategy, with the Executive Board. Furthermore, the Executive Board and Supervisory Board discussed developments on the international markets and at the locations of the company's subsidiaries in the USA, Asia and France, as well as the general global competitive structure and possible areas for diversification. Another key topic discussed by the Supervisory Board was succession planning for the Executive Board of Viscom AG.

The meeting to review the accounts on 14 March 2017 focused on the adoption of the single-entity and consolidated financial statements for 2016, including the management reports, the Executive Board's proposal for the appropriation of net retained profits, the Corporate Governance Statement and Corporate Governance Report as well as the Executive Board report on the relationships between Viscom AG and its affiliated companies. During the meeting, which was also attended by the auditors, the Executive Board issued a comprehensive report to the Supervisory Board on the basis of detailed documents. The auditors reported on the material findings of their audit. The single-entity and consolidated financial statements for 2016 and the management reports were approved, meaning that the annual financial statements of Viscom AG have been adopted. The Supervisory Board approved the proposal by the Executive Board on the appropriation of net retained profits. The Supervisory Board did not raise any objections to the audited Executive Board report on the relationships between Viscom AG and its affiliated companies. In addition, the agenda and the proposed resolutions for the Annual General Meeting 2017 were approved.

At the meeting on 3 May 2017, the Supervisory Board intensively addressed the development of business operations during the first three months of the year in the context of the consolidated interim financial statements as of 31 March 2017. Individual risks were also discussed in greater detail based on risk early detection management.

A detailed review of the Annual General Meeting took place at the meeting on 31 May 2017. This meeting also resolved the targets for the proportion of women on the Supervisory Board and the Executive Board of Viscom AG. Further details on these resolutions can be found in the Corporate Governance Statement and Corporate Governance Report, which are included in the 2017 Group management report in Viscom AG's Annual Report for the 2017 financial year.

The meeting on 2 August 2017 focused on the development of business in the first six months of the year in the context of the consolidated interim financial statements, which the Executive Board and Supervisory Board discussed and reviewed in detail.

From autumn 2017, the Supervisory Board began its discussions on long-term succession planning together with Viscom AG's Executive Board in accordance with the recommendation of section 5.1.2 of the German Corporate Governance Code.

The Supervisory Board on 7 November 2017 focused on the consolidated interim financial statements as of 30 September 2017. Potential individual risks were also discussed in greater detail based on risk early detection management.

At their meeting on 5 December 2017, the Executive Board and Supervisory Board discussed in detail and adopted the annual planning, including financial, investment and human resources planning, for the 2018 financial year on the basis of extensive documentation. The Executive Board also provided the Supervisory Board with an overview of the current status of the compliance programme and its implementation. The potential obligations with regard to sustainability reporting were also discussed in detail.

Each of the Supervisory Board meetings was attended by all of the Supervisory Board members.

Corporate Governance

Information on the aspects of the company's corporate governance relating to the Supervisory Board can be found in the Corporate Governance Statement in accordance with section 289f of the German Commercial Code (HGB), which is included in Viscom AG's Annual Report for the 2017 financial year. The remuneration of the individual Supervisory Board members is reported in the Corporate Governance Statement, which forms part of the management report. There were no indications of conflicts of interest affecting the Executive Board or Supervisory Board members requiring immediate declaration to the Supervisory Board and disclosure at the Annual General Meeting.

During the 2017 financial year, the Supervisory Board – without the presence of the Executive Board – assessed the efficiency of its activities in line with the requirements of the German Corporate Governance Code. This assessment took place on 24 January 2017. The meeting was conducted largely on the basis of checklists. In addition to the long-term assessment of past resolutions, the assessment focused on efficient cooperation within the Supervisory Board, between the Chairman of the Supervisory Board and the other Supervisory Board members, and between the Supervisory Board and the Executive Board. No material aspects requiring improvement were identified. The meeting also focused on the preparation of a profile of skills and expertise for the entire Supervisory Board within the meaning of section 5.4.1 (2) of the German Corporate Governance Code.

Above and beyond this, the Executive Board and Supervisory Board submitted the annual declaration of compliance with the German Corporate Governance Code on 28 February 2018. This declaration has been made permanently available to the public on Viscom AG's website. The Executive Board, including on behalf of the Supervisory Board, reports on the company's corporate governance in the Corporate Governance Statement published by Viscom AG in accordance with section 289f HGB.

Accounting

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover office, was elected as the auditor for the single-entity and consolidated financial statements of Viscom AG for the year ended 31 December 2017 by the Annual General Meeting of the company on 31 May 2017 and duly engaged by the Supervisory Board. The Supervisory Board then negotiated and awarded the audit assignment. It was agreed that the auditors should promptly report all findings and occurrences of significance to the tasks of the Supervisory Board as they were identified by the auditors in the course of their audit. Furthermore, it was agreed that the auditors were to inform the Supervisory Board and/or include a comment in the audit report if, in conducting their audit, they became aware of any information indicating an inaccuracy in the declaration of compliance with the German Corporate Governance Code issued by the Executive Board and the Supervisory Board.

The 2017 annual financial statements of Viscom AG prepared by the Executive Board in accordance with HGB and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU for the year ended 31 December 2017, the management report and Group management reports, together with the accounting records, were audited and issued with an unqualified audit opinion.

The audit focused in particular on revenue recognition, the measurement of the completed and incompleted products (inventories) as well as the impairment testing of the activation and depreciation of development expenses in the consolidated financial statements. In addition, the auditor inspected Viscom AG's existing risk early detection system in accordance with section 317 (4) HGB and, as a result of this assessment, came to the conclusion that the Executive Board has established an appropriate information and monitoring system whose design and use is appropriate to identify developments that could endanger the company's continued existence at an early stage.

The report on Viscom AG's relations with affiliated companies prepared by the Executive Board of Viscom AG in accordance with section 312 AktG was also examined by the auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The auditor issued the following audit opinion:
"Following our mandatory audit and examination, we confirm that

1. the factual information contained in the report is accurate,
2. the payments made by the company for the transactions listed in the report were not inappropriate."

The Supervisory Board meeting to review the accounts took place on 13 March 2018. The documents relating to the single-entity and consolidated financial statements, the Executive Board's report on Viscom AG's relations with affiliated companies, the Executive Board's proposal for the appropriation of net retained profits, the long-form audit report on the financial statements and all other documents and meeting reports were provided to the members of the Supervisory Board in a timely manner prior to this meeting. This documentation was discussed in detail during the Supervisory Board accounts review meeting. The auditor attended the meeting, reported on the audit and its results, and provided information on its findings concerning the internal control system and accounting-related risk management. The auditor was also on hand to answer questions, provide additional information and discuss the documents.

Following a detailed discussion of the audit and its results with the auditor, a thorough examination of the audit reports provided by the auditor and its own examination and discussion of the single-entity and consolidated financial statements, the management report, the Group management report and the Executive Board's proposal for the use of retained earnings, the Supervisory Board approved the results of the audit. The Supervisory Board determined that there were no objections based on the final results of its examination. At its accounts review meeting on 13 March 2018, the Supervisory Board approved the single-entity and consolidated financial statements, the management report and the Group management report for the 2017 financial year, meaning that the single-entity financial statements have been adopted (section 172 sentence 1 AktG).

The Supervisory Board approved the proposal by the Executive Board on the appropriation of net retained profits taking into account the development of earnings and the financial position. The Supervisory Board also examined the report of the Executive Board on Viscom AG's relations with affiliated companies and, based on its own examination and discussion of the report, agreed with the audit results of the auditor. At its meeting on 13 March 2018, the Supervisory Board determined that there were no objections against the declarations of the Executive Board at the end of the report on Viscom AG's relations with affiliated companies based on the final results of its examination.

The Supervisory Board would like to thank the members of the Executive Board, the management of the subsidiaries, the heads of the divisions, the Works Council as well as all employees of the Viscom Group for their high level of personal commitment and their work in the 2017 financial year, which helped the Group to achieve its extremely strong results.

Hanover, 13 March 2018

For the Supervisory Board

Bernd Hackmann
Chairman of the Supervisory Board

VISCOM'S SHARES

Basic information on Viscom's shares

German Securities Code Number (WKN)	784686
ISIN	DE 000 7846867
Ticker symbol	V6C
Market segment	Regulated market (Prime Standard)
Category	No-par value bearer shares
Share capital (€)	9.02 million
Share capital (units)	9,020,000
Number of voting shares	8,885,060

		2017	2016	2015
Year-end share price *	€	29.59	13.30	14.70
Highest share price during the year *	€	30.80	15.60	17.35
Lowest share price during the year *	€	13.85	11.56	11.25
Market capitalisation (end of year)	€ million	266.90	119.97	132.59
Earnings per share	€	1.02	0.80	0.40
Dividend per share **	€	0.60	0.45	0.40

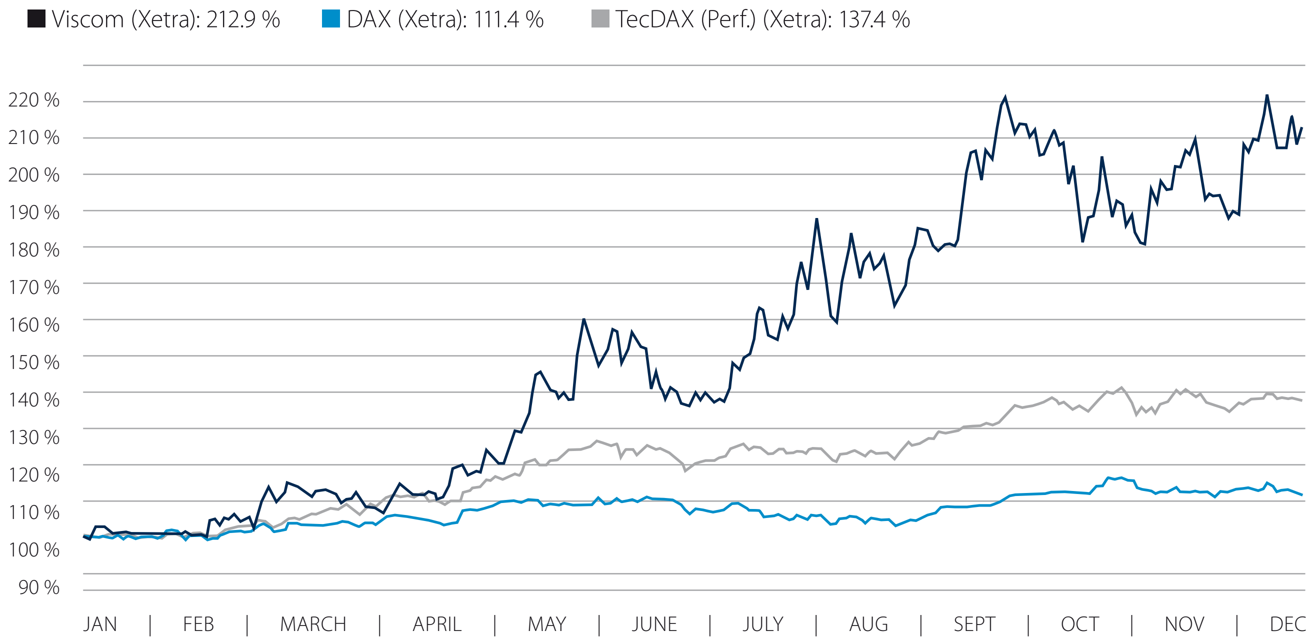
* All share price information is based on XETRA daily closing prices
** Dividend proposal of € 0.60 per dividend-bearing share for the 2017 financial year

Market conditions

2017 was a year of above-average stock market performance, with a near total absence of setbacks, corrections and, in particular, volatility and fluctuations. Low interest rates, the strength of the global economy and solid economic growth were the fundamental factors behind the positive development on the stock markets. Almost all of the major share indices around the world recorded healthy gains. Geopolitical risks also did little to curb the mood on the global financial markets. The DAX, which represents the German stock market, closed the year up 12.51 %. The German MDAX (+18.08 %), SDAX (+24.87 %) and TecDAX (+39.59 %) indices also enjoyed an extremely successful 2017. The euro gained ground towards the end of 2017, closing the year up 14.15 % at USD 1.2005.

VISCOM'S SHARE PRICE PERFORMANCE

compared with the DAX and TecDAX in 2017



Viscom share price

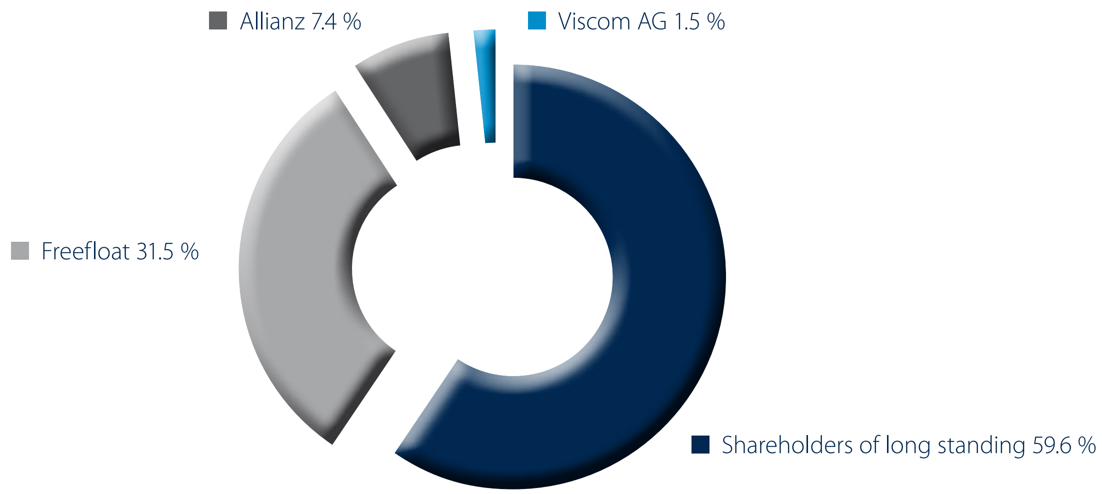
Viscom's share price saw an extremely encouraging upward trend in the 2017 stock market year. The low for the year of € 13.85 was recorded on 3 January 2017. The revenue and earnings figures published during 2017 and the ambitious targets for the 2017 financial year ensured continued positive impetus for the share price as the year progressed.

Viscom's shares reached a high for the year of € 30.80 on 18 December 2017. The share price averaged € 21.16 across 2017 as a whole and closed the year at € 29.59. In percentage terms, this meant Viscom's share price increased by around 119 % between the beginning and the end of the year.

Analyst recommendations

Three financial analysts cover and comment on Viscom's shares on a regular basis. At 31 December 2017, the share had two buy recommendations and one accumulate recommendation.

SHAREHOLDER STRUCTURE



Shareholder structure

The shareholder structure of Viscom AG is characterised by the high degree of involvement on the part of the company founders and Executive Board members Dr. Martin Heuser and Volker Pape. 59.6 % of the shares are held by Dr. Martin Heuser and Volker Pape, either directly or via HPC Vermögensverwaltung GmbH. 7.4 % of the shares are held by Allianz. Viscom AG holds 1.5 % of its own shares, which the company repurchased in 2008/2009 as part of a share buy-back programme. The 31.5 % of shares that are in free float are spread primarily among investors in Germany and other European countries.

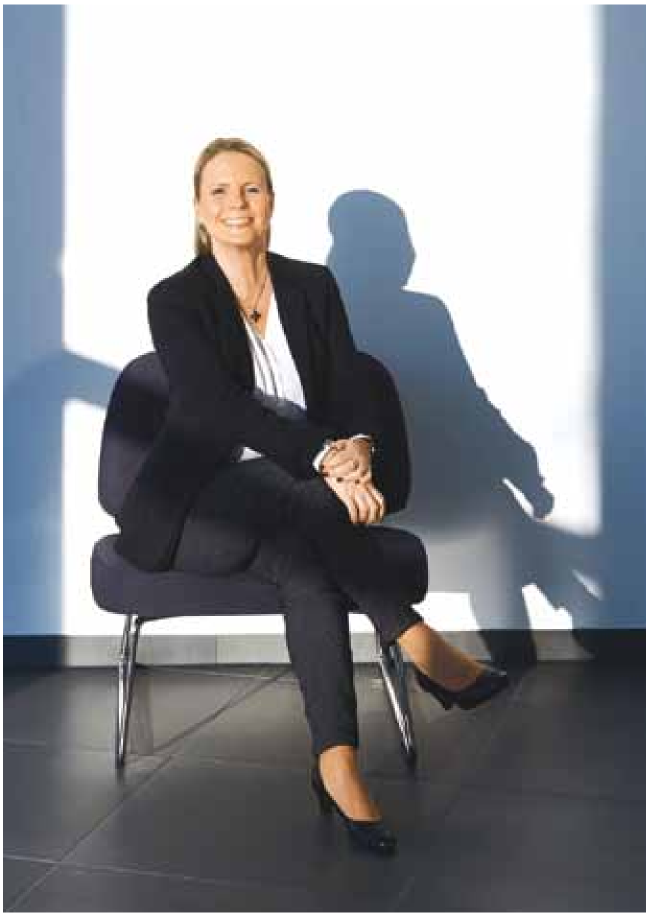
Annual General Meeting 2017

The Annual General Meeting of Viscom AG was held at the Old Town Hall in Hanover on 31 May 2017. Of the company's voting share capital of € 8,885,060.00, divided into 8,885,060 no par value shares, a total of 6,556,389 no-par value shares with the same number of votes were represented during the voting process; this corresponds to 73.79 % of the voting share capital. All agenda items were adopted by the shareholders and shareholder representatives with the necessary majority. The actions of the Executive Board and Supervisory Board were approved. The distribution of a dividend of € 0.45 per share for the 2016 financial year was resolved.

The next Annual General Meeting of Viscom AG is scheduled to take place at the Old Town Hall in Hanover on 30 May 2018.

Dividend proposal for the 2017 financial year

The Executive Board and Supervisory Board will propose a dividend payment of € 0.60 per dividend-bearing share to the Annual General Meeting on 30 May 2018. With its intention to distribute at least 50 % of the net profit generated, the management is following the dividend policy that Viscom AG has communicated for several years now. This proposed dividend is based on the company's expected economic development under consideration of funds required for business operations.



Investor Relations

The objective of our investor relations activities is to enable all capital market participants to evaluate Viscom AG objectively. We achieve this by means of continuous, open communication. Viscom AG held numerous one-on-one meetings with analysts and investors in 2017 and appeared at Deutsche Börse's German Equity Forum in Frankfurt.

Extensive information on Viscom's shares can be found in the Investor Relations section of the company's website at www.viscom.com.

You can also contact the Investor Relations department at the following address:

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E-mail: investor.relations@viscom.de
Tel.: +49 511 94996-861
Fax: +49 511 94996-555

THE STRATEGY.

Tailored solutions
for every inspection task!

Our corporate strategy is geared towards generating sustainable value in order to further secure Viscom's future viability.

The requirements made of Viscom's inspection systems are becoming increasingly specific, not least because of the permanent miniaturisation of components and the ongoing process of digitalisation and networking. As a result, our highly qualified engineers work in partnership with our customers to develop tailored solutions and open up additional opportunities for new inspection systems, software components and services. Our global presence allows us to ensure smooth system integration, optimised workflows, training and comprehensive support. Quickly, expertly and hassle-free.

TECHNOLOGY

Viscom's innovative solutions ensure optimal insight!

Technological innovation remains a vital strategic success factor and the only way we can satisfy the constantly changing market conditions. We work on highly innovation-driven technologies while developing new markets and leveraging potential in order to expertly master the challenges of globalisation and the rapid pace of technological change. Automotive and industrial electronics are essential markets for us. At the same time, we are intensifying our presence in future-oriented segments. Viscom's primary objective is the expansion of its market position in the high-volume production of globally active contract manufacturers and the development of new areas of application with the aim of diversification.

We invest continuously in optimising our inspection systems and deliver proof of our performance compared with competitor systems in on-site demonstrations for our customers. One focal point of inspection technology is 3D inspection. The market is increasingly demanding solutions in this area. Viscom offers the corresponding solutions for optical inspection, X-ray inspection and paste print inspection, ensuring 100 % error detection for the products of tomorrow.

In addition, the networking of individual systems within a production line is becoming increasingly important in the current era. These approaches are also familiar in the context of "Industry 4.0". To this end, 16 production suppliers, including Viscom, launched "The Hermes Standard" in March 2017. The aim of the standard is to define new specifications for communication between the machines on a production line. This will enable PCBs to pass smoothly through all the individual stations of an automated production line together with information such as dimensions or transport speed.

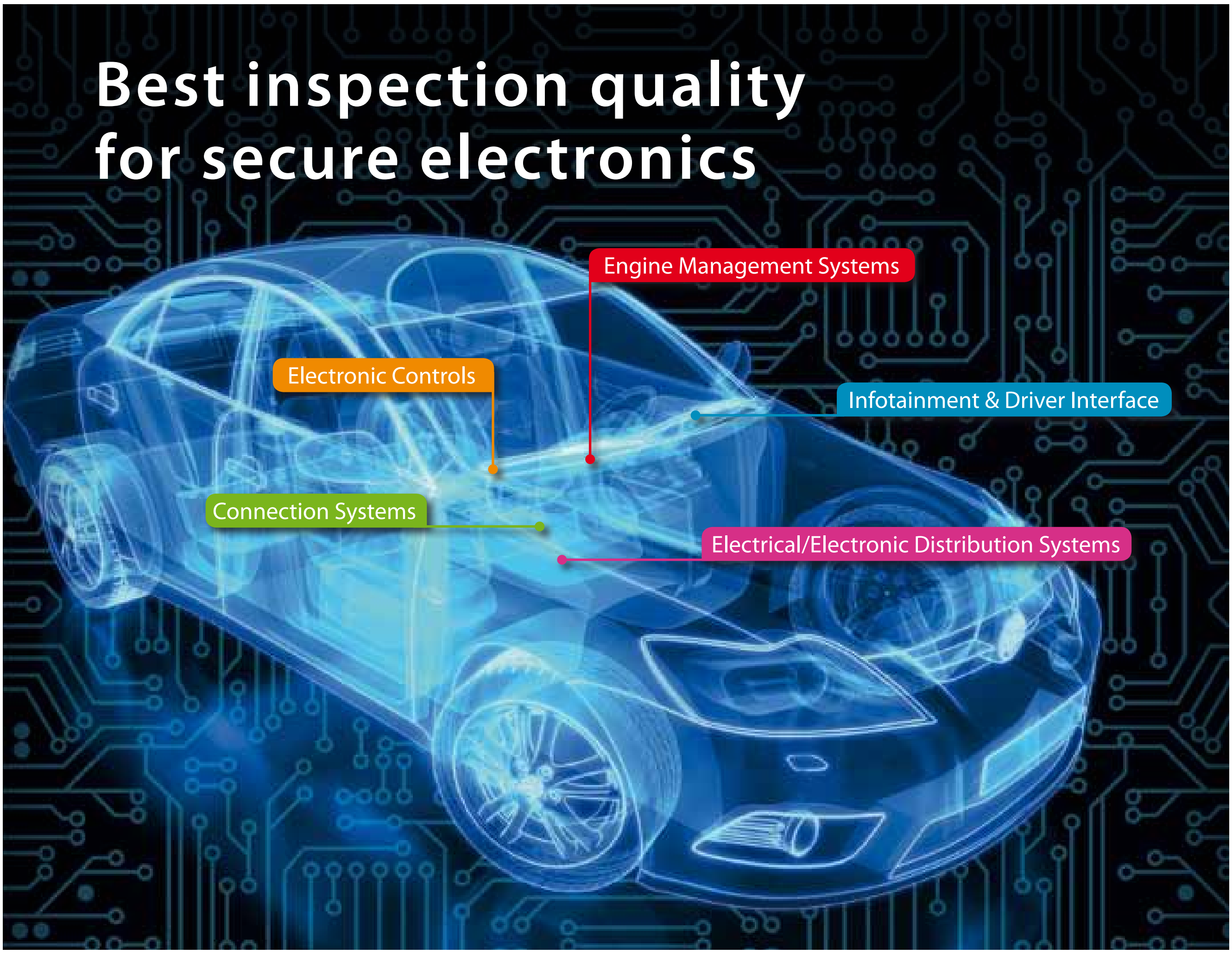
We constantly optimise and expand our product portfolio on this basis. Close cooperation with our international customers forms the basis for customising Viscom products precisely to their needs.

Inspection-line in SMT production

At the leading trade fair productronica in November 2017, we received the "productronica innovation award" in the Inspection & Quality category for the X7056-II, our latest system for automated 3D X-ray inspection. The X7056-II is the next generation of the popular predecessor, the X7056RS. With its new xFastFlow handling, the system is ideally designed for use within production lines. Up to three PCBs can be handled simultaneously. The xFastFlow enables component infeed and outfeed times of less than four seconds.

Winner of the innovation award 2017

Inspection system X7056-II



MARKETS

Always with our finger on the pulse!

Shaping the current market environment and responding swiftly to technological trends is our credo. Our company enjoys secure growth prospects thanks to the growth in the electronics market and various megatrends. In particular, we believe that major global customers offer significant growth potential, which we are directly targeting. Our main aim is to outperform our undoubtedly strong competitors in customer evaluations and demonstrate our technical expertise.

Electronics alone will continue to account for even more of the value added of a vehicle in future. As the electronic control of power electronics is essential in order to ensure optimal component efficiency, the number of control units installed in vehicles will continue to increase. The trend towards networked vehicles and the goal of autonomous driving are also providing great impetus for this development: Vehicles will use electronic transmitters and receivers to communicate with each other as well as with the decentralised control system. The sensors connected to the control system must also deliver error-free, failure-free data about the vehicle environment. And all of these electronic components can be tested by our inspection systems in order to ensure permanent quality and process control.

Our strong presence in the key global sales markets allows us to identify the latest developments and their requirements, respond to them, and optimise our strategy with a focus on the market.

COMPETITION

… and with a keen eye on the competition!

Our product range covers the complete range of optical inspection and X-ray inspection, and we naturally face strong competition in some of these areas. Competitive pressure has been on the rise for a number of years, especially from the Asian region. Every year, new companies enter the market and exhibit their systems at the leading Chinese trade fairs, Nepcon Shanghai and Nepcon Shenzhen. While these systems are presented with a professional housing design, they cannot compete with the global players when it comes to software and camera technology. Two providers have only just succeeded in establishing themselves locally in the lower price and performance segment.

Viscom has strong competitors on the global market, especially from Korea and Japan. In Viscom's home market of Germany, there are only two other internationally oriented providers of inspection systems.

We are countering this competition with corresponding product innovations and enhancements to our software and camera technology, and have succeeded in positively distancing ourselves from our competitors in continuous benchmarks and evaluations.

SOCIAL RESPONSIBILITY.

A focus on responsibility and sustainability!

As an employer, we are happy to comply with the high degree of responsibility we have in terms of ensuring our actions are socially responsible, resource-efficient and environmentally aware. Social commitment and a responsibility to our employees constitute another important element of our corporate culture. As a leading global manufacturer of optical and X-ray inspection systems for the electronics industry, we are aware of our responsibility when it comes to these criteria. With this in mind, sustainable corporate governance is at the heart of everything we do.

BLUECOMPETENCE Alliance Member

Partner of the Engineering Industry Sustainability Initiative

Since 2014, we have been a partner of the Blue Competence sustainability initiative of the German Mechanical Engineering Industry Association (VDMA), which seeks to promote sustainability in mechanical and plant engineering and raise awareness of sustainable solutions within the industry. This means we undertake to observe the 12 principles of the VDMA sustainability initiative. We believe a responsible approach to natural resources and social responsibility are key aspects of our activity as a company. We express this in the form of sustainable products and production and management processes. Continuous improvement forms the basis for the development and enhancement of sustainable solutions.

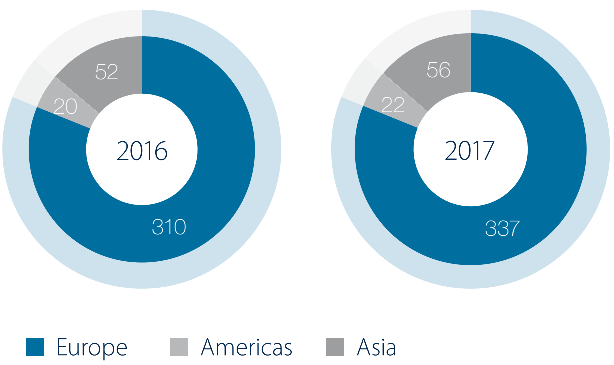
RESPONSIBILITY FOR OUR EMPLOYEES

Viscom's corporate culture is characterised by modern, future-oriented human resources management with a focus on people. Every day, our employees contribute their experience, their ideas and their outstanding commitment in order to ensure the company's long-term success.

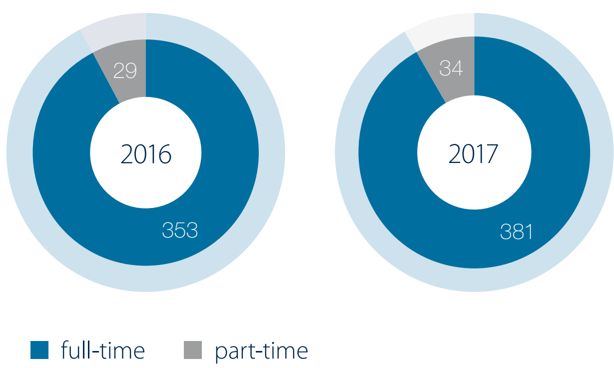
We help our employees to achieve a healthy work-life balance and support their physical and mental health through our "Vikis" company crèche, occupational health management and a broad range of working time models.

The Viscom Group had a total of 415 employees at the end of the financial year, an increase of 8.6 % compared with the previous year.

Employee distribution by region 2016/2017



Employee distribution by full-time/part-time 2016/2017



We provide enthusiastic young people with the opportunity to obtain excellent professional training at an innovative company. At present, we are actively training employees as industrial clerks, IT specialists for system integration, IT specialists for applications development, electronics technicians for devices and systems, and warehouse logistics specialists. In 2017, the Group had a total of 13 trainees at its headquarters in Hanover-Badenstedt.

In addition, the company's suggestion scheme, also known as idea management, gives employees of Viscom AG the opportunity to contribute their suggestions and ideas to the organisation, thereby further improving economic efficiency with the involvement of the entire workforce and helping to secure jobs and the future of the company. The scheme aims to make ideas usable and ensure appropriate recognition for the respective employees, as well as promoting a high degree of identification with the company. We want to harness the idea potential of all employees – not only managers and experts – for the benefit of the company as a whole.

The active exchange and transfer of expertise between employees is also promoted by way of annual international sales and service events and employee assignments at our branches and subsidiaries around the world. The professional development opportunities offered to our employees are completed with corresponding language courses and seminars.

Employee development keeps us fit for the future

Employee satisfaction forms the basis for our company's success in a dynamic and challenging environment. Since 2014, Viscom AG has conducted regular employee surveys in order to allow us to identify what drives our success as a company, harness unutilised potential and make use of the feedback provided by our employees for the sustainable development of Viscom AG.

Actively supporting a healthy work-life balance

We offer all employees the right working time model for their respective phase of life. In addition to working from home and flexitime and part-time working arrangements, we support leave periods such as caregiver leave.

However, we believe family-friendliness means more than just flexible working time models. We also help parents to achieve a smooth transition back into working life. Our company crèche, "Vikis", at our headquarters in Hanover-Badenstedt provides loving and proficient all-day care for 15 children up to the age of three. This helps our employees to achieve the best possible work-life balance.

Occupational health management

Our occupational health management adopts a holistic approach. The mental health of our employees is at least as important as their physical health.

The positive effects of promoting health and well-being in the workplace are clearly documented. Sickness absence rates are lower, productivity is higher, employees are more satisfied. Processes are optimised. Customer satisfaction can even improve as a result, because better quality means fewer complaints.

We use a wide range of measures in a targeted manner, from healthy workplace design through to offering our employees courses and consultations on health matters such as healthy eating and stress management.

Occupational safety

The safety of our employees and our operational procedures enjoys the very highest priority. Through high standards, targeted training and the permanent improvement of safety precautions, we seek to prevent accidents in the workplace while ensuring that our employees have a detailed understanding of the safety-related regulations and provisions they are required to observe. In this area, too, we provide our employees with regular training and courses.

DEVELOPING YOUNG TALENTS

The school pupils of today are the specialists of tomorrow. The industry has recognised that the building blocks for an interest in technology need to be laid at primary school age.

Technology means getting a grasp on things, both literally and figuratively. Children can learn from textbooks and videos, but they develop a far more effective understanding of complex relationships when the learning process involves not only their eyes and ears, but also their hands or even their whole body. The KiTec project, which was developed by the Wissensfabrik – Unternehmen für Deutschland corporate network in conjunction with educational experts, gives primary-age children the opportunity to build and construct things in order to gain hands-on experience. For more than five years, Viscom has worked in partnership with the Hanover-based organisation KiWiZ e.V. to support four primary schools by financing KiTec boxes – kits containing tools and materials for use in class – as well as the training required by teachers to ensure the materials are used as intended.

The annual Research Prize competitions organised by KiWiZ e.V., in which children from all participating primary schools get to present the masterpieces they have constructed and created in front of a jury of experts, are extremely popular. In the process, the children also learn how to work in a group and develop social skills that will help them in their later working life. In the hope that some of these young talents will eventually apply for an apprenticeship or come to Viscom after completing their training, Viscom sees its financial contribution to these activities as a long-term investment with a calculable risk but incalculable upside potential for the future. In any case, it also represents a small contribution to securing Germany's position as a production location for sophisticated and innovative technologies.

ENVIRONMENT

As an industrial company, environmental protection and resource efficiency are close to our heart and constitute a key pillar of our day-to-day activity.

Electrical energy accounts for around 40 % of the energy consumed globally, and this figure is expected to rise to 60 % by 2040. In response to this, significant efforts are being undertaken to make materials, electronics and entire production processes more energy-efficient. Electronics also have an ecological footprint.

Complex electronics have found their way into almost every area of public life. When it comes to energy efficiency, it is not only the products themselves but also the manufacturing and processing methods that are being subjected to scrutiny. Inspection systems for quality assurance, e.g. for optical inspection and X-ray testing, help to sustainably improve workflows and contribute to energy savings in the production process by allowing errors to be identified at an early stage in order to prevent wastage, for instance. Intelligent inspection systems also allow the process itself to be analysed and optimised in a targeted manner. The efficiency-oriented solutions and developments offered by Viscom allow companies to reduce costs and improve competitiveness, as well as making an important contribution to the attainment of environmental protection targets. Viscom customers have already been able to take advantage of government subsidy programmes when investing in inspection systems, as Viscom works to ensure maximum energy efficiency even at the design stage. It achieves this through the use of efficient control electronics, as well as by optimising lighting technology with LEDs and using performance-optimised system computers.

Viscom also ensures transparency with regard to its own energy consumption and identifies all potential energy efficiency improvements as part of the implementation of the Energy Efficiency Directive (2012/27/EU).

COMPLIANCE

Compliance with the law is our duty as a company, and it is in every company's own interest to reduce risks. We see it as our responsibility to adhere to all laws and internal regulations, while voluntary obligations and ethical principles also form an integral part of our corporate culture.

In order to actively meet local and international responsibilities, the Executive Board has developed, approved and introduced a compliance policy and corresponding annex for the employees that goes beyond the statutory rules of conduct applicable to all members of governing bodies and employees of the Viscom Group. This "Corporate Compliance Policy" stipulates how to deal with business partners and government institutions, how to maintain secrecy, independence and objectivity and how to act in cases of conflict of interest. These principles include a prohibition on corruption and cartel agreements, compliance with data security guidelines, equal opportunity and adherence to product safety and occupational health regulations.

They are available to Group employees on the intranet, where they can be accessed at all times in German and English. A whistle-blower system allows employees to report certain serious legal infringements to Viscom AG. This allows the Compliance Officer and where applicable the Executive Board to work towards containing damage and preventing further damage.

Compliance is an integral part of Viscom's business processes and has formed the basis for a comprehensive and long-term management process, which is an ongoing and central task for the company. The topic of compliance must evolve constantly in order to react to the opportunities for improvement and the changing demands of global business. It forms the basis for ongoing change and improvement, making it a living process within the company.

OUTLOOK.

What the future holds and how we will reach our goals!

The increasing digitalisation of production processes, the growing proportion of electronics and the miniaturisation of electronic components are fundamental challenges requiring sustainable and intelligent inspection solutions for quality assurance and process optimisation. This is precisely where we see our products making a difference and offering significant market potential.

From automotive electronics and aviation through to production processes in industrial electronics, our aim is for our customers to manufacture error-free products and control their processes effectively. Accordingly, we focus our innovative strength on developing high-performance inspection solutions that will continue to guarantee the quality of complex assemblies in future.

The automotive and industrial electronics sector has historically been Viscom's most important sales market. At the same time, we are continuously intensifying our presence in future-oriented segments. In particular, we believe that the major technological segment of Computer, Communication and Consumer offers potential for future market diversification and that we can significantly increase our share of business attributable to this area. Accordingly, our objectives remain clearly defined: To reinforce our market position in the automotive supply industry, expand our market position in the high-volume production of globally active contract manufacturers, and hence also expand our market position in the Asian region in particular.

With these aspects in mind, we will continue to press ahead on our growth path and leverage the available market potential in a wide range of electronics segments. At the same time, we will continue to strengthen our global presence through permanent technological and innovative development. We intend to harness megatrends and benefit from current trends such as autonomous driving, e-mobility, the miniaturisation of electronic components and the general and continuous rise in quality standards. We will also increasingly address the topics of Industry 4.0, big data and artificial intelligence within our software development in order to ensure that we keep our finger on the pulse of the market in future, thereby allowing us to offer our customers the best possible technologies.

Dear shareholders, what can you expect from 2018 and what are our company's forecasts for the year?

As previously, our dividend policy states that at least 50 % of our net profit will be distributed. Accordingly, the Supervisory Board and Executive Board will propose a dividend payment of € 0.60 per dividend-bearing share to the Annual General Meeting on 30 May 2018. As in the previous years, this proposed dividend is based on the company's expected economic development under consideration of funds required for business operations. The undistributed portion of our net profit will be used primarily to finance the company's continued growth. In addition, the management is forecasting revenue of between € 93 million and € 98 million and an EBIT-Margin of between 13 % and 15 % for the 2018 financial year.

GROUP MANAGEMENT REPORT AND IFRS CONSOLIDATED FINANCIAL STATEMENTS 2017

GROUP MANAGEMENT REPORT 2017
BASIC INFORMATION ON THE GROUP

Business model of the Group

Structure of the Company and its investees

Viscom AG, Hanover (hereinafter: Viscom AG), is the parent company of the Viscom Group (hereinafter referred to as Viscom).

Viscom AG is registered with Hanover Registry Court under commercial register number 59616.

With subsidiaries in Asia, America, Europe and Africa that are directly or indirectly wholly-owned by Viscom AG, the Group has an efficient, market-oriented organisational structure. All of the companies are focused on their respective customer groups and their requirements. This enables them to act and respond quickly and in a flexible manner. They also benefit from the advantages of belonging to a larger group, thus enabling the mutual exchange and utilisation of knowledge and experience. Production takes place exclusively in the Group's home base, Hanover. This means that Viscom enjoys the production advantages of one of the most highly developed industrial locations, allowing it to guarantee a very high quality level for its products.

In 2001, Viscom GmbH changed its legal form to that of a German stock corporation (Aktiengesellschaft) and became Viscom AG. The Company's share capital is divided into 9,020,000 shares, of which 59.64 % are held directly or indirectly through HPC Vermögensverwaltung GmbH by the Company's founders and Executive Board members Dr. Martin Heuser and Volker Pape. 7.36 % of the shares are held by Allianz.

The Extraordinary General Meeting held on 20 August 2013 agreed to convert a part of the committed capital reserves (€ 22,550 thousand) into free capital reserves (section 272 (2) no. 4 of the German Commercial Code (HGB)) by way of an increase in the Company's share capital from corporate funds without issuing new shares and a subsequent reduction in capital. This is in accordance with the proposals by the Executive Board and Supervisory Board published in the German Federal Gazette (Bundesanzeiger) on 10 July 2013.

As of 31 December 2017, Viscom AG held committed capital reserves in accordance with section 272 (2) no. 1 HGB amounting to € 14,557,160.08.

On 29 July 2008, the Executive Board, with the approval of the Annual General Meeting on 12 June 2008 and after consultation with the Supervisory Board, decided to acquire up to 902,000 of the Company's own shares by 31 March 2009. By the reporting date of 31 March 2009, the Company had bought back 134,940 shares. As of 31 December 2017, Viscom AG held approximately 1.50 % of its own shares.

The Executive Board of Viscom AG consisted of three members as of 31 December 2017:

Dr. Martin Heuser: Technology
Volker Pape: Sales
Dirk Schwingel: Finance

The Executive Board is monitored by the three members of the Supervisory Board:

Bernd Hackmann (Chairman)
Klaus Friedland (Deputy Chairman)
Prof. Dr. Ludger Overmeyer

Segments and key locations

Viscom develops, manufactures and sells high-quality automated inspection systems for use in industrial production. The Company's business activities are broken down on the basis of work required for the project-specific adaptation of standard components and systems, as well as the technology used to identify potential production errors using the inspection systems.

In geographical terms, the Company's business incorporates the European market with its headquarters in Hanover and a subsidiary in Paris, France; the American market with its subsidiary in Atlanta, USA; and the Asian market with its subsidiary in Singapore, which in turn has its own subsidiary in Shanghai, China. The sales company in Tunis, Tunisia, a subsidiary of the French subsidiary, is allocated to the geographical segment Europe. The company is developing the North African sales market.

Business processes

The inspection systems are developed and produced at Viscom AG's headquarters in Hanover. This is where all the centralised functions, such as business administration, development, production, service and sales management, are based.

The Company's product development activities are focused on fundamental development work for future generations of inspection systems, as well as project-specific development for the adaptation of basic machine types to meet customer-specific requirements.

A large part of production is order-based. This draws on in-house pre-production of various assemblies.

Sales activities are performed by sales employees of Viscom AG and its Group companies, as well as by agents acting on the market as industry representatives for mechanical engineering firms.

High reliability is also one of the most important aspects when using an inspection system. This requires regular maintenance, repair and calibration. The Service business area supports Viscom customers with regard to these tasks. Fast reaction times are ensured thanks to the global presence of Viscom's service employees.

Major business processes are managed and supported with the help of the business software proALPHA. The order processing module included in this system is used by all Viscom locations around the world.

Legal and economic factors

There were no fundamental changes to the legal and economic framework with a material effect on the Company in the 2017 financial year. For details of the development of economic framework conditions in the 2017 financial year, please refer to the economic report below.

Management system

The key performance indicators according to which the Viscom Group is managed are incoming orders, revenue, EBIT (operating profit or segment earnings) and the EBIT-Margin (EBIT/revenue).

The management of the Group is based on a reporting system that takes the form of monthly reports submitted to management and the heads of the business areas. These monthly reports include the consolidated income statement and individual breakdowns for the various Group companies.

The reports also include a detailed presentation of the cost structure at Viscom AG and its Group companies. They provide information on revenue in the Group's machine installation regions, incoming orders, the order backlog, the number of employees, cash and cash equivalents, total receivables and receivables from subsidiaries, orders placed for the purchase of goods and inventories of goods as well as completed and partially completed systems.

In addition, they provide an overview of employee turnover, the sickness absence rate and per capita revenue, as well as key indicators for project management, product development, production and logistics.

The statements contained in the monthly reports are analysed in regular meetings between the Executive Board, all of the heads of the business areas and the managing directors of the individual branches. Any action that may be necessary results in decisions which are usually implemented in the short term.

Viscom AG was listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange on 31 December 2017. The Company publishes quarterly and half-yearly consolidated financial reports in accordance with IFRS.

Research and development

The main focus of development activities is on the further development of existing system solutions as well as the implementation of new market requirements in the field of optical and X-ray inspection processes. This area also focuses on the definition of new products and machines.

Viscom works continuously on developing new and improving existing products. In terms of serial products, activities in the field of automated optical inspection (AOI) in 2017 focused on the launch of the 3D-AOI S3088 ultra chrome inline system. In automated X-ray inspection (AXI), the X7056-II system, which is the successor to the X7056RS, was presented. Following the successful placement of the X8011-II and X8068 system platforms for manual and semi-automatic X-rays, the next step is the expansion of the X8068 for inclusion in automatic line concepts. Supplementing the standard system X7056-II, this machine type will be suited for processing larger and heavier objects above and beyond typical PCBs, thereby allowing customers to perform inline inspection even in special cases like these. X-ray business is also supported by the expanded integration of Viscom's all-metal X-ray tubes in third-party measurement and inspection systems.

In the area of automated optical inspection, the 3D evaluation of soldered PCBs is now standard. The XM sensor modules used in this process use fringe projection to obtain 3D information. The more images provided for 3D reconstruction, the better the quality of the information obtained. The new S3088 ultra chrome completes the S3088 ultra system family, which already features two successful products: the S3088 ultra blue and the S3088 ultra gold. All three products allow customers to perform the high-quality 3D inspection of electronic assemblies, but with different focal points. The S3088 ultra gold is the high-end inline system, combining maximum throughput with optimal resolution and analysis quality. The S3088 ultra chrome is cost-optimised and offers the throughput of the S3088 ultra gold, making it predestined for the Asian market. All the system types use sensor modules based on the tried and tested Viscom XM 3D technology adapted to reflect the respective purpose.

The X7056RS inspection system has been Viscom's series system for the automated X-ray inspection of PCBs including hidden solder joints that cannot be inspected optically. In 2017, Viscom presented the successor system, the X7056-II, which offers a number of improvements. One key aspect of the development work was reducing the handling time, i.e. the time it takes to unload an inspected PCB from the system and load the next PCB to be inspected. No inspection can take place during this time. As such, throughput has increased considerably thanks to the reduction in the handling time between the X7056RS and X7056-II by more than a factor of 2. The X7056-II is fitted solely with Flat Panel Detector (FPD) X-ray sensors, which offer high image quality and enable planar computer tomography (planar CT) when combined with an xy conveyor axis below the FPD. Planar CT allows layered images of the solder joints to be generated, thereby further improving analysis quality. With linear axes for moving the FPD, the X7056-II offers increased options and higher speed.

This is all the more important as X-ray inspection is increasingly being used in the series production of electronic assemblies. One of the drivers of this trend is the growing miniaturisation of components and the more frequent use of components with hidden solder joints.

As well as the inspection of soldered connections on "conventional" PCBs, Viscom offers inspection solutions for wire bonds, i.e. electrical bonds using extremely fine gold, copper or aluminium wires that are welded onto the components. The demands in terms of camera technology require even stronger resolutions than for soldered connections in SMD components. In 2017, Viscom XM technology was used in the first XM Bond camera module. This will be supplemented by additional modules in 2018, leading to even better 2D image quality while significantly reducing the inspection cycle time.

Alongside 2D inspection, the three-dimensional inspection of wire bonds will increase in future. A comprehensive inspection concept for wire connections is currently being developed and will be ready to go into series production for thick wire connections by the end of 2018.

vVision has been used successfully as a software platform for optical solder joint inspection for several years. vVision significantly simplifies the operation and engineering of inspection programs for the PCBs being inspected. Release version 2.4 of the software was published in 2017 and has opened up significant new benefits for customers, particularly with regard to the initial optimisation of inspection programs. The quick optimisation of inspection programs leads to better test results and lower verification costs.

While vVision was previously used primarily by new customers, release version 2.6, which will be published in 2018, will also allow existing customers to begin using vVision. Release version 2.6 offers functions and features that are particularly important for existing customers wishing to switch to vVision. Another focal point of software development is the provision of vVision for automated X-ray inspection (AXI). vVision was previously used primarily for the automated optical inspection of assemblies. The expansion of the available applications to include AXI means customers can enjoy the benefits of vVision for X-ray inspection, too. The foundations for this development were laid in 2017, and the first installations of AXI systems using vVision will take place in 2018.

Further important software modules for Industry 4.0 were developed in 2017. In addition to the existing MES solutions ("Manufacturing Execution System", allowing customers to transfer the process data from Viscom inspections to superior control systems), networking software for the individual production steps gained in importance in the past year. On a production line for electronic assemblies, the key production steps are stencil printing, component mounting, and soldering in the soldering oven. The networking software ensures data exchange with the mounting machines and stencil printers in particular. The Viscom data provided allows customers to improve the quality of these production steps. The software package is rounded off by the transferability of result data through to the manual X-ray systems X8011 and X8068, which can be used to subject critical assemblies to a further detailed examination.

Artificial intelligence and deep learning represent new areas of software development. Examples of existing applications include translation and gaming software, where some of the results have been nothing short of astonishing. In 2018, Viscom will launch a number of software projects aimed at examining the extent to which these methods can be used in automated PCB inspection. One potential area of application would be improving system operation and making it even easier to optimise the inspection results.

The successful transfer of scientific findings into practical applications at Viscom has been another building block of research and development for several years now. Together with the Leibniz University Hanover, Viscom is promoting such a transfer process within the scope of research and development projects, in which scientific knowledge is applied in developing solutions to specific issues relevant to the market. In addition to these projects, the Company continued to intensify its cooperation with universities in 2017 by offering a number of internships and bachelor's and master's theses.

Expenditure for research and development, excluding constructive changes for customer-specific adaptations, amounted to 6.2 % of revenue (previous year: 6.4 %). Development costs totalling € 2,317 thousand were capitalised in the past financial year (previous year: € 1,450 thousand), resulting in a capitalisation ratio of around 58 % for 2017 (previous year: around 39 %). Capitalised development costs were written down as scheduled in the amount of € 1,477 thousand (previous year: € 1,109 thousand).

The further development of the quality management system resulted in continuous quality improvements. Viscom has been consistently certified under DIN EN ISO 9001:2015 by the German Society for the Certification of Management Systems since January 2005 and has also been certified under DIN EN ISO 9001:2015 since 19 February 2017.

Basic principles of the remuneration system

The remuneration report for Viscom AG's Executive Board and Supervisory Board members is included in the corporate governance report, which forms part of the management report.

ECONOMIC REPORT

Macroeconomic and sector development

Macroeconomic development

The global economy continued to consolidate and enjoyed further solid development in 2017. This positive development was not curbed by the various geopolitical and economic risks. The USA and Japan enjoyed dynamic growth in 2017, while economic performance in the euro zone was surprisingly lively. The Chinese economy underwent a phase of strong expansion. The upturn in the major economies also stimulated economic activity in the emerging economies as a whole in 2017.

Economic growth in the USA in the past year fell below the target of three percent issued by President Donald Trump, with price-adjusted gross domestic product (GDP) increasing by 2.3 % as an average for the year as a whole. The US economy lost a little momentum in the fourth quarter of 2017 compared with the two preceding quarters, but the third-longest expansion in US economic history remains intact and is expected to continue in 2018.

Growth in the Chinese economy accelerated in 2017 on the back of the more lively global economy. Gross domestic product increased by 6.9 %. This meant that the world's second-largest economy after the USA grew more than three times faster than the largest European economy, Germany.

The economic situation in Germany in 2017 was characterised by strong growth, with almost every sector making a positive contribution to economic development. All in all, price-adjusted GDP increased by 2.2 % year-on-year in 2017. This meant the German economy grew for the eighth year in succession and recorded its strongest growth rate since 2011. Positive impetus in the past year resulted from the further upturn in consumer spending, increased investment on the part of many companies, and the high level of global demand for products made in Germany. Gross capital expenditure saw above-average growth compared with the previous year (3.0 %). Investment in equipment, which primarily relates to machines, systems and vehicles, increased by 3.5 % year-on-year on a price-adjusted basis. German exports enjoyed continued growth, with average price-adjusted exports of goods and services 4.7 % higher than in the previous year. Germany's economic output in 2017 was generated by an average of just under 44.3 million employees working in the country – the highest level since reunification.

Sector development

The inspection of electronic assemblies is Viscom's main revenue segment. Consequently, Viscom is primarily represented in the automotive supplier segment within the electronics industry, one of the largest branches of industry in the world.

Technical developments in the electronics industry have been an innovation driver for Viscom over the last few years. The volumes and quality requirements of increasingly complex and ever-smaller electronic assemblies are seeing constant growth, meaning that they can be reliably tested only using automated inspection systems. The automotive electronics sector is the main market for Viscom's products.

In recent years, Viscom has intensified its efforts to gain a foothold in other industries such as telecommunication, industrial electronics and semiconductor production. The Company has already established itself with a broader base among SMEs in Europe. At the same time, it is continuing to focus on electronic manufacturing services (EMS) in the computers, communication and consumer (3C) sector in Asia in particular.

The German mechanical engineering sector is heavily dependent on international markets and, according to the German Mechanical Engineering Industry Association (VDMA), the trend towards the internationalisation of German mechanical engineering and the corresponding customer industries remains intact.

Target sectors, target markets and target customers

The inspection systems manufactured by Viscom are employed primarily within the electronics industry. Producers of electronic components are the main customer segment, accounting for 84 % of revenue (previous year: 82 %). Some of these companies are involved in production for end consumers. However, the majority of Viscom's customers are suppliers for other companies that manufacture products such as electronic assemblies which are integrated into end products as supplier parts – for example, motor controllers in vehicles. The remaining 16 % of revenue (previous year: 18 %) is attributable to manufacturers from other industries, such as medical technology. In addition, a substantial proportion of customers are from the entertainment and home electronics sector.

With the increasing use of in-car electronics and the high reliability requirements for vehicle systems, the automotive industry has developed into one of the most significant customer groups for the inspection of electronic assemblies.

These assemblies, which often take the form of safety-related components, such as ABS, ESP, or airbags, are typically inspected using systems such as those offered by Viscom.

Due to rising technological demands, including in the consumer goods industry, quality pressure is also far higher than in previous years. However, the emphasis is being placed more on process quality, as a stable process improves the delivery quality and, in particular, results in fewer rejects and hence higher levels of production efficiency. At the same time, electronics manufacturers from Asia in particular that were still seen as low-price suppliers just a few years ago are increasingly seeking to position themselves as premium suppliers.

Close and long-term customer contacts form the basis for comprehensive and customised service. The results of this cooperation are incorporated into the development of new system solutions and the refinement of proven systems. This allows Viscom to develop new solutions and open up future markets thanks to a high degree of innovation and customer proximity.

Customer structure

Viscom generated around 58 % of its revenue with its five largest customers (previous year: around 54 %). A further 30 % of revenue was generated with 50 customers. The remaining revenue was generated with a total of 318 different customers.

Markets

With its optical, X-ray and combined inspection systems, Viscom is particularly well represented in production operations with the very highest quality requirements.

Accordingly, its main customers are companies who make product safety a top priority. The automotive electronics sector accounts for a particularly high volume of business in this respect.

Technological developments and the accompanying technical and economic progress, combined with its international sales and service presence, have helped Viscom to expand its market position and achieve long-term customer retention.

By continuously developing its products, improving its business processes and adapting its sales organisation to reflect changing conditions, Viscom is in a position to address the challenges of the future and thus maintain and expand its market position.

SUMMARY ANALYSIS OF THE COMPANY'S NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS AND COURSE OF BUSINESS

Actual development of key performance indicators in 2017 compared with the forecast

Performance indicator		Forecast for 2017 (As at 31.12.2016)	Forecast for 2017 (As at 20.07.2017)*	Actual figure for 2017	Actual figure for 2016
Revenue	€ million	80.0 – 85.0	87.0 – 92.0	88.5	77.2
Incoming orders	€ million	80.0 – 85.0	87.0 – 92.0	90.3	83.5
EBIT	€ million	10.4 – 12.8	12.2 – 14.7	13.8	10.5
EBIT-Margin	%	13.0 – 15.0	14.0 – 16.0	15.6	13.6

*The Executive Board of Viscom AG upwardly revised the forecast on 20 July 2017 in response to extremely good business development.

Results of operations

Incoming orders / order backlog

At € 90,250 thousand incoming orders in the 2017 financial year were up significantly on the prior-year level (previous year: € 83,498 thousand). The 8.1 % increase was due in particular to higher order volumes from major existing customers. The order backlog amounted to € 19,777 thousand at year-end, up around 9 % year-on-year (previous year: € 18,069 thousand).

Revenue development

Revenue in the year under review amounted to € 88,542 thousand (previous year: € 77,245 thousand), corresponding to a year-on-year increase of 14.6 %. At € 19,542 thousand, revenue in the first quarter of 2017 increased by a substantial 75.7 % compared with the relatively low prior-year figure (€ 11,124 thousand). This was due to the processing of the high order backlog as of 31 December 2016 and the substantial volume of incoming orders recorded in the first quarter of 2017, some of which resulted in revenue in the period under review. In the second quarter of 2017, Viscom generated revenue of € 20,353 thousand (previous year: € 20,085 thousand), representing a moderate year-on-year increase. Consolidated revenue in the third quarter increased by 25.9 % year-on-year to € 24,624 thousand (previous year: € 19,566 thousand). As previously, the main reasons for this positive development were the growth in inspection system sales, particularly for the X7056RS range and the S3088 product family, as well as the upturn in service business. In the final quarter of 2017, revenue declined by around 9.2 % to € 24,023 thousand compared with the strong figure recorded in the same period of the previous year (€ 26,470 thousand).

Operating profit (EBIT)

Operating profit increased by 31.7 % year-on-year to € 13,829 thousand (previous year: € 10,497 thousand).

The revenue growth and the more pronounced change in inventories meant that the cost of materials rose by € 8,029 thousand year-on-year to € 34,051 thousand (previous year: € 26,022 thousand). The change in inventories amounted to € 2,104 thousand (previous year: € -461 thousand). Staff costs increased from € 26,918 thousand to € 28,724 thousand as a result of the necessary capacity expansion, as well as salary adjustments. Other operating expenses increased due to higher general and administrative costs, temporary staff and exchange rate losses in particular, amounting to € 16,882 thousand after € 15,550 thousand in the previous year.

The revenue growth described above more than offset the increase in expenses, thereby leading to the strong increase in operating profit.

EBIT-Margin

The effects on operating profit discussed above, and particularly the higher level of revenue combined with the below-average rise in total expenses, led to an increase in the EBIT-Margin for the 2017 financial year. The EBIT-Margin amounted to 15.6 % after 13.6 % in the previous year.

Net profit for the period

Net profit for the period increased from € 7,129 thousand in the previous year to € 9,073 thousand. The effects discussed under operating profit above also had an impact on net profit for the period. The tax rate was unchanged as against the previous year.

The pre-tax return on sales was 15.6 % (previous year: 13.6 %).

Earnings per share

In the period from 29 July 2008 to 31 March 2009, Viscom acquired 134,940 own shares on the stock exchange for a price of € 587 thousand. The share buy-back programme reduced the number of dividend-bearing shares from 9,020,000 shares to 8,885,060 shares. The Company did not exercise the option of buying back shares in 2017.

On the basis of 8,885,060 shares, earnings per share for the 2017 financial year amounted to € 1.02 (diluted and undiluted). In the previous year, earnings per share amounted to € 0.80.

The distribution of a dividend of € 0.60 per dividend-bearing share will be proposed to the Annual General Meeting on 30 May 2018. With its intention to distribute at least 50 % of the net profit generated, the management is following the dividend policy that Viscom AG has communicated for several years now. This proposed dividend is based on the Company's expected economic development under consideration of funds required for business operations.

Financial result

The financial result improved by € 32 thousand year-on-year, amounting to € 2 thousand in 2017 (previous year: € -30 thousand).

Exchange rate effects

As it operates internationally, Viscom is exposed to exchange rate risks. Due to the Company's business volume and the development of the euro/US dollar exchange rate, the current level of exchange rate risk was deemed acceptable without the need for hedging. Approximately 10 % of total revenue was subject to direct exchange rate effects (previous year: 7 %).

Currency translation differences had an effect on earnings of € -420 thousand in 2017 (previous year: € -17 thousand).

Employees

The total number of employees increased to 415 in the course of the year (previous year: 382). The workforce expansion related to all of the Company's business areas.

13 employees were in training at the end of the year.

An average of 402 employees (excluding trainees) worked for the Group in the 2017 financial year (previous year: 375). Of this figure, 156 employees are classified as commercial in Sales, Development and Administration (previous year: 142), while 246 are classified as industrial in Production, Logistics, Projects and Service (previous year: 233).

Employees

As at 31 December 2017	Europe	Americas	Asia	Total
Total	337	22	56	415
of which full-time	305	20	56	381
of which part-time	32	2	0	34
Trainees	13	0	0	13

Regional developments

Europe

Europe was by far the strongest regional market, accounting for around 57 % of the Viscom Group's revenue. The propensity to invest among Viscom's customers in its home market of Germany can be described as remaining high. Germany therefore continued to be an important sales market for Viscom in 2017.

Revenue in Germany amounted to € 24,354 thousand, up around 5 % on the prior-year figure of € 23,236 thousand.

In the rest of Europe, revenue decreased by around 3 % year-on-year to € 26,430 thousand (previous year: € 27,317 thousand).

These developments in Germany and the rest of Europe were reflected in a slight increase in segment revenue, from € 50,553 thousand in 2016 to € 50,784 thousand in 2017. Due to higher intersegment revenue of € 23,919 thousand (previous year: € 17,770 thousand) and capitalised development costs, segment earnings increased by around 32 % to € 10,748 thousand (previous year: € 8,113 thousand).

Americas

2017 was characterised by growing confidence among companies in the positive economic development in the USA. Projects involving X-ray inspection systems accounted for an increased share of revenue in 2017. In addition to the sustained strength of automotive supply business, orders were gained in the fields of aviation, e-mobility and alternative power generation.

The economic conditions improved with the adoption of the US tax reform. Companies in the aviation industry, and particularly large corporations with government orders, are enjoying an extremely healthy order situation. However, there is general uncertainty concerning the future of free trade agreements, especially the North American Free Trade Agreement (NAFTA), and environmental policy with regard to solar energy and e-mobility in particular.

Revenue in the Americas region increased by around 29 % year-on-year to € 13,557 thousand (previous year: € 10,530 thousand). At € 1,389 thousand, segment earnings were up around 78 % on the corresponding prior-year figure (€ 780 thousand). This was due to the substantial revenue growth and the below-average increase in cost items in comparison.

Asia

In Asia, Viscom again expanded its business activities with high-end inspection systems compared with the previous year. In particular, it successfully reinforced its market leadership for the combined optical and X-ray inspection of assemblies across a number of customer segments. In addition to growth driven by series business, customers showed increased interest in wire bond inspection solutions.

Revenue in this region rose by around 50 %, from € 16,162 thousand in 2016 to € 24,201 thousand in 2017. At € 2,105 thousand, segment earnings were higher than in the previous year (€ 1,536 thousand). This was due to the substantial revenue growth and the below-average increase in cost items in comparison.

Products / Inspection systems

The inspection systems manufactured by Viscom are based on digital image processing technology, known within the sector as Machine Vision. Digitalised images are interpreted using special software tools and algorithms in order to measure, check and verify the objects being inspected.

Entire production processes can be monitored and controlled using this measurement and inspection technology.

The recorded data may be one-, two- or three-dimensional data structures obtained using optical area scan cameras, X-ray detectors, laser scanners or similar optical systems.

While an extremely wide range of sensors is only available in Viscom's standard products in the area of optical technology, in-house developments such as X-ray tubes and the related control electronics are additionally offered in the area of X-ray products.

The inspection systems manufactured by the Company in 2017 were primarily inspection systems from the S3088 product family and the X7056 product group, as well as internally developed X-ray tubes. Viscom has comparatively extensive product expertise thanks to its continuous product development. The modular structure of the individual machine types means they can be manufactured in many different variants. This represents a distinct advantage for customers.

Cost-effective model variants such as the S3088 product family can frequently be offered as entry-level systems with the option of subsequent upgrading or retrofitting. This initial business is extremely important to Viscom as customer decisions in favour of a given system are generally long-term in nature, thereby ensuring follow-up sales.

A high degree of diversity is achieved by using standardised modules. The model variants come about through design revisions and adaptations to reflect the respective area of application.

In the X-ray field, Viscom focuses on technically sophisticated customer projects in addition to optical inspection.

Revenue in the "Optical and X-ray series inspection systems" product group increased by around 17 %, from € 52,102 thousand in 2016 to € 61,137 thousand in the 2017 financial year. Revenue in the "Special optical and X-ray inspection systems" product group declined slightly by around 2 % in the same period, from € 13,260 thousand to € 12,983 thousand. An increase of around 21 % was recorded in the "Service" product group, resulting in revenue of € 14,422 thousand (previous year: € 11,883 thousand).

Financial position

Capital structure / liquidity

Viscom was able to generate the required liquidity largely from its own funds in the 2017 financial year. Existing credit facilities were only utilised for short-term refinancing during the year. The subsidiaries did not require any loans. At 79.6 %, the Group equity ratio increased compared with the previous year as a result of the net profit for the period (previous year: 78.5 %). There were no liabilities to banks as of 31 December 2017.

Investments

Investments in property, plant, and equipment and intangible assets totalled € 3,531 thousand in 2017 (previous year: € 2,024 thousand).

At € 2,317 thousand (previous year: € 1,450 thousand) the majority of the investments related to capitalised development costs. The remainder included operating and office equipment at € 608 thousand (previous year: € 436 thousand), vehicles at € 278 thousand (previous year: € 43 thousand), software at € 111 thousand (previous year: € 38 thousand), technical equipment and machinery at € 49 thousand (previous year: € 36 thousand) and leasehold improvements at € 46 thousand (previous year: € 21 thousand).

The Europe segment accounted for € 3,116 thousand of the investments (previous year: € 1,927 thousand), while the Americas segment accounted for € 138 thousand (previous year: € 90 thousand). € 277 thousand was invested in the Asia segment (previous year: € 7 thousand).

At € 2,438 thousand, most of the investments in the year under review related to the product-specific segment "Optical and X-ray series inspection systems" (previous year: € 1,365 thousand).

Cash and cash equivalents / cash flow

Cash and cash equivalents amounted to € 11,506 thousand as at 31 December 2017, up around 77 % on the previous year (€ 6,517 thousand).

The cash flow from:

- Operating activities amounted to € 12,752 thousand (previous year: € 95 thousand). This was primarily attributable to the higher net profit for the period. The item was also influenced by the positive adjustment of net profit to reflect income tax expense and depreciation and amortisation expense, as well as the increase in liabilities and income taxes paid.

- Investment activities totalled € -3,428 thousand (previous year: € -1,968 thousand) and were mainly driven by capitalised development costs.

- Financing activities totalled € -3,999 thousand (previous year: € -3,554 thousand), particularly as a result of the distribution of dividends for the 2016 financial year.

Overdue trade receivables increased compared with the previous year. There were no major defaults.

As of the consolidated reporting date, all bank accounts had a positive balance. There were no loan liabilities to third parties as of the reporting date.

Net assets

A net profit was generated in the 2017 financial year. This and the lower level of receivables meant that cash and cash equivalents increased despite the dividend payment for the 2016 financial year. Inventories were higher at the end of the year under review than in the previous year; this was due to the reduction in raw materials and supplies, which was offset by a more pronounced increase in assemblies and partially completed systems. Intangible assets also increased, mainly as a result of capitalised development costs. All in all, this meant that total assets increased from € 66,637 thousand as of 31 December 2016 to € 71,342 thousand as of 31 December 2017.

Current liabilities declined slightly compared with the previous year, while non-current liabilities increased slightly.

Non-current assets

Within non-current assets, intangible assets primarily comprise capitalised development costs. Intangible assets increased from € 7,923 thousand in the previous year to € 8,913 thousand.

Receivables

At € 22,488 thousand, trade receivables were down on the previous year due to the lower level of revenue generated towards the end of the year (previous year: € 26,202 thousand). Value adjustments on trade receivables totalled € 1,240 thousand (previous year: € 812 thousand). Value adjustments increased to the same extent at Viscom AG and the branches.

All in all, overdue receivables increased by 2.4 % year-on-year to € 9,830 thousand (previous year: € 9,598 thousand). However, most of the overdue receivables are short-term in nature. Around 2 % (previous year: less than 1 %) of total receivables were more than six months overdue.

Default risk was addressed through the recognition of value adjustments at the end of the year. In terms of the receivables portfolio, percentage value adjustments increased from 3.1 % in the previous year to 5.2 % in the year under review.

Inventories

The carrying amount of inventories was € 24,521 thousand at the end of the financial year (previous year: € 22,822 thousand). This net inventory figure included individual value adjustments on rental and demonstration machines in the amount of € 6,093 thousand (previous year: € 5,858 thousand) and impairment losses for extended inventory coverage of € 5,569 thousand (previous year: € 5,080 thousand). This meant that net inventories increased by € 1,699 thousand compared with the previous year, while gross inventories rose by € 2,423 thousand. The growth in inventories was due to the increase in inventories of completed systems in response to the high level of incoming orders, particularly in the final quarter of the year, and the higher order backlog at the end of the year.

Liabilities

Trade payables were essentially unchanged year-on-year at € 2,609 thousand at the end of 2017 (previous year: € 2,582 thousand).

Shareholders' equity

Total shareholders' equity plus reserves increased from € 52,292 thousand in the previous year to € 56,760 thousand in 2017. This change was due to the net profit for the past financial year and the dividend distribution for the 2016 financial year. Notwithstanding the increase in total assets, the equity ratio therefore rose to 79.6 % (previous year: 78.5 %).

Key figures on the Group's net assets, financial position and results of operations	2017 K€	2016 K€
Tier 1 liquidity (cash and cash equivalents less current liabilities and provisions)	**-298**	**-5,530**
Tier 2 liquidity (tier 1 liquidity plus receivables and other assets less non-current liabilities)	**23,089**	**21,095**
Tier 3 liquidity (tier 2 liquidity plus inventories)	**47,610**	**43,917**
Current assets		
Cash and cash equivalents	11,506	6,517
Receivables and other assets	23,862	27,044
Inventories	24,521	22,822
	59,889	**56,383**
Liabilities and provisions		
Current liabilities and provisions	11,804	12,047
Non-current provisions	475	419
	12,279	**12,466**
Cash flow		
Net profit for the period after taxes	9,073	7,129
+ Depreciation and amortisation expense	2,068	1,778
	11,141	**8,907**
Return on equity		
Net profit for the period/shareholders' equity	16.0 %	13.6 %
Return on Investment (ROI)		
Net profit for the period/total assets	12.7 %	10.7 %
Return on revenue		
EBT/revenue	15.6 %	13.6 %
Return on Capital Employed (ROCE)		
EBIT/(total assets - cash and cash equivalents - current liabilities and provisions)	28.8 %	21.8 %
Net debt		
Liabilities and provisions (-)	-12,279	-12,466
+ Cash and cash equivalents	11,506	6,517
+ Receivables and other assets	23,862	27,044
= Net debt	23,089	21,095
Working capital		
Current assets - liabilities and provisions	47,610	43,917
Equity ratio		
Shareholders' equity/total assets	79.6 %	78.5 %

REPORT ON POST-REPORTING DATE EVENTS

Please see the notes to the consolidated financial statements for the report on events after the reporting date.

REPORT ON OPPORTUNITIES AND RISKS

Expected opportunities

Electronics are increasingly penetrating every area of life. Electronic assemblies are growing smaller and smaller, yet at the same time are expected to take on a growing number of functions. This technological diversification requires top-class inspection solutions that ensure product quality while also guaranteeing the sustainable stability of increasingly complex processes. Customer requirements of Viscom inspection systems are therefore becoming increasingly specific. This dynamic market environment means that new opportunities are constantly arising for the Viscom Group. Systematically identifying and taking advantage of these opportunities is a key factor for Viscom's sustained growth.

Viscom regularly evaluates market and competition analyses and aligns its product portfolio accordingly. Building on this, concrete market opportunities are derived which the Executive Board incorporates into its annual business plan.

The following opportunities are described in greater detail owing to their probability of occurrence and are not yet reflected in the business plan and outlook for 2018.

Opportunities of economic development

The general economic conditions influence the Company's business operations, its financial position and results of operations and its cash flow. If the global economy enjoys a more sustainable recovery than expected, Viscom's revenue and results could exceed the current outlook and mid-term targets.

Opportunities of research and development

Viscom's growth primarily depends on its ability to develop innovative solutions and hence constantly create added value for its customers. Viscom is also pressing ahead with improving the effectiveness of research and development, shortening innovation cycles through more streamlined development processes and cooperating more closely with customers. If these research and development activities achieve greater progress than currently expected, this could entail the launch of more and improved products or mean that products become available sooner than planned. This could have a positive impact on revenue and earnings and help Viscom to exceed its mid-term targets.

Risk management strategy, process and organisation

As the parent company Viscom AG is a capital market-oriented corporation within the meaning of section 264d of the German Commercial Code (HGB), key features of the internal control and risk management system including the early identification of risks in accordance with section 91 (2) of the German Stock Corporation Act (AktG) must be described in accordance with section 315 (4) HGB, both with regard to the accounting processes of the consolidated companies and with regard to consolidated financial reporting.

The internal control and risk management system with respect to the accounting process and consolidated financial reporting is not defined by law. Viscom views the internal control and risk management system as a comprehensive system and applies the definitions of an accounting-related internal control system (IDW PS 261 para. 19 f.) and risk management system (IDW PS 340 para. 4) issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer in Deutschland e.V.), Düsseldorf. An internal control system therefore encompasses the principles, processes and measures introduced by company management to support the organisational realisation of management decisions.

Other risks, such as damage from fire, are covered by relevant insurance policies and are not otherwise taken into account as part of risk management.

As a globally operating group, Viscom is exposed to various risks. For this reason, a comprehensive risk management system has been devised allowing potential risks to the Group to be detected at an early stage and analysed and appropriate countermeasures to be taken. The risk management system comprises a number of control mechanisms and is an integral part of the Company's decision-making process.

The guiding principle of risk management is that the relevant decision-makers should be made aware of the development of significant risks as promptly and comprehensibly as possible in order to facilitate a timely and appropriate response or preemptive action. To this end, regular meetings with the Executive Board and the heads of the business areas, the heads of individual branches and department heads are held, at which the current status of and approach to the recognised significant risk positions are clarified on the basis of corresponding evaluations and reports. Additional information regarding the current status may be required; this is obtained from employees in the respective departments. Risk identification in the individual departments is based on a defined risk catalogue. Risks arising outside the risk catalogue must also be included in the reports presented at the regular meetings of senior employees.

Where possible, potential risks are evaluated according to their probability of occurrence and the extent of the potential loss. The evaluation of the identified risks is conducted on a net basis, i. e. the assessment of a risk reflects the measures already taken to minimise the likelihood of or the potential loss resulting from a risk. In the event of persisting risks, countermeasures are resolved as part of the regular meetings.

In terms of the accounting process, Viscom considers the material features of the internal control and risk management system to be those features which it believes could significantly influence the financial reporting process and the overall view presented by the annual financial statements and management report.

The Executive Board bears the overall responsibility for the internal control and risk management system with respect to the accounting process and consolidated financial reporting. All companies included in the consolidated financial statements are included in a defined management and reporting structure.

Viscom AG's Executive Board considers the following elements of the internal control and risk management system at Viscom to be material with respect to the accounting process and consolidated financial reporting:

- Procedures to identify, evaluate and document all material company processes and sources of risk relevant to the accounting process. These include financial and accounting processes as well as administrative and operational company processes that generate material information required to prepare the single-entity and consolidated financial statements, including the management report and Group management report.

- Controls integrated into processes (e.g. IT-supported controls and access restrictions, separation of functions, analytical controls).

- Monthly internal consolidated reporting with the analysis of significant developments. At a Group level, specific control measures to ensure the proper and reliable preparation of the consolidated financial statements include the analysis and, if necessary, correction of the single-entity financial statements presented by the Group companies, including the discussions on the financial statements with the auditors and the documents presented by the auditors. Incorrectly completed financial statements are corrected ahead of consolidation with the help of previously determined control mechanisms and plausibility checks.

- Measures to assure the proper IT-supported processing of facts and data relating to consolidated financial reporting.

- The completeness and correctness of the consolidated data is checked using manual process controls and a system of checks and balances.

In accordance with section 91 (2) of the German Stock Corporation Act (AktG), the risks described below are regularly evaluated at management meetings, with decisions being taken as required.

The Executive Board and the Supervisory Board meet on a regular basis in this regard.

Unless stated otherwise, the following risks are relevant for the Group and for the individual segments.

Country risk

Viscom defines country risk as the introduction of national trading constraints and/or customs and duties and other barriers to trading.

Revenue is generated almost exclusively from customers in industrialised nations with a functioning legal system. Based on past experience, the enactment of trade restrictions on the goods sold by Viscom is not a matter of concern. There are currently no import restrictions on the inspection systems produced by Viscom. Country risk is permanently and comprehensively monitored. In the event of any developments suggesting a change in the risk situation, Viscom responds by taking appropriate measures at an early stage.

Sector risk

Around three-quarters of Viscom's customer base comes directly or indirectly from the automotive and industrial electronics sectors. Due to the specialisation on printed circuit board inspection for automotive suppliers, there is a heightened risk in the event of a long-term decline in this market, which has become apparent in the recent past. Regardless of economic conditions in the automotive industry, the proportion of electronics in vehicles is increasing.

Viscom's business strategy is to reduce this sector risk through various development and sales activities involving areas of application in other industries.

Customer risk

Viscom defines customer risk as an excessive concentration on individual customers. Viscom generated approximately 58 % of its revenue with its five largest customers (previous year: 54 %). This figure therefore increased by four percentage points compared with the previous year.

Foreign currency risk

Exchange rates with the euro were subject to substantial fluctuations in some cases.

The development of the US dollar is an important factor for Viscom. Sales in US dollars were affected in tranches during periods of positive development in order to minimise potential exchange rate losses. Foreign currency hedges, e.g. using forward exchange transactions, were not concluded in 2017 but have been agreed as necessary in the past.

Due to the Company's business volume and the development of the euro/US dollar exchange rate, the current level of exchange rate risk was deemed acceptable without the need for hedging. Approximately 10 % of total revenue was subject to direct exchange rate effects (previous year: approximately 7 %).

Procurement risk

The procurement of components and services from third-party suppliers is generally subject to the risk of changes in prices and delivery schedules. Corresponding purchasing negotiations have succeeded in ensuring that acquisition prices have largely remained stable. The Company is only directly dependent on specific suppliers to a very limited extent.

Bottlenecks occurred in the procurement times for some parts and components with certain suppliers in the period under review because of the overall positive order situation, resulting in longer delivery times. The Company prevents bottlenecks by changing its procurement strategy and expanding its supplier base.

Liquidity risk

There is additional potential for financing in the form of unutilised credit facilities and cash and cash equivalents. The financing environment is not expected to deteriorate. The solid structure of the statement of financial position and the good prospects for the future mean there are no identifiable liquidity risks. No borrowing has been required to finance past expenditure or is expected to be required for the planned expenditure in 2018.

Default risk

As a matter of principle, default risk relating to specific customers cannot be ruled out. However, Viscom employs appropriate control processes to ensure that sales are only entered into with customers that have a proven credit standing at the time of sale.

Viscom does not act as a guarantor for the obligations of other parties.

The maximum default risk can be derived from the carrying amount of the respective financial assets as reported in the statement of financial position.

Trademark and patent risk

The Viscom brand is registered as a trademark in the key global industrial nations. Overlap with other brands has only occurred very rarely.

To prevent having to reveal its expertise to third parties, only a few process patents have been registered to date – e.g. the patents for the MX products which have been applied for and partially registered. There are currently no legal disputes with regard to trademarks or patents.

Technological competitive risk

Some of Viscom's competitors are subsidiaries of multinational conglomerates with high investment potential. As a result of on-going product innovations together with a degree of flexibility that is significantly higher compared with its competitors – for example in the adaptation of systems to meet customer requirements – Viscom has been able to increase or at least maintain its market share in the past. Viscom will continue doing everything required in order to keep developing its competitive advantage.

Taxation risks

Viscom is increasingly exposed to taxation risks due to stricter interpretations and assessments by the tax authorities. Provisions are recognised as required based on the estimated claims of the financial authorities.

Assessment of the overall risk situation

The risks described for the individual Group companies are collated and discussed at the regular management meetings, where decisions are made regarding the appropriate measures to be taken as required to counteract the risks.

The probability of occurrence of a risk is evaluated on the basis of the following criteria:

Evaluation	Probability of occurrence
Probable	> 50 %
Possible	25 - 50 %
Improbable	< 25 %

The risk level is defined on the basis of the potential financial impact:

Risk level	Potential financial impact
Low	< € 0.5 million
Medium	€ 0.5 million - € 2.5 million
High	> € 2.5 million

Evaluation of individual risks:

Risk type	Potential financial impact	Probability of occurrence
Country risk	Low	Improbable
Sector risk	High	Possible
Customer risk	Medium	Improbable
Foreign currency risk	Medium	Possible
Procurement risk	Low	Possible
Liquidity risk	Low	Improbable
Default risk	Low	Improbable
Trademark and patent risk	Low	Improbable
Technological competitive risk	Low	Improbable
Taxation risks	Medium	Possible

In light of their probability of occurrence, Viscom's management does not believe that the risks described above pose a threat to the continued existence of the Group, either individually or cumulatively.

Business risks, and in particular default risks relating to the customers accounting for the greatest proportion of revenue, are not identifiable at present. However, future revenue remains subject to risk insofar as it depends in particular on the ongoing development of the automotive industry.

In light of the Group's extremely strong market position, innovative technological strength and clearly structured early risk identification, Viscom's management expects to be able to continue successfully counteracting the issues raised and any resulting risks in the 2018 financial year.

There were no material litigation risks as of 31 December 2017.

REPORT ON FUTURE DEVELOPMENTS IN 2018

Economic conditions

The International Monetary Fund (IMF) is forecasting even stronger growth in the world economy in 2018 and 2019. Driven by the current upturn in Europe and Asia and the tax reform in the USA, global economic growth is expected to amount to 3.9 % in both 2018 and 2019. For the USA, the IMF is forecasting growth of 2.7 % in 2018 and 2.5 % in 2019. The IMF is also optimistic with regard to the growth prospects for China. The world's second-largest economy is expected to see economic growth of 6.6 % this year and 6.4 % in 2019. For Germany, the IMF is forecasting economic growth of 2.3 % in 2018. It is also confident with respect to 2019, forecasting economic growth of 2.0 %.

The upturn in the German economy since 2013 has accelerated considerably. The ifo Institute is anticipating growth in real GDP of 2.6 % in 2018 and 2.1 % in 2019. The excess utilisation of macroeconomic capacities is likely to increase substantially in the forecast period, with wage and price growth intensifying. This means Germany is on its way to an economic boom. This will be primarily driven by industry, which is benefiting from the considerable improvement in the growth prospects for the euro zone and the rest of the world and is expected to significantly expand its export and investment activity. Private consumption and the construction industry will also continue to expand substantially, although their contribution is expected to weaken slightly.

The German Mechanical Engineering Industry Association (VDMA) is forecasting growth in production in the German mechanical engineering sector of 3.0 % in 2018. A slowdown in exports to China and a downturn in deliveries to the United Kingdom are expected to be offset by significant growth on the domestic market in 2018. The current pace of growth in terms of exports to the rest of Europe and the USA is expected to remain essentially unchanged.

In light of the positive economic forecasts and intensified sales activities accompanied by a high order backlog, Viscom is optimistic with regard to the 2018 financial year.

Business policy

The core focal points of the Viscom strategy are:

- extensive innovative strength
- technological leadership
- technology partnerships with key customers
- global presence
- sustainable and transparent business policy

Based on these strategic focal points, Viscom will continue to expand its presence in the regions with the highest sales in order to optimise direct customer support.

Markets

As an important market for Viscom and a strong technology trend setter, automotive and industrial electronics will continue to be extremely important to Viscom. The Company expects revenue within the European market – including Southern and Eastern Europe – to increase once again in 2018.

Viscom also intends to continue to participate in investment opportunities in the international market. With a tailor-made product portfolio and corresponding on-site support and other services, the further expansion of the Viscom Group's strong position in America and Asia is set to continue. Viscom's presence in the growth market of China and certain individual regions of Asia will be increased further.

The Company's goal in Asia remains to raise the profile of the Viscom brand even further in this region and to make optimal use of opportunities in the Asian market.

Company segments

In addition to the primary structuring into geographical segments (markets), Viscom also performs segment reporting based on its business areas.

The SP (serial products) business area is responsible for enhancing, producing and distributing series systems which are the Company's major revenue drivers.

The NP (new products) business area primarily serves projects requiring customer-specific solutions or adaptations to series systems.

The Service business area offers Viscom customers an improved and wider product portfolio. The share of total revenue attributable to this business area has increased since activities were initiated, and further growth is anticipated.

Products / Services

Viscom develops, manufactures and sells automated optical and X-ray inspection systems for use in industrial electronics production.

Viscom will continue to focus on the development of new standard inspection systems. The Group is guided by market requirements in this respect. Due to the steadily increasing installation base, follow-up business in the form of training, maintenance, replacement part sales and upgrade projects will continue to increase in terms of both volume and differentiation, thereby helping to expand the Service business area.

Production / production processes

Processes are being further standardised and rationalised as part of the continuous improvement of the Company's workflows. The objective is to ensure efficient production and a high level of product quality accompanied by short delivery times.

Procurement

The established procurement structure has proven to be successful. Viscom will continue to count on reliable partners and optimise its procurement structures.

Results of operations

The development of incoming orders and revenue in 2018 will largely depend on the overall economic situation, particularly in the automotive industry. With budgeted revenue and incoming orders of € 93 to 98 million, Viscom once again expects significantly positive results of operations in 2018.

The EBIT-Margin for the 2018 financial year is likely to be between 13 % and 15 %, corresponding to an EBIT of € 12.1 to 14.7 million.

Financial position

The current liquidity position means that no borrowing is expected to be necessary in 2018. Capital is available at short notice.

Investments and financing

The Company plans to make additional Investments in its core business in the future. These relate to further developing its products, expanding its regional presence and strengthening its organisational structure. These investments will be financed primarily from own funds. Other financing models are used where third-party funding is more economically viable. This currently applies in particular to operating premises and buildings. Viscom made no major investments in 2017.

Other cash flows and refinancing

Additional cash flows are likely to solely take the form of dividend distributions to shareholders. These generally depend on the earnings strength in the respective period.

CORPORATE GOVERNANCE STATEMENT AND CORPORATE GOVERNANCE REPORT

Part of the Group Management Report

The Executive Board and Supervisory Board of Viscom AG are committed to the principles of sound corporate governance. These principles constitute a vital element of the modern capital market. This is intended to promote the trust of investors and the public in the management and supervision of listed German companies. The principles of responsible and effective company management and controlling aimed at transparency and value creation determine the actions of Viscom AG's management and supervisory bodies.

In accordance with section 3.10 of the German Corporate Governance Code as well as section 289f of the German Commercial Code (HGB), Viscom AG's Executive Board, also on behalf of the Supervisory Board, reports on the company's corporate governance in this section.

Declaration pursuant to section 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board of Viscom AG submitted the annual compliance statement pursuant to section 161 of the German Stock Corporation Act (AktG) on 28 February 2018. It has been published and is permanently accessible in the Investor Relations/Corporate Governance section of Viscom AG's website at www.viscom.com/europe.

Wording of the 2018 compliance statement

The German Corporate Governance Code sets out important statutory regulations regarding the management and supervision of listed German companies and contains internationally and nationally recognised standards for sound and responsible company management. The purpose of the Code is to make the German corporate governance system clearer and more transparent. It aims to increase the confidence of international and national investors, customers, employees and the public in German company management and supervision. Section 161 AktG obliges listed companies to declare once a year whether the recommendations of the Government Commission on the German Corporate Governance Code as published by the Federal Ministry of Justice have been complied with or which recommendations have not been or will not be followed ("comply or explain").

For the period up to and including 23 April 2017, the following compliance statement refers to the recommendations by the Government Commission on the German Corporate Governance Code in the version dated 5 May 2015. For the period from 24 April 2017, the statement refers to the recommendations by the Government Commission on the German Corporate Governance Code in the version dated 7 February 2017 as published by the Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette) on 24 April 2017.

In conformity with section 161 AktG, the Executive Board and Supervisory Board of Viscom AG declare that, in principle, the recommendations by the Government Commission on the German Corporate Governance Code have been and are being complied with. The statement has been made permanently available to the public on the company's website. The following recommendations have not been and will not be followed:

1. The company has decided to exclude deductibles from its liability insurance (D&O insurance) for the Supervisory Board (Code section 3.8 (3)).

The company has complied with the legal requirement to implement a deductible for Executive Board members pursuant to section 93 (2) sentence 3 AktG in conjunction with section 23 (1) sentence 1 of the Introductory Act to the German Stock Corporation Act (EGAktG) effective 1 July 2010, but continues to refrain from implementing a corresponding deductible for the Supervisory Board as well. In the company's view, the nature of the Supervisory Board mandate, which is also emphasised by differences in remuneration, makes it reasonable to differentiate between the Executive Board and Supervisory Board. Extending the D&O insurance deductible to members of the Viscom AG Supervisory Board therefore did not appear appropriate. Furthermore, a deductible for intentional infringement of obligations does not come into question and a deductible in cases of negligence in other countries has been rather uncommon to date. There was and is, therefore, the concern that the agreement of a deductible may present an obstacle in the future with regard to the search for appropriate Supervisory Board candidates who also have international experience.

2. The company has no Chairperson or Speaker of the Executive Board (Code section 4.2.1).

Taking into account the number of Executive Board members, the Executive Board and the Supervisory Board are consequently of the opinion that, on a board with only three members, a Chairperson or a Speaker is not required. In addition, the law for stock corporations is based on a principle of consensus, i. e. on a collegial rather than a hierarchical Executive Board. A strong principle of consensus has prevailed within the Executive Board (and previously within the management) since the company was founded. All significant decisions are made together by the full Executive Board at all times.

3. The multi-year assessment basis for variable remuneration components is not essentially forward-looking and negative developments are not taken into account when determining variable remuneration components (Code section 4.2.3 (2)).

The multi-year variable remuneration paid to the Executive Board of Viscom AG (bonus II) is calculated on the basis of average EBIT for the last three years in conjunction with the achievement of a defined minimum average EBIT over the assessment period. The Executive Board and Supervisory Board are of the opinion that this variable remuneration structure compels the members of the Executive Board to focus on the multi-year success of their activities, as they can expect to receive variable remuneration at the end of the respective three-year period only if average EBIT develops positively during this period. This arrangement therefore has a corresponding multi-year incentive effect with positive forward-looking characteristics. In the view of the Executive Board and the Supervisory Board, the rolling nature of the three-year assessment period means there is no need to introduce instruments to take further account of negative developments.

4. The employment contracts with the members of the Executive Board of Viscom AG provide for no payment caps on severance compensation in the case of early termination of the Executive Board mandate (Code section 4.2.3 (4)).

The Executive Board contracts do not contain any provisions for a payment cap on severance compensation in the case of early termination of the Executive Board mandate of a maximum of two years' remuneration, including in the form of (modified) tying clauses. Legal enforcement of a cap on severance pay for the member of the Executive Board would often not be possible in the relevant cases. If there is neither good cause for dismissal in accordance with section 84 (3) sentence 1 AktG nor good cause for extraordinary termination of the employment contract in accordance with section 626 of the German Civil Code (BGB), the contract with the Executive Board member concerned can be terminated only subject to mutual agreement. In such cases, Executive Board members have no obligation to agree to caps on severance pay within the meaning of the recommendations of the Code. These (modified) tying clauses that link the termination of the Executive Board contract to dismissal for good cause and anticipate a cap on severance pay in such cases cannot be implemented unilaterally by the Supervisory Board against the will of the Executive Board member in question (deviation from Code section 4.2.3 paragraph 4).

If premature termination of the Executive Board mandate is carried out for good cause for which the Executive Board member is responsible, severance payments may not be made anyway.

5. The Articles of Association and the standing rules for the Executive Board do not call for a maximum age limit for Executive Board members (Code section 5.1.2).

Given the age structure of the current members of the Executive Board, this status quo is not open to question. The company is also committed to ensuring access to the expertise of experienced members of the Executive Board. Any exclusion based solely on age does not appear expedient to the Executive Board and Supervisory Board, since the optimum composition of the Executive Board could thereby be prevented for merely formal reasons. An age limitation in the Articles of Association or the standing rules has been and is therefore deemed unnecessary.

6. The Executive Board and Supervisory Board have not previously prepared any detailed long-term succession planning (Code section 5.1.2).

With respect to the age structure of the Executive Board, the Executive Board and Supervisory Board will develop detailed long-term succession planning for the Executive Board in future. This was not done previously as there was no need to do so.

7. The Supervisory Board has not formed any committees, and in particular has not formed an audit committee (Code sections 5.3.1, 5.3.2, 5.3.3).

The Supervisory Board consists of only three members. In the view of the Supervisory Board, the formation of an audit committee is not expedient under the specific circumstances of the company and – unlike in larger governing bodies – does not increase efficiency. All matters are addressed by all members of the Supervisory Board, meaning that the formation of additional committees is not considered necessary.

8. The fixed remuneration for the Supervisory Board stipulated in the Articles of Association does not take account of Chairpersons or committee members (Code section 5.4.6).

The lack of committees due to the small size of the Supervisory Board renders any further plan for the distribution of remuneration for Chairpersons and committee members unnecessary.

Working methods of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board of Viscom AG work together consistently and closely, in keeping with sound and responsible corporate governance. They coordinate regularly and promptly in the areas recommended by the Corporate Governance Code, but also on issues beyond these areas.

Executive Board

Viscom AG is a company incorporated under German law, which is also the basis of the German Corporate Governance Code. The two-tier system of management comprising the Executive Board and the Supervisory Board as corporate bodies which hold separate powers is a basic tenet of German stock corporation law. The Executive Board and the Supervisory Board of Viscom AG cooperate in all matters relating to control and supervision of the company in a close and trusting fashion.

The Executive Board of Viscom AG currently consists of three members: Dr. Martin Heuser (Technology), Volker Pape (Sales) and Dirk Schwingel (Finance). The Executive Board is solely responsible for managing the company in compliance with the law, Articles of Association, standing rules, resolutions of the Supervisory Board and employment contracts. The primary tasks of the Executive Board are determining the strategic alignment, managing the company and the Group, and planning, establishing and monitoring a risk management system and a compliance system. Furthermore, the Executive Board is required to consider diversity and in particular the fair inclusion of women in the process of filling management positions in the company. In accordance with section 76 (4) AktG, the Executive Board of Viscom AG has determined targets for the proportion of women in the two management levels below the Executive Board. The top two national management levels below Viscom AG's Executive Board have a total of 6 and 35 employees respectively. Currently 0 and 7 of these respectively are women. The proportion of women in the top two management levels below the Executive Board is therefore 0 % and 20 % respectively at this time.

After detailed discussion, the Executive Board of Viscom AG passed a resolution on 31 May 2017 setting an unchanged target of 0 % for the proportion of women in the top national management level and 20 % for the management level below that. These targets are to be reached by or maintained until 30 June 2020. Employees are to be hired and promoted without regard to gender in the future, which has also been the case in the past.

All members of the Executive Board are involved in the day-to-day management of the company and bear responsibility for operations.

The Supervisory Board has resolved standing rules for the Executive Board regulating its responsibilities, work and its mode of cooperation with the Supervisory Board. According to these, members of the Executive Board wield executive powers in the areas of responsibility assigned to them in the allocation of duties. Insofar as measures or transactions of one area of responsibility overlap with those of one or more other areas, all involved members of the Executive Board must be in agreement. Should there be any continuing differences of opinion, the entire Executive Board must reach a joint decision. These assignments notwithstanding, each member of the Executive Board remains responsible for all management issues (principle of overall responsibility). The entire Executive Board exclusively decides on any matters or transactions which are of extraordinary importance or carry an extraordinary economic risk.

The Executive Board passes its resolutions either at meetings or, in the absence of objections from Executive Board members, outside of meetings using modern means of communication. Two members of the Executive Board constitute a quorum. All resolutions of the Executive Board require a simple majority of the votes cast. Meetings of the Executive Board are to be scheduled on a regular basis, if possible a weekly basis. They must take place when required to ensure the well-being of the company. The Executive Board member designated accordingly by the Supervisory Board is responsible for determining meeting dates, convening meetings, setting the agenda, chairing the meetings and ensuring the minutes are taken.

The Executive Board is also obliged to regularly inform the Supervisory Board of the company of all matters reasonably of interest to it concerning the company and companies affiliated with the company, especially of all matters covered by section 90 AktG. These reporting duties apply to the full Executive Board. As a rule, Executive Board reports must be presented in written form except when urgency allows or necessitates a verbal report. Furthermore, the Executive Board members must regularly report jointly to the Chairman of the Supervisory Board on strategy, business planning and progress, the situation of the company, including its affiliated companies, the risk situation and risk management as well as compliance, in written or verbal form. The management of the Group is based on a reporting system that takes the form of monthly reports submitted to members of the Supervisory Board. These monthly reports include the consolidated income statement and individual breakdowns for the various Group companies. The reports also include a detailed presentation of the cost structure at Viscom AG and its Group companies, revenue in its system installation regions, incoming orders, order backlog, the number of employees, cash and cash equivalents, total receivables and receivables from subsidiaries, orders placed for the purchase of goods and the inventories of goods as well as partially completed and completed systems.

The Executive Board also reports on significant issues pertaining to the current situation of the company and directly and indirectly associated companies and events that go beyond normal business operations of the company and affiliated companies and are of special importance for the company as occasion requires. Any information relevant to decision making will be made available to the members of the Supervisory Board in a timely manner prior to the meeting.

Members of the Executive Board are subject to comprehensive restraint on competition during their Board membership. They are bound to the interests of the company. Consequently, no member of the Executive Board may allow personal interests to affect his decisions or make use of business opportunities to which the company is entitled for his own benefit. Any possible conflicts of interest are to be disclosed promptly to the Supervisory Board, and the other members of the Executive Board are to be informed. All transactions between the company and the Executive Board members or closely related persons or companies have to be in accordance with standards of the trade. Significant transactions with an Executive Board member or related parties require the consent of the Supervisory Board.

In addition, Executive Board members require the consent of the Supervisory Board to assume other professional roles, particularly the assumption of mandates in other companies.

Both the Executive Board and the Supervisory Board are bound to the interests of Viscom AG. There were no conflicts of interest to be reported to the Supervisory Board in the past financial year. No Executive Board member is a member of any Supervisory Boards at listed stock corporations outside the Group.

Viscom AG has obtained liability insurance (D&O insurance) with a commensurate deductible for all members of the Executive Board.

Mandates of the Executive Board Members

The members of the Executive Board do not hold any other mandates in other Supervisory Boards required by law or comparable domestic and foreign governing bodies of commercial enterprises.

Supervisory Board

The Supervisory Board of Viscom AG consists of three members who are elected at the Annual General Meeting, without it being bound by any proposals for suitable candidates and with identical terms of office, in compliance with section 11 (1) of the Articles of Association in conjunction with sections 95, 96 (1) and 101 (1) AktG. The company is not subject to co-determination.

The current members of the Viscom AG Supervisory Board are Bernd Hackmann (Chairman), Klaus Friedland (Deputy Chairman) and Prof. Ludger Overmeyer. They were individually elected at the Annual General Meeting on 27 May 2014 pursuant to the recommendations of the German Corporate Governance Code. None of the Supervisory Board members were over 70 years of age at the time of the election. The term of office for the Supervisory Board is five years. The current term ends with the regular Annual General Meeting that will approve the actions of the members of the Supervisory Board for the 2018 financial year of the company.

The proposals for suitable candidates consider the skills, expertise and experience necessary for the duties of the Supervisory Board. In addition to the company-specific situation, the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members considered adequate by the Supervisory Board, the age limit for Supervisory Board members and the time limit for Supervisory Board membership as well as diversity in the composition of the Supervisory Board are all considered. Taking the above criteria into account, the Supervisory Board has determined concrete objectives regarding its composition and has prepared a profile of skills and expertise as required by Code section 5.4.1 for the entire Supervisory Board. It will seek to ensure compliance with this profile for the entire Supervisory Board when making future proposals for the election of shareholder representatives to the Supervisory Board. In accordance with section 111 (5) AktG, Viscom AG's Supervisory Board is also obliged to set targets for the proportion of women on the Supervisory Board. The current members of the Supervisory Board were appointed by the Annual General Meeting on 27 May 2014 with a term of office until the end of the Annual General Meeting voting on the resolution to approve the actions of the Supervisory Board members for the 2018 financial year. The Supervisory Board of Viscom AG currently complies in full with the concrete objectives regarding its composition and the defined profile of skills and expertise for the entire Supervisory Board.

After detailed discussion in a written circulation procedure and at its joint meeting on 31 May 2017, the Supervisory Board of Viscom AG resolved to leave the target for the proportion of women on the Supervisory Board unchanged at the current proportion of zero percent until 30 June 2020. This target continues to be fulfilled. Should a member of the Supervisory Board resign early, the Supervisory Board shall give preference to a female candidate with equal qualifications in nominations to fill the vacant position. Former members of the Viscom AG Executive Board are not members of the Supervisory Board. By way of a resolution on 8 May 2013, the number of independent Supervisory Board members considered adequate by the Supervisory Board was defined in the standing rules of the Supervisory Board of Viscom AG as at least two. In the view of the Supervisory Board, the current Supervisory Board members Bernd Hackmann, Klaus Friedland and Prof. Ludger Overmeyer are all independent. Other than their membership of the Supervisory Board, they do not have any business or personal relations with the company or its Executive Board.

The Supervisory Board monitors and advises the Executive Board on management of transactions. It is involved in strategy and planning as well as all matters fundamental to the company. The Supervisory Board has resolved standing rules for the Executive Board, in accordance with the company's Articles of Association. The standing rules include the provision that specifies the types of major transactions of the Executive Board that require the Supervisory Board's approval. The Supervisory Board's further responsibilities include appointing Executive Board members, determining the remuneration system for the Executive Board and its individual members, and examining the company's singleentity and consolidated financial statements. The Supervisory Board also has to consider diversity in the composition of the Executive Board. In accordance with section 111 (5) AktG, Viscom AG's Supervisory Board is obliged to set targets for the proportion of women on the Executive Board. In light of the long-term succession planning for the Executive Board of Viscom AG that was initiated in autumn 2017, the Supervisory Board of Viscom AG reviewed the existing target for the proportion of women on the Executive Board of Viscom AG at its joint meeting on 8 February 2018 and, after detailed discussion, resolved to leave the target for the proportion of women on the Executive Board of Viscom AG unchanged at the current proportion of zero percent until 30 June 2020. In addition to the success of the current Executive Board, this decision was taken because, in the view of the Supervisory Board, internal candidates should be given precedence in any reappointment to or expansion of the Executive Board in order to ensure continuity within the company. As the proportion of women at the first management level below the Executive Board is currently zero percent, it would be unrealistic to expect to be able to increase the proportion of women on the Executive Board of Viscom AG in the short to medium term.

Work within the Supervisory Board is coordinated by the Chairman of the Supervisory Board or, in case of his absence, by the Deputy Chairman. The Chairman of the Supervisory Board also chairs the Supervisory Board meetings and upholds the Board's interests when representing it. Furthermore, he is authorised to issue the declarations of intent on behalf of the Supervisory Board that are necessary to implement Supervisory Board resolutions. In urgent cases, this also includes the provisional approval of company transactions that, in accordance with the standing rules for the Executive Board, require the Supervisory Board's approval. Individual tasks and rules of procedure are stipulated in the standing rules governing the Supervisory Board which have been resolved by the Supervisory Board in accordance with the Articles of Association. This includes rules regarding the authority of the Chairman of the Supervisory Board and his deputy, as well as rules pertaining to conflicts of interest and efficiency reviews. According to these, the Chairman of the Supervisory Board is required to remain in regular contact with the Executive Board and discuss strategy, business development and the company's risk management with them. Should he become aware of significant events of material importance for the assessment of the company's situation and development and of its management, he is obliged to inform the Supervisory Board and to convene an extraordinary Supervisory Board meeting if necessary.

The Supervisory Board held seven regular meetings in the 2017 financial year, including one meeting for an efficiency review under exclusion of the Executive Board. The Chairman of the Supervisory Board or, in case of his absence, the Deputy Chairman, convenes meetings in written form with a 14-day notification period. In urgent cases, the Chairman of the Supervisory Board can shorten the notification period appropriately and convene the meeting via verbal notification or via telephone, in writing, by fax or e-mail. The agenda and proposals for resolutions must be included with the invitations.

Pursuant to the standing rules of the Supervisory Board, all meetings should be held in person. But meetings can also be held as video conferences or conference calls, or individual Supervisory Board members can take part in the meeting via phone or video. It is also possible to pass resolutions using votes in written form or made via telephone or electronic forms of communication as long as this follows the Chairman's directive and there are no objections raised by other members of the Supervisory Board within a reasonable period of time set by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board must keep a record of and sign all resolutions made in a written or other form.

All resolutions of the Supervisory Board require a simple majority unless stated otherwise by law or the Articles of Association. The Chairman of the Supervisory Board or, in case of his absence, the Deputy Chairman, casts the deciding vote in the case of a tie.

Barring different arrangements made by the Supervisory Board for individual cases, all members of the Executive Board attend the quarterly meetings of the Supervisory Board. The Executive Board's written reports for the Supervisory Board are handed out to the Supervisory Board members, unless the Supervisory Board has decided on a different approach in a given case.

The members of the Supervisory Board are independent from the management and maintain no business links with the company that could influence the independence of their opinion. Consultancy, service or work contracts between Supervisory Board members and the company have not existed and do not exist. Supervisory Board approval has to be sought in exceptional cases involving Supervisory Board members who intend activity for the company beyond the functions of the Supervisory Board. In its report to the Annual General Meeting, the Supervisory Board provides information about any conflicts of interest that may have arisen during that financial year. There were no conflicts of interest to be reported to the Supervisory Board in the past financial year.

The company has obtained D&O insurance with no deductible for its Supervisory Board members.

Detailed information on Supervisory Board activity during the 2017 financial year is included in the "Report of the Supervisory Board" to the Annual General Meeting.

Mandates of the Supervisory Board members

Bernd Hackmann, Chairman of the Supervisory Board of Viscom AG, was Deputy Chairman of the Supervisory Board of LPKF Laser & Electronics AG from May 2012 to July 2017 and has been a member of the Supervisory Board of SLM Solutions Group since April 2014. The Supervisory Board members Klaus Friedland and Prof. Ludger Overmeyer do not hold any other mandates in other supervisory boards required by law or comparable domestic and foreign governing bodies of commercial enterprises.

Structure and working methods of Executive Board and Supervisory Board committees

The company's Articles of Association allow the Supervisory Board to form committees from among its members. The Supervisory Board does not see committee formation as advisable under the circumstances of the company. The purpose of forming a committee, i. e. increasing the efficiency of the decision-making process, would not be achieved with a Supervisory Board of only three members. All matters are addressed by all members of the Supervisory Board, meaning that the formation of additional committees is not considered necessary.

No Executive Board committees with the purpose of increasing efficiency were formed because of the small size of the Executive Board.

Shareholdings of Board members

The following members of the Executive Board presently hold shares in the company:

- Dr. Martin Heuser:
  255,000 shares held directly; Dr. Heuser also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,869,085 Viscom AG shares.

- Volker Pape:
  255,000 shares held directly; Dr. Pape also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,869,085 Viscom AG shares.

- Dirk Schwingel:
  5,000 shares held directly.

The members of the Supervisory Board presently hold the following amounts of shares in the company:

- Bernd Hackmann:
  5,000 shares held directly.

- Klaus Friedland:
  3,000 shares held directly.

- Prof. Dr. Ludger Overmeyer:
  1,500 shares held directly.

Shareholders and Annual General Meeting

Shareholders of Viscom AG exercise their participation and control rights at the Annual General Meeting, that takes place at least once a year. The Annual General Meeting decides on all legally regulated issues with a binding effect for all shareholders and for the company. Each share grants one vote (one share, one vote) in the decision-making process.

The Annual General Meeting elects the Supervisory Board members and decides on approving the actions of the Executive Board and Supervisory Board. It regularly decides on the appropriation of retained earnings, the selection of the auditor, capital and structural measures, the approval of company contracts and any changes to the company's Articles of Association. At the Annual General Meeting, the Executive Board and Supervisory Board render account of the past financial year. The German Stock Corporation Act (AktG) provides for convening an extraordinary General Meeting in special cases.

Shareholders are entitled to take part in the Annual General Meeting if they register in due time and provide proof of their right to attend the Annual General Meeting and exercise their voting right. Shareholders who cannot attend in person can exercise their voting right via a bank, shareholder association or any other authorised representative. The company offers shareholders who do not wish to or are unable to exercise the voting right themselves the option to vote at the Annual General Meeting via a proxy determined by Viscom AG and bound by the shareholders' instructions. This facilitates the exercising of shareholders' rights in compliance with the provisions of the Code.

The invitation to the Annual General Meeting and all information and reports necessary for passing resolutions are made accessible to the public on the website of Viscom AG in German, as stipulated by the laws governing stock companies.

Remuneration report

Viscom AG complies with the recommendations of the German Corporate Governance Code by disclosing the individual remuneration of the Executive Board and Supervisory Board. The remuneration report forms part of the management report.

Remuneration of Executive Board members

Remuneration of Executive Board members is determined by the Supervisory Board, and consists of a fixed annual salary and a profit-related bonus. The fixed component remains constant over a period of several years.

The variable component is determined in a bonus agreement concluded in advance with Executive Board members, based on the respective amount of the basic salary.

The Executive Board members receive a performance-related bonus, which comprises a bonus I relating to the recently ended financial year and a long-term bonus II. The total bonus is limited to 100 % of the annual fixed remuneration for Dr. Martin Heuser and Volker Pape and to 50 % of the annual fixed remuneration for Dirk Schwingel.

Bonus I for Dr. Martin Heuser and Volker Pape is one month's fixed remuneration plus 1.3 of 100 of the earnings before interest and taxes (EBIT) reported in the consolidated financial statements. Bonus I for Dirk Schwingel amounts to 0.65 of 100 of earnings before interest and taxes (EBIT) reported in the consolidated financial statements. EBIT must total at least € 1 million, otherwise the entitlement for bonus I ceases.

Bonus II for Dr. Martin Heuser and Volker Pape amounts to one monthly fixed remuneration fixed remuneration plus 1.3 of 100 of the average earnings before interest and taxes (EBIT) reported in the consolidated financial statements. Bonus II for Dirk Schwingel is 0.65 of 100 of the average earnings before interest and taxes (EBIT) reported in the consolidated financial statements. The bonuses are calculated on the basis of average EBIT generated in the three most recent financial years – i. e. the recently expired year plus the two before that (= average EBIT). Average EBIT must total at least € 1 million, otherwise the entitlement for bonus II ceases.

There is no stock option programme at Viscom AG for management and employees.

The following table shows the grants awarded for the financial year:

Grants awarded	Dr. Martin Heuser Technology				Volker Pape Sales				Dirk Schwingel Finances			
in K€	2016	**2017**	2017 min.	2017 max.	2016	**2017**	2017 min.	2017 max.	2016	**2017**	2017 min.	2017 max.
Fixed remuneration	208	208	208	208	208	208	208	208	182	182	182	182
Additional benefits*	17	17	17	17	19	18	18	18	11	11	11	11
Total	**225**	**225**	**225**	**225**	**227**	**226**	**226**	**226**	**193**	**193**	**193**	**193**
Annual variable remuneration	152	196	0	196	152	196	0	196	68	90	0	90
Multi-year variable remuneration (Bonus II: Average EBIT of last three financial years)	146	165	0	165	146	165	0	165	65	75	0	75
Total**	**208**	**208**	**0**	**208**	**208**	**208**	**0**	**208**	**91**	**91**	**0**	**91**
Benefit expense***	3	2	2	2	5	6	6	6	6	6	6	6
Total remuneration	**436**	**435**	**227**	**435**	**440**	**440**	**232**	**440**	**290**	**290**	**199**	**290**

* Additional benefits include use of a company vehicle for business and private purposes, capital-formation benefits and a telephone allowance
** The comprehensive bonus is limited to 100 % of annual fixed remuneration for Dr. Heuser and Mr Volker Pape and to 50 % of the annual fixed remuneration for Mr Schwingel
*** Contributions to private health insurance, direct insurance and accident insurance

The following table shows the inflows for the financial year:

Inflows	Dr. Martin Heuser Technology		Volker Pape Sales		Dirk Schwingel Finances	
in K€	2016	2017	2016	2017	2016	2017
Fixed remuneration	208	208	208	208	182	182
Additional benefits*	17	17	19	18	11	11
Total	**225**	**225**	**227**	**226**	**193**	**193**
Annual variable remuneration	152	196	152	196	68	90
Multi-year variable remuneration (Average EBIT of last three financial years)	146	165	146	165	65	75
Other**	0	0	0	0	0	0
Total***	**208**	**208**	**208**	**208**	**91**	**91**
Benefit expense****	3	2	5	6	6	6
Total remuneration	**436**	**435**	**440**	**440**	**290**	**290**

* Additional benefits include use of a company vehicle for business and private purposes, capital-formation benefits and a telephone allowance
** e.g. claw-backs, which carry a negative amount based on previous payments
*** The comprehensive bonus is limited to 100 % of annual fixed remuneration for Dr. Heuser and Mr Volker Pape and to 50 % of the annual fixed remuneration for Mr Schwingel
**** Contributions to private health insurance, direct insurance and accident insurance

Remuneration of Supervisory Board members

Since the beginning of the company's 2015 financial year, each member of the Supervisory Board receives fixed remuneration for each full financial year of membership. Supervisory Board members who are only members of the Supervisory Board for part of the financial year receive the fixed remuneration on a pro-rata basis. The fixed remuneration is € 18,000.00 per financial year and Supervisory Board member. The Chairman of the Supervisory Board receives double and his deputy one and a half times the fixed remuneration.

Remuneration of the members of the Supervisory Board in the 2016 financial year was as follows:

2016		Fixed remu-neration	Fac-tor	Total remu-neration
Supervisory Board	**Role**	K€		K€
Bernd Hackmann	Chairman of the Supervisory Board	18.0	2.0	36.0
Klaus Friedland	Deputy Chairman of the Supervisory Board	18.0	1.5	27.0
Prof. Dr. Ludger Overmeyer	Member of the Supervisory Board	18.0	1.0	18.0
Total		54.0		81.0

Remuneration of the members of the Supervisory Board in the 2017 financial year is as follows:

2017		Fixed remu-neration	Fac-tor	Total remu-neration
Supervisory Board	**Role**	K€		K€
Bernd Hackmann	Chairman of the Supervisory Board	18,0	2,0	36,0
Klaus Friedland	Deputy Chairman of the Supervisory Board	18,0	1,5	27,0
Prof. Dr. Ludger Overmeyer	Member of the Supervisory Board	18,0	1,0	18,0
Total		54,0		81,0

The Supervisory Board members received no remuneration or benefits from the company for personal services rendered, such as consulting or brokerage services.

Risk management

Part of the company's principles of corporate governance is the responsible handling of corporate risks. The Executive Board of Viscom AG and the management of the Viscom Group can make use of comprehensive Group and company reporting and control systems which facilitate the detection, evaluation and controlling of risks. These systems are continuously enhanced in order to adapt them to changing conditions and are additionally monitored by auditors. The Executive Board regularly informs the Supervisory Board of existing risks and their development.

Details regarding risk management in the Viscom Group can be found in the risk report. The risk report contains the report on the accounting-related internal control and risk management system in compliance with the German Accounting Law Modernisation Act (BilMoG).

Transparency

Open and transparent handling of information for the relevant target groups of Viscom AG is a high priority within the company. The company has appointed a Corporate Governance Officer to monitor adherence to the German Corporate Governance Code.

Viscom AG regularly reports to shareholders, financial analysts, shareholder associations, the media and interested parties on the situation of the company, as well as significant corporate changes. All significant new information that is released to financial analysts and institutional investors by Viscom AG is always simultaneously made available to all shareholders and interested members of the public. Viscom uses the internet and other means of communication to ensure that information is provided promptly.

An overview of all significant information released throughout the financial year is published on Viscom AG's website at www.viscom.com:

- **Ad hoc notices.** Ad hoc notices in accordance with Art. 17 of the Market Abuse Regulation (MAR) are issued without delay when facts arise concerning Viscom AG outside regular reporting that may significantly influence the share price. Viscom AG's ad hoc notices are available to shareholders in the Investor Relations/News/Publications/Ad hoc Notices section of the Viscom AG website at www.viscom.com/europe.

- **Notices concerning voting rights.** In accordance with section 33 et seq. of the German Securities Trading Act (WpHG), when Viscom AG becomes aware that an entity acquires, exceeds or falls below 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 %, or 75 % of the voting rights in the company as a result of a purchase, disposal or in any other way, this fact will also be promptly disclosed via notification system accessible throughout Europe. No such notifications were received by the company in the 2017 financial year.

- **Directors' dealings.** Executive Board and Supervisory Board members of Viscom AG and certain executives who have regular access to insider information and are authorised to make significant company decisions (including related parties as defined by the Market Abuse Regulation (MAR)), are required to disclose their securities transactions, in accor dance with section 19 of the MAR. These types of transactions are published as soon as the company is informed, via a Europe-wide information system, as well as in the Investor Relations/News/Publications/Directors' Dealings section of our website at www.viscom.com/europe.

  No acquisition or sales transactions for shares of Viscom AG or for financial instruments based on these by members of governing bodies (directors' dealings) were carried out in the 2017 financial year.

- **Financial calendar.** With the financial calendar published in the financial reports and permanently available on Viscom AG's website, the company informs its shareholders and the capital market in a timely manner of the dates of significant publications such as the annual financial report, half-year financial report and quarterly financial reports as well as the Annual General Meeting, financial press conference and analyst conferences. Viscom AG's financial calendar is available to shareholders in the Investor Relations/Financial Calendar section of the Viscom AG website at www.viscom.com/europe.

Accounting and annual audit

Viscom AG prepares its consolidated financial statements in line with International Financial Reporting Standards (IFRS), as they are supposed to be applied in the European Union. The annual financial statements of Viscom AG are prepared according to the

German Commercial Code (HGB). The Executive Board prepares the consolidated financial statements, which are audited by the auditor and the Supervisory Board. Shareholders and interested parties are informed of the general situation of the company via the annual and interim reports and quarterly reports. All reports are accessible to all interested parties simultaneously on the Viscom AG website.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hanover, was elected by the 2017 Annual General Meeting as auditor and audited the consolidated financial statements and the annual financial statements of Viscom AG. The audit took place in accordance with German auditing regulations and the standards for the audit of financial statements put forward by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer: IDW). Early risk detections system and reporting obligations in compliance with corporate governance as stated in section 161 of the German Stock Corporation Act (AktG) were also taken into account.

It was agreed with the auditor that the Chairman of the Supervisory Board would be promptly informed of any grounds for disqualification or conflicts of interest that arise during the audit, if these are not resolved immediately.

The auditors shall also promptly report all findings and occurrences significant to the tasks of the Supervisory Board as they occur during the audit. The auditors also have to inform the Supervisory Board and report in the audit report if facts arise in the course of the audit that do not conform with the compliance statement as submitted by the Executive Board and the Supervisory Board in accordance with section 161 AktG.

Information on relevant company management practices

Compliance with the law is our duty as a company, and it is in every company's own interest to reduce risks. Viscom sees it as its responsibility to adhere to all laws and internal regulations – voluntary obligations as well as ethical principles also form an integral part of its corporate culture.

In order to actively meet local and international responsibilities, the Executive Board has developed, approved and introduced a compliance policy and corresponding annex for the employees that goes beyond the statutory rules of conduct applicable to all members of governing bodies and employees of the Viscom Group. This "Corporate Compliance Policy" stipulates how to deal with business partners and government institutions, how to maintain secrecy, independence and objectivity and how to act in cases of conflict of interest. These principles include the avoidance of corruption and cartel agreements, compliance with data security guidelines, equal opportunity and adherence to product safety and occupational health regulations.

They are available to Group employees on the intranet, where they can be accessed at all times in German and English. A whistle-blower system allows employees to report certain serious legal infringements to Viscom AG. This allows the Compliance Officer and where applicable the Executive Board to work towards containing damage and preventing further damage.

The Compliance Officer is responsible for maintaining and updating this policy.

Compliance is an integral part of Viscom's business processes and has formed the basis for a comprehensive and long-term management process, which is an ongoing and central task for the company. The topic of compliance must evolve constantly in order to react to the opportunities for improvement and the changing demands of global business. It is the basis for ongoing change and improvement, making it a living process within the company that will never be completed. More information about the compliance policy is available in the Company/Corporate Compliance section of the company's website at www.viscom.com/europe.

REPORT ON ADDITIONAL DISCLOSURE REQUIREMENTS FOR LISTED COMPANIES

Viscom AG completed its IPO (initial public offering) in May 2006 and was listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange until September 2009. From September 2009, Viscom AG was listed in the General Standard of the regulated market. Viscom AG switched back to the Prime Standard on 22 January 2015 and was listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange on 31 December 2017. The Company's issued capital amounts to € 9,020 thousand, divided into 9,020,000 no-par value bearer shares each with a notional interest in the share capital of € 1.00.

Each share entitles the bearer to one vote at the Annual General Meeting. There is only one class of shares. None of the issued shares are furnished with special rights.

HPC Vermögensverwaltung GmbH, Hanover, held an interest of 53.98 % in Viscom AG as of 31 December 2017.

The Supervisory Board is responsible for determining the number of Executive Board members, appointing and dismissing the ordinary or alternative members of the Executive Board and concluding the corresponding employment contracts. The Supervisory Board appoints the Executive Board members for a maximum of five years. Members may be reappointed or their term of office extended for a maximum of five years in each case. The Supervisory Board is authorised to transfer responsibility for the conclusion, amendment or termination of the corresponding employment contracts to a Supervisory Board committee.

The Supervisory Board is authorised to make amendments to the Articles of Association relating solely to their wording. This also applies to amendments to the Articles of Association as a result of changes in the Company's share capital.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions in the period until 31 May 2021 by a total of up to € 4,500,000 through the issue of up to 4,500,000 new no-par value bearer common shares (no-par value shares) with shareholders' subscription rights in exchange for cash or non-cash contributions (authorised capital 2016). The new shares may also be bought by one or more banks subject to the obligation that they are offered to shareholders for subscription. However, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply shareholders' subscription rights on one or more occasions:

(i) for capital increases against cash contributions up to a mathematical nominal amount totalling € 902,000.00 or, should this amount be lower, totalling 10 % of the existing capital stock at the time this authorisation to disapply subscription rights is exercised for the first time (respectively taking into account other authorisations to disapply subscription rights that may have been exercised, according to or with corresponding application of section 186 (3) sentence 4 of the German Stock Corporation Act (AktG)), provided the issue price of the new shares is not significantly lower than the stock market price of the Company's existing listed shares of the same type at the time the issue price is finalised.

(ii) if the new shares are issued against contributions in kind up to a mathematical nominal amount totalling € 1,804,000.00, especially in relation to the acquisition of companies, company divisions and participations in companies.

(iii) to the extent required to exclude possible fractional amounts from the subscription rights.

Other authorisations to disapply subscription rights that may have been exercised according to or with corresponding application of section 186 (3) sentence 4 AktG in accordance with (i) above shall not be taken into account to the extent that authorisations whose exercise resulted in this being the case are newly issued by the Annual General Meeting.

The Executive Board is authorised, with the approval of the Supervisory Board, to determine the further conditions of the implementation of capital increases, and in particular the content of the rights attached to the shares and the conditions of the share issue.

The Supervisory Board is authorised to amend Article 6 of the Articles of Association following the full or partial implementation of the capital increase or after the expiry of the authorisation period.

The authorisation concerning authorised capital (authorised capital 2011) expired on 15 June 2016 and was extended by resolution of the Annual General Meeting on 1 June 2016 as discussed above. For details, see agenda item 6 of the notice convening Viscom AG's Annual General Meeting on 1 June 2016 as published in the German Federal Gazette (Bundesanzeiger) on 20 April 2016.

Viscom AG, represented by the Executive Board, is authorised to acquire own shares of up to 10 % of the current share capital in the period until 1 June 2020. The shares acquired on the basis of this authorisation, together with shares held by Viscom AG or to be assigned in accordance with sections 71a ff. AktG, may not exceed 10 % of the Company's current share capital at any point. The acquired own shares may be used for all legally allowable purposes, excluding trading in own shares. The own shares may also be resold with shareholders' subscription rights disapplied and retracted in whole or in part without this requiring a further resolution of the Annual General Meeting.

For details, see agenda item 7 of the notice convening Viscom AG's Annual General Meeting on 3 June 2015 as published in the German Federal Gazette (Bundesanzeiger) on 23 April 2015.

CONFIRMATION OF THE DEPENDENCY REPORT

Viscom AG was dependent on HPC Vermögensverwaltung GmbH in the 2017 financial year. As there was no control agreement between the latter company and Viscom AG in this period, the Executive Board of Viscom AG prepared a report of the Executive Board on relationships with affiliated companies in accordance with section 312 (1) AktG including the following confirmation:

"Our company received fair compensation for each of the legal transactions listed in the report on relationships with affiliated companies. In the period from 1 January to 31 December 2017, no actions were taken or omitted at the instigation or in the interest of the controlling company or a company affiliated with it."

Hanover, 28 February 2018

Dr. Martin Heuser Volker Pape Dirk Schwingel

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2017 / CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income Item		01.01.-31.12.2017 K€	01.01.-31.12.2016 K€
G1	Revenue	88,542	77,245
G2	Other operating income	2,591	2,531
		91,133	**79,776**
G3	Changes in finished goods and work in progress	2,104	-461
G4	Other own work capitalised	2,317	1,450
G5	Cost of materials	-34,051	-26,022
G6	Staff costs	-28,724	-26,918
G7	Depreciation and amortisation	-2,068	-1,778
G8	Other operating expenses	-16,882	-15,550
		-77,304	**-69,279**
	Operating profit	**13,829**	**10,497**
G9	Financial income	3	31
G9	Financial expenses	-1	-61
	Financial result	**2**	**-30**
G10	Income taxes	-4,758	-3,338
	Net profit for the period	**9,073**	**7,129**
G11	**Earnings per share (diluted and undiluted) in €**	**1.02**	**0.80**
	Other comprehensive income		
	Currency translation differences	-607	60
	Items that can be reclassified to profit or loss	**-607**	**60**
	Other comprehensive income after taxes	**-607**	**60**
	Total comprehensive income	**8,466**	**7,189**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

Assets Item		31.12.2017 K€	31.12.2016 K€
	Current assets		
A1	Cash and cash equivalents	11,506	6,517
A2	Trade receivables	22,488	26,202
A3	Current income tax assets	109	10
A4	Inventories	24,521	22,822
A5	Other financial receivables	145	115
A5	Other assets	1,120	717
	Total current assets	**59,889**	**56,383**
	Non-current assets		
A6	Property, plant and equipment	1,859	1,470
A7	Intangible assets	8,913	7,923
A8	Financial assets	6	7
A8	Loans originated by the Company	15	16
A9	Deferred tax assets	660	838
	Total non-current assets	**11,453**	**10,254**
	Total assets	**71,342**	**66,637**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: SHAREHOLDERS' EQUITY AND LIABILITIES

Liabilities and shareholders' equity Item		31.12.2017 K€	31.12.2016 K€
	Current liabilities		
P1	Trade payables	2,609	2,582
P2	Advance payments received	220	0
P3	Provisions	1,719	1,847
P4	Current income tax liabilities	1,088	876
P5	Other financial liabilities	3,575	3,613
P5	Other current liabilities	2,593	3,129
	Total current liabilities	**11,804**	**12,047**
	Non-current liabilities		
P3	Non-current provisions	475	419
P6	Deferred tax liabilities	2,303	1,879
	Total non-current liabilities	**2,778**	**2,298**
	Shareholders' equity		
P7	Issued capital	9,020	9,020
P8	Capital reserve	21,321	21,321
P9	Retained earnings	26,005	20,930
P10	Exchange rate differences	414	1,021
	Total shareholders' equity	**56,760**	**52,292**
	Total shareholders' equity and liabilities	**71,342**	**66,637**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows Item		01.01. -31.12.2017 K€	01.01. - 31.12.2016 K€
	Cash flow from operating activities		
	Net profit for the period after interest and taxes	9,073	7,129
G10	Adjustment of net profit for income tax expense (+)	4,758	3,338
G9	Adjustment of net profit for interest expense (+)	1	61
G9	Adjustment of net profit for interest income (-)	-3	-31
G7	Adjustment of net profit for depreciation and amortisation expense (+)	2,068	1,778
P3	Increase (+) / decrease (-) in provisions	-57	209
A6 to A8	Gains (-) / losses (+) on the disposal of non-current assets	-17	-34
A2 to A5, A9	Increase (-) / decrease (+) in inventories, receivables and other assets	183	-11,872
P1 to P5	Increase (+) / decrease (-) in liabilities	135	3,602
G10	Income taxes repaid (+) / paid (-)	-3,389	-4,085
	Net cash from operating activities	**12,752**	**95**
	Cash flow from investing activities		
A6 to A8	Proceeds (+) from the disposal of non-current assets	102	56
A6 to A8	Acquisition (-) of property, plant and equipment and intangible assets	-1,215	-574
A7	Capitalisation of development costs (-)	-2,317	-1,450
G9	Interest received (+)	2	0
	Net cash used in investing activities	**-3,428**	**-1,968**
	Cash flow from financing activities		
P8, P9	Dividend payment (-)	-3,998	-3,554
G9	Interest paid (-)	-1	0
	Net cash and cash equivalents from financing activities	**-3,999**	**-3,554**
	Changes in cash and cash equivalents due to changes in exchange rates	-336	76
	Cash and cash equivalents		
	Change in cash and cash equivalents	5,325	-5,427
A1	Cash and cash equivalents as at 1 January	6,517	11,868
A1	**Cash and cash equivalents**	**11,506**	**6,517**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity	Issued capital K€	Capital reserves K€	Exchange rate differences K€	Retained earnings K€	Summe K€
Shareholders' equity at 1 January 2016	9,020	21,321	961	17,355	48,657
Net profit for the period	0	0	0	7,129	7,129
Other comprehensive income	0	0	60	0	60
Total comprehensive income	0	0	60	7,129	7,189
Dividends	0	0	0	-3,554	-3,554
Shareholders' equity at 31 December 2016	9,020	21,321	1,021	20,930	52,292
Shareholders' equity at 1 January 2017	9,020	21,321	1,021	20,930	52,292
Net profit for the period	0	0	0	9,073	9,073
Other comprehensive income	0	0	-607	0	-607
Total comprehensive income	0	0	-607	9,073	8,466
Dividends	0	0	0	-3,998	-3,998
Shareholders' equity at 31 December 2017	9,020	21,321	414	26,005	56,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General disclosures on the Company and the consolidated financial statements

Fundamental accounting principles

Viscom AG is domiciled in Hanover, Germany, and is entered in the local commercial register under HRB 59616. The Company's business address is Viscom AG, Carl-Buderus-Straße 9-15, 30455 Hanover, Germany.

On 28 February 2018, these consolidated financial statements were approved by the Executive Board for presentation to the Supervisory Board.

The consolidated financial statements and the 2016 Group management report were submitted to and published in the German Federal Gazette (Bundesanzeiger).

The Company's business activities encompass the development, manufacture and sale of automated inspection systems for industrial production. Inspection is performed by the computer-based optical and/or X-ray comparison of the inspected objects with the specifications defined in the inspection system.

Declaration of compliance

The present financial statements for the 2017 financial year were prepared on the basis of uniform application of and compliance with all of the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union as of the reporting date of 31 December 2017.

Changes or additions to IFRS and changes to reporting, recognition or measurement as a result

Compared with the consolidated financial statements dated 31 December 2016, the following standards and interpretations have changed or become mandatory as a result of their adoption under EU law or following the effective date of the provisions:

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments published by the IASB were adopted under EU law with the announcement in the EU official gazette on 6 November 2017; application is mandatory for financial years beginning on or after 1 January 2017. The amendments to IAS 12 serve to clarify the recognition of deferred tax assets for temporary differences from unrealised losses. The amendments have no effect on the Viscom Group's financial statements.

Amendments to IAS 7: Statement of Cash Flows – Disclosure Initiative

The amendments published by the IASB were adopted under EU law with the announcement in the EU official gazette on 6 November 2017; application is mandatory for financial years beginning on or after 1 January 2017. As a result of the amendments to IAS 7, companies will be obliged to provide additional disclosures on the development of liability items in the statement of the financial position during the reporting period for which related payments are recognised in the statement of cash flows in net cash from financing activities or will be recognised in future. Corresponding disclosures are also required on the development of the carrying amount of financial assets for which related payments are required to be recognised in net cash from financing activities. The amendments do not currently have any effect on the Viscom Group's financial statements as the Group does not have any debt financing.

Annual improvements to IFRS 2014-2016

The provisions published by the IASB in December 2016 arising from the annual improvement project were adopted under EU law with the announcement in the EU official gazette on 8 February 2018; application is mandatory for financial years beginning on or after 1 January 2017 (IFRS 12) or 1 January 2018 (IFRS 1 and IAS 28). The provisions arising from the annual improvement project encompass changes to IFRS 1, IFRS 12 and

IAS 28. The amendments adjusted the wording to clarify the existing rules. Other amendments impacted the recognition, measurement and notes. The amendments have no material effect on the Viscom Group's financial statements.

IASB standards and interpretations not applied prematurely

The following IFRS were published by the IASB/IFRIC on or before the reporting date, but only become mandatory in later reporting periods and/or have not been adopted under EU law. With regard to the standards and interpretations that only become mandatory in later reporting periods, the Viscom Group has chosen not to exercise the accounting policy choice of premature application.

IFRS 15 – Revenue from Contracts with Customers

The standard published by the IASB on 28 May 2014 supersedes the existing standards on revenue, IAS 18 and IAS 11, and was adopted under EU law with the announcement in the EU official gazette on 22 September 2016; application is mandatory for financial years beginning on or after 1 January 2018. This standard prescribes the timing and amount of revenue recognition. Revenue is required to be recognised when the customer obtains control over and can use the benefits from the agreed goods and services. The transfer of the significant risks and rewards of ownership as previously prescribed by IAS 18 "Revenue" is no longer decisive. The new model prescribes a five-step framework for revenue recognition that starts by requiring the identification of the contract with the customer and the separate performance obligations contained therein. The transaction price of the customer contract is then determined and allocated to the individual performance obligations. Finally, the new model requires recognition to be recognised for each performance obligation in the amount of the proportionate transaction price allocated to the respective performance obligation as soon as the agreed service has been performed or the customer has obtained control. A distinction is made between fulfilment over time and at a point in time based on defined criteria. Expanded disclosures are required in the notes in order to provide the users of the financial statements with more in-depth and relevant information. Viscom conducted a Group-wide project to examine the consequences of the application of IFRS 15 for the consolidated financial statements. We currently anticipate the following consequences:

- Individual obligations in connection with system deliveries that were previously recognised at a point in time will be recognised over time in future in accordance with IFRS 15.35(b). As a result, a small proportion of revenue will be recognised at a later date. No significant consequences in terms of the date or period of revenue recognition are anticipated.

- No material consequences for the revenue already recognised over time are currently anticipated.

- The application of IFRS 15 will result in expanded disclosures in the notes to the financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15

The amendments published by the IASB were adopted under EU law with the announcement in the EU official gazette on 31 October 2017; application is mandatory for financial years beginning on or after 1 January 2017. The clarifications relate to the identification of performance obligations, principal versus agent considerations, licensing and transition relief. The amendments have no material effect on the Viscom Group's financial statements.

IFRS 9 – Financial Instruments

The standard published by the IASB on 24 July 2014 is a three-phase project superseding IAS 39 - Financial Instruments: Recognition and Measurement and was adopted under EU law with the announcement in the EU official gazette on 22 November

2016; application is mandatory for financial years beginning on or after 1 January 2018. The standard governs the classification and measurement of financial instruments, the recognition of impairment on financial assets and hedge accounting. Viscom conducted a Group-wide project to examine the consequences of the application of IFRS 9 for the consolidated financial statements. We currently anticipate the following consequences:

- The reclassification of financial assets depending on the applicable business model and the related contractual cash flows will not have any significant valuation effects. All financial assets are currently carried at amortised cost and also meet the conditions for classification as at amortised cost in accordance with IFRS 9.

- The conversion from the incurred loss model to the new expected loss model means that impairment losses will be expensed at an earlier date in future. Viscom is able to apply the simplified model for the vast majority of its financial assets. No significant consequences for the net assets, financial position and results of operations are anticipated as a result.

- There are no consequences in terms of the accounting treatment of financial liabilities. The new provisions relate only to the accounting treatment of financial liabilities for which the fair value option is exercised. The Group does not make use of this option.

- The new provisions on hedge accounting do not affect Viscom as the Group does not currently hold any hedging instruments.

- The application of IFRS 9 will result in expanded disclosures in the notes to the financial statements.

Amendments to IFRS 4: Applying IFRS 9 with IFRS 4

The amendments published by the IASB were adopted under EU law with the announcement in the EU official gazette on 3 November 2017; application is mandatory for financial years beginning on or after 1 January 2017. Until the new insurance contracts standard (IFRS 17) comes into force, the amendments to IFRS 4 provide two voluntary options for avoiding certain accounting consequences resulting from the different effective dates of IFRS 9 and IFRS 17: A temporary exemption from applying IFRS 9 for insurance companies satisfying certain criteria (deferral approach) and the application of the overlay approach. The amendments have no effect on the Viscom Group's financial statements.

IFRS 16 – Leases

The standard published by the IASB on 13 January 2016 supersedes the existing standards and interpretations on leases, IAS 17, IFRIC 4, SIC-15 and SIC-27, and was adopted under EU law with the announcement in the EU official gazette on 31 October 2017; application is mandatory for financial years beginning on or after 1 January 2019. The standard introduces an entirely new approach for the accounting treatment of leases for lessees in particular. Under IAS 17, a lease was recognised by the lessee when substantially all the risks and rewards of ownership of the leased asset were transferred. In future, every lease will be required to be recognised as a financing transaction in the lessee's statement of financial position. By contrast, the accounting provisions for lessors remain largely unchanged, particularly with regard to the continued classification obligation for leases. However, the details of the new standard do give rise to some differences concerning subleases and sale and leaseback transactions, for example. The Viscom Group is currently analysing the impact of the changes arising from the new standard in terms of its net assets, financial position and results of operations. The standard is expected to increase the Group's total assets, as operating leases currently presented in the notes will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities in future. Expenses for existing operating leases will no longer be recognised as lease expenses in future. As the new provisions will result in write-downs on the right-of-use assets and interest expense, the Viscom Group is anticipating a positive effect on its EBIT and EBIT-Margin.

In addition, the following standards and interpretations are not yet applied:

Standard / Interpretation			Mandatory application for financial years beginning on	Adoption by the European Commission
Standards				
Amendments to IFRS 2	"Classification and Measurement of Share-based Payment Transactions"	The clarification relates to the classification and measurement of share-based payment transactions. They concern accounting for cash-settled share-based payment transactions that include a performance condition, share-based payment transactions in which the manner of settlement is contingent on future events, share-based payment transactions settled without tax withholding, and modifications of share-based payment transactions from cash-settled to equity-settled.	1 Jan. 2018	No
Amendments to IFRS 3, IFRS 11, IAS 23, IAS 12	"Annual improvements to IFRS 2015 – 2017"	IFRS 3 and 11: The amendments clarify that the provisions of IFRS 3 on a successive business combination are required to be applied in the case of a purchase of additional shares resulting in control being obtained over a former joint operation within the meaning of IFRS 10. Accordingly, the interests previously held must be remeasured in accordance with IFRS 3.42. IAS 23: The amendments clarify that any outstanding borrowings originally entered into to acquire a specific qualifying asset must be included in determining the general borrowing cost capitalisation rate for other qualifying assets for which no specific borrowings have been entered into from the date on which the respective asset is substantially ready for its intended use or sale. IAS 12: The amendments clarify the tax consequences of dividend payments.	1 Jan. 2019	No
Amendments to IFRS 10 and IAS 28	"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Clarification regarding the sale or contribution of assets between an investor and its associate or joint venture.	Pending	No
IFRS 14	"Regulatory Deferral Accounts"	The standard establishes principles subject to price regulation for entities applying IFRS for the first time. The amendments adjusted the wording to clarify the existing rules. Other amendments impacted the recognition, measurement and notes.	1 Jan. 2016*	Not expected to be endorsed
IFRS 17	"Insurance Contracts"	IFRS 17 will supersede IFRS 4 "Insurance Contracts". The standard contains three central approaches for the recognition of insurance contracts: the building block approach, the premium allocation approach and the variable fee approach.	1 Jan. 2021	No
Amendments to IFRS 9	"Prepayment Features with Negative Compensation"	The amendments are intended to allow measure-ment at amortised cost or at fair value through other comprehensive income (FVOCI) even in the case of financial assets with prepayment features in which a party receives or pays appropriate compensation on termination (appropriate negative compensation).	1 Jan. 2019	No

Standard / Interpretation			Mandatory application for financial years beginning on	Adoption by the European Commission
Standards				
Amendments to IAS 28	“Long-term Interests in Associates and Joint Ventures”	The amendment to IAS 28 clarifies that long-term interests in associates are required to be recognised and measured in accordance with IFRS 9. Accordingly, any impairment losses on such interests are also calculated in accordance with IFRS 9. However, such interests continue to be included in loss allocation when applying the equity method to the value of the interests. Accordingly, losses are initially allocated to the equity carrying amount and only then to the other long-term interest.	1 Jan. 2019	No
Amendments to IAS 40	"Transfers of Investment Property"	Clarification that an entity may only transfer a property to, or from, investment property if there is a change in use.	1 Jan. 2018	No
IFRIC 22	"Foreign Currency Transactions and Advance Consideration"	Clarification as to which exchange rate is applied on the initial recognition of a foreign currency transaction in the functional currency of an entity that includes the receipt or payment of advance consideration.	1 Jan. 2018	No
IFRIC 23	"Uncertainty over Income Tax Treatments”	The interpretation contains provisions on the recognition and measurement of items subject to uncertainty over income tax treatments, thereby closing the gaps contained in IAS 12 “Income Taxes”.	1 Jan. 2019	No

* In November, EFRAG announced that the European Commission would not be proposing the interim standard IFRS 14 for endorsement in EU law as very few entities would fall within its scope

The Viscom Group does not expect the application of the standards and/or interpretations published on the reporting date but not yet in force to have a material impact on the net assets, financial position and results of operations of the Group in future periods.

Principles underlying the preparation of the consolidated financial statements

The financial year is the calendar year. The IFRS consolidated financial statements are prepared in euro. Figures are presented in thousands of euro (€ thousand). The consolidated financial statements are prepared on the basis of amortised historical cost.

The consolidated statement of comprehensive income was prepared in accordance with the nature of expense method.

Certain items in the statement of comprehensive income and the statement of financial position have been combined for clarity of presentation; explanatory disclosures are contained in the notes to the consolidated financial statements. In accordance with IAS 1, assets and liabilities carried on the face of the statement of financial position are classified as either current or non-current. Current assets or liabilities are those designated for disposal/redemption within the next year.

Consolidation principles

The IFRS consolidated financial statements are based on the single-entity financial statements of Viscom AG and the single-entity financial statements of the subsidiaries as of 31 December 2017. The financial statements of the companies included in the consolidated financial statements are prepared on the basis of uniform accounting principles. Adjustments were made for differences in accounting standards as necessary.

All intercompany profits and losses, income and expenses as well as receivables and liabilities between the companies are eliminated. Deferred taxes are recognised for consolidation measures affecting profit or loss.

Business combinations are recognised in accordance with the purchase method. Under this method, the identifiable assets (including intangible assets not previously recognised) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired operations are recognised at fair value. The difference between the excess of acquisition costs, the amount of non-controlling interests in the acquired company and the fair value of all previously held shares at the acquisition date and the share of the Group in the net assets measured at fair value is recognised as goodwill. If the acquisition costs are lower than the net assets of the acquired subsidiary measured at fair value, the difference is recognised directly in the consolidated statement of comprehensive income and in acquisition-related costs through profit or loss.

Basis of consolidation

In addition to the parent company Viscom AG, Hanover, the following subsidiaries were included in the IFRS consolidated financial statements:

Name	Headquarters	Equity interest	Date of initial control
Viscom France S.A.R.L.	Cergy Pontoise Cedex, France	100 %	2001
Viscom Machine Vision Pte Ltd.	Singapore, Singapore	100 %	2001
Viscom Inc.	Atlanta, USA	100 %	2001
Viscom Machine Vision Trading Co. Ltd.	Shanghai, China	100 %	2007
Viscom Tunisie S.A.R.L.	Tunis, Tunisia	100 %	2010

The consolidated financial statements include the subsidiaries in which Viscom AG directly or indirectly holds the majority of voting rights and over which it therefore exercises control. Subsidiaries are included in the consolidated financial statements when control is established and are deconsolidated when the conditions for control are no longer met.

Changes to accounting and measurement principles

The accounting and measurement principles applied are the same as in the previous year.

Material judgements, estimates and assumptions

The preparation of the consolidated financial statements requires certain assumptions and estimates affecting the amount and classification of the assets, liabilities, income, expenses and contingent liabilities recognised.

Intangible assets

Internally generated intangible assets are capitalised if it is sufficiently certain that the respective development activity will result in future economic benefits that will cover the total development costs as a minimum. This requires an estimate of the future economic benefits and the outstanding development costs.

Trade receivables

The default risk for trade receivables is estimated using the available information, particularly with regard to arrears.

Inventories

Inventories are subject to assumptions regarding the depreciation parameters, e.g. inventory coverage and the measurement of the degree of completion.

Provisions

In the case of provisions, and in particular provisions for warranties and repairs, deviations in the actual warranty and repair expenses incurred at a later date are possible as the provisions are recognised on the basis of empirical values. The warranty or repair expense is quantified for each system installed and used as a benchmark for systems that are still under warranty or in repair at the end of the respective year.

Impairment of non-financial assets

At each reporting date, the Group determines whether there are indications that non-financial assets are impaired. Goodwill and other intangible assets with an indefinite useful life are reviewed at least once a year and if there are indications of impairment. Other non-financial assets are tested for impairment if there are indications that the carrying amount exceeds the recoverable amount.

To calculate the fair value less disposal costs, the management estimates the expected future cash flows from the cash-generating unit and selects a discount rate to determine the present value of these cash flows. In accordance with IAS 36, a cash-generating unit is the smallest identifiable group of assets that generates cash flows that are largely independent of those of other units.

Summary of significant accounting principles

Intangible assets

Intangible assets are carried at cost on initial recognition. They are recognised if it is probable that the future economic benefits attributable to the asset will flow to the Company and the acquisition or production costs of the asset can be measured reliably. The cost of intangible assets acquired as part of a business combination corresponds to their fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with a limited useful life are amortised on a straight-line basis over their estimated useful life. Amortisation periods and methods are reviewed on an annual basis at the end of each financial year. The amortisation of intangible assets is reported under depreciation and amortisation in the consolidated statement of comprehensive income. There are no intangible assets with an indefinite useful life.

Gains and losses on the derecognition of intangible assets are calculated as the difference between the proceeds from the sale of the asset at fair value less costs to sell and the carrying amount, and are recognised in the period in which the asset is derecognised.

Goodwill from business combinations is initially carried at cost. It is determined as the excess of the acquisition costs, the value of the non-controlling shares in the acquired company and the fair value of any previously held equity on the acquisition date over the Group's share of the net assets measured at fair value. If the acquisition costs are lower than the net assets of the acquired subsidiary as measured at fair value, the difference is recognised directly in profit or loss.

After initial recognition, goodwill is subjected to annual impairment testing and carried at cost less any accumulated impairment losses. Impairment losses on goodwill may not be reversed.

In accordance with IAS 38, research costs may not be capitalised, while development costs may only be capitalised when certain precisely defined conditions are met. Development costs must always be capitalised when it is sufficiently certain that the respective development activity will result in future economic benefits that will cover the planned costs as well as the corresponding development costs. In addition, various criteria relating to the development project and the product or process being developed must all be met. In particular, the Company must intend to complete, use or sell the development project and possess the technical, financial and other resources required to do so. Furthermore, the Company must be in a position to use or dispose of the intangible asset and derive an economic advantage from the same. Viscom capitalises development costs when these criteria are cumulatively met and the development costs can be measured reliably.

Other development costs that do not meet these criteria are expensed as incurred. Development costs expensed in previous periods are not capitalised in subsequent reporting periods. Capitalised development costs are recognised as intangible assets and amortised on a straight-line basis over their useful life, and in any case over a maximum of 15 years, from the date on which they become usable. Capitalised development costs that are not yet ready for use are subject to annual impairment testing for the respective cash-generating unit.

Viscom has six submitted patents. With the exception of the registration of three patents in Europe, Taiwan and the USA, no further patents were issued as of 31 December 2017.

Property, plant and equipment

Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Gains and losses on the derecognition of property, plant, and equipment are calculated as the difference between the net proceeds on the sale of the respective asset and the carrying amount, and are recognised in the period in which the asset is derecognised.

The original acquisition cost of an item of property, plant and equipment is composed of the purchase price, including import duties and non-refundable purchase taxes, as well as any directly attributable costs of preparing the respective asset for use as intended by the Company's management and transporting it to its intended location.

The cost of manufacture of an item of property, plant and equipment is composed of the cost of the goods and services used in manufacturing the respective asset. This includes direct costs as well as an appropriate proportion of the fixed and variable overheads.

Subsequent acquisition costs relating to an item of property, plant and equipment that has already been recognised are added to the carrying amount of the respective asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company and the costs can be reliably determined. All other subsequent expenditure is expensed in the period in which it is incurred. Expenses for repairs and maintenance not relating to significant replacement investments are recognised as expenses in the consolidated statement of comprehensive income in the financial year in which they are incurred.

The useful lives, depreciation methods and net carrying amounts are reviewed in each period. This is necessary to ensure that the depreciation methods and periods correspond to the expected economic benefits from the respective items of property, plant and equipment.

Gains and losses on the disposal of property, plant, and equipment are determined as the difference between the proceeds of disposal and the carrying amount of the property, plant, and equipment. They are reported in "Other operating income" or "Other operating expenses" in the consolidated statement of comprehensive income.

Assets under development are allocated to property, plant and equipment and carried at cost. They are depreciated from the date on which they are brought to their working condition.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with an indefinite useful life are tested for impairment whenever changes or events take place that indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised when the carrying amount of an item of property, plant and equipment or an intangible asset carried at cost exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

An asset's fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's-length transaction less the costs of disposal. Its value in use is the present value of the estimated future cash flows that are expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. The recoverable amount is determined for each individual asset or, where this is not possible, for the cash-generating unit to which the respective asset belongs.

If there is an indication that impairment no longer exists or has decreased, the respective impairment loss is tested and measured and any amount reversed as a result is recognised in profit or loss.

Intangible assets with an indefinite useful life and any intangible assets that are not yet ready for use are subject to annual impairment testing for the respective cash-generating unit.

Financial investments and other financial assets and liabilities

Financial instruments (financial assets and financial liabilities) within the meaning of IAS 32 and IAS 39 are divided into the following categories:

Financial assets held until final maturity, available-for-sale financial assets, financial assets and liabilities recognised at fair value through profit or loss (including assets classified for trading purposes), loans and receivables granted, and other financial liabilities. The management determines the classification of financial assets on initial recognition.

These financial assets and liabilities are carried at fair value on initial recognition, which takes place at the trade date. After initial recognition, different measurement methods apply to the various categories of financial assets and liabilities. These are described in the accounting policies for the respective statement of financial position items. Foreign currency items are translated at the middle rate prevailing at the reporting date. Gains and losses due to changes in the fair value of financial instruments are recognised in profit or loss.

Financial assets are derecognised when the Company loses control of the contractual rights underlying the respective asset. Financial liabilities are derecognised when the corresponding contractual obligations are met or cancelled or they expire.

Inventories

In accordance with IAS 2, inventories are assets that are held for sale in the ordinary course of business (completed systems), that are in the process of production for such sale (assemblies and partially completed systems), or that are held for consumption in the production process or in the rendering of services (raw materials and supplies). The production costs of finished and unfinished products include costs for product design, raw materials, auxiliary materials and supplies, direct staff costs, and other direct costs and overheads directly attributable to production (based on average production capacities).

Inventories are measured at the lower of their acquisition or production cost as calculated using the weighted average method less discounts for obsolescence, which take the form of deductions for inventory coverage, and their fair value less cost to sell.

An asset's fair value less costs to sell is the estimated proceeds recoverable in the ordinary course of business less the estimated costs up to completion and estimated selling expenses.

Raw materials, auxiliary materials and supplies intended for production are impaired in the case of inventory coverage of more than one year (slow mover measurement). Inventory coverage is calculated on the basis of historic sales in previous years. Completed and partially completed systems are subject to impairment testing after one year, with impairment losses recognised as required.

Trade receivables

Other receivables and assets

Trade receivables are initially carried at cost, which corresponds to the fair value of the consideration paid, and in subsequent periods at amortised cost using the effective interest method less any allowances for uncollectability. Estimates of uncollectible amounts are performed when it is no longer likely that the respective invoice will be settled in full. Uncollectible amounts therefore result in bad debts, which are written down accordingly. These write-downs are recognised in a separate account. Foreign currency items are translated at the middle rate prevailing at the reporting date.

Shareholders' equity

Issued capital is carried at its nominal amount. Reserves are recognised in accordance with the provisions of the law and the Articles of Association, and are carried at their nominal amount.

Provisions

Provisions are recognised when the Company has a present obligation to a third party as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

If a risk for which a provision has been recognised is expected to be covered by reimbursements (e.g. under insurance contracts), the reimbursement should be recognised as a separate asset to the extent that it is sufficiently probable that it will be received. The expense relating to the provision is recognised in the statement of comprehensive income net of the amount recognised for the reimbursement.

Significant provisions are recognised for warranty and repair expenses. In this case, the warranty or repair expense is quantified for each system installed and used as a benchmark for systems that are still under warranty or in repair at the end of the respective year. Non-current provisions are carried at their discounted amount.

Taxes

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method for temporary differences between the tax base of an asset or liability and its carrying amount in the IFRS and tax accounts of the individual companies, temporary differences resulting from consolidation processes and utilisable loss carry forwards. This is based on the tax rates that are expected to apply in the respective countries at the realisation date. These are based on the statutory regulations in force or adopted at the reporting date. A tax rate of 32.6 % was applied for the calculation of deferred and current taxes in Germany (previous year: 32.6 %). The income tax rates of the foreign subsidiaries vary between 17 % (previous year: 17 %) and 25 % (previous year: 37 %). The tax rates of the foreign subsidiaries for the calculation of current taxes vary between 17 % (previous year: 17 %) and 37 % (previous year: 37 %).

Deferred taxes are recognised through profit or loss unless they relate to items taken directly to equity or other comprehensive income. In this case, deferred taxes are also recognised in equity or in other comprehensive income in the statement of comprehensive income.

The carrying amount of deferred tax assets is reviewed at the respective reporting date. Deferred taxes are only recognised to the extent they are expected to be realised based on future profits.

Deferred taxes attributable to items taken directly to equity are recognised in equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has an enforceable right to offset current tax assets and current tax liabilities and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority. Corresponding offsetting took place at the individual company level in these consolidated financial statements.

Revenue, expenses and assets are reported net of value-added tax unless the respective tax is non-deductible. Receivables and liabilities are reported including value-added tax. The net value-added tax payable or receivable is reported in the statement of financial position as a receivable or a liability.

Leases

In the case of finance leases under which substantially all the risks and rewards incident to ownership of an asset are transferred to the Company, the leased asset is recognised at fair value or, if lower, the present value of the minimum lease payments. No finance leases were recognised in Viscom's consolidated financial statements as of 31 December 2017.

If the lessor bears substantially all the risks and rewards incident to the leased asset, the respective lease is treated as an operating lease. Payments under operating leases are expensed. Viscom only conducted operating lease transactions.

Revenue

Revenue is recognised when it is probable that the corresponding economic benefit will flow to the Company and the benefit can be measured reliably.

Revenue is recognised when significantly all the risks and rewards incident to ownership of the respective asset are transferred to the purchaser.

In the case of services, revenue is recognised depending on the stage of completion of the respective transaction at the reporting date, providing that the outcome of the service can be measured reliably.

Income from leased assets is recognised on a straight-line basis over the term of the rental agreement in accordance with the conditions of the agreement.

Borrowing costs
Borrowing costs are not capitalised, but instead are expensed in the period in which they are incurred – except in the case of qualified assets in accordance with IAS 23.

Interest
Interest is recognised in interest income on the basis of the effective interest rate for the respective assets and liabilities.

Dividends
Dividends are recognised when the bearer has obtained the right to receive payment.

Currency translation
Transactions in foreign currencies and the annual financial statements of foreign Group companies are translated into euro in accordance with the functional currency concept (IAS 21).

The assets and liabilities of foreign Group companies are translated at the closing date exchange rate, while their income and expenses are translated at the average exchange rate. The shareholders' equity of the subsidiaries is translated at historic rates.

Differences between these exchange rates and the exchange rates at the closing date are reported in shareholders' equity as a separate item under "Currency translation differences". When a foreign Group company is sold, exchange differences previously recognised directly in equity are reclassified to profit or loss as part of the gain or loss on disposal.

Translation differences arising from business transactions in foreign currencies are generally recognised in profit or loss. Translation differences from foreign-currency transactions are recognised in profit or loss under "Other operating income" or "Other operating expenses" respectively.

The significant exchange rates in the financial year were as follows:

Translation exchange rates 2017

	EUR 1 = CNY x	EUR 1 = TND x	EUR 1 = USD x
Closing rate	7.8044	2.9377	1.1993
Average rate	7.6290	2.7085	1.1297

Translation exchange rates 2016

	EUR 1 = CNY x	EUR 1 = TND x	EUR 1 = USD x
Closing rate	7.3202	2.4843	1.0541
Average rate	7.3522	2.3527	1.1069

Notes to the consolidated statement of comprehensive income

(G1) Revenue

The Group's revenue can be broken down as follows:

Revenue	2017 K€	2016 K€
Construction and delivery of machines	66,613	58,117
Services/replacement parts	21,000	17,707
Rentals	929	1,421
Total	**88,542**	**77,245**

(G2) Other operating income

Other operating income is composed of the following items:

Other operating income	2017 K€	2016 K€
Non-monetary remuneration	882	689
Income from the reversal of other provisions for warranties and repairs	647	736
Income from the reversal of other provisions	370	229
Income from exchange rate differences	274	257
Income from sales of assets	73	55
Income from receivables previously written off	16	29
Insurance recoveries	8	18
Income from the reversal of value adjustments on receivables	0	29
Miscellaneous other operating income	321	489
Total	**2,591**	**2,531**

Non-monetary remuneration, which has a corresponding offsetting item under staff costs, results from the taxation of non-monetary benefits such as the private use of company cars.

(G3) Changes in finished goods and work in progress

Changes in finished goods and work in progress included inventory-based manufacturing costs for completed and partially completed machines and their subassemblies. The net value of these machines and assemblies was € 17,237 thousand (previous year: € 15,133 thousand), comprising acquisition and production costs of € 25,168 thousand (previous year: € 22,825 thousand) and a corresponding value adjustment of € 7,931 thousand (previous year: € 7,692 thousand).

(G4) Other own work capitalised

Own work for new developments was capitalised in the 2017 financial year in the amount of € 2,317 thousand (previous year: € 1,450 thousand). The developments mainly related to software and new inspection systems.

(G5) Cost of materials

The cost of materials can be broken down into the cost of purchased materials and purchased services:

Cost of materials	2017 K€	2016 K€
Materials including incidental costs of acquisition	31,962	24,151
Purchased services	2,089	1,871
Total	**34,051**	**26,022**

The increase in the cost of materials was attributable to the higher level of revenue and the positive change in inventories.

(G6) Staff costs

Staff costs comprise salaries and employer social security contributions.

Staff costs	2017 K€	2016 K€
Wages and salaries, incl. bonuses and management bonuses	24,672	23,085
Social security contributions	4,052	3,833
Total	**28,724**	**26,918**
Number of employees (average for the year)	402	375
Number of trainees (average for the year)	12	14
Total	**415**	**389**

Staff costs increased primarily on account of the higher total pay resulting from the increase in the number of Group employees and the pay rise in 2017.

In the period under review, payments were made to defined contribution pension plans in the amount of € 1,532 thousand (previous year: € 1,405 thousand).

(G7) Depreciation and amortisation

Information on depreciation and amortisation expense can be found in notes A6-A7 of the statement of financial position assets.

(G8) Other operating expenses

Other operating expenses can be broken down as follows:

Other operating expenses	2017 K€	2016 K€
General and administrative costs	7,710	6,837
Rent/leases/building costs	2,258	2,240
Selling expenses	2,230	2,137
Travel expenses	2,129	2,120
Outgoing shipments	859	815
Expenses due to exchange rate differences	694	274
Warranty/repair expenses	559	1,098
Value adjustments on receivables and losses on receivables	443	29
Total	**16,882**	**15,550**

The increase in other operating expenses was mainly due to higher general and administrative costs, the increased use of temporary staff and increased expenses due to exchange rate differences. The higher level of repairs required in the previous year was prevented in the 2017 financial year. The increase in value adjustments on receivables was due to individual receivables that are significantly overdue. Expenditure for research and development amounted to 6.2 % of revenue (previous year: 6.4 %).

(G9) Financial result

Financial income decreased from € 31 thousand in the previous year to € 3 thousand in the year under review. Financial expenses of € -1 thousand in 2017 (previous year: € -61 thousand) meant that the financial result amounted to € 2 thousand (previous year: € -30 thousand).

(G10) Income taxes

Income taxes for the financial years ending 31 December 2017 and 2016 contained the following income and expense items:

Income taxes	2017 K€	2016 K€
Actual income taxes for the past financial year	4,117	3,041
Actual income taxes for previous years	99	-80
Deferred income taxes from the accrual and reversal of temporary differences and tax loss carryforwards	542	377
Income tax expense reported in the consolidated statement of comprehensive income	**4,758**	**3,338**

Actual income taxes for the past financial year related to Viscom AG as well as the foreign subsidiaries in France, America and Singapore. Actual income taxes for previous years in the amount of € 99 thousand related to Viscom AG (€ -29 thousand) and the subsidiaries (€ 128 thousand) and primarily resulted from amended assessments for previous years.

The deferred tax expense primarily resulted from changes in temporary differences between the IFRS and tax accounts at the level of the German, American, and Asian companies. At the level of the US company, the change in the tax rate from 37 % to 24 % as a result of the US tax reform resulted in a deferred tax expense of € 163 thousand. Furthermore, a deferred tax liability resulted from development costs which were only capitalised in the IFRS financial statements. The distribution of dividends to shareholders did not affect income taxes at the level of Viscom AG.

The reconciliation from the expected to the reported income tax expense was based on the tax rate of the parent company as follows:

Reconciliation of income tax expense	2017 K€	2016 K€
Consolidated net profit before taxes	13,831	10,467
Anticipated tax income (-) / expense (+) based on 32.6 % (previous year: 32.6 %)	4,512	3,415
Prior-period taxes	202	250
Non-deductible operating expenses	164	131
Effect of tax rate change	163	-33
Difference compared with Group tax rate	-190	-164
Tax-free income	0	-221
Other	-93	-40
Actual tax expense	**4,758**	**3,338**

Deferred tax assets	Consolidated statement of financial position 2017 K€	2016 K€
Inventories	540	700
Tax loss carryforwards	243	243
Deferred taxes from elimination of intercompany profits	168	196
Other liabilities	95	153
Unrealised revenue	12	71
Other financial liabilities	59	66
Measurement of provisions	29	49
Measurement of trade receivables	33	42
Gross amount	**1,179**	**1,520**
Offsetting	-519	-682
Net amount	**660**	**838**

Of the deferred tax assets, € 352 thousand (previous year: € 573 thousand) will be realised in more than twelve months.

Deferred tax liabilities	Consolidated statement of financial position 2017 K€	2016 K€
Intangible assets	2,817	2,544
Measurement of trade receivables	7	10
Measurement of property, plant and equipment	-2	7
Gross amount	**2,822**	**2,561**
Offsetting	-519	-682
Net amount	**2,303**	**1,879**

Of the deferred tax liabilities, € 2,303 thousand (previous year: € 1,869 thousand) will be realised in more than twelve months.

Deferred tax assets and liabilities were offset on a company-by-company basis. For the excess of deferred tax assets over deferred tax liabilities at the level of the respective individual company, the recoverability of the excess of deferred tax assets was estimated as sufficiently probable based on company planning. As in the previous year, all changes in deferred taxes in 2017 were recognised in profit or loss. Viscom AG, Hanover, did not have any assessed corporation and trade tax loss carryforwards as of 31 December 2017. The external tax audit did not acknowledge expenses relating to the write-downs of loans for 2002 and 2003. A suit has since been brought before the Niedersächsisches Finanzgericht (Lower Saxony Finance Court) against the corresponding assessments. The corporation and trade tax loss is likely to increase by € 743 thousand if our suit is successful. € 243 thousand in deferred taxes were capitalised in light of our chances of success.

Due to uncertainty about the outcome of an ongoing court appeal, around € 5,200 thousand in corporation tax loss carryforwards were not recognised in the reporting year. There is no legal time limit for the utilisation of domestic and foreign tax loss carryforwards.

Retained earnings amounted to € 6,829 thousand (previous year: € 6,643 thousand). No deferred tax liabilities are recognised on these retained earnings, as there are currently no plans to distribute these profits to the parent company or to sell the subsidiaries. If deferred taxes were recognised for these timing differences, their measurement would have to take only 5 % of the potential dividends plus possible foreign withholding tax into account due in accordance with the statutory regulation in section 8b of the German Corporation Tax Act (KStG).

(G11) Earnings per share

Based on an average for the year of 8,885,060 shares, earnings per share for the 2017 financial year amounted to € 1.02 (diluted and undiluted). In the previous year, earnings per share amounted to € 0.80 (diluted and undiluted) as calculated on the basis of 8,885,060 shares. The earnings on which the calculation is based (diluted and undiluted) totalled € 9,073 thousand (previous year: € 7,129 thousand).

Notes to the statement of financial position (assets)

(A1) Cash and cash equivalents

Cash and cash equivalents consisted of cash in hand and bank balances totalling € 11,506 thousand (previous year: € 6,517 thousand). This related to items which were freely disposable and which had a maturity of less than three months at the end of the year.

(A2) Trade receivables

Trade receivables are generally due within 30 to 90 days.

Trade receivables were not exposed to interest rate risk as they are all short-term in nature. The carrying amounts of other receivables and assets constituted a reasonable approximation of their fair value.

Trade receivables from and trade payables to a customer or supplier of Viscom AG are only offset if Viscom can legally enforce the offsetting of the amounts at that point in time and intends to actually offset the amounts. Trade receivables were not offset against trade payables. No other legally enforceable offsetting agreements were in place.

As in the previous year, doubtful receivables written off in full on account of being 100 % unrecoverable amounted to € 650 thousand. Cumulative value adjustments on receivables totalled € 1,240 thousand (previous year: € 812 thousand).

Some customers were late in meeting their payment obligations in 2017.

Value adjustments on receivables developed as follows:

	2017 K€	2016 K€
As of 1 January	812	812
Addition to value adjustments on receivables	428	29
Reversal of value adjustments no longer required	0	-29
As of 31 December	1,240	812

(A3) Current income tax assets

Current income tax assets as of 31 December 2017 consisted of tax refund claims in the amount of € 109 thousand, which mainly resulted from excessive prepayments for the 2017 assessment period at the subsidiaries in France and the USA.

(A4) Inventories

Inventories	2017 K€	2016 K€
Completed systems	10,156	8,003
Raw materials and supplies	7,284	7,689
Assemblies and partially completed systems	7,081	7,130
Total	**24,521**	**22,822**

The completed systems reported in inventories related to rental and demonstration machines as well as inspection systems ready for sale. All systems are subject to impairment testing every year, with impairment losses recognised as necessary. Assemblies and partially completed systems include pre-produced modules as well as systems currently under construction (work in progress). In 2017, all inventories, especially those of completed and partially completed systems, were recognised at the same carrying amounts as in 2016.

At the end of 2017, the cumulative value adjustments amounted to € 3,731 thousand for raw materials and supplies (previous year: € 3,246 thousand), € 1,838 thousand for assemblies and partially completed systems (previous year: 1,834 thousand) and € 6,093 thousand for completed systems (previous year: € 5,858 thousand).

(A5) Other financial receivables and other assets

Other financial receivables and other assets	2017 K€	2016 K€
Security deposits for leases/duties	102	95
Creditors with debit balances	43	18
Receivable from public authorities	0	2
Subtotal of other financial receivables	**145**	**115**
Other receivables	619	272
Advance payments	285	282
Miscellaneous assets	216	163
Subtotal of other assets	**1,120**	**717**
Total	**1,265**	**832**

(A6-A7) Property, plant and equipment / Intangible assets

	Intangible assets					
in K€	Patents and similar rights and assets	Software	Goodwill	Advance payments for intangible assets	Development costs	Total intangible assets
Gross carrying amounts						
Cost as of 1 Jan. 2017	2,288	1,591	15	0	11,912	15,806
Exchange rate differences	0	0	0	0	0	0
Additions	0	111	0	122	2,317	2,550
Reclassifications	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Cost as of 31 Dec. 2017	2,288	1,702	15	122	14,229	18,356
Value adjustments						
Accumulated depreciation/ amortisation as of 1 Jan. 2017	2,288	1,463	15	0	4,117	7,883
Exchange rate differences	0	0	0	0	0	0
Depreciation/amortisation for the current year	0	83	0	0	1,477	1,560
Depreciation/amortisation of disposals	0	0	0	0	0	0
Accumulated depreciation/ amortisation as of 31 Dec. 2017	2,288	1,546	15	0	5,594	9,443
Carrying amounts as of 31 Dec. 2017	0	156	0	122	8,635	8,913

	Property, plant and equipment					
in K€	Leasehold improvements	Technical equipment and machinery	Operating and office equipment	Vehicles	Total property, plant and equipment	Total property, plant and equipment and intangible assets
Gross carrying amounts						
Cost as of 1 Jan. 2017	1,766	947	3,295	318	6,326	22,132
Exchange rate differences	-73	-1	-41	-27	-142	-142
Additions	46	49	608	278	981	3,531
Reclassifications	0	0	0	0	0	0
Disposals	38	0	160	174	372	372
Cost as of 31 Dec. 2017	1,701	995	3,702	395	6,793	25,149
Value adjustments						
Accumulated depreciation/ amortisation as of 1 Jan. 2017	1,379	856	2,418	203	4,856	12,739
Exchange rate differences	-69	-1	-28	-16	-114	-114
Depreciation/amortisation for the current year	54	40	374	40	508	2,068
Reclassifications	0	0	0	0	0	0
Depreciation/amortisation of disposals	18	0	157	141	316	316
Accumulated depreciation/ amortisation as of 31 Dec. 2017	1,346	895	2,607	86	4,934	14,377
Carrying amounts as of 31 Dec. 2017	355	100	1,095	309	1,859	10,772

in K€	Intangible assets: Patents and similar rights and assets	Software	Goodwill	Advance payments for intangible assets	Development costs	Total intangible assets
Gross carrying amounts						
Cost as of 1 Jan. 2016	**2,288**	**1,561**	**15**	**0**	**10,462**	**14,326**
Exchange rate differences	0	0	0	0	0	0
Additions	0	38	0	0	1,450	1,488
Reclassifications	0	0	0	0	0	0
Disposals	0	8	0	0	0	8
Cost as of 31 Dec. 2016	**2,288**	**1,591**	**15**	**0**	**11,912**	**15,806**
Value adjustments						
Accumulated depreciation/ amortisation as of 1 Jan. 2016	**2,288**	**1,387**	**15**	**0**	**3,008**	**6,698**
Exchange rate differences	0	0	0	0	0	0
Depreciation/amortisation for the current year	0	84	0	0	1,109	1,193
Depreciation/amortisation of disposals	0	8	0	0	0	8
Accumulated depreciation/ amortisation as of 31 Dec. 2016	**2,288**	**1,463**	**15**	**0**	**4,117**	**7,883**
Carrying amounts as of 31 Dec. 2016	**0**	**128**	**0**	**0**	**7,795**	**7,923**

in K€	Property, plant and equipment: Leasehold improvements	Technical equipment and machinery	Operating and office equipment	Vehicles	Total property, plant and equipment	Total property, plant and equipment and intangible assets
Gross carrying amounts						
Cost as of 1 Jan. 2016	**1,647**	**959**	**2,963**	**345**	**5,914**	**20,240**
Exchange rate differences	15	-1	0	7	21	21
Additions	21	36	436	43	536	2,024
Reclassifications	84	0	-84	0	0	0
Disposals	1	47	20	77	145	153
Cost as of 31 Dec. 2016	**1,766**	**947**	**3,295**	**318**	**6,326**	**22,132**
Value adjustments						
Accumulated depreciation/ amortisation as of 1 Jan. 2016	**1,247**	**856**	**2,061**	**209**	**4,373**	**11,071**
Exchange rate differences	15	0	3	4	22	22
Depreciation/amortisation for the current year	117	37	374	57	585	1,778
Reclassifications	0	0	0	0	0	0
Depreciation/amortisation of disposals	0	37	20	67	124	132
Accumulated depreciation/ amortisation as of 31 Dec. 2016	**1,379**	**856**	**2,418**	**203**	**4,856**	**12,739**
Carrying amounts as of 31 Dec. 2016	**387**	**91**	**877**	**115**	**1,470**	**9,393**

Amortisation and depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Leasehold improvements	2 - 14
Technical equipment and machinery	2 - 13
Operating and office equipment	8 - 20
Vehicles	5 - 8
Software	1 - 6
Patents	12
Expertise/customer base	3 - 5
Development projects	4 - 15

Intangible assets and property, plant and equipment include assets already written off in full which are still in use and carried at their historical cost of € 4,496 thousand (previous year: € 4,052 thousand).

Development costs of € 2,317 thousand were recognised in the period under review (previous year: € 1,450 thousand).

(A8) Financial assets / Loans and security for rent issued by the Company

Security for rent relating to subsidiaries in the amount of € 6 thousand was reported in financial investments. This item also contained unrestricted loans issued to employees and security for rented properties.

The loans were recognised at their total amortised cost of € 15 thousand. The interest rate for employee loans in excess of € 7 thousand was between 2 % and 3 %. The fixed interest rate means that there is a certain degree of interest rate risk. However, this risk is classified as immaterial and is not hedged.

(A9) Deferred tax assets

A breakdown of this item is provided as part of the explanatory notes on the tax items under G10 of the consolidated statement of comprehensive income.

Notes to the shareholders' equity and liabilities

(P1) Trade payables

Trade payables are initially carried at cost, which corresponds to their fair value. They are subsequently carried at amortised cost using the effective interest method. Invoices are generally settled on a twice-weekly basis and within the agreed payment period. Early settlement discounts are applied where possible. All of the Company's trade payables are short-term in nature.

(P2) Advance payments received

This item relates to advance payments from customers, which are carried at amortised cost.

(P3) Provisions

Breakdown of other provisions in K€	1 Jan. 2017	Utilisation	Reversal	Addition	31 Dec. 2017
Current provisions					
Warranty and repair expenses	1,847	-1,205	-527	1,604	1,719
Total current provisions	**1,847**	**-1,205**	**-527**	**1,604**	**1,719**
Non-current provisions					
Warranties	136	0	-136	160	160
Anniversaries	283	-12	-7	51	315
Total non-current provisions	**419**	**-12**	**-143**	**211**	**475**
Total	**2,266**	**-1,217**	**-670**	**1,815**	**2,194**

Current provisions primarily relate to provisions for expected warranty and repair expenses. Warranty provisions are recognised on the basis of a calculation of the remaining months of the warranty term for the projects and the average service cost per month during the warranty term. This item also contains provisions for the delivery of replacement parts within the warranty period.

The provisions for warranty and repair expenses decreased slightly compared with the previous year due to the reduction in necessary repairs.

A claim is anticipated for current provisions within the next twelve months.

Non-current provisions include anniversary provisions of € 315 thousand (previous year: € 283 thousand) and the non-current portion of warranty provisions in the amount of € 160 thousand (previous year: € 136 thousand). The warranty provisions are expected to be claimed within 12 to 60 months, while the anniversary provision is expected to be claimed within 1 to 40 years.

(P4) Current income tax liabilities

Current income tax liabilities are broken down into Viscom AG's trade tax liabilities (€ 281 thousand) and corporation tax liabilities (€ 358 thousand) and the tax provisions of the companies in the USA (€ 52 thousand) and Shanghai (€ 397 thousand).

(P5) Other current and financial liabilities

Other current and financial liabilities are composed of the following items:

Other current and financial liabilities	2017 K€	2016 K€
Management bonuses, incentives, one-time payments	2,636	2,598
Commission payments to agents	357	450
Outstanding purchase invoices	256	236
Social security	226	210
Supervisory Board	81	81
Debtors with credit balances	19	38
Subtotal of other financial liabilities	**3,575**	**3,613**
Holiday, overtime	1,224	1,343
Other	842	1,167
Taxes	527	619
Subtotal of other current liabilities	**2,593**	**3,129**
Total	**6,168**	**6,742**

Other financial liabilities include current liabilities in the form of, for example, unpaid bonuses to employees and commission payments for which agents are already eligible but which are only due on receiving customer payment, and outstanding invoices, i. e. for goods that were delivered and recorded but for which the accompanying invoice had not been issued as of the end of the year.

The item "Other current liabilities" included taxes to be paid and provisions to be recognised for pending holiday and overtime payments in particular.

(P6) Deferred tax liabilities

A breakdown of this item is provided as part of the explanatory notes on the tax items under G10 of the consolidated statement of comprehensive income.

(P7 to P10) Shareholders' equity and reserves

The reported share capital of the parent company Viscom AG in the amount of € 9,020,000.00 (previous year: € 9,020,000.00), divided into 9,020,000 shares, is fully paid up. The 9,020,000 shares are no-par value bearer shares each with a notional interest in the share capital of € 1.00. In the course of 2006, the share capital, which was divided into 67,200 shares on 1 January 2006, was increased by 6,652,800 shares (€ 6,653 thousand) by way of a capital increase from retained earnings and by a further 2,300,000 shares (€ 2,300 thousand) through the issue of new shares in conjunction with the Company's IPO. Capital reserves consist of the premium from BdW (Beteiligungsgesellschaft für die deutsche Wirtschaft), which held an interest in Viscom AG until 1 January 2005, and the Viscom employees holding an interest in the Company, as well as the premium from the issue of new shares in the amount of € 38,591 thousand. The options for the utilisation of capital reserves are consistent with the provisions of the German Stock Corporation Act (AktG). A stock option plan for employees has not been established.

As communicated in the corresponding ad hoc release on 29 July 2008, Viscom AG initiated a buy-back of its own shares via the stock exchange on that date. In the period from 29 July 2008 to 31 March 2009, Viscom AG bought back 134,940 of its own shares. This corresponds to around 1.5 % of the Company's share capital. The purchase of own shares is recognised directly in equity and serves to reduce equity. The amount was deducted from capital reserves as a lump sum. The shares were acquired at an average price of € 4.33 per share. The buy-back provides currency for potential acquisitions. In accordance with section 71b AktG, shares held directly or indirectly by Viscom AG are not entitled to dividends.

No additional shares were acquired in this context in the 2017 financial year. The number of dividend-bearing shares remained the same at 8,885,060 on 31 December 2017.

In the 2017 financial year, a dividend of € 0.45 per share was distributed for the 2016 financial year.

Diluted and basic earnings per share are determined by dividing the consolidated net profit for the period by the number of dividend-bearing shares.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions in the period until 31 May 2021 by a total of up to € 4,500,000.00 through the issue of up to 4,500,000 new no-par value bearer common shares (no-par value shares) against cash or non-cash contributions (authorised capital 2016).

SEGMENT INFORMATION

Information on the Group's geographical segments by sales market

in K€	Europe		Americas		Asia		Consolidation		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
External sales	50,784	50,553	13,557	10,530	24,201	16,162	0	0	88,542	77,245
Inter-segment sales	23,919	17,770	285	547	1,834	1,699	-26,038	-20,016	0	0
Total sales	74,703	68,323	13,842	11,077	26,035	17,861	-26,038	-20,016	88,542	77,245
Segment earnings	10,748	8,113	1,389	780	2,105	1,536	-413	68	13,829	10,497
plus financial result	0	0	0	0	0	0	0	0	2	-30
less income taxes	0	0	0	0	0	0	0	0	-4,758	-3,338
Consolidated net profit									**9,073**	**7,129**
Segment assets	56,546	51,945	6,481	5,439	8,317	8,760	-777	-362	70,567	65,782
plus financial assets	1,753	1,754	0	0	0	0	-1,747	-1,747	6	7
plus deferred taxes and tax assets	0	0	0	0	0	0	0	0	769	848
Total assets									**71,342**	**66,637**
Segment liabilities	11,131	11,928	3,596	2,422	2,110	3,813	-6,121	-6,991	10,716	11,172
plus financial liabilities	475	419	0	0	0	0	0	0	475	419
plus deferred taxes and provisions for taxes	3,391	2,756	0	0	0	0	0	0	3,391	2,756
Total liabilities									**14,582**	**14,347**
Investments	3,116	1,927	138	90	277	7	0	0	3,531	2,024
Depreciation and amortisation	1,957	1,601	74	74	37	103	0	0	2,068	1,778

The geographical segments form the basis for the internal reporting used by Group management, as the risks and rates of return of the Group are mainly influenced by differences between sales regions. The management evaluates the results of the segments and manages them using EBIT as a central benchmark. Services are generally settled between the Europe segment and the other segments based on transfer prices.

The operating segments provide supplementary internal information for management. The geographical segments are determined on the basis of the domicile of the respective customer. The reportable segments generate the majority of their revenue by producing and selling the product groups stated in the table below. Viscom generated around 58 % (previous year: around 54 %) of revenue with the five largest customers. External sales amounted to € 24,354 thousand (previous year: € 23,236 thousand) in Germany and to € 64,188 thousand (previous year: € 54,009 thousand) in all other countries.

Total non-current assets with the exception of financial instruments and deferred taxes receivable (there were no assets related to pensions or claims under insurance contracts) in Germany were € 10,274 thousand (previous year: € 9,107 thousand). In the remaining countries, these assets totalled € 513 thousand (previous year: € 302 thousand).

In 2017 the 10 % revenue limit stated in IFRS 8.34 was exceeded with two customers. One of these customers accounted for revenue of € 25,529 thousand (previous year: € 20,907 thousand), while the other accounted for revenue of € 13.150 thousand (previous year: € 14,218 thousand). In both cases, the revenue was generated across all segments.

The “Optical and X-ray series inspection systems” business area includes all standard AOI and AXI machines which are identical up to a certain stage of completion irrespective of the content of the respective customer order. By contrast, “Special optical and X-ray inspection systems” are usually developed specifically for one customer or customer group, or constitute special inspection systems that can be used within the production line but also as standalone systems, as well as X-ray tubes sold to OEMs. The “Service” business area offers a comprehensive and global range of services with individual support packages.

Information about the product groups

	Optical and X-ray series inspection systems		Special optical and X-ray inspection systems		Service		Total	
in K€	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
External sales	61,137	52,102	12,983	13,260	14,422	11,883	88,542	77,245
Assets	48,726	44,370	10,347	11,292	11,494	10,120	70,567	65,782
Investments	2,438	1,365	518	347	575	311	3,531	2,024

Segment statement of cash flows

in K€	Europe 2017	Americas 2017	Asia 2017	Consolidation 2017	Total 2017
Cash flow from operating activities					
Net profit for the period after interest and taxes	7,805	2,274	1,647	-2,653	9,073
Adjustment of net profit for income tax expense (+)	3,603	552	460	143	4,758
Adjustment of net profit for interest expense (+)	1	0	0	0	1
Adjustment of net profit for interest income (-)	-1,641	-1	-2	1,641	-3
Adjustment of net profit for depreciation and amortisation expense (+)	1,957	74	37	0	2,068
Increase (+) / decrease (-) in provisions	-62	5	0	0	-57
Gains (-) / losses (+) on the disposal of non-current assets	0	9	-26	0	-17
Increase (-) / decrease (+) in inventories, receivables and other assets	2,623	-1,530	992	-1,902	183
Increase (+) / decrease (-) in liabilities	-765	-157	-1,714	2,771	135
Income taxes repaid (+) / paid (-)	-2,966	0	-423	0	-3,389
Net cash used in/from operating activities	**10,555**	**1,226**	**971**	**0**	**12,752**
Cash flow from investing activities					
Proceeds (+) from the disposal of non-current assets	1	46	55	0	102
Acquisition (-) of property, plant and equipment and intangible assets	-800	-138	-277	0	-1,215
Dividends received (+)	1,641	0	0	-1,641	0
Capitalisation of development costs (-)	-2,317	0	0	0	-2,317
Interest received (+)	0	0	2	0	2
Net cash used in investing activities	**-1,475**	**-92**	**-220**	**-1,641**	**-3,428**
Cash flow from financing activities					
Dividend payment (-)	-3,998	-891	-750	1,641	-3,998
Interest paid (-)	-1	0	0	0	-1
Net cash and cash equivalents from financing activities	**-3,999**	**-891**	**-750**	**1,641**	**-3,999**
Changes in cash and cash equivalents due to changes in exchange rates	0	-333	-3	0	-336
Cash and cash equivalents					
Change in cash and cash equivalents	5,081	243	1	0	5,325
Cash and cash equivalents as at 1 January	1,938	1,824	2,755	0	6,517
Cash and cash equivalents	**7,019**	**1,734**	**2,753**	**0**	**11,506**

OTHER DISCLOSURES

Disclosures concerning financial instruments and financial risk management

Presentation of the categories of financial instruments and the corresponding net profit in accordance with IFRS 7

Agreements which mutually lead to the accrual of a financial asset for a company and the accrual of a financial liability or an equity instrument for a counterparty are classified as financial instruments.

In this context, financial assets include cash and cash equivalents, contractually committed rights for receiving cash or other financial assets such as trade receivables, derivative financial instruments and equity instruments held in other companies. Financial liabilities include contractual obligations, liquid assets or other financial assets to be released to other companies. This encompasses obtained loans, trade payables and derivates.

The following presentation provides information on the carrying amounts of the individual measurement categories. The fair values for each class of financial instrument are also shown. The presentation is intended to enable a comparison of the carrying amounts and fair values.

For cash and cash equivalents and other current originated financial instruments, including trade receivables and payables, financial assets as well as other receivables and liabilities, the fair values correspond to the carrying amounts recognised at particular reporting dates. The fair values of the category "Financial instruments held to maturity" corresponded to the market values as of 31 December 2017.

The categories of financial assets and liabilities are included in the following tables:

Assets

31 Dec. 2017	Measure-ment category	Total		Nominal value		Amortised cost	
				Liquid assets / cash reserve		Loans and receivables (LaR)	
in K€		Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets and other receivables	LaR	327	327	0	0	327	327
Trade receivables	LaR	22,488	22,488	0	0	22,488	22,488
Cash and cash equivalents	LaR	11,506	11,506	11,506	11,506	0	0
Total		**34,321**	**34,321**	**11,506**	**11,506**	**22,815**	**22,815**

Liabilities and shareholders' equity

31 Dec. 2017	Measure-ment category	Total		Amortised cost	
				Financial liabilities (FL)	
in K€		Carrying amount	Fair Value	Carrying amount	Fair Value
Trade payables	FL	2,609	2,609	2,609	2,609
Other financial liabilities	FL	3,476	3,476	3,476	3,476
Total		**6,085**	**6,085**	**6,085**	**6,085**

Assets

31 Dec. 2016	Measure-ment category	Total		Nominal value		Amortised cost	
				Liquid assets / cash reserve		Loans and receivables (LaR)	
in K€		Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets and other receivables	LaR	290	290	0	0	290	290
Trade receivables	LaR	26,202	26,202	0	0	26,202	26,202
Cash and cash equivalents	LaR	6,517	6,517	6,517	6,517	0	0
Total		**33,009**	**33,009**	**6,517**	**6,517**	**26,492**	**26,492**

Liabilities and shareholders' equity

31 Dec. 2016	Measure-ment category	Total		Amortised cost	
				Financial liabilities (FL)	
in K€		Carrying amount	Fair Value	Carrying amount	Fair Value
Trade payables	FL	2,582	2,582	2,582	2,582
Other financial liabilities	FL	3,493	3,493	3,493	3,493
Total		**6,075**	**6,075**	**6,075**	**6,075**

Financial instruments measured at fair value or amortised cost must be classified within a 3-level classification hierarchy. Classification is contingent on the availability of observable market prices. Financial instruments are classified as having level-1 fair value, e.g. shares or securities, if their market prices are directly observable in an active market. The Group has no level-1, level-2 or level-3 financial instruments. Due to being short-term in nature, the carrying amounts of all other financial instruments constitute a reasonable approximation of the fair value.

The fair value option is not applied. At the reporting date, there were no financial instruments in the category "held for trading".

Net gains from financial instruments resulted from changes to the fair value, from impairment losses, write-ups and from write-offs. This also includes interest income and expenses and other profit components from financial instruments not recognised at fair value through profit or loss.

31 Dec. 2017	Gross amount	from	from remeasurement		Net amount 2017
in K€			Currency translation	Value adjustments	
Financial assets and other receivables	327	0	0	0	327
Trade receivables	23,728	0	0	-1,240	22,488
Cash and cash equivalents	11,506	0	0	0	11,506
Total	**35,561**	**0**	**0**	**-1,240**	**34,321**

31 Dec. 2016	Gross amount	from	from remeasurement		Net amount 2016
in K€			Currency translation	Value adjustments	
Financial assets and other receivables	290	0	0	0	290
Trade receivables	27,014	0	0	-812	26,202
Cash and cash equivalents	6,517	0	0	0	6,517
Total	**33,821**	**0**	**0**	**-812**	**33,009**

Interest income of € 3 thousand resulted from cash and cash equivalents in the 2017 financial year (previous year: € 31 thousand). The value adjustment of trade receivables at € 428 thousand (previous year: € 0 thousand) was recognised in profit or loss in the 2017 financial year.

Financial risk management objectives and processes (IAS 32/ IAS 39)
The significant risks for Viscom's financial instruments are the default risk, the interest rate risk and the exchange rate risk.

The Executive Board determined corresponding risk processes, which it reviews on a regular basis. These risk processes are summarised in the following section.

Default risk
Viscom employs appropriate control processes in order to ensure that sales are only entered into with customers with proven creditworthiness. This also means that the default risk associated with sales must be kept within acceptable limits.

Viscom does not act as a guarantor for the obligations of other parties.

The maximum default risk can be derived from the carrying amount of each financial asset as reported in the statement of financial position.

Maturity structure of financial assets

31 Dec. 2017 in K€	Gross amount	Not overdue	Overdue in the following time frames				
			< 31 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Financial assets and other receivables	327	327	0	0	0	0	0
Trade receivables	23,728	13,898	3,839	2,106	1,602	686	1,597
of which impaired	1,240	39	8	1	96	30	1,066
Total	**24,055**	**14,225**	**3,839**	**2,106**	**1,602**	**686**	**1,597**

Maturity structure of financial assets

31 Dec. 2016 in K€	Gross amount	Not overdue	Overdue in the following time frames				
			< 31 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Financial assets and other receivables	290	290	0	0	0	0	0
Trade receivables	27,014	17,417	4,183	2,370	1,204	1,014	826
of which impaired	812	36	3	0	28	26	719
Total	**27,304**	**17,707**	**4,183**	**2,370**	**1,204**	**1,014**	**826**

No conditions of any financial asset that would otherwise be overdue or impaired were renegotiated in the financial year.

The credit rating of financial assets that are neither overdue nor impaired are determined on the basis of external credit ratings (if available) or historical experiences about default rates of the corresponding business partner.

Based on empirical values from the past, the Company recognised a value adjustment that accounted for both interest rate and default risk. Value adjustments on individual items were also recognised.

No interest income was generated from value adjusted financial assets in the period under review.

Interest rate risk

Certain financial Instruments held by Viscom are exposed to interest rate risk. The interest rate risk is classified as insignificant, as the significant funds were invested with a fixed interest rate. This risk is stated in the explanatory notes on the respective items. No derivative financial instruments are employed for the purposes of hedging against interest rate risk.

Liquidity risk

Viscom is committed to ensuring that it has sufficient cash and cash equivalents or irrevocable credit facilities at its disposal to meet its obligations for the next three years as set out in its strategic plan. Viscom had not utilised any of the credit facilities extended to it at the reporting date.

On that date, all of the Company's cash and cash equivalents were held in current bank clearing accounts and as cash in hand.

The remaining contractual terms are presented in the following tables:

Remaining contractual terms

31 Dec. 2017 in K€	Carrying amount	Remaining term		
		< 1 year	1 to 5 years	> 5 years
Trade payables	2,609	2,609	0	0
Other financial liabilities	3,476	3,476	0	0
Total	**6,085**	**6,085**	**0**	**0**

There were no gross outflows.

Remaining contractual terms

31 Dec. 2016 in K€	Carrying amount	Remaining term		
		< 1 year	1 to 5 years	> 5 years
Trade payables	2,582	2,582	0	0
Other financial liabilities	3,493	3,493	0	0
Total	**6,075**	**6,075**	**0**	**0**

Exchange rate risk

As Viscom operates internationally, the Group is also exposed to exchange rate risks. Approximately 10 % of the consolidated revenue is exposed to an exchange rate risk in the parent company. Around 7 % of the parent company's expense was denominated in a currency other than the reporting currency. These risks were not hedged on the reporting date or during the year. As of 31 December 2017, net receivables relevant to the exchange rate totalled € 2,979 thousand. It included both the receivables portfolio of Viscom AG in US dollars and the receivables portfolio of the subsidiaries in euro. Assuming a change of 5 %, the exchange rate risk recognised in profit or loss amounted to € 142 thousand and would increase or reduce the Company's net profit for the period by this amount in the event of the respective change. Due to the Company's business volumes and the development of the euro/US dollar exchange rate, the current level of exchange rate risk was deemed acceptable without the need for hedging.

Capital management

Viscom's capital management aims to ensure the continued existence of the Company as a going concern to continue providing shareholders with income and services due to them.

The uninvested and hence dedicated shareholders' equity components of the Company are used for controlling liquidity and financing the Company's operating activities. The Company's objective is to finance operating activities primarily from own funds.

Use of derivative financial instruments

Viscom did not use derivative financial instruments to hedge exchange rate and interest risks in the 2017 financial year.

Related party disclosures

In the year under review, the members of the Executive Board received total remuneration in the form of payments due in the short term at € 874 thousand (previous year: € 854 thousand) and other payments due in the longer term at € 251 thousand (previous year: € 251 thousand). The remuneration for members of the Supervisory Board consists solely of payments due in the short term at € 81 thousand (previous year: € 81 thousand).

Related parties and affiliated companies

HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as of 31 December 2017. HPC Vermögensverwaltung GmbH is therefore both an affiliated company and the parent company of Viscom AG.

Goods and services from re-lated parties and affiliated companies

in K€	**2017**	2016
From lease contracts:		
HPC Vermögensverwaltung GmbH	61	66
From services:		
HPC Vermögensverwaltung GmbH	688	528
From rentals:		
HPC Vermögensverwaltung GmbH	628	590
Marina Hettwer / Petra Pape GbR	165	165
Dr. Martin Heuser / Petra Pape GbR	482	482
Sum of goods and services received by the Group	**2,024**	**1,831**

Viscom AG has also concluded leases for company vehicles with HPC Vermögensverwaltung GmbH. In 2017, HPC Vermögensverwaltung GmbH provided further services such as company childcare, cleaning services and other miscellaneous services.

The future cumulative minimum lease payments for the following periods are:

Lease obligations for company cars in K€	2017	2016
Total	**1,133**	**1,069**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	96	94
within 1 year of the reporting date	**566**	**466**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	51	48
more than 1 but less than 5 years after the reporting date	**567**	**603**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	45	46
within more than 5 years of the reporting date	**0**	**0**

The future services for the following periods are:

Services in K€	2017	2016
Total	**688**	**528**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	688	528
within 1 year of the reporting date	**688**	**528**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	688	528
more than 1 but less than 5 years after the reporting date	**0**	**0**
within more than 5 years of the reporting date	**0**	**0**

Other related parties

There are rental agreements for eight properties in Carl-Buderus-Straße (CBS) and one property in Fränkische Straße (FS) in Hanover between Viscom AG and Dr. Martin Heuser/Petra Pape GbR*, Hanover, Marina Hettwer/Petra Pape GbR**, Hanover and HPC Vermögensverwaltung GmbH***, Hanover.

Agreements with related parties

Agreements with remaining terms of	Rental property	Start of lease	Basic lease term	Net rent, monthly (€)	Net rent, annual (€)
One year or less	CBS 8 *	1 Jan. 2013	3 months	4,000	48,000
	FS 28 *	1 Nov. 2008	5 years	2,400	28,800
Between one and five years	CBS 9 *	1 Jan. 2001	10 years	5,000	60,000
	CBS 11 *	1 Aug. 2001	10 years	22,500	270,000
	CBS 10 ***	1 Mar. 2002	10 years	23,600	283,200
More than five years	CBS 10a ***	15 Nov. 2005	10 years	22,300	267,600
	CBS 6 ***	1 Dec. 2015	10 years	22,350	268,200
	CBS 13 *	1 Nov. 2007	10 years	6,500	78,000
	CBS 15 **	15 Nov. 2007	10 years	15,900	190,800
Total rental obligations with a remaining lease term of 1 year or less					**1,453,800** (previous year: 1,239,600)
Total rental obligations with a remaining term of 1 to 5 years					**4,932,700** (previous year: 4,654,300)
Total rental obligations with a remaining lease term of more than 5 years					**2,839,650** (previous year: 3,187,950)

The right to terminate the leases of buildings CBS 9 and CBS 11 was not used in 2010. Both lease agreements were therefore extended for another 10 years. In addition, the right to terminate the lease of building CBS 10 was not used in 2011. The lease agreement was therefore extended for another ten years. The right to terminate the lease of FS 28 was not used in 2012. In addition, the right to terminate the lease of building CBS 10a was not used in 2014. The lease agreement was therefore extended for another ten years. Furthermore, a rental agreement for 10 years was concluded on 1 December 2015 for facilities in building CBS 6 and extended on 1 December 2016 to include additional space. In addition, the right to terminate the leases of buildings CBS 13 and CBS 15 was not exercised in 2016. Both lease agreements were therefore extended for another 10 years. Furthermore, the right to terminate the lease of building CBS 8 was not used in 2017.

In addition, a rental agreement for 10 years was concluded on 1 December 2015 for facilities in building CBS 6. This was amended on 1 December 2016 to include additional building units. In addition, the right to terminate the leases of buildings CBS 13 and CBS 15 was not exercised in 2016. Both lease agreements were therefore extended for another 10 years.

Service agreements

In 2017, painting and tiling services were purchased and an audio system leased from the other related parties HPC Malerfachbetrieb GmbH, HPC Fliesen GmbH and Magic Mile Music GmbH in the total amount of € 58.9 thousand (previous year: € 34.8 thousand).

Loan agreements

At the reporting date, there were no receivables or liabilities resulting from loan agreements with related parties.

Additional disclosures

Obligations arising from operating leases for the lessee

Details on vehicle and building leases are disclosed in the section on related parties.

The rented properties in the USA, France, Tunisia, Singapore and China are leased from third parties.

The rental agreement for the office in Tunis was automatically extended for another year on 15 September 2017. The rental agreement for the office in San José was also automatically extended for another year. The rental agreement for the office in Singapore was extended by an additional 24 months with effect from 1 December 2016, while the rental agreement for the apartment in Singapore was extended by an additional 12 months with effect from 15 May 2017. On 1 January 2017, the rental agreement for the office in Shanghai was concluded for an additional two years and the rental agreement for the apartment was extended for a year until 2 January 2018. The rental agreement for the office in Atlanta was also extended for an additional five years on 1 March 2016. The rental agreement for the office in Paris was automatically extended in 2013. Furthermore, additional office space was rented in Singapore in 2017 with the conclusion of a corresponding two-year rental agreement. A new three-year rental agreement for office space in Huizhou, China, was also concluded in 2017.

Operating lease expenses of € 2,258 thousand were recognised in the 2017 financial year (previous year: € 2,240 thousand).

Agreements with third parties

Agreements with remaining terms of	Rental property	Start of lease	Basic lease term	Net rent, monthly (€)	Net rent, annual (€)
One year or less	Shanghai, China	1 Jan. 2014	1 year	2,307	27,684
	Singapore, Singapore	15 May 2014	2 years	2,934	35,208
	Tunis, Tunisia	15 Sep. 2011	1 year	504	6,048
	San José, USA	1 Oct. 2011	1 year	793	9,516
	Singapore, Singapore	21 Aug. 2014	2 years	7,202	86,424
	Shanghai, China	1 Jan. 2015	2 years	6,784	81,405
Between one and five years	Singapore, Singapore	1 Jul. 2017	2 years	3,220	38,640
	Huizhou, China	1 Jul. 2017	3 years	410	4,920
	Atlanta, USA	1 Oct. 2006	5 years	6,954	83,448
	Paris, France	1 Aug. 2004	9 years	2,083	24,996
Total rental obligations with a remaining lease term of 1 year or less					**337,255** (previous year: 337,592)
Total rental obligations with a remaining term of 1 to 5 years					**304,027** (previous year: 558,971)

Purchase commitments

Purchase commitments from delivery contracts amounted to around € 2,534 thousand (previous year: € 4,953 thousand) as of 31 December 2017. A purchase agreement for land was concluded on 22 December 2017, resulting in an obligation in the amount of € 328 thousand.

Contingent liabilities

There were no contingent liabilities as of 31 December 2017.

Shareholder structure

In May 2006, HPC Vermögensverwaltung GmbH, Hanover, informed Viscom AG in accordance with section 21 (1a) of the old version of the German Securities Trading Act (WpHG) that its share of the voting rights in Viscom AG exceeded 50 % on 9 May 2006. Dr. Martin Heuser and Volker Pape informed Viscom AG in accordance with section 21 (1a) WpHG that more than 50 % of the voting rights in Viscom AG were attributable to them on 9 May 2006. The voting rights held directly by HPC Vermögensverwaltung GmbH are attributable to Dr. Martin Heuser and Volker Pape in full in accordance with section 22 (1) sentence 1 no. 1 of the old version of the WpHG.

HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as of 31 December 2017.

Allianz SE, Munich, Germany, submitted the following notification to the Company on 17 January 2018 in accordance with section 33, 34 WpHG:

Voting rights notification

1. Details of issuer

Viscom AG Carl-Buderus-Straße 9-15 30455 Hanover Germany

2. Reason for notification

	Acquisition/disposal of shares with voting rights
	Acquisition/disposal of instruments
	Change in total number of voting rights
x	Other reason: Voluntary group notification; threshold reached solely at the level of subsidiaries due to internal restructuring

3. Details of the party subject to the notification obligation

Name:	City and country of registered office:
Allianz SE	Munich, Germany

4. Names of shareholders

holding voting rights of 3 % or more, if different from 3.

Allianz I.A.R.D. S.A.

5. Date on which the threshold was reached:

21 Dec. 2017

6. Total share of voting rights

	Share of voting rights (total of 7.a.)	Share of instruments (total of 7.b.1.+ 7.b.2.)	Total shares (total of 7.a. + 7.b.)	Total number of voting rights in the issuer
New	7.36 %	0 %	7.36 %	9020000
Previous notification	6.06 %	n/a %	n/a %	-

7. Details of the voting rights held

a. Voting rights (section 33, 34 WpHG)

ISIN	absolute		in %	
	directly (section 33 WpHG)	indirectly (section 34 WpHG)	directly (section 33 WpHG)	indirectly (section 34 WpHG)
DE0007846867	0	663814	0 %	7.36 %
Total	663814		7.36 %	

b.1. Instruments within the meaning of section 38 (1) no. 1 WpHG

Type of instrument	Maturity/ expiry date	Exercise period/ term	Voting rights (absolute)	Voting rights in %
				0 %
		Total	0	0 %

b.2. Instruments within the meaning of section 38 (1) no. 2 WpHG

Type of instrument	Maturity/ expiry date	Exercise period/ term	Cash or physical settlement	Voting rights (absolute)	Voting rights in %
					0 %
		Total		0	0 %

8. Information about the party subject to the notification obligation

	The party subject to the notification obligation (3.) is not controlled and does itself not control any other entities with voting rights in the issuer requiring notification (1.).
x	Full chain of subsidiaries beginning with the ultimate controlling person or entity:

Entity	Voting rights in % if 3 % or more	Instruments in % if 5 % or more	Total in % if 5 % or more
Allianz SE	0 %	0 %	0 %
Allianz Argos 14 GmbH	0 %	0 %	0 %
Allianz Holding France SAS	0 %	0 %	0 %
Allianz France S.A.	0 %	0 %	0 %
Allianz I.A.R.D. S.A.	7.36 %	0 %	7.36 %

9. In case of proxy voting in accordance with section 34 (3) WpHG

(only possible in the case of allocation in accordance with section 34 (1) sentence 1 no. 6 WpHG)

Date of Annual General Meeting:	
Total share of voting rights after Annual General Meeting:	% (corresponds to voting rights)

REPORT ON POST-REPORTING DATE EVENTS

Events after the reporting date

There were no significant events after the end of the financial year.

German Corporate Governance Code

The Executive Board and Supervisory Board of Viscom AG submitted the annual Compliance Statement, according to section 161 of the German Stock Corporation Act (AktG), in February 2018. It has been published and is permanently accessible on the Viscom AG website.

TOTAL AUDITORS' FEES (SECTION 314 (1) NO. 9 OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – HGB))

The fee charged for the work of the Group auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for the financial year breaks down as follows:

Total auditors' fees

in K€	2017	2016
Year-end audit services	115	98
Other confirmation services	0	0
Other services	0	12
Total	**115**	**110**

RESPONSIBILITY STATEMENT

"To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the Group management report 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."

Hanover, 28 February 2018

Dr. Martin Heuser   Volker Pape   Dirk Schwingel

„REPORT OF THE INDEPENDENT AUDITOR

To Viscom AG, Hanover

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit opinions

We audited the consolidated financial statements of Viscom AG, Hanover, and its subsidiaries (the Group), comprising the consolidated statement of financial position for the year ended 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, for the financial year from 1 January to 31 December 2017 and the notes to the consolidated financial statements, including a summary of the significant accounting policies. We also audited the Group management report of Viscom AG for the financial year from 1 January to 31 December 2017. In accordance with German statutory provisions, we did not audit the content of the elements of the Group management report set out in the "Other information" section of our auditor's report.

In our opinion based on the findings of our audit,

• the attached consolidated financial statements comply with the IFRS as required to be applied in the EU and the supplementary German statutory provisions of section 315e (1) of the German Commercial Code (HGB) in all material respects and, taking these provisions into account, give a true and fair view of the net assets and financial position of the Group as at 31 December 2017 and the results of operations for the financial year from 1 January to 31 December 2017

• and the attached Group management report provides an accurate view of the situation of the Group on the whole. This Group management report is consistent with the consolidated financial statements and German statutory provisions and presents an accurate view of the opportunities and risks of future development in all material respects. Our audit opinion on the Group management report does not extend to the content of the elements of the Group management report set out in the "Other information" section.

In accordance with section 322 (3) sentence 1 HGB, we hereby declare that our audit did not give rise to any objections as to the appropriateness of the consolidated financial statements and the Group management report.

Basis of our audit opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014), taking into account the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibility in accordance with these provisions and principles is described in the "Auditor's responsibility for the audit of the consolidated financial statements and the Group management report" section of our auditor's report. We are independent of the Group companies in accordance with the relevant provisions of European law and the German provisions of commercial and professional law and have complied with our other professional obligations under German law in line with these requirements. Furthermore, we declare in accordance with Art. 10 (2) f) of the EU Audit Regulation that we have not conducted any non-audit services as prohibited by Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the Group management report.

Particularly important items for the audit of the consolidated financial statements

Particularly important items are those items that, in our professional judgement, we consider to have been most relevant for our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These items were taken into account in connection with our audit of the consolidated financial statements as a whole and the formation of our audit opinion; a separate audit opinion is not issued for these items.

In our view, the following items were the most relevant for our audit:

❶ Recognition and measurement of development costs

❷ Recognition and measurement of completed systems and assemblies and partially completed systems within inventories

We structured our presentation of these particularly important audit items as follows:

① Item and problem

② Audit procedure and findings

③ Reference to additional information

The particularly important audit items are presented below:

❶ Recognition and measurement of development costs

① In the consolidated financial statements of Viscom AG, capitalised development costs are reported in intangible assets in the amount of € 8.6 million. This item accounts for around 12 % of total assets.

Development costs relate to development projects for prototypes and software that are intended to be used in the Viscom Group's operations throughout their lifetimes. Development costs are capitalised at the date on which the criteria set out in IAS 38.57 are fulfilled, whereas research costs are recognised as expenses. Capitalised development costs are amortised on a straight-line basis over a maximum useful life of four years for prototypes and between four and 15 years for software from the date on which they become usable.

The useful lives and carrying amounts of capitalised development costs that are already in use are tested for validity and evidence of potential impairment at the end of each financial year. In accordance with IAS 36, capitalised development costs are considered to be impaired when the recoverable amount of the respective asset falls below its carrying amount. Capitalised development costs not yet in use are also tested for impairment annually.

The recoverability of development costs is based on estimates and assumptions by the legal representatives and is subject to uncertainty. In addition, capitalised development costs make a direct contribution to consolidated net profit on account of their recognition in the consolidated income statement. In our view, development costs therefore constitute an important item for our audit.

② In the course of our audit, we initially performed reconciliation audit activities between the documentation of capitalised development costs, the amounts reported in non-current assets and the consolidated statement of financial position. With regard to initial measurement, we reviewed content and consistency of the procedures established by Viscom AG concerning the fulfilment of the criteria set out in IAS 38.57 and the delimitation of research and development activities.

We performed corresponding audit activities to examine the amount and basis of the allocation of capitalised costs to existing development projects that are not yet available for use, taking into account the current development status of the individual projects reported.

With regard to impairment testing, we reviewed the calculation of the recoverable amount including the valuation parameters applied. In particular, we reviewed the plausibility and consistency of the sales forecasts used as the basis for determining recoverability.

The procedures established by the legal representatives, including the assumptions and estimates applied with regard to the delimitation, recognition and measurement of development costs, are verifiable, adequately documented and, in our view, suitable for ensuring the proper accounting treatment of development costs as a whole.

③ The disclosures on development costs can be found under "Summary of significant accounting principles" and in notes G4 and A7 of the notes to the consolidated financial statements.

❷ Recognition and measurement of completed systems and assemblies and partially completed systems within inventories

① Inventories totalling € 24.5 million are reported in the consolidated financial statements of Viscom AG. This item accounts for around 34 % of total assets. Finished goods and work in progress, reported in the consolidated financial statements as "Completed systems" and "Assemblies and partially completed systems", account for € 17.2 million of this figure.

Inventories are carried at the lower of cost or net realisable value. Cost includes the direct material and production costs and appropriate portions of material and production overheads and of the depreciation of non-current assets to the extent that this is caused by production. Valuation allowances are recognised as required to ensure that the carrying amount of the systems reflects the lower of cost or net realisable value at the reporting date.

Measurement with regard to recoverability is based on estimates and assumptions by the legal representatives of the Company and is subject to uncertainty. In our view, inventories therefore constitute an important item for our audit.

② In the course of our audit, we performed reconciliation audit activities between the general ledger and the subsidiary ledger and examined the scope and the calculation of cost and the methods applied by the Company in impairment testing taking net realisable value into account, among other things.

The assumptions and estimates applied by the legal representatives with regard to the assessment of the recoverability of inventories are verifiable, adequately documented and, in our view, suitable for ensuring the proper accounting treatment of inventories as a whole.

③ The disclosures on inventories can be found under "Summary of significant accounting principles" and in note A4 of the notes to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information encompasses the following elements of the Group management report that we received prior to the date of this auditor's report and whose content we did not review:

- the Group corporate governance statement in accordance with section 315d HGB contained in the "Corporate governance statement/Corporate governance report" section of the Group management report

• the corporate governance report in accordance with section 3.10 of the German Corporate Governance Code

The annual report is expected to be provided to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information described above; accordingly, we do not issue an audit opinion or any other form of audit conclusion on this information.

In connection with our audit, we are responsible for reading the other information and assessing whether the other information

• contains any significant discrepancies compared with the consolidated financial statements, the Group management report or the findings obtained in the course of our audit, or

• otherwise appears to contain significant misstatements.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the Group management report

The legal representatives are responsible for the preparation of consolidated financial statements which comply with the IFRS as required to be applied in the EU and the supplementary German statutory provisions of section 315e (1) HGB in all material respects and for ensuring that, taking these provisions into account, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group. Furthermore, the legal representatives are responsible for the internal controls that they deem necessary in order to enable the preparation of consolidated financial statements that are free of material misstatements, whether deliberate or accidental.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing any items of relevance to the Group's ability to continue as a going concern. Furthermore, they are responsible for performing accounting on a going concern basis unless there is an intention to liquidate the Group or to discontinue business operations or there is no realistic alternative to this course of action.

The legal representatives are also responsible for the preparation of a Group management report which, on the whole, provides an accurate view of the situation of the Group and is consistent with the consolidated financial statements and German statutory provisions and accurately presents the opportunities and risks of future development in all material respects. In addition, the legal representatives are responsible for the precautions and measures (systems) that they deem necessary in order to enable the preparation of a Group management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the disclosures contained in the Group management report.

The Supervisory Board is responsible for monitoring the Group's accounting process in respect of the preparation of the consolidated financial statements and the Group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole are free of material misstatements, whether deliberate or accidental, and that, on the whole, the Group management report provides an accurate view of the situation of the Group and is consistent with the consolidated financial statements, the findings obtained in the course of our audit and German statutory provisions and accurately presents the opportunities and risks of future development in all material respects, and to issue an auditor's report containing our audit opinions on the consolidated financial statements and the Group management report.

Reasonable assurance involves a high degree of assurance but does not guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and taking into account the German standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) will always identify material misstatements. Misstatements may result from breaches of the relevant provisions or errors and are considered to be material if they could be reasonably expected to affect the economic decisions taken by the users on the basis of the consolidated financial statements and the Group management report, either individually or cumulatively.

In the course of our audit, we exercise professional judgement and adopt a critical approach. We also

• identify and assess the risks of material misstatements, whether deliberate or accidental, in the consolidated financial statements and the Group management report, plan and perform our audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements may not be identified is higher in the case of breaches of relevant provisions than in the case of errors, as such breaches may include fraudulent collaboration, falsification, deliberate omissions, misleading presentations or the bypassing of internal controls.

• obtain an understanding of the relevant internal control system for the audit of the consolidated financial statements and the relevant precautions and measures for the audit of the Group management report in order to allow us to plan audit procedures that are appropriate in the given circumstances but that are not aimed at expressing an opinion on the effectiveness of these systems.

• assess the appropriateness of the accounting policies applied by the legal representatives and the reasonableness of the estimates used by the legal representatives and the corresponding disclosures.

• draw conclusions about the appropriateness of the going concern approach adopted by the legal representatives and, based on the audit evidence obtained, establish whether there is material uncertainty with respect to events or circumstances that could give rise to significant doubts as to the Group's ability to continue as a going concern. If we come to the conclusion that such material uncertainty exists, we are obliged to refer to the corresponding disclosures in the consolidated financial statements and the Group management report in our auditor's report or, if these disclosures are inappropriate, to modify our audit opinion accordingly. We draw our conclusions on the basis of the audit evidence obtained up until the date of our auditor's report. However, future events or circumstances may mean that the Group is unable to continue as a going concern.

• assess the overall presentation, structure and content of the consolidated financial statements and the disclosures contained therein and whether the consolidated financial statements present the underlying transactions and events such that they give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as required to be applied in the EU and the supplementary German statutory provisions of section 315e (1) HGB.

• obtain sufficient appropriate audit evidence for the accounting information of the companies or business activities within the Group in order to allow us to issue audit opinions on the consolidated financial statements and the Group management report. We are responsible for leading, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions.

• assess the consistency of the Group management report with the consolidated financial statements, its compliance with the relevant statutory provisions and the view it provides of the Group's situation.

• conduct audit procedures relating to the future-oriented statements made by the legal representatives in the Group management report. In particular, we examine the significant assumptions underlying the future-oriented statements made by the legal representatives on the basis of sufficient appropriate audit evidence and assess whether the future-oriented statements have been derived properly from these assumptions. We do not issue a separate audit opinion on the future-oriented statements or the underlying assumptions. There is a significant unavoidable risk that future events could deviate materially from the future-oriented statements.

Among other things, we discuss the planned scope and timing of the audit and significant audit findings, including any defects in the internal control system, identified in the course of our audit with the officers responsible for controlling.

We issue a declaration to the officers responsible for controlling stating that we have complied with the relevant requirements concerning auditor independence, and discuss with them all relationships and other matters that could be reasonably assumed to have an effect on our independence and the corresponding protective measures.

We determine which of the matters discussed with the officers responsible for controlling were most relevant for our audit of the consolidated financial statements for the current reporting period, which are therefore classified as particularly important items. We describe these items in our auditor's report unless the public disclosure of the respective item is prohibited by law or by other provisions.

OTHER STATUTORY AND OTHER LEGAL REQUIREMENTS

Additional disclosures in accordance with Art. 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General meeting on 31 May 2017. We were engaged by the Supervisory Board on 22 December 2017. We have audited the consolidated financial statements of Viscom AG, Hanover, without interruption since the 2010 financial year.

We hereby declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Supervisory Board in accordance with Art. 11 of the EU Audit Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Jens Wedekind."

Hanover, 28 February 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jens Wedekind	ppa. Thomas Monecke
German Public Auditor	German Public Auditor

We inform, that the German version of the report of the independent auditor is the binding/legally valid version on pages 110 - 116 of the German Annual Report.

GLOSSARY OF TECHNICAL TERMS

Term	Definition
AOI	Automated optical inspection
AXI	Automated x-ray inspection
CCI (Conformal Coating Inspection)	Conformal coating inspection
EMS (Electronic Manufacturing Services)	Contract manufacturer / subcontractor – especially for Consumer, Communication and Computer products
Flat Panel Detector (FPD)	Flat Panel Detector (FPD) for x-rays with high image quality
High-speed data interface	Data interface between sensor and analysis computer
MX products	Inrared-light-machines for tests with electronic semiconductors
NP	New products
OEM (Original Equipment Manufacturer)	Manufacturer of a brand product
proALPHA	Enterprise resource planning (ERP) system
Quality Uplink	Facilitates combination of the results of different inspection gates
SI	Software platform for SP-products (AOI / AXI)
SP	Serial products
vVision	Machine operating interface
XM technology	New Viscom-camera / lighting technology with three times more throughput than 8M technology and additional options, such as 3D sensors

FINANCIAL CALENDAR 2018

21.03.2018	**Annual Report 2017, Press Conference**	Hanover
22.03.2018	**DVFA Analyst Conference**	Frankfurt am Main
15.05.2018	**Interim Report 3M/2018**	Hanover
30.05.2018	**Annual General Meeting**	Hanover, Altes Rathaus
14.08.2018	**Interim Report 6M/2018**	Hanover
13.11.2018	**Interim Report 9M/2018**	Hanover

FIVE-YEAR REPORT

Profit and loss		2017	2016	2015	2014	2013
Revenue	K€	88,542	77,245	69,389	62,254	49,820
EBIT	K€	13,829	10,497	10,157	9,378	6,772
EBT	K€	13,831	10,467	9,352	9,462	7,046
Income taxes	K€	-4,758	-3,338	-5,823	-2,777	-2,323
Net profit for the period	K€	9,073	7,129	3,529	6,685	4,723
Balance sheet						
Assets						
Current assets	K€	59,889	56,383	53,203	55,365	62,785
Non-current assets	K€	11,453	10,254	9,927	9,093	8,573
Total assets	K€	71,342	66,637	63,130	64,458	71,358
Liabilities						
Current liabilities	K€	11,804	12,047	12,539	9,264	8,319
Non-current liabilities	K€	2,778	2,298	1,934	1,610	1,473
Total shareholders' equity	K€	56,760	52,292	48,657	53,584	61,566
Total shareholders' equity and liabilities	K€	71,342	66,637	63,130	64,458	71,358
Cashflow statement						
CF from operating activities	K€	12,752	95	5,955	4,755	7,174
CF from investing activities	K€	-3,428	-1,968	-2,359	-2,233	-2,478
CF from financing activities	K€	-3,999	-3,554	-8,943	-15,126	-5,331
Cash and cash equivalents	K€	11,506	6,517	11,868	16,933	29,285
Personnel						
Employees at year-end		415	382	362	325	300
Investments						
Tangible and intangible assets (paid)	K€	1,215	574	816	587	699
Share						
Number of shares		9,020,000	9,020,000	9,020,000	9,020,000	9,020,000
Dividend payment*	K€	5,331	3,998	3,554	8,885	15,104
Dividend per share*	€	0.60	0.45	0.40	1.00	1.70
Shareholder capital per share	€	6.29	5.80	5.39	5.94	6.83
Key figures						
EBIT-Margin	%	15.6	13.6	14.6	15.1	13.6
Return on equity	%	16.0	13.6	7.3	12.5	7.7
Equity ratio	%	79.6	78.5	77.1	83.1	86.3

*Dividend proposal 0.60 € per dividend-bearing share for the financial year 2017

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