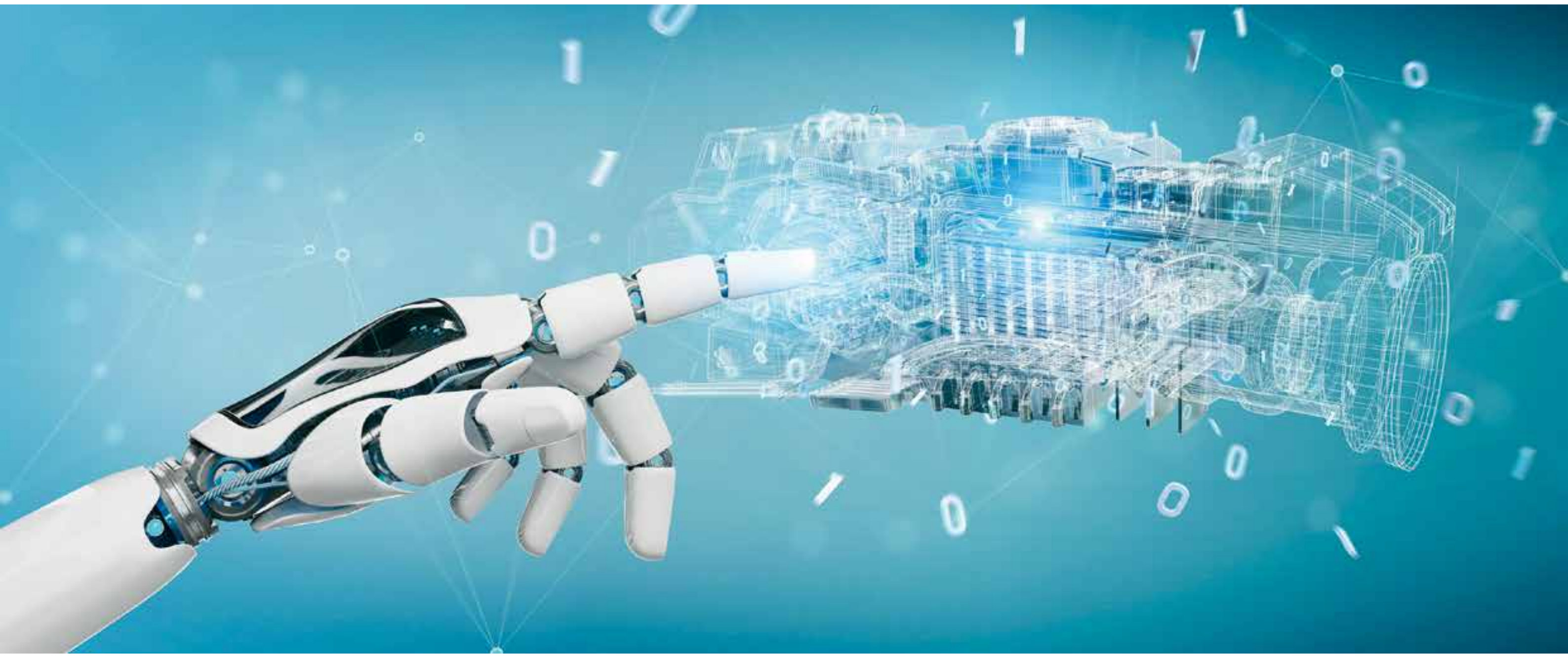
RETHINKING THE FUTURE.
SHAPING SOLUTIONS.



ANNUAL REPORT 2018

CONTENT

OPERATING FIGURES

Profit and loss

		2018	2017
Revenues	K€	93,557	88,542
EBIT	K€	10,944	13,829
Net profit for the period	K€	7,814	9,073

Balance sheet and cashflow statement figures

		2018	2017
Total assets	K€	81,803	71,342
Equity ratio	%	72.5	79.6
CF from operating activities	K€	1,232	12,752
CF from investing activities	K€	-5,076	-3,428
CF from financing activities	K€	-5,422	-3,999
Cash and cash equivalents	K€	2,357	11,506

Share

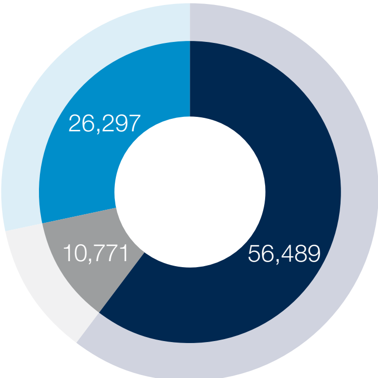
		2018	2017
Result per share	€	0.88	1.02
Dividend per share*	€	0.45	0.60

Employees

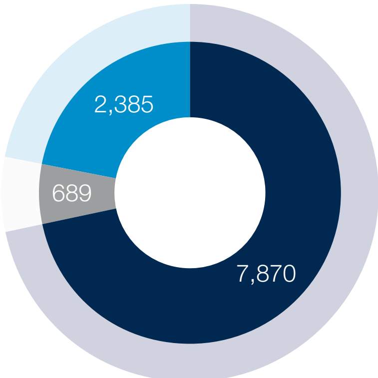
	2018	2017
Employees at year-end	480	415
Employees in annual average	462	402

*Dividend proposal 0,45 € per dividend-bearing share for the financial year 2018

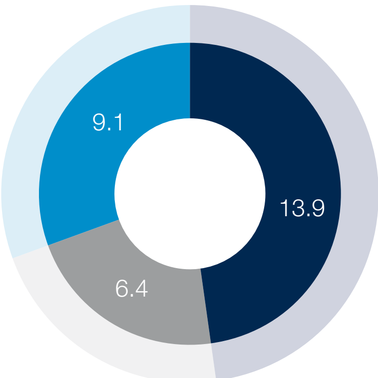
SEGMENT INFORMATION



Revenue
in K€



EBIT*
in K€



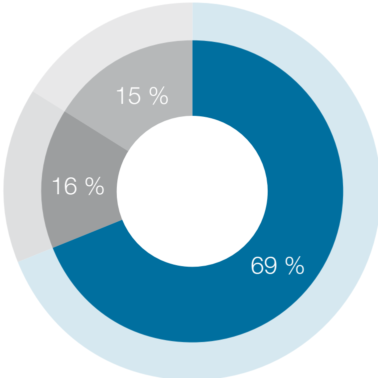
EBIT-Margin*
in %

■ Europe ■ Americas ■ Asia

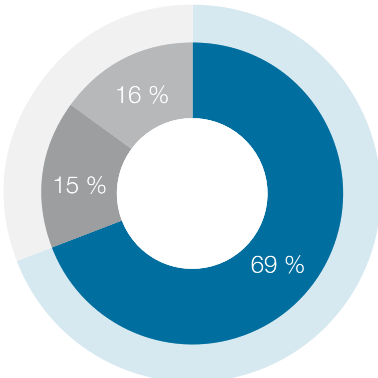
* in consideration of consolidation differences

PRODUCT GROUPS

Revenue distribution of product groups 2018



Revenue distribution of product groups 2017



■ Optical and X-ray series inspection systems

■ Special optical and X-ray inspection systems

■ Service

VISCOM.
VISION TECHNOLOGY.

New, cutting-edge communication standards and more complex modulation methods in the form of 5G technology, artificial intelligence, deep learning and big data in SMT production, and rapid technological leaps in the electronics industry all require greater security, optimal quality control and efficient process regulation. Viscom offers the industry pioneering inspection solutions with 100 % error detection.

We combine research and development, construction and manufacturing and the corresponding software expertise and supplementary services as part of a high-quality product portfolio.

We are paving the way to a successful future through an intensive exchange of knowledge and expertise with international customers, universities, developers and constructors.

FOREWORD FROM THE EXECUTIVE BOARD

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

Peter Krippner
Member of the Executive Board
(Operations)

Carsten Salewski
Member of the Executive Board
(Sales, Marketing and International Business)

Dirk Schwingel
Member of the Executive Board
(Finances)

Dear Ladies and Gentlemen,

We are delighted to have continued the success we enjoyed in previous years and made further progress along our growth path in the 2018 financial year. Although the start to the year was undoubtedly weaker, we made up for this in the subsequent quarters and closed the financial year successfully.

With revenue of around € 94 million, we recorded growth for the fifth year in succession and positioned our products and the Viscom brand even more strongly on the market. Although this revenue growth was as planned, our operating profit did not quite meet our expectations. Revenue in the financial year was at the lower end of the forecast range for 2018 due to customers requesting that delivery dates be postponed to the next year. Our operating profit declined as a result of this as well as increased staff and material costs. However, it remained considerably above-average compared with the German mechanical engineering industry.

Our aim is for our shareholders to participate in Viscom AG's positive business development once again. The Supervisory Board and Executive Board will propose a dividend payment of € 0.45 per dividend-bearing share to the Annual General Meeting on 28 May 2019. This corresponds to a dividend yield of 3.3 % based on the closing share price at the end of 2018.

2018 was also a year of positioning and reorientation for us. Is Viscom fit for further growth? How can we become even better and more efficient? We are pressing ahead with the examination of new technologies and megatrends to drive our continued growth and analysing and preparing new regional and technological markets.

First and foremost, Viscom's future depends on its positive perception among customers. We are a reliable partner and a technology leader that responds quickly and flexibly to our customers' requirements and provides support when problems occur. This is ensured by our employees around the world and the commitment they demonstrate 24 hours a day, seven days a week. We combine research and development, construction and manufacturing and the corresponding software expertise and supplementary services as part of a high-quality product portfolio. Our inspection systems provide the industry with a vast range of options for quality and process control with 100 % error detection.

To meet the megatrends of the future and the demands they entail on an equal footing and in a timely manner, we also maintain a permanent dialogue with our customers at various levels. In the area of e-mobility, assemblies are becoming increasingly complex – including mechanically – which is giving rise to new applications in testing. Demand for inspection systems is increasing steadily on the back of growth in e-mobility and the requirements of autonomous driving in particular. Defective solder joints or air pockets in the solder joints of e-mobility components must be identified with certainty, as the high currents that flow through them can result in them overheating.

The use of batteries by our customers has also led to new quality control requirements that we are able to cover with our system technology. This relates to various types of battery cells, thereby giving rise to additional applications. Accordingly, we are adopting a clear focus on software development in order to provide the required standard applications in partnership with our customers. This is also the reason behind our decision to establish software as a separate business unit at the start of the current financial year.

In terms of our markets, we see Asia as offering the greatest growth potential. Many of our customers and, in particular, potential customers from the computer, communication and consumer industry are located in this region. In addition to China, we are intensifying our activities in other Asian countries in order to facilitate additional growth in the region over many years.

Satisfied employees are the foundation of our Company. Our corporate culture is built around modern, future-oriented human resources management. Actively supporting a healthy work-life balance, promoting the physical and mental health of our team and providing a generous, modern and friendly working environment all help to ensure that our employees identify strongly with Viscom and are motivated to work towards the Company's growth. In order to also cover the expected growth prospects in terms of human resources, we made targeted investments in workforce expansion in 2018. This took place across all divisions and will have a positive impact on our revenue and earnings development in the next one to two years.

2018 was also characterised by changes in the composition of the Executive Board and Supervisory Board of Viscom AG. After 34 years, Mr Volker Pape, co-founder of Viscom AG, stood down from the Executive Board in May 2018. The long-standing Viscom managers Carsten Salewski and Peter Krippner joined the Executive Board of Viscom AG on 1 June 2018. Mr Salewski is now responsible for Sales, Marketing and International Business, while Mr Krippner is responsible for the Executive Board role of Operations. Together with co-founder of Viscom AG and Chief Development Officer Dr. Martin Heuser and Chief Financial

Officer Dirk Schwingel, they complete the Company's Executive Board. The Annual General Meeting on 30 May 2018 voted to elect Mr Volker Pape to the Supervisory Board of Viscom AG, where he serves as Deputy Chairman. Prof. Dr. Michèle Morner was also newly elected to the Supervisory Board, where she serves as Chairwoman. Prof. Dr. Ludger Overmeyer remains in his position as the third member of the Supervisory Board of Viscom AG.

For the 2019 financial year, we are forecasting revenue of between € 94 million and € 100 million and an EBIT-Margin of 10 to 13 percent. We are optimistic about achieving this target thanks to our order backlog of around € 25 million at year-end and the new technological opportunities for the future.

We would like to thank Bernd Hackmann and Klaus Friedland, who stepped down from the Supervisory Board in 2018, for their many years of hard work on behalf of Viscom AG as Chairman and Deputy Chairman and for the good, constructive and trust-based cooperation between the Executive Board and the Supervisory Board. We would also like to thank Mr Volker Pape for his outstanding achievements as the co-founder of Viscom and a member of the Executive Board.

All our employees deserve our gratitude for their commitment and loyalty to Viscom AG. We would also like to thank our customers, business partners and shareholders for the cooperation we enjoy in a spirit of mutual trust. We are working hard to continue writing Viscom's success story in 2019, and we look forward to enjoying your continued confidence.

The Executive Board

Carsten Salewski

Peter Krippner

Dr. Martin Heuser

Dirk Schwingel

REPORT OF THE SUPERVISORY BOARD

The following section comprises the Supervisory Board's report on its activities in the 2018 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.

Prof. Dr. Ludger Overmeyer
Member of the Supervisory Board

Prof. Dr. Michèle Morner
Chairwoman of the Supervisory Board

Volker Pape
Deputy Chairman of the Supervisory Board

Dear Ladies and Gentlemen,

The Viscom Group is a strong and innovative company that stands out thanks to its employees' excellent development and production expertise, its state-of-the-art product portfolio and a modern, team-oriented corporate culture. This is why I am delighted to present the report of the Supervisory Board for the 2018 financial year for the first time.

In the 2018 financial year, the Viscom Group continued on its growth path and closed the year successfully. The Group recorded further revenue growth. Unfortunately, earnings fell slightly below the management's forecast range. However, our revenue growth of 6 percent and an EBIT-Margin of around 12 percent, which is above-average for the industry, give me grounds for optimism.

Advising the Executive Board and monitoring management

In the 2018 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. The current members of the Viscom AG Supervisory Board are Prof. Dr. Michèle Morner (Chairwoman), Volker Pape (Deputy Chairman) and Prof. Dr. Ludger Overmeyer. Their term of office ends with the regular Annual General Meeting that approves the actions of the members of the Supervisory Board for the 2018 financial year of the Company.

The Supervisory Board members elected by the Annual General Meeting on 27 May 2014, Mr Bernd Hackmann and Mr Klaus Friedland, both stepped down from the Supervisory Board for personal reasons with effect from the end of the Company's Annual General Meeting on 30 May 2018. Two new members of the Supervisory Board were therefore elected. In its proposals for election to the Annual General Meeting, the Supervisory Board took account of the specific targets it has set for its composition and the defined profile of skills and expertise for the entire Supervisory Board, as well as the additional recommendations of the German Corporate Governance Code. Mr Volker Pape was put forward as a candidate in accordance with section 100 (2) sentence 1 no. 4 AktG at the proposal of shareholder HPC Vermögensverwaltung GmbH, Hanover, which holds over 25 % of the voting rights in the Company. The Supervisory Board endorsed this nomination. This is consistent with the recommendation of section 5.4.2 sentence 3 German Corporate Governance Code, which states that the Supervisory Board should not contain more than two former members of the Executive Board, as the Supervisory Board of Viscom AG does not include any other former members of the Executive Board. Among the Supervisory Board members, Prof. Dr. Michèle Morner qualifies as a financial expert within the meaning of section 100 (5) AktG on account of her professional training and practice. With regard to section 5.4.1 (5) of the German Corporate Governance Code, the Supervisory Board has satisfied itself that the members proposed for election are able to devote the expected amount of time required.

In accordance with section 11.4 of the Company's Articles of Association, Prof. Dr. Michèle Morner and Mr Volker Pape were elected for the remainder of the outgoing members' term of office. They were individually elected at the Annual General Meeting on 30 May 2018 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 Supervisory Board wishes to thank Mr Hackmann and Mr Friedland for their many years of work on behalf of Viscom AG and for the good, constructive and trust-based cooperation.

Meetings of the Supervisory Board

The Supervisory Board held seven regular meetings in the 2018 financial year, including one meeting for an efficiency review without the presence of the Executive Board. The meetings took place on 8 February, 13 March, 8 May, 30 May, 7 August, 6 November and 4 December. At these meetings, the Supervisory Board was provided with prompt and comprehensive information on 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 conclusion of a consultancy agreement between Viscom AG and Mr Volker Pape. 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 Chair 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

The information provided to the Supervisory Board by the Executive 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 2018 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. From March 2018, the Supervisory Board also discussed adequate succession planning for the Supervisory Board in response to the departure of Mr Hackmann and Mr Friedland.

The meeting to review the accounts on 13 March 2018 focused on the adoption of the single-entity and consolidated financial statements for 2017, 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 performance of their audit and the material findings. The single-entity and consolidated financial statements for 2017 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 2018 were approved and additional succession planning for the Executive Board and Supervisory Board was discussed.

At the meeting on 8 May 2018, 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 2018. 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 30 May 2018. At its constituent meeting, the Supervisory Board also elected Prof. Dr. Morner as the Chairwoman of the Supervisory Board and Mr Pape as the Deputy Chairman of the Supervisory Board of Viscom AG. At this meeting, the Supervisory Board also approved the conclusion of a long-term consultancy agreement with Mr Pape.

The meeting on 7 August 2018 focused on the development of business in the first six months of the year in the context of the half-yearly financial report, which the Executive Board and Supervisory Board discussed and reviewed in detail. This meeting also discussed and unanimously resolved the revised allocation of duties for the Executive Board.

The Supervisory Board on 6 November 2018 focused on the consolidated interim financial statements as of 30 September 2018. Potential individual risks were discussed in greater detail based on risk early detection management.

At their meeting on 4 December 2018, the Executive Board and Supervisory Board discussed in detail and adopted the annual planning, including financial, investment and human resources planning, for the 2019 financial year on the basis of extensive documentation. The Executive Board and the Compliance Officer also provided the Supervisory Board with an overview of the current status of the compliance programme.

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 2018 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 with one exception: As a newly elected member of the Supervisory Board, Mr Pape abstained from the vote on the Supervisory Board's approval of the conclusion of a long-term consultancy agreement between the Company and Mr Pape in order to prevent a potential conflict of interest.

During the 2018 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 8 February 2018. 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.

Above and beyond this, the Executive Board and Supervisory Board submitted the annual declaration of compliance with the German Corporate Governance Code on 22 February 2019. 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 2018 by the Annual General Meeting of the Company on 30 May 2018. The Supervisory Board then negotiated the audit assignment, including the focal points of the audit, and awarded the 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 2018 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 2018, 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 finished goods and work in progress (inventories) and a review of the recognition and amortisation of development costs 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 suitable 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 15 March 2019. 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 15 March 2019, the Supervisory Board approved the single-entity and consolidated financial statements, the management report and the Group management report for the 2018 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 15 March 2019, 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 members of 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 work and their strong personal commitment in the 2018 financial year.

Hanover, 15 March 2019
For the Supervisory Board

Prof. Dr. Michèle Morner
Chairwoman 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

		2018	2017	2016
Year-end share price *	€	13.45	29.59	13.30
Highest share price during the year *	€	38.90	30.80	15.60
Lowest share price during the year *	€	13.35	13.85	11.56
Market capitalisation (end of year)	million €	121.32	266.90	119.97
Earnings per share	€	0.88	1.02	0.80
Dividend per share**	€	0.45	0.60	0.45

* All share price information is based on XETRA daily closing prices

** Dividend proposal of € 0.45 per dividend-bearing share for the 2018 financial year

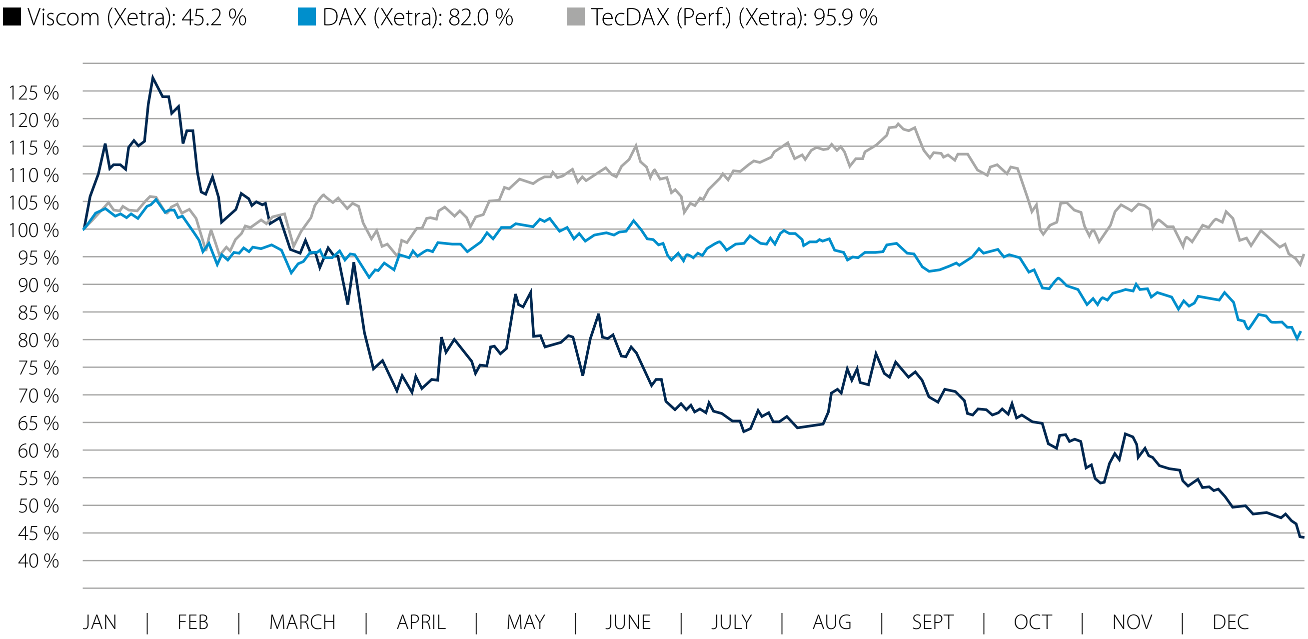
Market conditions

The strong global economy continued to have an extremely positive effect on the international stock markets in early 2018. As the year progressed, however, there were pronounced share price fluctuations with a prevailing downward trend. Political risks to the economy, particularly the trade dispute between the USA and China but also the crises in Italy and Turkey and the forthcoming Brexit, dominated large stretches of 2018 and had an adverse effect on stock market performance. Continued monetary tightening by the major central banks, the global downturn in sentiment indicators and company news with a muted outlook also led to disillusionment on the world's stock exchanges. The DAX fell by around 18 % in 2018, its biggest single-year loss since the financial crisis of 2008. Despite good performance over the year as a whole, technology stocks were ultimately also caught up in the poor sentiment on the stock markets. The TecDAX closed 2018 down around 4 %.

Although it also had a turbulent 2018, the single European currency closed December up 1.42 % at USD 1.1467.

SHARE PRICE PERFORMANCE

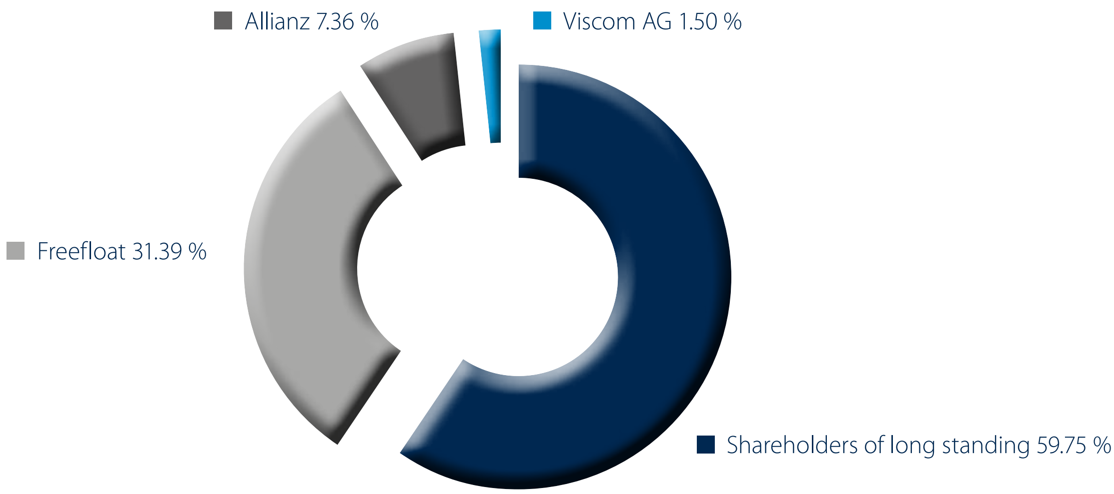
compared with the DAX and TecDAX in 2018



Viscom share price

Viscom's shares had an eventful 2018. Although Viscom AG presented solid figures, the Company's share price fell by around 55 % over the year as a whole. After opening the year at € 29.90, Viscom's shares initially enjoyed positive price performance. On 22 January 2018, the share price reached a historic high of € 39.60 and closed the day at € 38.90. The record rally on the stock markets reached its high point in January before more or less deflating over the following months. The view that an upward movement could not continue indefinitely established itself on the financial markets, with various theories delivering momentum for the negative trend. All in all, the financial markets saw considerable volatility, reflecting investor uncertainty with regard to geopolitical and economic developments. Profit-taking was the order of the day following brief phases of recovery. Viscom's shares were unable to escape this negative trend despite the Company's positive outlook, with the share price reaching a low for the year of € 13.35 on 27 December 2018. The share price averaged € 23.16 across the year as a whole and closed the year at € 13.45.

SHAREHOLDER STRUCTURE



To demonstrate the Executive Board's confidence in the Company's operating profitability to the stock markets, Mr Dirk Schwingel purchased 1,000 Viscom shares at an average price of € 21.70 on 21 August 2018 and a further 500 shares at an average price of € 15.30 on 6 December 2018. Dr. Martin Heuser purchased 6,698 Viscom shares at an average price of € 14.75 on 4 December 2018 and a further 3,952 shares at an average price of € 14.70 on 12 December 2018.

Analyst recommendations

Two financial analysts cover and comment on Viscom's shares on a regular basis. The shares had two buy recommendations at 31 December 2018.

Shareholder structure

At 59.75 %, the majority of the shares in Viscom AG are held by the Company founders, Dr. Martin Heuser and Volker Pape. The shares are held by Dr. Heuser and Mr Pape either directly or via HPC Vermögensverwaltung GmbH. The 31.39 % of shares that are in free float are spread primarily among investors in Germany and other European countries. 7.36 % of the shares are held by Allianz. Viscom AG holds 1.50 % of its own shares.

Annual General Meeting 2018

The Annual General Meeting of Viscom AG was held at the Old Town Hall in Hanover on 30 May 2018. All agenda items were adopted by the shareholders and shareholder representatives with the necessary majority. Among other things, the Annual General Meeting elected Prof. Dr. Michèle Morner and Mr Volker Pape to the Supervisory Board of Viscom AG and resolved the distribution of a dividend of € 0.60 per share.

The next Annual General Meeting of Viscom AG will take place at the Old Town Hall in Hanover on 28 May 2019.

Dividend proposal for the 2018 financial year

The Executive Board and Supervisory Board will propose a dividend payment of € 0.45 per dividend-bearing share to the Annual General Meeting on 28 May 2019. 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.

Viscom IR-Team: Anna Borkowski, Sandra M. Liedtke, Jan-Hendrik Iser (f. l. t. r.)

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 2018 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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30455 Hanover
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THE INTERVIEW

RETHINKING THE FUTURE. SHAPING SOLUTIONS.

Mr Salewski, you have been a member of the Executive Board of Viscom AG for a few months now. What have you analysed during this time and what conclusions have you drawn in terms of the Group's sales and marketing?
Carsten Salewski: The sales team does outstanding work. This is reflected in the high level of incoming orders in the past year. We have successfully strengthened the team over the past year. Now we need to make additional optimisations at this already high level. We are working together to improve the internal interfaces between sales and the business areas in order to allow us to process orders more efficiently, on schedule and in line with customer requirements. Better sales tools are being introduced so that we can meet customer demand for quick and transparent sales-side care. We want to offer our customers the best solution in a timely manner and at attractive prices that are in line with the market.

We have an extensive product portfolio of technically sophisticated systems. The continued qualification of our employees in global sales also enjoys a high priority.

Our marketing team has done extremely good work across many projects. The new trade fair presentations, numerous publications and articles, events, digital media and a professional image in general are helping to ensure the positive perception of our brand and our products, and this is something we intend to continue.

Business in the Americas declined in the 2018 financial year. What are the reasons and how is your successor in the American branch addressing this development?
Carsten Salewski: Trade conflicts had an adverse effect around the world in 2018 and continue to do so now. We saw companies postponing investments in response to uncertain sales opportunities or rising tariff-related costs, e.g. in the US auto industry. More recently, the US government shutdown also had a negative effect. The propensity to invest among customers in Mexico was restrained in the 2018 financial year. This was due to uncertainty concerning the future of free trade agreements, especially the North American Free Trade Agreement (NAFTA), and increased price pressure among the competition. Healthy demand in the USA and Canada only partially compensated for the missing orders in Mexico. These stimuli were not sufficient for a return to the strong prior-year level in the final quarter. The team in North America is extremely well positioned to master the challenges of the market. The new management has the necessary experience to harness Viscom's strengths and expand our business in the tough competitive environment in this region.

CARSTEN SALEWSKI

Member of the Executive Board responsible for Sales, Marketing and International Business

Born in Lüneburg in 1968 and a member of the Executive Board of Viscom AG since June 2018.

Mr Salewski studied electrical engineering at the University of Hanover. He joined Viscom in 1993 while still a student and graduated as a Diplom-Ingenieur in 1995 having completed his studies alongside his employment. Mr Salewski has been a manager in various areas of Viscom AG since 2001, including sales, management, division and branch management. After almost 15 years in the USA, he returned to Hanover last year.

Which markets and regions will you be focusing on in particular in the years ahead?

Carsten Salewski: Geographically, our main business can be broken down into the European, American and Asian sales markets. We still see Asia as offering the greatest growth potential. With estimated economic growth of 6.6 % in 2018, the world's second-largest economy, China, remains one of the fastest-growing markets despite the current slowdown. Many of our customers and, in particular, potential customers from the computer, communication and consumer industry are located in this region. In addition to China, we are intensifying our activities in other Asian countries in order to facilitate additional growth in the region over many years.

How did the competitive situation change in 2018?

Carsten Salewski: Providers from Asia are increasingly appearing in our home market of Europe. In Korea and Japan, this market has been identified and efforts to gain a foothold have been underway for some years. Although this has proven difficult due to various barriers to market entry, it has not been entirely unsuccessful. Conversely, we are growing in the Asian market and obtaining orders to offset this effect. Our business is becoming increasingly international. We are positioning our high-performance products more effectively in order to gain a greater share of the market.

Price pressure has increased. Despite this, we are managing to sell our high-end X-ray systems in particular at a good price level in all regions. Our high-performance inspection systems compare favourably with the competition and form the basis for the further expansion of our business. At the same time, however, we are aware of the need to continuously enhance our products in order to keep up with the competition in future.

PETER KRIPPNER

Member of the Executive Board responsible for Operations

Born in Neustadt am Rübenberge in the Hanover region in 1964 and a member of the Executive Board of Viscom AG since June 2018.

Mr Krippner studied electrical engineering at the University of Hanover and graduated as a Diplom-Ingenieur. During his studies, he worked for Viscom as a freelancer in software development. After successfully completing his studies, the Company permanently appointed him as a development engineer. Mr Krippner took over as head of software development in 1995 and assumed responsibility for projects and applications in the area of solder joint inspection in 1998. In 2001, he was appointed as the head of the Serial Products (SP) business area, which he managed with great success until the end of May 2018.

Mr Krippner, you have also been a member of the Executive Board of Viscom AG since June 2018. What do you see as the next technological challenges and objectives for 2019?
Peter Krippner: In future, we will continue to focus on generating profitable growth through innovation and technology leadership. Our customers are the foundation for our success, and we will continue to provide them with cutting-edge solutions. Our aim is to grow along with the technologies. We want to harness the emerging megatrends and benefit from topics such as new, future-oriented communication standards in the form of 5G technology and artificial intelligence, deep learning and big data in SMT production. Autonomous driving and e-mobility are opening up new possibilities for inspection, but they also come with new technological challenges. For example, the software must be able to identify additional error characteristics and the system technology must be geared towards ensuring high throughput.

How are you prepared for the megatrends of the future and their requirements?
Peter Krippner: We combine research and development, construction and manufacturing and the corresponding software expertise and supplementary services as part of a high-quality product portfolio. Our inspection systems provide the industry with a vast range of options for quality and process control with 100 % error detection. We maintain a permanent dialogue with our customers at various levels in order to identify requirements and opportunities at an early stage. In the area of e-mobility, assemblies are becoming increasingly complex – including mechanically – which is giving rise to new applications in inspection. The use of batteries by our customers has also led to new quality control requirements that we are able to cover with our system technology. Accordingly, we are adopting a clear focus on software development in order to provide the required standard applications in partnership with our customers.

Software was established as a separate business unit at the start of 2019. What were the reasons for this and what advantages do you hope to enjoy as a result?

Peter Krippner: The decision to establish software as a separate business unit was taken following careful consideration. The unit encompasses the software developers from the New Products (NP) and Serial Products (SP) business areas. The aims of the reorganisation include establishing an outstanding modular architecture, clear controlling and prioritisation, leveraging synergy effects between the NP and SP business areas, and accelerating the software platform changeover from SI to vVision and hence reducing the number of software platforms. The four groups in this area – architecture, application, systems/hardware and projects/customers – are derived on this basis.

We will take great care to ensure that we maintain a high degree of flexibility, that we continue to take account of customer requirements and that the business areas retain the corresponding capabilities for controlling in future.

How would you summarise your first seven months as a member of the Executive Board?

Peter Krippner: The three business areas of service, NP and SP often look after the same customers and there is overlap between their operating activities. For example, we have concentrated customer training for series systems in the service business area, which has a high degree of training expertise. All in all, we have seen that overarching solutions are often possible and that customers also benefit from increased cooperation between the business areas.

It is a pleasure to introduce new developments to the field as part of a team and further expand customer relationships in conjunction with the sales organisation. For me personally, this has included trips to Asia in which I have discussed the latest technical trends directly while on customer visits and at market events, returning to our head office in Hanover with corresponding information.

All in all, the first seven months have been an exciting time for me with new challenges, and I am looking forward to the future with optimism.

What technologies will be the drivers in 2019 and 2020? What projects are you focusing on?

Dr. Martin Heuser: The primary focus will be on the use of 3D X-ray inspection technology in all areas of the production of high-end electronic assemblies. Viscom offers systems for PCB inspection and the inspection of larger, heavier assemblies that can be integrated into manufacturers' automated production lines. Demand for inspection systems is increasing steadily on the back of growth in e-mobility in particular. Defective solder joints or air pockets in the solder joints of e-mobility components must be identified with certainty, as the high currents that flow through them can otherwise result in them overheating to the point of catching fire.

Before the end of this year, we will launch an X-ray inspection system that can be used to inspect large 5G transmitter boards. This will enable inspection with a significantly higher throughput than the current systems.

Increasing the speed of inspection in conjunction with the transition from 2D to 3D inspection will be the big technological driver over the coming years.

How will you implement further growth in terms of your capacity and infrastructure in Hanover?

Dr. Martin Heuser: We have recorded average annual revenue growth of 13.5 % since 2013. Even in the age of digitalisation, continuing to grow at this rate will require sufficient physical capacity, particularly for production, commissioning and logistics, as well as the expanded workforce that we have already put in place. To this end, we extended the Viscom head office in Hanover in the 2016 financial year by letting an additional building. We moved into various units with total space of around 5,000 square metres and modernised our existing building. In order to realise revenue growth in production and commissioning, 2018 also saw the start of construction work on a new two-storey production hall with around 3,400 square metres of usable space at our company site in Hanover. This will allow us to continue to offer our employees a generous, modern and friendly working environment.

Dr. Heuser, in addition to your role as a member of the Executive Board, you are the majority shareholder of Viscom AG together with Mr Pape via HPC Vermögensverwaltung GmbH. Are you planning to reduce your equity interest in 2019?

Dr. Martin Heuser: HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as of 31 December 2018. No change in this equity interest is currently planned. We intend to continue to hold a majority of Viscom's shares in the long term.

DR. MARTIN HEUSER
Member of the Executive Board responsible for Development

Born in Kempen in 1957 and a member of the Executive Board of Viscom AG since April 2001.

Dr. Heuser studied electrical engineering at the University of Hanover. He graduated as a Diplom-Ingenieur in 1984. In the same year, he and Volker Pape formed GbR für Industrielle Bildverarbeitung, which changed legal form two years later to become Viscom Industrielle Bildverarbeitung GmbH. He was appointed to the Executive Board after the company became Viscom AG in 2001. In 1990, Dr. Martin Heuser obtained his doctorate from the Institute of Theoretical Communications Engineering and Information Processing.

The Executive Board is authorised to increase the share capital of the Company by up to € 4,500,000.00 in the period until 31 May 2021 with the approval of the Supervisory Board. Are there any specific plans for 2019?

Dr. Martin Heuser: This is a standard authorisation that is intended to ensure the Company's flexibility over the coming years. It is not possible to say what the capital market and financing situation will be during this period, which is why we asked the 2017 Annual General Meeting to provide us with the greatest possible flexibility in this respect. Needless to say, the potential exercise of this authorisation will only take place after my colleagues on the Executive Board, together with the Supervisory Board, have carefully considered the interests of the Company and its shareholders. It should be noted that the authorisation provides access not only to the existing free capital reserves, but also to the future profits that we naturally expect our company to generate.

DIRK SCHWINGEL

Member of the Executive Board responsible for Finances, Controlling, Investor Relations and Human Resources

Born in Diepholz in 1963 and a member of the Executive Board of Viscom AG since June 2011.

Mr Schwingel studied economics at Paderborn University. He graduated as a Diplom-Kaufmann in 1991. While still a student, he began working at ITT Automotive GmbH (now Continental AG) in Gifhorn, moving to the Rheinmetall Group after around 4½ years. After positions at Rheinmetall AG (Düsseldorf) and Jagenberg AG (Neuss), he took on the role of commercial director at Benz & Hilgers GmbH in Neuss, which he held until mid-2010. Mr Schwingel has been with Viscom AG in Hanover since 1 July 2010. He began as commercial manager before being appointed as an additional member of the Executive Board of Viscom AG with effect from June 2011.

Viscom's operating profit was a little lower than expected. Why was this?

Dirk Schwingel: Unfortunately, we were not able to deliver all the planned orders in the 2018 financial year. This was due to customers requesting that delivery dates be postponed to the next year. Accordingly, revenue was at the lower end of the forecast range for the 2018 financial year. Operating profit declined as a result of this as well as increased staff and material costs.

You have significantly expanded your workforce in the past two years. In which areas have new employees been appointed and when is this increased capacity expected to be fully reflected in revenue?

Dirk Schwingel: At 31 December 2018, we had 480 employees throughout the Group. The workforce expansion represents a targeted investment in the future and will have a positive impact on our revenue and earnings development in the next one to two years. It encompasses all of the Company's business areas and is intended to cover the increased demand in the form of the upturn in incoming orders as well as the Company's growth prospects.

Inventories have risen continuously in recent years. What are your plans for the future in this respect? Is a reduction planned?

Dirk Schwingel: In recent years, inventories have increased due to the continuous growth in our product range and to our spare part guarantee. The important new demonstration and evaluation systems that we keep available for our customers have also led to a corresponding rise in inventories at all of our locations. Furthermore, we have upped our inventories in order to allow us to process the substantial order backlog and the anticipated incoming orders. The delays to deliveries requested by the respective customers meant higher inventories in the past financial year. To significantly reduce inventories in future, a project has been launched containing additional approaches to optimisation and their implementation. This is expected to sustainably improve our working capital.

Can Viscom AG's shareholders expect to receive another dividend for 2018, and what is your forecast for the 2019 financial year?

Dirk Schwingel: Of course. Viscom has performed well in the past year and we want our shareholders to participate in this success. We intend to maintain our communicated dividend policy for the future. As previously, this involves the distribution of at least 50 % of our net profit. Accordingly, the Supervisory Board and Executive Board have resolved to propose a dividend payment of € 0.45 per dividend-bearing share to the Annual General Meeting on 28 May 2019. As in the previous years, this proposed dividend is based on the Company's expected economic development under consideration of the funds required for business operations. This corresponds to a dividend yield of 3.3 % based on the closing share price at the end of 2018. As in the past, the undistributed portion of our net profit will be used primarily to finance the Company's continued growth.

For the 2019 financial year, we are also forecasting revenue of between € 94 million and € 100 million and an EBIT-Margin of 10 to 13 percent. We are optimistic about achieving this target thanks to our order backlog of around € 25 million at year-end.

TECHNOLOGY

STRONG PERFORMANCE THANKS TO CUTTING-EDGE INSPECTION SYSTEMS.

Viscom inspection systems make a vital contribution to ensuring maximum quality and process stability in electronics production. Future-oriented engineering and technical expertise from more than 30 years of industry experience underpin the Company's state-of-the-art hardware and software solutions in the areas of solder paste inspection (SPI), automatic optical inspection (AOI), automatic and manual X-ray inspection (AXI/MXI) and coating and wire bond inspection.

From fully-fledged, realistic 360° views of solder joints and components to informative layered X-ray images of highly complex electronics, Viscom is harnessing the advantages of 3D in an extremely targeted manner. The fully automated processes and connectivity options for the systems are designed to ensure comprehensive communication with other machines, line monitoring and various production control systems, thereby also meeting the highest requirements in terms of cycle times.

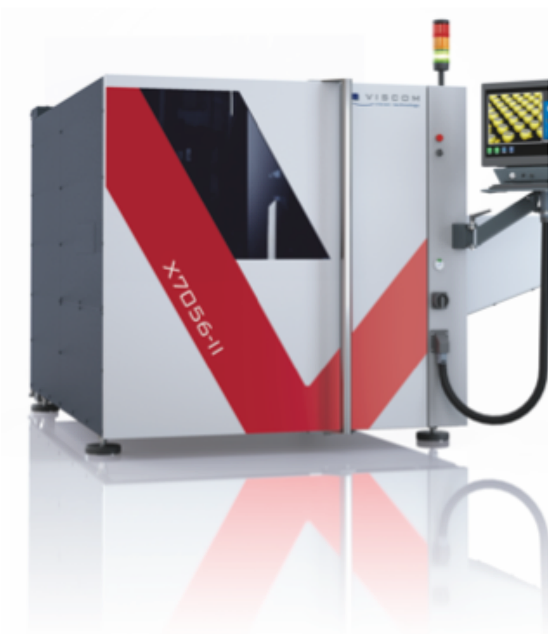
All the Company's products bear the label "Made in Germany". Broad-based international customer support is ensured thanks to subsidiaries in France, Tunisia, the USA, China and Singapore and numerous support and service centres around the world.

X7056-II

Viscom's multi-award-winning X7056-II inspection system perfectly meets the demands of electronics manufacturing companies for the combination of extremely fast assembly handling with optimal quality control. Moreover, the inline X-ray system can be extended to form a combined solution with additional automated optical inspection (3D AOI) within its existing housing. With xFastFlow, the machine achieves handling times of as little as four seconds. Up to three PCBs can be processed simultaneously in the 3D AXI system.

High-performance flat-panel detectors ensure outstanding 3D X-ray images. With the help of planar computer tomography, both horizontal and vertical layer images that, in contrast to 2D results, no longer show any disruptive structures can be extracted from the data volume. A slice-by-slice view into the interior of an array of BGA balls is now possible. Errors in BGA components or surface soldering are detected quickly and reliably.

The X7056-II is operated with the extremely user-friendly vVision software from Viscom and offers outstanding connectivity options within quality assurance processes in manufacturing, making it perfect for Industry 4.0 and smart factories. The system has already won four international awards: the productronica innovation award 2017, the CIRCUITS ASSEMBLY 2018 New Product Introduction (NPI) Award, the 2018 SMT China VISION Award, and an EM Innovation Award from Electronics Manufacturing Asia that was also presented in 2018.

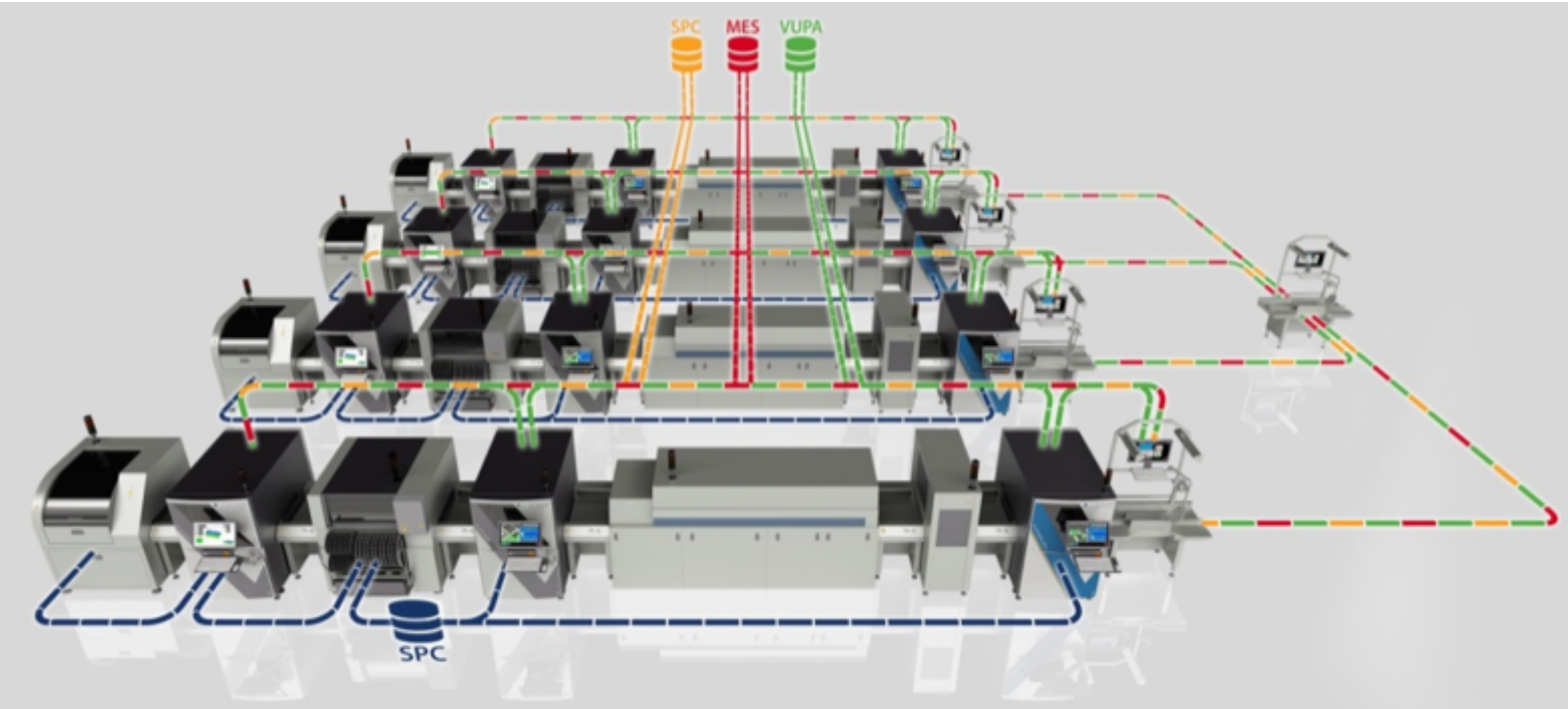


X8068 SL

The market is seeing increased demand for the inline X-ray inspection of larger and heavier assemblies. This is all the more important because this development is being driven by e-mobility, among other things. The X8068 is predestined for inspecting this assembly type. While the basic version of the X8068 involves manual loading, the X8068 SL enables automatic loading thanks to an additional module, giving rise to a modular system concept based on the X8068 with minor modifications.

APPLICATIONS

OPTIMAL PERFORMANCE RIGHT DOWN THE LINE. PLAY IT SAFE.



Viscom remains on its growth path and is investing in more production capacities and future-oriented engineering such as deep learning and artificial intelligence. The Company's high-quality systems perform key quality assurance tasks in the automated production of electronic assemblies in particular. Intelligently connected, they reliably cover areas including solder paste inspection, mounting and solder joint inspection, and the inspection of workpiece structures using X-ray technology.

Today, it is taken for granted that complex electronics in the areas of automotive, aviation, medical technology, industrial electronics and consumer electronics will work without errors. Viscom develops highly precise solutions for the very highest standard of automatic assembly inspection for the global electronics industry. Viscom's customers benefit from long-lived systems with modular configuration that can be modified and modernised as required in order to grow and adapt along with their changing requirements.

Intelligent inspection concepts

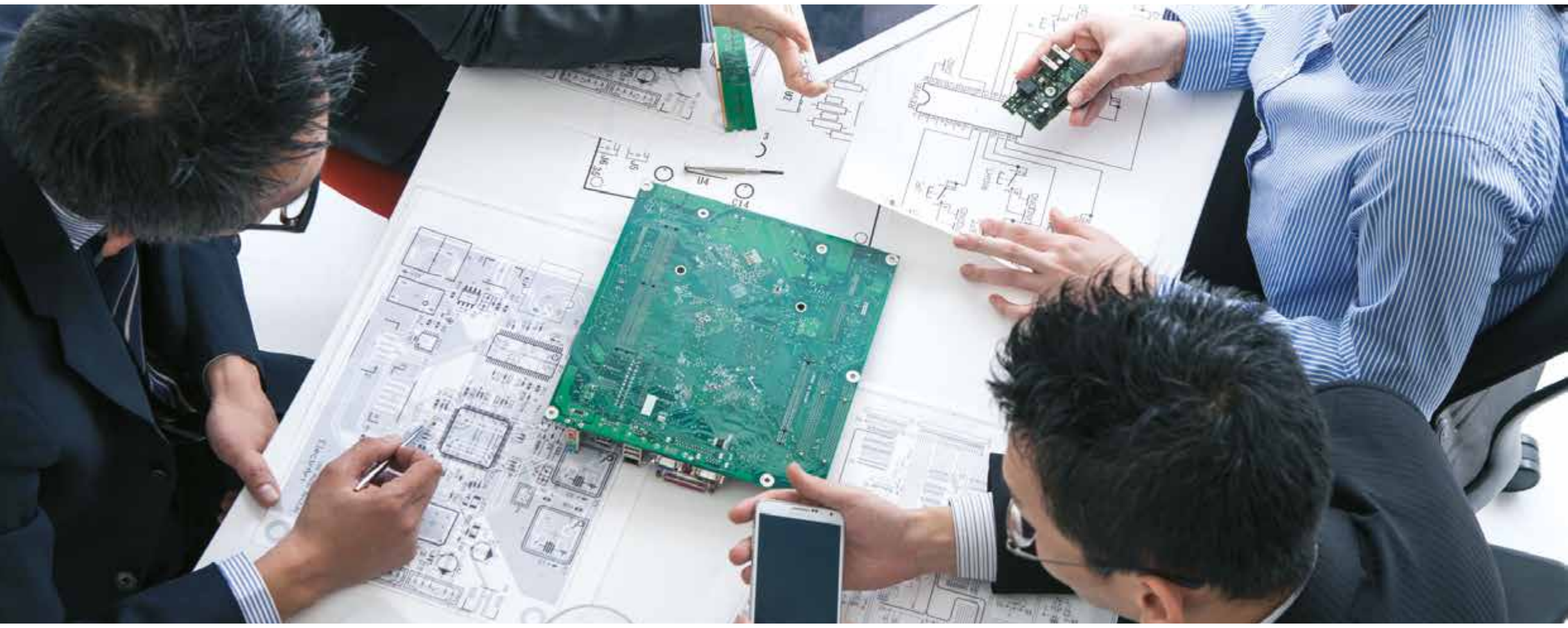
Today, electronics manufacturing is fully automated and consistent with the Industry 4.0 approach. Viscom's Quality Uplink software platform allows inspection systems to be connected with each other and with other machines throughout the entire production process.

Viscom is using deep learning and artificial intelligence to pursue ambitious plans for the future and continue to drive automation at the highest level. Artificial intelligence is a topic that Viscom is addressing from various perspectives. For example, the computer-based verification of defects is already effectively assisting employees to prevent pseudo-errors, thus increasing the overall process quality. Deep learning will play a progressively more important role in Viscom's programme creation and component assignment, making it increasingly possible to recognise new product introduction (NPI) components fully automatically.

With regard to these future technologies in particular, Viscom AG is officially involved in the Fuji Smart Factory and the ASM "lights-out factory" project. The Fuji Corporation's initiative aims to standardise communication between machines in electronics manufacturing. To this end, the production lines are connected to the company's Nexim software. The "Fuji Smart Factory with Nexim" has 20 members including Viscom and other well-known companies from the electronics industry. The Fuji Corporation and ASM are among the most technologically innovative manufacturers of mounting systems for the electronics industry. They are driving the development of standardised rules for production facilities and logistics systems so that these can largely take over their own organisation and communication. Using specially created interfaces, information can be exchanged with the line control of the Fuji Smart Factory across manufacturers, thereby enabling flexible automated production. ASM is involved in the IPC CFX (Connected Factory Exchange) and "The Hermes Standard" initiatives together with Viscom and numerous other manufacturers.

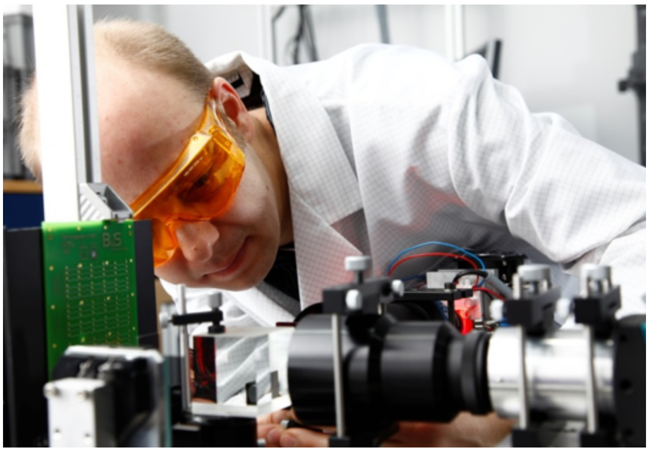
RESEARCH AND DEVELOPMENT

WITH OUR FINGER ON THE PULSE. INSIGHT. FORESIGHT.



The permanent enhancement of existing inspection technologies, the integration of new technologies and the implementation of new market requirements are the driving factors behind our in-house research and development department. User orientation and proximity to customers and markets are the primary criteria for our solutions. Within our research activities, new knowledge is obtained and converted into user-oriented solutions in the subsequent development process. Our continuous efforts in this area ensure our long-term competitiveness and a strong position on the market.

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 University of 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 on fundamental issues in 2018.



REGIONS

A STRONG, EXPERT GLOBAL PRESENCE.

Viscom offers customised inspection solutions at the highest level and excellent, comprehensive service thanks to its own global network of technicians who keep its inspection systems running smoothly.

With a tailored product portfolio, 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.

Although the pace of growth has slowed, China remains an up-and-coming market whose economy expanded by 6.6 percent in 2018. Stabilisation measures from Beijing also had the desired effect and provided support for the Chinese economy. The IMF expects China, which is the world's second-largest economy after the USA, to see growth of 6.2 percent in both 2019 and 2020. The Viscom Group is already well represented with branches and service centres in China and will continue to participate in the country's extremely positive economic outlook in future.

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.

MARKET AND COMPETITION

WE SPEAK THE LANGUAGE OF OUR CUSTOMERS AND KEEP OUR EAR CLOSE TO THE LOCAL MARKETS.

A focus on megatrends

High-profile companies around the world that are the best in their respective fields rely on high-quality Viscom systems with individual configuration and flexible modification.

The automotive industry is undergoing significant changes as a result of new markets and technologies. E-mobility, connectivity, automated driving and 5G technology are the megatrends of the future.

E-mobility

Rising oil prices and climate and environmental protection are the key drivers behind automotive electrification. The Center of Automotive Management (CAM) expects hybrid models to establish a substantial presence on the market over the next four to five years, accounting for between 5 % and 20 % of new registrations globally. Fully electric vehicles will also emerge from their niche to make up between 3 % and 5 % of new registrations. The price of electric cars will fall significantly, while their range will increase thanks to improved batteries. Battery capacity has been and remains the biggest problem. Today, two lithium-ion batteries provide as much energy as 100 lead-acid car batteries with a weight of almost two tons. However, the 400-kilogram pack has a range of just 400 kilometres. Developers are working on reducing the size and weight of batteries while extending their life. To make charging quick and easy in future, researchers are also focusing on wireless and inductive charging systems. Induction fields embedded in the tarmac, e.g. at traffic lights, could be used to charge electric cars.

Connectivity and autonomous driving

Digitalisation in the automotive industry is continuing to advance, with new technologies making driving safer and more comfortable while combining mobility with every area of life. Connected vehicles and autonomous driving will dominate the development of automotive technology over the coming years. The CAM expects both to be a reality by 2022. By then, cars will communicate with each other in order to detect obstacles and prevent accidents. They will do this using various sensors, cameras and intelligent software. The continued development of the automotive industry will also focus on driver assistance systems and, in particular, in-car entertainment.

5G technology

Trend researchers and various industry sectors expect the coming years to see an internet revolution in terms of M2M (machine-to-machine) communication. This means more and more devices and machines will be fitted with sensors so that they can communicate with each other. Alongside human-to-human communication, M2M will take on ever-greater importance and require more network capacity. Researchers expect more than 100 billion “things” to be connected globally by 2020 – starting with washing machines, shopping carts, bicycles and cars, through to industrial machines that will swap information, control themselves independently and collect or forward information for users. This technology also opens up serious and useful perspectives for optimised traffic guidance systems or medical applications, for example. If billions of people and machines are to exchange data quickly and efficiently, however, network technologies will also need to improve considerably. 5G technology is set to succeed the LTE network (4G) that was introduced just nine years ago. 5G will have minimal latency, thereby enabling lightning-fast responses and using less power. A 5G smartphone or a laptop with a 5G stick could download a movie via the mobile network 625 times more quickly than the best DSL connection. This means the content of a full DVD would be ready to view in just 3.6 seconds. Your download would be finished almost before you noticed it had begun. A near-unimaginable speed!

How can Viscom participate in these new megatrends?

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 connected vehicles and the goal of autonomous driving are also providing considerable 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 these electronic components can be tested by Viscom inspection systems in order to ensure permanent quality and process control.

Viscom is shaping the current market environment and responding to technological trends. 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.

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. Viscom has strong competitors on the global market, particularly 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.

GROUP MANAGEMENT REPORT AND IFRS CONSOLIDATED FINANCIAL STATEMENT 2018

GROUP MANAGEMENT REPORT 2018
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, the Americas, 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, 59.75 % of which are held directly or indirectly through HPC Vermögensverwaltung GmbH by the Company's founders 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 some of the committed capital reserves (€ 22,550 thousand) into free capital reserves (section 272(2) no. 4 of the Handelsgesetzbuch (HGB – German Commercial Code)) 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 at 31 December 2018, 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 following consultation with the Supervisory Board, resolved to acquire up to 902,000 of the Company's shares by 31 March 2009. The Company had bought back 134,940 shares as at 31 March 2009. Viscom AG held around 1.50 % of its shares as treasury shares as at 31 December 2018.

The Executive Board of Viscom AG had four members as at 31 December 2018:

Carsten Salewski: Sales, Marketing and International Business (since 1 June 2018)
Peter Krippner: Operations (since 1 June 2018)
Dr. Martin Heuser: Development
Dirk Schwingel: Finances
Volker Pape: Sales (until 15 May 2018)

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

Prof. Dr. Michèle Morner (Chairwoman since 30 May 2018)
Volker Pape (Deputy Chairman since 30 May 2018)
Prof. Dr. Ludger Overmeyer
Bernd Hackmann (Chairman until 30 May 2018)
Klaus Friedland (Deputy Chairman until 30 May 2018)

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 projectspecific adaptation of standard components and systems, and 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 sales market of the Americas 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 that cultivates and serves the North African sales market, is allocated to the geographical segment Europe.

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 and 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 inhouse pre-production of various assemblies.

Sales activities are performed by sales employees of Viscom AG, its Group companies and 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 2018 financial year. For details of the development of economic framework conditions in the 2018 financial year, please refer to the economic report below.

Management system

The key performance indicators by which the Viscom Group is essentially 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, illness and per capita revenue in addition to 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 as at 31 December 2018. 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 and 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 series products for automated optical inspection (AOI), in 2018 this included the launch of the 3D-AOI S3016 ultra inline system, which allows the automated 3D inspection of selective solder joints from below. In automated X-ray inspection (AXI), the X7056-II system, the successor to the X7056RS, was launched. The state-of-the-art vVision software platform was also made available for the X7056-II in 2018. Following the successful placement of the X8011-II and X8068 system platforms for manual and semi-automatic X-rays, the X8068 system was expanded for inclusion in automatic line concepts. Supplementing the standard system X7056-II, this machine type is suitable 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, 3D analysis 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 S3088 ultra system family consists of the S3088 ultra blue, the S3088 ultra chrome and the S3088 ultra gold. All three products allow customers to perform the high-quality 3D inspection of electronic assemblies, but with different priorities. 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 system types use standardised sensor module variants based on the proven Viscom XM-3D technology.

Another thing in common with the previous S3088 ultra system family is that inspection is performed from above. This is in line with the production processes for the SMD components, which are placed from above using corresponding placement systems. In addition, electronic assemblies also have wired components that are placed from above but with wired solder joints on the underside of the printed circuit boards. Inspection from below is desirable in order not to have to rotate the assembly to inspect these selective solder joints. This segment was previously covered by the S3016, which allows 2D inspection of the selective solder joints.

In the new S3016 ultra, Viscom provides a system that allows the 3D inspection of selective solder joints from below. Viscom is thereby responding to customer requests to extend the optical 3D inspection of standard SMD components to include wired components.

In line with the trend towards miniaturisation, Viscom is planning to launch improved hardware for image capture and 3D recalculation for the S3088 ultra in 2019. This is expected to allow an improvement in the resolution of 3D recalculation while maintaining high system throughput.

In 2018, Viscom successfully launched the X7056-II, the successor system to the X7056RS in the field of inline X-ray inspection, significantly reducing the handling time for X-ray inspection on the production line. Handling time is 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 exclusively fitted 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. In addition, an FPD has been made available for the X7056-II that provides a substantially larger image field, enabling a further increase in throughput.

The market is seeing increased demand for the inline X-ray inspection of larger and heavier assemblies. This is all the more important because this development is being driven by e-mobility, among other things. The X8068 is predestined for inspecting this assembly type. While the basic version of the X8068 involves manual loading, the X8068 SL enables automatic loading thanks to an additional module, giving rise to a modular system concept based on the X8068 with minor modifications.

In addition to 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. Two XM bond camera modules using Viscom XM technology were successfully launched in 2018. The two versions differ in terms of resolution and the size of the image field, while offering improved image quality with a significant reduction in inspection cycle time.

Alongside 2D inspection, the three-dimensional inspection of wire bonds will increase in future. A comprehensive 3D inspection concept for the wire connections has been developed and is undergoing testing.

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 programmes for the PCBs being inspected. Release version 2.6 of the software was published in 2018 and has opened up significant new benefits for customers, particularly with regard to the creation and optimisation of inspection programmes. Quickly created and optimised inspection programmes lead to better test results and lower verification costs.

While vVision was predominantly used by new customers in the past, version 2.6 released in 2018 made it possible for existing customers to start using vVision. Release version 2.6 offers functions and features that are particularly important for existing customers wishing to switch to vVision. Accordingly, vVision was already introduced for existing customers in 2018. Another key area in software development in 2018 was making vVision available 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 first AXI systems using vVision were installed in 2018.

Furthermore, initial development work was launched for structural optimisation data gathering under vVision. In future, customers will be able to initiate the transfer of data from the plant to Viscom using a simple operating request, enabling Viscom to provide customers with much more efficient application support.

Further important software modules for Industry 4.0 were developed in 2018. SMT industry software standards such as CFX and The Hermes Standard were discussed and specified in the past year. A key driver of this was the inclusion of IPC (Association Connecting Electronics Industries, founded in 1957 as the Institute for Printed Circuits). Viscom is providing initial software interfaces for these applications and supporting the market launch. CFX stands for Connected Factory Exchange and allows simplified and standardised data exchange between factory equipment and computer control systems. The Hermes Standard allows greater options for additional data transfers in the field of PCB transfer between different systems on the SMT production line.

Artificial intelligence and deep learning are other areas of software development. Examples of existing applications include translation and gaming software, where some of the results have been nothing short of astonishing. Viscom implemented several software projects in 2018 to examine the extent to which these methods can be used in automated PCB inspection. With regard to improving system operation, development is now prioritising support for operators in the verification of inspection results using artificial intelligence. Operators are supported by artificial intelligence at a verification station, where the defects identified by the inspection system are finally classified. The aim is that, in line with the dual-control principle, a notification is always displayed if the artificial intelligence comes to a different conclusion than the operator. In addition to software development, the extensive collection, processing and validation of training data is also a lengthy process.

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 University of 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 2018 by offering a number of internships and bachelor's and master's theses.

Expenditure for research and development amounted to 6.9 % of revenue (previous year: 6.2 %). Development costs totalling € 2,952 thousand were capitalised in the past financial year (previous year: € 2,317 thousand), resulting in a capitalisation ratio of around 71 % for 2018 (previous year: around 58 %). Capitalised development costs were written down in the amount of € 1,030 thousand (previous year: € 1,477 thousand).

The further development of the quality management system resulted in continuous quality improvements. Viscom has been consistently certified under DIN EN ISO 9001 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 grew at a slower pace in 2018, according to a wide range of economic research institutes. However, despite the slowdown, the global economy as a whole is still on the rise, as capacity utilisation has continued to increase in most countries.

The US benefited from growth in total economic production, though the strong stimulus from fiscal policy also made a positive contribution to the development of economic output. The US reported growth of 2.9 % in 2018.

The growth of the Chinese economy in 2018 was the slowest it has been since 1990, expanding by only 6.6 % over the year as a whole. The weaker growth in 2018 was partly on account of the ongoing trade conflict with the US. Deutsche Bundesbank estimates that the protectionist measures taken to date by the US and China will result in a drop in gross domestic product (GDP) of around 0.5 % each in the medium-term. In addition, growth in China has recently been hampered by measures taken by the Chinese government to limit the growth in debt and to regulate the shadow banking system.

The German economy grew again in 2018, the ninth year in a row, albeit at a more moderate rate than in previous years. GDP expanded by 1.5 % in the past year, after growth of 2.2 % in each of the two preceding years. The positive growth impetus was domestic in 2018. Private consumer spending rose by 1.0 % and government spending by 1.1 %. Capital expenditure climbed by 4.8 %, above all in the construction and equipment sectors. Exports of goods and services were up by 2.4 %, imports by 3.4 %. Virtually all sectors made a positive contribution to Germany's economic development. The information/communication and construction sectors enjoyed strong growth. By contrast, the manufacturing sector (not including construction), which accounts for more than quarter of the economy as a whole, was below average. The main reason for this is no doubt the transition to the new WLTP emissions test procedure in the automotive industry, which forced some German carmakers to temporarily scale back or even halt production. Germany's economic output was achieved by an average of 44.8 million people in employment – a new record. The German state again generated a record surplus of tax revenue of € 59.2 billion in 2018.

Sector development

The inspection of electronic assemblies is Viscom's main revenue segment. Viscom is therefore 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 only be tested reliably 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 82 % of revenue (previous year: 84 %). 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. These supplier parts are integrated into vehicles as end products such as motor controllers. The remaining 18 % of revenue (previous year: 16 %) relates to manufacturers from other industries, such as consumer electronics.

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.

As a result of 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 quali-ty 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, 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 53 % of its revenue with its five largest customers (previous year: around 58 %). A further 30 % of revenue was generated with 34 customers. The remaining revenue was generated with a total of 363 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 2018 compared to forecasts and the previous year

Performance indicator		Forecast for 2018	Actual figure for 2018	Actual figure for 2017
Revenue	€ million	93.0 to 98.0	93.6	88.5
Incoming orders	€ million	93.0 to 98.0	98.8	90.3
EBIT	€ million	12.1 to 14.7	10.9	13.8
EBIT-Margin	%	13.0 to 15.0	11.7	15.6

Results of operations

Incoming orders / Order backlog

At € 98,750 thousand incoming orders in the 2018 financial year were up significantly on the prior-year level (previous year: € 90,250 thousand). The 9.4 % increase was due in particular to higher order volumes from major existing customers. The order backlog amounted to € 24,970 thousand as at the end of the year – due in part to the postponement of deliveries by customers until the 2019 financial year – an increase of around 26 % as against the previous year (€ 19,777 thousand).

Revenue development

Revenue amounted to € 93,557 thousand in the year under review (previous year: € 88,542 thousand), a year-on-year increase of 5.7 %. At € 16,778 thousand, revenue was down 14.1 % as against the previous year in the first quarter of 2018 (€ 19,542 thousand). Owing to the agreed delivery dates, some of the order backlog as at 31 December 2017 and the incoming orders in the first quarter of 2018 were not recognised in revenue until later months. In the second quarter of 2018, Viscom generated revenue of € 26,114 thousand (previous year: € 20,353 thousand), an increase of 28.3 % as against the previous year. The rise in revenue in this quarter was driven by increased sales of inspection systems, in particular the X7056 range and the S3088 product family. Consolidated revenue in the third quarter of 2018 fell by 10.1 % year-on-year to € 22,140 thousand (previous year: € 24,624 thousand). Revenue amounted to € 28,525 thousand in the final quarter of 2018 (previous year: € 24,023 thousand), up 18.7 % on the figure for the previous year thanks to the sharp rise in demand towards the end of the year.

Operating profit (EBIT)

Operating profit declined by 20.9 % year-on-year to € 10,944 thousand (previous year: € 13,829 thousand).

As a result of the increase in revenue of € 5,015 thousand (5.7 %) and significant growth in inventories of € 3,467 thousand (164.8 %), the cost of materials was € 41,173 thousand, € 7,122 thousand higher than in the previous year (€ 34,051 thousand). The change in inventories amounted to € 5,571 thousand (previous year: € 2,104 thousand). Staff costs increased by € 4,758 thousand (16.6 %) from € 28,724 thousand to € 33,482 thousand as a result of the necessary capacity expansion, higher provisions for holiday, overtime and bonuses, and salary adjustments. Other operating expenses were higher than in the previous year on account of increased warranty expenses, legal and consulting costs and selling and travel expenses in particular. This was offset by lower expenses for impairment on receivables and currency losses. Other operating expenses rose by € 770 thousand (4.6 %) from € 16,882 thousand to € 17,652 thousand.

The rise in expenses described above significantly more than offset the increase in revenue, thereby leading to the drop in the result of operating activities.

The effects described above also caused the 9.6 % deviation from planning in the result from operating activities. In particular, this deviation stemmed from higher staff costs, expenses for warranties and repairs and selling and travel expenses in connection with an unplanned change in inventories. The result of operating activities was down € 1,156 thousand on the figure forecast for 2018 of € 12,100 thousand.

EBIT-Margin

The effects on the result of operating activities discussed above, in particular the strong rise in expenses, caused the EBIT-Margin for the 2018 financial year to decline to 11.7 % (previous year: 15.6 %).

Net profit for the period

Net profit for the period fell from € 9,073 thousand in the previous year to € 7,814 thousand. The effects discussed under operating profit above also had an impact on net profit for the period. At 28.6 %, the tax rate was below the previous year's level of 34.4 % as a result of refunds for previous years.

The pre-tax return on sales was 11.7 % (previous year: 15.6 %).

Earnings per share

In the period from 29 July 2008 to 31 March 2009, Viscom acquired 134,940 treasury shares on the stock exchange for a price of € 587 thousand. The share buy-back programme reduced the number of shares with dividend rights from 9,020,000 to 8,885,060. The Company did not exercise the option of buying back shares in 2018.

Based on 8,885,060 shares, earnings per share for the 2018 financial year amounted to € 0.88 (basic and diluted). Earnings per share amounted to € 1.02 in the previous year.

The distribution of a dividend of € 0.45 per participating share will be proposed to the Annual General Meeting on 28 May 2019. With its intention to distribute at least 50 % of the consolidated 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 was on par with the previous year's level at € 3 thousand in 2018 (previous year: € 2 thousand). Finance costs arose as a result of the utilisation of current account lines. Finance income essentially resulted from prior-period interest income on tax arrears.

Exchange rate effects

As it operates internationally, Viscom is exposed to exchange rate risks. Given 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. Around 7 % of total revenue was subject to direct exchange rate effects (previous year: 10 %). Currency translation differences had an effect on earnings of € 137 thousand in 2018 (previous year: € -420 thousand).

Employees

The total number of employees increased to 480 in the course of the year (previous year: 415). The workforce expansion related to all business areas of the Company, focusing mainly on industrial operations (Production, Projects and Service).

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

Employees

As at 31 December 2018	Europe	Americas	Asia	Total
Total	**391**	**19**	**70**	**480**
of which full-time	355	19	70	**444**
of which part-time	36	0	0	**36**
plus: Trainees	**13**	**0**	**0**	**13**

An average of 462 employees (excluding trainees) worked for the Group in the 2018 financial year (previous year: 402). Of this figure, 176 employees are classified as commercial in Sales, Development and Administration (previous year: 156), while 286 are classified as industrial in Production, Logistics, Projects and Service (previous year: 246).

Regional developments

Europe

Europe was by far the strongest regional market, accounting for around 60 % of the Viscom Group's revenue. A slight decline in spare parts business was easily compensated by strong systems business. 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 2018.

Revenue in Germany amounted to € 27,689 thousand, up around 14 % on the prior-year figure of € 24,354 thousand.

In the rest of Europe, revenue rose by around 9 % year-on-year to € 28,800 thousand (previous year: € 26,430 thousand).

These developments in Germany and the rest of Europe were reflected in a significant increase in segment revenue, from € 50,784 thousand in 2017 to € 56,489 thousand in 2018. Owing to the strong rise in expenses described above, the segment profit fell by around 25 % to € 8,081 thousand (previous year: € 10,748 thousand).

Americas

Investment propensity in Mexico was consistently defined by customer restraint in the first three quarters of the 2018 financial year. This was caused by uncertainty concerning the future of free trade agreements, in particular the North American Free Trade Agreement (NAFTA), and increased price pressure among the competition. Investment propensity rose in Mexico and the US in the fourth quarter, for systems as well as service and spare parts business. However, this stimulus was not enough for a return to the strong level of the previous year in the final quarter.

As a result, revenue in the Americas region was down around 21 % year-on-year at € 10,771 thousand (€ 13,557 thousand) and, at € 689 thousand, the segment profit was around 50 % lower than the figure for the previous year (€ 1,389 thousand).

Asia

Viscom significantly expanded its business activities in the Asia region again in the 2018 financial year. In particular, business in the area of combined optical and X-ray inspection of assemblies continued to grow. Alongside China – the sub-region with the highest revenue – India also enjoyed a very positive performance. Growth in service and spare parts business was especially high in 2018, making a strong contribution to the region's performance. The investments in the ongoing development and expansion of service and support capacity initiated at the end of 2017 paid off, as major customers have since turned their locations in Asia into key, potentially autonomous hubs.

Revenue in this region rose by around 9 %, from € 24,201 thousand in 2017 to € 26,297 thousand in 2018. At € 2,385 thousand, segment profit was higher than in the previous year (€ 2,105 thousand) thanks to revenue growth and the relatively low increase in cost items.

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 can 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 2018 were predominantly inspection systems from the S3088 and X7056 product families. Viscom has broad 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 6 %, from € 61,137 thousand in 2017 to € 65,029 thousand in the 2018 financial year. Revenue in the "Special optical and X-ray inspection systems" product group climbed by around 14 % from € 12,983 thousand to € 14,790 thousand. Revenue for the "Service" product group rose slightly by around 5 % to € 13,738 thousand (previous year: € 14,422 thousand).

Financial position

Capital structure / Liquidity

Viscom was able to generate the required liquidity largely from its own funds in the 2018 financial year. As at 31 December 2018, overdrafts in the form of available credit facilities in the amount of € 3,383 thousand were utilised (previous year: € 0 thousand). Viscom is taking advantage of the low interest rate environment to re-finance outstanding liabilities in its operating business. Taking into account cash and cash equivalents of € 5,740 thousand, the Company had positive net bank balances of € 2,357 thousand as at the end of the reporting period (previous year: € 11,506 thousand). The subsidiaries did not require any loans. At 72.5 %, the consolidated equity ratio was lower than the figure for the previous year as a result of higher total assets (previous year: 79.6 %).

Investments

Investments in property, plant, and equipment and intangible assets totalled € 5,200 thousand in 2018 (previous year: € 3,531 thousand).

At € 2,952 thousand (previous year: € 2,317 thousand), most of the capital expenditure related to capitalised development costs, while the remainder was accounted for by operating and office equipment (€ 767 thousand; previous year: € 608 thousand €), land and buildings (€ 671 thousand; previous year: € 0 thousand), prepayments and construction in progress (€ 632 thousand; previous year: € 122 thousand), software (€ 83 thousand; previous year: € 111 thousand), technical equipment and machinery (€ 61 thousand; previous year: € 49 thousand) and leasehold improvements (€ 34 thousand; previous year: € 46 thousand).

The Europe segment accounted for € 5,091 thousand of capital expenditure (previous year: € 3,116 thousand), the Americas segment for € 20 thousand (previous year: € 138 thousand) and the Asia segment for € 89 thousand (previous year: € 277 thousand).

At € 3,614 thousand, capital expenditure in the year under review essentially related to the product-specific segment "Optical and X-ray series inspection systems" (previous year: € 2,438 thousand).

Cash and cash equivalents / Cash flow

Cash funds, consisting of cash and cash equivalents (€ 5,740 thousand; previous year: € 11,506 thousand) and short-term loans (€ 3,383 thousand; previous year: € 0 thousand), amounted to € 2,357 thousand as at 31 December 2018, down significantly as against the previous year (€ 11,506 thousand).

The cash flow from:

- operating activities amounted to € 1,232 thousand (previous year: € 12,752 thousand). The reduction is mainly due to the significant increase in inventories, receivables and other assets.

- investing activities was € -5,076 thousand (previous year: € -3,428 thousand), predominantly on account of capitalised development costs and the acquisition of non-current property, plant and equipment.

- financing activities totalled € -5,422 thousand (previous year: € -3,999 thousand), in particular as a result of the distribution of dividends for the 2017 financial year.

Trade receivables past due were down as against the previous year. There were no major defaults.

Viscom was able to ensure the required liquidity at all times in the period under review.

Net assets

A net profit was generated in the 2018 financial year. Offsetting this, the increase in receivables and inventories, capital expenditure and the dividend distribution for the 2017 financial year led to a decline in cash funds. Inventories were significantly higher year-on-year as at the end of the year as a result of an increase in raw materials and supplies, assemblies and partially completed systems. Intangible assets were also up, essentially as a result of capitalised development costs, while property, plant and equipment predominantly increased as a result of investment in land and buildings. Overall, this meant that total assets increased from € 71,342 thousand as at 31 December 2017 to € 81,803 thousand as at 31 December 2018.

Current liabilities rose as against the previous year, in particular as a result of the increase in trade payables, contract liabilities and short-term loans. Non-current liabilities were also up year-on-year.

Non-current assets

Within non-current assets, intangible assets essentially comprise capitalised development costs. Intangible assets increased from € 8,913 thousand in the previous year to € 10,915 thousand. Property, plant and equipment rose from € 1,859 thousand to € 3,013 thousand, in particular as a result of the acquisition of land and the construction of a car park on it, in addition to furnishing new offices.

Receivables

At € 27,315 thousand, trade receivables were significantly higher than in the previous year as a result of the strong revenue performance towards the end of the year (previous year: € 22,488 thousand). Impairment on trade receivables totalled € 971 thousand (previous year: € 1,240 thousand). Impairment losses increased to the same extent at Viscom AG and the branches.

In total, receivables past due declined by 6.0 % year-on-year to € 9,242 thousand (previous year: € 9,830 thousand). However, most of the receivables past due are short-term in nature. Around 4 % (previous year: around 2 %) of total receivables were past due by more than six months.

Default risk was addressed by recognising loss allowances as at the end of the year. Expressed as a percentage, impairment losses on all receivables decreased from 5.2 % in the previous year to 3.4 %.

Inventories

The carrying amount of inventories was € 31,432 thousand as at the end of the financial year (previous year: € 24,521 thousand). This net inventory figure included impairment losses on rental and demonstration machines in the amount of € 6,067 thousand (previous year: € 6,093 thousand) and impairment losses for extended inventory coverage of € 5,671 thousand (previous year: € 5,569 thousand). This meant that net inventories increased by € 6,911 thousand as against the previous year, while gross inventories rose by € 6,987 thousand. The growth in inventories was caused by 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 as at the end of the year.

Liabilities

Trade payables were up significantly year-on-year at € 4,403 thousand as at the end of the year (previous year: € 2,609 thousand).

Shareholders' equity

Total equity plus reserves increased from € 56,760 thousand in the previous year to € 59,298 thousand in 2018. This change resulted from the net profit for the past financial year and the dividend distribution for the 2017 financial year. The equity ratio declined to 72.5 % owing to the increase in total assets (previous year: 79.6 %).

Key figures on the Group's net assets, financial position and results of operations

	2018 K€	2017 K€
Tier 1 liquidity (cash and cash equivalents less current liabilities and provisions)	**-12,919**	**-298**
Tier 2 liquidity (tier 1 liquidity plus receivables and other assets less non-current liabilities)	**16,239**	**23,089**
Tier 3 liquidity (tier 2 liquidity plus inventories)	**47,671**	**47,610**
Current assets		
Cash and cash equivalents	5,740	11,506
Receivables and other assets	29,873	23,862
Inventories	31,432	24,521
	67,045	**59,889**
Liabilities and provisions		
Current liabilities and provisions	18,659	11,804
Non-current provisions	715	475
	19,374	**12,279**
Cash flow		
Net profit for the period after taxes	7,814	9,073
+ Depreciation and amortisation expense	1,976	2,068
	9,790	**11,141**
Return on equity		
Net profit for the period / Shareholders' equity	13.2 %	16.0 %
Return on investment (ROI)		
Net profit for the period / Total assets	9.6 %	12.7 %
Return on revenue		
EBT / Revenue	11.7 %	15.6 %
Return on capital employed (ROCE)		
EBIT / (Total assets - cash and cash equivalents - current liabilities and provisions)	19.1 %	28.8 %
Net debt		
Liabilities and provisions (-)	-19,374	-12,279
+ Cash and cash equivalents	5,740	11,506
+ Receivables and other assets	29,873	23,862
= Net debt	16,239	23,089
Working capital		
Current assets - liabilities and provisions	47,671	47,610
Equity ratio		
Shareholders' equity / Total assets	72.5 %	79.6 %

SUPPLEMENTARY REPORT

Please see the notes to the consolidated financial statements for the report on events after the end of the reporting period.

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 assesses market and competition analyses and aligns its product portfolio accordingly. Building on this, specific 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 2019.

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 listed company as defined by 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 Aktiengesetz (AktG – German Stock Corporation Act German Stock Corporation Act) 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 regards 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(19) et seq.) and risk management system (IDW PS 340(4) et seq.) issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer in Deutschland e.V.), Düsseldorf. An internal control system therefore comprises 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 and analysed early on to allow appropriate countermeasures. 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 analyses 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 assessed according to their probability of occurrence and the extent of the potential loss. The assessment 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 overall responsibility for the internal control and risk management system for the consolidated financial reporting process. 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, assess and document all material company processes and sources of risk relevant to the accounting process. These include financial and accounting processes in addition to 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) AktG, the risks described below are regularly analysed at management meetings, with decisions being made 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 or tariffs 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 the industrial electronics sectors. Owing to the specialisation in 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 amount of electronics in vehicles is on the rise.

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 around 53 % of its revenue with its five largest customers (previous year: around 58 %), a reduction of five percentage points as against the previous year.

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 used in 2018 but have been agreed as necessary in the past.

Given 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. Around 7 % of total revenue was subject to direct exchange rate effects (previous year: around 10 %).

Procurement risk

The procurement of components and services from third-party suppliers is 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. Delivery bottlenecks are countered by modifying the procurement strategy and expanding the 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 2019. Viscom reserves the right to use long-term debt financing if necessary.

Default risk

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. Overlaps with other brands have 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 ongoing product innovations together with a degree of flexibility that is significantly higher compared to its competitors – for example in adapting systems to satisfy 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 assessed on the basis of the following criteria:

Measurement	Probability of occurrence
Probable	> 50 %
Possible	25 % to 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 to € 2.5 million
High	> € 2.5 million

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 share of revenue, are not discernible 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 2019 financial year.

There were no material litigation risks as at 31 December 2018.

Assessment 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

REPORT ON FUTURE DEVELOPMENTS IN 2019

Economic conditions

According to a wide range of economic research institutes, the growth prospects for the global economy will become less promising. However, the slowdown in global economic growth is also due to the fact a number of advanced economies are experiencing the overutilisation of production capacity and shortages of suitable labour. Furthermore, the more restrictive monetary policy in the US is likely to make financing conditions significantly worse, especially in Latin America, thereby applying the brakes to economic expansion. The positive stimulus of the US tax reform is also slowly running out. The economy in the euro area is likely to lose momentum considerably on account of the faltering industrial economy. Growth rates for the Chinese economy are expected to diminish while still remaining strong. The uncertainty over the introduction of tariffs will likely cast a shadow on economic activity. In addition, the UK economy is still struggling with the uncertainty stemming from Brexit. The ifo Institute therefore expects that the world's gross domestic product (GDP) will slow to 2.9 % in 2019 and 2.8 % in 2020. The International Monetary Fund (IMF) is forecasting that global GDP will rise by 3.5 % in 2019 and 3.6 % in 2020.

The IMF is assuming growth of 2.5 % for the US in 2019. By the election year of 2020, the growth of the world's largest economy may only amount to 1.8 %. The expansion in the US is currently ongoing, but as the impact of fiscal stimulus is diminishing and the uncertainty over trade tariffs will persist, growth is expected to slow in the US.

The IMF expects China, the world's second largest economy, to grow by 6.2 % in 2019 and 2020. If the trade tension between the United States and China continues in the long term, the slowdown in growth could hit China harder than expected.

The boom on the German economy is over, and it has now entered a cool-down phase. However, there is no prospect of a recession as its domestic economic forces are still intact. The implementation of the measures decided in the coalition agreement should also stimulate private and public consumer spending. As its international sales markets are losing momentum, industry is unlikely to provide significant stimulus for the German economy. The IMF anticipates growth on the German economy of 1.3 % in 2019 and 1.6 % in 2020.

The German Mechanical Engineering Industry Association (VDMA) is forecasting growth in the German mechanical engineering sector of 2 % in real terms in 2019. The VDMA expects that the global economy will lose momentum as well. The effects of this will also be felt in the mechanical engineering sector, which has an export rate of almost 80 %. The ongoing trade dispute between the US and China, into which the EU could increasingly be drawn, the threat of a hard Brexit, the sanctions against Russia and Italy's debt crisis are just the most prominent obstacles to further growth. By contrast, the small and mid-sized members of industry are hoping for ongoing momentum from the domestic market. In addition, automation solutions offered by the mechanical engineering sector, especially in times of staff shortages, are becoming indispensable to many company, according to the VDMA.

Even though the prospects are less bright and the pace of the global economy is set to slow, Viscom is optimistic for the future. The higher level of sales activities and strong order backlog are positive signals for a successful 2019 financial year.

Business policy

The key points of Viscom's strategy are:

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

Based on these strategic priorities, 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 again in 2019.

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 the Americas 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 primary segment reporting by geographical structure (markets), Viscom also provides segment reporting based on 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 essentially serves projects requiring customer-specific solutions or adaptations to series systems.

The Service business area offers Viscom customers an improved and wider product portfolio. Further growth is expected in this area.

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. Thanks 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 2019 will largely depend on the overall economic situation, particularly in the automotive industry. With budgeted revenue and incoming orders of € 94 to € 100 million, Viscom once again expects significantly positive results of operations in 2019.

Not including the effects of IFRS 16, the EBIT-Margin for the 2019 financial year is likely to be between 10 % and 13 %, with EBIT of between € 9.4 million and € 13.0 million.

Financial position

Liquidity for the 2019 financial year will be ensured by the company's own funds and unutilised credit facilities.

Investments and financing

The Company plans to investment further in its core business moving ahead. These relate to further developing its products, expanding its regional presence and strengthening its organisational structure. These investments should primarily be financed 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.

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 are a crucial element of the modern capital market and are intended to strengthen 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 and section 289f HGB, Viscom AG's Executive Board, also on behalf of the Supervisory Board, reports on the company's corporate governance in this section.

Declaration in accordance with section 161 of the German Stock Corporation Act

The Executive Board and Supervisory Board of Viscom AG submitted the annual compliance statement in accordance with section 161 AktG on 22 February 2019. 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 2019 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 requires 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").

The following compliance 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 accordance with section 161 AktG, the Executive Board and Supervisory Board of Viscom AG declare that the recommendations by the Government Commission on the German Corporate Governance Code have been and are 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 (item 3.8(3) of the Code).

The company has complied with the legal requirement to implement a deductible for Executive Board members in accordance with section 93(2) sentence 3 AktG in conjunction with section 23(1) sentence 1 of the Einführungsgesetz zum Aktiengesetz (EGAktG – Introductory Act to the German Stock Corporation Act) as at 1 July 2010, but has not yet introduced a corresponding deductible for the Supervisory Board as well. In the company's opinion, 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. Therefore, there was and is the concern that the agreement of a deductible could present a future obstacle with regard to the search for appropriate Supervisory Board candidates who also have international experience.

2. The company has no chairperson (item 4.2.1 of the Code).
Given the size of the Executive Board, the Executive Board and the Supervisory Board believe that a chairperson is not required on a board with four members. In addition, stock corporation law 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 long-term assessment basis for variable remuneration components is not essentially forward-looking, negative developments are not taken into account when determining variable remuneration components and there are no maximum limits regarding the amount of total remuneration and variable remuneration components (item 4.2.3(2) of the Code).
The long-term variable remuneration paid to the Executive Board of Viscom AG (Bonus II) is calculated on the basis of average consolidated EBIT for the last three years in conjunction with the achievement of a defined minimum average EBIT over the assessment period and positive EBIT in the past financial year. 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 long-term success of their activities, as they can only expect to receive variable remuneration as at the end of the respective three-year period if average EBIT develops positively during this period. This arrangement therefore has a corresponding long-term incentive effect with positive forward-looking characteristics. In the opinion 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.

The total variable remuneration components (Bonus I and Bonus II) are capped at 100 % of fixed annual gross remuneration. As the amount of fixed annual gross remuneration of the members of the Executive Board is fixed, in the opinion of the Executive Board and the Supervisory Board there is no additional gain to be had from setting the maximum limit as an amount as opposed to as a percentage.

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 (item 4.2.3(4) of the Code).
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 cause for dismissal in accordance with section 84(3) sentence 1 AktG nor cause for extraordinary termination of the employment contract in accordance with section 626 of the Bürgerliches Gesetzbuch (BGB – German Civil Code), the contract with the Executive Board member concerned can only be terminated 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) connection clauses that tie the termination of the Executive Board contract to dismissal for cause and provide for 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 item 4.2.3(4) of the Code).

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

5. The Articles of Association and the Rules of Procedure for the Executive Board do not call for a maximum age limit for Executive Board members (item 5.1.2 of the Code).

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 Rules of Procedure has been and is therefore deemed unnecessary.

6. The Supervisory Board has not formed any committees, and in particular has not formed an audit committee (items 5.3.1, 5.3.2, 5.3.3 of the Code).

The Supervisory Board consists of just three members. In the opinion 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. Given that the Supervisory Board of Viscom AG is not subject to co-determination, a nominating committee comprising exclusively shareholder representatives would be obsolete.

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

The lack of committees on account of 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 comprises four members: Carsten Salewski (Sales, Marketing and International Business), Peter Krippner (Operations), Dr. Martin Heuser (Development) and Dirk Schwingel (Finances). The Executive Board is solely responsible for managing the company in compliance with the law, Articles of Association, Rules of Procedure, 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 set targets for the share 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 41 employees respectively. Currently 0 and 8 of these respectively are women. The share 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 resolved on 31 May 2017 an unchanged target of a 0 % share of women in the top national management level and 20 % for the management level below that. These targets must be achieved by or maintained until 30 June 2020. Employees must be hired and promoted without regard to gender moving ahead, as 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 Rules of Procedure 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. If there are any continuing differences of opinion, the Executive Board as a whole 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 should take place at regular intervals, weekly if possible. 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 required 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 Chair 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 and 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 take advantage of business opportunities to which the company is entitled for his own benefit. Any possible conflicts of interest must be disclosed promptly to the Supervisory Board, and the other members of the Executive Board must be informed. All transactions between the company and the Executive Board members or closely related persons or companies must comply with industry standards. 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

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 Article 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 Prof. Dr. Michèle Morner (Chairwoman), Volker Pape (Deputy Chairman) and Prof. Dr. Ludger Overmeyer.

The Supervisory Board members elected by the Annual General Meeting on 27 May 2014, Mr Bernd Hackmann and Mr Klaus Friedland, both stepped down from the Supervisory Board effective from the end of the company's Annual General Meeting on 30 May 2018. Two new members of the Supervisory Board were therefore elected. In accordance with Article 11.4 of the company's Articles of Association, the new members were elected for the remainder of the outgoing members' term of office. They were individually elected at the Annual General Meeting on 30 May 2018 in accordance with 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 regular 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's specific situation, its international activities, potential conflicts of interest, the number of independent Supervisory Board members considered adequate by the Supervisory Board, the age and time limits for Supervisory Board members and diversity in the composition of the Supervisory Board are all considered. Taking the above criteria into account, the Supervisory Board has determined specific objectives regarding its composition and has prepared a skills profile as required by item 5.4.1 of the Code 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 required to set targets for the share of women on the Supervisory Board. The Supervisory Board of Viscom AG currently complies in full with the specific objectives regarding its composition and the defined profile of skills and expertise for the entire Supervisory Board. As an independent member of the Supervisory Board and on the basis of her education and previous professional activity, Prof. Dr. Michèle Morner has expertise in the field of accounting within the meaning of section 100(5) AktG.

Following extensive discussion, the Supervisory Board of Viscom AG had resolved by circulation procedure and at a joint meeting on 31 May 2017 to keep the target for the share of women on the Supervisory Board at the current level of 0 % until 30 June 2020. Following Prof. Dr. Michèle Morner's election to the Supervisory Board of Viscom AG by way of the Annual General Meeting resolution on 30 May 2018, the share of women on the Supervisory Board of Viscom AG is now one third, surpassing the target. Volker Pape is a former member of the Executive Board of Viscom AG and has been represented in the Supervisory Board since 30 May 2018. He was put forward as candidate in accordance with section 100(2) sentence 1 no. 4 AktG at the proposal of shareholder HPC Vermögensverwaltung GmbH, Hanover, which holds over 25 % of voting rights in the company. The Supervisory Board endorsed this nomination. The election of Volker Pape was in line the recommendation of item 5.4.2 sentence 3 of the German Corporate Governance Code, which states that the Supervisory Board should not contain more than two former members of the Executive Board, as the Supervisory Board of Viscom AG does not include any other former members of the Executive Board.

By way of resolution dated 8 May 2013, the number of independent Supervisory Board members considered adequate by the Supervisory Board was defined in the Rules of Procedure of the Supervisory Board of Viscom AG as at least two. In the opinion of the Supervisory Board, the current Supervisory Board members Prof. Dr. Michèle Morner and Prof. Dr. Ludger Overmeyer are both 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 in addition to all matters of fundamental importance to the company. The Supervisory Board has resolved Rules of Procedure 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 single-entity and consolidated financial statements. The Supervisory Board must also consider diversity in the composition of the Executive Board. In accordance with section 111(5) AktG, Viscom AG's Supervisory Board is required to set targets for the share 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 share of women on the Executive Board of Viscom AG at its joint meeting on 8 February 2018 and, after detailed discussion, resolved to retain its target for the share of women on the Executive Board of Viscom AG at the current level of 0 % until 30 June 2020. In addition to the success of the current Executive Board, this decision was taken because, in the opinion 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 share of women at the first management level below the Executive Board is currently 0 %, it would be unrealistic to expect to be able to increase the share of women on the Executive Board of Viscom AG in the short to medium term.

Work within the Supervisory Board is coordinated by the Chairwoman of the Supervisory Board or, in her absence, by the Deputy Chairman. The Chairwoman of the Supervisory Board also chairs the Supervisory Board meetings and upholds the Board's interests when representing it. Furthermore, she 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 Rules of Procedure for the Executive Board, require the Supervisory Board's approval. Individual tasks and rules of procedure are stipulated in the Rules of Procedure of 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 Chairwoman of the Supervisory Board and her deputy, in addition to rules pertaining to conflicts of interest and efficiency reviews. According to these, the Chairwoman of the Supervisory Board is required to maintain regular contact with the Executive Board and to discuss strategy, business development and the company's risk management with it. If she becomes aware of significant events of material importance for the assessment of the company's situation and development or for its management, she is required to inform the Supervisory Board and to convene an extraordinary Supervisory Board meeting if necessary.

The Supervisory Board held seven regular meetings in the 2018 financial year, including one meeting for an efficiency review under exclusion of the Executive Board. The Chairwoman of the Supervisory Board or, in her absence, the Deputy Chairman, convenes meetings in writing with notice of 14 days. In urgent cases, the Chairwoman of the Supervisory Board can shorten the notice period appropriately and convene the meeting verbally, by telephone, in writing, by fax or e-mail. The agenda and proposals for resolutions must be included with the invitations.

In accordance with the Rules of Procedure 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 adopt resolutions using votes cast in writing, by telephone or using electronic forms of communication as long as this is ordered by the Chairwoman's and no objections are raised by other members of the Supervisory Board within a reasonable period set by the Chairwoman of the Supervisory Board. The Chairwoman 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 Chairwoman of the Supervisory Board or, in her 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. Since 1 July 2018, Supervisory Board member Volker Pape and the company have had a long-term consultancy agreement which goes beyond the scope of consulting and monitoring duties performed by Mr Volker Pape as a member of the Supervisory Board of the company, and so this agreement is remunerated separately. This consultancy agreement aims to continue making use of the contractor's experience and expertise after his many years of successful work for the company as a way of ensuring continuity, supporting old and new members of the Executive Board and retaining the contractor as a consultant in the long term. The consultancy agreement was entered into at market conditions. Nonetheless, Mr Pape abstained from the Supervisory Board's resolution on approving the consultancy agreement in order to avoid a potential conflict of interest. Both independent members of the Supervisory Board, Prof. Dr. Michèle Morner and Prof. Dr. Ludger Overmeyer, voted to give their approval.

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. Other than the potential conflict of interest regarding Mr Volker Pape in connection to the Supervisory Board's resolution on his consultancy agreement described above, there were no conflicts of interest that had to be reported to the Supervisory Board in the past year.

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

Detailed information on Supervisory Board activity during the 2018 financial year is included in the "Report of the Supervisory Board" to the Annual General Meeting.

Mandates of the Supervisory Board members

The Chairwoman of the Supervisory Board of Viscom AG, Prof. Dr. Michèle Morner, was a member of the Supervisory Board of KUKA AG from February 2017 until June 2018 and has been a member of the Nominations Committee of the Financial Reporting Enforcement Panel (FREP) since April 2015. The Supervisory Board members Volker Pape and Prof. Dr. 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.

Bernd Hackmann, Chairman of the Supervisory Board of Viscom AG until 30 May 2018, 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. Klaus Friedland, acting as the Deputy Chairman of the Supervisory Board of Viscom AG until 30 May 2018, had no 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 just 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 members of the Executive Board presently hold the following numbers of shares in the company:

- Dr. Martin Heuser:
  265,650 shares held directly; Dr. Heuser also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,869,085 Viscom AG shares.

- Carsten Salewski:
  7,150 shares held directly.

- Dirk Schwingel:
  6,500 shares held directly.

- Peter Krippner:
  3,000 shares held directly.

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

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

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

Shareholders and Annual General Meeting

Shareholders of Viscom AG exercise their co-determination and control rights at the Annual General Meeting that is held 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, payable in twelve equal monthly rates and a 13th month's remuneration, and a performance-based bonus. Total remuneration, comprising a fixed annual salary and a performance-based bonus, must be reviewed every two years to ensure it is appropriate. The following bases of measurement relate to consolidated figures.

The performance-based bonus comprises Bonus I relating to the financial year just ended and the long-term Bonus II. The total bonus is capped at 100 % of annual fixed remuneration for all Executive Board members.

Calculated on a straight-line basis, Bonus I is between one month's fixed remuneration for EBIT of € 1 million and 13 months' fixed remuneration for EBIT of € 15 million. EBIT must amount to at least € 1 million, otherwise the member of the Executive Board is no longer entitled to Bonus I.

Calculated on a straight-line basis, Bonus II is between one month's fixed remuneration for average EBIT of € 1 million and 13 months' fixed remuneration for EBIT of € 15 million. The bonuses are calculated on the basis of average EBIT generated in the three most recent financial years, i.e. the year just ended plus the two before that. EBIT must total at least € 1 million, otherwise the member of the Executive Board is no longer entitled to Bonus II. There is also no entitlement to Bonus II if EBIT was negative in the past financial year. This claim can be revived retroactively if EBIT of more than zero is achieved again in the following financial year.

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

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

Grants awarded	Dr. Martin Heuser Member of the Executive Board (Development)				Dirk Schwingel Member of the Executive Board (Finances)				Volker Pape Member of the Executive Board (Sales) until 15 May 2018			
in K€	2017	**2018**	2018 min.	2018 max.	2017	**2018**	2018 min.	2018 max.	2017	**2018**	2018 min.	2018 max.
Fixed remuneration	208	208	208	208	182	208	208	208	208	78	78	78
Additional benefits*	17	17	17	17	11	12	12	12	18	5	5	5
Total	**225**	**225**	**225**	**225**	**193**	**220**	**220**	**220**	**226**	**83**	**83**	**83**
Annual variable remuneration	196	154	0	184	90	154	0	184	196	58	0	69
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	165	151	0	184	75	151	0	184	165	57	0	69
Other**	0	0	0	0	0	0	0	0	0	70	0	0
Total* **	**208**	**208**	**0**	**208**	**91**	**208**	**0**	**208**	**208**	**148**	**0**	**78**
Pension cost****	2	16	16	16	6	18	18	18	6	3	3	3
Total remuneration	**435**	**449**	**241**	**449**	**290**	**446**	**238**	**446**	**440**	**234**	**86**	**164**

Grants awarded	Carsten Salewski Member of the Executive Board (Sales) since 1 June 2018				Peter Krippner Member of the Executive Board (Operations) since 1 June 2018			
in K€	2017	**2018**	2018 min.	2018 max.	2017	**2018**	2018 min.	2018 max.
Fixed remuneration	0	121	121	121	0	121	121	121
Additional benefits*	0	3	3	3	0	7	7	7
Total	**0**	**124**	**124**	**124**	**0**	**128**	**128**	**128**
Annual variable remuneration	0	90	0	107	0	90	0	107
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	0	88	0	107	0	88	0	107
Other**	0	0	0	0	0	0	0	0
Total* **	**0**	**121**	**0**	**121**	**0**	**121**	**0**	**121**
Pension cost****	0	12	12	12	0	12	12	12
Total remuneration	**0**	**257**	**136**	**257**	**0**	**261**	**140**	**261**

* In particular, additional benefits include use of a company vehicle for business and private purposes, capital-building payment schemes and a telephone allowance.
** Mr Pape received non-compete compensation on the basis of his termination agreement.
*** The comprehensive bonus for 2017 is limited to 100 % of annual fixed remuneration for Dr. Heuser and Mr Pape and to 50 % of the annual fixed remuneration for Mr Schwingel. The comprehensive bonus for the Executive Board in 2018 is limited to 100 % of fixed annual remuneration. Mr Pape received non-compete compensation on the basis of his termination agreement.
**** Contributions to private health insurance, direct insurance and accident insurance.

The following table shows the inflows for the financial year:

Inflows in K€	Dr. Martin Heuser Member of the Executive Board (Development) 2017	 2018	Dirk Schwingel Member of the Executive Board (Finances) 2017	 2018	Carsten Salewski Member of the Executive Board (Sales) since 1 June 2018 2017	 2018
Fixed remuneration	208	208	182	208	0	121
Additional benefits*	17	17	11	12	0	3
Total	**225**	**225**	**193**	**220**	**0**	**124**
Annual variable remuneration	196	196	90	90	0	0
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	165	165	75	75	0	0
Other**	0	0	0	0	0	0
Total* **	**208**	**208**	**91**	**91**	**0**	**0**
Pension cost****	2	16	6	18	0	12
Total remuneration	**435**	**449**	**290**	**329**	**0**	**136**

Inflows in T€	Peter Krippner Member of the Executive Board (Operations) since 1 June 2018 2017	 2018	Volker Pape Member of the Executive Board (Sales) until 15 May 2018 2017	 2018
Fixed remuneration	0	121	208	78
Additional benefits*	0	7	18	5
Total	**0**	**128**	**226**	**83**
Annual variable remuneration	0	0	196	196
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	0	0	165	165
Other**	0	0	0	148
Total* **	**0**	**0**	**208**	**356**
Pension cost****	0	12	6	3
Total remuneration	**0**	**140**	**440**	**442**

* In particular, additional benefits include use of a company vehicle for business and private purposes, capital-building payment schemes and a telephone allowance.

** Mr Pape received non-compete compensation on the basis of his termination agreement of € 70 thousand and a pro rata temporis bonus for 2018 of € 78 thousand.

*** The comprehensive bonus for 2017 is limited to 100 % of annual fixed remuneration for Dr. Heuser and Mr Pape and to 50 % of the annual fixed remuneration for Mr Schwingel. The comprehensive bonus for the Executive Board in 2018 is limited to 100 % of fixed annual remuneration. Mr Pape received non-compete compensation on the basis of his termination agreement of € 70 thousand and a pro rata temporis bonus for 2018 of € 78 thousand.

**** Contributions to private health insurance, direct insurance and accident insurance.

Remuneration of Supervisory Board members

In accordance with Article 20.1 of Viscom AG's Articles of Association, 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 pro rata temporis. In accordance with Article 20.2 of the Articles of Association, fixed remuneration is € 18,000 per financial year and Supervisory Board member. The Chairwoman of the Supervisory Board receives double and her deputy one and a half times the fixed remuneration. The Chairwoman of the Supervisory Board receives three times the fixed remuneration and her deputy one and a half times the fixed remuneration from 1 June 2018 onwards. If membership of the Supervisory Board or the positions of Chairwoman or Deputy Chairman of the Supervisory Board are only temporary, remuneration is paid pro rata temporis.

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

2017 Supervisory Board	Role	Fixed remuneration K€	Factor	Total remuneration 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 2018 financial year is as follows:

2018 Supervisory Board	Role	Fixed remuneration K€	Factor	Total remuneration K€
Bernd Hackmann	Chairman of the Supervisory Board	7.5	2.0	15.0
Klaus Friedland	Deputy Chairman of the Supervisory Board	7.5	1.5	11.3
Prof. Dr. Ludger Overmeyer	Member of the Supervisory Board	18.0	1.0	18.0
Prof. Dr. Michèle Morner	Chairwoman of the Supervisory Board	10.5	3.0	31.5
Volker Pape	Deputy Chairman of the Supervisory Board	10.5	1.5	15.8
Total		54.0		91.5

In the 2018 financial year, Supervisory Board member Volker Pape received consulting remuneration from the company in the amount of € 60 thousand for consulting services he provided personally, in addition to his Supervisory Board remuneration.

Risk management

A responsible approach to business risk is one of the principles of good corporate governance. The Executive Board of Viscom AG and the management of the Viscom Group can use comprehensive Group and company reporting and control systems which facilitate the detection, assessment 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 Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act).

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 and significant changes in business. 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 disclosures Ad hoc disclosures in accordance with Article 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 disclosures 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 Wertpapierhandelsgesetz (WpHG – German Securities Trading Act), 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. The following notification was received by the company in the 2018 financial year:

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. Name 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)

- **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 accordance with section 19 of the MAR. These types of transactions are published as soon as the company is informed through a Europe-wide information system and in the "Investor Relations/News/Publications/Directors' Dealings" section of our website at www.viscom.com/europe.

  The company was made aware of the following acquisition or sales transactions for shares of Viscom AG or for financial instruments based on these by members of governing bodies *(directors' dealings)* by Mr Dirk Schwingel and Dr. Martin Heuser in the 2018 financial year:

	Date	Nature of transaction	Aggregate price €	Aggregate total volume €
Dirk Schwingel	21 Aug. 2018	Purchase	21.70	21,700
Dr. Martin Heuser	4 Dec. 2018	Purchase	14.75	98,792
Dirk Schwingel	6 Dec. 2018	Purchase	15.30	7,650
Dr. Martin Heuser	12 Dec. 2018	Purchase	14.70	58,095

- **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, 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 in accordance with the German Commercial Code. The Executive Board prepares the consolidated financial statements, which are audited by the auditor and audited and approved by 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 2018 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). Early risk detections system and reporting obligations in compliance with corporate governance as stated in section 161 AktG were also taken into account.

It was agreed with the auditor that the Chairwoman 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 must also report all findings and occurrences significant to the tasks of the Supervisory Board without delay as they occur during the audit. The auditors must also 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 comply with all laws and internal regulations – voluntary obligations and 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 as at 22 January 2015 and was listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange on 31 December 2018. 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 at 31 December 2018.

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 can 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 by issuing 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). Shareholders must be granted pre-emption rights. The new shares can 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' pre-emption rights on one or more occasions:

(i) for capital increases against cash contributions up to the lower of a total nominal amount of € 902,000 or 10 % of the share capital at the time this authorisation to disapply pre-emption rights is exercised for the first time (in each case taking into account other authorisations to disapply pre-emption rights that may have been exercised in accordance with section 186(3) sentence 4 AktG or with the corresponding changes), provided the issue price of the new shares is not significantly less 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 non-cash contributions up to a total nominal amount of € 1,804,000, in particular in connection with the acquisition of companies, parts of companies and equity investments in companies;

(iii) to the extent required to exclude possible fractional amounts from the pre-emption rights.

Other authorisations to disapply pre-emption rights that may have been exercised in accordance with section 186(3) sentence 4 AktG or with the corresponding changes in accordance with (i) above will 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 end of the authorisation period.

The authorisation for authorised capital (Authorised Capital 2011) expired as at 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 treasury shares of up to 10 % of the current share capital by 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 et seq. AktG, must not exceed 10 % of the Company's current share capital at any point. The acquired treasury shares are permitted to be used for all legally allowable purposes, except trading in treasury shares. The treasury shares can also be resold with shareholders' pre-emption rights disapplied and retired 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 2018 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 transactions listed in the report on relationships with affiliated companies. In the period from 1 January to 31 December 2018, no actions were taken or omitted at the instigation or in the interest of the controlling company or a company affiliated with it."

Hanover, 6 March 2019

The Executive Board

C. Salewski

Carsten Salewski

Krippner

Peter Krippner

Heuser

Dr. Martin Heuser

Dirk Schwingel

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2018 / CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income Item		01.01.-31.12.2018 K€	01.01.-31.12.2017 K€
G1	Revenue	93,557	88,542
G2	Other operating income	3,147	2,591
		96,704	**91,133**
G3	Changes in finished goods and work in progress	5,571	2,104
G4	Other own work capitalised	2,952	2,317
G5	Cost of materials	-41,173	-34,051
G6	Staff costs	-33,482	-28,724
G7	Depreciation and amortisation	-1,976	-2,068
G8	Other operating expenses	-17,652	-16,882
		-85,760	**-77,304**
	Operating profit	**10,944**	**13,829**
G9	Financial income	101	3
G9	Financial expenses	-98	-1
	Financial result	**3**	**2**
G10	Income taxes	-3,133	-4,758
	Net profit for the period	**7,814**	**9,073**
G11	**Earnings per share (diluted and basic) in €**	**0,88**	**1,02**
	Other comprehensive income		
	Currency translation differences	134	-607
	Items that can be reclassified to profit or loss	**134**	**-607**
	Other comprehensive income after taxes	**134**	**-607**
	Total comprehensive income	**7,948**	**8,466**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

Assets Item		31.12.2018 K€	31.12.2017 K€
	Current assets		
A1	Cash and cash equivalents	5,740	11,506
A2	Trade receivables	27,315	22,488
A3	Income tax assets	966	109
A4	Inventories	31,432	24,521
A5	Other financial receivables	214	145
A5	Other assets	1,378	1,120
	Total current assets	**67,045**	**59,889**
	Non-current assets		
A6	Property, plant and equipment	3,013	1,859
A7	Intangible assets	10,915	8,913
A8	Financial assets	6	6
A8	Loans originated by the Company	36	15
A9	Deferred tax assets	788	660
	Total non-current assets	**14,758**	**11,453**
	Total assets	**81,803**	**71,342**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities and shareholders' equity Item		31.12.2018 K€	31.12.2017 K€
	Current liabilities		
P1	Trade payables	4,403	2,609
P2	Contract liabilities	734	0
P3	Current loans	3,383	0
P4	Advance payments received	472	220
P5	Provisions	1,601	1,719
P6	Current income tax liabilities	1,111	1,088
P7	Other financial liabilities	3,937	3,575
P7	Other current liabilities	3,018	2,593
	Total current liabilities	**18,659**	**11,804**
	Non-current liabilities		
P5	Non-current provisions	715	475
P8	Deferred tax liabilities	3,131	2,303
	Total non-current liabilities	**3,846**	**2,778**
	Shareholders' equity		
P9	Issued capital	9,020	9,020
P10	Capital reserves	21,321	21,321
P11	Retained earnings	28,409	26,005
P12	Exchange rate differences	548	414
	Total shareholders' equity	**59,298**	**56,760**
	Total liabilities and shareholders' equity	**81,803**	**71,342**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows Item		01.01. -31.12.2018 K€	01.01. - 31.12.2017 K€
	Cash flow from operating activities		
	Net profit for the period after interest and taxes	7,814	9,073
G10	Adjustment of net profit for income tax expense (+)	3,133	4,758
G9	Adjustment of net profit for interest expense (+)	98	1
G9	Adjustment of net profit for interest income (-)	-101	-3
G7	Adjustment of net profit for depreciation and amortisation expense (+)	1,976	2,068
P5	Increase (+) / Decrease (-) in provisions	122	-57
A6 to A8	Gains (-) / Losses (+) on the disposal of non-current assets	-72	-17
A2 to A5, A9	Increase (-) / Decrease (+) in inventories, receivables and other assets	-12,873	183
P1 to P4, P6, P7	Increase (+) / Decrease (-) in liabilities	3,648	135
G10	Income taxes repaid (+)/paid (-)	-2,513	-3,389
	Net cash from operating activities	**1,232**	**12,752**
	Cash flow from investing activities		
A6 to A8	Proceeds (+) from the disposal of non-current assets	140	102
A6 to A8	Acquisition (-) of property, plant and equipment and intangible assets	-2,248	-1,215
A7	Capitalisation of development costs (-)	-2,952	-2,317
A8	Disbursements of loans granted (-)	-36	0
A8	Receipts from the repayment of loans granted (+)	7	0
G9	Interest received (+)	13	2
	Net cash used in investing activities	**-5,076**	**-3,428**
	Cash flow from financing activities		
P9-12	Dividend payment (-)	-5,331	-3,998
G9	Interest paid (-)	-91	-1
	Net cash and cash equivalents from financing activities	**-5,422**	**-3,999**
	Changes in cash and cash equivalents due to changes in exchange rates	117	-336
	Cash and cash equivalents		
	Change in cash and cash equivalents	-9,266	5,325
A1, P3	Cash and cash equivalents as at 1 January	11,506	6,517
A1, P3	**Cash and cash equivalents as at 31 December**	**2,357**	**11,506**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity	Issued capital K€	Capital reserves K€	Foreign exchange differences K€	Retained earnings K€	Total K€
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
Remeasurement as per IFRS 9 and IFRS 15	0	0	0	-79	-79
Shareholders' equity at 1 January 2018	9,020	21,321	414	25,926	56,681
Net profit for the period	0	0	0	7,814	7,814
Other comprehensive income	0	0	134	0	134
Total comprehensive income	**0**	**0**	**134**	**7,814**	**7,948**
Dividends	0	0	0	-5,331	-5,331
Shareholders' equity at 31 December 2018	9,020	21,321	548	28,409	59,298

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.

These consolidated financial statements were approved by the Executive Board for presentation to the Supervisory Board on 6 March 2019.

The consolidated financial statements and the 2017 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 X-ray comparison of the inspected objects with the specifications defined in the inspection system.

Declaration of compliance

These financial statements for the 2018 financial year were prepared on the basis of the uniform application of and compliance with all the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union as at 31 December 2018.

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

Compared to the consolidated financial statements dated 31 December 2017, the following standards and interpretations have changed or become effective for the first time as a result of their endorsement in EU law or the regulations reaching their effective date:

Annual improvements to IFRS 2014-2016

The regulations published by the IASB in December 2016 arising from the annual improvement project were endorsed in EU law on their announcement in the EU official gazette on 8 February 2018 and are effective for reporting periods starting on or after 1 January 2017 (IFRS 12) and 1 January 2018 (IFRS 1 and IAS 28). The regulations arising from the annual improvement project include changes to IFRS 1, IFRS 12 and IAS 28. The amendments adjusted the wording to clarify the existing regulations. Other amendments impacted the recognition, measurement and notes. The amendments have no material effect on the Viscom Group's financial statements.

Amendments to IFRS 2: Classification and measurement of share-based payment

The amendments published by the IASB were endorsed in EU law on their announcement in the EU official gazette on 27 February 2018 and are effective for reporting periods starting on or after 1 January 2018. The amendment affects the measurement of and accounting for share-based payments for companies. 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. The amendments have no material effect on the Viscom Group's financial statements.s.

Amendments to IAS 40: Transfers of property to, or from, investment property

The amendments published by the IASB were endorsed in EU law on their announcement in the EU official gazette on 15 March 2018 and are effective for reporting periods starting on or after 1 January 2018. The amendment clarifies that an entity may only transfer a property to, or from, investment property if there is a change in use. The amendments have no material effect on the Viscom Group's financial statements.

IFRIC 22: Foreign Currency Transactions and Advance Consideration

The amendments published by the IASB were endorsed in EU law on their announcement in the EU official gazette on 3 April 2018 and are effective for reporting periods starting on or after 1 January 2018. They clarify 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. The amendments have no material effect on the Viscom Group's financial statements.

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. It was endorsed in EU law on its announcement in the EU official gazette on 22 September 2016 and is effective for reporting periods beginning on or after 1 January 2018. In accordance with IFRS 15.C3(b), Viscom applied the standard retroactively according to the simplified transition method and recognised the cumulative effect of the first-time application as at 1 January 2018 as an adjustment of the opening carrying amount of retained earnings. The following changes were made to recognition and measurement:

- Subsequent work

After the delivery of a system, subsequent work is often required in order to integrate the system for the customer as ordered. The services are part of the system delivery, but are performed after control over the system is passed to the customer. Previously, the full revenue for the system delivery including subsequent work was recognised after control of the system had passed to the customer. For the outstanding subsequent work, a provision for the expected future expenses was recognised for each system. In accordance with IFRS 15, since 1 January 2018 the portion of the revenue attributable to the subsequent work is now recognised over the time of the subsequent work and recognised as a contract liability in the event of earlier invoicing. The partial revenue comprises the expected expenses for the subsequent work – on the basis of past experience – and an average margin. The provision for subsequent work of € 276 thousand as at 31 December 2017 is reported as a contract liability of € 359 thousand as at 1 January 2018.

- Deferred revenue

Previously, payments for services under contracts with customers received before the end of the reporting period that constituted income for a specific period after this date were reported as other current liabilities. According to IFRS 15, they are now reported as a contract liability, provided they relate to revenue in accordance with IFRS 15 (as at 1 January 2018: € 106 thousand).

Amendments to IFRS 15: Clarifications to IFRS 15

The amendments published by the IASB were endorsed in EU law on their announcement in the EU official gazette on 31 October 2017 and are effective for reporting periods starting on or after 1 January 2018. 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. It was endorsed in EU law on its announcement in the EU official gazette on 22 November 2016 and is effective for reporting periods beginning on or after 1 January 2018 Viscom applied the standard retroactively according to the simplified transition method and recognised the cumulative effect of the first-time application as at 1 January 2018 as an adjustment of the opening carrying amount of retained earnings. The following changes were made to recognition and measurement:

Financial instruments (financial assets and financial liabilities) within the meaning of IAS 32 and IFRS 9 are divided into the following categories:

- Measurement at amortised cost (AC)
- Measurement at fair value through other comprehensive income (FVtOCI)
- Measurement at fair value through profit or loss (FVtPL)

The classification of a financial asset depends on two criteria:

- Business model test: classification is contingent on the nature of the business model in which the financial instrument is held.
- Cash flow characteristics test: classification is determined by the characteristics of the contractual cash flows.

The Company determines the classification of financial assets on initial recognition.

These financial assets and liabilities are measured at fair value as at the trade date on initial recognition, with the exception of trade receivables without a significant financing component, which are measured at their transaction price. 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 end of the reporting period. Gains and losses due to changes in the fair value of financial instruments are reported 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.

Reconciliation of adjusted items of the statement of financial position (IFRS 9 and IFRS 15)

K€	31 Dec. 2017	Reclassification	Measurement	1 Jan. 2018	Change in retained earnings
Trade receivables	22,488	0	-34	22,454	-34
Other current liabilities	2,593	-106	0	2,487	0
Provisions	1,719	-276	0	1,443	0
Contract liabilities	0	382	83	465	-83
Deferred tax assets	660	0	27	687	27
Deferred tax liabilities	2,303	0	-11	2,292	11

Retained earnings decreased by € 79 thousand to € 25,926 thousand as at 1 January 2018 as a result of first-time application (31 December 2017: € 26,005 thousand).

If IFRS 15 had not been applied, the figures for the current reporting period would have been as follows:

- Revenue would have amounted to € 93,848 thousand (with IFRS 15: € 93,557 thousand) and other operating expenses would have amounted to € 17,876 thousand (with IFRS 15: € 17,652 thousand).

- Income taxes would have amounted to € 3,155 thousand (with IFRS 15: € 3,133 thousand) and deferred tax assets would have amounted to € 739 thousand (with IFRS 15: € 788 thousand).

- There would have been no contract liabilities as at 31 December 2018 (with IFRS 15: € 734 thousand), while provisions would have been higher (€ 2,101 thousand; with IFRS 15: € 1,601 thousand), as would other current liabilities (€ 3,084 thousand; with IFRS 15: € 3,018 thousand).

- Equity would have amounted to € 59,343 thousand as at 31 December 2018 (with IFRS 15: € 59,298 thousand).

Amendments to IFRS 4: Applying IFRS 9 with IFRS 4

The amendments published by the IASB were endorsed in EU law on their announcement in the EU official gazette on 3 November 2017 and are effective for reporting periods starting on or after 1 January 2018. Until the new insurance contracts standard (IFRS 17) becomes effective, 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.

IASB standards and interpretations not applied prematurely

The following IFRS were published by the IASB/IFRIC on or before the end of the reporting period, but only become effective in later reporting periods or have not been endorsed in EU law. With regard to the standards and interpretations that only become effective in later reporting periods, the Viscom Group has chosen not to exercise the option of early application.

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. It was endorsed in EU law on its announcement in the EU official gazette on 31 October 2017 and is effective for reporting periods 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 have 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 lease-back transactions, for example. Viscom will make the transition applying the simplified modified retrospective approach as at 1 January 2019 (IFRS 16.C5(b)). When IFRS 16 was applied to operating leases for the first time, the right of use for the leased asset was measured at the amount of the lease liability, using the interest rate at the date of first-time application (IFRS 16.C8(b)(i)). For deferred lease liabilities, the right of use was adjusted by the amount of the deferred leasing liability in accordance with IFRS 16.C8(b)(ii). In accordance with IFRS 16.C10(d), the initial direct costs were not taken into account when measuring the right of use as at the date of first-time application. In accordance with the option provided by IFRS 16.5, short-term leases with a term of not more than twelve months (and without a purchase option) and leases for low value assets are not accounted for in accordance with IFRS 16. The practical expedient provided by 16.C10(c) was not applied to leases ending within twelve months of the date of first-time application. In accordance with IFRS 16.C7, the comparative information for the 2018 financial year has not been restated in the 2019 consolidated financial statements. The analysis of the effects of the first-time application of IFRS 16 in a Group-wide project found that the amendments to the Standard will have a material impact on financial position and financial performance.

The standard is expected to increase the Group's total assets, as operating leases currently presented in the notes will have to be reported in the statement of financial position as right-of-use assets and lease liabilities in future. Lease liabilities of € 8.8 million and rights of use of € 8.8 million are expected to be recognised as at 1 January 2019. This addition to total assets will reduce the equity ratio and increase the gearing ratio. Expenses for existing operating leases will no longer be recognised in the income statement as lease expenses in future. As the new regulations will result in write-downs on the right-of-use assets and interest expenses on lease liabilities, the Viscom Group is anticipating a positive effect on its EBIT and EBIT-Margin. Assuming consistent exchange rates for 2019, depreciation of € 2.2 million and interest expenses of € 0.1 million are expected for leases existing as at the date of first-time application. Associated lease expenses of around € 2.2 million will no longer apply. This would increase consolidated EBIT by around € 0.1 million. In the statement of cash flows, there will be positive effects on cash flow from operating activities and negative effects on cash flow from financing activities.

Amendments to IFRS 9: Prepayment features with negative compensation

The amendments published by the IASB on 12 October 2017 were endorsed in EU law on their announcement in the EU official gazette on 26 March 2018 and are effective for reporting periods starting on or after 1 January 2019. The new regulation amends the existing provisions of IFRS 9 on termination rights to allow measurement at amortised cost (or fair value, depending on the business model) even for negative compensation. The amendment also clarified modifications to financial liabilities. The amendments have no effect on the Viscom Group's financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments

The amendments published by the IASB were endorsed in EU law on their announcement in the EU official gazette on 24 October 2018 and are effective for reporting periods starting on or after 1 January 2019. The Interpretation applies to taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when tax treatments involve uncertainty that affects the application of IAS 12. The amendments have no effect on the Viscom Group's financial statements.

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

Standard / Interpretation			Effective for reporting periods from	Endorsement by the EU Commission
Standards				
Amendments to IAS 19	"Plan Amendment, Curtailment or Settlement"	Entities must use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement, and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.	1 Jan. 2019	No
Amendments to IFRS 3	"Definition of a business"	The amendment contains an amended definition and additional specifications and examples for identifying a business.	1 Jan. 2020	No
Amendments to IAS 1 and IAS 8	"Definition of materiality"	The amendment refines the definition of materiality.	1 Jan. 2020	No
	"Amendments to the Conceptual Framework for financial reporting"	The amendments contain improved definitions of an asset and a liability, and new guidance on measurement and derecognition, presentation and disclosure.	1 Jan. 2020	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 regulations of IFRS 3 on a successive business combination must be applied in the event 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
IFRS 17	"Insurance Contracts"	IFRS 17 will supersede IFRS 4 "Insurance Contracts" in future. 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 IAS 28	"Long-term Interests in Associates and Joint Ventures"	The amendment to IAS 28 clarifies that long-term interests in associates must be accounted for 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

The Viscom Group does not expect the application of the Standards/Interpretations published at the end of the reporting period but not yet effective 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 reported 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 at 31 December 2018. 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 and 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 not including future restructuring) of the acquired operations are recognised at fair value. The difference between the excess of cost, 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 cost is 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	Registered office	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 policies

Except for the changes due to IFRS 9 and IFRS 15, the same accounting policies were applied as in the previous year.

Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires certain assumptions and estimates affecting the amount and reporting 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. From 1 January 2018 onwards, impairment will be recognised for expected credit losses in accordance with IFRS 9.

Inventories

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

Provisions

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

Impairment of non-financial assets

At the end of each reporting period, 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 calculate 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 policies

Intangible assets

Intangible assets are measured at cost on initial recognition. They are reported 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 is their fair value as at the acquisition date. After initial recognition, intangible assets are measured 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 measured at cost. It is determined as the excess of cost, 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 cost is 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 measured at cost less any accumulated impairment losses. Impairment on goodwill cannot be reversed.

In accordance with IAS 38, research costs cannot be capitalised, while development costs can 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 and 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 reported as intangible assets and amortised on a straight-line basis over their useful life, not exceeding 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 US, no further patents were issued as at 31 December 2018.

Property, plant and equipment

Property, plant and equipment are reported at cost less cumulative depreciation and 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 cost of an item of property, plant and equipment is composed of the purchase price, including import duties and non-refundable purchase taxes, and 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 and appropriate amounts of the fixed and variable overheads.

Subsequent 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 calculated as the difference between the proceeds of disposal and the carrying amount of the property, plant, and equipment. They are recognised 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 reported 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 calculated 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 IFRS 9 are divided into the following categories:

- Measurement at amortised cost (AC)
- Measurement at fair value through other comprehensive income (FVtOCI)
- Measurement at fair value through profit or loss (FVtPL)

The classification of a financial asset depends on two criteria:

- Business model test: classification is contingent on the nature of the business model in which the financial instrument is held.
- Cash flow characteristics test: classification is determined by the characteristics of the contractual cash flows.

The management determines the classification of financial assets on initial recognition.

These financial assets and liabilities are measured at fair value as at the trade date on initial recognition, with the exception of trade receivables without a significant financing component, which are measured at their transaction price. 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 end of the reporting period. Gains and losses due to changes in the fair value of financial instruments are reported 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 is equal 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 end of the reporting period.

Viscom applies the simplified approach for expected credit losses according to IFRS 9, which allows the recognition of full lifetime expected losses for all trade receivables. To measure the expected credit losses, the trade receivables were grouped according to shared credit risk characteristics and days past due. The expected credit losses also include forward-looking information.

Shareholders' equity

The 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 reported in the statement of comprehensive income net of the amount recognised for the reimbursement.

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

In measuring anniversary obligations, assuming an average remaining term of 10.5 years, an interest rate of 1.56 % p.a. and an average turnover rate of 2.5 % p.a. were used.

Taxes

In accordance with IAS 12, deferred taxes are calculated using the asset and 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 effective or adopted at the end of the reporting period. A tax rate of 32.6 % was applied to calculate 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 30 % (previous year: 25 %).

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 end of the reporting period. 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 also reported 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

For 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 at 31 December 2018.

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 generally recognised when control is transferred to the purchaser.

Revenue from services is recognised depending on the percentage of completion of the respective transaction at the end of the reporting period, providing that the outcome of the service can be estimated 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.

Viscom has no contracts with customers where there is more than a year between delivery or performance by Viscom and payment by the customer. The transaction prices are therefore not adjusted for the time value of money.

Warranties of typically 24 months – in individual cases up to 60 months – for system deliveries are classified as assurance-type warranties. A transaction price is therefore not allocated to the warranty. Future expected warranty expenses from system deliveries are recognised as provisions (see Provisions).

Contract liabilities

The portion of the transaction price for a system delivery that is attributable to outstanding subsequent work is recognised over the period of the subsequent work and recognised as a contract liability in the event of early invoicing. The partial revenue comprises the expected expenses for the subsequent work – on the basis of past experience – and an average margin. Furthermore, there are obligations from revenue for outstanding services over time from contracts with customers.

Borrowing costs

Borrowing costs are not capitalised, but instead are expensed in the period in which they are incurred – except in the case of qualifying 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 shareholder 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 recognised in profit or loss. Translation differences from foreign-currency transactions are reported 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 2018

	EUR 1 = CNY x	EUR 1 = TND x	EUR 1 = USD x
Closing rate	7.8751	3.3497	1.1450
Average rate	7.8081	3.0932	1.1810

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

Notes to the consolidated statement of comprehensive income

(G1) Revenue

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

Revenue	2018 K€	2017 K€
Construction and delivery of machines	73,325	66,613
Services / Replacement parts	19,460	21,000
Rentals	772	929
Total	**93,557**	**88,542**

The categories "Construction and delivery of machines" and "Services / Replacement parts" are revenue from contracts with customers as per IFRS 15. Outstanding performance obligations all have a term of less than one year.

(G2) Other operating income

Other operating income is composed of the following items:

Other operating income	2018 K€	2017 K€
Non-monetary remuneration	984	882
Income from the reversal of other provisions for warranties	721	647
Income from the reversal of other provisions	185	370
Income from exchange rate differences	508	274
Income from sales of assets	151	73
Income from receivables previously written off	0	16
Insurance recoveries	31	8
Income from the reversal of value adjustments on receivables	309	0
Miscellaneous other operating income	258	321
Total	**3,147**	**2,591**

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 € 22,808 thousand (previous year: € 17,237 thousand), comprising a of € 30,857 thousand (previous year: € 25,168 thousand) and a corresponding impairment loss of € 8,049 thousand (previous year: € 7,931 thousand).

(G4) Other own work capitalised

Own work for new developments was capitalised in the amount of € 2,952 thousand in the 2018 financial year (previous year: € 2,317 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	2018 K€	2017 K€
Materials including incidental costs of acquisition	36,734	31,962
Purchased services	4,439	2,089
Total	**41,173**	**34,051**

The increase in the cost of materials was attributable to the higher level of revenue and the positive change in inventories. For reasons of clarity, the expenses for temporary production workers of € 1,626 thousand were reported under purchased services in the 2018 financial year. In the previous year, expenses for temporary production workers of € 790 thousand were reported under other operating expenses.

(G6) Staff costs

Staff costs comprise salaries and employer social security contributions:

Staff costs	2018 K€	2017 K€
Wages and salaries, incl. bonuses and management bonuses	28,660	24,672
Social security contributions	4,822	4,052
Total	**33,482**	**28,724**
Number of employees (average for the year)	462	402
Number of trainees (average for the year)	13	12
Total	**475**	**414**

Staff costs essentially increased on account of the higher total pay resulting from the increase in the number of Group employees and the pay rise in 2018.

In the period under review, payments were made to defined contribution pension plans in the amount of € 1,786 thousand (previous year: € 1,532 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	2018 K€	2017 K€
General and administrative costs	7,509	7,710
Selling expenses	2,676	2,230
Rent / Leases / Building costs	2,647	2,258
Travel expenses	2,484	2,129
Warranty / Repair expenses	1,010	559
Outgoing shipments	949	859
Expenses due to exchange rate differences	371	694
Value adjustments on receivables and losses on receivables	6	443
Total	**17,652**	**16,882**

In 2017, expenses for temporary production workers of € 790 thousand were reported in general and administrative expenses; but have been included in purchased services under the cost of materials since 2018. The increase in other operating expenses was mainly due to higher general and administrative expenses, higher selling expenses and increased warranty and repairs. The high impairment losses on receivables in the previous year resulted from individual receivables that were considerably past due. Expenditure for research and development amounted to 6.9 % of revenue (previous year: 6.2 %).

(G9) Net finance costs

Financial income rose from € 3 thousand in the previous year to € 101 thousand. Financial expenses of € -98 thousand in 2018 (previous year: € -1 thousand), € 12 thousand of which from interest on provisions, resulted in net finance costs of € 3 thousand (previous year: € 2 thousand).

(G10) Income taxes

Income taxes for the financial years ending 31 December 2018 and 2017 contained the following income and expense items:

Income taxes	2018 K€	2017 K€
Current income taxes for the past financial year	2,581	4,117
Current income taxes for previous years	-192	99
Deferred income taxes from the accrual and reversal of temporary differences and tax loss carryforwards	744	542
Income tax expense reported in the consolidated statement of comprehensive income	**3,133**	**4,758**

Current income taxes for the 2018 financial year related to Viscom AG and the foreign subsidiaries in France, the Americas and Singapore. Current income taxes for previous years in the amount of € -192 thousand related to Viscom AG (€ -235 thousand) and the subsidiaries (€ 43 thousand) and essentially resulted from amended assessments for previous years.

The deferred tax expense essentially resulted from changes in temporary differences between the IFRS and tax accounts at the level of the German, American, and Asian companies. 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	2018 K€	2017 K€
Consolidated net profit before taxes	10,947	13,831
Anticipated tax income (-)/ expense (+) based on 32.62 % (previous year: 32.62 %)	3,571	4,512
Non-deductible operating expenses	233	164
Effect of tax rate change	0	163
Tax-free income	-60	0
Prior-period taxes	-192	202
Difference from Group tax rate	-378	-190
Other	-41	-93
Current tax expense	**3,133**	**4,758**

Of the deferred tax assets, € 367 thousand (previous year: € 352 thousand) will be realised in more than twelve months.

Deferred tax assets	Consolidated statement of financial position	
	2018 K€	2017 K€
Inventories	431	540
Tax loss carryforwards	243	243
Deferred taxes from elimination of intercompany profits	197	168
Other liabilities	77	95
Unrealised revenue	26	12
Other financial liabilities	59	59
Measurement of provisions	41	29
Measurement of trade receivables	34	33
Gross amount	**1,108**	**1,179**
Offsetting	-320	-519
Net amount	**788**	**660**

Of the deferred tax liabilities, € 2,839 thousand (previous year: € 2,303 thousand) will be realised in more than twelve months.

Deferred tax liabilities	Consolidated statement of financial position	
	2018 K€	2017 K€
Intangible assets	3,436	2,817
Measurement of trade receivables	9	7
Measurement of property, plant and equipment	6	-2
Gross amount	**3,451**	**2,822**
Offsetting	-320	-519
Net amount	**3,131**	**2,303**

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, with the exception of the transition effects due to IFRS 9 and IFRS 15, were recognised in profit or loss in 2018. Viscom AG, Hanover, did not have any assessed corporation and trade tax loss carryforwards as at 31 December 2018. 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.

Owing 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 € 9,111 thousand (previous year: € 6,829 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 Körperschaftsteuergesetz (KStG – German Corporation Tax Act).

(G11) Earnings per share

Based on an average for the year of 8,885,060 shares, earnings per share for the 2018 financial year amounted to € 0.88 (basic and diluted). In the previous year, earnings per share amounted to € 1.02 (basic and diluted) as calculated on the basis of 8,885,060 shares. The earnings on which the calculation is based (basic and diluted) amounted to € 7,814 thousand (previous year: € 9,073 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 € 5,740 thousand (previous year: € 11,506 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. Cash and cash equivalents (€ 5,740 thousand) and short-term loans (€ 3,383 thousand) are reported net under cash funds as at 31 December 2018.

(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 impairment losses on receivables amounted to € 971 thousand (previous year: € 1,240 thousand) and related to revenue from contracts with customers as defined by IFRS 15. Some customers were late in meeting their payment obligations in 2018.

The Group applies the simplified approach for expected credit losses in accordance with IFRS 9, which allows the recognition of full lifetime expected losses for all trade receivables. To measure the expected credit losses, the trade receivables were grouped according to shared credit risk characteristics and days past due. Impairment was calculated as follows:

1 Jan. 2018			Past due by the following numbers of days				
in K€	Gross amount	Not past due	< 31 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Expected rate of default		0.3 %	0.5 %	0.3 %	6.3 %	4.8 %	67.3 %
Gross amount	23,728	13,898	3,839	2,106	1,602	686	1,597
Value adjustments	1,274	39	20	7	101	33	1,074

31 Dec. 2018			Past due by the following numbers of days				
in K€	Gross amount	Not past due	< 31 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Expected rate of default		0.3 %	0.4 %	0.9 %	6.0 %	13.1 %	41.3 %
Gross amount	28,286	18,394	4,245	2,691	381	732	1,843
Value adjustments	971	51	17	23	23	96	761

The expected credit losses shown also include forward-looking information.

Impairment losses on receivables developed as follows:

	2018 K€	2017 K€
As at 1 January (IAS 39)	**1,240**	**812**
Adjustment against retained earnings	34	n/a
As at 1 January (IFRS 9)	**1,274**	**n/a**
Addition to value adjustments on receivables	6	428
Reversal of value adjustments no longer required	309	0
As at 31 December	**971**	**1,240**

Impairment on trade receivables was calculated in accordance with the incurred loss model in the previous year. The carrying amount of individual receivables classified as uncollectible was written down directly. The other receivables were assessed collectively to determine whether there were objective indications that an impairment had occurred but not yet been recognised. The estimated impairment losses for these receivables were recognised in a separate impairment item. Viscom was of the opinion that there were indications of impairment if one of the following conditions was met:

- debtor experiencing significant financial difficulty;
- probability that the debtor will enter bankruptcy or other financial reorganisation; and
- default (more than 30 days past due).

Unlike IAS 39, under IFRS 9 impairment is recognised based on the expected loss model rather than the incurred loss model. Under the new model, losses must be recognised when they are expected on the basis of the credit risk. For this purpose, all financial instruments must be assigned to one of three stages according to which the loss to be recognised is calculated.

Special regulations apply to trade receivables and lease receivables. For these assets, there is the option of a simplified impairment model that Viscom applies to its trade receivables. Under the simplified method, the total loss expected over the remaining term is recognised when assets are added, i.e. the assets are automatically assigned to stage 2.

As an exception, assets that show indications of being credit-impaired on initial recognition are assigned to stage 3, and therefore a loss allowance is not required. Instead, the expected loss is taken into account using a risk-adjusted effective interest rate. Such assets cannot be transferred back to stage 1 or 2.

(A3) Income tax assets

As at 31 December 2018, income tax assets consisted of tax refund claims of € 966 thousand, which essentially resulted from excess prepayments for the 2018 assessment period.

(A4) Inventories

Inventories	2018 K€	2017 K€
Completed systems	13,625	10,156
Assemblies and partially completed systems	9,183	7,081
Raw materials and supplies	8,624	7,284
Total	**31,432**	**24,521**

The completed systems reported in inventories were rental and demonstration machines in addition to 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 and systems currently under construction (work in progress). In 2018, all inventories, especially those of completed and partially completed systems, were measured at the same carrying amounts as in 2017.

As at the end of 2018, the cumulative write-downs amounted to € 3,689 thousand for raw materials and supplies (previous year: € 3,731 thousand), € 1,982 thousand for assemblies and partially completed systems (previous year: 1,838 thousand) and € 6,067 thousand for completed systems (previous year: € 6,093 thousand).

(A5) Other financial receivables and other assets

Other financial receivables and other assets	2018 K€	2017 K€
Security deposits for leases/duties	98	102
Creditors with debit balances	113	43
Receivable from public authorities	3	0
Subtotal of other financial receivables	**214**	**145**
Other receivables	766	619
Advance payments	319	285
Miscellaneous assets	293	216
Subtotal of other assets	**1,378**	**1,120**
Total	**1,592**	**1,265**

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

in K€	Patents and similar rights and assets	Software	Goodwill	Advance payments for intangible assets	Development costs	Total intangible assets
	Intangible assets					
Gross carrying amounts						
Cost as at 1 Jan. 2018	2,288	1,702	15	122	14,229	18,356
Exchange rate differences	0	0	0	0	0	0
Additions	0	83	0	90	2,952	3,125
Reclassifications	0	58	0	-58	0	0
Disposals	0	56	0	0	0	56
Cost as at 31 Dec. 2018	2,288	1,787	15	154	17,181	21,425
Value adjustments						
Accumulated depreciation/ amortisation as at 1 Jan. 2018	2,288	1,546	15	0	5,594	9,443
Exchange rate differences	0	0	0	0	0	0
Depreciation / Amortisation for the current year		93	0	0	1,030	1,123
Depreciation / Amortisation of disposals	0	56	0	0	0	56
Accumulated depreciation/ amortisation as at 31 Dec. 2018	2,288	1,583	15	0	6,624	10,510
Carrying amounts as at 31 Dec. 2018	0	204	0	154	10,557	10,915

in K€	Land and buildings	Leasehold improve-ments	Technical equipment and machinery	Operating and office equipment	Vehicles	Prepayments and construction in progress	Total property, plant and equipment	Total property, plant and equipment and intangible assets
	Property, plant and equipment							
Gross carrying amounts								
Cost as at 1 Jan. 2018	0	1,701	995	3,702	395	0	6,793	25,149
Exchange rate differences	0	21	0	8	12	0	41	41
Additions	346	34	61	767	0	867	2,075	5,200
Reclassifications	325	0	0	6	0	-331	0	-1
Disposals	66	0	236	470	97	0	869	925
Cost as at 31 Dec. 2018	605	1,756	820	4,013	310	536	8,040	29,465
Value adjustments								
Accumulated depreciation/ amortisation as at 1 Jan. 2018	0	1,346	895	2,607	86	0	4,934	14,377
Exchange rate differences	0	20	0	6	4	0	30	30
Depreciation / Amortisation for the current year		80	44	677	52	0	853	1,976
Reclassifications	0	0	0	0	0	0	0	0
Depreciation / Amortisation of disposals	0	0	236	464	90	0	790	846
Accumulated depreciation/ amortisation as at 31 Dec. 2018	0	1,446	703	2,826	52	0	5,027	15,537
Carrying amounts as at 31 Dec. 2018	605	310	117	1,187	258	536	3,013	13,928

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 at 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 at 31 Dec. 2017	**2,288**	**1,702**	**15**	**122**	**14,229**	**18,356**
Value adjustments						
Accumulated depreciation/ amortisation as at 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 at 31 Dec. 2017	**2,288**	**1,546**	**15**	**0**	**5,594**	**9,443**
Carrying amounts as at 31 Dec. 2017	**0**	**156**	**0**	**122**	**8,635**	**8,913**

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

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

	years
Buildings including leasehold improvements	2 to 19
Technical equipment and machinery	2 to 13
Operating and office equipment	8 to 20
Vehicles	5 to 8
Software	1 to 6
Patents	12
Expertise / Customer base	3 to 5
Development projects	4 to 15

Intangible assets and property, plant and equipment include assets already written off in full which are still in use at their historical cost of € 4,289 thousand (previous year: € 4,496 thousand).

Development costs of € 2,952 thousand were capitalised in the period under review (previous year: € 2,317 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 a third party, a loan to the buyer of a property and security for rented properties.

The loans were reported at their total amortised cost of € 36 thousand. The interest rate for employee loans in excess of € 7 thousand was between 2 % and 3 %; the interest rate for the loans to a third party of € 36 thousand was 2 %. 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 liabilities and shareholders' equity

(P1) Trade payables

Trade payables are initially carried at cost, which is equal to their fair value. They are subsequently measured 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 the Company's trade payables are short-term in nature.

(P2) Contract liabilities

Contract liabilities include trade payables from contracts with customers in accordance with IFRS 15 and, as at 31 December 2018, include obligations for repairs (€ 650 thousand; 1 January 2018: € 359 thousand) and future performance obligations recognised over time (€ 84 thousand; 1 January 2018: € 106 thousand). The obligations will be settled within a year. The contract liabilities of € 465 thousand as at 1 January 2018 were fully recognised as revenue in 2018.

(P3) Current loans

Current loans as at 31 December 2018 include liabilities to banks from overdrafts.

(P4) Advance payments received

This item relates to advance payments from customers measured at amortised cost.

Breakdown of other provisions in K€	1 Jan. 2018 (as per IFRS 15)	Utilised	Unused amounts reversed	Arising during the year	31 Dec. 2018
Current provisions					
Warranties	1,443	-1,059	-384	1,601	1,601
Total current provisions	**1,443**	**-1,059**	**-384**	**1,601**	**1,601**
Non-current provisions					
Warranties	160	0	-160	301	301
Anniversaries	315	0	0	99	414
Total non-current provisions	**475**	**0**	**-160**	**400**	**715**
Total	**1,918**	**-1,059**	**-544**	**2,001**	**2,316**

(P5) Provisions

Current provisions primarily relate to provisions for expected warranty 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 warranties increased slightly as against the previous year on account of higher warranty requirements.

The utilisation of current provisions is anticipated within the next twelve months.

Non-current provisions include anniversary provisions of € 414 thousand (previous year: € 315 thousand) and the non-current portion of warranty provisions in the amount of € 301 thousand (previous year: € 160 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.

(P6) Income tax liabilities

Current income tax liabilities are broken down into Viscom AG's trade tax liabilities (€ 281 thousand) and corporation tax liabilities (€ 272 thousand) and the tax provisions of the companies in France (€ 101 thousand) and Shanghai (€ 457 thousand).

(P7) Other current and financial liabilities

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

Other current and financial liabilities	2018 K€	2017 K€
Management bonuses, incentives, one-time payments	2,655	2,636
Commission payments to agents	538	357
Outstanding purchase invoices	334	256
Social security	299	226
Supervisory Board	93	81
Debtors with credit balances	18	19
Subtotal of other financial liabilities	**3,937**	**3,575**
Holiday, overtime	1,590	1,224
Other	733	842
Taxes	695	527
Subtotal of other current liabilities	**3,018**	**2,593**
Total	**6,955**	**6,168**

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 recognised but for which the accompanying invoice had not been issued as at 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.

(P8) 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.

(P9 to P12) 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, the Viscom employees holding an interest in the Company and 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 regulations of the Aktiengesetz (AktG – German Stock Corporation Act). A stock option plan for employees has not been established.

As communicated in the corresponding ad hoc disclosure on 29 July 2008, Viscom AG initiated a buy-back of its treasury shares on the stock exchange on that date. Viscom AG bought back 134,940 of its own shares in the period from 29 July 2008 to 31 March 2009. This corresponds to around 1.5 % of the Company's share capital. The purchase of own shares is recognised directly in equity and reduces 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 serves as a potential acquisition currency. In accordance with section 71b AktG, shares held directly or indirectly by Viscom AG are not entitled to dividends.

No further shares were acquired in this context in the 2018 financial year. The number of dividend-bearing shares remained the same at 8,885,060 on 31 December 2018.

In the 2018 financial year, a dividend of € 0.60 per share was distributed for the 2017 financial year.

Diluted and basic earnings per share are calculated by dividing the consolidated net profit for the period by the number of entitled 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 by issuing up to 4,500,000 new no-par value bearer common shares (no-par value shares) against cash or non-cash contributions (Authorised Capital of the 2016 Annual General Meeting).

SEGMENT INFORMATION

Information on the Group's geographical segments by sales market

	Europe		Americas		Asia		Consolidation		Total	
in K€	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
External sales	56,489	50,784	10,771	13,557	26,297	24,201	0	0	93,557	88,542
Intersegment sales	25,173	23,919	440	285	2,128	1,834	-27,742	-26,038	0	0
Total sales	81,662	74,703	11,211	13,842	28,425	26,035	-27,742	-26,038	93,557	88,542
Segment earnings	8,081	10,748	689	1,389	2,385	2,105	-211	-413	10,944	13,829
plus financial result									3	2
less income taxes									-3,133	-4,758
Consolidated net profit									**7,814**	**9,073**
Segment assets	63,369	56,546	6,688	6,481	10,933	8,317	-947	-777	80,043	70,567
plus financial assets	1,753	1,753	0	0	0	0	-1,747	-1,747	6	6
plus deferred taxes and tax assets									1,754	769
Total assets									**81,803**	**71,342**
Segment liabilities	17,317	11,131	3,011	3,596	3,305	2,110	-6,085	-6,121	17,548	10,716
plus financial liabilities	639	475	76	0	0	0	0	0	715	475
plus deferred taxes and provisions for taxes									4,242	3,391
Total liabilities									**22,505**	**14,582**
Investments	5,091	3,116	20	138	89	277	0	0	5,200	3,531
Depreciation and amortisation	1,823	1,957	64	74	89	37	0	0	1,976	2,068

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 segments considered separately by management of Viscom Paris, which operates in France in particular, and Viscom Hanover, which operates in Germany and various other European countries, satisfy the aggregation criteria of IFRS 8.12 and are aggregated to form the Europe segment. The management assesses the results of the segments and manages them using EBIT as its central performance indicator. 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 mainly generate their revenue by producing and selling the product groups stated in the table below. Viscom generated around 53 % (previous year: around 58 %) of revenue with the five largest customers. External sales amounted to € 27,689 thousand (previous year: € 24,354 thousand) in Germany and to € 65,868 thousand (previous year: € 64,188 thousand) in all other countries.

Total non-current assets with the exception of financial instruments and deferred tax assets (there were no assets related to pensions or claims under insurance contracts) in Germany were € 13,493 thousand (previous year: € 10,274 thousand). These assets totalled € 471 thousand in the other countries (previous year: € 513 thousand).

In 2018 the 10 % revenue limit stated in IFRS 8.34 was exceeded with two customers. One of these customers accounted for revenue of € 25,526 thousand (previous year: € 25,529 thousand), while the other accounted for revenue of € 10,632 thousand (previous year: € 13,150 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 percentage 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, and X-ray tubes sold to OEMs. The "Service" business area offers a comprehensive and global range of services with individual support packages.

Information on product groups

	Optical and X-ray series inspection systems		Special optical and X-ray inspection systems		Service		Total	
in K€	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
External sales	65,029	61,137	14,790	12,983	13,738	14,422	93,557	88,542
Assets	55,635	48,726	12,654	10,347	11,754	11,494	80,043	70,567
Investments	3,614	2,438	822	518	764	575	5,200	3,531

Segment statement of cash flows

in K€	Europe 2018	Americas 2018	Asia 2018	Consolidation 2018	Total 2018
Cash flow from operating activities					
Net profit for the period after interest and taxes	6,442	363	1,793	-784	7,814
Adjustment of net profit for income tax expense (+)	2,434	189	593	-83	3,133
Adjustment of net profit for interest expense (+)	98	0	0	0	98
Adjustment of net profit for interest income (-)	-499	-1	-1	400	-101
Adjustment of net profit for depreciation and amortisation expense (+)	1,823	64	89	0	1,976
Increase (+) / Decrease (-) in provisions	644	-22	0	-500	122
Gains (-) / Losses (+) on the disposal of non-current assets	-61	-13	2	0	-72
Increase (-) / Decrease (+) in inventories, receivables and other assets	-9,683	-558	-3,859	1,227	-12,873
Increase (+) / Decrease (-) in liabilities	2,936	-174	1,146	-260	3,648
Income taxes repaid (+)/paid (-)	-2,312	0	-201	0	-2,513
Net cash used in/from operating activities	**1,822**	**-152**	**-438**	**0**	**1,232**
Cash flow from investing activities					
Proceeds (+) from the disposal of non-current assets	129	10	1	0	140
Acquisition (-) of property, plant and equipment and intangible assets	-2,139	-20	-89	0	-2,248
Capitalisation of development costs (-)	-2,952	0	0	0	-2,952
Disbursements of loans granted (-)	-36	0	0	0	-36
Receipts from the repayment of loans granted (+)	7	0	0	0	7
Interest received (+)	13	0	0	0	13
Net cash used in investing activities	**-4,978**	**-10**	**-88**	**0**	**-5,076**
Cash flow from financing activities					
Dividend payment (-)	-5,331	0	0	0	-5,331
Interest paid (-)	-91	0	0	0	-91
Net cash and cash equivalents from financing activities	**-5,422**	**0**	**0**	**0**	**-5,422**
Changes in cash and cash equivalents due to changes in exchange rates	0	117	0	0	117
Cash and cash equivalents					
Change in cash and cash equivalents	-8,578	-162	-526	0	-9,266
Cash and cash equivalents as at 1 January	7,019	1,734	2,753	0	11,506
Cash and cash equivalents as at 31 December	**-1,559**	**1,689**	**2,227**	**0**	**2,357**

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 funds, contractually committed rights to receive cash or other financial assets such as trade receivables, originated loans 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 derivatives.

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 and other receivables and liabilities, the fair values are the carrying amounts recognised at the end of the report-ing period. The fair values for the category “Financial instruments held to maturity” are equal to the market values as at 31 December 2018.

The Group applies the simplified approach for expected credit losses under IFRS 9 for trade receivables. This requires the use of the expected total loss ratio for all trade receivables.

At the date of first-time application, 1 January 2018, the Group's financial instruments were reclassified as follows in accordance with IFRS 9:

1 Jan. 2018 in K€	Measurement category		Carrying amount			Fair value		
	IAS 39	IFRS 9	IAS 39	IFRS 9	Difference	IAS 39	IFRS 9	Difference
Assets								
Financial assets and other receivables	L&R	AC	327	327	0	327	327	0
Trade receivables	L&R	AC	22,488	22,454	-34	22,488	22,454	-34
Cash and cash equivalents	L&R	AC	11,506	11,506	0	11,506	11,506	0
			34,321	**34,287**	**-34**	**34,321**	**34,287**	**-34**
Liabilities and shareholders' equity								
Trade payables	FV	AC	2,609	2,609	0	2,609	2,609	0
Other financial liabilities	FV	AC	3,476	3,476	0	3,476	3,476	0
			6,085	**6,085**	**0**	**6,085**	**6,085**	**0**

The categories and measurement of financial assets and liabilities as at 31 December 2018 are shown in the following table:

31 Dec. 2018 in K€	Measurement category	Carrying amount	Fair value
Assets			
Financial assets and other receivables	AC	688	688
Trade receivables	AC	27,315	27,315
Cash and cash equivalents	AC	5,740	5,740
		33,743	**33,743**
Liabilities and shareholders' equity			
Current loans	AC	3,383	3,383
Trade payables	AC	4,403	4,403
Other financial liabilities	AC	3,828	3,828
		11,614	**11,614**

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. Given their short-term nature, the carrying amounts of all other financial instruments constitute a reasonable approximation of the fair value.

The fair value option is not applied.

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. 2018	Gross amount	from interest	from remeasurement		Net amount 2018
in K€			Currency translation	Impairment	
Financial assets and other receivables	688	0	0	0	688
Trade receivables	28,286	0	0	-971	27,315
Cash and cash equivalents	5,740	0	0	0	5,740
Total	**34,714**	**0**	**0**	**-971**	**33,743**

31 Dec. 2017	Gross amount	from interest	from remeasurement		Net amount 2017
in K€			Currency translation	Impairment	
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**

Interest income of € 3 thousand resulted from cash funds in the 2018 financial year (previous year: € 3 thousand). Write-downs on trade receivables of € 303 thousand were recognised in profit or loss in the 2018 financial year (previous year: € -428 thousand).

Financial risk management objectives and processes (IAS 32/IAS 9)

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 is shown by the carrying amount of each financial asset as reported in the statement of financial position.

Maturity structure of financial assets

31 Dec. 2018 in K€	Gross amount	Not past due	Past due by the following numbers of days				
			< 31 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Financial assets and other receivables	688	688	0	0	0	0	0
Trade receivables	28,286	18,394	4,245	2,691	381	732	1,843
of which impaired	971	51	17	23	23	96	761
Total	**28,974**	**19,082**	**4,245**	**2,691**	**381**	**732**	**1,843**

Maturity structure of financial assets

31 Dec. 2017 in K€	Gross amount	Not past due	Past due by the following numbers of days				
			< 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**

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

The credit rating of financial assets that are neither past due 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 write-down that accounted for both interest rate and default risk. Impairment losses on individual items were also recognised.

No interest income was generated from impaired 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 ex-tended to it at the end of the reporting period.

On that date, all 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. 2018	Carrying amount	Remaining term		
in K€		< 1 year	1 to 5 years	> 5 years
Current loans	3,383	3,383	0	0
Trade payables	4,403	4,403	0	0
Other financial liabilities	3,828	3,828	0	0
Total	**11,614**	**11,614**	**0**	**0**

There were no gross outflows.

Remaining contractual terms

31 Dec. 2017	Carrying amount	Remaining term		
in K€		< 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**

Exchange rate risk

As Viscom operates internationally, the Group is also exposed to exchange rate risks. Around 7 % of the consolidated revenue is exposed to an exchange rate risk in the parent company. Approximately 6 % of the parent company's expense was denominated in a currency other than the reporting currency. These risks were not hedged at the end of the reporting period or during the year. As at 31 December 2018, net receivables relevant to the exchange rate totalled € 3,296 thousand. It included both the receivables of Viscom AG in US dollars and the receivables of the subsidiaries in euro. Assuming a change of 5 %, the exchange rate risk recognised in profit or loss amounted to € 157 thousand and would increase or reduce the Company's net profit for the period by this amount in the event of the respective change. Given 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 thus committed equity components of the Company are used to manage liquidity and to finance the Company's operating activities. The Company's objective is to finance operating activities predominantly from own funds.

Use of derivative financial instruments

Viscom did not use derivative financial instruments to hedge exchange rate and interest risks in the 2018 financial year.

Related party disclosures

In the year under review, the members of the Executive Board received total remuneration in the form of short-term payments of € 930 thousand (previous year: € 874 thousand) and other long-term payments of € 300 thousand (previous year: € 251 thousand). The remuneration for members of the Supervisory Board consists solely of short-term payments of € 91.5 thousand (previous year: € 81 thousand).

Related parties and affiliated companies

HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as at 31 December 2018. HPC Vermögensverwaltung GmbH is therefore both an affiliated company and the parent company of Viscom AG.

Goods and services from related parties and affiliated companies

in K€	2018	2017
From lease contracts:		
HPC Vermögensverwaltung GmbH	49	61
From services:		
HPC Vermögensverwaltung GmbH	760	688
From rentals:		
HPC Vermögensverwaltung GmbH	926	628
Marina Hettwer/Petra Pape GbR	191	165
Dr. Martin Heuser/Petra Pape GbR	485	482
Sum of goods and services received by the Group	**2,411**	**2,024**

Viscom AG has also concluded leases for company vehicles with HPC Vermögensverwaltung GmbH. In 2018, 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€	2018	2017
Total	1,097	1,133
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	80	96
within 1 year of the end of the reporting period	533	566
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	40	51
more than 1 but less than 5 years after the end of the reporting period	564	567
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	41	45
within more than 5 years of the end of the reporting period	0	0

The future services for the following periods are:

Services in K€	2018	2017
Total	760	688
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	760	688
within 1 year of the end of the reporting period	760	688
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	760	688
more than 1 but less than 5 years after the end of the reporting period	0	0
within more than 5 years of the end of the reporting period	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, p.m. (€)	Net rent p.a. (€)
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
	FS 28 *	1 Nov. 2008	5 years	2,400	28,800
More than five years	CBS 10a ***	15 Nov. 2005	10 years	22,300	267,600
	CBS 6 ***	1 Dec. 2015	10 years	34,890	418,680
	CBS 13 *	1 Nov. 2007	10 years	6,500	78,000
	CBS 15 **	15 Nov. 2007	10 years	15,900	190,800
	CBS 8 *	1 Jan. 2013	3 months	6,250	75,000
Total rental obligations with a remaining lease term of 1 year or less					**1,672,080** (previous year: 1,453,800)
Total rental obligations with a remaining term of 1 to 5 years					**5,331,820** (previous year: 4,932,700)
Total rental obligations with a remaining lease term of more than 5 years					**2,679,720** (previous year: 2,839,650)

The right to terminate the lease for FS 28 was not exercised in 2018 and the lease was therefore renewed for a further five years. In addition, the rent for the building CBS 8 was increased and the rental period was set at ten years. The rent for the building CBS 6 was increased as a result of the rental of further units.

Service agreements

In 2018, painting and tiling services totalling € 9.3 thousand were purchased from the other related parties HPC Malerfachbetrieb GmbH and HPC Fliesen GmbH (previous year: € 58.9 thousand).

A consultancy agreement was entered into with Mr Volker Pape as a related party. The agreement began on 1 July 2018 and has a term of ten years. There is a minimum fee for each full calendar year of € 90 thousand. Total consulting services of € 60 thousand (previous year: € 0 thousand) were purchased in 2018.

Loan agreements

There were no receivables or liabilities resulting from loan agreements with related parties as at the end of the reporting period.

Additional disclosures

Obligations arising from operating leases for the lessee

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

In the US, France, Tunisia, Singapore and China, there are also obligations from vehicle leases with third parties:

Lease obligations for company cars in K€	2018
Total	**111**
within 1 year of the end of the reporting period	37
more than 1 but less than 5 years after the end of the reporting period	74
within more than 5 years of the end of the reporting period	0

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

The lease for the office in Tunis was automatically extended for another year in 2018. The leases for the offices and apartments in Singapore and Shanghai and for the office space in San José were also renewed. Furthermore, new office space in Longfeng (China) was leased for two years in 2018.

Purchase commitments

Purchase commitments from delivery contracts amounted to around € 5,769 thousand (previous year: € 2,534 thousand) as at 31 December 2018.

Contingent liabilities

There were no contingent liabilities as at 31 December 2018.

Agreements with third parties

Agreements with remaining terms of	Rental property	Start of lease	Basic lease term	Net rent, p.m. (€)	Net rent p.a. (€)
One year or less	Shanghai, China	1 Jan. 2014	1 year	2,286	27,432
	Singapore, Singapore	15 May 2014	2 years	3,003	36,036
	Tunis, Tunisia	15 Sept. 2011	1 year	451	5,412
	San José, USA	1 Oct. 2011	1 year	830	9,960
	Singapore, Singapore	1 Jul. 2017	2 years	2,442	29,304
Between one and five years	Singapore, Singapore	21 Aug. 2014	2 years	5,461	65,532
	Shanghai, China	1 Jan. 2015	2 years	6,722	80,664
	Huizhou, China	1 Jul. 2017	3 years	407	4,884
	Longfeng, China	1 Feb. 2018	2 years	2,724	32,688
	Atlanta, USA	1 Oct. 2006	5 years	7,184	86,208
	Paris, France	1 Aug. 2004	9 years	2,083	24,996
Total rental obligations with a remaining lease term of 1 year or less					**338,221** (previous year: 337,255)
Total rental obligations with a remaining term of 1 to 5 years					**324,738** (previous year: 304,027)

Shareholder structure

In May 2006, HPC Vermögensverwaltung GmbH, Hanover, informed Viscom AG in accordance with section 21(1a) of the old version of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) 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 WpHG (old version).

HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as at 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:

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. Name 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 end of the reporting period

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 issued the annual declaration of compliance in accordance with section 161 AktG in February 2019. 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€	**2018**	2017
Audits of financial statements	101	115
Other services	16	0
Total	**117**	**115**

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, 6 March 2019

The Executive Board

Carsten Salewski

Peter Krippner

Dr. Martin Heuser

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 2018, 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 2018 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 2018. 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 applicable in the EU and the supplementary German statutory provisions of section 315e(1) of the Handelsgesetzbuch (HGB – German Commercial Code) 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 2018 and the results of operations for the financial year from 1 January to 31 December 2018

• and the attached Group management report provides a true and fair 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 a true and fair view of the risks and opportunities 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 Article 10(2) f) of the EU Audit Regulation that we have not conducted any non-audit services as prohibited by Article 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 2018. 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 opinion, the following items were the most relevant for our audit:

❶ Accounting for development costs

❷ Accounting for completed systems and assemblies and partially completed systems within inventories

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

① Issue and problem

② Audit procedure and findings

③ Reference to further information

The particularly important audit items are presented below:

❶ Accounting for development costs

① Capitalised development costs of € 10.6 million are reported in intangible assets in the consolidated financial statements of Viscom AG. This item accounts for around 12.9 % 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 expensed. 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 as 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 opinion, development costs are therefore of particular significance 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 policies" and in notes G4 and A7 of the notes to the consolidated financial statements.

❷ Accounting for completed systems and assemblies and partially completed systems within inventories

① Inventories totalling € 31.4 million are reported in the consolidated financial statements of Viscom AG. This item accounts for around 38.4 % 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 € 22.8 million of this figure.

"Completed systems" and "Assemblies and partially completed systems" are measured 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 opinion, inventories are therefore of particular significance 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 opinion, 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 policies" 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 comprises 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 to 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 applicable 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 a true and fair view of the situation of the Group and is consistent with the consolidated financial statements and German statutory provisions and accurately presents the risks and opportunities 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 a true and fair 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 risks and opportunities 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 made 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 applicable 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 LEGAL REQUIREMENTS

Additional disclosures in accordance with Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General meeting on 30 May 2018. We were engaged by the Supervisory Board on 20 December 2018. 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 Article 11 of the EU Audit Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Jens Wedekind."

Hanover, 6 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jens Wedekind	ppa. Michael Meseberg
German Public Auditor	German Public Auditor

Please be aware that the German version of the report of the independent auditor on pages 123 - 128 of the German annual report is the binding / legally valid version.

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
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 2019

19.03.2019	Annual Report 2018, Press Conference	Hanover
20.03.2019	DVFA Analyst Conference	Frankfurt am Main
14.05.2019	Interim Report 3M/2019	Hanover
28.05.2019	Annual General Meeting	Hanover, Altes Rathaus
13.08.2019	Interim Report 6M/2019	Hanover
12.11.2019	Interim Report 9M/2019	Hanover

FIVE-YEAR REPORT

Profit and loss

		2018	2017	2016	2015	2014
Revenue	K€	93,557	88,542	77,245	69,389	62,254
EBIT	K€	10,944	13,829	10,497	10,157	9,378
EBT	K€	10,947	13,831	10,467	9,352	9,462
Income taxes	K€	-3,133	-4,758	-3,338	-5,823	-2,777
Net profit for the period	K€	7,814	9,073	7,129	3,529	6,685

Balance sheet

		2018	2017	2016	2015	2014
Assets						
Current assets	K€	67,045	59,889	56,383	53,203	55,365
Non-current assets	K€	14,758	11,453	10,254	9,927	9,093
Total assets	K€	81,803	71,342	66,637	63,130	64,458
Liabilities						
Current liabilities	K€	18,659	11,804	12,047	12,539	9,264
Non-current liabilities	K€	3,846	2,778	2,298	1,934	1,610
Total shareholders' equity	K€	59,298	56,760	52,292	48,657	53,584
Total liabilities and shareholders' equity	K€	81,803	71,342	66,637	63,130	64,458

Cash flow statement

		2018	2017	2016	2015	2014
CF from operating activities	K€	1,232	12,752	95	5,955	4,755
CF from investing activities	K€	-5,076	-3,428	-1,968	-2,359	-2,233
CF from financing activities	K€	-5,422	-3,999	-3,554	-8,943	-15,126
Cash and cash equivalents	K€	2,357	11,506	6,517	11,868	16,933

Personnel

		2018	2017	2016	2015	2014
Employees at year-end		480	415	382	362	325

Investments

		2018	2017	2016	2015	2014
Tangible and intangible assets (paid)	K€	2,248	1,215	574	816	587

Share

		2018	2017	2016	2015	2014
Number of shares		9,020,000	9,020,000	9,020,000	9,020,000	9,020,000
Dividend payment*	K€	3,998	5,331	3,998	3,554	8,885
Dividend per share*	€	0.45	0.60	0.45	0.40	1.00
Shareholder capital per share	€	6.57	6.29	5.80	5.39	5.94

Key figures

		2018	2017	2016	2015	2014
EBIT-Margin	%	11.7	15.6	13.6	14.6	15.1
Return on equity	%	13.2	16.0	13.6	7.3	12.5
Equity ratio	%	72.5	79.6	78.5	77.1	83.1

*Dividend proposal 0.45 € per dividend-bearing share for the financial year 2018

IMPRINT

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