INNOVATION IS IN OUR DNA.
35 YEARS OF VISCOM.

ANNUAL REPORT 2019

CONTENT

OPERATING FIGURES

Profit and loss

		2019	2018
Revenues	K€	88,556	93,557
EBIT	K€	4,017	10,944
Net profit for the period	K€	3,101	7,814

Balance sheet and cashflow statement figures

		2019	2018
Total assets	K€	89,048	81,803
Equity ratio	%	65.7	72.5
CF from operating activities	K€	7,302	1,232
CF from investing activities	K€	-3,587	-5,076
CF from financing activities	K€	-5,067	-5,422
Cash and cash equivalents	K€	1,039	2,357

Share

		2019	2018
Result per share	€	0.35	0.88
Dividend per share*	€	0.05	0.45

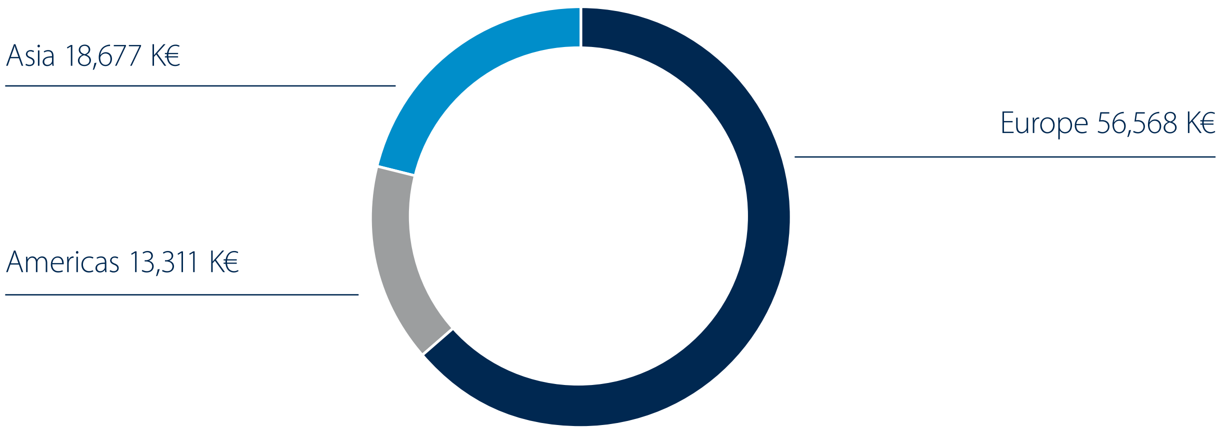
Employees

	2019	2018
Employees at year-end	485	480
Employees in annual average	484	462

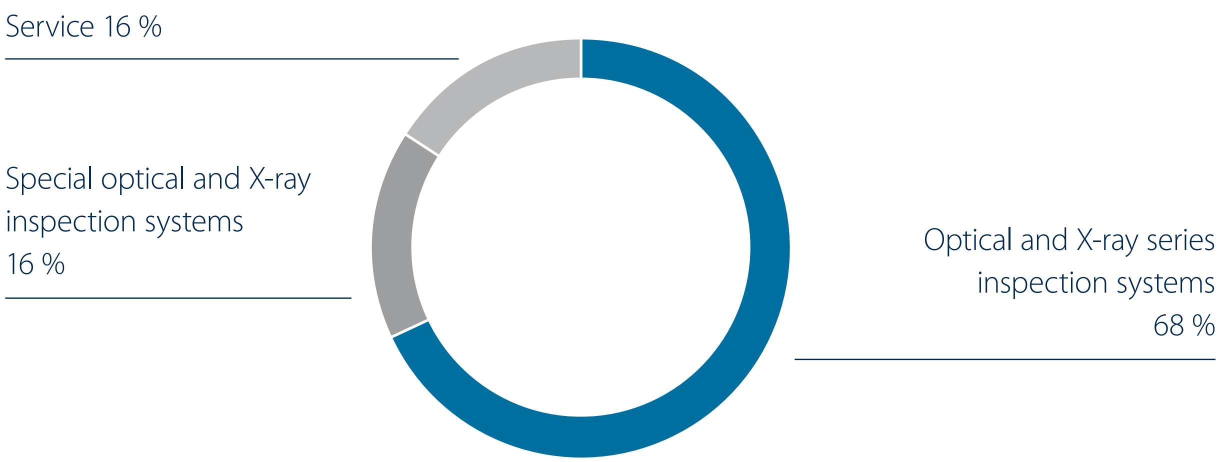
*Dividend proposal 0,05 € per dividend-bearing share for the financial year 2019

SEGMENT INFORMATION

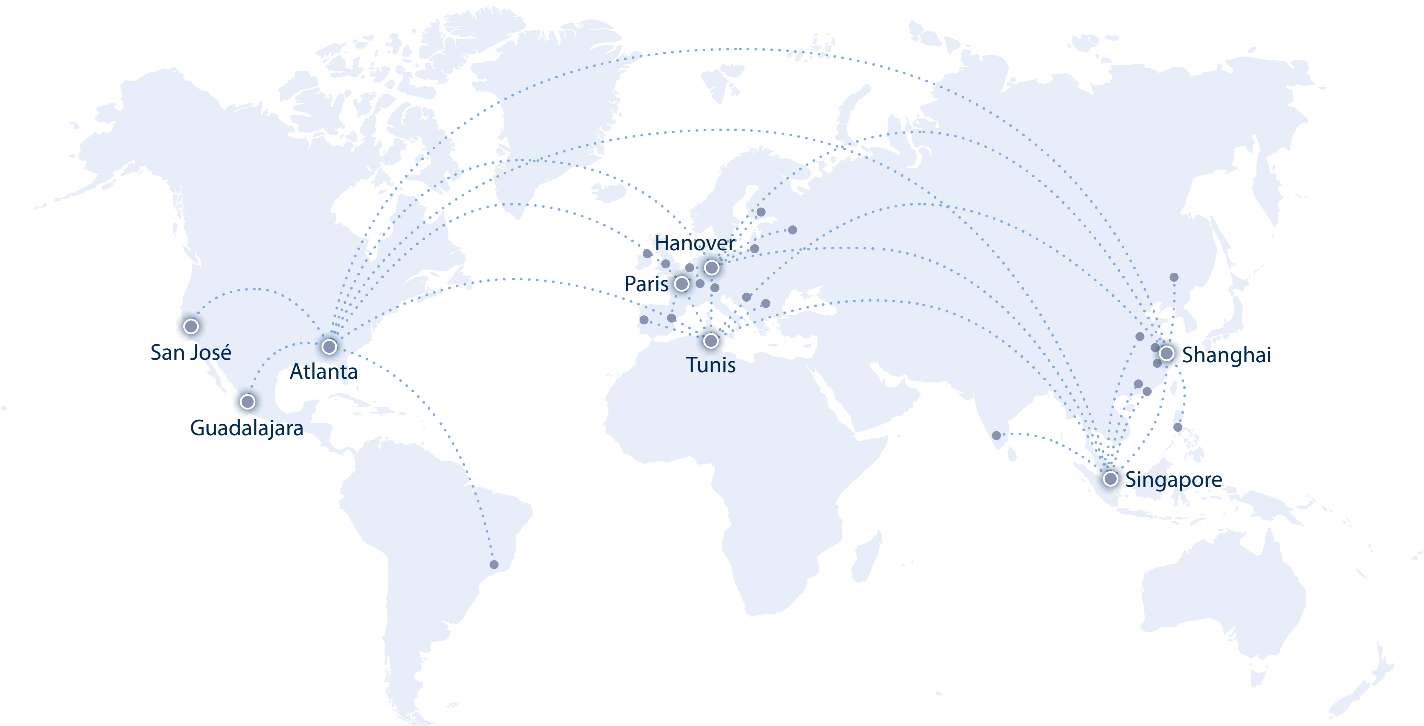
Sales by region 1 January – 31 December 2019



Sales by business unit 1 January – 31 December 2019



VISCOM.
VISION TECHNOLOGY.



Founded:
1984 by Dr. Martin Heuser and Volker Pape

Number of employees worldwide:
485

World Market Leader:
Viscom is the No. 1 solution provider for automatic optical inspection in the automobile industry.

Headquarters and production:
„Made in Germany“:
Hanover, Germany

Subsidiaries:
Viscom France S.A.R.L., Paris, France
Viscom Tunisie S.A.R.L., Tunis, Tunisia
Viscom Inc., Atlanta, Georgia, United States
Viscom Machine Vision Pte Ltd., Singapore
Viscom Machine Vision Trading Co. Ltd., Shanghai, China

FOREWORD FROM THE EXECUTIVE BOARD

Peter Krippner
Member of the Executive Board
(Operations)

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

Carsten Salewski
Member of the Executive Board
(Sales)

Dirk Schwingel
Member of the Executive Board
(Finances)

Dear Ladies and Gentlemen,

Right now, in early April 2020, the world finds itself in exceptional circumstances. Although the COVID-19 pandemic will impact Viscom AG's business development, it is not currently possible to estimate the extent to which this will be the case. However, the solid structure of our statement of financial position and our technological competitiveness give us reason to be confident that we will overcome this crisis. We report in the following on the course of business and the results achieved by Viscom AG in the 2019 financial year.

Although we achieved our lowered revenue target in 2019, we cannot be entirely satisfied with the past financial year. We clearly defined our challenge to ourselves and our promise to you: to continue to sustainably increase Viscom AG's capacity for growth and profitability. Viscom was unable to escape the general development of the global economy. Considerably weaker than expected global industrial production diminished Viscom AG's volume and margin performance. Declining growth, especially in the automotive industry, had a negative impact on our business. This is why our cumulative revenue of around € 88.6 million failed to build on the continuous revenue growth recorded in recent years. Nevertheless, we achieved our defined revenue target of € 85 to 94 million in the 2019 financial year. Industrial development was significantly weaker than anticipated, particularly in the automotive sector, resulting in a reluctance to invest on the part of our customers in the automotive supply sector, while our earnings performance was also negatively affected by global price pressure. Our EBIT-Margin of 4.5 % was only just below our forecast for the year of 5 % to 9 %. Earnings were also substantially impacted by the decline in total operating revenue coupled with higher staff costs.

As one of the technology leaders for optical and X-ray inspection systems for use in industrial electronics production, we presented several new developments in the past year. The focus was on smart factory solutions that minimize cycle time, increase process efficiency and prevent defects, thus ensuring greater safety and reliability in SMT production. This requires innovations such as AI-assisted verification, ultra-fast inspection speeds and the seamless, high-precision defect inspection of sophisticated assemblies. In addition, trends and developments such as e-mobility, 5G, the increased use of LEDs and special high-performance electronics require new inspection solutions.

In light of the expected momentum of the global market for energy storage technologies, we have expanded our wide range of offline and inline X-ray systems to include a further innovation: Developed specifically for the most sophisticated high-performance electronics and components for e-mobility and renewable energy, our new X8068 SL inline system enables fully automated inspections of large and solid inspection objects, for example.

With the high-performance S3016 ultra, we have developed a new inspection system for the quick and precise bottom-side inspection of PCBs using unique camera technology supported by state-of-the-art hardware and software. The system is also characterised by its user-friendly 3D capabilities and is particularly beneficial where the through-hole installation of components on electronic assemblies is used in production. Ideally suited for Industry 4.0, the system is able to communicate comprehensively with other connected machines as well as line monitoring and the manufacturing execution system. The S3016 ultra was successfully launched on the market in the past financial year, and this inspection solution has already won us a major competition to exclusively supply a key account.

With the X7056-II EP (Energy Storage Inspection Products) inspection system, there is already a variant of the X7056-II for inspecting battery cells. The number of systems ordered for inspecting button cells alone has already reached the double digits. These systems achieve higher resolution, and hence accuracy, allowing measurement tasks to also be performed when inspecting distances between anodes and cathodes. A growing number of customers want to check compliance with defined tolerances in order to prevent short circuits in battery cells.

One of the focal points of development in 2020 will be to implement these button cell inspection solutions for other types of battery cell. Development work will concentrate on rapid imaging and the handling of battery cells, both of which have an impact on the electromechanical design of the inspection system. Round cells are rod-shaped cells that are considerably longer than button cells and that have a bigger diameter. These formats are used in some electric vehicles. Pouch cells are flat battery cells that are used in applications such as smartphones, notebooks and electric vehicles. In order to also broaden our positioning beyond the automotive industry, we have established a dedicated EP (Energy Storage Inspection Products) at Viscom with a particular emphasis on battery inspection.

To allow us to cover these additional requirements flexibly, an AXI system kit has been developed allowing various system configurations for different types of battery cells to be created on a modular basis. Another development objective is to also use this modular system kit to meet specific requirements of the market. This often involves particularly heavy or particularly large assemblies. Accordingly, the new AXI system kit is aimed at covering a significantly larger range of assemblies in terms of dimensions and weights.

The 3D measurement of wire bonds will be launched in 2020. Whereas the current 2D analysis evaluates indirect characteristics, 3D technology can directly measure the loop behaviour of the bonds and hence provide even more conclusive information. It involves a new 3D technique that has already been successfully demonstrated to customers.

At the time this report was prepared, most of the world was still in the early stages of the spread of the coronavirus infection. A number of countries have now seen the imposition of restrictions on movement and an extensive shutdown of public life. Major manufacturers have suspended production at their plants in Germany and around the world. The effectiveness of these measures will determine the duration and extent of the economic impact on the electronics industry, and hence on Viscom. We are making estimates about how things will progress and monitoring events extremely closely.

Looking through the fog of the current situation to get an idea of how things will develop in the medium term, one positive aspect is undoubtedly that the need for electronic products will increase in all areas of life. The crisis will lead to above-average growth in demand for data technology and medical technology products. 3C and energy storage products and devices for sustainable energy generation and conversion will account for a bigger share of Viscom's business. As drive technologies are transformed, mobility and, in particular, automotive electronics will remain a key market for Viscom and one in which we intend to generate further growth with our innovative inspection systems.

Our forecast for the current year is subject to a great deal of uncertainty. The development of incoming orders and revenue in 2020 will largely depend on the overall economic situation, particularly in the automotive industry, and how things proceed in terms of the coronavirus crisis. Viscom anticipates budgeted revenue and incoming orders of € 65 to € 80 million in 2020. The EBIT-Margin for the 2020 financial year is likely to be between -7.7 % and +2.5 %, with EBIT of between € -5.0 million and € +2.0 million. To achieve our forecast for the year, we will make extensive cost reductions that will ensure the key technical developments required by the situation as well as our readiness to win orders. Our activities will focus on protecting the health of our employees, meeting our delivery obligations, and supporting our customers and hence the well-being of our company. We expect to see a sharp economic downturn this year with catch-up effects on the customer side. We believe we are well positioned to return to sustainable and profitable growth following the crisis.

The Executive Board and the Supervisory Board of Viscom AG will propose a dividend of € 0.05 per dividend-bearing share to the Annual General Meeting on 9 June 2020. The proposal to pay a reduced dividend for the 2019 financial year and to carry forward the remaining amount to new account are intended to ensure that Viscom AG's financial position and liquidity remain solid moving forward. This does not affect the Group's fundamental dividend policy of distributing 50 % of Group net profit.

Viscom's inspection systems have been convincing the market for 35 years. We would like to thank our employees for their considerable commitment and loyalty. We would also like to thank our customers, business partners and shareholders. We would ask you to continue to support us and place your trust in us. And please stay healthy!

Hanover, April 2020
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 2019 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,

In the 2019 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. The Supervisory Board members were elected at the most recent Annual General Meeting of the Company on 28 May 2019. Their term of office ends at the end of the Annual General Meeting that approves the actions of the Supervisory Board members for the 2023 financial year.

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 of the German Corporate Governance Code, which states that the Supervisory Board should not contain more than two 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. All three members were individually elected at the Annual General Meeting on 28 May 2019 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.

Meetings of the Supervisory Board

The Supervisory Board held seven regular meetings in the 2019 financial year, including one meeting for an efficiency review without the presence of the Executive Board. The meetings took place on 15 March, 5 April, 10 May, 28 May, 9 August, 8 November and 6 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 cash flow statements for the Company and its affiliated companies. 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 by the Executive Board about current business events and significant transactions.

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 2019 financial year included the strategic direction of the Company and its further development, the operating activities 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 was the tender for the statutory audit of the single entity and consolidated financial statements of Viscom AG for the financial year ending 31 December 2020. As a publicly traded company, Viscom AG is obliged to conduct a public tender for the statutory audit of its single entity and consolidated financial statements for the first time in 2020. In accordance with Art. 16 (3) subparagraph 2 in conjunction with Art. 39 (2) subparagraph 2 of Regulation (EU) No. 537/2014, the Supervisory Board of Viscom AG is responsible for the selection procedure. The Supervisory Board has delegated the performance of the public tender to the Executive Board, which, with the approval of the Supervisory Board, has formed a three-person project group consisting of Chief Financial Officer Dirk Schwingel, Head of Accounting Alexander Heigel and Head of Investor Relations Anna Borkowski. The tender for the audit services was issued by way of publication in the German Federal Gazette (Bundesanzeiger) on 30 September 2019.

The meeting to review the accounts on 15 March 2019 focused on the adoption of the single-entity and consolidated financial statements for 2018, 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 2018 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 2019 were approved.

At the meeting on 10 May 2019, 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 2019. Individual risks were also discussed in greater detail based on risk early detection management.

A detailed review of the 2019 Annual General Meeting took place at the meeting on 28 May 2019. At its constituent meeting, the Supervisory Board also re-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.

The meeting on 9 August 2019 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 addressed and discussed Viscom's long-term orientation in terms of strategic product areas.

The Supervisory Board meeting on 8 November 2019 focused on the consolidated interim financial statements as of 30 September 2019. Potential individual risks were discussed in greater detail based on risk early detection management.

At their meeting on 6 December 2019, the Executive Board and Supervisory Board discussed in detail and adopted the annual planning, including financial, investment and human resources planning, for the 2020 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 2019 financial year. The remuneration of the individual Supervisory Board members is reported in the Corporate Governance Statement, which forms part of the management report. There were no indications of conflicts of interest affecting the Executive Board or Supervisory Board members requiring immediate declaration to the Supervisory Board and disclosure at the Annual General Meeting.

During the 2019 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 5 April 2019. 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 28 February 2020 and updated it on 20 March 2020. The declaration of compliance and the update have 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 2019 by the Annual General Meeting of the Company on 28 May 2019. 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 2019 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 2019, 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), a review of the recognition and amortisation of development costs, and the impact of the first-time application of IFRS 16 on lease accounting 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 30 March 2020. 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.

At the start of the meeting – before the auditors arrived – the adjusted annual planning for the 2020 financial year was adopted on the basis of the current economic situation with regard to the COVID-19 pandemic. Following a subsequent 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 net retained profits, 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 30 March 2020, the Supervisory Board approved the single-entity and consolidated financial statements, the management report and the Group management report for the 2019 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 30 March 2020, 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 2019 financial year.

Hanover, 30 March 2020
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)
Type of shares	No-par value bearer shares
Share capital (€)	9,020,000
Share capital (units)	9,020,000
Number of voting shares	8,885,060

Opening price on 2 January 2019	13.60 €
Closing price on 30 December 2019 *	9.21 €
Percentage change	-31.52 %
Highest share price during the year on 30 January 2019 *	18.05 €
Lowest share price during the year on 16 August 2019 *	8.56 €
Market capitalisation (at end of year)	83,074,200 €

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

Share price performance

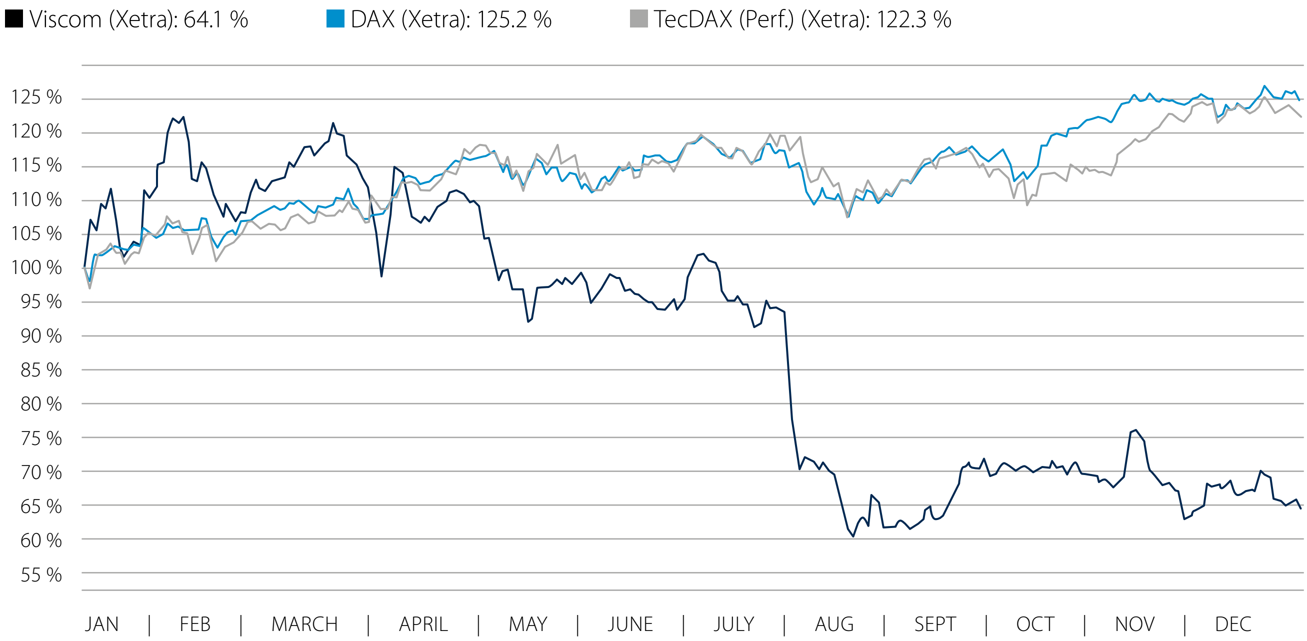
in the reporting period 1 Jan. – 31 Dec. 2019

The Viscom AG share started the 2019 financial year on 2 January 2019 at an opening price of € 13.60. After a brief slump in mid-January, the share was boosted again and reached its high for the period under review of € 18.05 on 30 January 2019. In line with the market environment, the Viscom share shed its gains again at the beginning of February. An upward trend commenced after the publication of Viscom AG's provisional business figures for 2018 on 13 February 2019, and the Viscom share again came close to its high for the year on 14 March 2019 at € 17.75.

The Viscom share continued to trade at a low level in the second quarter of 2019, with increased selling interest emerging at the end of April. The lack of buyers resulted in a further decline in price performance. Although there were small signs of recovery during the downward phase, the Viscom share was put under additional pressure by the weak stock market environment.

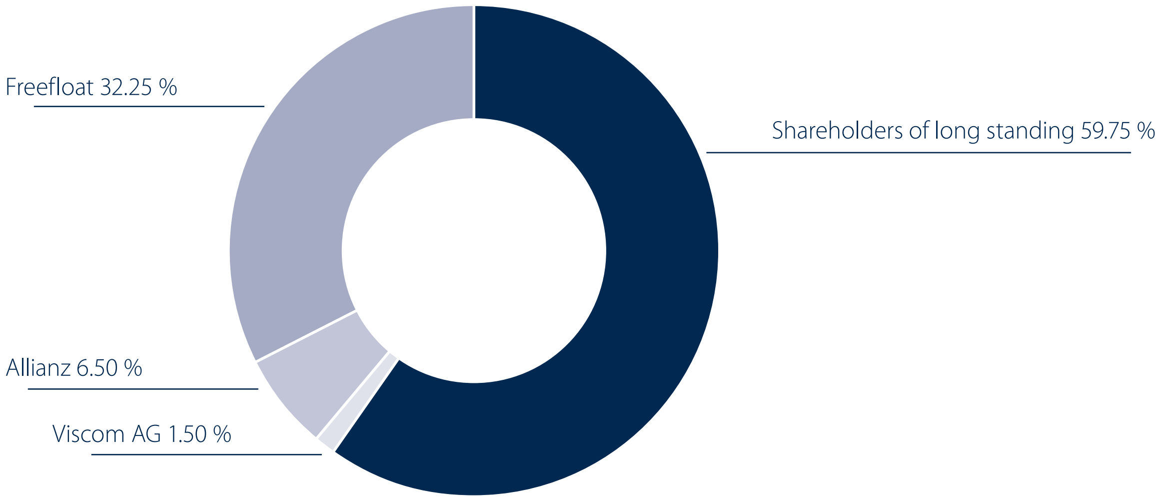
Share price performance

compared with the DAX and TecDAX in 2019



The optimistic mood on the financial markets initially had a very positive effect on the Viscom share at the start of the third quarter of 2019. However, the announcement of the provisional business figures and the adjustment of Viscom AG's forecast for 2019 sent the Viscom share into a downward trend at the end of July 2019. Investor nervousness increased significantly again in August and led to a sell-off on the stock markets. The Viscom share was unable to escape the extremely weak stock market environment and hit its low for the year on 16 August 2019 with a daily closing price of € 8.53 per share. This was followed by a sideways movement between August and December during which the price was between € 8.61 and € 11.00 per share. The share closed at € 9.21 on 30 December 2019, corresponding to market capitalisation of around € 83 million.

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 in the Company are held either via HPC Vermögensverwaltung GmbH or directly by Dr. Heuser and Mr. Pape. The 32.25 % of shares that are in freefloat are spread primarily among investors in Germany and other European countries. 6.50 % of the shares are held by Allianz. Viscom AG holds 1.50 % of its own shares.

Annual General Meeting 2019

The Annual General Meeting of Viscom AG was held at the Old Town Hall in Hanover on 28 May 2019. Of the Company's share capital of € 9,020,000.00, divided into 9,020,000 no-par value shares, a total of 6,578,999 no-par value shares with the same number of votes were represented during the voting process; this corresponds to 72.94 % of the registered share capital. All agenda items were adopted by the shareholders and shareholder representatives with the necessary majority. In particular, the Annual General Meeting approved the management's proposal and re-elected Prof. Michèle Morner, Mr. Volker Pape and Prof. Ludger Overmeyer to the Supervisory Board of Viscom AG. The distribution of a dividend of € 0.45 per share was also approved.

The next Annual General Meeting of Viscom AG will take place at the Old Town Hall in Hanover on 9 June 2020. Further information on the Annual General Meeting of Viscom AG can be found in the Investor Relations/Annual General Meeting section of the Company's website at www.viscom.com.

Viscom IR-Team: Anna Borkowski and Sandra M. Liedtke

Investor Relations

The objective of our investor relations activities is to enable all capital market participants to evaluate Viscom AG fairly. This is why we pursue a policy of continuous and transparent communication. Viscom AG also held numerous one-on-one meetings with analysts and investors in 2019 and appeared at Deutsche Börse's German Equity Forum in Frankfurt.

Pareto Securities AS and EQUI.TS GmbH cover and comment on Viscom's shares on a regular basis. The shares had two buy recommendations at 31 December 2019.

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:

Viscom AG
Investor Relations
Anna Borkowski
Carl-Buderus-Straße 9-15
30455 Hanover
Germany
E-mail: investor.relations@viscom.de
Tel.: +49 511 94996-861
Fax: +49 511 94996-555

HISTORY.

35 YEARS OF VISCOM.

1984 Viscom is founded by Dr. Martin Heuser and Volker Pape. Entrepreneurial spirit and the ability to break new ground define the collaboration between the two founders and our company.

1990 Viscom quickly makes a name for itself as a pioneer in the field of assembly inspection. Our first solder joint inspection system sets new standards in terms of inspection quality. This innovation is the first of many.

1996 Viscom combines optical inspection with X-ray inspection in a single system – a world first! Our innovation opens up numerous advantages for quality assurance. Even today, it remains a milestone in the development history of assembly inspection.

2006 Viscom kicks off its internationalisation with its listing on the stock exchange. The US subsidiary formed in 1998 moves to larger premises in Duluth, Georgia. In addition to the United States, we are now directly represented with subsidiaries in Singapore, China, Mexico, Tunisia and France. Our international strategy proves successful: Viscom develops into one of the world's leading providers of high-end inspection systems.

2008 Now even closer to our customers: We reinforce our international presence with the new Service business area and a global support team.

2011 Viscom expands its product range for wire bond inspection to include the S6056BO-V inline system. Bonds are used for interconnection in high-performance electronics. As safety is the highest priority, 100 % defect detection is extremely important.

2014 Viscom launches the S3088ultra 3D AOI System with high-performance sensors. Very fast indeed: With the XM 3D camera module, it includes one of the fastest AOI camera systems on the market.

2017 Award-winning technologies: Our 3D X-ray inspection system takes quality assurance in electronics manufacturing to an entirely new level. Thanks to its outstanding image quality and high throughput with xFastFlow handling, Viscom's inline solution wins multiple international awards.

2018 Co-founder Dr. Martin Heuser and Chief Financial Officer Dirk Schwingel are joined on Viscom's executive management team by Carsten Salewski as the new Head of Sales and Peter Krippner as the new Head of Operations. Together, they pursue a path that has distinguished our company ever since it was established: continuity, solid growth and entrepreneurial responsibility. Co-founder Volker Pape becomes a member of the Supervisory Board.

2019 We present two excellent innovations simultaneously: With the X8068 SL system, we offer an innovative X-ray solution that is specially designed for the fully automatic inspection of large and heavy objects on workplace carriers. This allows us to provide optimal coverage for manufacturing sectors such as electric mobility and renewable energy. Meanwhile, the high-performance S3016 ultra can quickly and precisely inspect PCBs from below thanks to its unique camera technology. The system is characterised by its user-friendly 3D capabilities.

FUTURE VISIONS.

MADE IN GERMANY. MADE BY VISCOM.

Viscom calls its headquarters in Hanover home – but its sphere of activity extends far beyond the city, covering a number of international sites. Around 500 employees dedicate their expertise and passion to creating innovative inspection systems.

Viscom's partners include renowned companies from the automotive, consumer electronics, telecommunications and industrial electronics industries for whom absolute reliability, pioneering inspection technologies and collaborative partnership are extremely important.

Everything from a single source: another factor in our success

We develop, manufacture and sell top-of-the-line inspection systems for our partners – equipped with outstanding camera technology and high-speed sensor systems that we produce ourselves. The software for intelligent inline systems communication is also developed under Viscom's roof. Hardware and software from a single source as well as in-house production – that is our trademark. Our products are manufactured exclusively at our Hanover site – "made in Germany".

Excellent opportunities in a growing market

We are extremely well positioned, and not only for the present. Our company operates in an international market that is undergoing rapid growth thanks to vehicle connectivity, autonomous driving and electric mobility, as well as digitalisation and artificial intelligence. We have been shaping progress with our pioneering spirit for more than three decades. This benefits our current and future partners, who count on high-performance, reliable inspection solutions to ensure maximum quality assurance and extremely efficient production.

In light of the expected momentum of the global market for electricity storage technologies, Viscom has expanded its wide range of offline and inline X-ray systems to include a further innovation: Developed specifically for the most sophisticated high-performance electronics and components for e-mobility and renewable energy, our new X8068 SL inline system enables fully automated inspections of large and solid inspection objects, for example.

Viscom has already showcased a new milestone in fast, high-precision inline X-ray inspection with the X7056-II system, which has won multiple international awards for its innovative machine design. Offering the fastest complete inline inspection and the outstanding advantages of combined 3D AXI and 3D AOI quality inspection in a single system, this X-ray solution is establishing itself as the new standard – both as a combined system and as an X-ray-only machine – in state-of-the-art SMT lines around the world.

Viscom's many years of development expertise in the area of 3D AOI have led to a very special innovation: the new S3016 ultra, a bottom-up system that guarantees the outstanding, high-throughput 3D inspection from below of THT joints and pressfit connections for the first time.

Viscom now also offers a unique range of sensor technology for the new S3088 DT system, which is designed for maximum efficiency dual-lane operation in series production. The system configuration is extremely flexible to facilitate a wide range of fully automatic inspections, including 3D AOI, 3D SPI, CCI and UFI. In turn, this ensures optimal inspection quality and maximum throughput in placement, solder joint, solder paste, conformal coating and underfill inspection.

To meet the most demanding smart factory requirements, Viscom offers open interfaces and in-house software solutions for the optimal integration of its advanced inspection systems into Industry 4.0 process lines. With regard to smart maintenance and traceability in particular, Viscom offers intelligent concepts that prevent defects right from the start, significantly increase production efficiency and elevate inspection system performance to the highest level. Viscom is also presenting a trailblazing software concept utilising artificial intelligence for optimised, absolutely reliable verification.

As a provider of trailblazing inspection technologies, we work closely with our customers, as their satisfaction is hugely important to us. We have enjoyed decades of successful partnership with many of our customers – for a sound investment for the future.

PRODUCT PORTFOLIO.

IMPRESSIVE TEAMWORK RIGHT DOWN THE LINE.

Our wide range of inspection systems encompasses solder paste inspection (SPI), automatic optical inspection (AOI), automatic and manual X-ray inspection (AXI / MXI) and coating and wire bond inspection. Viscom harnesses the benefits of 3D technology – for a realistic 360-degree view of solder joints and components as well as clear X-ray images for inspecting extremely complex electronics. The fully automated processes and interfaces are designed so that our inspection systems communicate perfectly with machines, line monitoring systems and production control systems. This enables Viscom to meet even the toughest cycle time requirements and ensures highly efficient production processes – right down the line.

Trailblazing vVision software platform for optimal inspection results

To handle frequent product changes at top speed, inspection patterns can be quickly generated in a user-friendly manner – and further optimised using verification image data. High-resolution colour images show the inspection results at a glance in an impressively realistic presentation. Process, production and quality data can be seamlessly traced.

Solder paste inspection | 3D SPI

Higher throughput, lower costs: our 3D SPI system for solder paste inspection detects incorrectly printed pads quickly and reliably, and offers much more as well. Analysis of 3D measurement data and the linkage of the results to the paste printer, pick-and-place machine as well as AOI and X-ray inspection systems ensure efficient, effective process control. Moreover, Quality Uplink by Viscom reveals areas where there is room for improvement. Thus, electronics manufacturers can enhance the quality of their end products on a lasting basis.

Conformal coating inspection | CCI

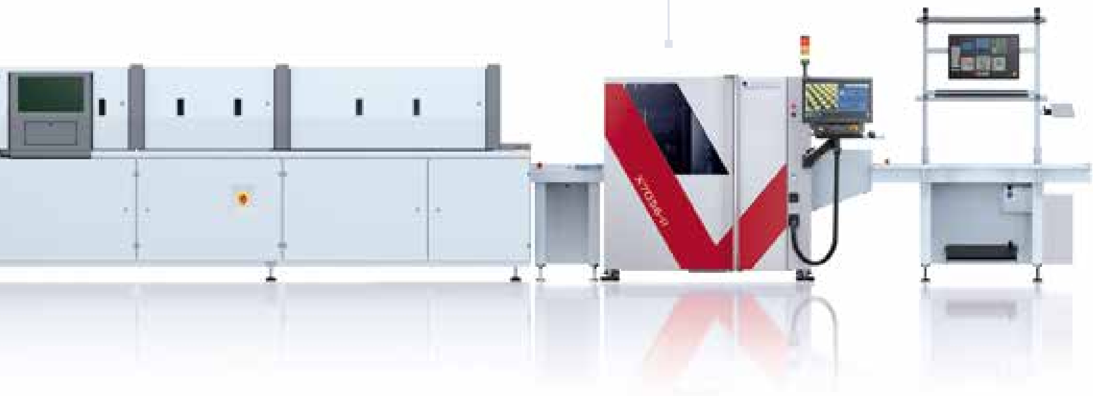
Flexible algorithms enable rapid adaptation of our conformal coating inspection systems to various coatings. Typical defects such as soiling and coating-free areas are reliably detected. Layer thickness measurements and inspection of wet coatings, plasma andother nano-coatings are also possible.

Automatic optical inspection | 3D AOI

User-friendly operation, first-class image quality, very simple verification: our high-end inspection systems for the inspection of assemblies and solder joints offer extreme inspection speed and the highest image quality, both for SMD inspections (pre- and post-reflow) as well as for THT and LED inspection. Viscom's 3D AOI systems feature state-of-the-art sensor technology with up to nine cameras. The result is shadow-free 3D inspection via 360° views that are true to the original. Our product range also includes desktop systems for manual inspection tasks such as random sampling.

Inline X-ray | 3D AXI (3D AOI/AXI)

The task of our modern inline X-ray systems is to optimally unite reliable quality control with fast assembly handling. Our AXI range meets this requirement exceptionally well. For concealed components and hidden solder joints, Viscom's systems provide the ideal solution. Our inline X-ray system can be extended within its housing to include automated optical inspection. Use of the xFastFlow handling module minimizes the time required for automatic PCB change. With the help of planar computer tomography, clear vertical and horizontal image slices can be extracted from the volume data. This enables us to inspect not only component interiors, but solder joints as well, in order to detect disruptive voids reliably.



Verification station

Verification plays an important role in quality assurance. Our user-friendly vVerify software is an excellent tool for the unambiguous classification of test results. It consolidates all the information so that electronics manufacturers can make the right decisions fast and safely. They can select and display the inspection results in accordance with their own criteria. This makes verification easy and convenient, and improves process efficiency and quality.

Wire bond inspection | Bond

Whether ribbon, thick wire or thin wire, whether made of copper, aluminum or gold, Viscom has the right inspection system for every wire bond inspection. High-quality optical sensors guarantee excellent image quality and high-detail resolution.

Manual X-ray | 3D MXI

Electronics manufacturers count on the brilliant X-ray image quality from Viscom for manual X-ray inspection of prototypes or random samples. An extensive array of software features make our manual X-ray inspection systems a reliable test method for small series inspection. The microfocus transmission tube ensures high image quality and depth of detail. Sample handling is very flexible thanks to the selection of universal, interchangeable modules. The system can be upgraded with Viscom's proprietary computed tomography.

SUSTAINABILITY.

WE PUT OUR ENERGY INTO GREATER EFFICIENCY.

Environmental protection, quality management and occupational safety have always been key aspects of Viscom's company policy. As a future-oriented company, we advocate for sustainability and take responsibility for society and the environment.

Since 2014, Viscom has been a member of the Blue Competence sustainability initiative of the German Mechanical Engineering Industry Association (VDMA). Sponsors and participants of the initiative believe that a responsible approach to natural resources and social responsibility are key aspects of a company's activity. They express this through sustainable products and production and management processes. Continuous improvement forms the basis for the enhancement of sustainable solutions.

A motivating work environment provides the foundations for satisfied and committed employees. We place great value on helping our employees to achieve a healthy work-life balance. Among other things, this is enabled through reliable working conditions such as equal treatment, occupational health and safety, flexible working time models, and childcare at our own company crèche, Vikis. Joint activities, opportunities for personal development and a licence to think are key elements of our corporate culture. This works and ultimately pays off for everyone, making the sense of togetherness at Viscom tangible.

The long-term economic success of an innovative high-tech mechanical engineering company depends to a large extent on qualified staff. This is why we offer our employees comprehensive training and further education opportunities, both internally and externally. We comply with the relevant laws and regulations in Germany and the countries in which our subsidiaries are based. Within the Group, we maintain an open, trust-based dialogue between the Executive Board, the managing directors of the subsidiaries, employees and the Works Council.

When developing new products and manufacturing our systems, we make a point of minimising the negative consequences for the environment and the climate by handling the resources used in a responsible manner.

Viscom's inspection systems are synonymous with innovation and quality. We offer our customers technological high-end products with energy-efficient solutions. We have made it our goal to increase energy efficiency in the manufacture and processing of electronic products. On the one hand, our systems detect defects as early as possible. This is the only way to prevent rejects in production as well as defective end products that become electronic waste. On the other hand, our systems enable electronics manufacturers to analyse their production processes and improve them on a lasting basis. This allows them to save energy, lower costs and help protect the environment. When designing our inspection systems, we focus on high energy efficiency right from the start. Efficient control and lighting technology as well as optimised system servers are used to achieve maximum efficiency levels.

Viscom is growing sustainably. All of our new buildings and modernisation projects at our Hanover site are based on innovative environmental concepts. In 2019, we generated around 170,000 kWh of solar power.

Confidently pass energy audits

Support climate goals

Maximum energy efficiency

GROUP MANAGEMENT REPORT AND IFRS CONSOLIDATED FINANCIAL STATEMENT 2019

GROUP MANAGEMENT REPORT 2019
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 Court of Registration 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 as at 31 December 2019. 6.50 % 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 2019, 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 2019.

The Executive Board of Viscom AG had four members as at 31 December 2019:

Carsten Salewski: Sales
Peter Krippner: Operations
Dr. Martin Heuser: Development
Dirk Schwingel: Finance

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

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

Segments and key locations

Viscom develops, manufactures and sells high-quality automated inspection systems for use in industrial production. The company's business activities are broken down on the basis of work required for the project-specific adaptation of standard components and systems, 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. All central functions, such as business administration, development, production, service and sales management, are based here.

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 in-house 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 framework with a material effect on Viscom AG's business in the 2019 financial year. Viscom AG experienced waning global economic growth in the past financial year. The much weaker industrial production, primarily in the automotive sector, was indicative of lower volumes and especially margins in 2019 – including for the Viscom Group. For details of the development of economic framework conditions in the 2019 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 that 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 2019. The company publishes quarterly and half-yearly consolidated financial reports in accordance with IFRS.

Research and development

Development activities mainly focus on the ongoing 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 systems.

Viscom works continuously on developing new and improving existing products. In terms of series products for automated optical inspection (AOI), in 2018 and 2019 this included the global, successful market launch of the 3D-AOI S3016 ultra inline system. The S3016 ultra allows the automated 3D inspection of selective solder joints from below. Electronic components are normally mounted from above with SMD (surface mount devices) and also checked from above with AOI. 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. The S3016 ultra covers this segment. On the basis of high-quality, proprietary 3D sensor technology and Viscom's own reconstruction and analysis algorithms, even the smallest deviations from the desired geometry of the wire and the solder joint can be detected. Among other things, the high quality of 3D inspection led to success in a tender by one of the biggest automotive suppliers: Viscom is the exclusive global partner to supply 3D inspection systems for selective solder joints for five years.

In the field of classic AOI solder joint inspection of assemblies, the components being inspected are getting smaller and smaller. The optical resolution of image capture has to be increased to guarantee consistently high inspection quality. This is done using internally developed cameras with a very high number of pixels. This allows a large image field with high throughput despite high optical resolution with many pixels per unit area. Viscom has developed a corresponding frame grabber for the full parallelisation of the associated image capture and real-time processing to produce a 3D reconstruction. The 3D sensor technology therefore enables 3D reconstruction with a lateral resolution of 10 µm from eight directions at an image field size of more than 50 x 50 mm. This ensures that Viscom will be able to satisfy rising customer requirements in terms of accuracy and throughput in the AOI segment.

The X7056-II system has been Viscom's standard for automated X-ray inspection (AXI) since 2019. There are various options for increasing throughput or inspection quality. The option for combined optical and X-ray inspection is interesting for a number of customers: After the optical inspection in the front of the system, hidden solder joints in the back of the system are inspected by X-ray, while the front of the next assembly is already being inspected at the same time. The vast majority of Viscom's existing customers made the transition to the X7056-II in 2019.

There has also been a sharp increase in the importance of planar computed tomography (CT), whereby several images of a component are taken from different views. The X-ray detector moves on a circular path, as does the assembly placed between the detector and the X-ray tube. As with medical X-ray diagnostics, this allows a 3D reconstruction and tomographic analysis of the components and solder joints. This option offers the advantage that it is possible to inspect not just the top side of the assembly, but also the components on the bottom in one pass. This is often needed outside the automotive market, where assemblies are less standardised and so the inspection systems have to be more flexible. Thus, this technology also improves Viscom's services for markets such as 5G and electromobility.

Given the large number of images captured for planar CT, ensuring a high throughput coupled with high tomography quality is a growing challenge. Viscom is developing an approach to double throughput while enhancing tomography quality even more compared to current standards. This approach is to be used on the market before the end of 2020.

The X7056-II EP (Energy Storage Inspection Products) inspection system is a variant of the X7056-II for inspecting battery cells. The number of systems ordered for inspecting button cells alone was already in double digits in 2019. These systems achieve higher resolution, and hence accuracy, allowing measurement tasks to also be performed for distances between anodes and cathodes. A growing number of customers want to check compliance with defined tolerances in order to prevent short circuits in battery cells.

A key area of development work in 2020 will be to implement these button cell inspection solutions for other types of battery cell. Development work will focus on imaging and the handling of battery cells, both of which have an impact on the electromechanical design of the inspection system. Round cells are rod-shaped cells that are considerably longer than button cells and that have a bigger diameter. These formats are sometimes used in electric vehicles. In the production environment, these round cells are frequently handled upright, and so also have to be inspected upright in the inspection system. More powerful X-ray tubes are used because of the greater thicknesses of the material being inspected. Pouch cells are flat battery cells that are used in applications such as smartphones, notebooks and electric vehicles. Planar CT as described above is sometimes needed to perform anode/cathode measurement.

To allow us to cover these additional requirements flexibly, an AXI system kit has been developed allowing various system configurations for different types of battery cells to be created on a modular basis. Another development objective is to use this modular AXI system kit to meet specific electromobility market requirements as well. This often involves particularly heavy or particularly large assemblies. Accordingly, the new AXI system kit is aimed at covering a significantly larger range of assemblies in terms of dimensions and weights.

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 from the AOI sector were already 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. The VR sensor module has been part of Viscom's sensor technology portfolio since the end of 2019. The VR module provides camera images with an optical resolution of 2.25 µm/pixel. With an image field of more than 11 x 11 mm, the VR module combines high-precision measurement with a large image field.

The 3D measurement of wire bonds will be launched in 2020. Whereas the current 2D system assesses indirect characteristics, 3D technology can directly measure the loop behaviour of the bonds and hence provide even more conclusive information. It involves a new 3D technique that has already been successfully demonstrated to customers.

In software operations, the vVision software platform was made available for further applications in 2019. In addition to AOI and AXI, vVision can now also be used for solder paste inspection (SPI) and conformal coating inspection (CCI).

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.

Artificial intelligence and deep learning are other areas of software development. With regard to improving system operation, development prioritised support for operators in the verification of inspection results using artificial intelligence in 2019. 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. This user support was successfully tested with customers in 2019 and will be provided to further customers in 2020.

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 2019 by offering a number of internships and bachelor's and master's theses. This cooperation will continue in 2020 as well.

Expenditure for research and development amounted to 6.9 % of revenue (previous year: 6.9 %). Development costs totalling € 3,191 thousand were capitalised in the past financial year (previous year: € 2,952 thousand), resulting in a capitalisation ratio of around 72 % for 2019 (previous year: around 71 %). Capitalised development costs were written down in the amount of € 1,508 thousand (previous year: € 1,030 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.

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 cooled in 2019. In the advanced economies especially, this was reflected by weak industrial production and was accompanied by a decline in world trade. Geopolitical tension, above all the trade conflict between the US and China, weighed on the global economy.

Economic growth in the emerging and developing economies was more than twice as high as in the industrialised nations at 3.7 %. However, here too, almost every country fell short of its forecasts for 2019, particularly so in India, Mexico, Brazil and Saudi Arabia (compared to projections from January 2019). The structural transformation, including the slowdown in growth, continued in China, where economic growth amounted to 6.1 %. In the US as well, economic growth declined from 2.9 % in 2018 to 2.3 % in 2019.

The German economy continued its growth in 2019 for the tenth year in a row. However, the momentum of this growth slowed palpably. Gross domestic product (GDP) rose by 0.6 % in real terms in 2019, mainly supported by consumer spending buoyed by record employment. By contrast, corporate investment was more restrained in the face of enormous global uncertainty.

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 primarily used in the electronics industry. Producers of electronic components are the main customer segment, accounting for 75 % of revenue (previous year: 82 %). Some of these companies are involved in production for end consumers. However, the majority of Viscom's customers are suppliers for other companies that manufacture products such as electronic assemblies. These supplier parts are integrated into vehicles as end products such as motor controllers. The remaining 25 % of revenue (previous year: 18 %) 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 quality and, in particular, results in fewer rejects and hence higher levels of production efficiency. At the same time, electronics manufacturers from Asia in particular that were still seen as low-price suppliers just a few years ago are increasingly seeking to position themselves as premium suppliers.

Close, 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 48 % of its revenue with its five largest customers (previous year: around 53 %). A further 30 % of revenue was generated with 29 customers. The remaining revenue was generated with a total of 381 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 2019 compared to forecasts and the previous year

Performance indicator		Forecast for 2019 (as at 31 December 2018)	Forecast for 2019 (as at 30 July 2019)*	Actual figure for 2019	Actual figure for 2018
Revenue	€ million	94.0 to 100.0	85.0 to 94.0	88.6	93.6
Incoming orders	€ million	94.0 to 100.0	85.0 to 94.0	79.5	98.8
EBIT	€ million	9.4 to 13.0	4.3 to 8.5	4.0	10.9
EBIT-Margin	%	10.0 to 13.0	5.0 to 9.0	4.5	11.7

* The forecast was adjusted by the Executive Board of Viscom AG on 30 July 2019 on the basis of its business performance and slowing global economic growth.

As a result of the adoption of IFRS 16, nearly all leases will be recognised from 1 January 2019, which will have a significant impact on some aspects of the presentation of the financial position and financial performance of the Group (see also the notes from page 75 et seq.).

Results of operations

Incoming orders / order backlog

At € 79,525 thousand, incoming orders in the 2019 financial year were down on the prior-year level (previous year: € 98,750 thousand). In particular, this decline of 19.5 % resulted from lower order volumes from major existing customers in addition to the slowdown in global economic growth and industrial production. The order backlog was € 15,939 thousand as at the end of the year, a decline of around 36.2 % as against the previous year (€ 24,970 thousand).

Revenue development

Revenue amounted to € 88,556 thousand in the year under review (previous year: € 93,557 thousand), a year-on-year decline of 5.3 %. At € 19,715 thousand, revenue was up 17.5 % as against the previous year in the first quarter of 2019 (€ 16,778 thousand). This was thanks to the good order backlog as at the start of 2019. In the second quarter of 2019, Viscom generated revenue of € 22,680 thousand (previous year: € 26,114 thousand), a drop of 13.2 % as against the previous year. Consolidated revenue in the third quarter of 2019 fell by 17.3 % year-on-year to € 18,314 thousand (previous year: € 22,140 thousand). Revenue amounted to € 27,847 thousand in the final quarter of 2019 (previous year: € 28,525 thousand), down 2.4 % on the figure for the previous year. The drop in revenue was caused by lower system sales, in particular for the S3088 and S6056 system types.

Operating profit (EBIT)

Operating profit declined by 63.3 % or € 6,927 thousand year-on-year to € 4,017 thousand (before IFRS 16: € 3,890 thousand; previous year: € 10,944 thousand). The main reasons for the change from the previous year were the low total operating revenue (total operating revenue defined as revenue plus the change in finished goods and work in progress and own work capitalised), higher staff costs and write-downs on inventories.

In the 2019 financial year, revenue declined by € 5,001 thousand from € 93,557 thousand as at 31 December 2018 to € 88,556 thousand as at 31 December 2019. At the same time, the difference from the change in finished goods and work in progress amounted to € -7,118 thousand, which had a negative impact on the company's total operating revenue in particular. Other own work capitalised was € 239 thousand higher than the previous year's figure. Total operating revenue therefore declined by € 11,880 thousand. Offsetting this, the cost of materials decreased by € 6,739 thousand to € 34,434 thousand (previous year: € 41,173 thousand). The cost of materials included the effects of write-downs on inventories of € 310 thousand (previous year: € -42 thousand) and changes in inventories of € 557 thousand (previous year: € 118 thousand). Staff costs climbed by € 1,600 thousand from € 33,482 thousand in the previous year to € 35,082 thousand. By contrast, the changes in other operating expenses and income and depreciation and amortisation of € 186 thousand in total (before IFRS 16: € 59 thousand) had a positive effect on profit and loss.

At a lower intensity, the effects described above also caused the 57.3 % deviation from planning in the result from operating activities. In particular, this deviation was caused by significantly lower total operating revenue. The result of operating activities was down € 5,383 thousand on the figure originally forecast for 2019 of € 9,400 thousand. The deviation from the adjusted forecast figure of 6.6 % was caused by remeasurement effects in various items of the statement of financial position. The result of operating activities was down € 283 thousand on the adjusted figure forecast for 2019 of € 4,300 thousand.

EBIT-Margin

The above effects on the result of operating activities, in particular the drop in total operating revenue combined with higher staff costs, caused the EBIT-Margin for the 2019 financial year to decline to 4.5 % (before IFRS 16: 4.4 %; previous year: 11.7 %).

Net profit for the period

Net profit for the period fell from € 7,814 thousand in the previous year to € 3,101 thousand (before IFRS 16: € 3,133 thousand). The effects discussed under operating profit above also had an impact on net profit for the period. At 23.8 %, the tax rate was below the previous year's level of 28.6 % as a result of refunds for previous years.

The pre-tax return on sales was 4.6 % (before IFRS 16: 4.6 %; previous year: 11.7 %).

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 to buy back shares in 2019.

Based on 8,885,060 shares, earnings per share for the 2019 financial year amounted to € 0.35 (before IFRS 16: € 0.35) (basic and diluted). Earnings per share amounted to € 0.88 in the previous year.

The distribution of a dividend of € 0.05 per participating share will be proposed to the Annual General Meeting on 9 June 2020. In view of the financial outlook and the extraordinary crisis situation in the current year, the proposal to pay a considerably reduced dividend and to carry forward the remaining amount reflects the focus on preserving liquidity. This does not affect the Group's fundamental dividend policy of distributing at least 50 % of consolidated net profit generated.

Financial result

The financial result was slightly higher than the previous year's level at € 50 thousand in 2019 (before IFRS 16: € 208 thousand; previous year: € 3 thousand). The financial expenses were as a result of interest expenses for utilised overdraft facilities, a long-term loan and lease liabilities. Finance income essentially resulted from prior-period interest income on tax refunds.

Exchange rate effects

Viscom is exposed to exchange rate risks as it operates internationally. 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 8 % of total revenue was subject to direct exchange rate effects (previous year: around 7 %). Currency translation differences had an effect on earnings of € -50 thousand in 2019 (previous year: € 137 thousand).

Employees

The total number of employees increased to 485 over the course of the year (previous year: 480). The increase in headcount mainly related to industrial operations (Production).

16 employees were in training as at the end of the year (31 December 2019).

The following table shows the number of Viscom employees as at 31 December 2019.

	Europe	Americas	Asia	Total
Total	**397**	**19**	**69**	**485**
of which full-time	359	19	69	**447**
of which part-time	38	0	0	**38**
plus: Trainees	**16**	**0**	**0**	**16**

An average of 484 employees (not including trainees) worked for the Group in the 2019 financial year. 174 of these are classified as commercial employees (Sales, Development and Administration), while 310 are classified as industrial employees (Production, Logistics, Projects and Service).

Regional developments

Europe

Europe was by far the strongest regional market, accounting for around 64 % of the Viscom Group's revenue. The propensity to invest among Viscom's customers on its home market of Germany can be described as consistently high. Germany therefore continued to be an important sales market for Viscom in 2019.

Revenue in Germany amounted to € 29,233 thousand, up around 6 % on the prior-year figure of € 27,689 thousand.

In the rest of Europe, revenue fell by around 5 % year-on-year to € 27,335 thousand (previous year: € 28,800 thousand).

These developments in Germany and the rest of Europe caused segment revenue to remain stable year-on-year at € 56,568 thousand (previous year: € 56,489 thousand). In particular, the decline in total operating revenue coupled with higher staff costs resulted in segment earnings falling by around 62 % to € 3,075 thousand (before IFRS 16: € 2,963 thousand; previous year: € 8,081 thousand).

Americas

In the Americas region, there was good demand in Mexico, the US and Canada in the 2019 financial year. The automotive supply industry was defined by fluctuating investment propensity, while demand from Viscom customers remained high in other sectors.

As a result, revenue in the Americas region was up by around 24 % year-on-year at € 13,311 thousand (€ 10,771 thousand).

At € 350 thousand, segment earnings were around 49 % lower than in the previous year (before IFRS 16: € 343 thousand; € 689 thousand).

Asia

Thanks to intensive sales activities, Viscom reported a double-digit number of new customers and maintained its market share with X7056 systems in the 2019 financial year. In particular, the new customers include a number of companies of regional or local customers from the mobile communications and electromobility segments. By contrast, national customers were hesitant to proceed with previously announced investments or shifted some orders to other regions. System business especially, and in particular X-ray operations, suffered under increased competitive and margin pressure.

Revenue in this region declined by around 29 %, from € 26,297 thousand in 2018 to € 18,677 thousand in 2019. At € 573 thousand, segment earnings were lower than in the previous year (before IFRS 16: € 565 thousand; € 2,385 thousand).

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 2019 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 system 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 declined by around 8 %, from € 65,029 thousand in 2018 to € 60,041 thousand in the 2019 financial year. Revenue in the "Special optical and X-ray inspection systems" product group remained stable year-on-year at € 14,309 thousand (previous year: € 14,790 thousand). Revenue for the "Service" product group rose by around 3 % to € 14,206 thousand (previous year: € 13,738 thousand).

Financial position

Capital structure / liquidity

Viscom was able to generate the required liquidity largely from its own funds in the 2019 financial year. As at 31 December 2019, overdrafts in the form of available credit facilities in the amount of € 2,883 thousand were utilised (previous year: € 3,383 thousand). Viscom is taking advantage of the low interest rate environment to refinance outstanding liabilities in its operating business. Taking into account cash and cash equivalents of € 3,922 thousand (previous year: € 5,740 thousand), the company had positive net bank balances of € 1,039 thousand as at the end of the reporting period (previous year: € 2,357 thousand). In addition, a long-term bank loan of € 2,000 thousand was borrowed for investment purposes in the second quarter of 2019. Following monthly repayments, the loan amounted to € 1,842 thousand as at 31 December 2019. The subsidiaries did not require any loans. At 65.7 % (before IFRS 16: 73.9 %), the consolidated equity ratio was lower than the figure for the previous year as a result of higher total assets (previous year: 72.5 %).

Investments

Investments in property, plant, and equipment and intangible assets totalled € 5,536 thousand in 2019 (before IFRS 16: € 3,898 thousand; previous year: € 5,200 thousand).

At € 3,191 thousand (previous year: € 2,952 thousand), most of the capital expenditure related to capitalised development costs, vehicles (€ 1,011 thousand; previous year: € 0 thousand), land and buildings (€ 598 thousand; previous year: € 671 thousand) and operating and office equipment (€ 504 thousand; previous year: € 767 thousand). € 232 thousand (previous year: € 810 thousand) was accounted for by advance payments and construction in progress, advance payments on intangible assets, software, technical equipment and machinery and leasehold improvements. This items included total right-of-use assets in accordance with IFRS 16 of € 1,638 thousand.

The Europe segment accounted for € 5,427 thousand of capital expenditure (previous year: € 5,091 thousand), the Americas segment for € 20 thousand (previous year: € 20 thousand) and the Asia segment for € 89 thousand (previous year: € 89 thousand).

At € 3,753 thousand, capital expenditure in the year under review essentially related to the product-specific segment "Optical and X-ray series inspection systems" (previous year: € 3,614 thousand).

Cash and cash equivalents / cash flow

Cash funds, consisting of cash and cash equivalents (€ 3,922 thousand; previous year: € 5,740 thousand) and short-term overdrafts (€ 2,883 thousand; previous year: € 3,383 thousand), amounted to € 1,039 thousand as at 31 December 2019, down as against the previous year (€ 2,357 thousand).

The cash flow from:

- operating activities amounted to € 7,302 thousand (before IFRS 16: € 4,821 thousand; previous year: € 1,232 thousand). The increase mainly related to the significant reduction in inventories, receivables and other assets, and includes a significant effect from IFRS 16.

- investing activities amounted to € -3,587 thousand (before IFRS 16: € -3,587 thousand; previous year: € -5,076 thousand), predominantly due to capitalised development costs.

- financing activities totalled € -5,067 thousand (before IFRS 16: € -2,618 thousand; previous year: € -5,422 thousand), in particular as a result of the distribution of dividends for the 2018 financial year, the borrowing of a loan and the repayment of loans and lease liabilities.

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

In particular, a lower net profit in the 2019 financial year and the dividend distribution for the 2018 financial year led to a decline in cash funds. Inventories were lower year-on-year as at the end of the year as a result of decline in raw materials and supplies, assemblies and completed and partially completed systems. Intangible assets were also up, essentially as a result of capitalised development costs, while property, plant and equipment predominantly the adoption of IFRS 16. Overall, this meant that total assets increased from € 81,803 thousand as at 31 December 2018 to € 89,048 thousand as at 31 December 2019 (before IFRS 16: € 79,162 thousand).

Current liabilities rose as against the previous year, in particular as a result of the decrease in trade payables and income tax liabilities. Non-current liabilities increased as against the previous year, in particular as a result of a long-term loans and non-current lease liabilities.

Non-current assets

Within non-current assets, intangible assets essentially comprise capitalised development costs. Intangible assets increased from € 10,915 thousand in the previous year to € 12,544 thousand. At € 9,857 thousand, the significant increase in property, plant and equipment from € 3,013 thousand to € 12,778 thousand mainly resulted from the adoption of IFRS 16.

Receivables

Trade receivables were stable year-on-year at € 27,663 thousand thanks to another strong revenue performance towards the end of 2019 (previous year: € 27,315 thousand). Impairment on trade receivables totalled € 955 thousand (previous year: € 971 thousand). Impairment losses were higher at Viscom AG, but fell to the same extent at the branches.

In total, receivables past due declined by 7.3 % year-on-year to € 8,570 thousand (previous year: € 9,242 thousand). However, most of the receivables past due are short-term in nature. Around 5 % (previous year: around 4 %) 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 3.4 % in the previous year to 3.3 %.

Inventories

The carrying amount of inventories was € 29,131 thousand as at the end of the financial year (previous year: € 31,432 thousand). This net inventory figure included impairment losses on rental and demonstration machines in the amount of € 6,675 thousand (previous year: € 6,067 thousand) and impairment losses for extended inventory coverage of € 5,930 thousand (previous year: € 5,671 thousand). This meant that net inventories decreased by € 2,301 thousand as against the previous year, while gross inventories were down by € 1,434 thousand. The drop in inventories was caused by the reduction in completed systems due to strong demand as at the end of the year.

Liabilities

Trade payables were down significantly year-on-year at € 2,856 thousand as at the end of the year (previous year: € 4,403 thousand).

Equity

Total equity plus reserves fell from € 59,298 thousand in the previous year to € 58,499 thousand in 2019. This change was due to the net profit for the period and the dividend distribution for the 2018 financial year. At 65.7 %, the equity ratio was lower than the figure as at 31 December 2018 (72.5 %; before IFRS 16: 73.9 %) due to the distribution and the increase in total assets as a result of the adoption of IFRS 16.

Key figures on the Group's net assets, financial position and results of operations	2019 K€	2018 K€
Tier 1 liquidity (cash and cash equivalents less current liabilities and provisions)	**-12,982**	**-12,919**
Tier 2 liquidity (tier 1 liquidity plus receivables and other assets less non-current liabilities)	**6,958**	**16,239**
Tier 3 liquidity (tier 2 liquidity plus inventories)	**36,089**	**47,671**
Current assets		
Cash and cash equivalents	3,922	5,740
Receivables and other assets	29,704	29,873
Inventories	29,131	31,432
	62,757	**67,045**
Liabilities and provisions		
Current liabilities and provisions	16,904	18,659
Non-current liabilities and provisions	9,764	715
	26,668	**19,374**
Cash flow		
Net profit for the period after taxes	3,101	7,814
+ Depreciation and amortisation expense	5,003	1,976
	8,104	**9,790**
Return on equity		
Net profit for the period / shareholders' equity	5.3 %	13.2 %
Return on investment (ROI)		
Net profit for the period / total assets	3.5 %	9.6 %
Return on revenue		
EBT / revenue	4.6 %	11.7 %
Return on capital employed (ROCE)		
EBIT / (total assets - cash and cash equivalents - current liabilities and provisions)	5.9 %	19.1 %
Net debt		
Liabilities and provisions (-)	-26,668	-19,374
+ Cash and cash equivalents	3,922	5,740
+ Receivables and other assets	29,704	29,873
= Net debt	6,958	16,239
Working capital		
Current assets - current liabilities and provisions	45,853	48,386
Equity ratio		
Shareholders' equity / total assets	65.7 %	72.5 %

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 RISKS AND OPPORTUNITIES

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 2020.

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 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.

Viscom is exposed to various risks as a global group. 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 two thirds of Viscom's customer base comes directly or indirectly from the automotive and 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 48 % of its revenue with its five largest customers in the 2019 financial year (previous year: around 53 %), 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. forward exchange transactions, were not used in 2019 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 8 % of total revenue was subject to direct exchange rate effects (previous year: around 7 %).

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. As a result of the direct and indirect impact of the corona crisis, the loss of suppliers cannot be excluded.

Liquidity risk

There is additional potential for financing in the form of unutilised credit facilities and cash and cash equivalents. With its solid balance sheet structure, the Viscom Group is able to secure financing for the 2020 financial year from own funds and the potential use of loans. A long-term bank loan of € 2,000 thousand was taken up for investment purposes in the 2019 financial year. Viscom reserves the right to use further 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.

As a result of the direct and indirect impact of the corona crisis, defaults cannot be excluded.

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.

General risks from the export of goods

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

Assessment of individual risks:

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 2020 financial year.

There were no material litigation risks as at 31 December 2019.

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	Medium	Possible
Liquidity risk	Medium	Possible
Default risk	Medium	Possible
Trademark and patent risk	Low	Improbable
Technological competitive risk	Low	Improbable
Taxation risks	Medium	Possible
General risks from the export of goods	Medium	Possible

FORECAST 2020

Economic conditions

Alongside the long-existing tangible negative effects – trade conflicts, global economic weakness, the structural change in automobile construction – there is now the corona virus with its unforeseeable repercussions for the general economy. The corona virus has been spreading around the world since the start of 2020. On 30 January 2020, the World Health Organisation declared the pandemic a Public Health Emergency of International Concern. The spread of the corona virus is a huge set back for economic prospects. Even on the assumption that the situation eases in the second half of the year, and business improves, it will no longer be possible to make up the production losses this year, states the German Mechanical Engineering Industry Association (VDMA). According to the ZEW Financial Market Report, the estimates on development in the most important export-intensive sectors are suffering a particularly strong decline. Vehicle construction is impacted most.

In its spring forecast the ifo Institute anticipates that 2020 will be a year of recession. Gross domestic product (GDP) in Germany will contract by 1.5 percent – if the economic logjam lasts until the end of April and business is then successively ramped up from the beginning of May. This was the positive scenario. If the stillstand in the economy lasts longer the the pandemic continues, then the ifo Institute anticipates that GDP will shrink by 6 percent. In this case, the slump would be as bad as after the financial crisis in 2009. On the other hand, the Essen-based Leibniz Institute for Economic Research (RWI) has a more optimistic view. It expects contraction of only 0.8 percent in the current year. It anticipates that the economy will pick up speed as early as the second half of the year. What is more, in 2021 growth at 2.3 percent would be stronger than previously forecast (1.5 percent). The RWI is assuming that catch-up effects in relation to consumer and capital expenditure will accelerate growth as soon as the second half of 2020 and next year.

At the beginning of March 2020, the Organisation for Economic Co-operation and Development (OECD) reduced its growth forecasts for the current year due to the corona virus pandemic. In a favourable scenario it forecasts world economic growth 0.5 percentage points lower than previously. However, if the pandemic spreads more strongly across Europe and North America, the OECD considers that growth could be halved in comparison to 2019. The Organisation reduced its forecasts most for China, Japan and Australia. In the favourable scenario Germany is hardly impacted at all. "Growth prospects remain highly uncertain," writes the OECD. In the favourable scenario, the OECD projects growth of 2.4 (previously: 2.9) percent. However, it assumes that part of the growth will be recovered in 2021, as it anticipates 3.3 (3.0) percent growth for next year. „On the assumption that the epidemic peaks in China in the first quarter of 2020 and outbreaks in other countries prove mild and contained, global growth could be lowered by around ½ percentage point this year relative to that expected in the November 2019 Economic Outlook," the report states. According to OECD, it is China, where the pandemic started, that is most impacted, as well as Japan and Australia, although the OECD states that these countries could partially catch up on the lost growth.

For China the OECD forecasts GDP growth for 2020 of 4.9 (previously: 5.7) percent, followed by 6.4 (5.5) percent growth. For Japan growth of 0.2 (0.6) and 0.7 (0.7) percent is anticipated and for Australia 1.8 (2.3) and 2.6 (2.3) percent. India's growth forecasts have also been taken down considerably, but the OECD does not connect this with the corona virus.

For euro area growth, the OECE is forecasting 0.8 (1.1) and 1.2 (1.2) percent. For Germany, the OECD anticipates 0.3 percent (0.4) and 0.9 (0.9) percent growth, for France 0.9 (1.2) and 1.4 (1.2) percent and for Italy 0.0 (0.4) and 0.5 (0.5) percent.

In its 2020 spring forecast, the ifo Institute anticipates that the global economy will suffer considerably as a result of the corona crisis and that global gross domestic product will inch up by only 0.1 percent in the current year. Global trade is likely to be impacted strongly, with a decline of 1.7 percent. Should the pandemic intensify further, global economic performance will slump by 2.6 percent, particularly in the second quarter of 2020. According to the ifo Institute, Europe and the USA will also contribute to this negative effect. As a result of lower infection figures, activities in China are likely to move up again slightly. From the summer of 2020, it is anticipated that there will be a gradual catching-up process worldwide, with growth of close to 2 percent in the third quarter and 1.7 percent in the fourth quarter. For the euro area, the ifo Institute forecasts that gross domestic product will contract by 1.6 percent in 2020 and expand by 3.7 percent in 2021. According to the ifo Institute, gross domestic product in the USA will decline by 0.7 percent in 2020 and increase by 3.4 percent in 2021. For China, the ifo Institute forecasts a 3.7 percent upturn in gross domestic product, followed by 7.6 percent growth in 2021.

All the forecasts are based on the favourable scenario. However, the OECD also shows an adverse scenario. It provides a warning about what happens if "the impact of the coronavirus proves longer lasting and more intensive than assumed. In the event that outbreaks spread more widely in the Asia-Pacific region or the major advanced economies in the northern hemisphere, the adverse effects on global growth and trade will be much worse and more widespread." In this case it forecasts global economic growth of only 1 – 0.5 percent.

All OECD forecasts and estimates are subject to great uncertainty as the economic situation and development relating to the COVID-19 pandemic are changing on an ongoing basis and are thus very volatile.

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. It is not currently possible to assess the specific impact on Viscom's financial position or financial performance as a result of the ongoing corona pandemic. However, if infection rates decline, Viscom anticipates catch-up effects on the part of customers. For the first quarter of 2020, the Group anticipates volumes will be down year on year, with a slump expected for the second quarter. For the third and fourth quarters, Viscom is again anticipating higher incoming orders.

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

As described in detail above, the development of incoming orders and revenue in 2020 will largely depend on the overall economic situation, particularly in the automotive industry and the further development of the corona crisis. Viscom expects revenue and incoming orders of € 65 to € 80 million in 2020.

The EBIT-Margin for the 2020 financial year is likely to be between -7.7 % and +2.5 %, with EBIT of between € -5.0 million and € +2.0 million.

The Executive Board and the Supervisory Board of Viscom AG are continuing to work intensively on aligning the Viscom business model to the current situation on a profitable basis.

Financial position

Liquidity for the 2020 financial year will be ensured by the company's own funds and unutilised credit facilities. Any additional requirements or measures depend to a significant degree on the changing general conditions. If required, state support or aid packages will be examined and utilised.

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 DECLARATION AND CORPORATE GOVERNANCE REPORT

(part of the 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 oversight 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, according to section 161 of the German Stock Corporation Act (AktG), on 28 February 2020 and updated it on 30 March 2020. The Compliance Statement and the update have been published and are permanently accessible in the Investor Relations/Corporate Governance section of Viscom AG's website at www.viscom.com.

Wording of the 2020 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 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 of Executive Board remuneration is not essentially forward-looking, negative developments are not taken into account when determining variable remuneration components and there are only percentage-based caps on the amount of total remuneration and variable remuneration components rather than defined amounts (item 4.2.3(2) of the Code). Overall, the Executive Board and Supervisory Board are of the opinion that the variable remuneration components provide both a long-term and positive forward-looking incentive effect.
The long-term variable remuneration paid to the Executive Board of Viscom AG (Bonus II) is calculated on the basis of average EBIT for the last three years in conjunction with the achievement of a defined minimum average EBIT over the assessment period 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 severance cap in the event 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).

In the event of early termination of a member of the Executive Board 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.

In addition, this Compliance Statement was updated on 20 March 2020 as follows:

8. The consolidated financial statements and consolidated management report of Viscom AG as at 31 December 2019 will not be available within 90 days of the end of the financial year (Code item F.2 sentence 1)
Viscom AG announced that it will release its annual and consolidated financial statements as at 31 December 2019, as well as the management reports, on 24 March 2020. Due to current developments in the COVID-19 pandemic, the preparation and auditing of the annual and consolidated financial statements of Viscom AG and the management reports must be reviewed, in particular with regard to forecast reporting. The financial statement documents thus cannot currently be published within the period originally specified. Viscom AG will release its annual and consolidated financial statements and management reports within the statutory period, likely on 9 April 2020. The Executive Board and the Supervisory Board expect to be able to comply with the recommendation of the German Corporate Governance Code valid at that time again in future financial years.

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 regu-

larly 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), Peter Krippner (Operations), Martin Heuser (Development) and Dirk Schwingel (Finance). 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. By way of resolution dated 31 May 2017, the Executive Board of Viscom AG has set targets for the share of women in the two management levels below the Executive Board in accordance with section 76(4) AktG. After detailed discussion, an unchanged target was resolved of a 0 % share of women in the top national management level and 20 % for the management level below that. These targets must therefore be achieved by or maintained until 30 June 2020. The top two national management levels below Viscom AG's Executive Board have a total of 7 and 50 employees respectively. Currently 0 and 9 of these respectively are women. The share of women in the top two management levels below the Executive Board is therefore 0 % and 18 % respectively at this time. The target of 20 % was therefore not yet fully achieved. As at the current time, there have been insufficient numbers of women applying for the positions that have become vacant. In assessing this target, it should be noted that the gender balance in the study programmes that make up Viscom AG's primary field of operations – electrical engineering and information technology – is very one-sided. The Executive Board will continue its efforts to achieve this target moving ahead.

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 Chairman of the Supervisory Board on strategy, business planning and progress, the situation of the company, including its affiliated companies, the risk situation and risk management 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

The members of the Executive Board do not hold any other seats 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; first appointed: 30 May 2018), Volker Pape (Deputy Chairman; first appointed: 30 May 2018) and Prof. Dr. Ludger Overmeyer (first appointed: 27 May 2014).

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 2023 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(2) 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. The company's international activities should be taken into account in this skill's profile. Thus, the goal was set that at least one member of the Supervisory Board should have particular international experience, such as several years of professional experience in the management or executive bodies of other international companies. Furthermore, potential conflicts of interest should be avoided even in the nominations made by the Supervisory Board to the Annual General Meeting. To ensure a mixed age and personality structure, members of the Supervisory Board should not have reached the age of 70 at the time of their election (standard age limit) and members should not typically serve on the Supervisory Board for longer than two full terms (standard membership limit). Regardless of the size of the Supervisory Board, no more than two members of the Supervisory Board should be former members of the Executive Board or representatives of the majority shareholder. As part of the skills profile, an independent member should have specialist knowledge in the areas of accounting or auditing. Furthermore, in light of Viscom AG's high-tech orientation, the Supervisory Board should have at least one member who is a technical expert with knowledge and experience in the fields of electrical engineering or information technology in particular. As a whole, the supervisory body should cover as broad a range of experience and expertise relevant to the company as possible. Attention should be paid to diversity when filling vacancies that arise on 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 above specific objectives regarding its composition and the defined profile of skills and expertise for the entire Supervisory Board. As an independent member of the Super-visory 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 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 28 May 2019, 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 a member of the Supervisory Board since 28 May 2019. 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 being members of the Supervisory Board, they have no business or personal relationship with the company, its Executive Board or the controlling shareholder that could substantiate a material or even temporary conflict of interest.

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. However, the share of women at the first management level below the Executive Board is to be increased in the 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 2019 financial year, including one meeting for an efficiency review under exclusion of the Executive Board. This took place on 5 April 2019. The meeting was essentially conducted 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 members of the Supervisory Board, and between the Supervisory Board and the Executive Board.

The Chairwoman of the Supervisory Board or, in her absence, the Deputy Chairman, convenes meetings in writing with 14 days' notice. 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. This notwithstanding, the Supervisory Board regularly meets without the Executive 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.

Since the summer of 2019, there has been a consultancy relationship between the member of the Supervisory Board Prof. Dr. Michèle Morner and the company in the context of implementing a management development programme that goes beyond the scope of Prof. Dr. Michèle Morner's consulting and monitoring duties as a member of the Supervisory Board of the company, and that is therefore remunerated separately. The aim of this consulting is to further improve the professionalism in the areas of HR development and management, and the long-term promotion, development and succession of managers in the company as a whole with the help of Prof. Dr. Michèle Morner's comprehensive experience, expertise and teachings. Management principles and skills are to be defined and, on the basis of a potential analysis, a customised, systematic management development programme is to be established. The aim of this is to actively continue the development of individual managers and their management capabilities, as well as the management culture of the company as a whole. The consulting relationship is subject to arm's-length conditions. With Prof. Dr. Michèle Morner abstaining, on 14 June 2019 the Supervisory Board unanimously approved beginning her consulting activities with a kick-off event that was met with a large-scale, positive response from the participating employees. The continuation of these activities was approved on 6 December 2019.

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 2019 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. Prof. Dr. Ludger Overmeyer has been a member of the Supervisory Board of LPKF Laser & Electronics AG since June 2019. Volker Pape does not hold any other seats 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.

- Dirk Schwingel:
  8,500 shares held directly.

- Carsten Salewski:
  7,150 shares held directly.

- Peter Krippner:
  5,000 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; Dr. 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.

Diversity concept for the composition of the Executive Board and the Supervisory Board

As the composition of the Executive Board and Supervisory Board is based on diversity concepts as regards aspects such as age, gender, educational and professional background, international experience and other socio-economic issues and expertise, these must be described in the corporate governance declaration, as should the objectives of these diversity concepts, the way in which they are implemented and the results achieved in the financial year.

Please first refer to the above comments on the specific objectives for the composition of the Supervisory Board, the setting of a standard age limit and a limit on membership of the Supervisory Board, and the decisions on targets for the share of women. The objectives of the diversity concept for both the Executive Board and the Supervisory Board are as follows:

- **Educational and professional background – Technological expertise and commercial experience:** The members of the Executive Board and the Supervisory Board should have different educational and professional backgrounds. As a highly specialised technology company, it is crucial for Viscom AG that its Supervisory Board and Executive Board are qualified and experienced in the technical field. At the same time, given the size of the company, business administration and corporate organisation qualifications are significant. These two areas of expertise should be represented by at least one member on each of the boards.

On the Executive Board, these requirements are currently reflected by the fact that three out of four members of the Executive Board are graduate engineers and have years of professional experience in the technical field. The fourth member of the Executive Board supplements the requirement profile described above as a business graduate with years of professional experience as a commercial manager.

This diversity of expertise can also be found in the Supervisory Board. Prof. Dr. Overmeyer contributes outstanding technical expertise, which is supplemented by Prof. Dr. Morner's capabilities in the areas of business administration, corporate governance and HR. As a former member of the Executive Board of Viscom AG, Mr. Pape has both a technical background and experience of many years managing the company, and enhances the Super-visory Board's insight into its operational process.

- **Internationalism:** The composition of the Executive Board and the Supervisory Board should reflect a range of international experience. As an international corporation, experience of intercultural communication and internationally diverse business practices are a crucial advantage to Viscom AG. The company therefore promotes and welcome the international experience of its employees and managers, gathered both inside and outside the Group. International expertise, possibly acquired by heading a corporation with international ties, should be represented in both the Executive Board and the Supervisory Board.

In the interests of this objective, on the Executive Board, the company particularly welcomes Mr. Salewski's many years of experience managing the international business of the US subsidiary in Atlanta and the associated branches in California and Mexico, where he still maintains extensive international contacts today as the Chairman of the IPC SMEMA Council and a member of the Board of the German-American Chamber of Commerce in Atlanta. On the Supervisory Board, the necessary international experience is embodied by Prof. Dr. Morner, as a former member of the Executive Committee of EURAM in Brussels, and Prof. Dr. Overmeyer, with his many years of experience in a position of responsibility at the international company Mühlbauer AG. In turn, as a former member of the Executive Board of Viscom AG, Mr. Pape is directly familiar with the Group's management of its various international branches and subsidiaries.

- **Opportunities for advancement and development through external expertise:** Viscom firmly believes that it is a benefit to the motivation and rights of its employees, and to diversity in management levels, when employees within the Group have clear opportunities for advancement to management levels. Some employees are therefore actively promoted to the level of the Executive Board. At the same time, the company wishes to maintain a focus on the diversity of developments in society as a whole, and to be open to external stimulus. Viscom AG sees its Supervisory Board especially as the body that can most suitably contribute this external expertise.

By appointing Mr. Krippner and Mr. Salewski to the Executive Board, the Supervisory Board is highlighting its goal of promoting long-serving employees to the head of the Group. Also, by appointing Prof. Dr. Morner to the Supervisory Board, a professional who has taught in the fields of corporate governance, business ethics and social change, the company is successfully pursuing the goal of incorporating external expertise as regards general business and social concerns. Led by Prof. Dr. Morner, a concept is currently being developed to further promote employees' management skills and opportunities for advancement.

- **Equal opportunities:** The diversity concept also includes the principle of equal opportunities. Women should have equal opportunities for advancement at Viscom AG and in the Group as a whole. As described above, this is partially encouraged by set quotas. In the interests of equal opportunities and the role model function thus entailed, the Executive Board and Supervisory Board welcome the fact that, in Prof. Dr. Morner, 33 % of the seats on the Supervisory Board are now held by women.

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 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. Average EBIT must amount to 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:

Benefits granted	Dr. Martin Heuser Member of the Executive Board, Director of Development				Dirk Schwingel Member of the Executive Board (Finance)			
in K€	2018	**2019**	2019 min.	2019 max.	2018	**2019**	2019 min.	2019 max.
Fixed remuneration	208	208	208	208	208	208	208	208
Additional benefits*	17	17	17	17	12	12	12	12
Total	**225**	**225**	**225**	**225**	**220**	**220**	**220**	**220**
Annual variable remuneration	154	57	0	208	154	57	0	208
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	151	134	0	208	151	134	0	208
Other	0	0	0	0	0	0	0	0
Total**	**208**	**191**	**0**	**208**	**208**	**191**	**0**	**208**
Pension cost***	16	16	16	16	18	18	18	18
Total remuneration	**449**	**432**	**241**	**449**	**446**	**429**	**238**	**446**

Benefits granted	Carsten Salewski Member of the Executive Board (Sales)				Peter Krippner Member of the Executive Board, Director of Operations			
in K€	2018	**2019**	2019 min.	2019 max.	2018	**2019**	2019 min.	2019 max.
Fixed remuneration	121	208	208	208	121	208	208	208
Additional benefits*	3	7	7	7	7	12	12	12
Total	**124**	**215**	**215**	**215**	**128**	**220**	**220**	**220**
Annual variable remuneration	90	57	0	208	90	57	0	208
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	88	134	0	208	88	134	0	208
Other	0	0	0	0	0	0	0	0
Total**	**121**	**191**	**0**	**208**	**121**	**191**	**0**	**208**
Pension cost***	12	19	19	19	12	19	19	19
Total remuneration	**257**	**425**	**234**	**442**	**261**	**430**	**239**	**447**

* In particular, additional benefits include use of a company vehicle for business and private purposes, capital-building payment schemes and a telephone allowance.
** The total bonus for the Executive Board is capped at 100 % of fixed annual remuneration.
*** Contributions to private health insurance, direct insurance and accident insurance.

The following table shows the inflows for the financial year:

Benefits received	Dr. Martin Heuser Member of the Executive Board, Director of Development		Dirk Schwingel Member of the Executive Board (Finance)	
in K€	2018	2019	2018	2019
Fixed remuneration	208	208	208	208
Additional benefits*	17	17	12	12
Total	**225**	**225**	**220**	**220**
Annual variable remuneration	196	154	90	154
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	165	151	75	151
Other	0	0	0	0
Total**	**208**	**208**	**91**	**208**
Pension cost***	16	16	18	18
Total remuneration	**449**	**449**	**329**	**446**

Benefits received	Carsten Salewski Member of the Executive Board (Sales)		Peter Krippner Member of the Executive Board, Director of Operations	
in K€	2018	2019	2018	2019
Fixed remuneration	121	208	121	208
Additional benefits*	3	7	7	12
Total	**124**	**215**	**128**	**220**
Annual variable remuneration	0	90	0	90
Long-term variable remuneration (Bonus II: average consolidated EBIT of the last three years)	0	88	0	88
Other	0	0	0	0
Total**	**0**	**121**	**0**	**121**
Pension cost***	12	19	12	19
Total remuneration	**136**	**335**	**140**	**360**

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

** The total bonus for the Executive Board is capped at 100 % of fixed annual remuneration.

*** 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 2018 financial year was 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		91.6

Remuneration of the members of the Supervisory Board in the 2019 financial year is as follows:

2019 Aufsichtsrat	Funktion	Fixed remuneration K€	Factor	Total remuneration K€
Prof. Dr. Michèle Morner	Chairwoman of the Supervisory Board	18.0	3.0	54.0
Volker Pape	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
Gesamt		54.0		99.0

In the 2019 financial year, Supervisory Board member Volker Pape received consulting remuneration from the company in the amount of € 120 thousand for consulting services he provided personally, in addition to his Supervisory Board remuneration. The Chairwoman of the Supervisory Board Prof. Dr. Michèle Morner received remuneration of € 12 thousand in the 2019 financial year for her consultation work on the implementation of a management development programme.

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 %, 2 5%, 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 company did not receive any notifications in the 2019 financial year.

- **Directors' Dealings.** Executive Board and Supervisory Board members of Viscom AG and certain executives who have regular access to insider information and are authorised to make significant company decisions (including related parties as defined by the Market Abuse Regulation (MAR)), are required to disclose their securities transactions, in accordance with section 19 of the MAR. These types of transactions are published as soon as the company is informed through a pan-European 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 Mr. Peter Krippner in the 2019 financial year:

	Date	Nature of transaction	Aggregate price in €	Aggregate total volume in €
Dirk Schwingel	29.03.2019	Purchase	14.75	14,750
Dirk Schwingel	13.08.2019	Purchase	9.71	9,710
Peter Krippner	21.08.2019	Purchase	8.79	8,786
Peter Krippner	27.08.2019	Purchase	8.73	8,730

- **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 2019 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.

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 2019. 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 2019.

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 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.

CLOSING STATEMENT IN THE DEPENDENT COMPANY REPORT

Viscom AG was dependent on HPC Vermögensverwaltung GmbH in the 2019 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 2019, no actions were taken or omitted at the instigation or in the interest of the controlling company or a company affiliated with it."

Hanover, 30 March 2020

The Executive Board

Carsten Salewski

Peter Krippner

Dr. Martin Heuser

Dirk Schwingel

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2019 / CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income Item		1 Jan. to 31 Dec. 2019 K€	1 Jan. to 31 Dec. 2018 K€
G1	Revenue	88,556	93,557
G2	Other operating income	2,870	3,147
		91,426	**96,704**
G3	Changes in finished goods and work in progress	-1,547	5,571
G4	Other own work capitalised	3,191	2,952
G5	Cost of materials	-34,434	-41,173
G6	Staff costs	-35,082	-33,482
G7	Depreciation and amortisation	-5,003	-1,976
G8	Other operating expenses	-14,534	-17,652
		-87,409	**-85,760**
	Operating profit	**4,017**	**10,944**
G9	Financial income	359	101
G9	Financial expenses	-309	-98
	Financial result	**50**	**3**
G10	Income taxes	-966	-3,133
	Net profit for the period	**3,101**	**7,814**
G11	**Earnings per share (diluted and basic) in €**	**0.35**	**0.88**
	Other comprehensive income		
	Currency translation differences	98	134
	Items that can be reclassified to profit or loss	**98**	**134**
	Other comprehensive income after taxes	**98**	**134**
	Total comprehensive income	**3,199**	**7,948**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

Assets Item		31 Dec. 2019 K€	31 Dec. 2018 K€
	Current assets		
A1	Cash and cash equivalents	3,922	5,740
A2	Trade receivables	27,663	27,315
A3	Income tax assets	733	966
A4	Inventories	29,131	31,432
A5	Other financial receivables	202	214
A5	Other assets	1,106	1,378
	Total current assets	**62,757**	**67,045**
	Non-current assets		
A6	Property, plant and equipment	12,778	3,013
A7	Intangible assets	12,544	10,915
A8	Financial assets	6	6
A8	Loans originated by the company	119	36
A9	Deferred tax assets	844	788
	Total non-current assets	**26,291**	**14,758**
	Total assets	**89,048**	**81,803**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: EQUITY AND LIABILITIES

Liabilities and shareholders' equity Item		31 Dec. 2019 K€	31 Dec. 2018 K€
	Current liabilities		
P1	Trade payables	2,856	4,403
P2	Contract liabilities	758	734
P3	Current loans	3,124	3,383
P4	Advance payments received	234	472
P5	Provisions	1,557	1,601
P6	Current income tax liabilities	358	1,111
P7	Other current financial liabilities	5,310	3,937
P7	Other current liabilities	2,707	3,018
	Total current liabilities	**16,904**	**18,659**
	Non-current liabilities		
P5	Non-current provisions	747	715
P8	Other non-current financial liabilities	9,017	0
P9	Deferred tax liabilities	3,881	3,131
	Total non-current liabilities	**13,645**	**3,846**
	Shareholders' equity		
P10	Issued capital	9,020	9,020
P11	Capital reserves	21,321	21,321
P12	Retained earnings	27,512	28,409
P13	Exchange rate differences	646	548
	Total shareholders' equity	**58,499**	**59,298**
	Total shareholders' equity and liabilities	**89,048**	**81,803**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows Item		1 Jan. to 31 Dec. 2019 K€	1 Jan. to 31 Dec. 2018 K€
	Cash flow from operating activities		
	Net profit for the period after interest and taxes	3,101	7,814
G10	Adjustment of net profit for income tax expense (+)	966	3,133
G9	Adjustment of net profit for interest expense (+)	309	98
G9	Adjustment of net profit for interest income (-)	-359	-101
G7	Adjustment of net profit for depreciation and amortisation expense (+)	5,003	1,976
P5	Increase (+) / decrease (-) in provisions	-12	122
A6 to A8	Gains (-) / losses (+) on the disposal of non-current assets	0	-72
A2 to A5, A9	Increase (-) / decrease (+) in inventories, receivables and other assets	1,042	-12,873
P1 to P4, P6, P7	Increase (+) / decrease (-) in liabilities	-1,813	3,648
G10	Income taxes repaid (+) / paid (-)	-935	-2,513
	Net cash from operating activities	**7,302**	**1,232**
	Cash flow from investing activities		
A6 to A8	Proceeds (+) from the disposal of non-current assets	0	140
A6 to A8	Acquisition (-) of property, plant and equipment and intangible assets	-707	-2,248
A7	Capitalisation of development costs (-)	-3,191	-2,952
A8	Disbursements of loans granted (-)	-130	-36
A8	Receipts from the repayment of loans granted (+)	82	7
G9	Interest received (+)	359	13
	Net cash used in investing activities	**-3,587**	**-5,076**
	Cash flow from financing activities		
P9-12	Dividend payment (-)	-3,998	-5,331
G9	Interest paid (-)	-304	-91
P8	Borrowing of other financial liabilities (+)	2,000	0
P8	Repayment of other financial liabilities (-)	-2,765	0
	Net cash and cash equivalents from financing activities	**-5,067**	**-5,422**
	Changes in cash and cash equivalents due to changes in exchange rates	34	117
	Cash and cash equivalents		
	Change in cash and cash equivalents	-1,352	-9,266
A1, P3	Cash and cash equivalents as at 1 January	2,357	11,506
A1, P3	**Cash and cash equivalents as at 31 December**	**1,039**	**2,357**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity	Issued capital K€	Capital reserves K€	Exchange rate differences K€	Retained earnings K€	Total K€
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
Shareholders' equity at 1 January 2019	9,020	21,321	548	28,409	59,298
Net profit for the period	0	0	0	3,101	3,101
Other comprehensive income	0	0	98	0	98
Total comprehensive income	**0**	**0**	**98**	**3,101**	**3,199**
Dividends	0	0	0	-3,998	-3,998
Shareholders' equity at 31 December 2019	9,020	21,321	646	27,512	58,499

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 30 March 2020.

The consolidated financial statements and the 2018 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 2019 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 2019.

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

Compared to the consolidated financial statements dated 31 December 2018, 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 Standards 2015–2017

The regulations arising from the annual improvements project published by the IASB in December 2017 were endorsed in EU law on their announcement in the EU official gazette on 15 March 2019 and are effective for reporting periods starting on or after 1 January 2019. The regulations arising from the annual improvement project include changes to IFRS 3, IFRS 11, IAS 12 and IAS 23. The amendments adjusted the wording to clarify the existing regulations. Other amendments impacted the recognition, measurement and notes. The clarification was added to IAS 12 (Income Taxes) that the nature of the recognition of income tax consequences is based on the recognition of the transactions that gave rise to the payment of dividends. Clarifications were added to IAS 23 (Borrowing Costs) explaining the calculation of the weighted capitalisation rate. The amendments have no material effect on the Viscom Group's financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments to IAS 28 clarify that the impairment provisions of IFRS 9 (Financial Instruments) are applied to long-term interests in associates and joint ventures that, in substance, form part of the net investment and to which the equity method is not applied. The amendments are effective from 1 January 2019. The amendments have no effect on the Viscom Group's financial statements.

Amendments to IAS 19 Employee Benefits – plan amendments, curtailments or settlements

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. The amendments have no effect on the Viscom Group's financial statements.

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 Interpretation published by the IFRS IC on 7 June 2017 were endorsed in EU law on their announcement in the EU official gazette on 24 October 2018 and is 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.

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)(ii)). For deferred lease liabilities, the right-of-use asset was adjusted by the amount of the deferred lease liability. 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. The practical expedient provided by 16.C10(c) was not applied to leases ending within twelve months of the date of first-time application. The practical expedient provided by IFRS 16.C9(a) was applied to leases for low-value assets. 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 practical expedient provided by IFRS 16.C3 was applied.

Short-term lease liabilities of € 2.5 million, long-term lease liabilities of € 8.4 million and right-of-use assets of € 10.9 million were recognised as at 1 January 2019. This addition to total assets reduced the equity ratio and increased the gearing ratio. Expenses for existing operating leases are no longer recognised in the income statement as lease expenses. The new regulations result in write-downs on the right-of-use assets and interest expenses on lease liabilities. In the statement of cash flows, there were positive effects on cash flow from operating activities and negative effects on cash flow from financing activities.

Reconciliation of lease liabilities

The reconciliation of liabilities under operating leases as at 31 December 2018 to the carrying amount of lease liabilities as at 1 January 2019 is as follows:

K€	1 Jan. 2019
Operating lease liabilities as at 31 December 2018	**11,555**
Practical expedients for short-term leases	-46
Practical expedients for leases for low-value assets	-14
Gross lease liabilities as at 1 January 2019	**11,495**
Discount	-638
Lease liabilities due to adoption of IFRS 16 as at 1 January 2019	**10,857**

Lease expenses were discounted using the incremental borrowing rate as at 1 January 2019. The weighted average interest rate was 1.45 %.

Disclosures due to the adoption of IFRS 16

If IFRS 16 had not been applied, the figures for the current reporting period would have been as follows:

- Other operating expenses would have amounted to € 17,299 thousand (with IFRS 16: € 14,534 thousand), write-downs to € 2,364 thousand (with IFRS 16: € 5,003 thousand) and interest expenses to € 151 thousand (with IFRS 16: € 309 thousand).

- This would have resulted in EBIT of € 3,890 thousand (with IFRS 16: € 4,017 thousand) and a net profit for the period of € 3,133 thousand (with IFRS 16: € 3,101 thousand).

- As at 31 December 2019, there would have been property, plant and equipment of € 2,921 thousand (with IFRS 16: € 12,778 thousand), other current financial liabilities of € 2,814 thousand (with IFRS 16: € 5,310 thousand), and other non-current financial liabilities of € 1,601 thousand (with IFRS 16: € 9,017 thousand).

- Deferred tax assets would have amounted to € 815 thousand (with IFRS 16: € 844 thousand) and deferred tax liabilities to € 3,868 thousand (with IFRS 16: € 3,881 thousand).

- The repayment of non-current financial liabilities would have amounted to € 158 thousand (with IFRS 16: € 2,765 thousand).

- Equity would have amounted to € 58,531 thousand (with IFRS 16: € 58,499 thousand) as at 31 December 2019 and total assets to € 79,162 thousand (with IFRS 16: € 89,048 thousand).

- Cash flow from operating activities would have amounted to € 4,821 thousand (with IFRS 16: € 7,302 thousand) and cash flow from financing activities to € -2,618 thousand (with IFRS 16: € -5,067 thousand).

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.

Amendments to IAS 1 and IAS 8: Definition of material

The amendments published by the IASB on 31 October 2018 were endorsed in EU law on their announcement in the EU official gazette on 10 December 2019 and are effective for reporting periods starting on or after 1 January 2020. The amendments standardised the definition of "material" in all IFRS Standards and the Conceptual Framework. The amendments have no effect on the Viscom Group's financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The amendments published by the IASB on 6 December 2019 were endorsed in EU law on their announcement in the EU official gazette in March and are effective for reporting periods starting on or after 1 January 2020. The amendments contain improved definitions of an asset and a liability, and new guidance on measurement and derecognition, presentation and disclosure. The amendments have no effect on the Viscom Group's financial statements.

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

Standards / Interpretation			Effective for reporting periods from	Adoption by the European Commission
Standards				
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	The amendments relate to temporary exemptions from the general regulations of IFRS 9 and IAS 39 on hedge accounting that result in the continuation of hedging relationships that may otherwise have had to be ended on account of the current uncertainty regarding the Interest Rate Benchmark Reform.	1 Jan. 2020	Yes
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
IFRS 17	"Insurance Contracts"	IFRS 17 will supersede IFRS 4 "Insurance Contracts". The standard contains three central approaches for the recognition of insurance contracts: the building block approach, the premium allocation approach and the variable fee approach.	1 Jan. 2021	No
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments included application guidance on the extent to which unrealised gains and losses from transactions with assets between an investor and an associate or joint venture must be recognised in the financial statements of the investor.	n/a	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 2019. 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 consideration transferred is lower than the net assets of the acquired subsidiary as measured at fair value, the difference is recognised directly in profit or loss. Acquisition-related costs are generally expensed immediately.

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 16, 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.

Leases

In addition to the fixed term of a lease, renewal, termination or purchase options are also taken into account in determining the useful life of a lease in accordance with IFRS 16. Estimates are required to assess the probability of options being exercised. Estimates are also required to determine the discount rate.

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 basis for systems that are still under warranty at the end of the respective year.

Tax items

The companies of the Viscom Group are increasingly exposed to taxation risks due to stricter interpretations and assessments by the tax authorities and changes in tax legislation and case law. Provisions are recognised as required based on the estimated claims of the financial authorities. In particular, the timing of the expenses to be considered for tax purposes is subject to regular estimates and assumptions. The pricing of contracts for cross-border intra-group goods and services is subject to uncertainty as, in many cases, market prices cannot be observed or the market prices of similar goods and services are of limited comparability. Deviating developments in the assumptions made for estimates can result in changes in estimates.

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, other intangible assets with an indefinite useful life and internally generated intangible assets in development 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 disposal of intangible assets are calculated as the difference between the proceeds of disposal and the carrying amount of the intangible assets. They are recognised in "Other operating income" or "Other operating expenses" in the consolidated statement of comprehensive income.

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 consideration transferred 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. The borrowing costs incurred are a component of cost for qualifying assets.

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 2019.

Property, plant and equipment

Property, plant and equipment are reported at cost less cumulative depreciation and impairment losses.

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.

Leases

Leases were accounted for in accordance with IAS 17 until 31 December 2018. 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 was 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 was treated as an operating lease in accordance with IAS 17. Payments for operating leases were previously expensed. From 1 January 2019, the adoption of IFRS 16 requires that each lease is reported in the statement of financial position as a financing transaction.

Lease liabilities and right-of-use assets are recognised for all leases that have begun since 31 December 2018. 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 recognised directly as an expense in accordance with IFRS 16.6.

The lease liabilities include the following lease payments:

- fixed lease payments and certain variable lease payments, less any expected lease incentives

- expected payments resulting from residual value guarantees

- exercise prices for purchase options if it is reasonably certain that they will be exercised

Lease expenses are discounted using the interest rate implicit in the lease. This rate cannot be readily determined for most of the Group's leases. The incremental borrowing rate is used for discounting as an alternative. The incremental borrowing rate is the interest rate that the lessee would have to pay to borrow over a similar term for a comparable asset in a similar economic environment.

Right-of-use assets are stated at cost, which consists of:

- the amount of the initial measurement of the lease liability

- prepayments and initial direct costs, less any lease incentives received

- estimated costs for restoration obligations at a later date

Lease and non-lease components do not have to be separated. Options to extend or terminate leases are taken into account in their measurement if it is reasonably certain that they will be exercised.

They are subsequently measured at amortised cost. Right-of-use assets are depreciated on a straight-line basis over the shorter of the term of the lease, taking into account purchase, renewal or termination options likely to be exercised in future, and economic life. See A6 - A7 for further information.

The lease liabilities are adjusted applying the effective interest method taking lease payments into account.

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 0.79 % 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: 30 %).

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.

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. The development costs capitalised in the 2019 financial year include borrowing costs of € 91 thousand using an interest rate of 1.84 %.

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 2019

	1 EUR = x CNY	1 EUR = x TND	1 EUR = x USD
Closing rate	7.8205	3.1232	1.1234
Average rate	7.7355	3.2207	1.1195

Translation exchange rates 2018

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

Notes to the consolidated statement of comprehensive income

(G1) Revenue

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

Revenue	2019 K€	2018 K€
Construction and delivery of machines	67,842	73,325
Services/replacement parts	20,151	19,460
Rentals	563	772
Total	**88,556**	**93,557**

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	2019 K€	2018 K€
Non-monetary remuneration	1,081	984
Income from the reversal of other provisions for warranties	1,066	721
Income from exchange rate differences	278	508
Income from the reversal of other provisions	146	185
Income from the reversal of impairment on receivables	65	309
Insurance recoveries	51	31
Income from receivables previously written off	1	0
Income from sales of assets	0	151
Miscellaneous other operating income	182	258
Total	**2,870**	**3,147**

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 € 21,261 thousand (previous year: € 22,808 thousand), comprising a of € 29,867 thousand (previous year: € 30,857 thousand) and a corresponding impairment loss of € 8,606 thousand (previous year: € 8,049 thousand).

(G4) Other own work capitalised

Own work for new developments was capitalised in the amount of € 3,191 thousand in the 2019 financial year (previous year: € 2,952 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	2019 K€	2018 K€
Materials including incidental costs of acquisition	30,839	36,734
Purchased services	3,595	4,439
Total	**34,434**	**41,173**

The decrease in the cost of materials was due to the lower level of revenue and the negative change in inventories.

(G6) Staff costs

Staff costs comprise salaries and employer social security contributions.

Staff costs	2019 K€	2018 K€
Wages and salaries, incl. bonuses and management bonuses	29,683	28,660
Social security contributions	5,399	4,822
Total	**35,082**	**33,482**
Number of employees (average for the year)	484	462
Number of trainees (average for the year)	13	13
Total	**497**	**475**

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 2019.

In the period under review, payments were made to defined contribution pension plans in the amount of € 1,968 thousand (previous year: € 1,786 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	2019 K€	2018 K€
General and administrative costs	7,304	7,509
Travel expenses	2,480	2,484
Selling expenses	2,471	2,676
Warranty	967	1,010
Outgoing shipments	880	949
Expenses due to exchange rate differences	328	371
Impairment on receivables and losses on receivables	82	6
Rentals	22	2,647
Total	**14,534**	**17,652**

The drop in other operating expenses was mainly due to lower rental and building costs. The decline in lease expenses is predominantly as a result of the adoption of IFRS 16. The remaining rent expenses result from short-term leases, leases for low-value assets or leases without identified asset in accordance with IFRS 16. Expenditure for research and development amounted to 6.9 % of revenue (previous year: 6.9 %) or € 6,092 thousand (previous year: € 6,426 thousand).

(G9) Net finance costs

Financial income rose from € 101 thousand in the previous year to € 359 thousand. Financial expenses of € -309 thousand in 2019 (previous year: € -98 thousand), € 6 thousand of which from interest on provisions and € 158 thousand from interest on lease liabilities, resulted in net finance costs of € 50 thousand (previous year: € 3 thousand).

(G10) Income taxes

Income taxes for the financial years ending 31 December 2019 and 2018 contained the following income and expense items:

Income taxes	2019 K€	2018 K€
Current income taxes for the past financial year	898	2,581
Current income taxes for previous years	-634	-192
Deferred income taxes from the accrual and reversal of temporary differences and tax loss carryforwards	702	744
Income tax expense reported in the consolidated statement of comprehensive income	**966**	**3,133**

Current income taxes for the 2019 financial year related to Viscom AG and the foreign subsidiaries. Current income taxes for previous years in the amount of € 634 thousand related to Viscom AG (€ 456 thousand) and the subsidiaries in the US and Asia (€ 178 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	2019 K€	2018 K€
Consolidated net profit before taxes	4,067	10,947
Anticipated tax income (-)/ expense (+) based on 32.62 % (previous year: 32.62 %)	1,327	3,571
Non-deductible operating expenses	263	233
Tax-free income	-73	-60
Difference from Group tax rate	-154	-378
Prior-period taxes	-391	-192
Other	-6	-41
Current tax expense	**966**	**3,133**

Deferred tax assets	Consolidated statement of financial position 2019 K€	2018 K€
Lease liabilities	3,184	0
Inventories	541	431
Deferred taxes from elimination of intercompany profits	203	197
Other liabilities	87	77
Measurement of provisions	62	41
Unrealised revenue	24	26
Other financial liabilities	15	59
Measurement of property, plant and equipment	14	0
Measurement of trade receivables	12	34
Tax loss carryforwards	0	243
Gross amount	**4,142**	**1,108**
Offsetting	-3,298	-320
Net amount	**844**	**788**

Of the deferred tax assets, € 380 thousand (previous year: € 367 thousand) will be realised in more than twelve months.

Deferred tax liabilities	Consolidated statement of financial position 2019 K€	2018 K€
Intangible assets	3,993	3,436
Right-of-use assets in accordance with IFRS 16	3,168	0
Measurement of trade receivables	12	9
Measurement of property, plant and equipment	6	6
Gross amount	**7,179**	**3,451**
Offsetting	-3,298	-320
Net amount	**3,881**	**3,131**

The rise in deferred tax assets on other current and other non-current financial liabilities and in deferred tax liabilities on property, plant and equipment is due to the adoption of IFRS 16.

Of the deferred tax liabilities, € 3,618 thousand (previous year: € 2,839 thousand) will be realised in more than twelve months.

Deferred tax assets and liabilities were offset on a company-by-company basis. For the excess of deferred tax assets over deferred tax liabilities at the level of the respective individual company, the recoverability of the excess of deferred tax assets was estimated as sufficiently probable based on company planning. Viscom AG, Hanover, did not have any assessed corporation and trade tax loss carryforwards as at 31 December 2019.

Retained earnings amounted to € 9,191 thousand (previous year: € 9,111 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 2019 financial year amounted to € 0.35 (basic and diluted). In the previous year, earnings per share amounted to € 0.88 (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 € 3,101 thousand (previous year: € 7,814 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 € 3,922 thousand (previous year: € 5,740 thousand). This related to items which were freely disposable and which had a maturity of less than three months at the end of the year.

(A2) Trade receivables

Trade receivables are generally due within 30 to 90 days.

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

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

As in the previous year, doubtful receivables written off in full on account of being 100 % unrecoverable amounted to € 654 thousand. Cumulative impairment losses on receivables amounted to € 955 thousand (previous year: € 971 thousand) and related to revenue from contracts with customers as defined by IFRS 15. Some customers were late in meeting their payment obligations in 2019.

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:

Under IFRS 9, impairment is recognised based on the expected loss model, i. e. 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.

31.12.2019 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
Expected rate of default		0.1 %	0.7 %	0.6 %	5.6 %	4.3 %	37.9 %
Gross amount	28,618	19,395	3,170	1,868	1,148	914	2,123
Impairment	955	16	21	11	64	39	804

31.12.2018 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
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
Impairment	971	51	17	23	23	96	761

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

Impairment losses on receivables developed as follows:

	2019 K€	2018 K€
As at 1 January	**971**	**1,274**
Addition to impairment losses on receivables	66	6
Reversal of impairment losses no longer required	82	309
As at 31 December	**955**	**971**

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. As a result, loss allowances do not have to be recognised when they are added. 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 2019, income tax assets consisted of tax refund claims of € 733 thousand, which essentially resulted from excess prepayments for the 2019 assessment period.

(A4) Inventories

Inventories	2019 K€	2018 K€
Completed systems	12,796	13,625
Assemblies and partially completed systems	8,465	9,183
Raw materials and supplies	7,870	8,624
Total	**29,131**	**31,432**

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 2019, all inventories, especially those of completed and partially completed systems, were measured at the same carrying amounts as in 2018.

As at the end of 2019, the cumulative write-downs amounted to € 3,999 thousand for raw materials and supplies (previous year: € 3,689 thousand), € 1,931 thousand for assemblies and partially completed systems (previous year: € 1,982 thousand) and € 6,675 thousand for completed systems (previous year: € 6,067 thousand).

(A5) Other financial receivables and other assets

Other financial receivables and other assets	2019 K€	2018 K€
Creditors with debit balances	104	113
Security deposits for leases/duties	96	98
Receivable from public authorities	2	3
Subtotal of other financial receivables	**202**	**214**
Advance payments	432	319
Other receivables	373	766
Miscellaneous assets	301	293
Subtotal of other assets	**1,106**	**1,378**
Total	**1,308**	**1,592**

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

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. 2019	2,288	1,787	15	154	17,181	21,425
Exchange rate differences	0	0	0	0	0	0
Additions	0	9	0	74	3,191	3,274
Reclassifications	0	133	0	-163	0	-30
Disposals	0	1	0	0	0	1
Cost as at 31 Dec. 2019	2,288	1,928	15	65	20,372	24,668
Impairment losses						
Accumulated depreciation/ amortisation as at 1 Jan. 2019	2,288	1,583	15	0	6,624	10,510
Exchange rate differences	0	0	0	0	0	0
Depreciation/amortisation for the current year	0	106	0	0	1,508	1,614
Depreciation/amortisation of disposals	0	0	0	0	0	0
Accumulated depreciation/ amortisation as at 31 Dec. 2019	2,288	1,689	15	0	8,132	12,124
Carrying amounts 31 Dec. 2019	0	239	0	65	12,240	12,544

in K€	Property, plant and equipment (including right-of-use assets): 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
Gross carrying amounts								
Cost as at 31 Dec. 2018	605	1,756	820	4,013	310	536	8,040	29,465
Adjustments due to IFRS 16	9,637	0	0	58	1,162	0	10,857	10,857
As at 1 Jan. 2019	10,242	1,756	820	4,071	1,472	536	18,897	40,322
Exchange rate differences	0	10	1	6	3	0	20	20
Additions	598	55	63	504	1,011	31	2,262	5,536
Reclassifications	21	519	0	36	0	-546	30	0
Disposals	0	351	0	322	113	0	786	787
Cost as at 31 Dec. 2019	10,861	1,989	884	4,295	2,373	21	20,423	45,091
Impairment losses								
Accumulated depreciation/ amortisation as at 1 Jan. 2019	0	1,446	703	2,826	52	0	5,027	15,537
Exchange rate differences	-1	11	0	4	1	0	15	15
Depreciation/amortisation for the current year	1,939	84	42	573	751	0	3,389	5,003
Reclassifications	21	-21	0	0	0	0	0	0
Depreciation/amortisation of disposals		352	0	321	113	0	786	786
Accumulated depreciation/ amortisation as at 31 Dec. 2019	1,959	1,168	745	3,082	691	0	7,645	19,769
Carrying amounts 31 Dec. 2019	8,902	821	139	1,213	1,682	21	12,778	25,322

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. 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**
Impairment losses						
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	0	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 31 Dec. 2018	**0**	**204**	**0**	**154**	**10,557**	**10,915**

in K€	Property, plant and equipment 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
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**
Impairment losses								
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 31 Dec. 2018	**605**	**310**	**117**	**1,187**	**258**	**536**	**3,013**	**13,928**

Leases – right-of-use assets

The values of right-of-use assets are shown separately in the following table:

	Right-of-use assets						
in K€	Land and buildings	Leasehold improve-ments	Technical equipment and machinery	Operating and office equipment	Vehicles	Prepayments and construction in progress	Total
Gross carrying amounts							
Cost as at 1 Jan. 2019	**9,637**	**0**	**0**	**58**	**1,162**	**0**	**10,857**
Exchange rate differences	0	0	0	0	0	0	0
Additions	598	0	0	29	1,011	0	1,638
Reclassifications	21	0	0	0	0	0	21
Disposals	0	0	0	0	113	0	113
Cost as at 31 Dec. 2019	**10,256**	**0**	**0**	**87**	**2,060**	**0**	**12,403**
Impairment losses							
Accumulated depreciation/ amortisation as at 1 Jan. 2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Exchange rate differences	-1	0	0	0	0	0	-1
Depreciation/amortisation for the current year	1,922	0	0	16	701	0	2,639
Reclassifications	21	0	0	0	0	0	21
Depreciation/amortisation of disposals	0	0	0	0	113	0	113
Accumulated depreciation/ amortisation as at 31 Dec. 2019	**1,942**	**0**	**0**	**16**	**588**	**0**	**2,546**
Carrying amounts 31 Dec. 2019	**8,314**	**0**	**0**	**71**	**1,472**	**0**	**9,857**

The land and buildings leased by the Group include offices, warehouses and production space, predominantly on long-term contracts. In terms of vehicles, it leases cars on terms of between three and four years. Total lease payments of € 2,787 thousand were made in the 2019 financial year.

The following table shows the maturities of lease liabilities as at 31 December 2019:

in K€	Total amount	of which with a remaining term		
		of 1 year	of between 1 and 5 years	of more than 5 years
Lease liabilities	9,912	2,496	5,765	1,651

There are future lease payments of € 2,512 thousand resulting from leases beginning after 31 December 2019.

Depreciation and amortisation

Depreciation and amortisation are 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 € 4,605 thousand (previous year: € 4,289 thousand).

Development costs of € 3,191 thousand were capitalised in the period under review (previous year: € 2,952 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 to third parties, a loan to the buyer of a property from 2018 and security for rented properties.

The loans were reported at their total amortised cost of € 119 thousand. The interest rate for employee loans in excess of € 6 thousand was between 2 % and 3 %; the interest rate for the loans to third parties of € 104 thousand was between 2 % and 3.5 %. The fixed interest rate means that there is a certain degree of interest rate risk. However, this risk is classified as immaterial and is not hedged.

(A9) Deferred tax assets

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

Notes to the shareholders' equity and liabilities

(P1) Trade payables

Trade payables are initially carried at cost, which is equal to their fair value. They are subsequently measured at amortised cost using the effective interest method. Invoices were typically settled twice per week 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 2019, include obligations for repairs (€ 678 thousand; previous year: € 650 thousand) and future performance obligations recognised over time (€ 80 thousand; previous year: € 84 thousand). The obligations will be settled within a year. The contract liabilities of € 734 thousand as at 31 December 2018 were fully recognised as revenue in 2019.

(P3) Current loans

As at 31 December 2019, short-term loans include liabilities to banks from overdrafts (€ 2,883 thousand; previous year: € 3,383 thousand) and the short-term portion of a bank loan (€ 241 thousand; previous year: € 0 thousand).

(P4) Advance payments received

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

(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 decreased slightly as against the previous year on account of lower warranty requirements.

Breakdown of other provisions in K€	1 Jan. 2019	Utilised	Unused amounts reversed	Arising during the year	31 Dec. 2019
Current provisions					
Warranties	1,601	-1,251	-829	2,036	1,557
Total current provisions	**1,601**	**-1,251**	**-829**	**2,036**	**1,557**
Non-current provisions					
Warranties	301	0	-234	182	249
Anniversaries	414	-9	0	93	498
Total non-current provisions	**715**	**-9**	**-234**	**275**	**747**
Total	**2,316**	**-1,260**	**-1,063**	**2,311**	**2,304**

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

Non-current provisions include anniversary provisions of € 498 thousand (previous year: € 414 thousand) and the non-current portion of warranty provisions in the amount of € 249 thousand (previous year: € 301 thousand). The warranty provisions are expected to be claimed within twelve to 60 months, while the anniversary provision is expected to be claimed within one to 40 years.

(P6) Income tax liabilities

Current income tax liabilities comprise Viscom AG's corporation tax liabilities (€ 260 thousand) and the tax liabilities of the company in Shanghai (€ 98 thousand).

(P7) Other current and financial liabilities

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

Other current and financial liabilities	2019 K€	2018 K€
Lease liabilities	2,496	0
Management bonuses, incentives, one-time payments	1,971	2,655
Commission payments to agents	359	538
Social security	244	299
Supervisory Board	99	93
Outstanding purchase invoices	95	334
Debtors with credit balances	46	18
Subtotal of other financial liabilities	**5,310**	**3,937**
Holiday, overtime	1,599	1,590
Other	568	733
Taxes	540	695
Subtotal of other current liabilities	**2,707**	**3,018**
Total	**8,017**	**6,955**

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. Lease liabilities were recognised for the first time as at 1 January 2019 on account of the adoption of IFRS 16.

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

(P8) Other non-current financial liabilities

Other non-current financial liabilities are composed of the following items:

Other current and financial liabilities	2019 K€	2018 K€
Non-current lease liabilities	7.416	0
Non-current loans	1.601	0
Total	**9.017**	**0**

Lease liabilities were recognised for the first time as at 1 January 2019 on account of the adoption of IFRS 16.

(P9) 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.

(P10 to P13) Equity and reserves

The reported share capital of the parent company Viscom AG in the amount of € 9,020,000 (previous year: € 9,020,000), 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 for € 587 thousand including incidental costs of acquisition 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 2019 financial year. The number of dividend-bearing shares remained the same at 8,885,060 on 31 December 2019.

In the 2019 financial year, a dividend of € 0.45 per share was distributed for the 2018 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

in K€	Europe 2019	Europe 2018	Americas 2019	Americas 2018	Asia 2019	Asia 2018	Consolidation 2019	Consolidation 2018	Total 2019	Total 2018
External sales	56,568	56,489	13,311	10,771	18,677	26,297	0	0	88,556	93,557
Intersegment sales	22,232	25,173	1,098	440	1,245	2,128	-24,575	-27,742	0	0
Total sales	78,800	81,662	14,409	11,211	19,922	28,425	-24,575	-27,742	88,556	93,557
Segment earnings	3,075	8,081	350	689	573	2,385	19	-211	4,017	10,944
plus financial result									50	3
less income taxes									-966	-3,133
Consolidated net profit									**3,101**	**7,814**
Segment assets	75,930	63,369	3,612	6,688	8,843	10,933	-920	-947	87,465	80,043
plus financial assets	1,753	1,753	0	0	0	0	-1,747	-1,747	6	6
plus deferred taxes and tax assets									1,577	1,754
Total assets									**89,048**	**81,803**
Segment liabilities	17,844	17,317	1,194	3,011	2,252	3,305	-4,744	-6,085	16,546	17,548
plus financial liabilities	9,448	639	204	76	112	0	0	0	9,764	715
plus deferred taxes and provisions for taxes									4,239	4,242
Total liabilities									**30,549**	**22,505**
Investments	5,427	5,091	20	20	89	89	0	0	5,536	5,200
Depreciation and amortisation	4,556	1,823	171	64	276	89	0	0	5,003	1,976

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 48 % (previous year: around 53 %) of revenue with the five largest customers. External sales amounted to € 29,233 thousand (previous year: € 27,689 thousand) in Germany and to € 59,323 thousand (previous year: € 65,868 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 € 24,237 thousand (previous year: € 13,493 thousand). These assets totalled € 1,204 thousand in the other countries (previous year: € 471 thousand).

In 2019 the 10 % revenue limit stated in IFRS 8.34 was exceeded with two customers. One of these customers accounted for revenue of € 18,457 thousand (previous year: € 25,526 thousand), while the other accounted for revenue of € 11,064 thousand (previous year: € 10,632 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 systems that 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€	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
External sales	60,041	65,029	14,309	14,790	14,206	13,738	88,556	93,557
Assets	59,301	55,635	14,133	12,654	14,031	11,754	87,465	80,043
Investments	3,753	3,614	895	822	888	764	5,536	5,200

Segment statement of cash flows

in K€	Europe 2019	Americas 2019	Asia 2019	Consolidation 2019	Total 2019
Cash flow from operating activities					
Net profit for the period after interest and taxes	4,914	266	679	-2,758	3,101
Adjustment of net profit for income tax expense (+)/ income (-)	1,014	140	-108	-80	966
Adjustment of net profit for interest expense (+)	292	13	4	0	309
Adjustment of net profit for interest income (-)	-3,145	0	-2	2,788	-359
Adjustment of net profit for depreciation and amortisation expense (+)	4,556	171	276	0	5,003
Increase (+)/decrease (-) in provisions	30	-20	0	-22	-12
Gains (-)/losses (+) on the disposal of non-current assets	1	-1	0	0	0
Increase (-)/decrease (+) in inventories, receivables and other assets	-3,132	2,883	1,587	-296	1,042
Increase (+)/decrease (-) in liabilities	1,137	-2,886	-445	381	-1,813
Income taxes repaid (+)/paid (-)	-342	-150	-443	0	-935
Net cash used in/from operating activities	**5,325**	**416**	**1,548**	**13**	**7,302**
Cash flow from investing activities					
Proceeds (+) from the disposal of non-current assets	0	0	0	0	0
Acquisition (-) of property, plant and equipment and intangible assets	-653	-27	-14	-13	-707
Capitalisation of development costs (-)	-3,191	0	0	0	-3,191
Dividends received (+)	2,390	0	0	-2,390	0
Disbursements of loans granted (-)	-130	0	0	0	-130
Receipts from the repayment of loans granted (+)	82	0	0	0	82
Interest received (+)	357	0	2	0	359
Net cash used in investing activities	**-1,145**	**-27**	**-12**	**-2,403**	**-3,587**
Cash flow from financing activities					
Dividend payment (-)	-3,998	-890	-1,500	2,390	-3,998
Borrowing of other financial liabilities (+)	2,000	0	0	0	2,000
Repayment of other financial liabilities (-)	-2,458	-111	-196	0	-2,765
Interest paid (-)	-304	0	0	0	-304
Net cash and cash equivalents from financing activities	**-4,760**	**-1,001**	**-1,696**	**2,390**	**-5,067**
Changes in cash and cash equivalents due to changes in exchange rates	0	33	1	0	34
Cash and cash equivalents					
Change in cash and cash equivalents	-580	-612	-160	0	-1,352
Cash and cash equivalents as at 1 January	-1,577	1,689	2,245	0	2,357
Cash and cash equivalents as at 31 December	**-2,157**	**1,110**	**2,086**	**0**	**1,039**

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 reporting period. The fair values for the category "Financial instruments held to maturity" are equal to the market values as at 31 December 2019.

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.

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

31 Dec. 2019 in K€	Measurement category	Carrying amount	Fair value
Assets			
Financial assets and other receivables	AC	545	545
Trade receivables	AC	27,663	27,663
Cash and cash equivalents	AC	3,922	3,922
		32,130	**32,130**
Shareholders' equity and liabilities			
Current loans	AC	3,124	3,124
Trade payables	AC	2,856	2,856
Other current financial liabilities	AC	5,166	5,166
Other non-current financial liabilities	AC	9,016	9,016
		20,162	**20,162**

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**
Shareholders' equity and liabilities			
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 three-level 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, 2019 in K€	Gross amount	from interest	from remeasurement		Net amount 2019
			Currency translation	Impairment	
Financial assets and other receivables	545	0	0	0	545
Trade receivables	28,618	0	0	-955	27,663
Cash and cash equivalents	3,922	0	0	0	3,922
Total	**33,085**	**0**	**0**	**-955**	**32,130**

31 Dec. 2018 in K€	Gross amount	from interest	from remeasurement		Net amount 2018
			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**

Interest income of € 0 thousand resulted from cash funds in the 2019 financial year (previous year: € 3 thousand). Write-downs on trade receivables of € 16 thousand were recognised in profit or loss in the 2019 financial year (previous year: € 303 thousand).

Financial risk management objectives and processes (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. 2019 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	545	545	0	0	0	0	0
Trade receivables	28,618	19,395	3,170	1,868	1,148	914	2,123
of which impaired	955	16	21	11	64	39	804
Total	**29,163**	**19,940**	**3,170**	**1,868**	**1,148**	**914**	**2,123**

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**

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 past empirical data, 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 has utilised the credit facilities available to it to a small extent as 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. 2019	Carrying amount	Remaining term		
in K€		< 1 year	1 to 5 years	> 5 years
Current loans	3,124	3,124	0	0
Trade payables	2,856	2,856	0	0
Other current financial liabilities	5,166	5,166	0	0
Other non-current financial liabilities	9,016	0	6,760	2,256
Total	**20,162**	**11,146**	**6,760**	**2,256**

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.

Exchange rate risk

As Viscom operates internationally, the Group is also exposed to exchange rate risks. Around 8 % of the consolidated revenue is exposed to an exchange rate risk in the parent company. Approximately 3 % 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 2019, net receivables relevant to the exchange rate totalled € 4,665 thousand. It included both the receivables of Viscom AG predominantly 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 € 222 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 2019 financial year.

Statement of cash flows

Cash and cash equivalents (€ 3,922 thousand; € 5,740 thousand) and current account liabilities (€ 2,883 thousand; € 3,383 thousand) are reported net under cash funds as at 31 December 2019.

The following table shows the reconciliation of liabilities from financing activities:

			Non-cash changes			
	31 Dec. 2018	Cash changes	Adoption of IFRS 16	Foreign exchange movement	Additions to lease liabilities	31 Dec. 2019
Loans	0	1,842	0	0	0	1,842
Lease liabilities	0	-2,607	10,857	24	1,638	9,912
Total	0	-765	10,857	24	1,638	11,754

The "Loans" item comprises the short-term (€ 241 thousand; previous year: € 0 thousand) and the long-term portion (€ 1,601 thousand; previous year: € 0 thousand) of a bank loan and includes current account liabilities not included in cash and cash equivalents. The "Lease liabilities" item comprises short-term (€ 2,496 thousand, included in other short-term financial liabilities; previous year: € 0 thousand) and long-term (€ 7,416 thousand, included in other long-term financial liabilities; previous year: € 0 thousand) lease liabilities.

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 € 1,236 thousand (previous year: € 930 thousand) and other long-term payments of € 374 thousand (previous year: € 300 thousand). The remuneration for members of the Supervisory Board consists solely of short-term payments of € 99.0 thousand (previous year: € 91.6 thousand).

Related parties and affiliated companies

HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as at 31 December 2019. 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€	2019	2018
From vehicle leases:		
HPC Vermögensverwaltung GmbH	42	49
From services:		
HPC Vermögensverwaltung GmbH	918	760
Heuser/Pape Catering GbR	40	0
From building leases:		
HPC Vermögensverwaltung GmbH	1,172	926
Marina Hettwer / Petra Pape GbR	191	191
Dr. Martin Heuser / Petra Pape GbR	309	485
Sum of goods and services received by the Group	2,672	2,411

Viscom AG has also concluded leases for company vehicles with HPC Vermögensverwaltung GmbH. In 2019, HPC Vermögensverwaltung GmbH and Heuser/Pape Catering GbR 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€	2019	2018
Total	**1,420**	**1,097**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	60	80
within 1 year of the end of the reporting period	**588**	**533**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	26	40
more than 1 but less than 5 years after the end of the reporting period	**832**	**564**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	34	41
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€	2019	2018
Total	**918**	**760**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	918	760
within 1 year of the end of the reporting period	**918**	**760**
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	918	760
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 nine 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 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
	CBS 11 ***	1 Mar. 2019	10 years	22,500	270,000
	CBS 8a *** - until 30 Jun. 2020	1 Jan. 2020	10 years	12,815	76,892
	CBS 8a *** - from 1 Jul. 2020	1 Jul. 2020	10 years	21,359	128,154
	CBS 9 *	1 Jan. 2001	10 years	5,000	60,000
Total rental obligations with a remaining lease term of 1 year or less					**1,877,126** (PY: 1,672,080)
Total rental obligations with a remaining term of 1 to 5 years					**6,877,552** (PY: 5,331,820)
Total rental obligations with a remaining lease term of more than 5 years					**4,434,930** (PY: 2,679,720)

The right to terminate the lease for the building CBS 9 was not exercised in 2019, and the lease was therefore renewed for a further ten years. In addition to the existing leases, a lease for a production hall (CBS 8a) was entered into in 2019 for 2020. The lease has a term of ten years. The owner of the leased property CBS 11 changed at the end of February 2019, hence a new lease with a term of ten years was signed.

As at 31 December 2019, there was a lease liability of € 4,543 thousand (previous year: € 0 thousand) to HPC Vermögensverwaltung GmbH and of € 3,176 (previous year: € 0 thousand) thousand to other related parties.

Service agreements

In 2019, painting and tiling services totalling € 27.1 thousand were purchased from the other related parties HPC Malerfachbetrieb GmbH and HPC Fliesen GmbH (previous year: € 9.3 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 € 120 thousand (previous year: € 60 thousand) were purchased in 2019.

In the 2019 financial year, continuing professional development services were purchased from the Chairwoman of the Supervisory Board, Prof. Dr. Michèle Morner, in the context of management development at Viscom. In addition to her Supervisory Board remuneration, she received remuneration from the company for personally performed services of € 12 thousand (previous year: € 0 thousand).

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 for the lessee from leases

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

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

Lease obligations for company cars in K€	2019
Total	**92**
within 1 year of the end of the reporting period	40
more than 1 but less than 5 years after the end of the reporting period	52
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.

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	Longfeng, China	1 Feb. 2018	2 years	2,744	32,928
	Huizhou, China	1 Jul. 2017	3 years	409	4,908
	Shanghai, China	1 Jan. 2015	2 years	6,768	81,216
	Shanghai, China	1 Jan. 2014	1 year	2,286	27,432
	Tunis, Tunisia	15 Sept. 2011	1 year	512	6,144
	San José, USA	1 Oct. 2011	1 year	848	10,176
Between one and five years	Singapore, Singapore	21 Aug. 2014	2 years	5,657	67,884
	Atlanta, USA	1 Oct. 2006	5 years	7,598	91,176
	Singapore, Singapore	15 May 2014	2 years	3,110	37,320
	Singapore, Singapore	1 Jul. 2017	2 years	2,530	30,360
	Paris, France	1 Aug. 2004	9 years	2,083	24,996
Total rental obligations with a remaining lease term of 1 year or less					**350,449** (PY: 338,221)
Total rental obligations with a remaining term of 1 to 5 years					**121,906** (PY: 304,027)

The leases for the offices in Tunis and San José were automatically renewed for a further year in 2019. The leases for the offices and apartments in Singapore were also automatically renewed.

The lease for the apartment in Shanghai was terminated as per the terms of the contract in 2019.

Purchase commitments

Purchase commitments from delivery contracts amounted to around € 5,446 thousand (previous year: € 5,769 thousand) as at 31 December 2019.

Contingent liabilities

There were no contingent liabilities as at 31 December 2019.

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 2019.

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

Voting rights notification

1. Details of issuer

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

2. Reason for notification

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

3. Details of the party subject to the notification obligation

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

4. Names of shareholders

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

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

5. Date on which the threshold was reached:

21 Dec 2017

6. Total share of voting rights

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

7. Details of the voting rights held

a. Voting rights (section 33, 34 WpHG)

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

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

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

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

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

8. Information about the party subject to the notification obligation

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

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

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

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

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

SUPPLEMENTARY REPORT

Events after the end of the reporting period

The corona virus has been spreading increasingly around the world since the start of 2020. On 30 January 2020, the World Health Organisation declared the pandemic a Public Health Emergency of International Concern. In corporate planning, consideration has been given to the specific impact of this pandemic on Viscom's financial position and financial performance only on the basis of current and known information. Because there are no serious parameters, consideration was not given to more far-reaching scenarios of a further dramatically developing pandemic and the potential impact on sales markets, which would result in a reduced forecast of the most important financial indicators. There were no other significant events after the end of the 2019 financial year.

German Corporate Governance Code

The Executive Board and Supervisory Board of Viscom AG submitted the annual Compliance Statement, according to section 161 of the German Stock Corporation Act (AktG), in February 2020 with an update on 20 March 2020. It has been published and is permanently accessible on the Viscom AG website.

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

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€	**2019**	2018
Audits of financial statements	153	101
Other services	0	16
Total	**153**	**117**

In particular, fees for audits of financial statements include fees for the statutory audit of the annual and consolidated financial statements and the dependent company report. This item also includes services in connection with the audit of the accounting-related ERP and IT systems.

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, 30 March 2020
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 2019, 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 2019 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 2019. 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 2019 and the results of operations for the financial year from 1 January to 31 December 2019

• 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). We also conducted the audit of the consolidated financial statements in compliance with the International Standards on Auditing (ISA). Our responsibility in accordance with these provisions, principles and standards 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 2019. 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

❸ Impact of the first-time application of IFRS 16 on lease accounting

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 € 12.2 million are reported in intangible assets in the consolidated financial statements of Viscom AG. This item accounts for around 13.7 % 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 € 29.1 million are reported in the consolidated financial statements of Viscom AG. This item accounts for around 32.7 % 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 € 21.3 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.

❸ Impact of the first-time application of IFRS 16 on lease accounting

① As of the reporting date, right-of-use assets of € 9.9 million and lease liabilities of € 9.9 million were reported in the consolidated financial statements of Viscom AG. The right-of-use assets and lease liabilities therefore account for around 11 % of total assets and liabilities. In the financial year, the first-time application of the new International Financial Reporting Standard for leases (IFRS 16) had material effects on the opening carrying amounts and their remeasurement in the financial year. The transition to IFRS 16 was made according to the modified retrospective approach. The comparative figures for the prior-year periods have not been restated. Due to the high value of the leases, the Company instituted Group-wide processes and controls for the full and accurate recognition of leases. In addition, the first-time application required the implementation of a central IT system for recording the leases. The new financial reporting standard IFRS 16 requires the legal representatives to make estimates and judgements for certain areas, the appropriateness of which was to be assessed as part of our audit. This applies in particular to estimates regarding the exercise of options with effects on the term of the lease. Given this and the complexity of the new requirements of IFRS 16, lease accounting was of particular significance for our audit.

② Our audit including assessing the appropriateness and effectiveness of the processes and controls instituted by the Group for the recognition of leases. With support from our in-house specialists, this also applies to the implementation of the central IT system for recording the leases.

In our audit, we also assessed the impact of the first-time application of IFRS 16 with support from our in-house specialists. Together, we examined the implementation work and assessed the design of the processes introduced to record transactions in compliance with IFRS 16 and of the IT systems to support the implementation of the new requirements. In so doing, we inspected leases on a sample basis, examined the identification of performance obligations and assessed whether they were fully and accurately recognised in the newly implemented central system for recording leases. In particular, we evaluated the estimates regarding the exercise of options with effects on the term of the lease by interviewing employees of the Company and inspecting appropriate evidence.

We were satisfied that the systems, processes and controls instituted for IFRS 16 are appropriate. In addition, we concluded that the estimates and assumptions made by the legal representatives are sufficiently documented and substantiated so as to guarantee proper lease accounting in the first-time application of IFRS 16.

③ The Company's disclosures on lease accounting and the impact of the first-time application of IFRS 16 can be found under "Summary of significant accounting policies", "IFRS 16: Leases", "Reconciliation of lease liabilities" and "Disclosures due to the adoption of IFRS 16" and in notes G7, A6-7, P7 and P8 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 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

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 28 May 2019. We were engaged by the Supervisory Board on 6 December 2019. 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 audit committee in accordance with Article 11 of the EU Audit Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Jens Wedekind."

Hanover, 30 March 2020

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 118 - 124 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 2020

09.04.2020	**Annual Report 2019**	Hanover
13.05.2020	**Interim Report 3M/2020**	Hanover
09.06.2020	**Annual General Meeting**	Hanover
12.08.2020	**Interim Report 6M/2020**	Hanover
12.11.2020	**Interim Report 9M/2020**	Hanover

FIVE-YEAR REPORT

Profit and loss

		2019	2018	2017	2016	2015
Revenue	K€	88,556	93,557	88,542	77,245	69,389
EBIT	K€	4,017	10,944	13,829	10,497	10,157
EBT	K€	4,067	10,947	13,831	10,467	9,352
Income taxes	K€	-966	-3,133	-4,758	-3,338	-5,823
Net profit for the period	K€	3,101	7,814	9,073	7,129	3,529

Balance sheet

Assets						
Current assets	K€	62,757	67,045	59,889	56,383	53,203
Non-current assets	K€	26,291	14,758	11,453	10,254	9,927
Total assets	K€	89,048	81,803	71,342	66,637	63,130
Liabilities						
Current liabilities	K€	16,904	18,659	11,804	12,047	12,539
Non-current liabilities	K€	13,645	3,846	2,778	2,298	1,934
Total shareholders' equity	K€	58,499	59,298	56,760	52,292	48,657
Total shareholders' equity and liabilities	K€	89,048	81,803	71,342	66,637	63,130

Cash flow statement

CF from operating activities	K€	7,302	1,232	12,752	95	5,955
CF from investing activities	K€	-3,587	-5,076	-3,428	-1,968	-2,359
CF from financing activities	K€	-5,067	-5,422	-3,999	-3,554	-8,943
Cash and cash equivalents	K€	1,039	2,357	11,506	6,517	11,868

Personnel

Employees at year-end		485	480	415	382	362

Investments

Tangible and intangible assets (paid)	K€	2,345	2,248	1,215	574	816

Share

Number of shares		9,020,000	9,020,000	9,020,000	9,020,000	9,020,000
Dividend payment*	K€	444	3,998	5,331	3,998	3,554
Dividend per share*	€	0.05	0.45	0.60	0.45	0.40
Shareholder capital per share	€	6.49	6.57	6.29	5.80	5.39

Key figures

EBIT-Margin	%	4.5	11.7	15.6	13.6	14.6
Return on equity	%	5.3	13.2	16.0	13.6	7.3
Equity ratio	%	65.7	72.5	79.6	78.5	77.1

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PUBLISHER	Viscom AG, Carl-Buderus-Straße 9 - 15, 30455 Hanover, Germany Tel.: +49 511 94996-0, Fax: +49 511 94996-900 info@viscom.de, www.viscom.com Registration: Hanover District Court HR B 59616
RESPONSIBLE	Viscom AG, represented by the Executive Board
EDITORIAL STAFF	Carsten Salewski (Member of the Executive Board) Peter Krippner (Member of the Executive Board) Dr. Martin Heuser (Member of the Executive Board) Dirk Schwingel (Member of the Executive Board) Anna Borkowski (Investor Relations) Sandra M. Liedtke (Investor Relations) Alexander Heigel (Accountancy)
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Headquarters:
Viscom AG
Carl-Buderus-Straße 9 -15 · 30455 Hanover · Germany
Tel.: +49 511 94996-0 · Fax +49 511 94996-900
info@viscom.de

Contact Investor Relations:
Viscom AG, Anna Borkowski
Carl-Buderus-Straße 9 -15 · 30455 Hanover · Germany
Tel.: +49 511 94996-861 · Fax +49 511 94996-555
investor.relations@viscom.de

Visit our website to find international subsidiaries and representatives in Europe, USA and Asia:

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