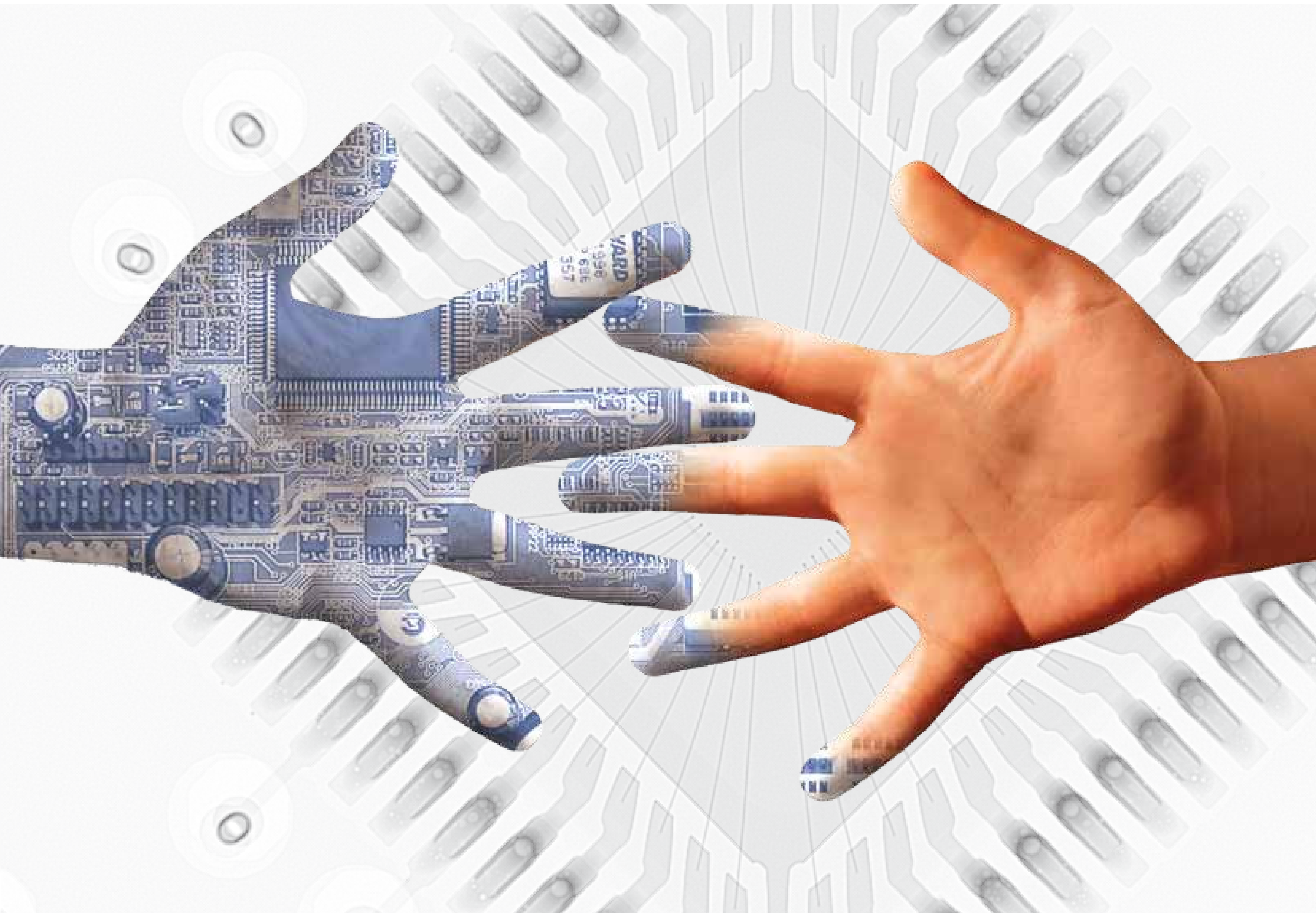
MAN. MASCHINE. VISION.
WITH PASSION FOR TECHNOLOGY.



ANNUAL REPORT 2016

CONTENT

OPERATING FIGURES

Profit and loss

		2016	2015
Revenues	K€	77,245	69,389
EBIT	K€	10,497	10,157
Net profit for the period	K€	7,129	3,529

Balance sheet and cashflow statement figures

		2016	2015
Total assets	K€	66,637	63,130
Equity ratio	%	78.5	77.1
CF from operating activities	K€	95	5,955
CF from investing activities	K€	-1,968	-2,359
CF from financing activities	K€	-3,554	-8,943
Cash and cash equivalents	K€	6,517	11,868

Share

		2016	2015
Result per share	€	0.80	0.40
Dividend per share*	€	0.45	0.40

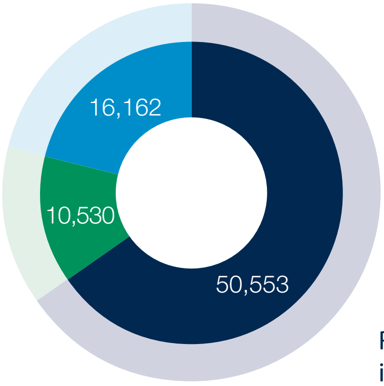
Employees

	2016	2015
Employees at year-end	382	362
Employees in annual average	375	355

*Dividend proposal 0,45 € per dividend-bearing share for the financial year 2016

SEGMENT INFORMATION

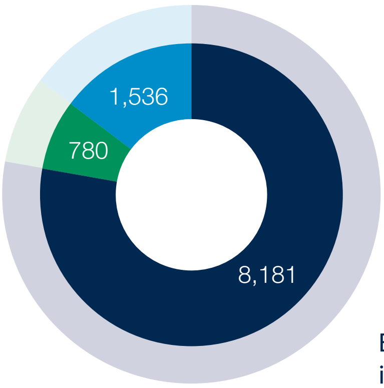
FIGURES 2016



Revenue
in K€

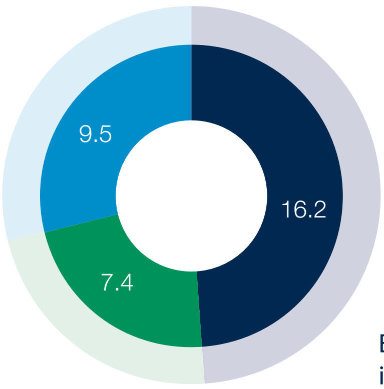
83,498
Incoming orders
in K€

77,245
Revenue
in K€



EBIT*
in K€

10,497
EBIT
in K€



EBIT-Margin*
in %

13.6
EBIT-Margin
in %

78.5
Equity Ratio
in %

■ Europe ■ Americas ■ Asia

* in consideration of consolidation differences

VISCOM.
VISION TECHNOLOGY.

Sophisticated parts, hidden solder joints, hundreds of densely installed components in complex circuits, ever-shorter cycle times – the human eye is no longer able to cope with these developments, so electronics manufacturers have to rely on high-tech solutions when it comes to quality inspection. As one of the world's leading providers, Viscom and its 382 employees worldwide develop high-end, intelligent inspection systems for assembly and subassembly manufacturing.

Viscom has been specialising in powerful inspection technologies for more than 30 years. The company's hub is the Viscom headquarters in Hanover, which is home to development, production and logistics. This is why all of its products are labelled „Made in Germany".

Subsidiaries provide customer care in France, the USA, China and Singapore. Viscom also has a global network of support and service centres. This ensures direct contact between customers and expert partners and the rapid availability of standardised complete systems, individual solutions and spare parts almost anywhere in the world.

The latest technologies from Viscom can be seen at the leading international electronics trade fairs. The company's product range extends from solder paste inspection (SPI) and automated optical inspection (AOI) to automated and manual X-ray inspection (AXI/MXI) including 3D analysis. Viscom also offers conformal coating and wire bond inspection systems for extended process control. Another key area of activity is customer-specific solutions for inspecting housings, rubber seals and more besides.

Users can select the most suitable analysis, whether 2D or 3D. Networked communication between the inspection steps also offers extensive possibilities for the simple automation of process quality optimisation, thereby allowing production errors to be prevented effectively while maintaining maximum performance. The intelligent software of Viscom's inspection systems boasts a user-friendly interface and a broad range of innovative analysis tools.

Many of Viscom's customers come from the safety-intensive areas of automotive, aviation, medical technology and industrial electronics. However, other sectors such as consumer electronics are increasingly represented.

FOREWORD FROM THE EXECUTIVE BOARD

Volker Pape, Dr. Martin Heuser, Dirk Schwingel (l. t. r.)
Executive Board

Dear Ladies and Gentlemen,

The Viscom Group can look back on a successful 2016 financial year. Following a rather weak start, we regained ground in the subsequent quarters and successfully closed the year with an extremely strong fourth quarter in terms of both revenue and earnings. In the process, we comfortably achieved our forecasts for the year once more.

With extremely strong incoming orders of € 83,498 thousand – a year-on-year increase of around 24 % – and revenue growth of 11.3 %, we again succeeded in setting new records, demonstrating that our strategic approach of seeking to continuously and sustainably expand our global market position while improving our brand awareness is the right one.

Thanks in particular to our strong positioning in the areas of 3D AOI and X-ray inspection, we were able to win over further existing and new customers across a wide range of benchmarks, including in direct comparison with our strong peer group, and place ourselves on the approved vendor list (AVL) of high-profile global companies. In the area of Computer, Communication and Consumer (3C) electronics, we reaped the further rewards of our successful positioning, which we are using to win customers over with our technological expertise.

We are continuing to benefit from the steady rise in customer interest in 3D inspection in particular. Among other things, 2016 saw growing demand for our manual X-ray inspection system. This boasts the best image quality for maximum magnification and offers significant potential for the group's product range, not least in the era of Industry 4.0, thanks in particular to its intelligent integration with other Viscom inspection gates as part of a closed-loop network. The forthcoming revision of our outstanding inline X-ray product, the X7056, also offers additional market potential as it will shorten the current handling times and allow larger double-sided PCBs to be inspected. In addition, we are observing increased customer demand for product demonstrations for all existing inspection tasks. All in all, our technological developments are attracting the interest of our customers.

The positive development of the Viscom Group was also driven by the largely strong business performance in the regions. Europe remained by far the strongest regional market in the past financial year, accounting for around 65 % of the Group's revenue. Revenue in the Asia region increased by a good 21 %, with the X7056 X-ray product range attracting new customers from the area of contract manufacturing in particular. This EMS customer segment – driven by the rising quality requirements of the 3C market – and the automotive segment with its focus on ADAS products (advanced driver assistance systems) both saw increased demand for this inspection technology, prompting customers to place orders with Viscom. By contrast, the Americas region saw a decline of revenue growth compared with the dynamic performance in recent years. Uncertainty among small and medium-sized businesses with regard to corporation tax reform, foreign trade and the external impact on the general economic situation, which resulted from factors including the 2016 election year, may have led to restraint on the market. The weighting of major customers also declined in the period under review as a result of weaker conversion and upgrading orders. By contrast, demand in Mexico continued to enjoy strong growth thanks to existing investments in the automotive sector.

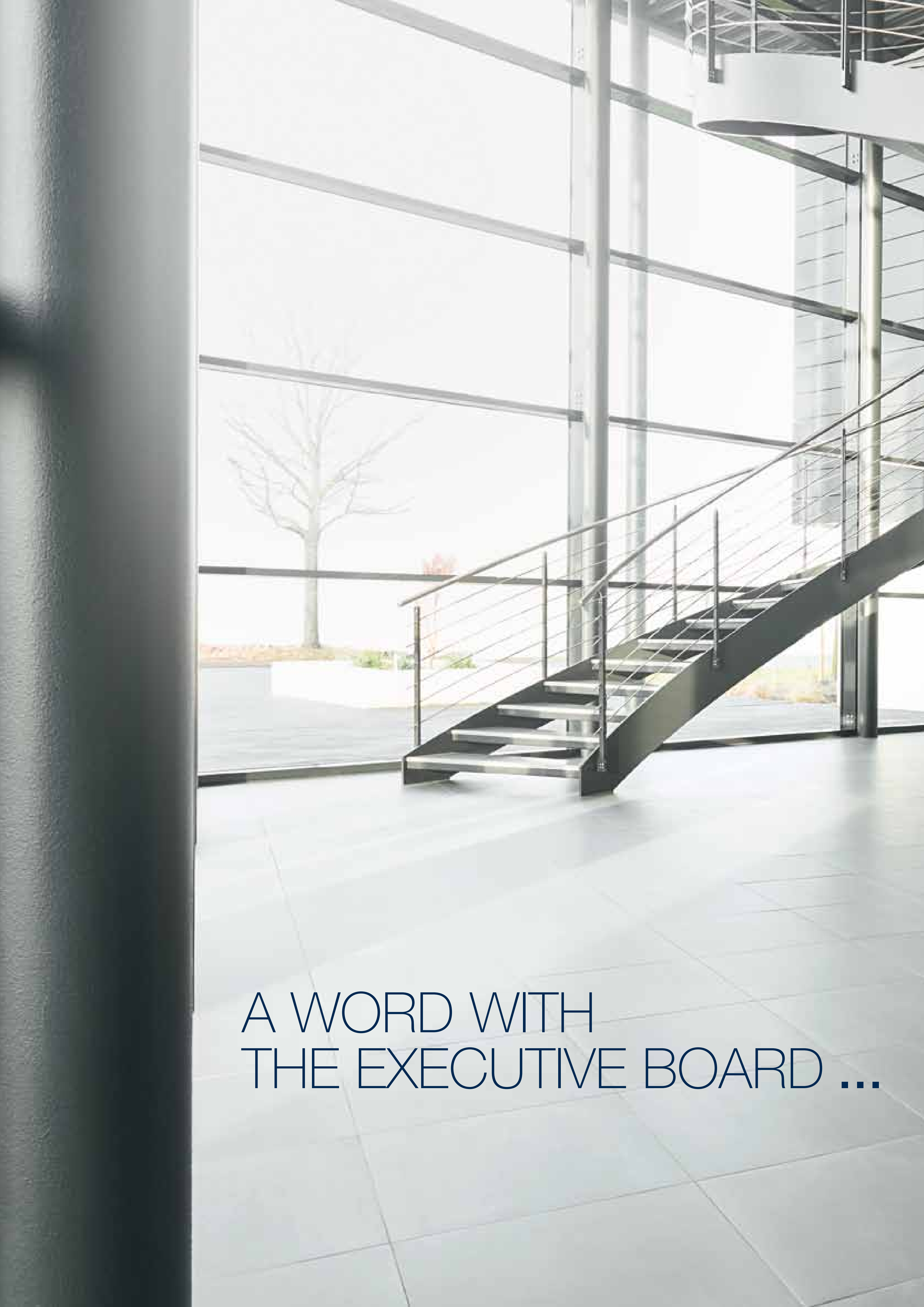
Our company's extremely positive overall business development should again be reflected in an attractive dividend payment for the shareholders of Viscom AG. The Executive Board and Supervisory Board will propose a dividend payment of € 0.45 per dividend-bearing share to the Annual General Meeting for the 2016 financial year. This corresponds to a dividend yield of 3.4 % based on the closing price at 31 December 2016.

The outlook for the future is similarly positive, and we are pursuing a clear and sustainable growth path. We had an order backlog of € 18,069 thousand at the end of the 2016 financial year and will process these orders over the coming months of 2017. The new development and enhancement of our products and software components also offers additional market potential across a wide range of industries. Automotive and industrial electronics are essential markets for us. At the same time, we are intensifying our presence in other future-oriented segments. Viscom's primary objective remains the expansion of its market position in the high-volume production of globally active contract manufacturers and the development of new areas of application with the aim of diversification. The general growth trends within the electronics market and various megatrends also offer secure growth potential. We are therefore forecasting revenue of between € 80 million and € 85 million and an EBIT-Margin of between 13 % and 15 % for the 2017 financial year.

We would like to take this opportunity to thank you, our shareholders, for your loyalty and the trust you have placed in us. We also wish to thank our business partners and customers for the cooperation, intensive exchange and transfer of expertise we enjoy in a spirit of mutual trust. Our employees deserve special recognition, as it would not be possible for us to achieve such strong performance without the personal commitment they demonstrate and the work they do in every area of our company. Thank you very much.

The Executive Board

Dr. Martin Heuser   Volker Pape   Dirk Schwingel



A WORD WITH THE EXECUTIVE BOARD ...

Volker Pape
Executive Board (Sales)
Founder of Viscom (1984)

Dirk Schwingel
Executive Board (Finances)
at Viscom since 2010

Dr. Martin Heuser
Executive Board (Technology)
Founder of Viscom (1984)

... DIRECT UND TRANSPARENT

Viscom AG

Viscom has been successful on the market with its inspection solutions since 1984. What makes your company special?

Dr. Martin Heuser: Viscom strives to be the technology leader in numerous areas. We are the market leader in the high-end automotive electronics segment and enjoy an excellent reputation thanks to our strong market positioning.

We invest a great deal in optimising our inspection systems and deliver proof of our performance compared with competitor systems in on-site demonstrations for our customers.

One focal point of inspection technology is 3D inspection. The market is increasingly demanding solutions in this area. Viscom offers the corresponding solutions for optical inspection, X-ray inspection and paste print inspection. Our product portfolio has the potential for 100 % error detection thanks to a combination of the highest inspection quality, precision and speed, flexibility, and the future-oriented integration of Viscom high-tech solutions. It also ensures optimal results in quality and process control – both now and in the future.

Another focal point of our work is networked inspection systems. Networking is becoming increasingly important in the current era. Each system on a shop floor communicates with proprietary and third-party systems and production control systems across one or more lines. These approaches are also familiar in the context of „Industry 4.0".

New technologies

What factors are driving the development of new technologies? What projects are you focusing on in 2017?

Dr. Martin Heuser: Our core competency of component inspection makes our company a key partner for numerous high-profile electronics production companies and a leading global provider. Research and development activities therefore enjoy a high priority. As a result, the product portfolio is constantly being optimised and expanded. Close cooperation with our international customers forms the basis for customising Viscom products precisely to their needs. Innovation remains a vital strategic success factor and the only way we can satisfy the constantly changing market conditions. We are working on highly innovation-driven technologies while developing new markets and leveraging potential in order to expertly master the challenges of globalisation and the rapid pace of technological change. Automotive and industrial electronics are essential markets for us. At the same time, we are intensifying our presence in future-oriented segments. Viscom's primary objective is the expansion of its market position in the high-volume production of globally active contract manufacturers and the development of new areas of application with the aim of diversification. This is supplemented by some new developments. For example, the X7056-II will be Viscom's new standard X-ray system. It will offer incredibly quick PCB change times, allowing customers to increase their productivity even further. In addition, the new version 2.4 of our vVision operating software will introduce new methods for ultra-fast inspection plan creation. For bonds, universal transport will also be used with a view to shortening delivery times. In addition to permanently enhancing its software, Viscom has a history of continually designing high-performance modules in the field of hardware components.

Automotive – future technology

You are one of the market leaders for automotive solutions. How do you view the trends in this segment, especially the strong development in the field of e-mobility?

Dr. Martin Heuser: Electronics will continue to account for even more of the value added of a vehicle in future. On the way to e-mobility, many vehicles will lose complex mechanical components like clutches or differentials in favour of battery blocks and current controllers. As the electronic control of power electronics is essential in order to ensure optimal component efficiency, the number of control units installed in vehicles will continue to increase. The trend towards networked vehicles will have another effect, too: Vehicles will use electronic transmitters and receivers to communicate with each other as well as with the decentralised control system for the respective infrastructure.

Electronics are particularly important when it comes to the goal of autonomous driving. As well as ensuring that the control system is error-free and designed redundantly wherever possible, the large number of sensors connected to the control system must deliver error-free, failure-free data about the vehicle environment. These sensors, which include but are by no means limited to cameras and laser sensors, need to be inspected during production using optical or X-ray technology in order to ensure that they meet high safety standards.

Market segments and opportunity

What additional market segments are you focusing on as a company, and where do you see the biggest opportunities?

Dr. Martin Heuser: There are secure growth prospects for our company thanks to the growth in the electronics market and many electronics-related megatrends. In particular, we believe that major global accounts offer significant growth potential, which we are directly targeting. The main thing is that we outperform our undoubtedly strong competitors in customer evaluations and demonstrate our technical expertise.

Competitive environment

How does the competitive environment look at present? Who are your strongest competitors on the market?

Volker Pape: Our familiar product range extends from solder paste inspection and automated optical inspection through to automated and manual X-ray inspection, and we naturally face strong competition in some of these areas. Competitive pressure has been on the rise for a number of years, especially from the Asian region. Every year, new microenterprises exhibit at the leading Chinese trade fairs, Nepcon Shanghai and Nepcon Shenzhen, in particular. While the systems they exhibit give the impression of professionalism, they cannot compete with the global players when it comes to software and camera technology. This is why only two providers have truly managed to establish themselves in the lower price and performance segment, and both of them are predominantly local in their scope. At the same time, there are strong competitors on the global market, especially from Korea, Japan and Taiwan. We are countering this competition with corresponding product innovations and enhancements to our software and camera technology, and have succeeded in positively distancing ourselves from our competitors in continuous benchmarks and evaluations. Our service offering also helps us to establish ourselves with existing and new customers alike.

Our targeted, customer-oriented approach is bearing fruit. In 2016, renowned and high-profile global companies again placed us on their approved vendor list (AVL), signifying that we are one of typically between one and three preferred suppliers. This involves examining a wide range of criteria and requires us to meet defined standards in terms of our quality, delivery capacity and cost structure.

Industry 4.0

Industry 4.0 is the phrase on everyone's lips. What efforts are you making to participate in this industrial movement as a company?

Volker Pape: The real and virtual world are merging to form an all-encompassing Internet of Things. Industry 4.0 is a pioneering process that is supporting new product innovations, product-related services and improved production processes. The aim is to help industry to prepare itself for the future of production, which will involve further automation and the ever-increasing use of digitalised processes. Customers and business partners will be involved directly in business and value creation processes, and production will be combined with high-quality services.

In other words, increasing the quality and profitability of modern electronics production will require the intelligent networking of production, inspection, evaluation and optimisation. This is why companies are increasingly digitalising their production processes, and our customers are no exception. However, intelligent line networking with proprietary and third-party systems and production control systems and the best possible error recognition can work in electronics production only if the right approaches are combined. Viscom inspection systems have long been able to integrate into networked production environments and exchange data between third-party and proprietary systems, right through to mutual control for automated process optimisation. In other words, they are increasingly Industry 4.0-compatible and are already helping our customers to ideally safeguard and optimise their production in the age of Industry 4.0 and big data.

Growth drivers

How do you see the Asian market? Will it continue to be where your growth drivers are located?

Volker Pape: We still see the Asian region as offering the greatest growth potential. Many of our existing and, in particular, potential EMS and OEM customers are located in this region. Mexico has also established itself as an important production location, particularly for the auto industry. Many companies have production sites there, and it has become one of the largest manufacturing countries for the industry. According to media reports, one-third of all vehicles imported into the USA come from this part of Latin America. However, the further development of the country and its automotive industry has been called into question following the outcome of the US presidential election. One potential scenario could even see production shifting to Asia or India. We intend to monitor these developments closely and respond in a timely and appropriate manner. We have established the structures to allow us to do this, and will not hesitate to implement our experience in new regions where appropriate.

We also remain committed to maintaining and expanding our existing customer base, winning new customers and primarily expanding and strengthening our presence in future-oriented segments by identifying and utilising means of diversification – all around the world.

Capacity and infrastructure

Are you prepared for further growth in terms of capacity and infrastructure?

Volker Pape: Even in the era of virtualisation and digitalisation, a company that wants to grow needs to have sufficient physical capacities, especially for production, commissioning and logistics, and a workforce that can grow along with it. With this in mind, we added a new building at our Viscom headquarters in Hanover in the 2016 financial year. We now occupy various building units with total space of 2,980 square metres and have modernised our existing building so that we can continue to offer our employees a modern, friendly working environment that meets the requirements of an expanded workforce.

Strong finish to the financial year

You met your targets for 2016 thanks to an extremely strong finish to the financial year. Can investors expect a similar scenario in 2017?

Dirk Schwingel: Looking at our revenue performance over recent years, we have consistently enjoyed a strong fourth quarter. Since 2014, however, our revenue growth in the fourth quarter has become increasingly pronounced. This is due in part to delayed customer investments during the year. As such, I expect us to see similarly strong performance towards the end of the 2017 financial year. At the same time, we are naturally also keen to avoid more substantial quarterly fluctuations in order to prevent uncertainty on the capital markets as to whether we will achieve our guidance. However, our customers' investment behaviour and needs are the most important factors – and they can be very difficult to anticipate in the general market environment.

Inventories

Your inventories have risen steadily in recent years. How do you see things developing from here?

Dirk Schwingel: Our inventory growth in recent years is a reflection of the continuous expansion of our product range and our spare parts guarantee. Important and new demonstration and evaluation systems for customers also require a corresponding increase in inventories.

We significantly improved our inventory controlling in the 2016 financial year to allow us to monitor inventories even better in future. This is starting to bear fruit. Along with more efficient procurement controlling, there will now be no further inventory growth and slow-movers will be eliminated from our product range.

Dividend

Can investors expect a dividend payment in the 2017 financial year?

Dirk Schwingel: As previously, our dividend policy states that at least 50 % of our net profit will be distributed. Accordingly, the Supervisory Board and Executive Board will propose a dividend payment of € 0.45 per dividend-bearing share to the Annual General Meeting on 31 May 2017. As in the previous years, this proposed dividend is based on the company's expected economic development under consideration of funds required for business operations. While the distribution ratio at Group level last year was 100 %, this year we are returning to a policy that reflects the interests of shareholders and the company alike. The undistributed portion of our net profit will be used primarily to finance the company's continued growth.

Forecast 2017

What is your forecast for the 2017 financial year and what are your other objectives?

Dirk Schwingel: We are forecasting revenue of between € 80 million and € 85 million and an EBIT-Margin of between 13 % and 15 % for the 2017 financial year.

Beyond that, our objectives are clear: To continue to expand our competitive position and sustainably increase our enterprise value. Our aim is to grow along with technology. We intend to harness megatrends and benefit from current trends such as autonomous driving, e-mobility, the miniaturisation of electronic components and the general and continuous rise in quality standards. All of this requires expanded inspection solutions – and these are precisely the solutions that Viscom offers.

REPORT OF THE SUPERVISORY BOARD

The following section comprises the Supervisory Board's report on its activities in the 2016 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.

Bernd Hackmann
Chairman of the Supervisory Board
since 2009

Prof. Dr. Ludger Overmeyer
Member of the Supervisory Board
since 2014

Klaus Friedland
Deputy Chairman of the Supervisory Board
since 2009

Dear Ladies and Gentlemen,

The figures for the 2016 financial year presented by the management were extremely satisfactory. Viscom AG continued on the growth path it has pursued in recent years and closed the year under review with considerable success. Consolidated revenue increased by a further 11.3 % year-on-year to € 77,245 thousand, thereby exceeding our guidance for the past financial year. The operating result of € 10,497 thousand and the resulting EBIT-Margin of 13.6 % are within the forecast range issued by the management.

Advising the Executive Board and Monitoring Management

In the 2016 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) of the German Stock Corporation Act (AktG), the Supervisory Board of the company consists of three members who are elected by the Annual General Meeting without it being bound by any specific proposals. In the 2016 financial year, the three members of the Supervisory Board of Viscom AG were Bernd Hackmann (Chairman of the Supervisory Board), Klaus Friedland (Deputy Chairman of the Supervisory Board) and Prof. Ludger Overmeyer. The terms of office of the three appointed Supervisory Board members are identical and will expire at the end of the Annual General Meeting that approves the actions of the members of the Supervisory Board for the 2018 financial year.

Meetings of the Supervisory Board

In the 2016 financial year, the Supervisory Board held seven regular meetings, including a meeting for the purposes of an efficiency assessment that excluded the Executive Board. These meetings took place on 25 January, 11 March, 3 May, 1 June, 8 August, 8 November and 6 December 2016. 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 at an appropriately early stage. The single-entity and consolidated financial statements, the management report and Group management report and the interim reports were discussed in detail with the Executive Board prior to their publication. In addition, the Supervisory Board was presented with transactions requiring its approval. These were approved following detailed examination and discussion with the Executive Board. Among other things, these included the annual adoption of the budget for the next financial year, comprising revenue, cost, earnings, investment, human resources and financial planning including statements of cash flows for the company and its affiliated companies, and the lease of additional building units at Carl-Buderus-Str. 6. The Executive Board provided the Supervisory Board with the key figures required to assess business developments, in each case including comparisons with the current budget and the prior-year figures, as part of monthly reporting. Reporting by the Executive Board took place on request and in response to specific enquiries by the Supervisory Board, as well as periodically according to the rules of procedure for the Executive Board issued by the Supervisory Board.

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

Focal points of the Supervisory Board‘s discussions and examinations

Information passed from the Executive Board to the Supervisory Board focused on the revenue situation as well as its effects on the business operations of Viscom AG and the Group. 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. Key topics discussed at the meetings of the Supervisory Board in the 2016 financial year included the strategic direction of the company and its further development, the business operations of the Group and the individual business areas.

The meeting to review the accounts on 11 March 2016 focused on the single-entity and consolidated financial statements for 2015, including the management reports, 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 Supervisory Board also unanimously resolved to further extend the employment contracts of the Executive Board members Dr. Martin Heuser and Volker Pape until 31 March 2021. In addition, the agenda and the proposed resolutions for the Annual General Meeting 2016 were approved.

At the meeting on 3 May 2016, 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 2016. Individual risks were also discussed in greater detail based on risk early detection management.

A detailed review of the Annual General Meeting took place at the meeting on 1 June 2016.

In June 2016, the members of the Supervisory Board and the Executive Board were also provided with information on the forthcoming changes to capital market legislation as a result of the Market Abuse Regulation (MAR) coming into force, which took the form of an information notice and accompanying presentation, and received the statutory notification as prescribed by Art. 19 (5) MAR for their signature.

The meeting on 8 August 2016 focused on the development of business in the first six months of the year in the context of the consolidated interim financial statements, which the Executive Board and Supervisory Board discussed and reviewed in detail.

The Supervisory Board on 8 November 2016 discussed mainly the consolidated interim financial statements as of 30 September 2016. Potential individual risks were also discussed in greater detail based on risk early detection management.

At their meeting on 6 December 2016, the Executive Board and Supervisory Board discussed in detail and adopted the annual planning, including financial, investment and human resources planning, for the 2017 financial year on the basis of extensive documentation. The Executive Board also provided the Supervisory Board with an overview of the current status of the compliance programme.

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 289a of the German Commercial Code (HGB), which forms part of this Annual Report. 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 2016 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 25 January 2016. 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. Another focal point of the meeting was a critical review of the scope and content of transactions requiring Supervisory Board approval, which were updated accordingly.

Above and beyond this, the Executive Board and Supervisory Board submitted the annual declaration of compliance with the German Corporate Governance Code on 24 February 2017. This declaration has been made permanently available to the public on Viscom AG's website. The Executive Board, including on behalf of the Supervisory Board, reports on the company's corporate governance in the Corporate Governance Statement published by Viscom AG in accordance with section 289a HGB.

Accounting

The Annual General Meeting of the company on 1 June 2016 elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hanover office, as the auditor for the single-entity and consolidated financial statements of Viscom AG as of 31 December 2016. The Supervisory Board then negotiated and awarded the audit assignment. It was agreed that the auditors should promptly report all findings and occurrences of significance to the tasks of the Supervisory Board as they emerge during the audit. Furthermore, it was agreed that the auditors are to inform the Supervisory Board and/or include a comment in the audit report if, in conducting their audit, they become 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 2016 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 2016, 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 inventories, the impairment testing of investments in the single-entity financial statements and cash-generating units in the consolidated financial statements and the implementation of the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG). 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 statutory obligations of management with regard to monitoring and transparency were complied with. 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 AG 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 14 March 2017. 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 was available to answer questions, provide additional information and discuss the documents. Following a detailed discussion of the audit and its results with the auditor, a thorough examination of the audit reports provided by the auditor and its own examination and discussion of the single-entity and consolidated financial statements, the management report, the Group management report and the Executive Board's proposal for the use of retained earnings, the Supervisory Board approved the results of the audit. The Supervisory Board determined that there were no objections based on the final results of its examination. At its accounts review meeting on 14 March 2017, the Supervisory Board approved the single-entity and consolidated financial statements, the management report and the Group management report for the 2016 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. 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. In its meeting on 14 March 2017, the Supervisory Board determined that there were no objections against the declarations of the Executive Board at the end of the report on Viscom AG's relations with affiliated companies based on the final results of its examination.

The Supervisory Board would like to thank the members of the Executive Board, the management of the subsidiaries, the heads of the divisions, the Works Council as well as all employees of the Viscom Group for their high level of personal commitment and their successful work in the 2016 financial year.

Hanover, 14 March 2017

For the Supervisory Board

Bernd Hackmann
Chairman of the Supervisory Board

VISCOM'S SHARES

Basic information on Viscom's shares

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

		2016	2015	2014
Year-end share price *	€	13.30	14.70	11.20
Highest share price during the year *	€	15.60	17.35	18.00
Lowest share price during the year *	€	11.56	11.25	8.95
Market capitalisation (end of year)	€ million	119.97	132.59	101.02
Earnings per share	€	0.80	0.40	0.75
Dividend per share**	€	0.45	0.40	1.00

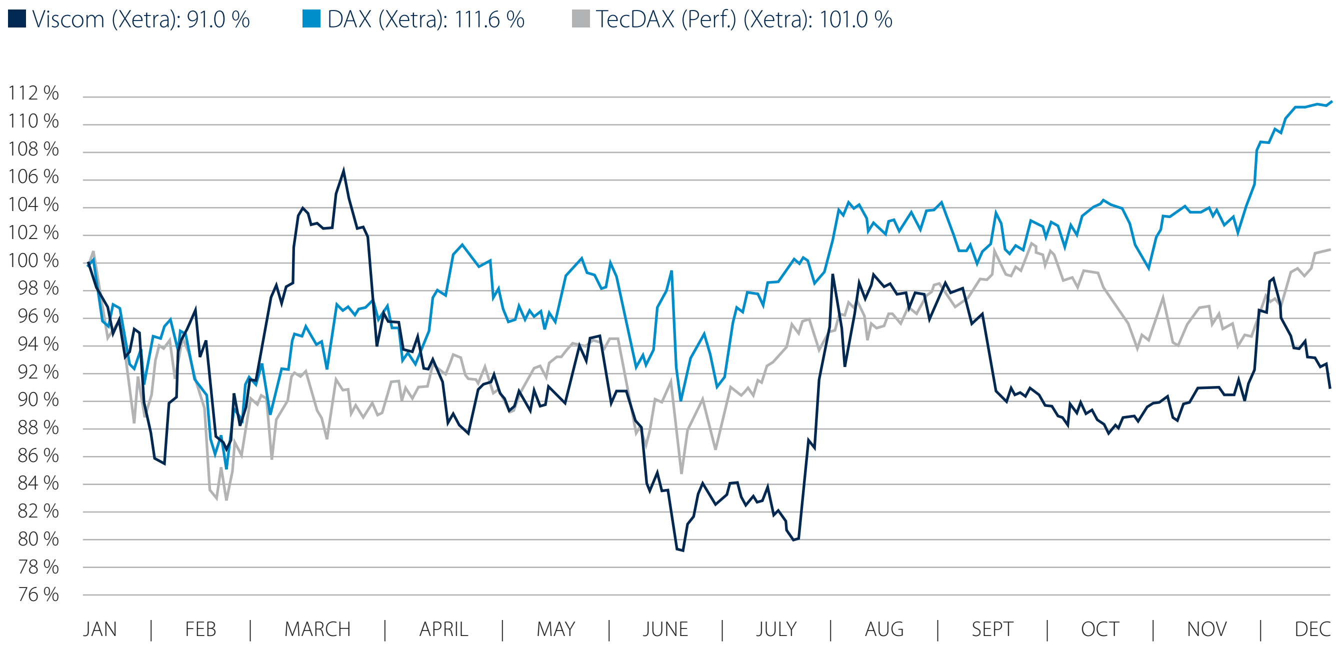
* All share price information is based on XETRA daily closing prices
** Dividend proposal of € 0.45 per dividend-bearing share for the 2016 financial year

Market conditions

The 2016 trading year was extremely erratic for the German stock markets. According to media reports, the DAX recorded its worst start to the year for 28 years. While prices recovered slowly over the following months, they failed to demonstrate any tangible momentum in terms of performance. The unexpected outcome of the Brexit referendum in June subsequently caused share prices to plummet once more. The DAX fell by more than 10 % at times over the course of the day, hitting an intraday low of 9,226 points. However, it gradually consolidated again over the following months, reinforcing its position above the 10,000-point barrier. The problems affecting Deutsche Bank AG, the uncertain outcome of the US presidential election and the slump in Chinese exports also had an adverse effect on share prices in October. By contrast, there was only a brief downturn following Donald Trump's victory in November, and the resignation of the Italian Prime Minister Matteo Renzi passed largely without consequence for the markets. The indices then returned to growth in December, allowing the 2016 stock market year to close with positive performance overall. Among other things, this was driven by the high level of the ifo Business Climate Index and the similarly positive ZEW Index. The DAX closed the year at 11,481 points, its highest closing level in the past twelve months.

VISCOM SHARE PRICE PERFORMANCE

compared with the DAX and TecDAX in 2016



Viscom share price

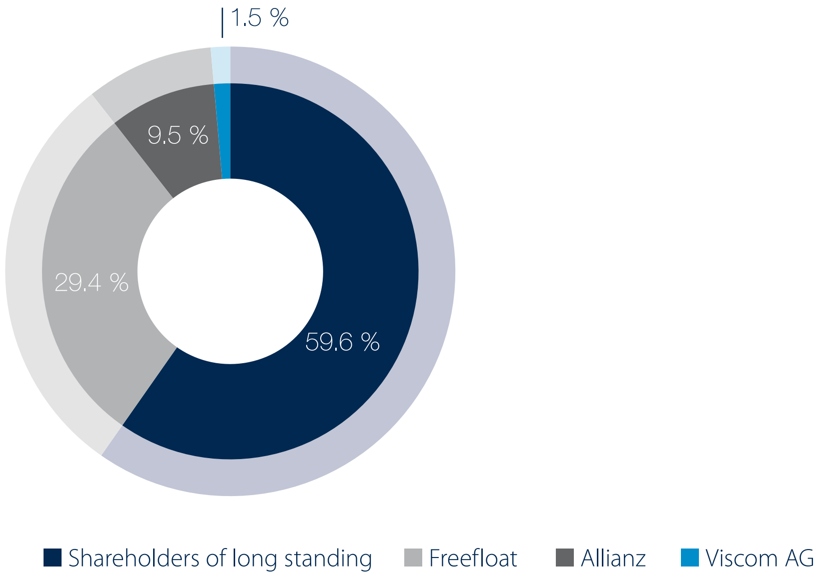
After opening the year at € 14.59, Viscom's shares experienced highly volatile price development over the following months before the preliminary figures for 2015 that were published on an ad hoc basis on 23 February 2016 led to positive price performance. Viscom's shares reached a high of € 15.60 on 15 March 2016, only to return to increased volatility once again in late March. The publication of the half-year figures in August 2016 and the confirmation of the forecasts for the year as a whole by Viscom's management had a positive impact on the share price.

The shares hit a low for the year on 27 June 2016 with a daily closing price of € 11.56. Viscom's share price averaged € 13.43 for the year as a whole, with a closing price of € 13.30 on 30 December 2016.

Research Coverage

Three financial analysts monitored Viscom AG in the year under review and regularly published commentaries and analyses including Buy, Accumulate, or Neutral recommendations.

SHAREHOLDER STRUCTURE



Shareholder structure

The shareholder structure of Viscom AG is characterised by the high degree of involvement on the part of the company founders and Executive Board members Dr. Martin Heuser and Volker Pape. 59.6 % of the shares are held by Dr. Martin Heuser and Volker Pape, either directly or via HPC Vermögensverwaltung GmbH. Viscom AG holds 1.5 % of its own shares, which the company repurchased in 2008/2009 as part of a share buy-back programme. 9.5 % of the shares are held by Allianz. The 29.4 % of shares that are in free float are spread primarily among investors in Germany and other European countries.

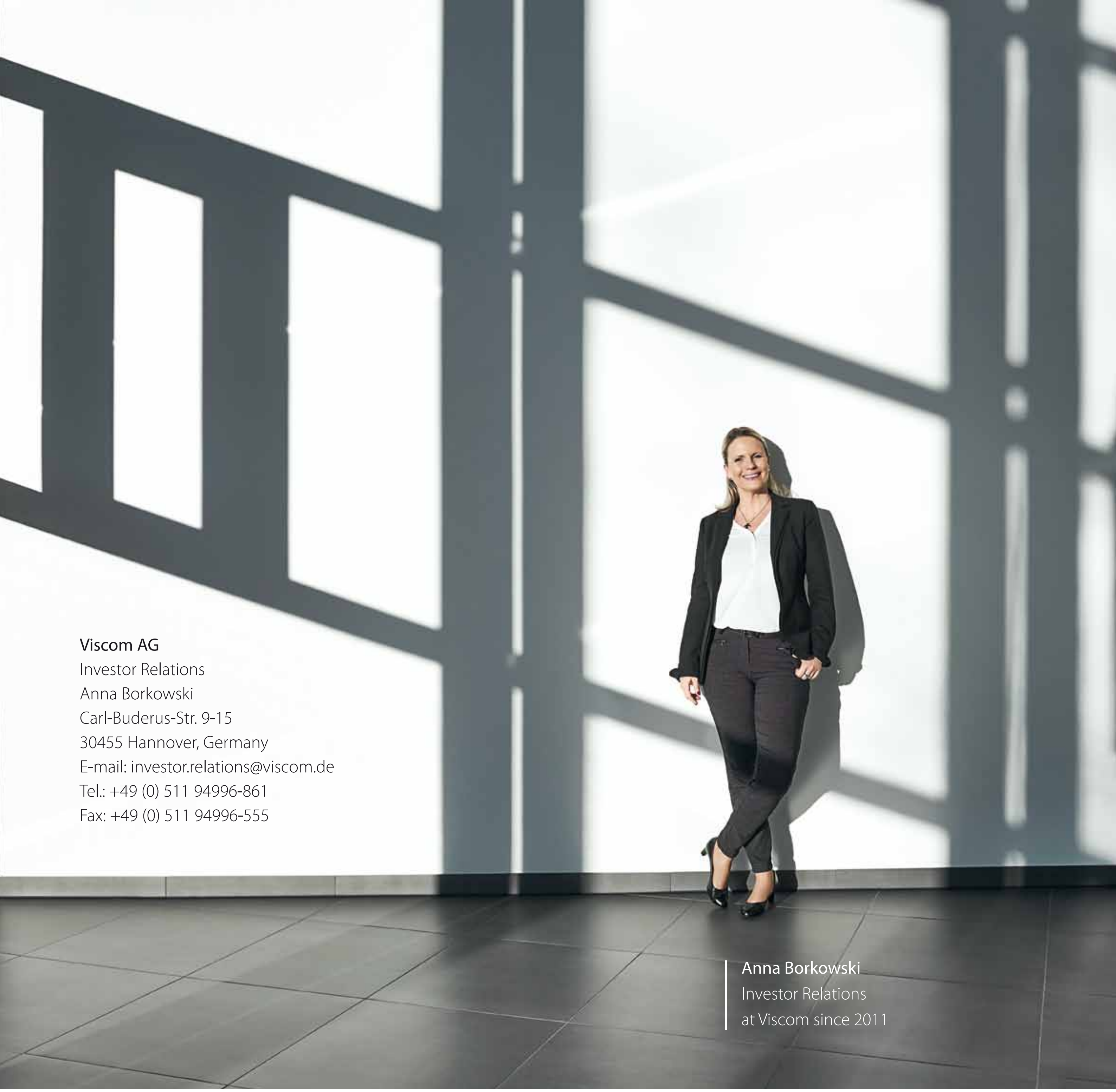
Annual General Meeting 2016

The Annual General Meeting of Viscom AG was held at the Old Town Hall in Hanover on 1 June 2016. Of the company's voting share capital of € 8,885,060.00, divided into 8,885,060 no par value shares, a total of 6,586,293 no-par value shares with the same number of votes were represented during the voting process; this corresponds to 74.13 % of the voting share capital. All agenda items were adopted by the shareholders and shareholder representatives with the necessary majority.

The next Annual General Meeting of Viscom AG is scheduled to take place at the Old Town Hall in Hanover on 31 May 2017.

Dividend proposal for the 2016 financial year

The Executive Board and Supervisory Board will propose a dividend payment of € 0.45 per dividend-bearing share to the Annual General Meeting on 31 May 2017. With the intended distribution of at least 50 % of the achieved results, the management is following the dividend policy that Viscom AG has communicated for several years now. This proposed dividend is based on the company's expected economic development under consideration of funds required for business operations.



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Anna Borkowski
Investor Relations
at Viscom since 2011

Investor Relations

The objective of our investor relations activities is to enable all capital market participants to evaluate Viscom AG objectively. We achieve this by means of continuous, open communication. Viscom AG held numerous one-on-one meetings with analysts and investors in 2016 and appeared at Deutsche Börse's German Equity Forum in Frankfurt.

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

We develop solutions and systems for all inspection tasks in the electronics industry and play an active role in shaping our customers' technological future. Our research and development activity is an intensive process driven by people with expertise, creativity, motivation and a passion for technology. New knowledge is obtained in our research activity and translated into application-oriented solutions in the subsequent development phase. A focus on the user and proximity to our customers and markets are the primary criteria for our solutions.

Our development activities primarily focus on the enhancement of existing system solutions and the implementation of new market requirements in the area of optical and X-ray inspection procedures. Documents such as technical drawings, bills of materials and hardware assembly instructions are developed on the basis of pre-defined requirements and software solutions are defined in accordance with the respective functional demands. The results are summarised in a specifications sheet that serves as a template for production. The definition of new products and machines is also driven forward in this area. The increasing mechanisation and enhancement of customers' production processes requires our inspection systems to be adaptable so that they can guarantee sustainable quality and process assurance.

RESEARCH AND DEVELOPMENT.

Innovation and expertise „made in Germany“.

Claudia Haucke
Central R&D/Product Development Mechanic
at Viscom since 1999

The successful transfer of scientific findings into practical applications has been another building block of our research and development activity for several years now. Together with Leibniz University Hanover, we are promoting such a transfer process within the scope of research and development projects. Scientific knowledge is applied to work on solutions to specific issues relevant to the market in these projects.

Our research and development unit is headquartered in Hanover-Badenstedt and is responsible for all of the Viscom Group‘s various systems.

SENSORS.

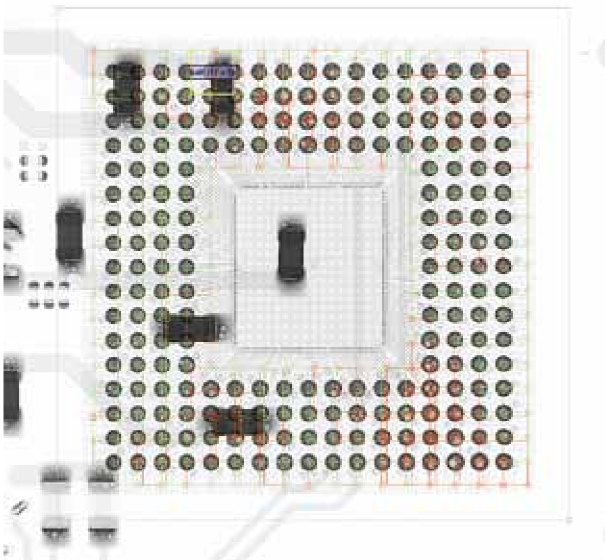
„Errors that the eye alone cannot see …

… are identified by our systems."

Dr. Dietmar Nau
Central R&D/Optical engineering
at Viscom since 2006

PCB inspection in a system

The high-performance camera technology developed by Viscom allows the tiniest errors affecting the components, solder joints, wiring etc. on a PCB to be detected accurately and securely. Image fields with up to nine views enable precise 3D analysis, while the use of angled camera modules with flexible switching between resolutions ensures the secure identification of critical errors. The high-resolution images are created and analysed extremely rapidly and forwarded to a verification point for final processing as required. The high-performance, state-of-the-art sensor technology used in our systems offers maximum inspection depth with no loss of speed.



BGA error analysis

System cabling

PRODUCTION.

„Solutions for quality and process control, product optimisation and documentation."

The company's hub is the Viscom headquarters in Hanover, which is home to development, production and logistics. On around 7,000 square metres of production space, the individual components are combined to create a system. The internally developed Viscom software is then installed and configured for the customer's specific inspection requirements.

In-house construction and manufacturing mean that Viscom can offer maximum speed and flexibility even for extensive projects, as well as allowing expertise to be bundled so that synergy effects can be increased in the development of new types of customer-specific solution.

Zoubir Debbah
Production/Special production
at Viscom since 2011

OUR PRODUCTS.

„Our technology. Our passion.
The right solution for every inspection."

System development and manufacturing at Viscom AG is broken down into two main areas:
serial products (SP) and new products (NP). In both areas, highly qualified teams work on future-oriented solutions for optical and X-ray inspection. SP activities primarily focus on the automated production line in the electronics industry. In turn, NP concentrates on some important additional inspections of electronic assemblies, as well as entirely new developments and wide-ranging special solutions that go well beyond this.

SP: Fully automated, intelligently networked inspection steps

Viscom offers a uniquely broad range of tailored systems for the modern production line in the electronics industry that allow PCBs to be subject to in-depth quality control. These include automated optical inspection (AOI), solder paste inspection (SPI) and automated X-ray inspection (AXI). In addition to paste print, mounting and solder joints, suitable solutions are also provided for conformal coating inspection (CCI), thereby ensuring that all critical errors are identified.

In addition, informative 3D visualisations, exact measurements and extensive options for statistical evaluation provide information that enables dramatic improvements to production processes. In the spirit of Industry 4.0, Viscom's inspection gates are intelligently networked, allowing results to be compiled transparently and workflows to be automated. For example, Viscom's SPI system can change the parameters of the stencil printer and the mounter of its own accord and request additional AOI images.

AOI inspection system: S3088 ultra gold

NP: Wire bond inspection, manual X-ray and new areas of application

NP builds directly on the solutions developed in SP with the reliable inspection of wire connections in electronics production, among other things. Viscom offers a wide range of inspection systems and configuration options for this purpose. From high-throughput inline technology and solutions with manual loading to individual concepts for integration into existing production systems, the range of selection options for optimal wire bond inspection is extensive.

MXI inspection system: X8011-II PCB

In addition, Viscom systems for manual X-ray inspection (MXI), which also form part of NP, enjoy great success among customers from the electronics industry. From high-precision sampling to quick checks in response to complaints, maximum magnification and outstanding image quality serve to ensure the best results. 3D reconstructions using Viscom's proprietary computer microtomography make the individual layers of the test object visible in the greatest possible detail. To facilitate the transmission of inspection results, Viscom's MXI systems can be easily connected to the inspection gates on the production line.

The innovative concepts developed and implemented by NP employees have long progressed beyond the mere inspection of PCBs and their electronic components. Viscom solutions are also extremely popular for all kinds of different customer requirements. From seals to complex metal parts, the technical applications for precision inspection encompass a wide range of objects and materials.

SALES AND SERVICE.

Our sales employees find tailored solutions for every inspection task for our customers and are always available to provide advice and support. Many years of market experience, partnership-based cooperation and immediate proximity to our customers allow us to develop customer-specific implementations and match the pace of technological change with corresponding state-of-the-art inspection solutions.

Furthermore, our global presence on the major sales markets and the close cooperation between the respective subsidiaries and local representatives and the sales team in Hanover mean we can ensure close proximity to our markets and customers. This is reflected in successful sales business that is secured for the future. The objectives of the sales team are clearly defined:

To reinforce Viscom's market position in the automotive supply industry through strong customer retention, expand its market position in the high-volume production of globally active contract manufacturers, and expand its market position in the Asian region in particular. In other words, this means providing targeted, partnership-based advice and support to existing and new customers alike.

Olesja Münch
Sales Europe
at Viscom since 2014

Christoph Mroncz
Service/Hotline
at Viscom since 2004

„Partnership-based cooperation.
Commitment, creativity and service for our customers."

Following the delivery and successful commissioning of our inspection systems, our service team takes responsibility for ongoing customer care and the installed base. We offer our customers an extensive package of services aimed at preventing unnecessary system downtime, ensuring state-of-the-art machine performance and maximising their production output. Thanks to our international network of more than 70 highly qualified and experienced service experts, we can perform maintenance, supply spare parts and provide expert initial support on the telephone or via remote access. Tailored service agreements also allow us to offer system upgrades and modifications, training for independent system operation, programming and application support to the extent required by the respective customer.

OUTLOOK.

Electronics have revolutionised the world. They play an important role in almost every area of life. The growing proportion of electronics and the miniaturisation of electronic components are the market developments driving megatrends such as e-mobility, autonomous vehicles and connected cars.

The rapid pace of change within the electronics industry means that new and more restrictive quality and process requirements must be continuously mastered. This is precisely where we see the market potential of our inspection systems. Material weaknesses and production errors can lead to vast economic disadvantages for manufacturers and the consequences for the end user can be disastrous, particularly when it comes to safety-relevant components.

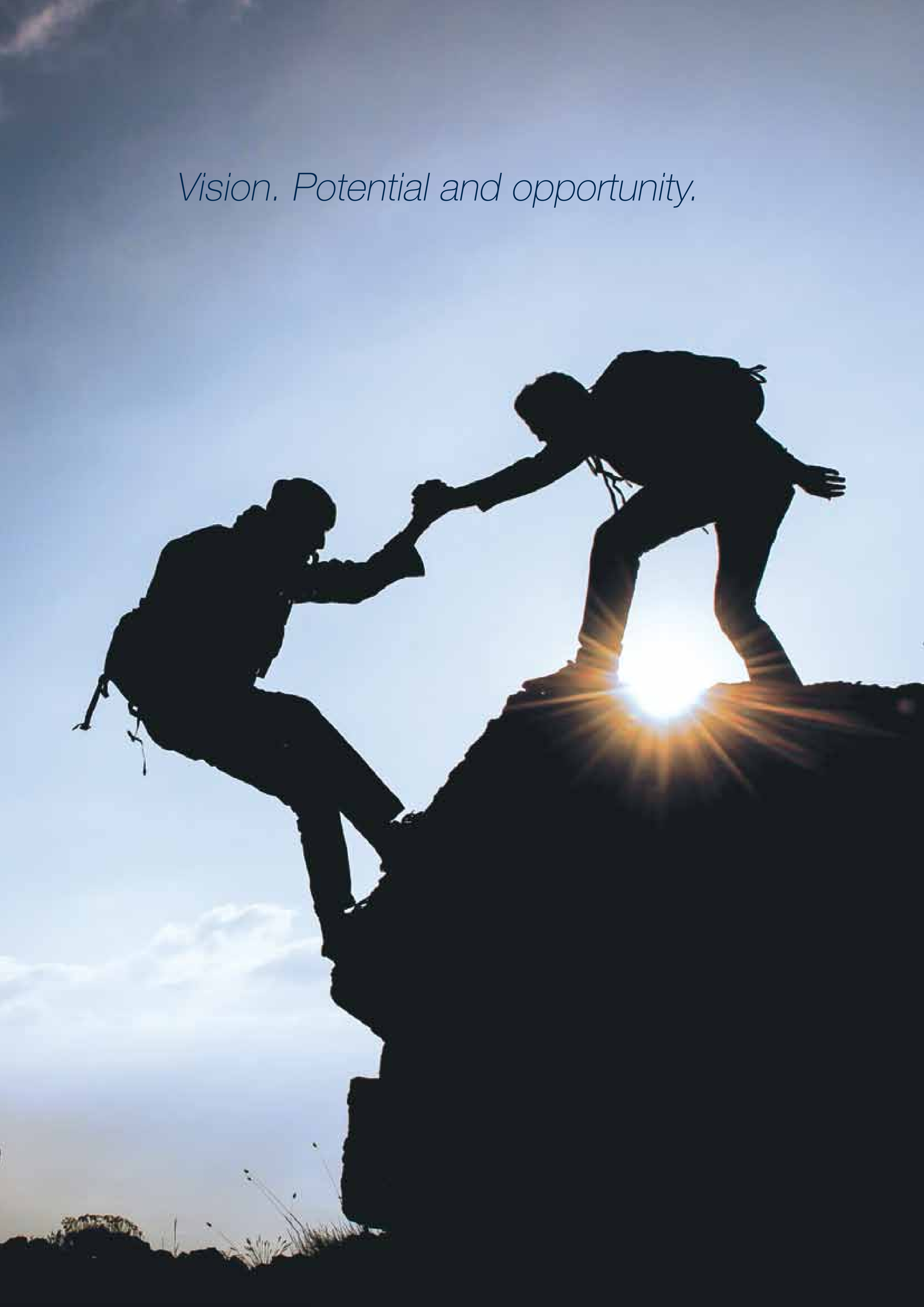
Accordingly, we focus on developing high-performance inspection solutions that can guarantee the quality of complex assemblies. Our optical and X-ray inspection systems are capable of inspecting the most sophisticated individual components, hidden solder joints and tiny, densely installed components on a PCB for errors, thereby ensuring 100 % quality assurance.

The automotive and industrial electronics sector is Viscom's most important sales market. At the same time, we are intensifying our presence in future-oriented segments. In particular, we believe that the major technological segment of Computer, Communication and Consumer offers potential for future market diversification and that we can significantly increase our share of business attributable to this area. We have already taken the first steps in this direction by performing extensive evaluations from which we will seek to benefit in future despite the extremely difficult market environment.

Another key element is the steady growth in the digitalisation of our customers' production processes and the accompanying networking of individual machines. Our inspection systems communicate with each other as well as with third-party systems and our customers' production control systems as integrated elements of production lines, and hence are already helping our customers to ideally safeguard and optimise their production in the age of "Industry 4.0" and "big data".

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

Vision. Potential and opportunity.



GROUP MANAGEMENT REPORT AND IFRS CONSOLIDATED FINANCIAL STATEMENTS 2016

GROUP MANAGEMENT REPORT 2016
BASIC INFORMATION ON THE GROUP

Business model of the Group

Structure of the company and its investees

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

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

With subsidiaries in Asia, America, Europe and Africa that are directly or indirectly majority-owned or 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 at the Group's home base, Hanover. This means that Viscom enjoys the production advantages of one of the most highly developed industrial locations, which allows it to guarantee an extremely high quality level for its products.

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

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

As of 31 December 2016, Viscom AG held committed capital reserves in accordance with section 272 (2) no. 1 HGB amounting to € 14,557,160.08.

On 29 July 2008, the Executive Board, with the approval of the Annual General Meeting on 12 June 2008 and after consultation with the Supervisory Board, decided to acquire up to 902,000 of the company's own shares by 31 March 2009. By the reporting date of 31 March 2009, the company had bought back 134,940 shares. As of 31 December 2016, Viscom AG held approximately 1.5 % of its own shares.

The Executive Board of Viscom AG consisted of three members as of 31 December 2016:

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

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

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

Segments and key locations

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

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

Business processes

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

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

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

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

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

Legal and economic factors

There were no fundamental changes to the legal and economic framework with a material effect on the company in the 2016 financial year. For details of the development of economic framework conditions in the 2016 financial year, please refer to the economic report below.

Management system

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

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

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

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

The information contained in the monthly reports is analysed at regular meetings between the company's management and the heads of the business areas. Any necessary action results in decisions that are usually implemented in the short term.

Quarterly financial statements in accordance with IFRS have been published in the form of interim reports and the half-yearly financial report since the company's initial listing and the change from the Prime Standard to the General Standard in September 2009. Viscom AG moved back to the Prime Standard with effect from 22 January 2015 and was therefore listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange as of 31 December 2016. Since the switchover date, the company has published consolidated interim reports and half-yearly financial reports according to IFRS.

Research and development

Development activities are primarily concentrated on the further development of existing system solutions and the implementation of new market requirements in the field of optical and X-ray inspection processes. This area also focuses on the definition of new products and machines.

Viscom works continuously on developing new and improving existing products. In terms of serial products, activities in the field of automated optical inspection (AOI) in 2016 focused on the launch of the 3D-AOI S3088 ultra gold inline system and the redesign of the 2088-II desktop AOI system. In the area of automated X-ray inspection (AXI), the Flat Panel Detector (FPD) established itself as the standard for the X7056 system in 2016 following its launch as an option in 2015. The revised X8011-II system also established itself on the market thanks to an optimised build, quicker parts handling and the resulting improved precision.

In the area of automated optical inspection, the 3D evaluation of soldered PCBs is now standard. The XM sensor modules used in this process use fringe projection to obtain 3D information. The more images provided for 3D reconstruction, the better the quality of the information obtained. The new S3088 ultra gold is fitted with XMplus sensors, which boast a significantly larger image field size than conventional XM sensors. While the S3088 ultra gold is an inline system with fully automated loading and unloading, the 2088-II desktop system with manual loading and unloading is the entry-level system for the automated optical inspection of PCBs. The system is particularly popular among cus-tomers with small PCB batch sizes and frequent product changeovers. Following its redesign as the 2088-II F, the desktop AOI system now offers additional benefits, including more ergonomic loading thanks to a modification to the system housing and the space-saving assembly of the operating units, which allows for compact installation in production.

In 2016, there was a near-universal changeover in the X-ray sensors used in the X7056RS inspection system from analogue image intensifiers to digital Flat Panel Detectors (FPD).

The process of wire bonding in electronics production is being used in smaller and smaller object sizes. The wires used are now considerably thinner than human hair. However, the welded joints still need to meet the highest quality criteria. To ensure inspection quality over the coming years, Viscom now intends to increasingly use the XM Bond camera module. Alongside improved image quality, this module offers additional features for the robust identification of the individual inspection criteria for even the smallest structures. This technology can also be used to address new applications with high inspection quality that the company was not previously possible to serve.

The components used in soldered connections on electronic PCBs are also becoming ever-smaller. This is making the use of X-ray technology increasingly important, including for detecting minute faults. Viscom has had computer tomography technology at its disposal for a number of years. However, this technology is far from ideal when it comes to flat and extremely large PCBs. It used to be necessary to separate many relevant elements from the PCB in order to inspect them. In order to avoid the disadvantages of this ultimately destructive inspection process, Viscom now offers a tomosynthesis function for its fully automated systems and planar CT for its semiautomatic systems. This means that flat assemblies in the relevant inner layers can also be analysed in (series) production.

In the software segment, vVision has been used successfully as the software platform for optical solder joint inspection for several years. vVision significantly simplifies the operation and engineering of inspection programs for the PCBs being inspected. Release version 2.2 of the software was published in 2016 and has opened up significant new benefits for customers, particularly with regard to the initial optimisation of inspection programs. The quick optimisation of inspection programs leads to better test results and lower verification costs.

Industry 4.0 and big data are now key aspects of our work in the area of software development. Customers are now using MES (Manufacturing Execution System) software as standard. Viscom is benefiting from having systematically developed and implemented a range of MES interfaces in the past, and it is continuing to work intensively in this area. This allows customers to transfer the process data from Viscom inspection to superior control systems for further use in other process steps.

In the area of inspection software, the planned enhancement of 3D reconstruction was successfully realised in 2016. The three-dimensional evaluation of components was expanded to the respective solder joints for the component connections. The corresponding analysis processes in the software were developed and tested and have been incorporated into the series systems. In preparation for this, the quality of 3D reconstruction was improved thanks to the optimisation of the fringe production technique, meaning that a high level of accuracy can now also be achieved for highly reflective component connections and solder joints.

Development work in 2017 will focus on the expansion of AXI software and hardware. One of the objectives of software development in this area is the changeover to 3D evaluation as the standard analysis technique. The planar computer tomography used also requires the enhancement of some aspects of the hardware. In the area of system and plant technology, another objective is to halve the PCB handling time, i. e. the time required to unload an inspected PCB and load the next PCB to be inspected.

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 Leibniz University Hanover, Viscom is promoting such a transfer process within the scope of research and development projects, in which scientific knowledge is applied in developing solutions to specific issues relevant to the market. In addition to these projects, the company intensified its cooperation with universities in 2016 by offering a number of internships and bachelor's and master's theses.

Expenditure for research and development, excluding constructive changes for customer-specific adaptations, amounted to 6.4 % of sales revenues (previous year: 6.3 %). Development costs totalling € 1,450 thousand (previous year: € 1,552 thousand) were capitalised in the past financial year, resulting in a capitalisation ratio of around 39 % for 2016 (previous year: around 50 %). Capitalised development costs were written down as scheduled in the amount of € 1,109 thousand (previous year: € 1,212 thousand).

The further development of the quality management system resulted in continuous quality improvements. Since January 2005, Viscom has been certified under DIN EN ISO 9001:2008 by the German Society for the Certification of Management Systems.

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

2016 was dominated by political decisions. The Brexit referendum, the US presidential election and the debate on potential constitutional reform in Italy and its subsequent rejection were the events that shaped the past year. Contrary to public expectations, however, figures published by the ifo Institute show that these votes did not have a negative impact on economic development in 2016.

According to the German Federal Statistical Office, growth in gross domestic product (GDP) in Germany was in line with expectations at 1.9 %. This development was driven by private and public consumer spending. Private consumption was boosted by the highest level of employment in the past 25 years, while government spending increased further in response to immigration by asylum-seekers. Value added also increased across all areas of the economy, particularly in the construction industry, manufacturing and the service industry.

GDP growth in the euro zone remained modest at 1.7 %.

The US economy recorded GDP growth of 1.6 %, down on the previous year and lower than widely forecast. This was mainly attributable to low energy prices in the first half of the year and the strength of the US dollar, which had a particularly adverse effect on exports. Companies also invested less in equipment and scaled back their inventories. One piece of positive news came in the form of the unemployment rate, which declined further to around 4.6 %.

Economic policy measures in China led to an upturn in production, which contributed to GDP growth of 6.7 % in 2016. The growing structural shift towards a domestic-oriented service economy was clearly illustrated by the high degree of public and private investment in particular.

Sector development

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

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

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

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

Target sectors, target markets and target customers

The inspection systems manufactured by Viscom are employed primarily within the electronics industry. Producers of electronic components are the main customer segment, accounting for 82 % of revenue (previous year: 87 %). Some of these companies are involved in production for end consumers. However, the majority of Viscom's customers are suppliers for other companies that manufacture products such as electronic assemblies which are integrated into end products as supplier parts – for example, motor controllers in vehicles. The remaining 18 % of revenue (previous year: 13 %) is attributable to manufacturers from other industries, such as medical technology.

In addition, the EMS sector is accounting for a growing proportion of Viscom's customers. These companies do not have their own branded products, but instead serve exclusively as an extended workbench for product suppliers.

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

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

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

Close, 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 54 % of its revenue with its five largest customers (previous year: around 55 %). A further 30 % of revenue was generated with 32 customers. The remaining revenue was generated with a total of 342 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 2016 compared with the forecast

Performance indicator		Forecast for 2016	Actual figure for 2016	Actual figure for 2015
Revenue	million €	70.0 – 75.0	77.2	69.4
Incoming orders	million €	70.0 – 75.0	83.5	67.2
EBIT	million €	9.1 – 11.3	10.5	10.2
EBIT-Margin	%	13.0 – 15.0	13.6	14.6

Results of operations

Incoming orders/order backlog

At € 83,498 thousand incoming orders in the 2016 financial year were up significantly on the prior-year level (previous year: € 67,173 thousand). The 24.3 % increase was due in particular to the expanded customer base and higher order volumes from major existing customers. The order backlog amounted to € 18,069 thousand at year-end, up around 53 % year-on-year (previous year: € 11,816 thousand).

Revenue development

Revenue in the year under review amounted to € 77,245 thousand (previous year: € 69,389 thousand), corresponding to a year-on-year increase of 11.3 %. Revenue in the first quarter of 2016 decreased by 35.3 % as against the same quarter of the previous year to € 11,124 thousand (previous year: € 17,195 thousand). The reason for this was the delayed processing of orders due to supply bottlenecks for individual system components procured externally. In the second quarter of 2016, Viscom generated revenue of € 20,085 thousand (previous year: € 12,866 thousand), representing a year-on-year increase of 56.1 %. This upturn in revenue was due in particular to the reduction in supply bottlenecks and the resulting increase in system sales. Consolidated revenue in the third quarter increased by 12.4 % year-on-year to € 19,566 thousand (previous year: € 17,415 thousand). As previously, the main reason for this positive development was the growth in inspection system sales. In the final quarter of 2016, revenue increased by around 21 % year-on-year to € 26,470 thousand (previous year: € 21,913 thousand) thanks to the high level of incoming orders and the corresponding strong finish to the year.

Operating profit

Operating profit increased by around 3 % year-on-year to € 10,497 thousand (previous year: € 10,157 thousand). The increase in revenue was accompanied by a below-average rise in the cost of materials, a negative change in inventories and an above-average increase in other operating expenses.

The lower change in inventories meant that the cost of materials declined by € 374 thousand year-on-year to € 26,022 thousand (previous year: € 26,396 thousand). The change in inventories amounted to € -461 thousand (previous year: € 2,642 thousand). Staff costs increased from € 24,342 thousand to € 26,918 thousand as a result of the necessary capacity expansion, as well as salary adjustments and increased provisions. Other operating expenses increased due to higher general and administrative costs and expenses for warranties and repairs in particular, amounting to € 15,550 thousand after € 13,449 thousand in the previous year.

These effects meant that the company's operating profit increased only moderately.

EBIT-Margin

The effects on results of operations discussed above, particularly the higher level of revenue combined with the above-average rise in total expenses, led to a reduction in the EBIT-Margin for the 2016 financial year. The EBIT-Margin amounted to 13.6 % after 14.6 % in the previous year.

Net profit for the period

Net profit for the period more than doubled, from € 3,529 thousand in the previous year to € 7,129 thousand. The lower level of net profit in 2015 was due to prior-period tax expenses from the external tax audit for the years 2006-2009 and the recognition of provisions for potential tax and interest payments in connection with securities lending transactions in 2006. The tax rate returned to a normal level in 2016. The effects discussed under operating profit above also had an impact on net profit for the period.

The pre-tax return on sales was 13.6 % (previous year: 13.5 %).

Earnings per share

In the period from 29 July 2008 to 31 March 2009, Viscom acquired 134,940 own shares on the stock exchange for a price of € 587 thousand. The share buy-back programme reduced the number of dividend-bearing shares from 9,020,000 shares to 8,885,060 shares. The company did not exercise the option of buying back shares in 2016.

On the basis of 8,885,060 shares, earnings per share for the 2016 financial year amounted to € 0.80 (diluted and undiluted). In the previous year, earnings per share amounted to € 0.40.

The distribution of a dividend of € 0.45 per dividend-bearing share will be proposed to the Annual General Meeting on 31 May 2017. With its intention to distribute at least 50 % of the net profit generated, the management is following the dividend policy that Viscom AG has communicated for several years now. The proposed dividend is based on the company's expected economic development and takes into account the funds required for business operations.

Financial result

The financial result improved by € 775 thousand year-on-year. The substantial negative financial result in the previous year was due to provisions for the expected interest expense on taxes. Accordingly, the financial result amounted to € -30 thousand in 2016 (previous year: € -805 thousand).

Exchange rate effects

Viscom is exposed to exchange rate risks on account of its international operations. Due to the company's business volume and the development of the euro/US dollar exchange rate, the current level of exchange rate risk was deemed acceptable without the need for hedging. Approximately 7 % of total revenue was subject to direct exchange rate effects (previous year: 11 %).

Employees

The total number of employees increased to 382 in the course of the year (previous year: 362). The workforce expansion related to all of the company's business areas.

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

An average of 375 employees (excluding trainees) worked for the Group in the 2016 financial year (previous year: 355). Of this figure, 142 employees are classified as commercial in Sales, Development and Administration (previous year: 147), while 233 are classified as industrial in Production, Logistics, Projects and Service (previous year: 208). The change compared with the previous year is attributable to new appointments as well as internal transfers of industrial employees.

Employees

As at 31 December 2016	Europe	Americas	Asia	Total
Total	**310**	**20**	**52**	**382**
of which full-time	283	18	52	**353**
of which part-time	27	2	0	**29**
plus: Trainees	**14**	**0**	**0**	**14**

Regional developments

Europe

Europe was by far the strongest regional market, accounting for around 65 % of the Viscom Group's revenue. The propensity to invest among Viscom's customers in its home market of Germany can be described as remaining high. Germany therefore continued to be an important sales market for Viscom in 2016.

Revenue in Germany amounted to € 23,236 thousand, up around 15 % on the prior-year figure of € 20,176 thousand.

In the rest of Europe, revenue increased by around 20 % year-on-year to € 27,317 thousand (previous year: € 22,844 thousand). Viscom offers both low-cost and high-end products for the individual requirements of various customer groups in these markets.

These developments in Germany and the rest of Europe were reflected in an increase in segment revenue, from € 43,020 thousand in 2015 to € 50,553 thousand in 2016. Segment earnings therefore increased by around 3 % to € 8,113 thousand (previous year: € 7,881 thousand).

Americas

The Viscom Group saw slower revenue growth in the Americas region compared with the dynamic performance in recent years. Uncertainty among small and medium-sized businesses in the USA with regard to corporation tax reform, foreign trade and the external impact on the general economic situation, which resulted from factors including the 2016 election year, may have led to restraint on the market. The weighting of major customers also declined in the period under review as a result of weaker conversion and upgrading orders. By contrast, demand in Mexico continued to enjoy strong growth thanks to prior investments in the automotive sector.

At € 10,530 thousand, revenue declined by around 19 % year-on-year (previous year: € 13,019 thousand), while segment earnings fell by around 45 % to € 780 thousand (previous year: € 1,420 thousand).

Asia

Viscom can look back on a successful 2016 financial year in the Asia region. Despite the weaker market situation, the X7056 X-ray product range attracted new customers from the area of contract manufacturing in particular in the first half of 2016.

The success of this system series continued in the second half of the year. The EMS customer segment – driven by the rising quality requirements of the 3C market – and the automotive segment with its focus on ADAS products (advanced driver assistance systems) both saw increased demand for this inspection technology, prompting customers to place orders with Viscom.

Revenue in this region rose by around 21 %, from € 13,350 thousand in 2015 to € 16,162 thousand in 2016. In addition, the expected earnings contributions from service and system upgrade business were realised in the fourth quarter, meaning that segment earnings increased year-on-year to € 1,536 thousand (previous year: € 1,239 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 may be one-, two- or three-dimensional data structures obtained using optical area scan cameras, X-ray detectors, laser scanners or similar optical systems.

While an extremely wide range of sensors is only available in Viscom's standard products in the area of optical technology, inhouse 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 2016 were primarily optical inspection systems from the S3088, S6056 and X7056 series. Viscom has comparatively extensive product expertise thanks to its continuous product development. The modular structure of the individual machine types means they can be manufactured in many different variants. This represents a distinct advantage for customers.

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

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

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

Revenue in the "Optical and X-ray series inspection systems" product group increased by around 11 %, from € 47,121 thousand in 2015 to € 52,102 thousand in the 2016 financial year. Revenue in the "Special optical and X-ray inspection systems" product group rose by around 38 % in the same period, from € 9,602 thousand to € 13,260 thousand. A decrease of around 6 % was recorded in the "Service" product group, resulting in revenue of € 11,883 thousand (previous year: € 12,666 thousand).

Financial position

Capital structure/liquidity

Viscom was able to continue providing the required liquidity largely from its own funds in the 2016 financial year. Existing credit facilities were only utilised for short-term refinancing during the year. The subsidiaries did not require any loans. At 78.5 %, the Group equity ratio increased compared with the previous year as a result of the net profit for the period (previous year: 77.1 %). There were no liabilities to banks as of 31 December 2016.

Investments

Investments in property, plant, and equipment and intangible assets totalled € 2,024 thousand in 2016 (previous year: € 2,368 thousand).

At € 1,450 thousand (previous year: € 1,552 thousand) the majority of the investments related to capitalised development costs. The remainder included operating and office equipment at € 436 thousand (previous year: € 598 thousand), vehicles at € 43 thousand (previous year: € 7 thousand), software at € 38 thousand (previous year: € 38 thousand), technical equipment and machinery at € 36 thousand (previous year: € 13 thousand) and leasehold improvements at € 21 thousand (previous year: € 160 thousand).

The Europe segment accounted for € 1,927 thousand of the investments (previous year: € 2,131 thousand), while the Americas segment accounted for € 90 thousand (previous year: € 80 thousand). € 7 thousand was invested in the Asia segment (previous year: € 157 thousand).

At € 1,365 thousand most of the investments in the year under review related to the product-specific segment "Optical and X-ray series inspection systems" (previous year: € 1,608 thousand).

Cash and cash equivalents/cash flow

As of 31 December 2016 cash and cash equivalents amounted to € 6,517 thousand, down around 45 % on the previous year (€ 11,868 thousand).

The cash flow from:

- Operating activities amounted to € 95 thousand (previous year: € 5,955 thousand). This was primarily attributable to lower income tax expense, the increase in inventories, receivables and other assets and the higher level of income tax paid.
- Investment activities totalled € -1,968 thousand (previous year: € -2,359 thousand) and were mainly driven by capitalised development costs.
- Financing activities totalled € -3,554 thousand (previous year: € -8,943 thousand) as a result of the distribution of dividends for the 2015 financial year.

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

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

Net assets

A net profit was generated in the 2016 financial year. Due to the higher level of receivables and despite the dividend payment for the 2015 financial year, this meant that total assets increased from € 63,130 thousand to € 66,637 thousand.

Current liabilities declined slightly compared with the previous year. In particular, the lower level of income tax liabilities more than offset the increase in trade payables. Non-current liabilities increased year-on-year.

Assets increased compared with the previous year. Cash and cash equivalents declined in the 2016 financial year largely as a result of the high level of receivables, which was driven by the Group's revenue development. Inventories were slightly higher at the end of the year under review than in the previous year; this was primarily due to the increase in raw materials and supplies, which was offset by a reduction in assemblies and partially completed systems. Intangible assets also increased, mainly as a result of capitalised development costs.

Non-current assets

Within non-current assets, intangible assets primarily comprise capitalised development costs. Intangible assets increased from € 7,628 thousand in the previous year to € 7,923 thousand.

Receivables

At € 26,202 thousand, trade receivables were up on the previous year due to the higher level of revenue, particularly in the fourth quarter (previous year: € 18,126 thousand). Value adjustments on trade receivables totalled € 812 thousand (previous year: € 812 thousand). Value adjustments at Viscom AG increased slightly, while value adjustments at the subsidiaries fell by roughly the same amount.

All in all, overdue receivables increased by 66.3 % year-on-year to € 9,598 thousand (previous year: € 5,770 thousand). However, most of the overdue receivables are short-term in nature. Less than 1 % of total receivables were more than six months overdue.

Default risk was addressed through the recognition of value adjustments on specific items at the end of the year. In terms of the receivables portfolio, percentage value adjustments decreased from 4.5 % in the previous year to 3.1 %.

Inventories

The carrying amount of inventories was € 22,822 thousand at the end of the financial year (previous year: € 22,352 thousand). This net inventory figure included individual value adjustments on rental and demonstration machines in the amount of € 5,858 thousand (previous year: € 5,617 thousand) and impairment losses for extended inventory coverage of € 5,080 thousand (previous year: € 6,123 thousand). This meant that net inventories increased by € 470 thousand compared with the previous year, while gross inventories declined by € 332 thousand. The rise in inventories was due to the advance disposition of raw materials and supplies in response to the high level of incoming orders, particularly in the final quarter of the year.

Liabilities

Trade payables increased to € 2,582 thousand at the end of the year (previous year: € 1,558 thousand).

Shareholders' equity

Total shareholders' equity plus reserves increased from € 48,657 thousand in the previous year to € 52,292 thousand. This change was due to the net profit for the past financial year and the dividend distribution for the 2015 financial year. Notwithstanding the increase in total assets, the equity ratio therefore rose to 78.5 % (previous year: 77.1 %).

Key figures on the Group‘s net assets, financial position and results of operations	2016 K€	2015 K€
Tier 1 liquidity (cash and cash equivalents less current liabilities and provisions)	**-5,530**	**-671**
Tier 2 liquidity (tier 1 liquidity plus receivables and other assets less non-current liabilities)	**21,095**	**17,789**
Tier 3 liquidity (tier 2 liquidity plus inventories)	**43,917**	**40,141**
Current assets:		
Cash and cash equivalents	6,517	11,868
Receivables and other assets	27,044	18,983
Inventories	22,822	22,352
	56,383	**53,203**
Liabilities and provisions:		
Current liabilities and provisions	12,047	12,539
Non-current provisions	419	523
	12,466	**13,062**
Cash flow:		
Net profit for the period after taxes	7,129	3,529
+ Depreciation and amortisation expense	1,778	1,776
	8,907	**5,305**
Return on equity		
Net profit for the period/shareholders' equity	13.6 %	7.3 %
Return on investment (ROI)		
Net profit for the period/total assets	10.7 %	5.6 %
Return on revenue		
EBT/revenue	13.6 %	13.5 %
Return on capital employed (ROCE)		
EBIT/(total assets - cash and cash equivalents - current liabilities and provisions)	21.8 %	26.2 %
Net debt		
Liabilities and provisions (-)	-12,466	-13,062
+ Cash and cash equivalents	6,517	11,868
+ Receivables and other assets	27,044	18,983
= Net debt	21,095	17,789
Working capital		
Current assets - liabilities and provisions	43,917	40,141
Equity ratio		
Shareholders' equity/total assets	78.5 %	77.1 %

REPORT ON POST-REPORTING DATE EVENTS

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

REPORT ON OPPORTUNITIES AND RISKS

Expected opportunities

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

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

The following opportunities are described in greater detail owing to their probability of occurrence and are not yet reflected in the business plan and outlook for 2017.

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

Risk management strategy, process and organisation

As the parent company Viscom AG is a capital market-oriented corporation within the meaning of section 264d of the German Commercial Code (HGB), key features of the internal control and risk management system including the early identification of risks in accordance with section 91 (2) of the German Stock Corporation Act (AktG) must be described in accordance with section 315 (2) no. 5 HGB, both with regard to the accounting processes of the consolidated companies and with regard to consolidated financial reporting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Country risk

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

Sector risk

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

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

Customer risk

Viscom defines customer risk as an excessive concentration on individual customers.
Viscom generated approximately 54 % of its revenue with its five largest customers (previous year: 55 %). This figure therefore fell by one percentage point compared with the previous year.

Foreign currency risk

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

The development of the US dollar is an important factor for Viscom. Sales in US dollars were affected in tranches during periods of positive development in order to minimise potential exchange rate losses. Foreign currency hedges, e. g. using forward exchange transactions, were not concluded in 2016 but have been agreed as necessary in the past.

Due to the company's business volume and the development of the euro/US dollar exchange rate, the current level of exchange rate risk was deemed acceptable without the need for hedging. Approximately 7 % of total revenue was subject to direct exchange rate effects (previous year: approximately 11 %).

Procurement risk

The procurement of components and services from third-party suppliers is generally subject to the risk of changes in prices and delivery schedules. Corresponding purchasing negotiations have succeeded in ensuring that acquisition prices have largely remained stable. The company is only directly dependent on specific suppliers to a very limited extent.
Bottlenecks occurred in the procurement times for some parts and components with certain suppliers in the period under review because of the overall positive order situation, resulting in longer delivery times. The company prevents bottlenecks by changing its procurement strategy and expanding its supplier base.

Liquidity risk

There is additional potential for financing in the form of unutilised credit facilities and cash and cash equivalents. The financing environment is not expected to deteriorate. The solid structure of the statement of financial position and the good prospects for the future mean there are no identifiable liquidity risks. No borrowing has been required to finance past expenditure or is expected to be required for the planned expenditure in 2017.

Default risk

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

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

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

Trademark and patent risk

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

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

Technological competitive risk

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

Taxation risks

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

Assessment of the overall risk situation

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

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

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

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

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

Evaluation of individual risks:

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

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

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

In light of the Group's extremely strong market position, innovative technological strength and clearly structured early risk identification, Viscom's management expects to be able to continue successfully counteracting the issues raised and any resulting risks in the 2017 financial year.

There were no material litigation risks as of 31 December 2016.

REPORT ON FUTURE DEVELOPMENTS IN 2017

Economic conditions

According to Deutsche Bank, 2017 will be subject to uncertainty as a result of the forth-coming elections in four of the five strongest EU economies. The busy political calendar in these countries is likely to mean that significant economic reforms are put on hold. Additional uncertainty is provided by the lack of clarity concerning the conditions for the United Kingdom's withdrawal from the European Union (Brexit). This could lead to further reluctance to invest on the part of companies.

According to its economic forecast, the ifo Institute is anticipating growth in world trade of 3.7 % in 2017. Gross domestic product (GDP) in the euro zone is expected to increase by 1.6 % based on the assumption that the Brexit negotiations will not lead to a significant economic deterioration in trade relations between the United Kingdom and the EU.

According to the ifo Institute, German GDP is set to grow by 1.5 %. This slight reduction compared with the previous year is due to the lower number of working days. The moderate upturn will continue to be driven by domestic demand and, in particular, domestic consumer spending – which will be boosted by growth in collectively agreed wages and rising employment – as well as investment in the area of residential construction supported by low interest rates.

GDP growth of 2.5 % is forecast for the USA. The Kiel Institute for the World Economy (IfW) explains this as a consequence of the country's expansionary economic policy and the fact that consolidation within the shale oil industry is almost complete. However, further economic and political development in the USA and other countries remains difficult to forecast, not least in light of the election of the new US president.

By contrast, China's economic expansion is expected to slow slightly, with GDP growth of 6.4 %.

The German Mechanical Engineering Industry Association (VDMA) is anticipating moderate growth in the mechanical engineering sector in 2017. Global revenue from machine sales is expected to increase by 2 %, with growth forecast at 3 % in the USA and China and 1 % in Europe and Japan.

The German Electrical and Electronic Manufacturers' Association (ZVEI) is rather more positive about 2017 and is forecasting growth of 4 % in the global electronics market. This will be primarily driven by the emerging economies, which are set to enjoy growth of 5 %. By contrast, a growth rate of just 2 % is forecast for the industrialised nations.

Although the general economic outlook is characterised by considerable uncertainty, Viscom is optimistic with regard to the 2017 financial year on account of its intensified sales activities and high order backlog.

Business policy

The core focal points of the Viscom strategy are:

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

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

Markets

As an important market for Viscom and a strong technology trend setter, automotive and industrial electronics will continue to be extremely important to Viscom. The company expects revenue within the European market – including Southern and Eastern Europe – to increase once again in 2017.

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

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

Company segments

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

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

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

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

Products/Services

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

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

Production/production processes

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

Procurement

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

Results of operations

The development of incoming orders and revenue in 2017 will largely depend on the overall economic situation, particularly in the automotive industry. With budgeted revenue and incoming orders of € 80 to 85 million, Viscom once again expects significantly positive results of operations in 2017.

The EBIT-Margin for the 2017 financial year is likely to be between 13 % and 15 %, corresponding to EBIT of € 10.4 to 12.8 million.

Financial position

The current liquidity position means that no borrowing is expected to be necessary in 2017. Capital is available at short notice.

Investments and financing

The company plans to make additional Investments in its core business in the future. These relate to further developing its products, expanding its regional presence and strengthening its organisational structure. These investments will be financed primarily from own funds. Other financing models are used where third-party funding is more economically viable. This currently applies in particular to operating premises and buildings. Viscom made no major investments in 2016.

Other cash flows and refinancing

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

CORPORATE GOVERNANCE STATEMENT AND CORPORATE GOVERNANCE REPORT

Part of Group Management Report

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

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

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

The Executive Board and Supervisory Board of Viscom AG submitted the annual compliance statement pursuant to section 161 of the German Stock Corporation Act (AktG) on 24 February 2017. It has been published and is permanently accessible on the Viscom AG website at www.viscom.com/europe in the section Investor Relations/Corporate Governance.

Wording of the 2017 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 of the German Stock Corporation Act (AktG) obliges listed companies to declare once a year whether the recommendations of the Government Commission on the German Corporate Governance Code as published by the Federal Ministry of Justice have been complied with or which recommendations have not been or will not be followed ("comply or explain").

The following compliance statement refers to the recommendations by the Government Commission on the German Corporate Governance Code in the version dated 5 May 2015 as published by the Federal Ministry of Justice in the official section of the Bundesanzeiger (Federal Gazette) on 12 June 2015.

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

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

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

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

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

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

The Executive Board contracts do not contain any provisions for a payment cap on severance compensation in the case of early termination of the Executive Board mandate of a maximum of two years' remuneration, including in the form of (modified) tying clauses. Legal enforcement of a cap on severance pay for the member of the Executive Board would often not be possible in the relevant cases. If there is neither good cause for dismissal in accordance with section 84 (3) sentence 1 of the German Stock Corporation Act (AktG) nor good cause for extraordinary termination of the employment contract in accordance with section 626 of the German Civil Code (BGB), the contract with the Executive Board member concerned can 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) tying clauses that link the termination of the Executive Board contract to dismissal for good cause and anticipate a cap on severance pay in such cases cannot be implemented unilaterally by the Supervisory Board against the will of the Executive Board member in question (deviation from Code section 4.2.3 paragraph 4).

If premature termination of the Executive Board mandate is carried out for good cause for which the Executive Board member is responsible, no severance payments may be made.

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

The Executive Board members Dr. Martin Heuser and Volker Pape are also the founding members of the company. It is not possible to anticipate at this time if or when these Executive Board members will leave the company. As a result, the Executive Board and Supervisory Board have not prepared any detailed long-term succession planning for the Executive Board to date. The Executive Board and Supervisory Board also believe that this recommendation in the Code pertains solely to internal succession planning, as external appointments cannot be planned for the long term.

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

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

6. The Supervisory Board has not formed any committees, and in particular has not formed an audit committee (Code sections 5.3.1, 5.3.2, 5.3.3).
The Supervisory Board consists of only three members. In the view of the Supervisory Board, the formation of an audit committee is not expedient under the specific circumstances of the company and – unlike in larger governing bodies – does not increase efficiency. All matters are addressed by all members of the Supervisory Board, meaning that the formation of additional committees is not considered necessary.

7. The fixed remuneration for the Supervisory Board stipulated in the Articles of Association does not take account of Chairpersons or committee members (Code section 5.4.6).
The lack of committees due to the small size of the Supervisory Board renders any further plan for the distribution of remuneration for Chairpersons and committee members unnecessary.

Working methods of the Executive Board and the Supervisory Board

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

Executive Board

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

The Executive Board of Viscom AG currently consists of three members: Dr. Martin Heuser (Technology), Volker Pape (Sales) and Dirk Schwingel (Finance). The Executive Board is solely responsible for managing the company in compliance with the law, Articles of Association, standing rules, resolutions of the Supervisory Board and employment contracts. The primary tasks of the Executive Board are determining strategic alignment, managing the company, and planning, establishing and monitoring a risk management 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. According to Code section 4.1.5 and section 76 (4) of the German Stock Corporation Act (AktG) in conjunction with section 25 (1) of the Introductory Act to the German Stock Corporation Act (EGAktG), Viscom AG's Executive Board is obliged to determine targets for the proportion of women in the two management levels below the Executive Board. The top two national management levels below Viscom AG's Executive Board have a total of 6 and 28 employees respectively. Currently 0 and 5 of these respectively are women. The proportion of women in the top two management levels below the Executive Board is therefore 0 % and 17.86 % respectively at this time. On 10 September 2015, after detailed discussion, the Executive Board of Viscom AG set a target of 0 % for the proportion of women in the top national management level and a target of 17.86 % for the management level below that. These targets are to be reached by or maintained until 30 June 2017 and were actually reached or maintained in the company's 2016 financial year. Employees are to be hired and promoted without regard to gender within these targets in the future, which has also been the case in the past.

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

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

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

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

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

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

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

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

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

Mandates of the Executive Board Members

The members of the Executive Board hold no other mandates in other Supervisory Boards required by law or comparable domestic and foreign governing bodies.

Supervisory Board

The Supervisory Board of Viscom AG consists of three members who are elected at the Annual General Meeting, without it being bound by any proposals for suitable candidates and with identical terms of office, in compliance with section 11 (1) of the Articles of Association in conjunction with sections 95, 96 (1) and 101 (1) of the German Stock Corporation Act (AktG). The company has no co-determination.

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

The proposals for suitable candidates consider the skills, expertise and experience necessary for the duties of the Supervisory Board. The company's international activities, potential conflicts of interest, the number of independent Supervisory Board members considered adequate by the Supervisory Board, the age limit for Supervisory Board members and the time limit for Supervisory Board membership as well as diversity in the composition of the Supervisory Board are all considered. According to Code section 5.4.1 and section 111 (5) of the German Stock Corporation Act (AktG) in conjunction with section 25 of the Introductory Act to the German Stock Corporation Act (EGAktG), Viscom AG's Supervisory Board is obliged to set targets for the proportion of women on the Supervisory Board. The current members of the Supervisory Board were appointed by the Annual General Meeting on 27 May 2014 with a term of office until the end of the Annual General Meeting voting on the resolution to approve the actions of the Supervisory Board members for the 2018 financial year. Therefore, after detailed discussion, Viscom AG's Supervisory Board decided on 10 August 2015 to leave the target for the proportion of women on the Supervisory Board at the current proportion of zero percent until 30 June 2017. This target was reached and/or maintained in the company's 2016 financial year. Should a member of the Supervisory Board resign early, the Supervisory Board shall give preference to a female candidate with equal qualifications in nominations to fill the vacant position.

Former members of the Viscom AG Executive Board are not members of the Supervisory Board. The Supervisory Board only has independent members who maintain no business or personal relations with the company or its Executive Board.

The Supervisory Board monitors and advises the Executive Board on management of transactions. It is involved in strategy and planning as well as all matters fundamental to the company. The Supervisory Board has resolved standing rules for the Executive Board, in accordance with the company's Articles of Association. The standing rules include the provision that specifies the types of major transactions of the Executive Board that require the Supervisory Board's approval. The Supervisory Board's further responsibilities include appointing Executive Board members, determining the remuneration system for the Executive Board and its individual members, and examining the company's annual financial statements. The Supervisory Board also has to consider diversity in the composition of the Executive Board. According to Code section 5.1.2 and section 111 (5) of the German Stock Corporation Act (AktG) in conjunction with section 25 of the Introductory Act to the German Stock Corporation Act (EGAktG), Viscom AG's Supervisory Board is obliged to set targets for the proportion of women on the Executive Board. In the opinion of the Supervisory Board, Viscom AG's current Executive Board is highly successful in its work. For this reason, the Supervisory Board does not intend to change the composition of the Executive Board before the end of 30 June 2017. Therefore, after de-tailed discussion, Viscom AG's Supervisory Board decided on 10 August 2015 to leave the target for the proportion of women on the Executive Board at the current level of zero percent until 30 June 2017. This target was reached or maintained in the company's 2016 financial year. Should a member of the Executive Board resign early, the Supervisory Board shall give preference to a female candidate with equal qualifications to fill the vacant position.

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

The Supervisory Board held seven regular meetings in the 2016 financial year, including one meeting for an efficiency review under exclusion of the Executive Board. The Chairman of the Supervisory Board or, in case of his absence, the Deputy Chairman, convenes meetings in written form with a 14-day notification period. In urgent cases, the Chairman of the Supervisory Board can shorten the notification period appropriately and convene the meeting via verbal notification or via telephone, in writing, by fax or e-mail. The agenda and proposals for resolutions must be included with the invitations.

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

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

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

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

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

Detailed information on Supervisory Board activity during the 2016 financial year is included in the "Report of the Supervisory Board" to the Annual General Meeting.

Mandates of the Supervisory Board members

Bernd Hackmann, Chairman of the Supervisory Board of Viscom AG, has been Deputy Chairman of the supervisory board of LPKF Laser & Electronics AG since May 2012 and a member of SLM Solutions Group AG's supervisory board since April 2014. The Supervisory Board members Klaus Friedland and Prof. Dr. Ludger Overmeyer hold no other mandates in other supervisory boards required by law or comparable domestic and foreign governing bodies.

Structure and working methods of Executive Board and Supervisory Board committees

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

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

Shareholdings of Board members

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

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

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

- Dirk Schwingel:
  5,000 shares held directly.

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

- Bernd Hackmann:
  5,000 shares held directly.

- Klaus Friedland:
  3,000 shares held directly.

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

Shareholders and Annual General Meeting

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

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

Shareholders are entitled to take part in the Annual General Meeting if they register in due time and provide proof of their right to attend the Annual General Meeting and exercise their voting right. Shareholders who cannot attend in person can exercise their voting right via a bank, shareholder association or any other authorised representative. The company offers shareholders who do not wish to or are unable to exercise the voting right themselves the option to vote at the Annual General Meeting via a proxy determined by Viscom AG and bound by the shareholders' instructions. This facilitates the exercising of shareholders' rights in compliance with the provisions of the Code.
The invitation to the Annual General Meeting and all information and reports necessary for passing resolutions are made accessible to the public on the website of Viscom AG in German, as stipulated by the laws governing stock companies.

Remuneration report

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

Remuneration of Executive Board members

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

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

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

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

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

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

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

Grants awarded	Dr. Martin Heuser Technology				Volker Pape Sales				Dirk Schwingel Finances			
in K€	2015	**2016**	2016 Min.	2016 Max.	2015	**2016**	2016 Min.	2016 Max.	2015	**2016**	2016 Min.	2016 Max.
Fixed remuneration	182	208	208	208	182	208	208	208	182	182	182	182
Additional benefits*	17	17	17	17	19	19	19	19	11	11	11	11
Total	**199**	**225**	**225**	**225**	**201**	**227**	**227**	**227**	**193**	**193**	**193**	**193**
Annual variable remuneration	146	152	0	152	146	152	0	152	66	68	0	68
Multi-year variable remuneration (Bonus II: Average EBIT of last three financial years)	128	146	0	146	128	146	0	146	57	65	0	65
Total**	**182**	**208**	**0**	**208**	**182**	**208**	**0**	**208**	**91**	**91**	**0**	**91**
Benefit expense***	5	3	3	3	5	5	5	5	6	6	6	6
Total remuneration	**386**	**436**	**228**	**436**	**388**	**440**	**232**	**440**	**290**	**290**	**199**	**290**

* Additional benefits include use of a company vehicle for business and private purposes, capital formation benefits and a telephone allowance

** The comprehensive bonus is limited to 100 % of annual fixed remuneration for Dr. Heuser and Volker Pape and to 50 % of the annual fixed remuneration for Mr Schwingel

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

The following table shows the inflows for the financial year:

Inflows	Dr. Martin Heuser Technology		Volker Pape Sales		Dirk Schwingel Finances	
in K€	2015	2016	2015	2016	2015	2016
Fixed remuneration	182	208	182	208	182	182
Additional benefits*	17	17	19	19	11	11
Total	**199**	**225**	**201**	**227**	**193**	**193**
Annual variable remuneration	146	152	146	152	66	68
Multi-year variable remuneration (Average EBIT of last three financial years)	128	146	128	146	57	65
Other**	0	0	0	0	0	0
Total* **	**182**	**208**	**182**	**208**	**91**	**91**
Benefit expense****	5	3	5	5	6	6
Total remuneration	**386**	**436**	**388**	**440**	**290**	**290**

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

Remuneration of Supervisory Board members

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

Remuneration of the members of the Supervisory Board in the 2015 financial year was as follows:

Supervisory Board	Role	Fixed remuneration 2015 K€	Total remuneration 2015 K€
Bernd Hackmann	Chairman of the Supervisory Board	36.0	36.0
Klaus Friedland	Deputy Chairman of the Supervisory Board	27.0	27.0
Prof. Dr. Ludger Overmeyer	Member of the Supervisory Board	18.0	18.0
Total		81.0	81.0

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

Supervisory Board	Role	Fixed remuneration 2016 K€	Total remuneration 2016 K€
Bernd Hackmann	Chairman of the Supervisory Board	36.0	36.0
Klaus Friedland	Deputy Chairman of the Supervisory Board	27.0	27.0
Prof. Dr. Ludger Overmeyer	Member of the Supervisory Board	18.0	18.0
Total		81.0	81.0

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

Risk management

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

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

Transparency

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

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

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

- **Ad-hoc notices.** Ad-hoc notices are issued when facts arise concerning Viscom AG outside regular reporting that may significantly influence the share price. Viscom AG's ad-hoc notices are available to shareholders on the Viscom AG website at www.viscom.com/europe in the section Investor Relations/News/Publications/Ad hoc Notices.

- **Notices concerning voting rights.** In accordance with section 21 of the German Securities Trading Act (WpHG), when Viscom AG becomes aware that an entity acquires, exceeds or falls below 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 %, or 75 % of the voting rights in the company as a result of a purchase, disposal or in any other way, this fact will also be promptly disclosed via notification system accessible throughout Europe. No such notifications were received by the company in the 2016 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, via a Europe-wide information system, as well as on our website www.viscom.com/europe in the section Investor Relations/News/Publications/Directors' Dealings.

  No acquisition or sales transactions for shares of Viscom AG or for financial instruments based on these by members of governing bodies (directors' dealings) were carried out in the 2016 financial year.

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

Accounting and annual audit

Viscom AG prepares its consolidated financial statements in line with International Financial Reporting Standards (IFRS), as they are supposed to be applied in the European Union. The annual financial statements of Viscom AG are prepared according to the German Commercial Code (HGB). The Executive Board prepares the consolidated financial statements, which are audited by the auditor and the Supervisory Board. Shareholders and interested parties are informed of the general situation of the company via the annual and interim reports and quarterly reports. All reports are accessible to all interested parties simultaneously on the Viscom AG website.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hanover, was elected by the 2016 Annual General Meeting as auditor and audited the consolidated financial statements and the annual financial statements of Viscom AG. The audit took place in accordance with German auditing regulations and the standards for the audit of financial statements put forward by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer: IDW). Early risk detections system and reporting obligations in compliance with corporate governance as stated in section 161 of the German Stock Corporation Act (AktG) were also taken into account.

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

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

Information on relevant company management practices

Compliance with the law is not just the duty of every business but is also in every company's own interest in order to reduce risks. Viscom sees it as its responsibility to adhere to all laws and internal regulations – voluntary obligations as well as ethical principles also form an integral part of its corporate culture.

In order to actively meet local and international responsibilities, the Executive Board has developed, approved and introduced a compliance policy and corresponding annex for the employees that goes beyond the statutory rules of conduct applicable to all members of governing bodies and employees of the Viscom Group. This "Corporate Compliance Policy" stipulates how to deal with business partners and government institutions, how to maintain secrecy, independence and objectivity and how to act in cases of conflict of interest. These principles include the avoidance of corruption and cartel agreements, compliance with data security guidelines, equal opportunity and adherence to product safety and occupational health regulations. They are available to Group employees on the intranet, where they can be accessed at all times in German and English. A whistleblower 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 on the company's website at www.viscom.com/europe in the section Company/Corporate Compliance.

REPORT ON ADDITIONAL DISCLOSURE REQUIREMENTS FOR LISTED COMPANIES

Viscom AG completed its initial public offering in May 2006 and was listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange until September 2009. From September 2009, Viscom AG was listed in the General Standard of the regulated market. Viscom AG switched back to the Prime Standard on 22 January 2015 and was listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange on 31 December 2016. The company's issued capital amounts to € 9,020 thousand, divided into 9,020,000 no-par value bearer shares each with a notional interest in the share capital of € 1.00.

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

HPC Vermögensverwaltung GmbH, Hanover, held an interest of 53.98 % in Viscom AG as of 31 December 2016.

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

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

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

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

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

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

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

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

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

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

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

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

CONFIRMATION OF THE DEPENDENCY REPORT

Viscom AG was dependent on HPC Vermögensverwaltung GmbH in the 2016 financial year. As there was no control agreement between the latter company and Viscom AG in this period, the Executive Board of Viscom AG prepared a report of the Executive Board on relationships with affiliated companies in accordance with section 312 (1) AktG including the following confirmation:

"Our company received fair compensation for each of the legal transactions listed in the report on relationships with affiliated companies. In the period from 1 January to 31 December 2016, no actions were taken or omitted at the instigation or in the interest of the controlling company or a company affiliated with it."

Hanover, 6 March 2017

Dr. Martin Heuser	Volker Pape	Dirk Schwingel

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2016 / CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income Item		01.01.-31.12.2016 K€	01.01.-31.12.2015 K€
G1	Revenue	77,245	69,389
G2	Other operating income	2,531	2,537
		79,776	**71,926**
G3	Changes in finished goods and work in progress	-461	2,642
G4	Other own work capitalised	1,450	1,552
G5	Cost of materials	-26,022	-26,396
G6	Staff costs	-26,918	-24,342
G7	Depreciation and amortisation	-1,778	-1,776
G8	Other operating expenses	-15,550	-13,449
		-69,279	**-61,769**
	Operating profit	**10,497**	**10,157**
G9	Financial income	31	18
G9	Financial expenses	-61	-823
	Financial result	**-30**	**-805**
G10	Income taxes	-3,338	-5,823
	Net profit for the period	**7,129**	**3,529**
G11	**Earnings per share (diluted and undiluted) in €**	**0,80**	**0,40**
	Other comprehensive income		
	Currency translation differences	60	429
	Items that can be reclassified to profit or loss	**60**	**429**
	Other comprehensive income after taxes	**60**	**429**
	Total comprehensive income	**7,189**	**3,958**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: ASSETS

Assets Item		31.12.2016 K€	31.12.2015 K€
	Current assets		
A1	Cash and cash equivalents	6,517	11,868
A2	Trade receivables	26,202	18,126
A3	Current income tax assets	10	40
A4	Inventories	22,822	22,352
A5	Other financial receivables	115	142
A5	Other assets	717	675
	Total current assets	**56,383**	**53,203**
	Non-current assets		
A6	Property, plant and equipment	1,470	1,541
A7	Intangible assets	7,923	7,628
A8	Financial assets	7	7
A8	Loans originated by the company	16	15
A9	Deferred tax assets	838	736
	Total non-current assets	**10,254**	**9,927**
	Total assets	**66,637**	**63,130**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION: SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity and liabilities Item		31.12.2016 K€	31.12.2015 K€
	Current liabilities		
P1	Trade payables	2,582	1,558
P2	Advance payments received	0	65
P3	Provisions	1,847	1,531
P4	Current income tax liabilities	876	3,249
P5	Other financial liabilities	3,613	3,365
P5	Other current liabilities	3,129	2,771
	Total current liabilities	12,047	12,539
	Non-current liabilities		
P3	Non-current provisions	419	523
P6	Deferred tax liabilities	1,879	1,411
	Total non-current liabilities	2,298	1,934
	Shareholders' equity		
P7	Issued capital	9,020	9,020
P8	Capital reserve	21,321	21,321
P9	Retained earnings	20,930	17,355
P10	Exchange rate differences	1,021	961
	Total shareholders' equity	52,292	48,657
	Total shareholders' equity and liabilities	66,637	63,130

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows Item		01.01. -31.12.2016 K€	01.01. - 31.12.2015 K€
	Cash flow from operating activities		
	Net profit for the period after interest and taxes	7,129	3,529
G10	Adjustment of net profit for income tax expense (+)	3,338	5,823
G9	Adjustment of net profit for interest expense (+)	61	823
G9	Adjustment of net profit for interest income (-)	-31	-18
G7	Adjustment of net profit for depreciation and amortisation expense (+)	1,778	1,776
P3	Increase (+) / decrease (-) in provisions	209	-103
A6 to A8	Gains (-) / losses (+) on the disposal of non-current assets	-34	6
A2 to A5, A9	Increase (-) / decrease (+) in inventories, receivables and other assets	-11,872	-7,400
P1 to P5	Increase (+) / decrease (-) in liabilities	3,602	3,964
G10	Income taxes repaid (+) / paid (-)	-4,085	-2,445
	Net cash from operating activities	**95**	**5,955**
	Cash flow from investing activities		
A6 to A8	Proceeds (+) from the disposal of non-current assets	56	2
A6 to A8	Acquisition (-) of property, plant and equipment and intangible assets	-574	-816
A7	Capitalisation of development costs (-)	-1,450	-1,552
G9	Interest received (+)	0	7
	Net cash used in investing activities	**-1,968**	**-2,359**
	Cash flow from financing activities		
P8, P9	Dividend payment (-)	-3,554	-8,885
G9	Interest paid (-)	0	-58
	Net cash and cash equivalents from financing activities	**-3,554**	**-8,943**
	Changes in cash and cash equivalents due to changes in exchange rates	76	282
	Cash and cash equivalents		
	Change in cash and cash equivalents	-5,427	-5,347
A1	Cash and cash equivalents as at 1 January	11,868	16,933
A1	**Cash and cash equivalents**	**6,517**	**11,868**

STATEMENT OF CHANGES IN SHAREHOLDERS‘ EQUITY

Shareholders‘ equity	Issued capital K€	Capital reserve K€	Exchange rate differences K€	Retained earnings K€	Total K€
Shareholders' equity at 1 January 2015	9,020	21,321	532	22,711	53,584
Net profit for the period	0	0	0	3,529	3,529
Other comprehensive income	0	0	429	0	429
Total comprehensive income	**0**	**0**	**429**	**3,529**	**3,958**
Dividends	0	0	0	-8,885	-8,885
Shareholders' equity at 31 December 2015	9,020	21,321	961	17,355	48,657
Shareholders' equity at 1 January 2016	9,020	21,321	961	17,355	48,657
Net profit for the period	0	0	0	7,129	7,129
Other comprehensive income	0	0	60	0	60
Total comprehensive income	**0**	**0**	**60**	**7,129**	**7,189**
Dividends	0	0	0	-3,554	-3,554
Shareholders' equity at 31 December 2016	9,020	21,321	1,021	20,930	52,292

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-Str. 9-15, 30455 Hanover, Germany.

On 6 March 2017, these consolidated financial statements were approved by the Executive Board for presentation to the Supervisory Board.

The consolidated financial statements and the 2015 Group management report were submitted to and published in the German Federal Gazette (Bundesanzeiger).

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

Declaration of compliance

The present financial statements for the 2016 financial year were prepared on the basis of uniform application of and compliance with all of the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union as of the reporting date of 31 December 2016.

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

Compared with the consolidated financial statements dated 31 December 2015, the following standards and interpretations have changed or become mandatory as a result of their adoption under EU law or following the effective date of the provisions:

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amendments published by the IASB in December 2014 are adopted under EU law with the announcement in the EU official gazette on 23 September 2016; application is mandatory for financial years beginning on or after 1 January 2016. The amendments exempt many investment entities from the obligation to consolidate companies they control in future. Equity interests held for investment purposes are to be carried at fair value. The amendments also introduce new disclosure requirements for investment entities. The amendments have no effect on the Viscom Group's financial statements.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments published by the IASB in May 2014 are adopted under EU law with the announcement in the EU official gazette on 25 November 2015; application is mandatory for financial years beginning on or after 1 January 2016. These amendments clarify the accounting treatment of acquisitions of interests in joint operations constituting a business within the meaning of IFRS 3. The acquirer must measure the identifiable assets and liabilities at fair value, expense acquisition-related costs, recognise deferred taxes and recognise any residual amounts as goodwill. The disclosure requirements of IFRS 3 must be taken into account for such acquisitions. The amendments have no effect on the Viscom Group's financial statements.

Amendments to IAS 1: Disclosure Initiative

The amendments published by the IASB in December 2014 are adopted under EU law with the announcement in the EU official gazette on 19 December 2015; application is mandatory for financial years beginning on or after 1 January 2016. The amendments clarify the presentation of the line items in the statement of financial position, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity, the structure of the disclosures in the notes and the presentation of the relevant accounting policies with a particular view to materiality. The amendments have no material effect on the Viscom Group's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments published by the IASB in May 2014 are adopted under EU law with the announcement in the EU official gazette on 3 December 2015; application is mandatory for financial years beginning on or after 1 January 2016. The amendments clarify that a revenue-based method is not considered to be an appropriate method of depreciation and amortisation in accordance with either standard and that this presumption may only be rebutted in specific cases described in the standard. The amendments have no material effect on the Viscom Group's financial statements.

Amendments to IAS 16 and IAS 41: Bearer Plants

The amendments published by the IASB in June 2014 are adopted under EU law with the announcement in the EU official gazette on 24 November 2015; application is mandatory for financial years beginning on or after 1 January 2016. The amendments relate to the accounting treatment of plants which are used solely to grow produce over several reporting periods (bearer plants). They require that these plants are accounted for in the same way as property, plant and equipment (in accordance with IAS 16), as their operation is similar to that of manufacturing. The amendments have no effect on the Viscom Group's financial statements.

Amendments to IAS 19: Defined Benefit Plans – Employee Contributions

The amendments published by the IASB in November 2013 are adopted under EU law with the announcement in the EU official gazette on 9 January 2015; application is mandatory for financial years beginning on or after 1 February 2015. The amendments clarify that contributions from employees (or third parties) for defined benefit pension commitments that are not linked to the number of years of service may, for simplification, be recognised as a reduction in the service cost in the period in which the related service is rendered. This may be the case for amounts defined as a fixed percentage of the employee's annual salary, for example. The amendments to IAS 19 have no effect on the Viscom Group's financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments published by the IASB in August 2014 are adopted under EU law with the announcement in the EU official gazette on 23 December 2015; application is mandatory for financial years beginning on or after 1 January 2016. The amendments to the standard are intended to provide entities with the equity method described in IAS 28 as an accounting option for investments in subsidiaries joint ventures and associates in their separate financial statements. The amendments to IAS 27 have no effect on the Viscom Group's financial statements.

Annual improvements to IFRS 2010-2012

The provisions published by the IASB in December 2013 arising from the annual improvement project are adopted under EU law with the announcement in the EU official gazette on 9 January 2015; application is mandatory for financial years beginning on or after 1 February 2015. The provisions arising from the annual improvement project encompass amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. In addition to minor changes to the content, the regulations mainly involve clarifications regarding recognition, disclosure and measurement. The amendments have no material effect on the Viscom Group's financial statements.

Annual improvements to IFRS 2012-2014

The amendments published by the IASB in September 2014 are adopted under EU law with the announcement in the EU official gazette on 16 December 2015; application is mandatory for financial years beginning on or after 1 January 2016. The provisions arising from the annual improvement project encompass changes to IFRS 5, IFRS 7, IAS 19 and IAS 34. In addition to minor changes to the content, the regulations mainly involve clarifications regarding recognition, disclosure and measurement. The amendments have no material effect on the Viscom Group's financial statements.

IASB standards and interpretations not applied prematurely

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

The standard "IFRS 15 – Revenue from Contracts with Customers" published by the IASB on 28 May 2014 replaces the previous revenue-related standards "IAS 18" and "IAS 11". This standard prescribes the timing and amount of revenue recognition. The fundamental principle is that revenue must be recognised in the amount of the expected consideration (payment) when goods or services are transferred. Expanded disclosures are required in the notes in order to provide the users of the financial statements with more in-depth and relevant information. Application of the standard is mandatory for IFRS adopters in the EU for financial years beginning on or after 1 January 2018. The Viscom Group does not expect the future application of IFRS 15 to have a material effect on the amount of its revenue and the timing of revenue recognition. However, it will be required to make more extensive disclosures in the notes to the consolidated financial statements.

The standard "IFRS 16 - Leases" published by the IASB on 13 January 2016 replaces the previous standards and interpretations on leases, "IAS 17", "IFRIC 4", "SIC-15" and "SIC-27", and implements a single lessee accounting model for leases. Under the new standard, lessees are required to recognise all leases as right-of-use assets and lease liabilities in their statement of financial position unless the lease term is 12 months or less or the underlying asset has a low value (recognition is optional in each of these cases). Lessors continue to classify leases as operating or finance leases. Application of the standard is mandatory for financial years beginning on or after 1 January 2019. It has not been endorsed by the EU to date. The Viscom Group is currently analysing the impact of the changes arising from the new standard in terms of its net assets, financial position and results of operations. The standard is expected to increase the Group's total assets, as operating leases currently presented in the notes will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities. Expenses for existing operating leases will no longer be recognised as lease expenses in future. As the new provisions will result in write-downs on the right-of-use assets and interest expense, the Viscom Group is anticipating a positive effect on its EBIT and EBIT-Margin.

The standard "IFRS 9 – Financial Instruments" published by the IASB on 24 July 2014 is a three-stage project replacing "IAS 39 – Financial Instruments: Recognition and Measurement". The standard governs the classification and measurement of financial instruments, the recognition of impairment on financial assets and hedge accounting. Application of the standard is mandatory for IFRS adopters in the EU for financial years beginning on or after 1 January 2018. The Viscom Group is currently analysing the impact of the application of IFRS 9 but is not anticipating any material effect in terms of its net assets, financial position and results of operations.

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

Standard / Interpretation			Mandatory application for financial years beginning on	Adoption by the European Commission
Standards				
IFRS 1, IFRS 12 and IAS 28	Annual improvements to IFRS 2014-2016	The amendments adjusted the wording to clarify the existing rules. Other amendments impacted the recognition, measurement and notes.	1 Jan. 2017/1 Jan. 2018	No
Amendments to IFRS 2	"Classification and Measurement of Share-based Payment Transactions"	The clarification relates to the classification and measurement of share-based payment transactions. They concern accounting for cash-settled share-based payment transactions that include a performance condition, share-based payment transactions in which the manner of settlement is contingent on future events, share-based payment transactions settled without tax withholding, and modifications of share-based payment transactions from cash-settled to equity-settled.	1 Jan. 2018	No
Amendments to IFRS 4	"Applying IFRS 9 with IFRS 4"	The amendments to IFRS 4 relate to the first-time application of IFRS 9 for insurers.	1 Jan. 2018	No
Amend-ments to IFRS 10 and IAS 28	“Sale or Contribution of Assets between an Investor and its As-sociate or Joint Venture“	Clarification regarding the sale or contribution of assets between an investor and its associate or joint venture.	Pending	No
IFRS 14	"Regulatory Deferral Accounts"	The standard establishes principles subject to price regulation for entities applying IFRS for the first time.	1 Jan. 2016*	No
Amendments to IFRS 15	"Clarifications to IFRS 15"	The clarifications relate to the identification of performance obligations, principal versus agent considerations, licensing and transition relief.	1 Jan. 2018	No
Amendments to IAS 7	"Disclosure Initiative"	The changes relate to additional disclosures in the notes to allow users of the financial statements to evaluate changes in liabilities due to the company's financing activities.	1 Jan. 2017	No
Amendments to IAS 12	"Recognition of Deferred Tax Assets for Unrealised Losses"	The changes relate to clarifications concerning the recognition of deferred tax assets for unrealised losses arising from the fair value changes of debt instruments and reported in other comprehensive income.	1 Jan. 2017	No
Amendments to IAS 40	"Transfers of Investment Property"	Clarification that an entity may only transfer a property to, or from, investment property if there is a change in use.	1 Jan. 2018	No
IFRIC 22	"Foreign Currency Transactions and Advance Consideration"	Accounting for transactions including the receipt or payment of advance consideration in a foreign currency.	1 Jan. 2018	No

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

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

Principles underlying the preparation of the consolidated financial statements

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

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

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

Consolidation principles

The IFRS consolidated financial statements are based on the single-entity financial statements of Viscom AG and the single-entity financial statements of the subsidiaries as of 31 December 2016. The financial statements of the companies included in the consolidated financial statements are prepared on the basis of uniform accounting principles. Adjustments were made for differences in accounting standards as necessary.

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

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

Basis of consolidation

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

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

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

Changes to accounting and measurement principles

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

Material judgements, estimates and assumptions

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

Intangible assets

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

Trade receivables

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

Inventories

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

Provisions

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

Impairment of non-financial assets
At each reporting date, the Group determines whether there are indications that non-financial assets are impaired. Goodwill and other intangible assets with an indefinite useful life are reviewed at least once a year and if there are indications of impairment. Other non-financial assets are tested for impairment if there are indications that the carrying amount exceeds the recoverable amount.
To calculate the value in use, the management estimates the expected future cash flows from the cash-generating unit and selects a discount rate to determine the present value of these cash flows. In accordance with IAS 36, a cash-generating unit is the smallest identifiable group of assets that generates cash flows from continuous use that are largely independent of those of other units.

Summary of significant accounting principles

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

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

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

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

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

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

Viscom has five submitted patents. With the exception of the registration of two patents in Taiwan and the USA, no further patents were issued as of 31 December 2016.

Property, plant and equipment

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

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

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

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

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

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

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

Impairment of property, plant and equipment and intangible assets

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

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

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

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

Financial investments and other financial assets and liabilities

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

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

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

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

Inventories

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

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

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

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

Trade receivables

Other receivables and assets

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

Shareholders' equity

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

Provisions

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

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

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

Taxes

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method for temporary differences between the tax base of an asset or liability and its carrying amount in the IFRS and tax accounts of the individual companies, temporary differences resulting from consolidation processes and utilisable loss carry forwards. This is based on the tax rates that are expected to apply in the respective countries at the realisation date. These are based on the statutory regulations in force or adopted at the reporting date. A tax rate of 32.6 % was applied for the calculation of deferred taxes in Germany (previous year: 32.6 %). The income tax rates of the foreign subsidiaries vary between 17 % (previous year: 17 %) and 37 % (previous year: 35 %).

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

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

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

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

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

Leases

In the case of finance leases under which substantially all the risks and rewards incident to ownership of an asset are transferred to the company, the leased asset is recognised at fair value or, if lower, the present value of the minimum lease payments. No finance leases were recognised in Viscom's consolidated financial statements as of 31 December 2016.

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

Revenue

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

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

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

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

Borrowing costs

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

Interest

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

Dividends

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

Currency translation

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

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

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

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

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

Translation exchange rates 2016

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

Translation exchange rates 2015

	1 EUR = x CNY	1 EUR = x TND	1 EUR = x USD
Closing rate	7.0608	2.2094	1.0887
Average rate	6.9730	2.1704	1.1096

Notes to the consolidated statement of comprehensive income

(G1) Revenue

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

Revenue	2016 K€	2015 K€
Construction and delivery of machines	58,117	50,993
Services/replacement parts	17,707	17,774
Rentals	1,421	622
Total	**77,245**	**69,389**

(G2) Other operating income

Other operating income is composed of the following items:

Other operating income	2016 K€	2015 K€
Income from the reversal of other provisions for warranties and repairs	736	490
Non-monetary remuneration	689	607
Income from exchange rate differences	257	684
Income from the reversal of other provisions	229	227
Income from sales of assets	55	27
Income from receivables previously written off	29	8
Income from the reversal of value adjustments on receivables	29	178
Insurance recoveries	18	40
Miscellaneous other operating income	489	276
Total	**2,531**	**2,537**

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 € 15,133 thousand (previous year: € 15,600 thousand), comprising acquisition and production costs of € 22,825 thousand (previous year: € 23,567 thousand) and a corresponding value adjustment of € 7,692 thousand (previous year: € 7,967 thousand).

(G4) Other own work capitalised

Own work for new developments was capitalised in the 2016 financial year in the amount of € 1,450 thousand (previous year: € 1,552 thousand). The developments mainly related to software and new 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	2016 K€	2015 K€
Materials including incidental costs of acquisition	24,151	25,368
Purchased services	1,871	1,028
Total	**26,022**	**26,396**

Despite the higher level of revenue, the cost of materials declined slightly as a result of the reduction in inventories. The cost of materials for the inventories sold had already been recognised in prior periods.

(G6) Staff costs

Staff costs comprise salaries and employer social security contributions.

Staff costs	2016 K€	2015 K€
Wages and salaries, incl. bonuses and management bonuses	23,085	20,985
Social security contributions	3,833	3,357
Total	**26,918**	**24,342**
Number of employees (average for the year)	375	355
Number of trainees (average for the year)	14	11
Total	**389**	**366**

Staff costs increased primarily on account of the higher total pay resulting from the increase in the number of Group employees, the pay rise in 2016, as well as higher provisions for residual holidays, overtime and bonus payments.

In the period under review, payments were made to defined contribution pension plans in the amount of € 1,405 thousand (previous year: € 1,293 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	2016 K€	2015 K€
General and administrative costs	6,837	5,994
Rent/leases/building costs	2,240	1,964
Selling expenses	2,137	1,926
Travel expenses	2,120	2,137
Warranty/repair expenses	1,098	191
Outgoing shipments	815	909
Expenses due to exchange rate differences	274	293
Value adjustment on receivables and losses on receivables	29	35
Total	**15,550**	**13,449**

The increase in other operating expenses was mainly due to higher general and administrative costs as well as increased expenses for warranties and repairs due to the higher number of systems sold, especially in the final quarter of the year. The extended warranty periods granted to individual customers and increased levels of repairs during the year also contributed to the rise in other operating expenses. Modernisation measures and the lease of additional space led to higher building costs, while the increase in selling expenses was due to higher trade fair costs.

(G9) Financial result

Financial income increased from € 18 thousand in the previous year to € 31 thousand in the year under review. The financial expenses reported in 2015 mainly consisted of provisions for interest expenses on possible back taxes in the amount of € 765 thousand. Financial expenses amounted to € -61 thousand in 2016 (previous year: € -823 thousand). The financial result amounted to € -30 thousand (previous year: € -805 thousand).

(G10) Income taxes

Income taxes for the financial years ending 31 December 2016 and 2015 contained the following income and expense items:

Income taxes	2016 K€	2015 K€
Actual income taxes for the past financial year	3,041	3,069
Actual income taxes for previous years	-80	2,492
Deferred income taxes from the accrual and reversal of temporary differences and tax loss carryforwards	377	262
Income tax expense reported in the consolidated statement of comprehensive income	**3,338**	**5,823**

Actual income taxes for the past financial year related to Viscom AG as well as the foreign subsidiaries in France, America and Singapore. Actual income taxes for previous years in the amount of € -80 thousand related to Viscom AG (€ -273 thousand) and the subsidiaries (€ 193 thousand). The decrease compared with the previous year was due to expected and amended assessments and new German Federal Tax Court jurisprudence for previous years in the 2015 financial year. The prior-period tax expense in the previous year was largely due to the fact that Viscom AG – like many other companies – made use of the securities lending instrument in 2006 and hence was affected by the German Federal Tax Court decision of 13 January 2016 as noted in the ad hoc disclosure published on 22 January 2016. According to this decision, dividend income generated by the borrower in the course of a securities lending transaction for tax years that are not yet complete may not be considered as tax-exempt. In the past, this income was always treated as tax-exempt by the financial authorities. There were no similar issues in the 2016 financial year.

The deferred tax expense primarily resulted from changes in temporary differences between the IFRS and tax accounts at the level of the German, American, and Asian companies. 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	2016 K€	2015 K€
Consolidated net profit before taxes	10,467	9,352
Anticipated tax income (-) / expense (+) based on 32.6 % (previous year: 32.6 %)	3,415	2,994
Prior-period taxes	250	2,453
Non-deductible operating expenses	131	358
Effect of tax rate change	-33	18
Difference compared with Group tax rate	-164	-30
Tax-free income	-221	0
Other	-40	30
Actual tax expense	**3,338**	**5,823**

Deferred tax assets	Consolidated statement of financial position 2016 K€	2015 K€
Inventories	700	1,015
Tax loss carryforwards	243	243
Deferred taxes from elimination of intercompany profits	196	154
Other liabilities	153	136
Unrealised revenue	71	44
Other financial liabilities	66	70
Measurement of provisions	49	37
Measurement of trade receivables	42	50
Measurement of property, plant and equipment	0	20
Gross amount	**1,520**	**1,769**
Offsetting	-682	-1,033
Net amount	**838**	**736**

Of the deferred tax assets, € 573 thousand (previous year: € 512 thousand) will be realised in more than twelve months.

Deferred tax liabilities	Consolidated statement of financial position 2016 K€	2015 K€
Intangible assets	2,544	2,432
Measurement of trade receivables	10	6
Measurement of property, plant and equipment	7	6
Gross amount	**2,561**	**2,444**
Offsetting	-682	-1,033
Net amount	**1,879**	**1,411**

Of the deferred tax liabilities € 1,869 thousand (previous year: € 1,405 thousand) will be realised in more than twelve months.

Deferred tax assets and liabilities were offset on a company-by-company basis. For the excess of deferred tax assets over deferred tax liabilities at the level of the respective individual company, the recoverability of the excess of deferred tax assets was estimated as sufficiently probable based on company planning. As in the previous year, all changes in deferred taxes in 2016 were recognised in profit or loss. Viscom AG, Hanover did not have any assessed corporation and trade tax loss carryforwards as of 31 December 2016. The external tax audit did not acknowledge expenses relating to the write-downs of loans for 2002 and 2003. A suit has since been brought before the Niedersächsisches Finanzgericht (Lower Saxony Finance Court) against the corresponding assessments. The corporation and trade tax loss is likely to increase by € 743 thousand if our suit is successful. € 243 thousand in deferred taxes were capitalised in light of our chances of success.

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

Retained earnings amounted to € 6,643 thousand (previous year: € 4,322 thousand). No deferred tax liabilities are recognised on these retained earnings, as there are currently no plans to distribute these profits to the parent company or to sell the subsidiaries. If deferred taxes were recognised for these timing differences, their measurement would have to take only 5 % of the potential dividends plus possible foreign withholding tax into account due in accordance with the statutory regulation in section 8b of the German Corporation Tax Act (KStG).

(G11) Earnings per share

Based on an average for the year of 8,885,060 shares, earnings per share for the 2016 financial year amounted to € 0.80 (diluted and undiluted). In the previous year, earnings per share amounted to € 0.40 (diluted and undiluted) as calculated on the basis of 8,885,060 shares. The earnings on which the calculation is based (diluted and undiluted) totalled € 7,129 thousand (previous year: € 3,529 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 € 6,517 thousand (previous year: € 11,868 thousand). This related to items which were freely disposable and which had a maturity of less than three months at the end of the year.

(A2) Trade receivables

Trade receivables are generally due within 30 to 90 days.

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

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

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

Some customers were late in meeting their payment obligations in 2016.

Value adjustments on receivables developed as follows:

	2016 K€	2015 K€
As of 1 January	812	948
Addition to value adjustments on receivables	29	0
Receivables written off as unrecoverable during the financial year	0	42
Reversal of value adjustments no longer required	-29	-178
As of 31 December	812	812

(A3) Current income tax assets

Current income tax assets as of 31 December 2016 consisted of tax refund claims in the amount of € 10 thousand, which mainly resulted from excessive prepayments for the 2016 assessment period; these related solely to the subsidiaries in France.

(A4) Inventories

Inventories	2016 K€	2015 K€
Completed systems	8,003	7,959
Raw materials and supplies	7,689	6,752
Assemblies and partially completed systems	7,130	7,641
Total	**22,822**	**22,352**

The completed systems reported in inventories related to rental and demonstration machines as well as inspection systems ready for sale. All systems are subject to impairment testing every year, with impairment losses recognised as necessary. Assemblies and partially completed systems include pre-produced modules as well as systems currently under construction (work in progress). In 2016, all inventories, especially those of completed and partially completed systems, were recognised at the same carrying amounts as in 2015.

At the end of 2016, the cumulative value adjustments amounted to € 3,246 thousand for raw materials and supplies (previous year: € 3,773 thousand), € 1,834 thousand for assemblies and partially completed systems (previous year: 2,350 thousand) and € 5,858 thousand for completed systems (previous year: € 5,617 thousand).

(A5) Other financial receivables and other assets

Other financial receivables and other assets	2016 K€	2015 K€
Security deposits for leases/duties	95	97
Creditors with debit balances	18	42
Receivable from public authorities	2	3
Subtotal of other financial receivables	**115**	**142**
Advance payments	282	223
Other receivables	272	291
Miscellaneous assets	163	161
Subtotal of other assets	**717**	**675**
Total	**832**	**817**

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

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

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

	Intangible assets					
in K€	Patents and similar rights and assets	Software	Goodwill	Advance payments for intangible assets	Development costs	Total intangible assets
Gross carrying amounts						
Cost as of 1 Jan. 2015	2,288	1,523	15	0	8,910	12,736
Exchange rate differences	0	0	0	0	0	0
Additions	0	38	0	0	1,552	1,590
Reclassifications	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Cost as of 31 Dec. 2015	2,288	1,561	15	0	10,462	14,326
Value adjustments						
Accumulated depreciation/amortisation as of 1 Jan. 2015	2,288	1,307	15	0	1,796	5,406
Exchange rate differences	0	0	0	0	0	0
Depreciation/amortisation for the current year	0	80	0	0	1,212	1,292
Depreciation/amortisation of disposals	0	0	0	0	0	0
Accumulated depreciation/amortisation as of 31 Dec. 2015	2,288	1,387	15	0	3,008	6,698
Carrying amounts 31 Dec. 2015	0	174	0	0	7,454	7,628

	Property, plant and equipment					
in K€	Leasehold improvements	Technical equipment and machinery	Operating and office equipment	Vehicles	Total property, plant and equipment	Total property, plant and equipment and intangible assets
Gross carrying amounts						
Cost as of 1 Jan. 2015	1,435	946	2,390	366	5,137	17,873
Exchange rate differences	52	0	30	26	108	108
Additions	160	13	598	7	778	2,368
Reclassifications	0	0	0	0	0	0
Disposals	0	0	55	54	109	109
Cost as of 31 Dec. 2015	1,647	959	2,963	345	5,914	20,240
Value adjustments						
Accumulated depreciation/amortisation as of 1 Jan. 2015	1,103	825	1,796	158	3,882	9,288
Exchange rate differences	51	0	22	10	83	83
Depreciation/amortisation for the current year	93	31	296	64	484	1,776
Reclassifications	0	0	0	0	0	0
Depreciation/amortisation of disposals	0	0	53	23	76	76
Accumulated depreciation/amortisation as of 31 Dec. 2015	1,247	856	2,061	209	4,373	11,071
Carrying amounts 31 Dec. 2015	400	103	902	136	1,541	9,169

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

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

Intangible assets and property, plant and equipment include assets already written off in full which are still in use and carried at their historical cost of € 4,052 thousand (previous year: € 3,820 thousand).

Development costs of € 1,450 thousand were recognised in the period under review (previous year: € 1,552 thousand).

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

Security for rent relating to subsidiaries in the amount of € 7 thousand was reported in financial investments. This item also contained unrestricted loans issued to employees and security for rented properties.

The loans were recognised at their total amortised cost of € 16 thousand. The interest rate for employee loans in excess of € 2.5 thousand was 2 %. The fixed interest rate means that there is a certain degree of interest rate risk. However, this risk is classified as immaterial and is not hedged.

(A9) Deferred tax assets

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

Notes to the shareholders‘ equity and liabilities

(P1) Trade payables

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

(P2) Advance payments received

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

(P3) Provisions

Breakdown of other provisions in K€	1 Jan. 2016	Utilisation	Reversal	Addition	31 Dec. 2016
Current provisions					
Warranty and repair expenses	1,531	-1,032	-390	1,738	1,847
Total current provisions	**1,531**	**-1,032**	**-390**	**1,738**	**1,847**
Non-current provisions					
Warranties	341	0	-341	136	136
Anniversaries	182	-32	-5	138	283
Total non-current provisions	**523**	**-32**	**-346**	**274**	**419**
Total	**2,054**	**-1,064**	**-736**	**2,012**	**2,266**

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

The provisions for warranty and repair expenses increased compared with the previous year due to the rise in the number of systems sold.

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

Non-current provisions include anniversary provisions of € 283 thousand (previous year: € 182 thousand) and the non-current portion of warranty provisions in the amount of € 136 thousand (previous year: € 341 thousand). The warranty provisions are expected to be claimed within 12 to 60 months, while the anniversary provision is expected to be claimed within 1 to 40 years.

(P4) Current income tax liabilities

Current income tax liabilities are broken down into Viscom AG's trade tax liabilities (€ 180 thousand) and corporation tax liabilities (€ 354 thousand) and the tax provisions of the companies in the USA (€ 63 thousand), Shanghai (€ 191 thousand) and France (€ 88 thousand).

(P5) Other current and financial liabilities

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

Other current and financial liabilities	2016 K€	2015 K€
Management bonuses, incentives, one-time payments	2,598	2,143
Commission payments to agents	450	428
Outstanding purchase invoices	236	505
Social security	210	187
Supervisory Board	81	81
Debtors with credit balances	38	21
Subtotal of other financial liabilities	**3,613**	**3,365**
Holiday, overtime	1,343	1,156
Other	1,167	1,001
Taxes	619	614
Subtotal of other current liabilities	**3,129**	**2,771**
Total	**6,742**	**6,136**

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

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

(P6) Deferred tax liabilities

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

(P7 to P10) Shareholders' equity and reserves

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

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

No additional shares were acquired in this context in the 2016 financial year. The number of dividend-bearing shares remained the same at 8,885,060 on 31 December 2016.

In the 2016 financial year, a dividend of € 0.40 per share was distributed for the 2015 financial year.

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

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

SEGMENT INFORMATION

Information on the Group's geographical segments by sales market

in K€	Europe 2016	Europe 2015	Americas 2016	Americas 2015	Asia 2016	Asia 2015	Consolidation 2016	Consolidation 2015	Total 2016	Total 2015
External sales	50,553	43,020	10,530	13,019	16,162	13,350	0	0	77,245	69,389
Intersegment sales	17,770	19,138	547	131	1,699	1,300	-20,016	-20,569	0	0
Total sales	68,323	62,158	11,077	13,150	17,861	14,650	-20,016	-20,569	77,245	69,389
Segment earnings	8,113	7,881	780	1,420	1,536	1,239	68	-383	10,497	10,157
plus financial result	0	0	0	0	0	0	0	0	-30	-805
less income taxes	0	0	0	0	0	0	0	0	-3,338	-5,823
Consolidated net profit									**7,129**	**3,529**
Segment assets	51,945	48,704	5,439	5,843	8,760	8,239	-362	-439	65,782	62,347
plus financial assets	1,754	1,754	0	0	0	0	-1,747	-1,747	7	7
plus deferred taxes and tax assets	0	0	0	0	0	0	0	0	848	776
Total assets									**66,637**	**63,130**
Segment liabilities	11,928	9,692	2,422	3,084	3,813	3,988	-6,991	-7,474	11,172	9,290
plus Financial liabilities	419	523	0	0	0	0	0	0	419	523
plus deferred taxes and provisions for taxes	2,756	4,660	0	0	0	0	0	0	2,756	4,660
Total liabilities									**14,347**	**14,473**
Investments	1,927	2,131	90	80	7	157	0	0	2,024	2,368
Depreciation and amortisation	1,601	1,639	74	74	103	71	0	-8	1,778	1,776

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

The operating segments provide supplementary internal information for management. The geographical segments are determined on the basis of the domicile of the respective customer. The reportable segments generate the majority of their revenue by producing and selling the product groups stated in the table below. Viscom generated around 54 % (previous year: around 55 %) of revenue with the five largest customers. External sales amounted to € 23,236 thousand (previous year: € 20,176 thousand) in Germany and to € 54,009 thousand (previous year: € 49,213 thousand) in all other countries.

Total non-current assets with the exception of financial instruments and deferred taxes receivable (there were no assets related to pensions or claims under insurance contracts) in Germany were € 9,107 thousand (previous year: € 8,783 thousand). In the remaining countries, these assets totalled € 302 thousand (previous year: € 401 thousand).

In 2016 the 10 % revenue limit stated in IFRS 8.34 was exceeded with two customers. One of these customers accounted for revenue of € 20,907 thousand (previous year: € 15,536 thousand), while the other accounted for revenue of € 14.218 thousand (previous year: € 15,603 thousand). Neither customer can be directly allocated to a segment, as different product groups are delivered to them around the world.

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

Information about the product groups

	Optical and X-ray series inspection systems		Special optical and X-ray inspection systems		Service		Total	
in K€	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
External sales	52,102	47,121	13,260	9,602	11,883	12,666	77,245	69,389
Assets	44,370	42,338	11,292	8,628	10,120	11,381	65,782	62,347
Investments	1,365	1,608	347	328	311	432	2,024	2,368

Statement of cash flows

in K€	Europe 2016	Americas 2016	Asia 2016	Conso-lidation 2016	Total 2016
Cash flow from operating activities					
Net profit for the period after interest and taxes	7,331	-577	1,284	-909	7,129
Adjustment of net profit for income tax expense (+)	2,812	313	253	-40	3,338
Adjustment of net profit for interest expense (+)	61	0	0	0	61
Adjustment of net profit for interest income (-)	-29	0	-2	0	-31
Adjustment of net profit for depreciation and amortisation expense (+)	1,601	74	103	0	1,778
Increase (+) / decrease (-) in provisions	187	22	0	0	209
Gains (-) / losses (+) on the disposal of non-current assets	-37	2	1	0	-34
Increase (-) / decrease (+) in inventories, receivables and other assets	-11,553	919	-1,613	375	-11,872
Increase (+) / decrease (-) in liabilities	3,292	72	-336	574	3,602
Income taxes repaid (+) / paid (-)	-4,051	0	-34	0	-4,085
Net cash used in/from operating activities	**386**	**825**	**-344**	**0**	**95**
Cash flow from investing activities					
Proceeds (+) from the disposal of non-current assets	49	2	5	0	56
Acquisition (-) of property, plant and equipment and intangible assets	-476	-91	-7	0	-574
Capitalisation of development costs (-)	-1,450	0	0	0	-1,450
Net cash used in investing activities	**-1,877**	**-89**	**-2**	**0**	**-1,968**
Cash flow from financing activities					
Dividend payment (-)	-3,554	0	0	0	-3,554
Net cash and cash equivalents from financing activities	**-3,554**	**0**	**0**	**0**	**-3,554**
Changes in cash and cash equivalents due to changes in exchange rates	0	80	-4	0	76
Cash and cash equivalents					
Change in cash and cash equivalents	-5,817	736	-346	0	-5,427
Cash and cash equivalents as at 1 January	7,753	1,008	3,107	0	11,868
Cash and cash equivalents	**1,936**	**1,824**	**2,757**	**0**	**6,517**

OTHER DISCLOSURES

Disclosures concerning financial instruments and financial risk management

<u>Presentation of the categories of financial instruments and the corresponding net profit in accordance with IFRS 7</u>
Agreements which mutually lead to the accrual of a financial asset for a company and the accrual of a financial liability or an equity instrument for a counterparty are classified as financial instruments.

In this context, financial assets include cash and cash equivalents, contractually committed rights for receiving cash or other financial assets such as trade receivables, derivative financial instruments and equity instruments held in other companies. Financial liabilities include contractual obligations, liquid assets or other financial assets to be released to other companies. This encompasses obtained loans, current 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 as well as other receivables and liabilities, the fair values correspond to the carrying amounts recognised at particular reporting dates. The fair values of the category "Financial instruments held to maturity" corresponded to the market values as of 31 December 2016.

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

Assets

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

Shareholders' equity and liabilities

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

Assets

31 Dec. 2015	Measurement category	Total		Nominal value		Amortised cost	
				Cash and cash equivalents / cash reserve		Loans and receivables (LaR)	
Amounts in K€		Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets and other receivables	LaR	283	283	0	0	283	283
Trade receivables	LaR	18,126	18,126	0	0	18,126	18,126
Cash and cash equivalents	LaR	11,868	11,868	11,868	11,868	0	0
Total		**30,277**	**30,277**	**11,868**	**11,868**	**18,409**	**18,409**

Shareholders' equity and liabilities

31 Dec. 2015	Measurement category	Total		Amortised cost	
				Financial liabilities (FL)	
Amounts in K€		Carrying amount	Fair Value	Carrying amount	Fair Value
Trade payables	FL	1,558	1,558	1,558	1,558
Other financial liabilities	FL	3,263	3,263	3,263	3,263
Total		**4,821**	**4,821**	**4,821**	**4,821**

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

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

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

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

31 Dec. 2015	Gross amount	from interest	from remeasurement		Net amount 2015
Amounts in K€			Currency translation	Value adjustments	
Financial assets and other receivables	283	0	0	0	283
Trade receivables	18,938	0	0	-812	18,126
Cash and cash equivalents	11,868	0	0	0	11,868
Total	**31,089**	**0**	**0**	**-812**	**30,277**

Interest income of € 31 thousand resulted from cash and cash equivalents in the 2016 financial year (previous year: € 18 thousand). The value adjustment of trade receivables at € 0 thousand (previous year: € 35 thousand) was recognised in profit or loss in the 2016 financial year.

Financial risk management objectives and processes (IAS 32/IAS 39)

The significant risks for Viscom's financial instruments are the default risk, the interest rate risk and the exchange rate risk.

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

Default risk

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

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

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

Maturity structure of financial assets

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

Maturity structure of financial assets

31 Dec. 2015			Overdue in the following time frames				
Amounts in K€	Gross amount	Not overdue	< 31 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Financial assets and other receivables	283	283	0	0	0	0	0
Trade receivables	18,938	13,168	2,920	1,424	63	458	905
of which impaired	812	44	7	13	1	26	721
Total	**19,221**	**13,451**	**2,920**	**1,424**	**63**	**458**	**905**

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

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

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

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

Interest rate risk

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

Liquidity risk

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

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

The remaining contractual terms are presented in the following tables:

Remaining contractual terms

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

There were no gross outflows.

Remaining contractual terms

31 Dec. 2015 Amounts in K€	Carrying amount	Remaining term		
		< 1 year	1 to 5 years	> 5 years
Trade payables	1,558	1,558	0	0
Other financial liabilities	3,263	3,263	0	0
Total	**4,821**	**4,821**	**0**	**0**

Exchange rate risk

As Viscom operates internationally, the Group is also exposed to exchange rate risks. Approximately 7 % of the consolidated revenue is exposed to an exchange rate risk in the parent company. Around 4 % of the parent company's expense was denominated in a currency other than the reporting currency. These risks were not hedged on the reporting date or during the year. As of 31 December 2016, net receivables relevant to the exchange rate totalled € 1,672 thousand. It included both the receivables portfolio of Viscom AG in US dollars and the receivables portfolio of the subsidiaries in euros. Assuming a change of 5 %, the exchange rate risk recognised in profit or loss amounted to € 80 thousand and would increase or reduce the company's net profit for the period by this amount in the event of the respective change. Due to the company's business volumes and the development of the euro/US dollar exchange rate, the current level of exchange rate risk was deemed acceptable without the need for hedging.

Capital management

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

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

Use of derivative financial instruments

Viscom did not use derivative financial instruments to hedge exchange rate and interest risks in the 2016 financial year.

Related party disclosures

In the year under review, the members of the Executive Board received total remuneration in the form of payments due in the short term at € 854 thousand (previous year: € 787 thousand) and other payments due in the longer term at € 251 thousand (previous year: € 214 thousand). The remuneration for members of the Supervisory Board consists solely of payments due in the short term at € 81 thousand (previous year: € 81 thousand).

Related parties and affiliated companies

HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as of 31 December 2016. 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€	2016	2015
From lease contracts:		
HPC Vermögensverwaltung GmbH	66	65
From services:		
HPC Vermögensverwaltung GmbH	528	408
From rentals:		
HPC Vermögensverwaltung GmbH	590	379
Marina Hettwer / Petra Pape GbR	165	165
Dr. Martin Heuser / Petra Pape GbR	482	482
Sum of goods and services received by the Group	**1,831**	**1,499**

Viscom AG has also concluded leases for company vehicles with HPC Vermögensverwaltung GmbH. In 2016, HPC Vermögensverwaltung GmbH provided further services such as company childcare, cleaning services and other miscellaneous services.

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

Lease obligations for company cars in K€	2016	2015
Total	1,069	964
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	94	82
within 1 year of the reporting date	466	416
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	48	45
more than 1 but less than 5 years after the reporting date	603	548
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	46	37
within more than 5 years of the reporting date	0	0

The future services for the following periods are:

Services in K€	2016	2015
Total	528	408
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	528	408
within 1 year of the reporting date	528	408
of which to HPC Vermögensverwaltung GmbH (as an affiliated company)	528	408
more than 1 but less than 5 years after the reporting date	0	0
within more than 5 years of the reporting date	0	0

Other related parties

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

Agreements with related parties

Agreements with remaining terms of	Rental property	Start of lease	Basic lease term	Net rent, monthly (€)	Net rent, annual (€)
One year or less	CBS 8*	1 Jan. 2013	3 months	4,000	48,000
Between one and five years	FS 28 *	1 Nov. 2008	5 years	2,200	26,400
	CBS 9 *	1 Jan. 2001	10 years	5,000	60,000
	CBS 11 *	1 Aug. 2001	10 years	22,500	270,000
More than five years	CBS 10 ***	1 Mar. 2002	10 years	15,000	180,000
	CBS 10a ***	15 Nov. 2005	10 years	15,000	180,000
	CBS 6 ***	1 Dec. 2015	10 years	22,350	268,200
	CBS 13 *	1 Nov. 2007	10 years	6,500	78,000
	CBS 15 **	15 Nov. 2007	10 years	13,750	165,000
Total rental obligations with a remaining lease term of 1 year or less					**1,239,600** (previous year: 1,026,300)
Total rental obligations with a remaining term of 1 to 5 years					**4,654,300** (previous year: 5,116,300)
Total rental obligations with a remaining lease term of more than 5 years					**3,187,950** (previous year: 2,352,600)

The right to terminate the leases of buildings CBS 9 and CBS 11 was not used in 2010. Both lease agreements were therefore extended for another 10 years. In addition, the right to terminate the lease of building CBS 10 was not used in 2011. The lease agreement was therefore extended for another ten years. The right to terminate the lease of FS 28 was not used in 2012. The lease agreement was therefore extended for another five years. In addition, the right to terminate the lease of building CBS 10a was not used in 2014. The lease agreement was therefore extended for another ten years. The right to terminate the lease of building CBS 8 was not used.

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

Service agreements

In 2016, painting and tiling services in the total amount of € 34.8 thousand were purchased from the other related parties HPC Malerfachbetrieb GmbH and HPC Fliesen GmbH.

Loan agreements

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

Additional disclosures

Obligations arising from operating leases for the lessee

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

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

Agreements with third parties

Agreements with remaining terms of	Rental property	Start of lease	Basic lease term	Net rent, monthly (€)	Net rent, annual (€)
Between one and five years	Tunis, Tunisia	15 Sep. 2011	1 year	635	7,626
	San José, USA	1 Oct. 2011	1 year	902	10,819
	Zhengzhou, China	20 May 2014	15 months	683	8,194
	Singapore, Singapore	15 May 2014	2 years	3,084	37,006
	Singapore, Singapore	21 August 2014	2 years	5,609	67,305
	Shanghai, China	1 Jan. 2014	1 year	2,458	29,498
	Shanghai, China	1 Jan. 2015	2 years	7,228	86,738
	Atlanta, USA	1 Oct. 2006	5 years	7,794	93,532
	Paris, France	1 Aug. 2004	9 years	2,220	26,639
Total rental obligations with a remaining lease term of 1 year or less					337,592 (previous year: 358,424)
Total rental obligations with a remaining term of 1 to 5 years					558.971 (previous year: 340.341)

On 31 December 2016, the rental agreement for the office in Shanghai was concluded for an additional two years. On 27 November 2016, the rental agreement for the apartment was extended until 3 January 2018. The rental agreement for the office in Singapore was extended by an additional 24 months with effect from 1 December 2016, while the rental agreement for the apartment in Singapore was extended by an additional 12 months with effect from 15 May 2016. In addition, the rental agreement for the storage room in Zhengzhou was extended by one year on 20 October 2016. The rental agreement for the office in Tunis was automatically extended for another year on 15 September 2016. The rental agreement for the office in San José was also extended for another year. The rental agreement for the office in Atlanta was extended for an additional five years on 1 March 2016.

The rental agreement for the office in Paris was automatically extended for an additional nine years in 2013.

Operating lease expenses of € 2,240 thousand were recognised in the 2016 financial year (previous year: € 1,964 thousand).

Purchase commitments

Purchase commitments from delivery contracts amounted to around € 4,953 thousand (previous year: € 4,014 thousand) as of 31 December 2016.

Contingent liabilities

There were no contingent liabilities as of 31 December 2016.

Shareholder structure

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

HPC Vermögensverwaltung GmbH held an interest of 53.98 % in Viscom AG as of 31 December 2016.

Allianz SE, Munich, Germany, informed the company on 13 May 2015 in accordance with section 21 (1) WpHG that its voting rights in Viscom AG, Hanover, Germany, had exceed the 3 % and 5 % thresholds on 11 May 2015 and amounted to 6.06 % (this corresponds to 546,230 of the total 9,020,000 votes). The voting rights were attributable to it in accordance with section 22 (1) sentence 1 no. 1 WpHG and section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG. The voting rights attributable to it according to section 22 (1) sentence 1 no. 1 WpHG were attributed via the following companies controlled by it, whose share of voting rights in Viscom AG amounted to 3 % or more, respectively:

- Allianz Deutschland AG
- Allianz Lebensversicherungs-AG

At the same time, these voting rights were attributed to it by a shareholder whose share of voting rights in Viscom AG amounted to 3 % or more according to section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG:

- Allianz Lebensversicherungs-AG

At the same time, Allianz SE informed us in accordance with section 21 (1) WpHG in conjunction with section 24 WpHG that:

1. The share of voting rights of Allianz Deutschland AG, Munich, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 11 May 2015 and amounted to 6.06 % (546,230 out of a total of 9,020,000 voting rights). These voting rights were attributable to Allianz Deutschland AG in accordance with section 22 (1) sentence 1 no. 1 WpHG. The voting rights attributable to Allianz Deutschland AG were held via the following companies controlled by it, whose share of voting rights in Viscom AG amounted to 3 % or more, respectively:

- Allianz Lebensversicherungs-AG

2. The share of voting rights of Allianz Lebensversicherungs-AG, Stuttgart, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 11 May 2015 and amounted to 6.06 % (546,230 out of a total of 9,020,000 voting rights).

3. The share of voting rights of Allianz Asset Management AG, Munich, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 11 May 2015 and amounted to 6.06 % (546,230 out of a total of 9,020,000 voting rights). These voting rights are attributable in accordance with section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG. The voting rights were attributable based on a shareholder, whose share of voting rights amounted to 3 % or more in accordance with section 22 (1) sentence 1 no. 6 in conjunction with sentence 2 WpHG:

- Allianz Lebensversicherungs-AG

4. The share of voting rights of Allianz Global Investors GmbH, Frankfurt, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 11 May 2015 and amounted to 9.24 % (833,000 out of a total of 9,020,000 voting rights). These voting rights were attributable in accordance with section 22 (1) sentence 1 no. 6 WpHG. Of this amount, 546,230 voting rights of a shareholder whose share of voting rights amounted to 3 % or more were attributable in accordance with section 22 (1) sentence 1 no. 6 WpHG:

- Allianz Lebensversicherungs-AG

Allianz SE, Munich, Germany, informed the company on 16 November 2015 in accordance with section 21 (1) in conjunction with section 24 WpHG as follows:

1. The share of voting rights of Allianz Deutschland AG, Munich, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, fell below the 3 % and 5 % thresholds on 13 November 2015 and amounted to 0 % (0 out of a total of 9,020,000 voting rights).

2. The share of voting rights of Allianz Lebensversicherungs-AG, Stuttgart, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, fell below the 3 % and 5 % thresholds on 13 November 2015 and amounted to 0 % (0 out of a total of 9,020,000 voting rights).

3. The share of voting rights of Allianz Asset Management AG, Munich, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, fell below the 3 % and 5 % thresholds on 13 November 2015 and amounted to 0 % (0 out of a total of 9,020,000 voting rights).

4. The share of voting rights of Allianz Global Investors GmbH, Frankfurt, Germany, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, fell below the 3 % and 5 % thresholds on 13 November 2015 and amounted to 2.06 % (186,128 out of a total of 9,020,000 voting rights). These voting rights were attributable in accordance with section 22 (1) sentence 1 no. 6 WpHG.

5. The share of voting rights of Allianz Europe B.V., Amsterdam, the Netherlands, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 13 November 2015 and amounted to 7.45 % (671,809 out of a total of 9,020,000 voting rights). These voting rights were attributable to Allianz Europe B.V. according to section 22 (1) sentence 1 no. 1 WpHG. The voting rights attributed to Allianz Europe B.V. were held by the following controlled companies whose voting rights in Viscom AG respectively amounted to 3 % or more:

- Allianz Holding France SAS

- Allianz France S.A.

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

6. The share of voting rights of Allianz Holding France SAS, Paris, France, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 13 November 2015 and amounted to 7.45 % (671,809 out of a total of 9,020,000 voting rights). These voting rights were attributable to Allianz Holding France SAS according to section 22 (1) sentence 1 no. 1 WpHG. The voting rights attributed to Allianz Holding France SAS were held by the following controlled companies whose voting rights in Viscom AG respectively amounted to 3 % or more:

- Allianz France S.A.

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

7. The share of voting rights of Allianz France S.A., Paris, France, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 13 November 2015 and amounted to 7.45 % (671,809 out of a total of 9,020,000 voting rights). These voting rights were attributable to Allianz France S.A. according to section 22 (1) sentence 1 no. 1 WpHG. The voting rights attributed to Allianz France S.A. were held by the following controlled companies whose voting rights in Viscom AG respectively amounted to 3 % or more:

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

8. The share of voting rights of Allianz I.A.R.D. S.A., Paris, France, in Viscom AG, Carl-Buderus-Str. 9-15, 30455 Hanover, Germany, exceeded the 3 % and 5 % thresholds on 13 November 2015 and amounted to 7.45 % (671,809 out of a total of 9,020,000 voting rights).

REPORT ON POST-REPORTING DATE EVENTS

Events after the reporting date

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

German Corporate Governance Code

The Executive Board and Supervisory Board of Viscom AG submitted the annual Compliance Statement, according to section 161 of the German Stock Corporation Act (AktG), in February 2017. It has been published and is permanently accessible on the Viscom AG website.

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

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

Total auditors' fees

in K€	**2016**	2015
Year-end audit services	98	89
Other confirmation services	0	9
Other services	12	20
Total	**110**	**118**

RESPONSIBILITY STATEMENT

“To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.“

Hanover, 6 March 2017

Dr. Martin Heuser	Volker Pape	Dirk Schwingel

AUDITOR’S REPORT

We have audited the consolidated financial statements prepared by the Viscom AG, Hannover, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1st January to 31st December 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. 1 HGB (“Handelsgesetzbuch“: German Commercial Code) is the responsibility of the parent Company‘s Board of Managing Directors . Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group‘s position and suitably presents the opportunities and risks of future development.

Hanover, 6 March 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer	Prof. Dr. Mathias Schellhorn
German Public Auditor	German Public Auditor

GLOSSARY OF TECHNICAL TERMS

Term	Definition
ADAS products	Advanced driver assistance systems
AOI	Automated optical inspection
AXI	Automated x-ray inspection
BGA (Ball Grid Array)	A surface-mount package wherein the balls for terminations are formed in a grid on the bottom of a package
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
MES Software (Manufacturing Execution System)	Process-oriented production management system
MX products	Inrared-light-machines for tests with electronic semiconductors
NP	New products
proALPHA	Enterprise resource planning (ERP) system
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 2017

22.03.2017	**Annual Report 2016, Press Conference**	Hanover
23.03.2017	**DVFA Analyst Conference**	Frankfurt am Main
11.05.2017	**Interim Report 3M/2017, Analyst-Telephone Conference**	Hanover
31.05.2017	**Annual General Meeting**	Hanover, Altes Rathaus
09.08.2017	**Interim Report 6M/2017, Analyst-Telephone Conference**	Hanover
14.11.2017	**Interim Report 9M/2017, Analyst-Telephone Conference**	Hanover

FIVE-YEAR REPORT

Profit and loss		2016	2015	2014	2013	2012
Revenue	K€	77,245	69,389	62,254	49,820	50,037
EBIT	K€	10,497	10,157	9,378	6,772	9,248
EBT	K€	10,467	9,352	9,462	7,046	9,666
Income taxes	K€	-3,338	-5,823	-2,777	-2,323	-3,028
Net profit for the period	K€	7,129	3,529	6,685	4,723	6,638

Balance sheet

Assets						
Current assets	K€	56,383	53,203	55,365	62,785	61,423
Non-current assets	K€	10,254	9,927	9,093	8,573	11,082
Total assets	K€	66,637	63,130	64,458	71,358	72,505
Liabilities						
Current liabilities	K€	12,047	12,539	9,264	8,319	9,280
Non-current liabilities	K€	2,298	1,934	1,610	1,473	949
Total shareholders' equity	K€	52,292	48,657	53,584	61,566	62,276
Total shareholders' equity and liabilities	K€	66,637	63,130	64,458	71,358	72,505

Cashflow statement

CF from operating activities	K€	95	5,955	4,755	7,174	9,520
CF from investing activities	K€	-1,968	-2,359	-2,233	-2,478	-1,594
CF from financing activities	K€	-3,554	-8,943	-15,126	-5,331	-6,665
Cash and cash equivalents	K€	6,517	11,868	16,933	29,285	30,014

Personnel

Employees at year-end		382	362	325	300	286

Investments

Tangible and intangible assets (paid)	K€	574	816	587	699	540

Share

Number of shares		9,020,000	9,020,000	9,020,000	9,020,000	9,020,000
Dividend payment*	K€	3,998	3,554	8,885	15,104	5,331
Dividend per share*	€	0.45	0.40	1.00	1.70	0.60
Shareholder capital per share	€	5.80	5.39	5.94	6.83	6.90

Key figures

EBIT-Margin	%	13.6	14.6	15.1	13.6	18.5
Return on equity	%	13.6	7.3	12.5	7.7	10.7
Equity ratio	%	78.5	77.1	83.1	86.3	85.9

*Dividend proposal 0,45 € per dividend-bearing share for the financial year 2016

IMPRINT

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