Annual Report 2006

Viscom AG

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What we stand for

Our Core Competence

Our core competence is industrial image processing

As producer of high-quality inspection systems for automatic optical and X-ray inspection, Viscom ranks among the leading providers worldwide. In Europe, Viscom is the market leader in automatic optical inspection of printed circuit boards.

Our Philosophy

With continual high innovation, we develop new technologies and open up new markets. In the process, customer satisfaction is our most important goal.

The foundation for our success is the motivation and creativity of our employees. As an attractive employer with a modern company culture, Viscom can count on strong company identification among its employees.

Our Market

Viscom inspection systems are applied in nearly all sectors of the electronics industry – from automotive electronics through aviation and aerospace technology, to industrial electronics and leisure electronics. The steadily rising requirements for quality in these sectors as well as the increasing presence of technology in all areas of life open a durable growth potential to us.

Our Goals

Viscom has achieved very high growth rates for years - both in revenues as well as profits. Our goal is, to further expand our market share and to steadily raise our company value.

Ulrich Mohr
CFO

Volker Pape
President Sales

Dr. Martin Heuser
President Technology

Foreword

Dear Shareholders,
Ladies and Gentlemen,

the year 2006 was very eventful for Viscom. The initial public offering on the 10th of May 2006 was the starter's shot for the further international expansion of the Group. Viscom operates in a continually growing market: fulfilment of society's basic requirements is no longer possible without the contributions of electrotechnology and the electronics industry. A trend that is already reflected in the areas health, energy, mobility, information, communication and safety. But above all: a trend that is always carrying itself forward. In our home market Germany alone, electrotechnology and the electronics industry is the most cutting-edge of the industrial sectors – with a revenue volume of €165 billion, of which 40% come from products and solutions that are younger than three years old. This sector is developing even more dynamically in Asia: the entire electronics supply sector demonstrates its innovative strengths and achievement potential here. Active participation in this region is an opportunity Viscom does not allow itself to pass up: with the proceeds from entry on the stock market Viscom has the financial strength and the necessary stamina to successfully tap this potential.

From a technological standpoint, the year 2006 was also impressed by intensive further development and innovation: the Viscom AG brought numerous new developments on their way to completion. These include, among others, the new Desktop AOI S2088, which joins high performance to the advantages of a compact, manually operated device as well as the S3016, which enables inspection of the underside of a printed circuit board and so avoids the need for cost-intensive turning stations in a production line. An especial development highlight came to completion at the start of 2007: the X7056. This novel innovation combines X-ray inspection and optical inspection of the top and bottom sides of a printed circuit board and is fully automatic and inline-capable. The machine is unique in the market worldwide and already, at the very start of serial production, is enjoying an especially lively demand.

Thus, Viscom has positioned itself for long-term and sustained success in all the markets. We are conscious, that from a short-term consideration we have not completely fulfilled all the expectations of our shareholders: the revenue growth we anticipated on the Asian market, for example, will first accrue time-delayed. Nonetheless, this disappointment should not obscure the positive developments of the Viscom-Group throughout the past year:

Viscom raised revenues 5.6% in comparison to the previous year, to € 53.3 million. Revenue development in Europe was especially fortuitous – Viscom achieved a leap in revenues of over 9%, to € 38.0 million. While revenues in America increased by more than 3.5%, development in Asia remained behind expectations with a revenue decrease of about 10%. Nonetheless, everything has been set in place for future positive development in this region: through dispatching personnel from Hanover as well as new hiring, we have nearly doubled the number of employees in Asia. With the newly equipped application centres, the consulting and customer support capacities are also significantly raised. The first success of these measures has already been seen: the number of customer inquiries has more than quadrupled during the first six months of the year 2007.

EBIT margin at the end of the year 2006 is very positive. At 19.2% – even after increased personnel expenses and numerous expenditures, it lies only 3.5% under the previous year‘s value. Viscom accomplished this through, among other things, an increase in production efficiency and nearly constant materials usage – a significant success with which to meet cost pressure on the market, primarily in Asia. Viscom raised results after taxes more than 12% to € 8.4 million. A development that will please our shareholders, especially with regard to the dividend payment.

Viscom has set itself ambitious goals for the year 2007. Significant measures to achieve these goals have been initiated or have been carried out already. Increasing market presence, a well-rounded and unique product portfolio as well as an efficient operational mode will continue to motivate our employee team and also raise customer satisfaction and so, contribute to the further success of Viscom.

We are pleased to have your continued accompaniment along our way!

Executive Board

Dr. Martin Heuser Volker Pape Ulrich Mohr

Report of the Supervisory Board over the Business Year 2006

The Executive Board has informed itself concerning the detailed economic and financial position of the company as well as the principles of business policy and strategic development throughout the business year 2006, during six meetings that took place on February 3, March 7, April 13, September 26, and December 14 and 15.

During these meetings, the Executive Board regularly and comprehensively informed the Supervisory Board about the position of the company, especially regarding developments in the business and financial positions, the personnel situation as well as investment projects and essential questions of company policy and strategy. Furthermore, the Executive Board regularly prepared monthly interim reports covering business processes and the most significant key financial figures. Business events which require the agreement of the Supervisory Board were duly presented for decision and, after investigation of the provided documents, further inquiries to the Executive Board and extensive discussion, were approved with the members of the Executive Board. The Supervisory Board was also made aware of any particularly significant business events which occurred between meetings and in compelling situations was asked for written determinations. Further, the members of the Executive Board kept the chairmen of the Executive Board and the vice chairman informed regarding all important developments and upcoming decisions during regular one-on-one interviews.

The Supervisory Board also held meetings without the Executive Board, as needed. The topic of the Executive Board meetings in February, March and April 2006 was predominantly the approaching entry on the stock market. The topics of the meetings in September and December 2006 were predominantly concepts for future company growth, including setting goals for expansion of delivery transactions toward Southeast Asia and China, as well as continuation of innovative product development. In realizing its strategic goals, the company may draw on the influx of funds from the capital increase in connection with the May 2006 market entry.

Preparation of the report by the Executive Board for the business year 2006 was accomplished in its entirety to the complete satisfaction of the Supervisory Board. On the basis of these reports, the Supervisory Board was enabled to comprehensively inform itself about the position of the company and the business leadership and so, to monitor them.

The auditors from Ernst & Young AG, engaged by the Supervisory Board, has examined the 2006 year-end report prepared by the Executive Board according to German commercial law for the Viscom AG, as well as the 2006 consolidated financial reports in accordance with International Financial Reporting Standards (IFRS) together with the company report and has provided each of them with an unrestricted auditor‘s certification.

At the meeting of the Executive Board on 16 March 2007, the auditors delivered a report over the audit of the consolidated report and the audit of the 2006 year-end report of the Viscom AG and provided supplementary advice.

Dr. Jürgen Knorr
Chairman

Hans E. Damisch
Deputy Chairman

Prof. Dr.
Claus-Eberhard Liedtke

We have met the results of the audit by the auditors with approval and after our own examination of the annual accounting documents, the recommendations from the Executive Board for use of the profits and the audit report from the auditors, raise no objections. We endorse the year-end report as prepared by the Executive Board, and its adoption. We endorse as well the consolidated financial report as prepared by the Executive Board. Further, we give our assent to the recommendation of the Executive Board to distribute K€ 4,510 (previous year: K€ 9,072) as dividend and to carry the remaining profits forward on new account.

The Supervisory Board has examined the report of the Executive Board regarding the relationships to the affiliated companies and taken into consideration the auditor's report and raise no objections against the explanation of the Executive Board regarding the relationships to the affiliated companies at the end of the report.

The Supervisory Board thanks the employees and the Executive Board for the work performed during business year 2006.

Hanover, 16 March 2007

Jürgen Knorr

Dr. Jürgen Knorr
Chairman of the Supervisory Board

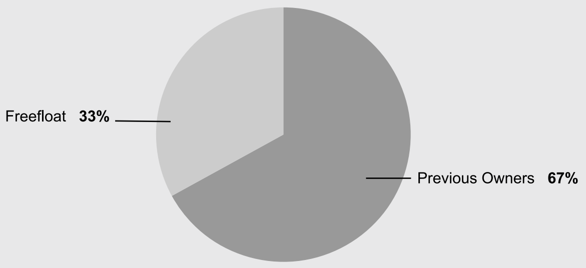
Viscom Shares

ISIN	**DE 000 7846867**
Market Segment	Official Market of the Frankfurt Stock Exchange Prime Standard
Number of Shares	**9.02 million**
Freefloat	33%
Market capitalization	**€ 109.14 million**
Peak	€ 19.00
Low	**€ 10.36**
Average trading volume (Xetra/day)	14,563 shares
Result per share	**€ 0.93**

As of: 31.12. 2006

The Viscom AG has been listed on the stock exchange since spring 2006. 2.9 million shares were placed at the upper end of the bookbuilding range at a price of €18.50 on 10 May 2006. Of these, 2.3 million shares derived from a capital increase comprised the clear majority – 0.6 million shares were contributed from the holdings of previous shareholders. The eight-fold oversubscription of the transaction reflected the high degree of interest that foreign and domestic institutional investors as well as private investors entrusted to the share. Approximately 13% of the shares went to private investors in the context of the issue; approximately 1.2% were granted to employees of the Viscom AG in a prioritized distribution. After partial exercise of the Greenshoe option, 33% of the Viscom shares (3,010,900) remain in freefloat. With 6,009,010 shares, the previous shareholders and company founders of the Viscom AG, Dr. Martin Heuser and Volker Pape, still hold 67% of the shares. Thus, the Executive Board underscores its long-term commitment and engagement toward the Viscom AG.

Shareholder structure



After the fortuitous start and a rise in the share price of nearly 3% on the first day, the Viscom share could not extract itself from the heavy turbulence on the capital market: already on the 10th of May the market began to fall and the DAX lost 7.6% within a week. Despite a slump of nearly 15% for May and June, the DAX reached an index level of a good 6,600 points shortly before the end of the year, to attain a new high for the last four years. An upswing, carried by good company results, optimistic economic indexes, lower interest rates and a further drop in oil prices. As other contributing factors, the market remained untroubled by the relative absence of negative geopolitical influences such as war, terrorist attack or natural catastrophes. In addition to these factors, the existing upwards trend is supported by the continued moderate share price/earnings ratio.

Trend of the Viscom Shares

The Viscom share also emerged from the providential environment with renewed strength. After the report of the nine-month results in November did not meet the full scope of the expectations of the capital market, the Viscom share once again came under distinct pressure and reached its lowest level at €10.36. Already by the middle of December the share recovered and rose to €12.10 by year‘s end. Currently three investment houses report regularly over the development of the Viscom Group. All analysts currently recommend buying or holding the share. With an average price target of € 17.67, the analysts see a share development potential of more than 46% compared to year end. Especially attractive is the dividend yield which the Viscom AG offers its shareholders, 4.1% based on the closing price at the end of the year.

The goal of our investor relations efforts is, to allow all capital market participants a fair evaluation of the Viscom Group. Our top priority, therefore, is open and honest communication, for which Viscom is available at any time. The company presented itself in numerous one-on-one interviews with investors within Germany and abroad, as well as at OPTATEC Analysts Conference and the Shareholders‘ Equity Forum of the German Stock Exchange in Frankfurt during 2006. We promptly make all information concerning the Viscom share available through our home page under www.viscom.com/en_ir.

Business Model and Strategy

Viscom: Successful for over 20 years

- Clear focus on core competences –
  Automatic optical and X-ray technology inspection for the electronics industry
- Leadership in technology and innovation –
  Head start through high reaction speed, flexibility and individuality
- Available for the customer worldwide –
  Market leader in Europe and number two worldwide
- High employee motivation –
  Engagement, service and creativity for the customer

Viscom has been successful on the market for more than 20 years. Continuous growth and consistent profitability mirror the success of the business model. Today, as producer of high-quality inspection systems for automatic optical and X-ray inspection, Viscom ranks among the worldwide leading suppliers. While Viscom has already achieved second place worldwide, the company has held market leadership in Europe for some time.

The human eye has long been no match for the requirements of modern production processes. Defects on an electronic component can only be detected with high precision, quickly and reliably, with the assistance of an inspection system. A trend that steadily continues: components are becoming ever smaller and their placement on the printed circuit board, ever denser. With continual development and re-development of innovative inspection systems, Viscom steadily expands its position as technology and innovation leader. This is, above all, thanks to the strong identification of the employees with their company and the great degree of engagement they bring to the continued development of the company and its products.

As a company that is engaged worldwide with a clear focus on its core competences, Viscom has access to structures which sustain proximity to the market and the customer, and also enable reaction speed as well as individuality and flexibility.

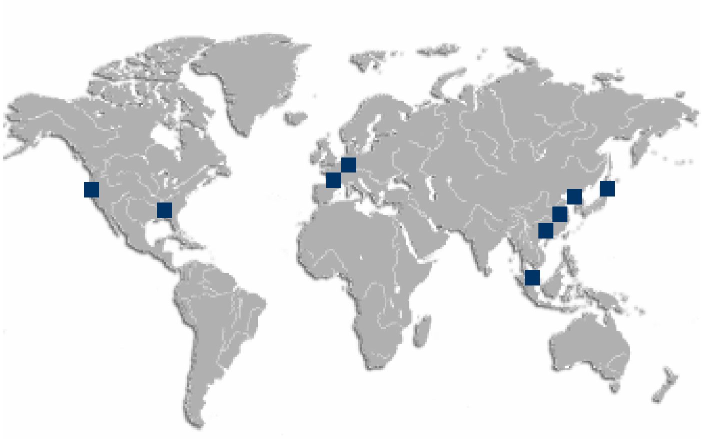
„All Business is local“

This awareness is anchored deeply into the business model of the Viscom AG. Thus, Viscom operates with a two-tiered sales system, consisting of permanent sales employees in addition to a worldwide net of representative companies. Even with its own relatively small sales team, Viscom thus achieves a broad surface coverage and profits from the extensive knowledge the representatives have for their corresponding regions as well as for the desires and requirements of their customers. The purely revenues-related commission of the representatives holds down fixed costs in the company and facilitates a high degree of flexibility in revenues planning.

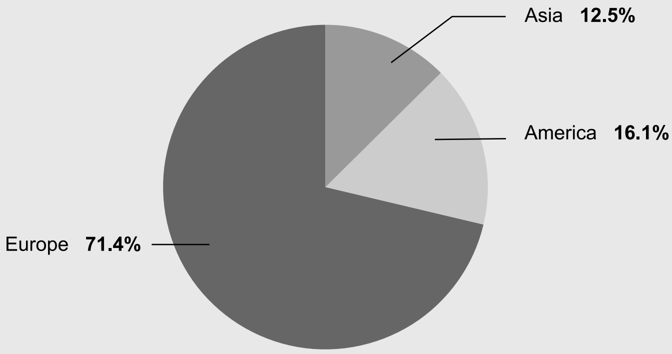
Cooperation with representative companies appears as especially valuable in opening worldwide markets: in this way, the construction of new distribution structures is possible quickly and without complication. The local representatives already have ready access to a multitude of local companies and above all: they speak their language, literally as well as figuratively. Understanding of the culture of a country, certainty within local custom and the knowledge of the characteristics of the corresponding market prove themselves to be indispensable.

Viscom employs the advantages of this decentralized structure – still, the company maintains close contact with the customer. Representative companies are intensively supported by Viscom‘s own sales employees. Numerous meetings have been conducted together and when an agreement is concluded, it is generally done between the customer and Viscom.

Viscom‘s worldwide presence (including planned locations)



Turnover per region



Volker Pape
President Sales

Reinhard Pollak
Representative

Customer benefits in first place – that premise is uppermost in the Viscom AG business model. With his firm, Repotech GmbH, Reinhard Pollak advises electronics production companies in their selection of pick and place machines, paste printers and inspection systems for their manufacturing and production lines. The success of his company depends on the lasting satisfaction of his customers. In the area of inspection systems, Repotech sells Viscom AOI and AXI systems exclusively. The reason the decision for Viscom was made is the way the two companies harmonize and how customer benefits can be continually improved – these topics are discussed by Reinhard Pollak and Volker Pape, Viscom AG company founder and board member for the marketing and sales areas.

„By covering all inspection tasks Viscom has developed to become one important partner to the electronics industry, with a steady view toward the real requirements of our customers.“ – Reinhard Pollak

Pape: For more than 10 years, the companies Viscom and Repotech have been joined in a close and trustworthy collaboration. This continuity is of great value to us.

***Pollak:** Continuity is the key word here. Our customers expect intensive and competent consultation and service. These may only be guaranteed when one is very familiar with the partner companies, his technology and his products.*

Pape: For this reason, we steadily work to keep the information flow at a high level – through regular meetings with the representatives, for example. Here, Viscom introduces new developments and products to the extended sales network and offers intensive training. Above all, however, it is the daily cooperation that must function optimally.

***Pollak:** Good daily cooperation is certainly very significant. Technical support and support for all questions that come up on the customer's side must be available at every time. Not only during normal office hours, but whenever questions or problems arise at the customer's – quickly and without complication. Due to the long-term partnership and the good personal relationship to the employees from Viscom, even complex matters at our customers' can be quickly resolved.*

Pape: Yes, the motivation of our employees is also one of our most valuable commodities. With a positive company culture and good development possibilities, we support the engagement and motivation of our employees. We place a very high value on creativity and innovative capability. Viscom conceives perceives itself as technology and innovation leader, a claim that can be justly made only with much exertion.

***Pollak:** Viscom is market leader in its area – number one in Europe and already number two worldwide. This is especially important for Repotech, that the systems from Viscom find their application not only in smaller companies with only a few employees, but also at midsized firms, up to larger concerns such as Siemens or Bosch. By covering all inspection tasks Viscom has developed to become one important partner to the electronics industry, with a steady view toward the real requirements of our customers. Our joint experience of ten years already has also proven, that in Hanover one does not rest on the laurels of the past – in contrast: one always seeks the challenges of new technologies. A particularly outstanding example of this for me is, the development of the combined AOI/AXI system, which is currently offered in its performance class only by Viscom.*

Pape: To be close to the market and customer requirements has always been especially important to us. For this reason, we also maintain technological partnership with our customers. Thus, we can develop innovative so-

„With a positive company culture and good development possibilities, we support the engagement and motivation of our employees.“ – Volker Pape

lutions that correspond directly to the desires and requirements of our customers. Mr. Pollack, you have been engaged in this sector in the region south and west Germany and Switzerland for over ten years – the result of this close and successful collaboration of many years is a particularly trustworthy relationship to your customer. The detailed feedback that they provide us with is important, in order to be able to react to changing requirements adequately.

Pollak: *This reaction speed is an important feature of the Viscom company: flexible and non-bureaucratic realization of customer requirements – even over and above the normal modular concept that already exists – is a significant component of our collaboration. Still, a higher reliance on the continuity and sustainability of the serial systems – particularly in that all systems are compatible with each other and are equipped with the same user interface. Support and replacement parts are also immediately available for a ten year old system. Especially, Viscom‘s customer-friendly stance, as for example with software updates, has convinced many customers that they have chosen the right partner.*

Pape: This combination is a cornerstone of our business model – the development of serial systems on the one hand and special inspection systems on the other. We operate the business area „Special Inspection Systems“ as an innovation engine for the company and so secure the future growth of the firm. The serial inspection systems are a guarantee for high efficiency within the company. Since the company was founded in 1984, Viscom has worked with consistent profits. It is especially noteworthy here; when the companies‘ average weighted revenue growth during this period is considered – posted to the year 2001, it stands at over 17%.

Pollak: *For some years now Viscom has been positioned worldwide; thus a customer receives Viscom support for each of their locations – an important sales point for many customers. This reaction to globalization was a great challenge for Viscom, and still is. Production, however, is done exclusively in Hanover. Why was this decision made; can‘t a company produce more cheaply in foreign countries?*

Pape: We stake ourselves on quality in every area and here in Hanover, we can ensure it especially well. Our employees are well-educated throughout and operate under optimal conditions. In addition, we maintain an „Everything from one hand“ principle. From software and hardware development, through inspection methodology and construction, to sensor and X-ray technologies and design – all significant competences are available in-house. All of this can interact constantly here at our headquarter in Hanover; lines of communication are short and so, flexibility and reaction speed are high.

Market and Customers

Growth market electronics – Viscom in a positive trend

- Megatrend Electronics –
  Technology in all areas of life, increasingly demanding assembly
- Quality in focus –
  Reliability and image gain significance worldwide
- Worldwide positioning –
  Viscom-Group is there, where the customer needs it

Two trends strengthen the good development perspectives of the Viscom group: technology penetrates more and more deeply into all areas of life. Already about 20% of the value added in an automobile is now generated by its electronics – the tendency is rising. But even in the pure leisure time area, electronics are more and more widely dispersed: From MP3 players and the mobile phone up to electronically controlled toys – technology has become an essential component. That is why assembly density on a printed circuit board is increasing and also, why the components being used become ever smaller. The requirements for inspection systems reach dimensions, which for a long time already have not been able to be fulfilled by all suppliers. The Viscom high-end machines will fulfil the full scope of the new requirements and the high performance.

But not only is the application spectrum for electronic components widening; quality requirements rise permanently as well. Whether conditioned by legal regulations or the voluntary undertaking of quality assurance to protect public image, the demands of the producers also rise.

The inspection systems of the Viscom Group can satisfy even the highest requirements of their customers and so profit from this trend. The Viscom-Group accompanies their customers in all questions of quality assurance and process optimization – worldwide. To steadily improve service and availability in the process, is the stated goal. Thus, Viscom continually expands its global presence even further.

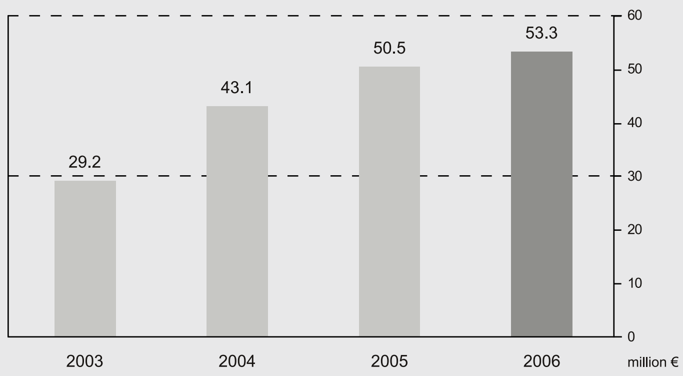
„There for our customers worldwide.“

Optical and X-ray inspection systems are complex and consultation-intensive machines. A product, not to be ordered from a catalogue, but whose acquisition is a process. At the heart of this process is the evaluation of the inspection system by the customer: over a defined time frame, a potential customer tests the performance of the machine and the inspection results are compared with results from various competitors. In the application centres of the Viscom Group, all the inspection systems the company offers stand at the ready and can be called upon for such performance comparisons. A comparison that Viscom does not shy away from – quite the opposite: due to their technological superiority, Viscom systems, most often emerge from such comparison the victor. An increasing frequency of evaluations therefore affects the revenues of the company positively.

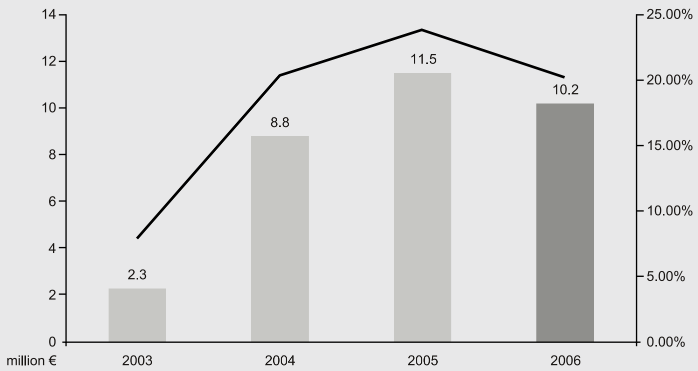
With the construction of three additional application centres in China, Japan and the USA, Viscom clearly raises the possibility for such tests. Already, the application centres have posted a significantly raised number of evaluations. The expansion of application centres is particularly essential to open the Asian market. Currently Asia is undergoing a boom in the electronics industry, which kindles the demand for inspection systems to offer Viscom a great revenue potential.

Still, the region shows itself to be extremely spacious and heterogeneous. With the previously sole location in Singapore, Viscom did not optimally exploit the multifaceted opportunities of this market. Application centres in Singapore, Shanghai and Yokohama as well as additional service centres in Shenzhen and Korea will clearly improve the positioning of the Viscom Group in Asia.

Development of turnover



EBIT and EBIT-margin



Volker Pape
President Sales

Norbert Meuser
Managing Director
of the Asian subsidiaries

In Asia is found the innovative workbench of the electronics industry – the entire supplier industry demonstrates its capabilities in this intensely competitive environment. In addition to China, the south Asiatic threshold lands also rise to the focus of the international electronics producer. In these far-flung, very heterogeneous regions, business structures differ markedly from those in Europe. From its Asiatic site in Singapore, the Viscom AG approaches further Asiatic locations in China, Japan and Korea. Expansion into Asian territory is a valuable opportunity to reach new customers and is therefore a challenge to the performance spectrum of the entire Viscom Group. The progress of this market penetration is discussed between Volker Pape, company founder of the Viscom AG and board member for marketing and sales, and Norbert Meuser, managing director of the Asian subsidiaries of the Viscom AG.

„We have been on the ball from the start and exploit every advantage that the global organizational structure of the Viscom Group offers us." – Norbert Meuser

Pape: Asia is the most significant growth market for electronics production. With the recent market entry, Viscom has the required capital to invest in this market intensively and also the breath to assert itself there for the long run. An important step in this direction is the establishment of the application and service centres in China, Japan and Korea. How is the situation in Asia developing now?

Meuser: *Asian customers especially only make their purchasing decisions after first carrying out a detailed analysis of the system in their production facilities. Not only do they evaluate machine quality, but also the support and service that the supplier can offer.*

So establishing application centres is actually extremely important – in addition to the systems, customers can experience the Viscom company with all its culture, competence and the engagement of its employees. The Asian region embraces an extremely wide area that just could not be covered by just one application centre. Now cus-tomers have the possibility to test their systems at three locations in Asia. Now the number of evaluations by new customers has already quadrupled.

Pape: We have learned that the decision process on the part of Asiatic companies often requires a great deal of time. But with the new application centres and the marked increase in the number of evaluations, we expect that market penetration in the year 2007 will clearly rise. Many of our European customers are investing more deeply in Asia. The collaboration in Europe should certainly affect our ability to gain orders in Asia most positively.

Meuser: *Yes, because of our references in Europe we carry a distinct advantage among these firms. We invest more heavily still in these customers we have courted, in order to close in on the Asian market. Butting Asia we are concerned with an entirely different group of companies: the contract manager or OEM. These companies don‘t have their own products, but produce contract-related electronic components for other firms. This presents a nearly untapped share potential. These companies, though, set a strong criterion for the application of inspection systems: cost optimization is paramount.*

„With the recent market entry, Viscom has the required capital to invest in this market intensively and also the breath to assert itself there for the long run“ – *Volker Pape*

Pape: The contract producers are primarily a very important customer group. Because these companies rarely rise to public view, they conceal an enormous potential: when such a firm takes a new contract, this usually means the construction of new production lines. To guarantee the quality of their printed circuit boards, the contract manufacturers generally emplace numerous employees – that's cost-effective, but objectivity and quality suffer. This is a real chance, for Viscom to position its inspection systems.

Meuser: *That's why we work so hard to gain these companies as customers. But there is a difference: in order to operate cost-effectively, the larger contract manufacturers settle on two or three inspection system suppliers for a timeframe of two to three years. These suppliers then remain on the approved vendor list, that is, the list of authorized suppliers. In real terms, that we have to allot time for initial acquisition time before we have the chance to position our competence under burden of proof. For initial acquaintance and acquisition, time has to be calculated into the picture in Asia. These are framework conditions that simply must be borne in mind.*

Pape: Yes. Precisely, the theme of cost efficiency becomes a decisive criterion during product selection in Asia. Add to that the demand for easy serviceability of the machine. The fluctuation rates are very high in Asia, so initial orientation can not be allowed to claim too much time. This is where the Viscom unified user interface emerges as an advantage – and the fact that all our systems are compatible with each other. Naturally, support must be immediately available. „Time is money“ applies even more to contract manufacturers than to other sorts of companies. Equipping our application and support centres is crucial – to raise our reaction time.

Meuser: *Also, we are strengthening the networks between subsidiaries in Asia and America. Many companies that produce in Asia are headquartered in the USA. If we can collaborate more closely here, we anticipate a synergistic effect. This aspect applies especially to Japan and China, but, the Asiatic threshold lands cannot be excluded from sales development. Especially Vietnam: since the country has been incorporated into the WTO, a large investment opportunity presents itself here. We have been on the ball from the start and use every advantage the global organizational structure of the Viscom Group offers us.*

Products

Innovation as the company‘s philosophy – Viscom on the move

- Fully automatic inspection for the electronics industry – Optical and X-ray technology inspection
- High-end products tailored individually – Modularity for flexibility
- Customer partnerships as engine to development – Viscom stays sensitive to movement on the market

Viscom develops and produces highly accurate optical and X-ray technology inspection systems – mainly for the electronics industry. To guarantee the reliable functional capabilities – for example, in an automobile‘s motor control – is the goal of inspection. Thus, a printed circuit board is investigated for correct assembly, correct soldering of a component and possible material defects. The outstanding feature of the Viscom systems: they inspect completely automatically. The machines can be integrated into the customer‘s production lines, so the production process is not interrupted and also so the customer‘s requirements for high throughput can be satisfied.

In the process, the Viscom Group concentrates on three product areas: optical and X-ray technology serial inspection systems as well as optical special inspection systems and manual X-ray systems. An optical inspection system consists of an intelligent sensor system with illumination and camera and a computer equipped with high-performance analysis software. The software is the heart of the system and the core competence of the Viscom Group. Analysis is done by comparing the images captured from the inspected object with requirements stored in the system. Defective printed circuit boards are sorted out of the production process. X-ray technology inspection systems make possible the non-destructive detection of hidden defects. With the high-resolution microfocus X-ray tube, developed by Viscom, a mature analysis technology is available that positions the company far ahead in the competition.

All serial inspection systems distinguish themselves by their special modularity: each system has a basis version and can be customized with various modular building blocks to correspond to customer requirements. This flexibility is one important unique selling point of the Viscom systems. The two special system areas work in connection with projects corresponding to the needs of individual customers, to implement new requirements with complete flexibility. Due to the customer partnerships initiated by Viscom, Viscom is very sensitive toward movement on the market and so offers, in comparison to the competition, a distinctly heightened reaction time. This high innovative capability is an integral component of the Viscom Group

„Innovation for our customers“

The Viscom Group stays in constant motion for its customers: in 2006, Viscom revised the company bestseller, the S6056, and set new measures for optical inspection. The first S2088 followed shortly afterwards, combining high performance capabilities with all the advantages of the compact form of a manually operated system. With these features, the cost-effective system presents itself as optimal entry model. Then, the S3016 facilitates reliable detection of open solder joints, solder bridges and missing leads on the bottom side of a printed circuit board – to eliminate the cost-intensive step of turning over the board so costs for expensive turning stations can be saved. Market requirements for a 3D paste inspection are now met with the system VP3. Through the use of high-speed sensor chips, the system achieves a very high inspection speed, with high resolution at the same time.

An absolute highlight is the development of the X7056. This uniquely novel innovation enables combined optical inspection and 3D X-ray inspection – and simultaneous inspection of the top and bottom sides of a PCB. As the first inline-capable inspection system, the X7056 inspects fast and cost-effectively. Even requirements for high throughput can be satisfied by the new system.

Viscom not only conducts continual research and development in the systems area; the components used also undergo steady continued development and optimization: with the VM module, a completely revised sensor head enters the market. Through the simultaneous use of orthogonal and angled cameras, the use of colored illumination and the application of the new VisCam, the module acquires significantly raised performance and becomes more versatile and faster than its predecessor module.


Dr. Martin Heuser
President Technology
Gerd Rademann
General Sales Manager

Peter Krippner
General Manager SP

Innovation, creativity and continued development are the cornerstones of the Viscom Group company philosophy: thus, in 2006, the company invested about 9% of revenues in research and development. R&D can never be permitted to become an end in itself. Technological partnerships with customers and intensive observation of the market tie Viscom closely to market developments. Through this acute sensitivity for new developments, Viscom can quickly grasp emerging trends and convert them into products that are well suited to market requirements – actually, to anticipate them ahead of time. Dr. Martin Heuser, company founder of the Viscom AG and board member for technology and development; Peter Krippner, general manager in the area optical and X-ray serial products and Gerd Rademann, general manager sales, discuss the interplay of market and technology.

„With the combined AOI/AXI system X7056, we have developed a machine that nothing else on the market compares to.“ – Dr. Martin Heuser

Heuser: With the combined AOI/AXI system X7056, we have developed a machine that nothing else on the market compares to. Serial production has now been started – an exciting phase, especially with such a unique worldwide novelty as the X7056. But the success of this model has been demonstrated: numerous orders already exist.

Rademann: *This system really hits the bull's eye. The customers see themselves confronted with the situation, more and more, miniaturized components like BGA, µBGA and CSP are being processed – you just can't get around X-ray anymore. But, X-ray inspection also requires additional time expenditure. So, the companies are faced with a dilemma, because throughput requirements are also rising steadily – that's why inspection must be done quickly. The X7056 solves the problem, because the optical and X-ray inspections run in parallel. It all adds up very well.*

Krippner: With the X7056, we are working with a completely new technology that makes this speed possible: there are two inspection systems – in the front part of the machine an optical inspection is done, while in the rear of the machine a simultaneous X-ray inspection occurs. Each section has its own xy track; each track has a printed circuit board for inspection and the tracks can change positions relative to each other. The whole functions inline, that is, completely automatically within the production line.

Heuser: *The highlight here is the 3D inspection. This makes it possible for us to simultaneously inspect the top and bottom sides of a PCB reliably and non-destructively. During the X-ray inspection, the three-dimensional object is penetrated by X-rays and several 2D images are taken from various angles. Through an iterative process, section images of a single z-level can be combined to form a 3D image. The greatest advantage is: we can usually perform an evaluation of the section images with the algorithms we already use.*

Rademann: That's an extremely important point. Customers react positively, when they are faced with as little orientation and changeover time as possible. So it is a good thing, when the basic system properties remain the same. This also affects machine maintenance. It's a big problem for a production company, when production comes to a standstill because one machine is being worked on. That's why many customers are pleased, when they can do the corresponding work themselves. No easy task, given the rising complexity of printed circuit board assembly. Naturally performance requirements also increase more and more.

Krippner: *This is exactly the challenge we have taken up. With the new programming and user interface EasyPro3D, we simplify operability of the system significantly. On the*

„Customers react positively, when they are faced with as little orientation and changeover time as possible.“ – *Gerd Rademann*

other hand, we work Products to steadily improve our machines: we have made a quantum leap with the newly developed „VM Module.“ The VM Module combines orthogonal views with angle views. Here, the various colors in the illumination come into play. All in all, we gain a marked increase in versatility and more thorough inspection depth for the detection of defects on a printed circuit board.

Heuser: In addition, we apply the VisCam here. This camera unit was newly developed here at Viscom, to make possible distinctly raised inspection speed in comparison to typical sensors with 12 images per second.

Rademann: *Especially for our customers in Europe, who are increasingly active in the automotive industry, it is important to further optimize defect detection. The Viscom high-end systems serve exactly this demand. With these systems the competition doesn‘t generally make it over the bar, but is often oriented solely to performance and technology – here, Viscom is well in the lead. On the other hand, we operate worldwide. There are also customers that stand under a great deal of price pressure. We also have to consider these customers.*

Heuser: With the S2088, we offer an entry model. The comparatively cost-effective desktop system is loaded manually, but brings the familiar high performance capabilities of the Viscom systems. The S2088‘s precision linear drive and high resolution cameras are unique in its class. So the machine is in the position to survey assembled printed circuit boards with high precision and to perform a machine capabilities evaluation of placement machines – for a desktop system, that‘s unique until now.

Rademann: *How far along are we actually with the 3D paste inspection system? The demand for such a system is quite high. After all, paste print is still a significant source of defects in the production of printed circuit boards. If the solder paste is optimally applied, the major part of the problem source is already excluded. Also, repairing a defect at this stage is still easy and cost-effective.*

Krippner: As far as solder paste is concerned, it depends not only on paste being applied to the correct place, but also it must be in the exactly correct amount. For these reasons, it makes sense to perform a 3D inspection. That‘s why we developed the VP3 sensor. Information about height can be extracted from the three-dimensional information we gain by projecting a special light pattern onto the PCB from three directions. Color coding of the light pattern allows a simultaneous image upload and so, high throughput with high accuracy. As far as the VP3 module is concerned, we stand right at the start of serial production.

Group Management Report 2006 and IFRS Consolidated Financial Statements 2006

Group Management Report 2006

IFRS Consolidated Financial Statements 2006

Group Management Report 2006

Business and Economic Conditions

Structure of the Company and its investees

Viscom AG is the parent company of the Viscom Group (hereinafter referred to as "Viscom"). With wholly-owned subsidiaries in France, the USA and Asia, the Group has an efficient, market-oriented organisational structure. The companies are focused on their respective customer groups and their requirements, enabling them to act and respond quickly and flexibly. At the same time, they benefit from the advantages of belonging to a larger group, thus allowing the mutual exchange and utilisation of knowledge and experience. Production takes place exclusively in the Group's home city of Hanover. This means that Viscom enjoys the production benefits of a well-developed industrial location, with the result that it is able to guarantee the very highest degree of product quality.

In 2001, Viscom GmbH changed its legal form into 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 66.6% are held directly by the Company's founders and Executive Board members, Dr. Martin Heuser and Volker Pape. The remaining shares are in free float. As of 31 December 2006, the Executive Board of Viscom AG consists of three members: Volker Pape, who is responsible for sales and marketing; Dr. Martin Heuser, who is responsible for development and production; and Ulrich Mohr, who is responsible for finance, human resources and logistics. The Executive Board is, in turn, monitored by a Supervisory Board consisting of three members: Dr. Jürgen Knorr (Chairman), Hans E. Damisch (Deputy Chairman) and Prof. Claus-Eberhard Liedtke.

Segments and key locations

Viscom AG 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 the level 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 East Asian market, with its subsidiary in Singapore.

Business processes

The inspection systems are developed and produced at the Company's headquarters in Hanover, where all centralised functions, such as business administration, marketing and sales management, are also based.

The Company's 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 circumstances.

The majority of production is order-based, drawing on the in-house pre-production of individual subassemblies.

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

Order settlement is managed via a global order processing system that is used by the Company and all of its subsidiaries.

Legal and economic factors

Viscom AG completed its initial public offering in May of the year under review, and has since been listed in the Prime Standard of the Official Market (Amtlicher Markt). There have been no other changes in legal factors with a material effect on the Company. The economic stabilisation in Europe had a further positive impact on the Company, while the Asian market is considered to offer the largest medium-term growth potential.

Management system

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

The reports also include a detailed presentation of the cost structure of Viscom AG, revenue in its installation countries, incoming orders, the order backlog, the number of employees, cash and cash equivalents, total receivables and receivables from subsidiaries, placed orders for the purchase of goods, inventories, and partially completed systems.

The Company's future-oriented key figures include revenue and payment forecasts. The information provided also includes fluctuation, sick leave and per capita revenue figures, as well as key indicators for product development, production and logistics.

The figures contained in the monthly reports are analysed in regular meetings between the Company's management and the heads of the business areas, and decisions are taken on any action that may be necessary.

In addition to this reporting system, quarterly reports in accordance with IFRS have been published since the Company's initial listing.

Basic principles of the remuneration system

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

With regard to the variable component, a bonus agreement based on the amount of the respective fixed remuneration, among other things, is concluded in advance with each Executive Board member.

Macroeconomic and sector development

Macroeconomic development

The global economy developed dynamically in 2006 despite the tightening of monetary policy around the world and the continued increase in oil prices. Growth in global production of 3.9% represents the second-largest rise within the last 15 years. This economic expansion has become significantly more broad-based, although individual national economies were at different phases in the cycle. Whereas growth momentum in the USA and Japan was already well underway, the upturn in many European countries has only recently gained momentum. Once again, China proved to be especially dynamic, generating double-digit growth in gross domestic product. The other emerging economies of South-East Asia recorded equally impressive development. One key factor behind the upturn was the high export demand in the primary sales markets, especially China, Japan and the USA, with electronic goods in particular being highly sought after.

Economic development in the euro zone in 2006 was particularly encouraging. This upswing was broad-based, with substantial convergence between the growth rates of the individual member states. In particular, the strong economic revival in Germany served to stimulate the economies of the other member states.

In Germany, gross domestic product increased by 2.4%, the highest level of growth since 2000. The country's positive economic development is no longer based solely on an increase in exports; instead, domestic investment also made a substantial contribution to economic growth, with the increase in investments in fixed assets being a key factor in this trend. The recovery also had a positive effect on the job market in the year under review: unemployment figures have finally started to turn around after the increases recorded in recent years.

Sector development

Viscom's products are primarily represented in the electronics industry. The inspection of electronic assemblies is currently the Group's main sales segment.

As in previous years, the electronics industry was a growth driver once again. The automotive electronics sector in particular recorded significant revenue growth in 2006. This is largely attributable to the further increase in the volumes and quality requirements of the electronic assemblies used as a result of the high degree of innovative pressure and ever-increasing safety requirements in the automotive industry. In addition, complex and increasingly miniature electronic assemblies can only be reliably tested by automatic inspection systems. Customers require evidence of high resolution, reliable algorithms, high throughput and good service before making any decision to purchase. With its extended activities in all of these areas, Viscom is able to provide this evidence in peer group comparisons, and thus reinforce and expand its market position.

Viscom was particularly successful in increasing its market share within Europe in 2006. Revenue in this region grew significantly, whereas the figures for Asia failed to meet expectations by some distance.

As the location of several leading global automotive groups and the largest national market in Europe, Germany is one of the three key markets for the global vehicle supply industry. At the same time, it remains the market with the highest quality requirements. Accordingly, Germany is and will continue to be the innovation centre for the global automotive industry.

Target sectors

The systems produced by Viscom are employed primarily within the electronics industry. Producers of electronic assemblies are the Company's main target segment, accounting for approximately 80% of revenue. Some of these companies, such as the manufacturers of mobile phones, are involved in production for end consumers. The majority of Viscom's customers, however, are suppliers for other companies and manufacture products in which electronic assemblies perform control tasks. An increasing proportion of the Company's customers are OEMs (original equipment manufacturers), i.e. companies that do not produce own-brand products but instead serve exclusively as an extended workbench for contract manufacturers or suppliers.

With the increasing use of electronics in today's automobiles and the high reliability requirements of vehicle systems, the automotive industry has developed into one of the most significant consumers of electronic assemblies. As a rule, these assemblies are inspected using systems such as those offered by Viscom. The highest degree of quality pressure is traditionally found in the mass market, as assemblies are often required to be manufactured for safety-relevant components (ABS, ESP, airbags etc.).

Due to rising technological demands and steadily falling prices, however, quality pressure in the consumer goods industry is also far higher at present than in previous years, as process quality generally also results in less waste and higher levels of production efficiency. At the same time, more and more products are being positioned by premium suppliers who were still seen as low-price suppliers just a few years ago, with returns increasingly becoming an image and marketing problem in this area.

Close, long-term customer contact forms the basis for comprehensive, individual service. The results of such co-operation are incorporated into the development of new system solutions and the refinement of established ones. This allows Viscom to develop new technologies and open up future markets with a high degree of innovative strength and customer proximity.

Viscom's customer structure

Viscom generated approximately 48% of its revenue from the global subsidiaries of its three key customers, Bosch, Siemens and Kostal. 25% of the Company's revenue was generated from around 25 customers, each of whom purchased between two and five inspection systems during the year under review, while a further 22% was attributable to 70 customers, each of whom purchased one system. The remaining revenue, which relates to approximately 150 different customers, was largely generated from services for systems already installed at customers' premises.

Viscom's market position

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

Accordingly, the Company's major customers are companies for whom product safety is a top priority. This includes aerospace and medical technology and the particularly high-volume automotive electronics sector, where Viscom has been one of the leading global suppliers of quality assurance machinery for many years.

Thanks to the Company's favourable starting position of

• comparatively low activity in particularly cyclical market segments (IT, telecom) and

• strength in relatively constant market segments (automotive, industrial),

the model campaigns pursued by Viscom in 2003 (6055 II, 3054 and 3088 systems), 2004 (8051 system, revision of other systems), 2005 (6056 system, others) and 2006 (2088 system, others), which involved considerable technical and economic progress and an increased focus on achieving a customer-friendly, expert image in the areas of sales, training and service, resulted in a significant expansion in its market position in Germany and the rest of Europe.

In contrast to most of its competitors, who have recorded in some cases substantial losses, Viscom's growth slowed down between 2001 and 2003 only to recover strongly in the following years. Further product developments, improvements in business processes, the adjustment of the sales organisation to reflect changes in conditions and a physical expansion in production capacity allowed the Company to participate in the cyclical upturn of its target segment to an above-average extent compared with its peer group. The technological advantage achieved as a result of ongoing product innovation made a key contribution to this development. None of the Company's competitors are able to offer inspection systems with a more thorough depth of inspection than Viscom's.

In light of these conditions, Viscom succeeded in improving its position as the fifth-largest supplier of comparable systems between 2001 and 2006, and now ranks among the top three.

Research and development

In 2005, strategic development was given higher priority. This was reflected in the establishment of a business area of the same name with the aim of bundling the Company's long-term development capacity and establishing new strengths. This means that research and development activities now enjoy a distinctly greater weighting. While the main R&D focus in the Company's other business areas remains the maintenance and further development of existing machine types and software applications and the realisation of new market requirements in the areas of optical and X-ray inspection processes, this new business area also focuses on the definition of completely new products and machines. Expenditure for research and development, including customer-specific development, amounts to approximately 9% of revenue. This includes basic development in particular, which accounts for 5%.

Results of Operations

Revenue development

The Company recorded revenue of €53.3 million in 2006 (previous year: €50.5 million), representing a year-on-year increase of 5.5%. In terms of the individual quarters, the highest growth rate was recorded in the fourth quarter, and in particular in December. The first quarter saw revenue of €13.0 million (previous year: €12.0 million). In the second quarter, revenue of €11.4 million was up slightly on the previous year (€11.3 million), while the figures of €13.6 million for the third quarter and €15.3 million for the fourth quarter were both significantly higher (previous year: €12.2 million and €15.0 million respectively). These amounts demonstrate the seasonal nature of the Company's business, with a weak second quarter offset by high revenue in the last three months of the year.

Net profit for the period

Net profit for the period increased from €7,467 thousand in the previous year to €8,373 thousand. This substantial increase was attributable to the investment of the proceeds of the IPO in securities lending.

The ratio of net profit before taxes to total revenue was 20.2%, an exceptional result when compared directly with other mechanical engineering companies.

Earnings per share

On the basis of the net profit for the period of €8,373 thousand and a total of 9,020,000 shares, earnings per share for the 2006 financial year amounted to €0.93 (diluted and undiluted). In the previous year, earnings per share amounted to €111.12, calculated on the basis of 67,200 shares.

The Executive Board and the Supervisory Board propose a dividend of €0.50 per share (representing a total distribution of €4,510 thousand).

Operating profit

Operating profit decreased by 11.3% to €10.2 million (previous year: €11.5 million). This was due to the extension of the Company's cost structure, particularly in the area of human resources, which was established in the 2006 financial year in preparation for the significantly higher revenues expected to be generated in future.

Financial result

The financial result improved to €543 thousand (previous year: €192 thousand) due to the Company's strong net asset position and the resulting interest effects. This means that net interest income almost trebled. At 5.3% of operating profit, however, this item remains negligible.

Exchange rate gains

In contrast to the previous year, the euro appreciated slightly against the most important trading currency, the US dollar, during the year under review. However, this development had little effect on the Company's export business. Only around 14% of the Company's total revenue was exposed to exchange rate risk.

Incoming orders

The order situation at Viscom improved as against the previous year. At €53.4 million, incoming orders again increased year-on-year (2005: €47.4 million). The order backlog at the end of 2006 was €8.5 million, representing a guaranteed pipeline of approximately two months.

Employees

The following table provides a breakdown of Viscom's employees at 31 December 2006. The total number of employees increased by 80 to 346 in the past financial year (previous year: 266). Viscom AG's headquarters in Hanover recorded the highest level of growth, with 60 additional employees. A further 16 employees are currently in training.

As of 31.12.2006	**AG**	**USA**	**Singapore**	**France**	**Total**
Total	296	19	25	6	346
Full-time	277	19	25	4	325
Part-time	16	0	0	2	18
Interns/students	3	0	0	0	3
plus trainees	16	0	0	0	16

Regional development

Germany

At €22.0 million, revenue in Germany increased significantly as against the previous year (€20.4 million). The Company further reinforced its market leadership in the production of systems for the inspection of electronic assemblies for customers in Germany.

Viscom remains the company with the highest revenue in the optical inspection system sector, both in Germany and in Europe. According to the available information, its European market share is greater than 35%. The Company's market penetration is expanding to include small and medium-sized enterprises to a greater extent, and in particular small and medium-sized contract manufacturers.

Europe and South Africa

Revenue in the rest of Europe also increased significantly year-on-year to €16.0 million (previous year: €14.3 million).

The market with the highest revenue in the rest of Europe is Ireland, with €3.3 million. Along with Ireland, France remains the main target for investment in equipment in Western Europe; Viscom was able to participate in this market, recording revenue of €1.6 million. Revenue in Portugal was at a similar level.

An even stronger impetus was generated in the form of the relocation and new construction of production capacity in Eastern Europe, a region which accounted for just under €5.8 million of Viscom's revenue. The Company's existing relationships with the respective Western European parent companies, most of them domiciled in Germany, was the key factor behind this success.

Americas

In the Americas region, Viscom benefited from the continued market recovery in the USA and the realignment of its sales organisation. Revenue, including direct deliveries by Viscom AG, increased slightly to €8.6 million (previous year: €8.3 million). Of this figure, €6.0 million (previous year: €3.5 million) was generated in the USA, thus clearly demonstrating the success of the market penetration strategy we have initiated.

Asia (incl. Australia)

Revenues recorded in Asia fell slightly during the year under review. Including direct deliveries by Viscom AG, total revenue of €6.7 million was generated, compared with €7.5 million in the previous year. The Company was unable to achieve its planned revenue growth, due in particular to long-running negotiations and delays in the placement of orders.

Products

The inspection systems offered by the Company are based on digital image processing technology or "machine vision", as it is known within the sector. In this technology, digitised images are interpreted with the aid of highly developed specialist software tools in order to allow the object depicted by the content of the image to be measured, controlled and verified. This measurement and inspection technology is generally used to monitor and control entire production processes.

Images may be one-, two- or three-dimensional representations gained using optical area scan cameras, X-ray detectors, laser scanners or similar optical systems. While an extremely wide range of sensors are available as standard products in the area of optical technology, Viscom is also active in the Xray segment as a manufacturer of Xray tubes and related control electronics due to the market situation for such components.

The products manufactured by the Company in 2006 were primarily optical inspection systems of the 6055II and 6056 series, as well as 3088-series models. The 3088 model was originally designed with the Asian market in mind, but now also sells in significant quantities in Germany in its 3088AV variant.

Due to its continuous product development activities, Viscom has a comparatively wide product range, and its individual machine types can be manufactured in many variants. This represents an obvious advantage for the customer; at the same time, however, the modular design of its products ensures that Viscom's production activities do not become overstretched.

Cost-effective model variants such as the 3088 can frequently be offered as entry-level systems with the possibility for 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, thus ensuring follow-up sales.

Continuous development within the framework of the Company's model policy has successfully compensated for falling prices.

Viscom produces a wide range of models in comparatively small numbers. This is achieved through the use of standardised modules. Model variants are developed on the basis of design and application adaptations. This means that all of the Company's systems on the market are operated using just two applications software packages (SI for assembly inspection and VMC for general inspection), which in turn are based on a single basic library.

Following the introduction of the 6056 system and the new development of the 7056, investment in new products is currently focused on developments in the X-ray area (CT) and customer-specific projects, particularly in the area of semiconductor inspection. In 2007, priority will be given to the revision of machines aimed at the Asian market.

Production performance for the period under review again increased significantly compared with previous years. This increase in productivity was achieved through the adjustment of work processes, particularly in the area of series production. The introduction of quality management has resulted in a steady improvement in quality. Since January 2005, Viscom has been certified by the German Society for the Certification of Management Systems under DIN ISO 9000:2000.

Research and development activities during the past financial year focused on the Company's business areas and core technology, and particularly on the area of strategic development.

Financial Position

In the 2006 financial year, Viscom was able to provide the required liquidity entirely from its own funds. In addition, the subsidiaries required no further loans from the parent company. However, the parent company implemented a capital increase in the amount of €806 thousand at its Singapore subsidiary in order to enable it to establish additional offices in the Asian region, among other things.

No derivative financial instruments were employed in the past financial year.

The Company's excellent equity ratio of around 82% will decrease only slightly after the planned dividend distribution.

Cash and cash equivalents/cash flow

Cash and cash equivalents almost trebled year-on-year to €40,144 thousand at 31 December 2006 (previous year: €11,286 thousand). At €42,550 thousand, the proceeds from the Company's IPO were the key factor in this increase. Net cash from financing activities amounted to €35 million, taking into account the dividend distribution (- €8.5 million), IPO costs after taxes (- €1.3 million) and other financing activities. Net cash used in investing activities, which amounted to - €1.2 million, related in particular to investments in operating and office equipment. Net cash used in operating activities amounted to - €4.7 million; this was due to the cash outflow for taxes paid (- €6 million) and the increase in inventories, receivables and other assets (- €8.7 million), among other things. The growth in the latter item is explained by the extremely high revenue recorded in December 2006, which resulted in an extraordinary increase in unpaid receivables at year-end, as well as necessitating a targeted increase in inventories of partially and fully completed machines in order to provide demonstration models for the new application centres and to ensure rapid delivery. The minimum levels of the remaining inventories were also increased in order to offset potential supply bottlenecks.

Due to strong receivables management, the length of time for the receipt of payments remained essentially unchanged as against the previous year.

At the consolidated balance sheet date, all of the Group's bank accounts had a positive balance, and there were no loans outstanding.

Liabilities

Trade payables rose to €2,035 thousand (previous year: €1,031 thousand) as a result of the higher purchasing volume necessitated by the increased revenue at year-end. There are no liabilities to banks.

Shareholders' equity

Shareholders' equity increased by 207.8%, from €20,331 thousand in the previous year to €62,574 thousand. This was due to the capital increase by way of the issue of new shares, which totalled €41,251 thousand net of transaction costs after taxes, as well as the net profit for the period in the amount of €8,373 thousand plus an appropriation to capital reserves (€1,871 thousand), less net currency adjustments (€180 thousand) and the dividend distribution of €9,072 thousand for the 2005 financial year. Subscribed capital increased by €6,653 thousand as a result of a capital increase from retained earnings and by €2,300 thousand as a result of the issue of 2.3 million new shares. At 82.0%, the equity ratio was up significantly on the previous year (55.3%); this was primarily due to the proceeds from the Company's IPO.

Net Assets

Total assets increased by 107.7%, from €36,743 thousand to €76,315 thousand.

In the 2006 financial year, a total of €9,072 thousand was paid out to shareholders or offset against outstanding loans. Loans were repaid in the amount of €49 thousand.

The Company's asset situation developed extremely positively in 2006. Receivables increased in line with forecasts, while liabilities were settled at a discount within the agreed payment period.

Receivables

Trade receivables increased to €17,186 thousand (previous year: €13,285 thousand, including receivables from construction contracts). This was due in particular to the extremely strong revenue growth recorded in December, for which the corresponding incoming payments are not due until the first quarter of 2007. Doubtful receivables, which were written off in full, amounted to €867 thousand. Of this figure, €617 thousand had already been written down in the previous year. In 2006, customers met their payment obligations within the agreed payment period almost without exception.

Investments

Investments by the Company totalled €1,269 thousand (previous year: €1,047 thousand).

Investment activity focused on equipping new office premises for the Company's subsidiaries and creating new workstations at Viscom AG. The various categories of investment are presented as a single item in the present financial statements. Broken down by category, the majority of investments related to operating and office equipment (€690 thousand, previous year: €481 thousand) and leasehold improvements (€300 thousand, previous year: €162 thousand).

Rental and lease contracts

Almost all of the Group's property, plant and equipment and intangible assets are directly owned. Due to economic considerations, the Group's operating premises and vehicle fleet are currently rented or leased.

Subsidies

Viscom did not receive any subsidies in 2006, nor is it subject to any particular obligations in this regard.

Key Figures on the Group's Net Assets, Financial Position and Results of Operations

Key figures on the Group's net assets, financial position and results of operations	**K€**
Tier 1 liquidity (cash and cash equivalents less current liabilities)	26,403
Tier 2 liquidity (tier 1 liquidity plus receivables)	46,521
Tier 3 liquidity (tier 2 liquidity plus inventories)	59,518
Assets:	
Cash and cash equivalents	40,144
Receivables and other assets	20,118
	60,262
+ Inventories	12,997
	73,259
Liabilities:	
Current liabilities	13,741
Cash Flow 1	
Net profit for the period after taxes	8,373
+ Depreciation and amortisation expense	790
	9,163
Return on equity	
Net profit for the period/shareholders' equity	13.4%
Return on investment (ROI)	
Net profit for the period/total assets	11.0%
Return on sales	
EBT/revenue	20.2%
Return on capital employed (ROCE)	
EBIT/(total assets - bank balances - current liabilities)	45.6%
Net debt	
Liabilities (-)	-13,741
+ Cash and cash equivalents	40,144
+ Receivables and other assets	20,118
= Net debt	46,521
Working capital	
Current assets – current liabilities	59,518
Equity ratio	
Shareholders' equity/total assets	82.0%

Report on Post-Balance Sheet Date Events

There were no significant events after the end of the 2006 financial year.

Risk Report

Risk management strategy, processes and organisation

The Company has installed a risk management system in accordance with section 91 (2) of the German Stock Corporation Act.

The guiding principle of the corporate risk management strategy is that the relevant decision-makers should be made aware of the development of significant risks as promptly and comprehensively as possible in order to facilitate a timely and appropriate response or pre-emptive action. To this end, regular meetings of senior employees are held, during which the current status of the significant risk positions are discussed on the basis of corresponding evaluations and reports. In the course of these meetings, the treatment of such risks is discussed by all attendees. Where necessary, the need for additional clarification is determined and the responsibility for such clarification allocated to individual employees.

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

Country risk

The Company's 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 exported by Viscom is not a matter of concern. In the regions which present the greatest cultural obstacles for foreign companies, such as the USA and East Asia, Viscom has established subsidiaries with local employees.

Sector risk

More than three-quarters of Viscom's customer base is in the automotive sector, with the rest divided between the telecommunications sector and specialist solutions for a wide range of industries. Due to the Company's specialisation, especially with regard to printed circuit board inspection for automotive suppliers, it is exposed to a heightened risk in the event of a long-term slump in this market. However, because manufacturers in the automotive industry regularly exploit economic downturns to improve their quality standards and rationalise their processes, Viscom is also able to participate in the follow-up orders resulting from this development, thus allowing it to benefit from phases of economic weakness.

Foreign currency risk

Exchange rates with the euro are exposed to substantial fluctuations in some cases. The development of the Euro/US dollar exchange rate is an important factor for Viscom, as the US dollar is also a key currency for the economies of South-East Asia.

Transactions in US dollars are effected in tranches during periods of positive development in order to ensure that potential exchange rate losses are minimised.

Acquisition risk

As a matter of principle, the procurement of components and services from third-party suppliers is subject to the risk of changes in prices and delivery schedules. The higher revenue volumes recorded by the Company and corresponding purchasing negotiations have succeeded in ensuring that acquisition prices have largely remained stable despite the price increases on the raw materials market, some of which have been dramatic in nature. The Company is only directly dependent on one or more suppliers to an extremely limited extent. In the period under review, there were occasional supply bottlenecks for parts and components, which the Company was able to limit by using alternative suppliers. The continued economic recovery in 2007 may reverse the existing trend if reduced production capacities on the part of suppliers and a further increase in demand from strong growth markets such as China and India mean that it becomes necessary to accept the possibility of longer delivery times and higher prices.

Liquidity risk

A significant improvement in liquidity was achieved as a result of the Company's IPO (see also "Financing measures"). No borrowing will be required to finance the expenditure planned for 2007.

Default risk

Viscom does not have a significant concentration of default risk with any one contractual partner or group of partners with similar characteristics.

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

Viscom does not act as 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 balance sheet.

Trademark and patent risk

The Viscom brand is registered as a trademark in the key global industrial nations. In order to prevent having to reveal its expertise to third parties, no process patents have been registered to date. As Viscom's systems are based on similar construction principles to those of its US competitors, however, this means that there is a certain risk of patent infringement. Corresponding provisions have been recognised in the consolidated financial statements. In addition, the Company has one pending European patent application that has yet to be granted.

Competitive risk

Most of Viscom's competitors are subsidiaries of multinational conglomerates with high capital spending potential. Through permanent product innovation combined with a degree of flexibility that is significantly higher than that of its competitors, e.g. with regard to the adaptation of machines to meet customer requirements, Viscom AG has been able to substantially increase its market share. This competitive advantage will continue to have a significant bearing on Viscom's market strategy in future.

Significant events in the past financial year

Viscom AG completed its initial public offering in May of the year under review, and has since been listed in the Prime Standard of the Official Market (Amtlicher Markt). At the balance sheet date, more than 50% of the shares of the Company were held by HPC Vermögensverwaltung GmbH.

The Company was not involved in any significant legal proceedings as of 31 December 2006.

In the period from 2004 to 2005, a provision in the amount of €900 thousand was recognised for the potential patent risk in the USA. As this risk continued to exist in 2006, an additional provision of €200 thousand was recognised.

No significant risks affecting the Company's short- to medium-term development are apparent at present.

No potential risks from the Company's business relations with its key customers are immediately apparent at present; however, the possibility of such risks arising in future cannot be excluded in the light of overall market developments.

Forecast 2006/2007

Economic conditions

Global macroeconomic conditions can be characterised as positive despite the existence of certain risk factors. Propensity to invest is high in many emerging economies, particularly in Asia. Growth in the direct and indirect penetration of everyday life by electronic appliances and devices has led to a steady expansion in electronics production. Many new products are designed in such a way that their production is only possible with the help of a rationally designed inspection process aimed at guaranteeing sufficient product quality.

There have been no fundamental changes in the significant political risk factors in recent years. The current crisis regions in the Middle East are of minimal significance to Viscom. The possibility of regulatory measures and currency fluctuations is more relevant; however, the Company has succeeded in offsetting all of these influences during the past few years, meaning that they are not expected to constitute a significant risk factor in future.

Business policy

As previously, Viscom believes that the following core elements constitute the foundation of its strategy:

• Extensive innovative strength

• Technological leadership

• Technology partnerships with key customers

On the basis of these core elements, the Company's product portfolio, which is widely diversified both horizontally and vertically, is well positioned on the market. Extensive innovative strength provides the framework for the Company's rapid and comprehensive adjustment to reflect new challenges on the market. The position of technological leadership is used to transport the Company's image to the market: "If anybody can do that, Viscom can." In turn, the Company's technology partnerships mean that its technological expertise is available promptly and in full, thus allowing the other aspects to be achieved.

Based on these core elements, Viscom is continuing to expand its presence in its key regions with the aim of further improving direct customer access.

Markets

According to all forecasts, growth in Asia will continue to strengthen, particularly in the electronics industry. By contrast, we expect the European markets to experience a certain degree of consolidation. However, as Germany is the key technological trendsetter in the automotive electronics sector, this market will retain a high degree of importance in the medium term. Within Europe, we expect the markets of Southern and Eastern Europe to provide us with the strongest growth.

The situation in the Americas region is similar. The USA and Canada are likely to experience consolidation, while indicators suggest that there is further growth potential in Central and South America. Accordingly, we are forecasting steady growth in this region.

Needless to say, we expect growth in Asia to remain strong, including Korea, Taiwan and particularly China, which is continuing to see a high level of investment. Viscom has significantly intensified its activities in this market over the past six months, meaning that 2007 is expected to see substantially improved results compared with 2006.

Company segments

In addition to geographical segments (sales markets), Viscom performs segment reporting on the basis of the market positioning of its products.

Following the integration of the series products from the XP (X-Ray Products) business area into the SP (Standard Products) business area at the end of 2005, this segmentation is reflected more clearly within the Company's organisational structure. The SP department is responsible for the further development, production and distribution of series systems which are the Company's key revenue drivers (or „cash cows").

By contrast, the XP and NP business areas develop promising new products for sub-markets with strong growth potential in the context of individual projects, meaning that they are responsible for the future "stars" that will generate additional profit for the Company on the back of ongoing product development and market penetration. Accordingly, the relative and absolute profit contributions of the SP business area will strengthen even further over the next two years. By transferring its series business to SP, the capacities available in the XP business area are now being employed in order to open up new sub-markets in addition to printed circuit board manufacture in which there is demand for the inspection of hidden components without disassembly – i.e. NDT (non-destructive testing). The XP business area will also focus on CT (computed tomography).

Products and services

The Company's business success in 2007 and in subsequent years will depend on the seamless introduction of the 7056 series for the optical/X-ray technology inspection of printed circuit boards, among other things. X-ray series systems such as the 8060 will make an increased contribution to business success through higher piece counts.

The future focus of the XP business area will be on the development of three-dimensional inspection (CT). Due to the steadily increasing installation base in the NP (New Products) business area, follow-up business in the form of training, maintenance, replacement part sales and upgrade projects will increase in terms of both volume and differentiation.

Production/production processes

As part of the continuous improvement of the Company's workflows, it is further standardising and documenting its processes in order to enable efficient production whilst maintaining the same high level of product quality.

Procurement

The established procurement structures will be further expanded, thus allowing Viscom to continue to cooperate with reliable partners supplying goods and services at competitive prices in future.

Earnings situation
Viscom expects the market volume to be larger in 2007 than in 2006. Through the application of new product technologies and the customer orientation of the Company's overall alignment, it also expects to generate a tangible increase in its share of this market in 2007.

Financial situation
The Company's financial situation is expected to remain stable. No lending is planned for 2007. The cash inflow from the Company's IPO will be used for additional investing activities and invested to optimise profit as required.

Investments and financing
The Company plans to make additional investments in its core business in future, including the further development of its production activities, the expansion of its regional presence and the strengthening of its organisational backbone; these investments will be financed primarily from own funds. However, external financing models are used where third-party funding is more economically viable. This currently applies to the Company's operating premises, buildings and vehicle fleet.

Other cash flows and refinancing
Additional cash flows exist only in the form of the dividend distribution to shareholders, which varies according to the Company's earnings strength in the respective period.

Branch Offices

Viscom AG has a branch office in Munich for the support of its sales activities in southern Germany, Austria, Hungary and Switzerland. This branch operates as a legally dependent sales office for Viscom's inspection systems.

Report on Additional Disclosure Requirements for Listed Companies

Viscom AG completed its initial public offering in May of the year under review, and has since been listed in the Prime Standard of the Official Market (Amtlicher Markt).

The Company's subscribed capital amounts to €9,020 thousand and is divided into 9,020,000 no-par value bearer shares with a notional interest in the share capital of €1.00 per share.

More than 50% of the shares of the Company are held by HPC Vermögensverwaltung GmbH. Each share entitles the bearer to one vote at the General Meeting. None of the issued shares are furnished with special rights.

The Supervisory Board is responsible for determining the number of members of the Executive Board, appointing and dismissing the ordinary and 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 and termination of the corresponding employment contracts to a Supervisory Board committee.

The Supervisory Board is authorised to make amendments to the Articles of Association that relate 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 12 April 2011 by a total of up to €4,500,000 through the issue of up to 4,500,000 new no-par value bearer shares against cash or non-cash contributions (authorised capital).

Hanover, 23 February 2007

Dr. Martin Heuser Volker Pape Ulrich Mohr

IFRS Consolidated Financial Statements 2006

Income Statement

Item	Income statement	31.12.2006 K€	31.12.2005 K€
G1	Revenue	53,307	50,483
G2	Other operating income	536	800
		53,843	**51,283**
G3	Changes in finished goods and work in progress	4,126	2,403
G4	Cost of materials	-21,536	-18,862
G5	Staff costs	-15,979	-13,676
G6	Depreciation and amortisation expense	-790	-673
G7	Other operating expenses	-9,445	-8,992
	Total operating expenses	**-43,624**	**-39,800**
	Operating profit	**10,219**	**11,483**
G8	Interest income	1,008	240
G8	Interest expense	-465	-48
G9	Taxes on income	-2,389	-4,208
	Net profit for the period	**8,373**	**7,467**
	Diluted and undiluted earnings per share based on 9,020,000 shares (previous year: 67,200 shares)	**0.93**	**111.12**

Balance Sheet: Assets

Item	Assets	31.12.2006 K€	31.12.2005 K€
	Current assets		
A1	Cash and cash equivalents	40,144	11,286
A2	Trade receivables	17,186	13,285
A3	Current income tax assets	2,412	0
A4	Inventories	12,997	8,760
A5	Other receivables and assets	520	636
	Total current assets	**73,259**	**33,967**
	Noncurrent assets		
A6	Property, plant and equipment	2,142	1,815
A7	Intangible assets	139	48
A8	Loans originated by the Company	91	70
A9	Deferred tax assets	684	843
	Total noncurrent assets	**3,056**	**2,776**
	Total assets	**76,315**	**36,743**

Balance Sheet: Liabilities and Shareholders' Equity

Item	Liabilities and shareholders' equity	31.12.2006 K€	31.12.2005 K€
	Current liabilities		
P1	Short-term loans and current portion of long-term loans	0	49
P2	Trade payables	2,035	1,031
P3	Advanced payments received	0	815
P4	Provisions	3,240	3,541
P5	Current income tax liabilities	4,376	6,338
P6	Other current liabilities	4,090	4,365
	Total current liabilities	**13,741**	**16,139**
	Noncurrent liabilities		
P7	Deferred tax liabilities	0	273
	Total noncurrent liabilities	**0**	**273**
	Shareholders' equity		
P8	Subscribed capital	9,020	67
P9	Capital reserves	42,082	7,913
P10	Retained earnings	11.478	12,177
P11	Exchange differences	-6	174
	Total shareholders' equity	**62,574**	**20,331**
	Total liabilities and shareholders' equity	**76,315**	**36,743**

Cash Flow Statement

Item	Cash flow statement	31.12.2006 K€	31.12.2005 K€
	Cash flow from operating activities		
	Net profit for the period after interest and taxes	8,373	7,467
G9	Income tax expense (+)	2,389	4,208
G8	Interest expense (+)	465	26
G8	Interest income (-)	-1,008	-250
A6 to A7	Depreciation and amortisation expense (+)	790	673
P4	Increase (+) / decrease (-) in provisions	-292	1,475
A6 to A7	Gains (-) / losses (+) on the disposal of noncurrent assets	0	-11
A2, A4 to A5	Increase (-) / decrease (+) in inventories, receivables and other assets	-8,714	-2,540
P1 to P4, P6	Increase (+) / decrease (-) in liabilities	-682	467
A3, A9, P5, P7	Income tax paid (-)	-6,038	-1,383
	Net cash used in/from operating activities	**-4,717**	**10,132**
	Cash flow from investing activities		
	Proceeds (+) from the disposal of noncurrent assets	50	57
A6, A7	Acquisition (-) of property, plant and equipment and noncurrent intangible assets	-1,269	-1,038
	Net cash used in investing activities	**-1,219**	**-981**
	Cash flow from financing activities		
P8 to P9	Proceeds (+) from issue of shares	42,550	0
P9	Costs of initial public offering (-)	-1,299	0
P10	Dividend distribution (-)	-8,527	-2,112
	Appropriation of income from deferred receivables to capital reserves (+)	1,792	0
	Repayment (-) of loans	-49	-1,368
G8	Interest paid (-)	920	91
G8	Interest received (+)	-427	-26
	Net cash from/used in financing activities	**34,960**	**-3,414**
	Changes in cash and cash equivalents due to changes in exchange rates	-166	229
	Cash and cash equivalents		
	Changes in cash and cash equivalents	29,024	5,737
	Cash and cash equivalents at 1 January 2006/2005	11,286	5,319
	Total cash and cash equivalents	**40,144**	**11,286**

Statement of Changes in Shareholders' Equity

Item	Shareholders' equity	Item Share-holders equity Sub-scribed capital K€	Capital reserves K€	Exchange differences K€	Retained earnings K€	Total K€
	Shareholders' equity at 01.01.2005	**67**	**7,659**	**-105**	**6,995**	**14,616**
	Exchange differences	0	0	279	0	279
	Appropriation of income from deferred receivables to capital reserves	0	254	0	0	254
	= Non-operating profit	0	254	279	0	533
	+ Net profit for the period	0	0	0	7,467	7,467
	- Dividends	0	0	0	-2,285	-2,285
	Shareholders' equity at 31.12.2005	**67**	**7,913**	**174**	**12,177**	**20,331**
	Shareholders' equity at 01.01.2006	**67**	**7,913**	**174**	**12,177**	**20,331**
	Exchange differences	0	0	-180	0	-180
	Appropriation of income from deferred receivables to capital reserves	0	1,871	0	0	1,871
P1 to P4	= Non-operating profit	0	1,871	-180	0	1,691
	Capital increase from retained earnings	6,653	-6,653	0	0	0
	+ Net profit for the period	0	0	0	8,373	8,373
	- Dividends	0	0	0	-9,072	-9,072
	+ Proceeds from issue of shares	2,300	40,250	0	0	42,550
	- Transaction costs less income tax benefits	0	-1,299	0	0	-1,299
	Shareholders' equity at 31.12.2006	**9,020**	**42,082**	**-6**	**11,478**	**62,574**

Notes to the Consolidated Financial Statements

General disclosures on the Company, the consolidated financial statements and 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.

Following their preparation, the present consolidated financial statements were authorised for issue to the Supervisory Board by the Executive Board on 2 March 2007.

The Company's business activities consist of 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.

Statement of compliance

The present financial statements for the 2006 financial year were prepared on the basis of uniform accounting principles and comply with all of the applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union at the reporting date (31 December 2006).

The first-time application of the standards amended in the course of the Improvement Project did not have a material effect on the Company's accounting policies for the past financial year or future periods.

Viscom does not apply any standards and interpretations published by IFRIC whose application was not yet compulsory for financial years starting on 1 January 2006. No material effect is expected from the future application of these standards and interpretations.

Basic principles of preparation

The financial year is the calendar year. The IFRS consolidated financial statements are prepared in Euros. Figures are presented in thousand of euros (€ thousand). As a matter of principle, the consolidated financial statements are prepared on the basis of historical cost. Market values are not used for measurement purposes with the exception of the measurement of certain inventory items at their net selling price.

The income statement is prepared in accordance with the nature of expense method.

Certain items in the income statement and the balance sheet 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 are broken down into current and noncurrent items on the face of the balance sheet. Assets and liabilities are classified as current if they have a remaining term of one year or less.

The preparation of the consolidated financial statements requires certain assumptions and estimates to be made which affect the amounts and classification of the assets, liabilities, income, expenses and contingent liabilities recognised. Actual amounts may differ from these estimates.

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 2006. The financial statements of the companies included in consolidation are prepared on the basis of uniform accounting principles. Adjustments were made for differences in accounting standards as necessary. The single-entity financial statements of the subsidiaries are prepared to the same reporting date as the consolidated financial statements.

Basis of consolidation

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

Name	Domicile	Equity interest	Date of initial control
Viscom France SARL	Cergy Pontoise Cedex, France	100%	2001
Viscom Machine Vision Pte Ltd.	Singapore, Singapore	100%	2001
Viscom Inc.	Atlanta, Georgia, USA	100%	2001

Consolidation methods

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.

Goodwill from business combinations is initially carried at cost, calculated as the excess of the cost of the business combination over the fair value of the acquirer's share of the identifiable assets, liabilities and contingent liabilities of the acquired operations. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

Deferred taxes are recognised accordingly, with the exception of differences attributable to goodwill.

All intercompany profits and losses, income and expenses, and receivables and liabilities are eliminated.

The consolidated financial statements include the subsidiaries in which Viscom AG directly holds a majority of the voting rights, and over which it therefore exercises control. Subsidiaries are included in the consolidated financial statements when control is established by the parent company, and are deconsolidated when the parent company no longer exercises control.

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 for the year. The shareholders' equity of the subsidiaries is translated at the exchange rate on the date on which initial control was established.

Differences between these exchange rates and the exchange rates at the closing date are reported in shareholders' equity as a separate item under "Exchange differences".

Translation differences from foreign-currency transactions are recognised in profit or loss under "Other operating income" (see G2) and "Other operating expenses" (see G8) respectively.

Recognition and measurement principles

Financial instruments

The financial instruments (financial assets and financial liabilities) reported in the balance sheet within the meaning of IAS 32 and IAS 39 include noncurrent financial assets, trade receivables, securities, cash and cash equivalents, trade payables and other specific asset and liability items based on contractual arrangements.

On initial recognition, these financial assets and liabilities are carried at cost, which corresponds to the fair value of the consideration paid or received net of transaction costs. Financial instruments are recognised at the trade date. Subsequent measurement varies depending on the category of financial asset or liability, and is described under the accounting methods for the respective item. Profits and losses due to changes in the fair value of financial instruments are recognised in income with the exception of profits and losses due to changes in the fair value of available-for-sale financial assets, which are reported as a separate component of shareholders' equity.

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.

The Group is internationally active, meaning that it is subject to market risk arising from changes in exchange rates. In the 2006 financial year, the Group did not employ any derivative financial instruments for the purposes of hedging against this risk. Derivative financial instruments are recognised at fair value.

Research and development costs

In accordance with IAS 38, research costs are not permitted to be capitalised, and development costs may only be capitalised when certain precisely defined conditions are met. Development costs must always be capitalised when it is reasonably likely that the respective development activity will result in future economic benefits that will cover regular overheads and the corresponding development costs. In addition, various criteria relating to the development project and the product or process being developed must all be met.

Intangible assets

Intangible assets are carried at cost. Intangible assets are recognised if it is probable that the future economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life (3-4 years). Amortisation periods and methods are reviewed on an annual basis at the end of each financial year.

Property, plant and equipment

Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. When items of property, plant and equipment are sold or retired, the cost, accumulated depreciation and accumulated impairment losses of the respective item are derecognised and any profit or loss resulting from their disposal is recognised in income.

The cost of acquisition 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 and an appropriate portion of the necessary overheads.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised should be 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. All other subsequent expenditure should be recognised as an expense in the period in which it is incurred.

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

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

Impairment of assets

Property, plant and equipment and intangible assets 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 that is 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, while its value in use is the present value of the estimated future cash flows 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 an impairment loss no longer exists or has decreased, the respective impairment loss is tested and measured, and any amount reversed as a result is recognised in income.

Trade receivables/other receivables and assets

Trade receivables are carried at their nominal invoice amount and remeasured at subsequent reporting dates less any allowances for uncollectability. Estimates of uncollectable amounts are performed when it is no longer likely that the respective invoice will be settled in full. Foreign-currency items are translated at the middle rate prevailing at the reporting date.

Cash and cash equivalents

Cash and cash equivalents are recognised at their principal amount.

Interest-bearing loans

Interest-bearing loans are initially carried at cost less issuing costs. After initial recognition, interest-bearing loans are measured at amortised cost in accordance with the effective interest method.

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

Viscom is internationally active, meaning that it is subject to market risk arising from changes in interest rates and exchange rates.

In the 2006 financial year, Viscom did not employ any derivative financial instruments for the purposes of hedging against these risks (see also “Foreign currency risk”).

The significant risks to which the financial instruments held by Viscom are exposed include default risk, interest rate risk, liquidity risk and exchange rate risk.

The Executive Board of the parent company has determined processes for each of these risks, which it reviews on a regular basis. These processes are summarised in the following section.

Default risk

Viscom does not have a significant concentration of default risk with any one contractual partner or group of partners with similar characteristics.

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

Viscom does not act as 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 balance sheet.

Interest rate risk

Individual financial instruments held by Viscom are exposed to interest rate risk. 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.

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

Exchange rate risk

Viscom is internationally active, meaning that it is also subject to exchange rate risk. Around 14% of the parent company's revenue and 1% of its expenses are denominated in a currency other than the reporting currency. At the balance sheet date, this exchange rate risk was not hedged. 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.

Inventories

In accordance with IAS 2, inventories are assets that are held for sale in the ordinary course of business, that are in the process of production for such sale (assemblies or partially completed systems), or that are held for consumption in the production process or in the rendering of services (raw materials and supplies). Inventories are measured at the lower of cost as calculated using the weighted average method and fair value less costs to sell, i.e. the selling price of the respective inventory item in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Construction contracts

Construction contracts are recognised in accordance with IAS 11 when the respective contract is a customer-specific contract, the total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Company, and the costs to complete the contract and the stage of contract completion can be measured reliably. If these conditions are met, the revenue and costs associated with the contract are recognised in the balance sheet by reference to the stage of completion at the reporting date. The stage of completion is determined as the ratio of the contract costs incurred to date to the total contract costs. Payments for variations in the scope of the work to be performed under the contract, claims relating to price calculations and costs not included in the contract price are recognised to the extent agreed with the customer.

When the outcome of a construction contract cannot be measured reliably, revenue is recognised only to the extent of the contract costs incurred that are likely to be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

If it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

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 balance sheet, temporary differences resulting from consolidation processes, and utilisable tax loss carryforwards. This is based on the tax rates that are expected to have been enacted or substantively enacted in the respective countries by the realisation date.

When determining deferred taxes on tax loss carryforwards, a discount is always applied when it is not sufficiently probable that the tax loss carryforwards will actually be utilised.

The carrying amount of deferred tax receivables is reviewed at each reporting date and the expected utility adjusted accordingly.

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 balance sheet as a receivable or a liability.

Shareholders' equity

Subscribed capital is carried at its nominal amount. Reserves and retained earnings are recognised in accordance with the provisions of 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 can be made of the amount of the obligation.

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 income statement net of the amount recognised for the reimbursement.

Liabilities

Liabilities are carried at their settlement amount. Foreign-currency items are translated at the middle rate prevailing at the reporting date.

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. In this case, the lease instalments are treated as an annuity and broken down into a repayment portion and an interest portion. The interest portion is recognised in profit and loss as interest expense. The capitalised leased assets are depreciated over the shorter of the lease term or their expected useful life. No finance leases were recognised in Viscom's consolidated financial statements as of 31 December 2006.

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.

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 generated under construction contracts is recognised in accordance with the respective contractual agreement and the stage of contract completion. Further information can be found in the explanatory notes on accounting for construction contracts.

Sales

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

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.

Borrowing costs

Borrowing costs are not capitalised, but instead are expensed in the period in which they are incurred.

Interest

Interest is recognised on the basis of the effective interest on the respective assets and liabilities.

Dividends

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

Rental income

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

Application of IFRS

The Company has not yet applied the following International Financial Reporting Standards and IFRIC Interpretations which have been adopted but are yet to come into force:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 7	Financial Instruments: Disclosure
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 32	Financial Instruments: Presentation
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

The Company does not expect the first-time application of these standards and interpretations to have a material impact on consolidated net profit.

Notes to the Income Statement

Notes to the Income Statement

(G1) Revenue

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

Breakdown of revenue (in K€)	**2006** **K€**	**2005** **K€**
Delivery of machines	46,031	44,491
Services/replacement parts	6,540	5,668
Rentals	736	324
Total	**53,307**	**50,483**

(G2) Other operating income

Other operating income (€536 thousand; previous year: €800 thousand) is composed of the following items:

Breakdown of other operating income (in K€)	**2006** **K€**	**2005** **K€**
Non-monetary remuneration	241	227
Income from sales of assets	32	55
Income from receivables previously written off	0	29
Insurance recoveries	45	38
Income from exchange rate differences	85	345
Miscellaneous other operating income	133	106
Total	**536**	**800**

(G3) Changes in finished goods and work in progress

Changes in finished goods and work in progress include the inventory-based manufacturing costs for finished and partially finished machines.

(G4) Cost of materials

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

Cost of materials (in K€)	2006 K€	2005 K€
Materials including incidental costs of acquisition	21,237	18,635
Purchased services	299	227
Total	**21,536**	**18,862**

In addition to the reversal of a write-down for materials recognised at fair value less costs to sell in the amount of €54 thousand (previous year: write-down of €315 thousand), this item contains a write-down for lease and demonstration models in the amount of €643 thousand (previous year: €424 thousand).

(G5) Staff costs

Staff costs are broken down into salaries and employer social security contributions as follows:

Staff costs (in K€)	2006 K€	2005 K€
Wages and salaries, incl. bonuses and management bonuses	13,525	11,625
Social security contributions	2,454	2,051
Total	**15,979**	**13,676**
Number of employees (average for the year)	317	255
Number of trainees (average for the year)	15	11
Total	**332**	**266**

(G6) Depreciation and amortisation expense

Information on depreciation and amortisation expense can be found in the explanatory notes to A6 (Property, plant and equipment) and A7 (Intangible assets).

(G7) Other operating expenses

Other operating expenses can be broken down as follows:

Selling expenses increased by €350 thousand as against the previous year; this was due to a rise in commission payments to agents, which are included in selling expenses, among other things. Travel expenses also increased to an above-average extent due to the large number of foreign assignments. Administrative expenses and overheads rose as a result of the new production premises, higher maintenance expenses and recruitment costs, among other things. As provisions for warranty and repair expenses decreased, a positive amount is recognised in the corresponding item of other operating expenses for the past financial year.

Other operating expenses (in K€)	2006 K€	2005 K€
Selling expenses	2,863	2,513
Travel expenses	2,100	1,625
Warranty/repair expenses	-613	1,109
Rents/leases	1,287	1,012
Administrative expenses/overheads	2,252	1,486
Outgoing shipments	859	487
Expenses due to exchange rate differences	442	143
Losses on receivables	255	617
Total	**9,445**	**8,992**

(G8) Net interest income

Net interest income consists of the total of the interest paid and received. Net interest income improved as a result of the repayment in full of financial liabilities.

(G9) Taxes on income

Taxes on income for the financial years ending 31 December 2006 and 2005 contain the following income and expense items:

Taxes on income (in K€)	2006 K€	2005 K€
Taxes on income for the past financial year	2,502	4,896
Deferred taxes from the accrual and reversal of temporary differences	-113	-688
Income tax expense reported in the consolidated income statement	**2,389**	**4,208**

The following table contains a reconciliation of the expected tax expense arising from the application of a weighted average tax rate for Viscom to the consolidated pre-tax net profit for the period and the effective income tax expense for the Group for the 2005 and 2004 financial years. The change in the tax rate is due to changes in the weighting of the tax rates of individual Group companies, among other things.

Reconciliation of income tax expense (in K€)	2006 K€	2005 K€
Consolidated net profit before taxes	10,762	11,675
Expected tax expense (average tax rate for 2006: 39.7%; for 2005: 38.5%)	4,273	4,495
Tax expense for prior periods	-163	-114
Differences to foreign tax rates	-70	-285
Non-deductible expenses	78	47
Effect of securities lending	-1,728	0
Other	-1	65
Current tax expense 22.1% (2005: 36%)	2,389	4,208

The effect of securities lending relates to the tax exemption of investment income from a securities loan implemented during the 2006 financial year.

Deferred tax liabilities (in K€)	**Consolidated balance sheet**		**Consolidated income statement**	
	2006	**2005**	**2006**	**2005**
	K€	**K€**	**K€**	**K€**
Capitalisation of software	0	5	5	5
Measurement of property, plant and equipment	0	0	0	3
Inventories for construction contracts	38	188	150	52
Measurement of trade receivables	11	36	25	-8
Measurement of provisions	12	41	29	240
Consolidation entries recognised in income	0	3	3	433
	61	**273**	**212**	**725**

Deferred tax assets (in K€)	**Consolidated balance sheet**		**Consolidated income statement**	
	2006	**2005**	**2006**	**2005**
	K€	**K€**	**K€**	**K€**
Measurement of property, plant and equipment	39	17	22	-1
Construction contracts	20	132	-112	-236
Measurement of trade receivables	0	0	0	0
Measurement of provisions	577	595	-18	233
Tax loss carryforwards available for offsetting against future taxable income	0	0	0	-120
Currency translation gains/losses	108	99	9	87
Other receivables and assets	1	0	0	0
	745	**843**	**-99**	**-37**
Balance	**684**	**570**	**113**	**688**

Viscom did not have any tax loss carryforwards in 2006. The distribution of dividends to shareholders did not affect income taxes at the level of Viscom AG.

Notes to the Balance Sheet (Assets)

(A 1) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank balances totalling €40,144 thousand (previous year: €11,286 thousand). This relates to items with a maturity of less than three months.

(A 2) Trade receivables

Trade receivables are generally due within 30-90 days.

All of the Company's trade receivables are short-term in nature, meaning that they are not exposed to interest rate risk. The carrying amounts of trade receivables constitute a reasonable approximation of their fair value.

Doubtful receivables, which were written off in full, amounted to €914 thousand (previous year: €617 thousand). Write-downs recognised in income increased by €297 thousand in the 2006 financial year. In 2006, customers met their payment obligations within the agreed payment period almost without exception.

Construction contracts

The following table presents the changes in the gross amount due from customers for contract work:

Gross amount due from customers for contract work (in K€)	**2006** **K€**	**2005** **K€**
Contract revenue recognised in the period under review	277	468
Contract costs	139	1,708
plus profits recognised to date	138	1,054
less progress billings	-181	-2,294
Gross amount due from customers for contract work	**96**	**468**

If the outcome of a construction contract can be estimated reliably, the contract revenue recorded in the period under review is calculated on the basis of the expected total contract revenue and the stage of completion. The stage of completion is determined as the ratio of the contract costs incurred to date to the expected total contract costs.

(A 3) Current income tax assets

The largest component of current income tax assets is a claim for corporate tax reimbursement by Viscom AG in the amount of €2.4 million due to an excessive prepayment.

(A 4) Inventories

The completed systems reported in inventories relate in particular to demonstration and evaluation models. Assemblies and partially completed systems include pre-produced modules and machines that have already been assembled, as well as units currently under construction (work in progress). A significant increase in inventories was consciously implemented in the year under review in order to allow short-term customer orders to be met and to satisfy the application centres' demand for new machines as quickly as possible.

Write-downs on inventories, which were expensed in the year under review in accordance with IAS 2, amounted to €0.6 million.

Inventories (in K€)	**2006** **K€**	**2005** **K€**
Raw materials and supplies	4,176	2,688
Assemblies and partially completed systems	5,610	3,534
Completed systems	3,211	2,538
Total	**12,997**	**8,760**

(A5) Other receivables and assets

Other receivables and assets (in K€)	2006 K€	2005 K€
Interest receivables from participation loans to employees	0	387
Creditors with debit balances	48	35
Advanced payments	157	83
Deductible input tax (Spain)	27	11
Other receivables	183	70
Other assets	105	50
Total	**520**	**636**

These items relate to current assets.

In the previous year, interest receivables related to loans granted to employees for the purposes of participation in Viscom AG at an interest rate of 5.5%. This item is reported under current assets, as the corresponding interest was repaid in 2006.

The carrying amounts of other receivables and assets constitute a reasonable approximation of their fair value.

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

The intangible assets recognised in the period under review related primarily to software, which has a limited useful life.

For clarity of presentation, the extremely detailed break-down of property, plant and equipment and intangible assets contained in the 2005 annual financial statements has been discontinued in the present financial statements. The twelve asset classes previously recognised have now been condensed into five asset classes.

	Intangible assets	Property, plant and equipment					Property, plant and equipment and intangible assets
	Software K€	Leasehold improvements K€	Techn. equipment & machinery K€	Operating and office equipment K€	Vehicles K€	Total property, plant and equipment K€	Total property, plant & equipment and intangible assets K€
Net carrying amount as of 01.01.2006	**48**	**447**	**380**	**664**	**324**	**1,815**	**1,863**
- Additions	147	300	26	690	106	1,122	1,269
- Disposals	0	76	0	160	178	414	414
- Depreciation/amortisation of disposals	0	-76	0	-136	-151	-363	-363
- Depreciation/amortisation for the current year	56	100	84	425	125	734	790
- Exchange differences	0	-1	0	-3	-6	-10	-10
Net carrying amount as of 31.12.2006	**139**	**646**	**321**	**902**	**273**	**2,142**	**2,281**
01.01.2006							
Cost	657	877	760	1.785	962	4,384	5,041
Accumulated depreciation/amortisation	609	430	380	1.121	638	2,569	3,178
Net carrying amount	**48**	**447**	**380**	**664**	**324**	**1,815**	**1,863**
31.12.2006							
Cost	804	1,101	786	2,315	890	5,092	5,896
Accumulated depreciation/amortisation	665	455	465	1,413	617	2,950	3,615
Net carrying amount	**139**	**646**	**321**	**902**	**273**	**2,142**	**2,281**

	Intan-gible assets	Property, plant and equipment					Property, plant and equipment and intangi-ble assets
	Software K€	Lease-hold improve-ments K€	Techn. equip-ment & machi-nery K€	Opera-ting and office equip-ment K€	Vehicles K€	Total property, plant and equip-ment K€	Total pro-perty, plant & equipment and intangi-ble assets K€
Net carrying amount as of 01.01.2005	**52**	**349**	**238**	**563**	**323**	**1,473**	**1,525**
- Additions	40	162	218	481	146	1,007	1,047
- Disposals	129	7	7	188	249	451	579
- Depreciation/amortisation of disposals	-128	-7	-5	-175	-218	-405	-533
- Depreciation/amortisation for the current year	44	63	74	372	120	630	673
- Exchange differences	0	0	0	4	6	10	10
Net carrying amount as of 31.12.2005	**48**	**447**	**380**	**664**	**324**	**1,815**	**1,863**
01.01.2005							
Cost	746	710	549	1,481	1,056	3,796	4,542
Accumulated depreciation/amortisation	694	361	311	918	732	2,323	3,017
Net carrying amount	**52**	**349**	**238**	**563**	**324**	**1,473**	**1,525**
31.12.2005							
Cost	657	877	760	1,785	962	4,385	5,042
Accumulated depreciation/amortisation	609	430	380	1,121	638	2,569	3,179
Net carrying amount	**48**	**447**	**380**	**664**	**324**	**1,815**	**1,863**

Property, plant and equipment is depreciated and intangible assets are amortised on a straight-line basis over the following estimated useful lives:

	Years
Leasehold improvements	2–14
Technical equipment and machinery	2–13
Other equipment, operating and office equipment	8–20
Vehicles	5–8
Software	1–6

No development costs were recognised in the period under review, as the exact amount of the development costs attributable to individual development projects cannot be measured reliably at present. Accordingly, no development costs were recognised in the 2006 financial year. Total research and development costs for the 2006 financial year amounted to approximately €4.8 million (previous year: around €4.9 million).

(A 8) Loans originated by the Company

This item contains loans issued to employees for no specific purpose and security for rented properties.

The loans were recognised at amortised cost, totalling €91 thousand. The interest rate for employee loans in excess of €2.5 thousand was between 5% and 5.5%. The fixed interest rate means that a certain degree of interest rate risk does exist; however, this risk is classified as immaterial and is not hedged.

(A 9) Deferred tax assets

A breakdown of this item is provided as part of the explanatory notes on the income statement tax items under G9.

Notes to the Balance Sheet (Shareholders' Equity and Liabilities)

Notes to the Balance Sheet (Shareholders' Equity and Liabilities)

(P1) Current liabilities

Current liabilities relate to the portion of long-term loan liabilities falling due within the next financial year. The Company did not have any current or noncurrent overdraft facilities or loans at the end of 2006.

(P2) Trade payables

Trade payables are carried at amortised cost. Invoices are generally settled on a twice-weekly basis and within the agreed payment period. Discounts are applied wherever possible. All of the Company's trade payables are short-term in nature, meaning that they are not exposed to interest rate risk.

(P3) Advanced payments received

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

(P4) Provisions

Provisions relate primarily to provisions for expected warranty and repair expenses. Warranty provisions are calculated on the basis of the number of warranty months remaining for the respective projects and the average service expense per warranty month. This item also contains provisions for the delivery of replacement parts within the warranty period. In addition, provisions in the amount of €200 thousand have been recognised for patent and litigation risks in the USA, where there is the possibility that some of the Company's machine types may breach registered US patents. However, there are no recourse claims or pending legal procedures at present.

Breakdown of provisions	**01.01.2006** **K€**	**Additions** **K€**	**Reversal/ Utilisation** **K€**	**31.12.2006** **K€**
Provisions for warranty and repair expenses	2,641	751	1,252	2,140
Provisions for litigation risks	900	200	0	1,100
Total	**3,541**	**951**	**1,252**	**3,240**

(P5) Current income tax liabilities

Viscom AG and Viscom Singapore have recognised current income tax liabilities in accordance with the respective national accounting provisions on outstanding income tax payments.

(P6) Other current liabilities

Other current liabilities are composed of the following items:

Other current liabilities (in K€)	2006 K€	2005 K€
Holiday, overtime	789	614
Management bonuses, incentives, one-time payments	452	918
Jubilee payments	134	239
Commission payments to agents	858	722
Supervisory Board	45	45
Taxes	591	416
Social security	113	770
Miscellaneous	1,108	641
Total	**4,090**	**4,365**

(P7) Deferred tax liabilities

A breakdown of this item is provided as part of the explanatory notes on the income statement tax items under G9.

(P8 to P11) Shareholders' equity and reserves

The reported share capital of the parent company Viscom AG in the amount of €9,020,000.00 (previous year: €67,200.00), divided into 9,020,000 shares, is fully paid up. The 9,020,000 shares are no-par value bearer shares with a notional interest in the share capital of €1.00 per share. In the course of 2006, the share capital, which was divided into 67,200 shares on 1 January 2006, was increased by 6,653,000 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. A stock option plan for employees has not been established.

Some shareholders were granted a deferral of payments to capital reserves. The loans extended to those shareholders (€174 thousand; previous year: €2,046 thousand) are offset against the respective capital reserves, and are expected to be repaid by 2010. The interest receivables resulting from these loans are not deducted from shareholders' equity, but instead are reported separately under receivables. The loans were granted under the terms of a shareholders' agreement dated 17 November 2000 between Dr. Heuser and Mr. Pape in their capacity as existing shareholders of Viscom GmbH (the legal predecessor to Viscom AG) on the one hand, and eight senior employees of the Company and HPC Vermögensverwaltung GmbH, Hanover, on the other (hereinafter referred to as the "new shareholders"), on the subject of the capital increase in the amount of €5,200 that was subsequently implemented at Viscom GmbH and the transfer of the new equity interests to the new shareholders. It was agreed that the capital contributions for the increased share capital would be issued at their nominal amount, including a premium, and settled by the new shareholders in cash.

It was also agreed that, as requested by the new shareholders, Viscom GmbH would defer the agreed premium totalling €2,300 thousand until further notice, although not beyond 31 December 2010. Interest of 5.5% has been charged on the premium from the date on which the new equity interests were transferred. As such, this receivable is subject to a corresponding interest rate risk.

In the 2006 financial year, a dividend in the amount of €9,072 thousand (previous year: €2,285 thousand) was distributed to shareholders.

The Executive Board proposes that a dividend be distributed in the amount of €4,510 thousand (previous year: €9,072 thousand) and that the remaining unappropriated surplus be carried forward to new account. This results in a proposed dividend of €0.50 per share.

Segment Information

The geographical segments are the Group's primary segment reporting format, as its risks and rates of return are influenced by the differences in its sales markets. The Group's business segments are the secondary segment reporting format. The geographical segments are determined on the basis of the domicile of the respective customer.

Disclosures on the Group's geographical segments broken down by sales market (in K€)	**Europe**		**Asia**		**America**		**Consolidation**		**Total**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	K€	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**
External revenue	38, 044	34,726	6,675	7,470	8,589	8,287	0	0	53,307	50,483
Segment result	8,637	9,682	775	1,323	807	478	0	0	10,219	11,483
plus financial result	527	216	21	0	-5	-24	0	0	543	192
less income taxes	1,934	3,923	147	219	308	67	0	0	2,389	4,208
Consolidated net profit	**7,230**	**5,975**	**649**	**1,104**	**494**	**388**	**0**	**0**	**8,373**	**7,467**
Segment assets	71,890	32,591	4,090	3,139	2,920	3,480	-3,360	-3,380	75,540	35,830
plus financial assets	2,314	1,467	0	0	18	4	-2,241	-1,401	91	70
plus deferred taxes and current income tax assets	401	493	0	0	283	350	0	0	684	843
Total assets	**74,605**	**34,551**	**4,090**	**3,139**	**3,221**	**3,834**	**-5,601**	**-4,781**	**76,315**	**36,743**
Segment liabilities	8,856	8,543	1,821	1,832	2,546	3,283	-3,858	-3,906	9,365	9,752
plus financial liabilities	0	47	0	0	0	2	0	0	0	49
plus deferred taxes and current income tax liabilities	4,333	6,608	35	0	8	0	0	3	4,376	6,611
Total liabilities	**13,189**	**15,198**	**1,856**	**1,832**	**2,554**	**3,285**	**-3,858**	**-3,903**	**13,741**	**16,412**
Investments	875	879	43	155	351	13	0	0	1,269	1,047
Depreciation/amortisation	711	642	44	8	35	23	0	0	790	673

The “Optical and X-ray series inspection systems” business segment contains all standard AOI machines which are identical up to a certain stage of completion irrespective of the content of the respective customer order. By contrast, special optical inspection systems are generally developed separately and for a specific customer or group of customers. Special X-ray inspection systems include systems that are integrated into a production line and stand-alone models, as well as X-ray tubes that are resold to OEMs.

Disclosures on the Group’s business segments (in K€)	**Optical and X-ray series inspection systems**		**Special optical inspection systems**		**Special X-ray inspection systems**		**Other areas/ unallocated**		**Total**	
	2006 K€	**2005 K€**	**2006 K€**	**2005 K€**	**2006 K€**	**2005 K€**	**2006 K€**	**2005 K€**	**2006 K€**	**2005 K€**
External revenue	42,213	38,655	6,924	6,747	4,170	4,317	0	764	53,307	50,483
Segment assets	59,818	22,486	9,812	4,168	5,910	3,999	0	5,177	75,540	35,830
Investments	1,005	630	165	117	99	112	0	189	1,269	1,047

Other Disclosures

Related party disclosures
There were no receivables from or liabilities to members of the Supervisory Board at the reporting date.

The total remuneration paid to the Executive Board for the past financial year in the amount of €677 thousand is broken down between the three members as follows:

The total remuneration paid to the members of the Supervisory Board for the past financial year is expected to consist of a fixed amount of €45 thousand and a variable component. The amount to be paid will be resolved by the Annual General Meeting on the past financial year.

Executive Board	Fixed Earnings* K€	Variable Earnings** K€	Total Earnings K€
Dr. Martin Heuser Diploma	180	55	235
Volker Pape Diploma	182	55	237
Ulrich Mohr Diploma	165	40	205
Total	**527**	**150**	**677**

* incl. cash value benefits (vehicles), ** max.

Related parties

Executive Board

Dr. Martin Heuser

Volker Pape

Ulrich Mohr

Supervisory Board

Dr. Jürgen Knorr	Chairman Chief Executive Officer, DSO, Dubai Chairman of the Supervisory Board, Carinthian Technology Research AG, Austria
Hans E. Damisch	Deputy Chairman Former Spokesman of the Executive Board, „Beteiligungsgesellschaft für die deutsche Wirtschaft mbH“ Chairman of the Advisory Board, AXA Private Equity BdW Management GmbH, Frankfurt/Main Deputy Chairman of the Supervisory Board, TechniData AG, Markdorf Chairman of the Advisory Board, „Hörmannshofer Beteiligungsgesellschaft mbH“, Pöttmes near Augsburg Deputy Chairman of the Advisory Board, Steinbeis Temming Holding GmbH, Glückstadt Deputy Chairman of the Supervisory Board, Dura Tufting GmbH, Fulda Member of the Supervisory Board, „ASTRA Vermögensverwaltungs- und Beteiligungsgesellschaft mbH“, Hilgertshausen-Tandern Member of the Advisory Board, Paarl – Equity Management GmbH, Frankfurt/Main
Prof. Dr. Claus-Eberhard Liedtke	Professor, Faculty of Electrical Engineering and Computer Science, University of Hanover

To the extent that any of the contracts and agreements mentioned in these financial statements have been concluded with related parties, this is noted in the correspon-

Rental agreements

There are rental agreements for six properties on Carl-Buderus-Strasse (CBS), Hanover, between the Company and Dr. Martin Heuser/Petra Pape GbR*, Hanover, Marina Heuser/Petra Pape GbR**, Hanover, and HPC Vermögensverwaltung GmbH***, Hanover. The parties to these agreements all constitute related parties within the meaning of IAS 24.

The office in Munich, which is responsible for sales in southern Germany, Austria, Hungary and Switzerland, is leased from a third party. This also applies to leased facilities in the USA, France and Singapore.

Agreements with third parties (in €)

Agreements with remaining terms of	Office	Start of lease	Lease term	Net rent, monthly (€)	Net rent, annual (€)
one year or less	Munich	01.11.2003	2 years	1,346	16,152
	Hanover	01.11.2005	3 months	1,576	18,912
	Singapore	01.12.2005	3 years	4,048	48,576
	USA	20.10.2006	6 years	6,050	72,600
between one and five years	France	01.09.2004	6 years	1,630	19,560
Total rental obligations with a remaining lease term of one year or less					**149,502**
Total rental obligations with a remaining lease term of between one and five years					**376,466**
Total rental obligations with a remaining lease term of more than five years					**60,500**

Agreements with related parties (in €)

Agreements with remaining terms of	Office	Start of lease	Lease term	Net rent, monthly (€)	Net rent, annual (€)
more than five years	CBS 9*	01.01.2001	10 years	5,000	60,000
	CBS 10***	01.03.2002	10 years	15,000	180,000
	CBS 10a***	15.11.2005	10 years	15,000	180,000
	CBS 11*	01.08.2001	10 years	22,500	270,000
	CBS 13**	01.01.2001	10 years	6,500	78,000
	CBS 15**	01.01.2001	10 years	9,250	111,000
Total rental obligations with a remaining lease term of one year or less					**879,000**
Total rental obligations with a remaining lease term of between one and five years					**3,267,000**
Total rental obligations with a remaining lease term of more than five years					**622,500**

Loan agreements

During the 2006 financial year, HPC Vermögensverwaltung GmbH repaid its outstanding loan to Viscom AG in the amount of €129 thousand. There were no further receivables from HPC Vermögensverwaltung GmbH at the reporting date.

Lease obligations

In addition to the rental obligations presented above, the Group has concluded operating leases for company cars in particular. The table below sets out the future minimum expenses for the following periods:

Other financial obligations

Purchase commitments for capital expenditure amounted to around €61 thousand as of 31 December 2006.

Use of derivative financial instruments

No derivative financial instruments (currency forwards) were employed for the purposes of hedging against exchange rate risk in the 2006 financial year.

Events after the balance sheet date

No significant events occurred after the end of the 2006 financial year.

Rental and lease obligations for company cars (in K€)	**2006** **K€**	**2005** **K€**
Total	**535**	**546**
of which to HPC Vermögensverwaltung GmbH (related party)	141	210
within one year of the reporting date	**231**	**182**
of which to HPC Vermögensverwaltung GmbH (related party)	80	70
within more than one year but less than five years of the reporting date	**304**	**364**
of which to HPC Vermögensverwaltung GmbH (related party)	61	120
within more than five years of the reporting date	**0**	**0**

German Corporate Governance Code

The Executive Board and the Supervisory Board submitted their annual declaration on the recommendations of the German Corporate Government Code in accordance with section 161 of the German Stock Corporation Act in February 2007, and have made this declaration permanently available to shareholders on the Internet.

Auditors' fees

The total fees paid to the auditors of the 2006 consolidated financial statements and recognised as an expense can be broken down as follows:

Total auditors' fees	**2006** **K€**
Audits of the financial statements	60
Other assurance and valuation services	134
Tax advisory services	0
Other services rendered to the parent company or its subsidiaries	0
Total	**194**

The fees for other assurance and valuation services were incurred primarily in relation to Viscom AG's initial public offering in the 2006 financial year.

Hanover, 23 February 2007

Dr. Martin Heuser Volker Pape Ulrich Mohr

Auditor‘s Certificate 2006

We have issued the following opinion according to German auditing standards in German language on the consolidated financial statements and group management report as attached to this report as Exhibit 1:
„Wir haben den von der Viscom AG, Hannover, aufgestellten Konzernabschluss – bestehend aus Gewinn- und Verlustrechnung, Bilanz, Kapitalflussrechnung, Eigenkapitalveränderungsrechnung, Anhang und Segmentberichterstattung – sowie den Konzernlagebericht für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2006 geprüft. Die Aufstellung von Konzernabschluss und Konzernlagebericht nach den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315a Abs. 1 HGB anzuwendenden handelsrechtlichen Vorschriften liegt in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Konzernabschluss und den Konzernlagebericht abzugeben.

Wir haben unsere Konzernabschlussprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Konzernabschluss unter Beachtung der anzuwendenden Rechnungslegungsvorschriften und durch den Konzernlagebericht vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben im Konzernabschluss und Konzernlagebericht überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfasst die Beurteilung der Jahresabschlüsse der in den Konzernabschluss einbezogenen Unternehmen, der Abgrenzung des Konsolidierungskreises, der angewandten Bilanzierungs- und Konsolidierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Konzernabschlusses und des Konzernlageberichts. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Unsere Prüfung hat zu keinen Einwendungen geführt.

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

The English translation of the above audit opinion rendered in German language is as follows:
„We have audited the consolidated financial statements of Viscom AG, Hannover – comprising the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes to the consolidated financial statements – as well as the group management report for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and group management report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the supplementary provisions of Sec. 315a Par. 1 HGB [“Handelsgesetzbuch”: German Commercial Code] to be applied in accordance with German commercial law are the responsibility of the Executive Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 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, whether due to error or fraud, materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable principles of proper accounting 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 as part of the audit. The audit includes assessing the financial statements of the companies included in the annual consolidated financial statements, the scope of consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and 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, on the basis of the knowledge we have gained during the audit, the consolidated financial statements comply with the IFRS as adopted by the EU and the supplementary provisions of Sec. 315a Par. 1 HGB to be applied in accordance with German commercial law and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with the applicable principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides an appropriate view of the group's position and appropriately presents the opportunities and risks of future development."

Hannover, February 28 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Siebenthaler	Meyer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Corporate Governance Report 2006

The Executive Board and the Supervisory Board feel themselves to be bound by the principles of sound corporate governance. We perceive corporate governance to be one decisive element of the modern capital market. Thus, the Viscom AG greets the German Corporate Governance Code, which represents the essential legal requirements for leadership and monitoring of companies listed on the German Stock Exchange and supplements internationally recognized standards for sound and res-ponsible company management. Through this, investor confidence and openness in the leadership and monitoring of corporations is supported. The Viscom AG orients itself to these expectations. Through our corporate governance, we establish aresponsible company leadership directed toward transparency and value creation.

Declaration of Compliance

In compliance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board of any corporation that is listed on the stock exchange are required to make an annual declaration that the recommendations by the Government Commission on the German Corporate Governance Code as published by the Federal Ministry of Justice in the official section of the electronic Federal Bulletin were and will be complied with, or state which recommendations were not or will not be applied. The statement is to be made permanently accessible to the shareholders. Companies are permitted to vary from the recommendations of the Code and are required to publish any such exceptions annually. This allows companies to consider sector- or company-specific requirements. Thus the Code provides flexibility and self-regulation to the German Articles of Incorporation.

The Executive Board and the Supervisory Board of the Viscom AG submitted the annual Statement of Compliance as required by Section 161 AktG on 29 January 2007 and have made it permanently available to the public on the Internet site of the Viscom AG under „Investor Relations / Company / Corporate Governance / Declaration of Compliance“ and declare, that the recommendations of the Government Commission on the German Corporate Governance Code were and will be complied with, with the following exceptions, as explained in this report. The Executive Board and the Supervisory Board also intend to observe these recommendations in the future.

The exceptions from the recommendations of the Code as noted in the Statement of Compliance are itemized as follows:

• The company has decided to exclude deductibles from its liability insurance (D&O insurance) for the Executive Board and the Supervisory Board (Code Section 3.8)

• The company has no Chairman or Speaker of the Board (Code Section 4.2.1)

• There exist no Supervisory Board subcommittees at the company (Code Sections 5.1.2, 5.2, 5.3)

• Company articles of association make no provision for fixed age limits for members of the Executive Board or the Supervisory Board (Code Sections 5.1.2, 5.4.1)

• Remuneration to the Supervisory Board is fixed and includes no performance-based variable component (Code Section 5.4.7)

In addition to those recommendations already noted, the Code also contains optional suggestions, which can be varied from without the requirement to make them public. However, in a Corporate Governance Report, these suggestions may also be commented on. The Viscom AG complies voluntarily with the suggestions of the Code with the following exceptions:

• Due to its size, the company plans no direct transmission of the processes of the Shareholders Meeting via the Internet or other media (Code Section 2.3.4)

• The members of the Supervisory Board do not retire from the Supervisory Board at different dates, but the term of the present members of the Supervisory Board ends concurrently with the close of the Shareholders Meeting, which has concluded the discharge of the members of the Supervisory Board for the business year 2008 (Code Section 5.4.6)

Relations to the Shareholders and the Shareholders Meeting

The shareholders exercise their rights in the annual Shareholders Meeting. Each share is worth one vote. The Shareholders Meeting selects the members of the Supervisory Board and decides on the discharge. It decides over the utilization of net profits, over capital measures and agreement with company contracts; further, over the remuneration of the Supervisory Board as well as changes to the company articles of association. Each year an orderly Shareholders Meeting takes place, during which the Executive Board and the Supervisory Board render an account over the recently concluded business year. In particular circumstances, stock corporation law provides for the calling of an extraordinary Shareholders Meeting. In order to facilitate perception of the shareholders rights in compliance with the precepts of the Code, the company affords whosoever does not wish to or is not able to exercise their voting right themselves the right to vote in absentia through a proxy who is bound by their instructions in the Shareholders Meeting.

However, the company, contrary the suggestion of the Code, plans no direct transmission of the processes of the Shareholders Meeting, via the Internet or other media. The company will, however, make the presentation of the report of the Executive Board over the recently concluded business year as well as the results of the passing of resolutions available to interested shareholders on the Internet.

Executive Board

The Executive Board currently consists of three members: Dr. Martin Heuser (Diploma, Engineering board member for technology, development and production); Volker Pape (Diploma, Engineering board member for marketing and company development) and Ulrich Mohr (Diploma, Industrial Engineering board member for finances, personnel and logistics).

Company leadership is in responsibility of the Executive Board. The primary tasks of the Executive Board are the determination of strategic alignment and management of the company and its planning as well as establishment and monitoring of a risk management system. All members of the Executive Board are involved in the day-to-day events of the company and bear operative responsibility. Therefore, contrary to the suggestions of the Code, the company has no chairman or speaker for the Executive Board. This is historically conditioned, for one, because Executive Board members Dr. Martin Heuser and Volker Pape co-founded the company in 1986 and have always made decisions in unison. In this case the Executive Board and the Supervisory Board are of the opinion, that a chairman or speaker are not required in an Executive Board staffed with three members. For another, stock corporation law assumes the consensus principle; that is, a collegial and not a hierarchal Board. Since the company was founded, a strong principle of consensus has ruled among the Executive Board comparably to previous business leadership). All essential decisions are reached in unison by the entire Executive Board.

In accordance with the company articles of association, the Supervisory Board has decreed standing rules for the Executive Board. These provide for, among other things – in accordance with the precepts of the Code – that certain types of significant business actions of the Executive Board in their internal relationships as described within the standing rules, require the agreement of the Supervisory Board.

During their activity, an all-encompassing non-competition clause underlies the members of the Executive Board. They are bound to the interests of the company. Therefore no member of the Board may follow personal interest in their decisions or employ for themselves business opportunities the company is entitled to; any possible conflicts of interest are to be disclosed to the Supervisory Board and the other members of the Executive Board are to be so informed. All transactions between the company and the members of the Executive Board, as well as persons associated with them or persons personally related to them must correspond to standards that are customary within the industry. In addition, secondary occupation of members of the Executive Board, particularly the assumption of mandates in other companies, fundamentally require the agreement of the Supervisory Board.

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

• Dr. Martin Heuser: 560,000 shares held directly; also Dr. Heuser holds 50% of the HPC Vermögensverwaltung GmbH, which in turn holds 4,889,100 shares of the Viscom AG.

• Volker Pape: 560,000 shares held directly; also Volker Pape holds 50% of the HPC Vermögensverwaltung GmbH, which in turn holds 4,889,100 shares of the Viscom AG.

• Ulrich Mohr: 60,000 shares held.

The company has concluded liability insurance for the Executive and Supervisory Boards D&O insurance) without a deductible. Deductibles in the context of D&O insurance continue to be contested in public discussion. The Executive Board and the Supervisory Board are bound by law to act responsibly and in the best interests of the company. The Executive Board and the Supervisory Board represent the opinion that deductibles in the context of D&O insurance sre not an adequate means to further raise the motivation and the consciousness of responsibility of the members of this body which already result from the law. From this purpose, a deductible in the context of D&O insurance has been excluded. The standing rule, contrary to the suggestions of the Code, provides for no age limit for the members of the Executive Board. Given the age structure of the current staffing of the Executive Board, the question does not arise. A determination in the articles of association has been deemed unnecessary.

Supervisory Board

The Supervisory Board consists of three members. The company is not co-determined. The Supervisory Board monitors and advises the Executive Board during management of the company. It is also responsible for the appointment of the members of the Executive Board and the determination of its remuneration and for the examination of the annual net profits of the company.

The company articles of association provide, that the Supervisory Board may appoint committees from among its number. The Supervisory Board presently consists of three members. In the view of the Supervisory Board, appointment of committees is counterproductive given the specific conditions of the company. All circumstances are dealt with by the entire members of the Supervisory Board.

The term of the current members of the Supervisory Board expires at the conclusion of the Shareholders Meeting responsible for discharging them from office for the business year 2008. Contrary to the suggestions of the Code, the members of the Supervisory Board do not resign at differentially fixed dates. The company deems a uniform term for all Executive Board members to be sensible.

Work within the Supervisory Board is coordinated by the Supervisory Board chairman or, in case of his impairment, by a deputy. Assignments and codes of practice, including the authority of the Supervisory Board chairman and his deputy, as well as the rules of conflict of interest and of an examination of efficiency, are stipulated in the standing rules governing the function of the Supervisory Board, as concluded according to the articles governing the Supervisory Board.

The members of the Supervisory Board are independent from the business leadership and maintain no business relationships with the company which could influence their independent formation of opinion. Consulting, service or work contracts between the members of the Supervisory Board and the company have not and do not exist. Exceptional cases of activity of a member of the Supervisory Board outside of his function on the Supervisory Board must be approved by the Supervisory Board. The Supervisory Board reports any conflicts of interest to have occurred during the business year, to the Shareholders Meeting.

Currently the members of the Supervisory Board hold shares in the company to the following extent:

• Prof. Dr. Liedtke: 1,621 shares

• Dr. Knorr: 540 shares

The articles of the association do not provide for an age limit for members of the Supervisory Board.

The Executive Board and the Supervisory Board are of the opinion that an age limit would inhibit the company in gaining and holding members for the Supervisory Board.

Cooperation between Executive Board and Supervisory Board

In congruence with a sound and responsible Corporate Government, the Executive Board and the Supervisory Board of the Viscom AG work together continuously and very closely. They agree with the areas recommended by the Code, but also regularly and promptly adjust them. The Executive Board reports the general position of the company including its risk position to the Supervisory Board within scheduled monthly meetings. Detailed information concerning the activity of the Supervisory Board is given in the „Report of the Supervisory Board“.

The Executive Board members normally attend the quarterly meetings of the Executive Board. In exceptional cases the Supervisory Board meets alone, in congruence with the suggestions of the Code. Exceptional meetings and telephone conferences take place as needed.

Remuneration

Report Remuneration of the Members of the Executive Board

The remuneration to the members of the Executive Board is determined by the Supervisory Board and consists of an annual fixed salary and a profit-related bonus. The fixed sum remains constant over several years.

Regarding the variable remuneration, a bonus oriented to the base salary for the members of the Executive Board is concluded in advance.Currently the profits-oriented remuneration of the Executive Board members Dr. Martin Heuser and Volker Pape is 10% of annual profits of the Viscom AG (after taxes) to a maximum third of the fixed salary (without cash value benefits) and the variable compensation of Executive Board member Ulrich Mohr is 3% of company profits (pre-tax) up to K€ 40, payable at year-end. There is no share program at the Viscom AG for management and employees.

Remuneration of the members of the members of the Executive Board is:

Executive Board	Fixed Earnings* K€	Variable Earnings** K€	Total Earnings K€
Dr. Martin Heuser	180	55	235
Volker Pape	182	55	237
Ulrich Mohr	165	40	205
Total	**527**	**150**	**677**

* incl. cash value benefits (vehicles), ** max.

Remuneration of the Members of the Supervisory Board

For every full business year of their membership within the Supervisory Board, the members of the Supervisory Board retain a fixed remuneration for all members at an amount set at the suggestion the Executive and the Supervisory Boards from the Shareholders Meeting for the concluded business year. Furtherance of the remuneration structure of the Supervisory Board to include a variable bonus is currently under discussion.

Thereafter the Supervisory Board internally apportions the appropriate sum as determined by the Shareholders Meeting to the individual members. Function as chairman and vice-chairman of the Executive Board is considered therein but is left to the Executive Board itself. In business year 2005 the chairmen of the Supervisory Board retained double the base remuneration, the deputy chairman one and a half of base.

Remuneration of the Supervisory Board for business year 2005 is as follows:

Supervisory Board	total remuneration fixed) in K€
Dr. Jürgen Knorr	20
Hans E. Damisch	15
Prof. Dr. Claus-Eberhard Liedtke	10
Total	**45**

Remuneration of the Supervisory Board for the recently concluded business year is determined by the orderly Shareholders Meeting 2007.

Transparency

Informational openness and transparency for the relevant target groups of the Viscom AG take a high value within the company. The company has commissioned a Corporate Governance agent to monitor coherence to the German Corporate Governance Codes.

The Viscom AG regularly instructs shareholders, financial analysts, shareholder groups, media and the concerned public regarding company management and essential changes. All pertinent information regarding events as they unfold is readily disclosed to financial analysts, to institutional investors and all interested members of the public as a matter of course. Viscom employs Internet and other means to provide prompt information. Overview of all essential information published throughout the business year appears on our Internet site under www.viscom.com.

• **Ad-hoc Publicity.** Insider events which affect the company directly are published by the company in accord with legal standards without hesitation, also outside of scheduled reporting. Ad-hoc notices of the Viscom AG are made available to shareholders on the Internet site under „Investor Relations/News/Ad-hoc Notices“.

• **Notices Concerning Voting Rights.** In the same way, according to Section 21 of the Securities Trade Act, as soon as the company becomes aware of the fact that an individual acquires, exceeds or falls short of 5, 10, 25, 50 or 75% (in the future, also 3, 15, 20 and 30%) of the voting rights in the company by means of a purchase, sale or any other manner, this fact will be disclosed without delay via a pan-European information system as well as on our website.

• **Directors' Dealings.** Securities transactions of the members of the Executive and Supervisory Boards of the Viscom AG and of certain managers who have regular access to insider information and take part in essential company decisions (including their related parties as defined by securities law) are required to reveal this in accord with Section 15a of the Securities Trade Act. Any such transactions will be published as soon as they are known to the company via a pan-European information system as well as on our website under „Investor Relations/News/Directors Dealings".

• **Financial Calendar.** We inform our shareholders and the capital market regarding the dates of significant scheduled publications (including company reports, interim reports or shareholders meetings) in advance, in our financial calendar as printed in the company and interim reports and as permanently accessible on our Internet site.

Financial Accounting and Annual Audit

The Viscom AG prepares its closing accounts in accord with the International Financial Reporting Standards IFRS). Shareholders and interested parties are informed of the general management of the company through the company and interim reports. All reports are simultaneously accessible on our Internet site to all who are interested. In addition, a comprehensive description of our employee participation program is available in our company and interim reports.

It was agreed that the auditors would promptly inform the Chairman of the Supervisory Board directly about any exceptions or conflicts of interest that arise during the audit, insofar as these are not immediately resolved.

The auditors shall also directly report all major representations or occurrences significant to the duties of the Supervisory Board, as they occur during the audit. In addition, the auditors must inform the Supervisory Board and note it in the audit report if any events occur which are not compatible with the Statement of Compliance as published by the Executive Board and the Supervisory Board.

Financial Calendar

- 28 March 2007 .... Presentation of the Annual Report, Press Briefing on Annual Results, Stock Exchange — Hanover
- 29 March 2007 .... Analyst and Investor Conference, DZ Bank — Frankfurt
- 10 May 2007 .... Presentation of the First-Quarter Report, Telephone Conference — Hanover
- 15 June 2007 .... Shareholders‘ Meeting, Radisson SAS — Hanover
- 19 June 2007 .... Laser Analyst and Investor Conference — Munich
- 09 August 2007 .... Presentation of the Second-Quarter Report, Telephone Conference — Hanover
- 13 November 2007 .... Presentation of the Third-Quarter Report, Telephone Conference — Hanover

Multiyear Report

Viscom AG four-year report		**2006**	**2005**	**2004**	**2003**
Profit and Loss					
Revenue	K€	53,307	50,483	43,096	29,187
EBIT	K€	10,219	11,483	8,762	2,286
EBT	K€	10,762	11,675	8,815	2,229
Income taxes	K€	-2,389	-4,208	-4,100	-646
Annual profit	K€	8,373	7,467	4,715	1,582
Balance					
Assets					
Non-current assets	K€	3,056	2,776	2,466	2,198
Current assets	K€	73,259	33,967	25,222	14,416
Total assets	K€	76,315	36,743	27,688	16,614
Liabilities					
Share capital	K€	62,574	20,331	14,616	10,189
Non-current liabilities	K€	0	273	2,476	1,993
Current liabilities	K€	13,741	16,139	10,596	4,432
Total Capital	K€	76,315	36,743	27,688	16,614
Cashflow statement					
CF from current business	K€	-4,717	10,132	4,834	4,429
CF from investment	K€	-1,219	-981	-434	-405
CF from financing	K€	34,960	-3,414	-905	-1,873
End of period capital	K€	40,144	11,286	5,319	1,911
Personnel					
Employees at year-end		346	266	229	189
Investment					
Tangible and intangible assets (paid)		1.269	1.038	585	479
Shares					
Shares		9,020,000	67,200	67,200	67,200
Dividend	K€	4,510	9,072	2,285	591
Dividend per share	€	0.50	135.00	34.00	8.79
Shareholder capital per share	€	6.94	302.54	217.50	151.62
Key figures					
EBIT margin	%	19.2	22.8	20.3	7.8
Equity return	%	13.4	36.7	32.3	15.5

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