VISCOM

vision technology

Annual Report 2007

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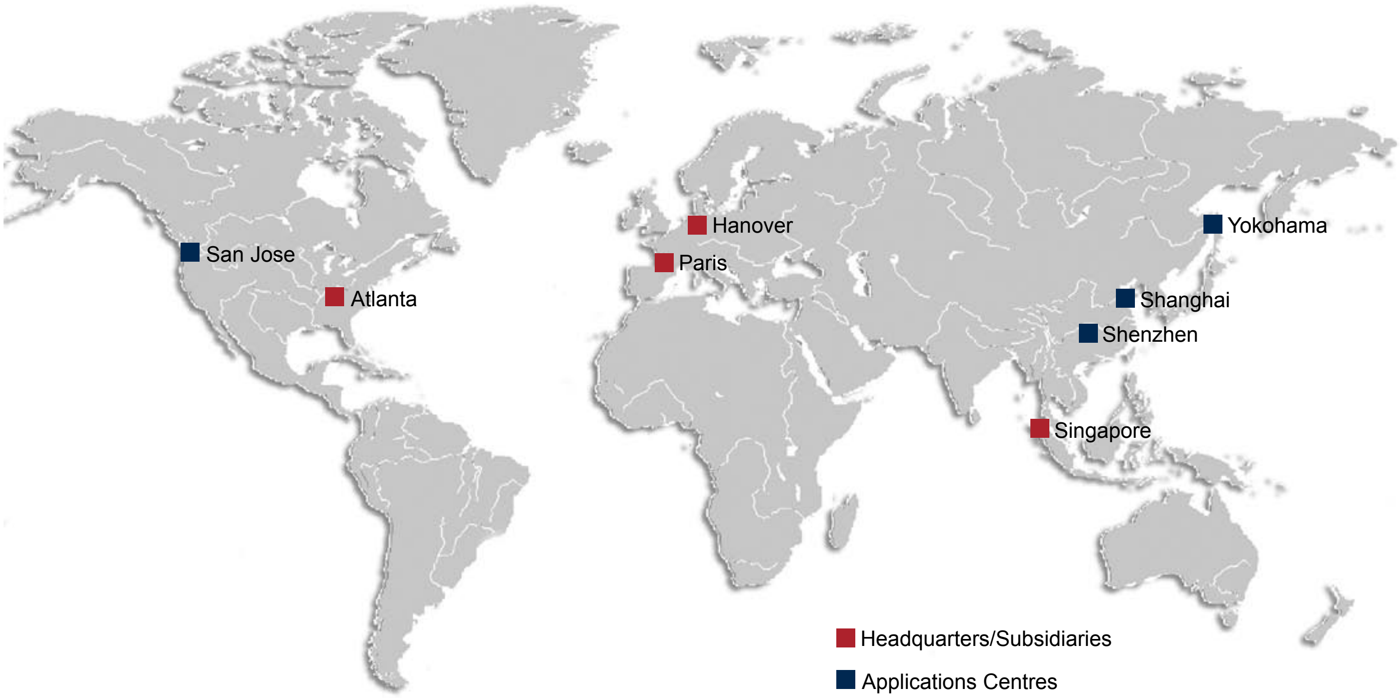
Key Group Figures

	31.12.2007	31.12.2006
Revenue	51,986 K€	53,307 K€
EBIT	4,482 K€	10,219 K€
Financial result	1,006 K€	543 K€
Income taxes	-1,929 K€	-2,389 K€
Net profit for the period	**3,559 K€**	**8,373 K€**
Number of shares	9,020,000	9,020,000
Diluted and undiluted earnings per share	**0.39 €**	**0.93 €**
Number of employees	**376**	**346**

Locations


San Jose
Atlanta
Hanover
Paris
Yokohama
Shanghai
Shenzhen
Singapore
Headquarters/Subsidiaries
Applications Centres

Viscom in Profile

Our core competence

Our core competence is industrial image processing. As a producer of high-quality inspection systems for automatic optical inspection (AOI) and X-ray inspection (AXI), Viscom is one of 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 basis of 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.

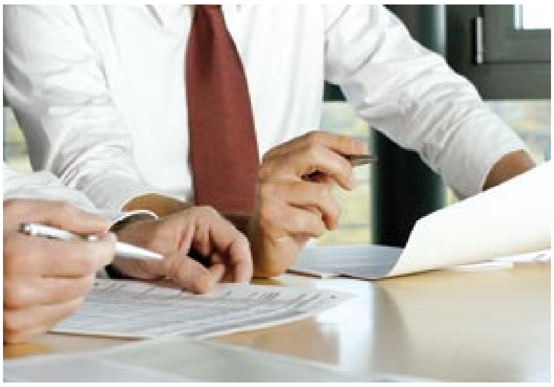
Our market

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 consumer electronics. The steadily rising requirements for quality in these sectors as well as the increasing presence of technology in all areas of life offer us sustainable growth potential.

Our goals

Viscom has taken great strides in growing since it was founded. Our goal is to expand our market share further and to raise our company value on a sustained basis.

Foreword



Dear shareholders,

Ladies and gentlemen,

2007, which has just ended, was an eventful year for Viscom AG. Revenue and earnings for the first half of 2007 fell significantly below our expectations, disappointing not only you, our shareholders, but also us. The expected turnaround then took place in the second half of 2007.

Our business is always dominated by considerable seasonal fluctuations: The first half of the year is weak, with revenues peaking in the fourth quarter. In 2007, particularly due to delay in introducing new products, this trend was particularly clear. Revenue for July to December however was substantially higher than the previous year's figure. Despite this excellent second half, the revenue figures for the last financial year as a whole still did not increase but, at € 52 million, were slightly down year-on-year.

However, in 2007, we set the course for the future: thanks to numerous new developments, investments in personnel and our global alignment, we are confident of fulfilling both your and our own expectations in the coming years.

Since May 2007, Viscom has also been represented in China with an application centre in Shanghai. This means it is now possible to meet the steadily growing demand in China. Viscom systems can now be fully tested on site. The proximity to customers guarantees faster service. In the 2007 financial year, this global expansion of the Viscom Group led to a considerable increase in revenue in Asia compared with the previous year.

Dollar revenue increased in the USA with the opening of the application centre in San Jose. As in Asia, the first successes of the investments are already being seen.

Moreover, Viscom took a crucial step last year towards opening up the semiconductor market. The acquisition of the MX product family of the US light source developer Phoseon Technology Inc. comprises inspection systems for high-quality wafer inspection using a special infrared light source. Viscom can provide precisely the knowledge and experience required to develop a range of new inspection systems using Phoseon's technology. As a result, it will be possible to obtain new market and customer areas in a strongly growing sector. A new, fourth Infrared Products (IP) business area has been founded within the

Viscom Group for the integration of this product line. Although the new business area is still being developed, the first major order is already being processed.

In 2007, we systematically revised and optimised a number of internal structures within our company in order to adapt them to the requirements of a globally growing organisation. Key goals were strengthening international distribution and service capacity, revising the product range and increasing global recognition of the Viscom brand.

Together with our highly-qualified and motivated personnel, we will achieve the next milestones we have set and measure our successes by them. Increasing earnings is just as important to us as are satisfied customers, shareholders and employees. We look forward to your continued participation in our enterprise as we move ahead with our strategy and would like to express our thanks for the trust placed in us!

The Executive Board

Dr. Martin Heuser Volker Pape Ulrich Mohr

Report of the Supervisory Board

Monitoring management

The 2007 financial year was primarily dominated by activities aimed at putting the company back onto the growth path on the basis of both developing new and further developing existing products and of increasing the efficiency of internal processes. The Supervisory Board actively accompanied the above activities on the basis of advice to and discussions with the Executive Board. The Supervisory Board constantly monitored management on the basis of Executive Board reports and joint meetings. The Supervisory Board examined transactions requiring its approval and discussed each of them with the Executive Board.

Structure of the Supervisory Board

In 2007, the three members of the Supervisory Board were Dr. Jürgen Knorr (Chairman of the Supervisory Board), Hans E. Damisch (Deputy Chairman of the Supervisory Board) and Professor Dr. Claus-Eberhard Liedtke.

Meetings of the Supervisory Board

In the 2007 financial year, the Supervisory Board informed itself on a timely basis in a total of 5 ordinary meetings – on 29 January, 16 March, 14 June, 21 September and 12 December 2007 – concerning the detailed current revenue, earnings and liquidity position, budget planning, the Company and Group situation including the risk situation and risk management as well as compliance within the Group, strategic goals and all organisational and personnel changes. On 23 April and 6 August 2007, the Supervisory Board also held Supervisory Board meetings in conjunction with the Executive Board in the form of telephone conferences. The Supervisory Board also held meetings without the Executive Board on 19 March (telephone conference) and on 1 and 2 May 2007.

The Executive Board informed the Supervisory Board every month on characteristic business data including comparisons with the budget and with the previous year. Moreover, the Chairman of the Supervisory Board was in close contact with the Executive Board, which informed him of current business events.

The Supervisory Board discussed the organisation including risk management and the company's economic, financial and strategic situation with the Executive Board as well as essential questions of corporate policy and strategy.

Key topics in the Supervisory Board meetings during the 2007 financial year were the analysis of reasons for the decline in revenue during the first six months of 2007 and the countermeasures implemented by the Executive Board as well as marketing activities in Asia and Europe, research and development projects and investment in the new technology of Phoseon Inc. In the various meetings, the Supervisory Board was provided with detailed information by the Executive Board and the topics were discussed. The Supervisory Board also made recommendations on how to proceed further, coordinated the process with the Executive Board on an ongoing basis and in detail and made the necessary resolutions after considering all available information and foreseeable consequences at the time, particularly the advantages and disadvantages as well as the effects on the company, its net assets, financial position and results of operations as well as for the shareholders.

During the 2007 financial year, the Supervisory Board also dealt with revising and optimising the internal structures of Viscom AG as well as investments in technology, personnel and the company's global alignment. The Supervisory Board concerned itself with Executive Board matters, supported the Executive Board in the preparation and implementation of the first Annual General Meeting following the company's IPO and, at its meeting on 16 March 2007, discussed the consolidated annual statements and the management reports to 31 December 2006 in the presence of the auditors. All members of the Supervisory Board attended all meetings of the Supervisory Board during the 2007 financial year.

Committees

The Supervisory Board has not formed any committees.

Corporate Governance

Information on the aspects of the company's Corporate Governance related to the Supervisory Board can be found in the report on Corporate Governance prepared jointly by the Executive Board and the Supervisory Board in this Annual Report.

Remuneration to the Supervisory Board is reported on an individualised basis in the Corporate Governance report, printed in this Annual Report. There were no conflicts of interest with regard to the members of the Supervisory Board.

During the 2007 financial year, the Supervisory Board carried out an efficiency examination of the Supervisory Board activities with respect to the requirements of the German Corporate Governance Code. Moreover, the Executive Board and the Supervisory Board submitted the annual Statement of Compliance with the German Corporate Governance Code on 14 February 2008.

Accounting

Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, was elected by the Annual General Meeting and appointed as auditors by the Supervisory Board. The Supervisory Board negotiated the audit assignment and awarded the assignment. The auditor audited the annual financial statements of Viscom AG and the consolidated financial statements to 31 December 2007 as well as the summarised management and Group management report taking into consideration accounting and has awarded an unqualified auditor's certificate. In addition, the auditor inspected Viscom AG's existing early risk detection system in accordance with section 317 paragraph 4 German Commercial Code and came to the conclusion that the statutory obligations of management with regard to monitoring and transparency in the operating and strategic area were complied with.

On 14 March 2008, the Supervisory Board meeting dealing with accounts took place. The annual financial statements and the audit reports as well as the Executive Board's proposal for the appropriation of net profits and all other documents and meeting reports were provided to the members of the Supervisory Board prior to this meeting. The auditor was present at the meeting, reported on the audit and the audit results and was available to answer questions and to discuss the documents.

The Supervisory Board was in agreement with the results of the audit as, during its own examination following talks and discussions with the auditor and the Executive Board, it determined that no objections were to be raised. In the Supervisory Board meeting dealing with accounts on 14 March 2008, the Supervisory Board approved the annual financial statements, the consolidated financial statements and the summarised management and Group management reports for the 2007 financial year. The annual financial statements are therefore adopted (section 172 no. 1 of the German Stock Corporation Act).

The Executive Board proposes to distribute € 2,706 thousand (previous year: € 4,510 thousand) and to carry the remaining unappropriated surplus forward to new account. The Supervisory Board discussed in depth and approved the proposal of the Executive Board to distribute the profits taking into consideration the Company's and the shareholders' interests.

The Supervisory Board thanks the members of the Executive Board as well as all employees of the Company for their great commitment and their hard work for the company.

Hanover, 14 March 2008

Dr. Jürgen Knorr

Chairman

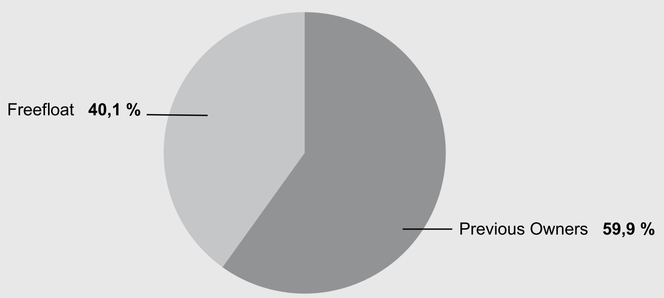
Viscom Shares

ISIN	**DE 000 7846867**
Market segment	Official Market of the Frankfurt Stock Exchange Prime Standard
Number of shares	**9.02 million**
Free float	40.1 %
Market capitalisation	**€ 81.45 million**
High	€ 13.82
Low	**€ 8.42**
Average trading volume (XETRA/day)	9,583 shares
Result per share	**€ 0.39**

As of 31.12.2007

2007 will be remembered among international capital market participants as a very turbulent time. While the year began with great expectations, the first warning signs appeared as early as February – thanks to general uncertainties, the Chinese capital market unsettled markets worldwide. The international share indices subsequently made a broad recovery, which was halted by the news that the US insolvency figures had reached a new high. Nevertheless, on 16 July, the DAX recorded an absolute high for the year at 8,106 – the highest level for seven years.

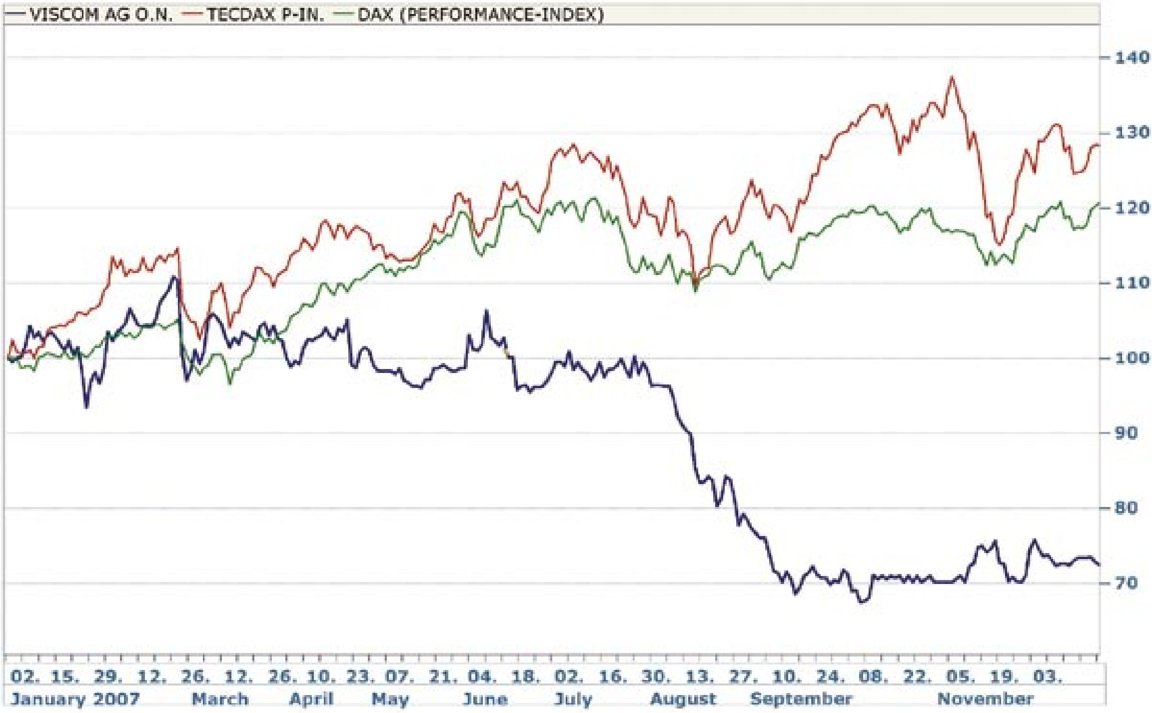
Shareholder structure



However, during the second half of the year, these gains were largely lost. The reason for this was further bad news from the USA. The events concerning the problems of the US mortgage market dampened the mood on the international floor: banks and investors worldwide came under pressure and struggled with liquidity problems. This development also affected German shares, particularly financial securities. Nevertheless, the TecDAX peaked at 1,038 on 1 November.

The Viscom share was initially stable in the first six months of the year under review. During this time, the share reached its year high at € 13.82 on 22 February. By contrast, shareholders were confronted with a downward trend from August onwards. The reason for this was Viscom AG company news: the Company had not yet realised the clear increase in revenue and earnings expected by the capital market. Management was also forced to reduce the revenue expectations. By the end of the year, the Viscom share did not recover from these losses which were as high as 32 %. This underlines the current reserved behaviour of shareholders. However, the all-clear was given on the release of the nine-month figures in which analysts saw signs of a trend reversal.

Trend of the Viscom Shares



The Viscom Group is currently tracked by four investment houses. The majority of analysts continue to recommend buying the share. The value of the Viscom shares is between € 9 and € 15. This year again, the management of Viscom AG would like shareholders to share in the earnings with a commensurate dividend yield. For this reason, a dividend of € 0.30 will be proposed to the Annual General Meeting for the 2007 financial year.

The goal of our Investor Relations efforts is to allow all capital market participants a fair valuation of the Viscom Group. Open and honest communication is therefore our top priority. Especially during critical periods, this approach takes on even greater importance for Viscom AG. The company presented itself in numerous one-to-one interviews with investors within Germany and abroad during 2007, as well as at the Laser Analysts and Investors Conference in Munich and the 5th Open Day for Small Caps in Zurich. In addition, all information relating to Viscom's shares is published in a timely manner on the Company's website at www.viscom.com/en_ir.

Corporate Strategy

Viscom has been successful on the market for more than 20 years. Continuous growth and consistent profitability mirror the success of our business. As a manufacturer of high-quality inspection systems for automatic optical inspection and X-ray inspection, Viscom is the European market leader for the electronics industry market in particular and one of the leading providers worldwide.

Clear focus on core competences

Service and customer benefits are top priority

Innovation and technology leader

Continuous research and development activities

International alignment

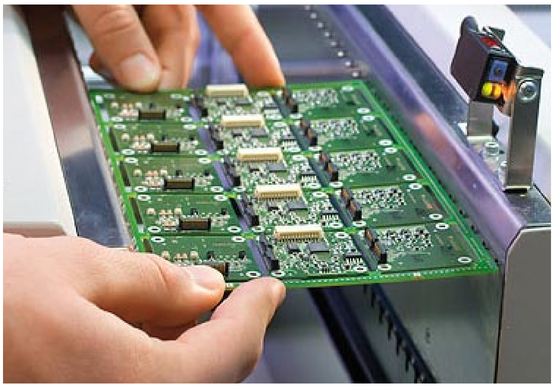
European market leader (AOI printed circuit board inspection)

Highly motivated employees

Commitment, service and creativity for the customers

Continuous quality control

First-class products and services for the customers



Global positioning and application centres

With subsidiaries in Europe, Asia and the USA as well as local representative companies, Viscom is globally positioned in terms of distribution. Furthermore, additional application and service centres have recently been established in the USA, China and Japan. With the help of the application centres, Viscom AG can optimally meet the increasing requirements of the electronics manufacturers in the consumer and communications sectors. The right systems as well as an extensive range of services on a local basis are of enormous importance as these allow customers to convince themselves of the capabilities and quality of the systems on the basis of comprehensive tests and benchmarks. On the other hand, all production takes place at the plant in Hanover. This results in efficient and cost-optimised serial production.

Sales system and representative companies

Viscom works with a two-tiered sales system – permanent sales employees and regional representative companies worldwide. This achieves a broad-based coverage and the company benefits from the good contacts the local representatives have to a large number of local companies. The cooperation is particularly valuable in opening up new markets since the representatives speak the same language as the customers. Understanding the culture of a country, certainty within local customs and the knowledge of the characteristics of the specific market are indispensable.

Everything from one source

The systems are manufactured exclusively in Hanover. The company's own development department for hardware and software as well as design and tool manufacture in-house ensures consistent alignment to industry requirements – in the most direct fashion.

Goals

Viscom's goal is to continue to again grow more quickly and more profitably than the industry. The market share is to be increased further and our company value raised on a sustained basis.

In addition to developing the automatic optical and X-ray solutions further, another medium-term goal is to market the technical possibilities of the newly acquired infrared inspection systems in silicon wafer inspection.

Market and Customers

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 durable growth potential targets to Viscom.

Megatrend electronics
Applies to all areas of life

Focus on quality
Security and image

Opening up new markets
Semiconductor inspection, photovoltaics

Miniaturisation
Demand for new, intelligent inspection solutions

Market and technological trends

Electronics are penetrating ever further into all areas of industry and life – the electronic assemblies are becoming increasingly small while assuming ever more functions. That is why assembly density on a printed circuit board is increasing and also why the components being used become smaller – with increasing quality requirements and stricter legal regulations. These technological developments are based on inspection solutions which ensure product quality, as well as providing ever greater guarantees for the stability of the increasingly complex processes. The requirements made of inspection systems thus become ever higher.

The trend towards X-ray inspection has also increased due to the more frequent use of BGAs. The connection points are beneath these components and so are not visible from above, i.e. the limits of automatic optical inspection are reached. However, there are initial Viscom solutions – a space-saving combination of X-ray inspection with automatic optical inspection in one system.

Customers – focus on quality

Quality and security – these are the requirements of Viscom customers. Printed circuit board manufacture and assembly is an extremely complex process involving various parameters which influence the quality of the end product. These include the printed circuit board layout, the paste thickness, the quality of the solder paste, the temperature in the solder ovens etc. All of these influences result in costs, the reduction of which is critical to the manufacturer's competitiveness. A badly produced assembly increases follow-up costs. There are two main inspection processes for avoiding precisely this situation – automatic optical inspection and automatic X-ray inspection.

Goals

To fulfill the technical requirements as posed by our customers, Viscom is available worldwide to all inquiries regarding quality assurance and process optimization. To improve steadily service and availability in the process is one of the main goals. The establishment of application and service centres in Asia and the USA was a decisive step in the right direction for Viscom.

New customer segments are also to be developed with the acquisition of the infrared inspection systems and activities within the new Photovoltaics business area.

Business area SP: our series products

The Series Products business area is the core of the Viscom Group and the largest of the four business groups. Here, Viscom develops and manufactures systems for sale in larger quantities. A high degree of flexibility is ensured thanks to the modular structure of the devices: Viscom's first priority is always customer benefit. The business area SP comprises both optical and combined optical and X-ray inspection systems. The target market is the electronics industry worldwide.

75 % of Viscom revenue

Main revenue generators

Solutions for all electronic manufacturing sectors

3 basic types of machine

Target market electronics industry

Sustainable growth market

Comprehensive customer care, standard system and inspection concepts

80 employees in Hanover

All inspection applications worldwide

High-end inspection

Importance of the business area for Viscom

The importance of this business area is clear from the fact that it generates 75 % of total revenues. The task of the SP business area is the further development, production, order settlement and customer care for the serial systems. Many of the successful Viscom models come from this business area. The business area is dominated by plannable series business.

The operational mode of the SP 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. The data are analysed by processing the images captured from the inspected object with the models defined in the system. Defective printed circuit boards are sorted out of the production process.

Viscom systems and the competition

With their high-capacity analysis software, flexible sensor technology and simple operation, Viscom inspection systems are well ahead in terms of global competition. For example, every system has a basis version and can be customised with various modular elements to correspond to customer requirements. This flexibility is one important unique selling point of the Viscom systems.

Targets for the business area

The serial products are used primarily by the electronics industry. Manufacturers of electronic assemblies are the main target segment.

Business area NP: our new products

The NP business area is responsible for all customer-specific AOI solutions. This business area deals with development-intensive, sometimes long-term, customer-specific projects. The range of applications for the systems is flexible, in terms of both the inspection of individual components and the final inspection of complete assemblies. With its intelligent inspection cells, Viscom offers customised solutions here for numerous applications.

New markets: hybrid technology, photovoltaics
New products: bond, robots

Innovation drivers

Quality thanks to service for all applications

Operating globally

Flexible thanks to standards

Customer-specific

Mechanics, electric, electronics

Broadly positioned business segment

Importance of the business area for Viscom

This business area completes the Viscom product portfolio in optical inspection. It diversifies the product range, thus providing growth opportunities in customer areas outside the electronics industry. The knowledge generated in this segment flows into the Viscom Group's series production and represents particular added value for the company.

In addition to the numerous customer-specific solutions, the S6053BO system for bond inspection is the most important revenue driver. The quality of bonds on semiconductor chips is inspected and the routing of extremely fine bond wires detected.

The operational mode of the NP systems

High-resolution cameras record all properties during inspection. The images are created under a demanding illumination regime and are evaluated by the high-capacity inspection software. The inspection systems carry out top-grade customer-specific tasks using as many Viscom standard components as possible.

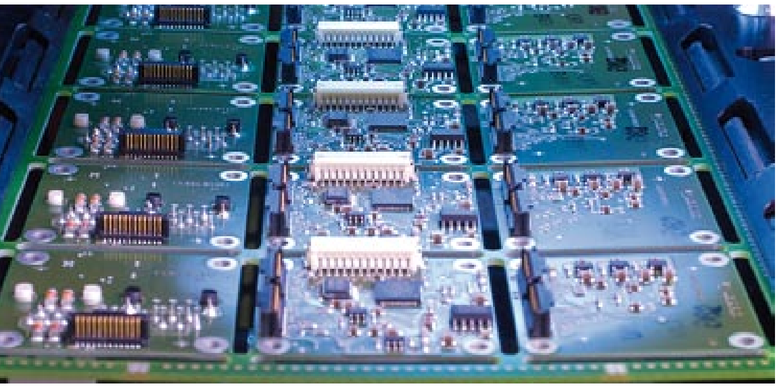
Viscom systems and the competition

Thanks to its particularly thorough depth of inspection, Viscom regards itself as leading company for wire bond inspection systems. In general, Viscom is always particularly strong in areas where complex tasks require a large number of cameras and illumination situations. This also distinguishes Viscom from competitors in industrial image processing.

Targets for the business area

The primary target of NP is to develop new, promising products for sub-markets with strong growth potential. Accordingly, the Company's target customers are companies for which product reliability is a top priority. These include the electronics industry, medical technology and mechanical engineering.

Business area XP: our X-ray products



The XP business area is concerned with research and further development of open microfocus X-ray tubes and the development of complete 2D and/or 3D X-ray systems for various areas of application. The range of models includes X-ray assemblies, offline inspection islands and fully automatic inline systems.

Microfocus X-ray tubes

Application by OEM customers

Non-destructive inspection

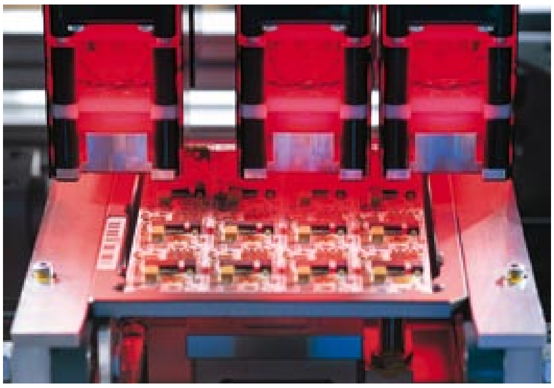
Growing customer requirement

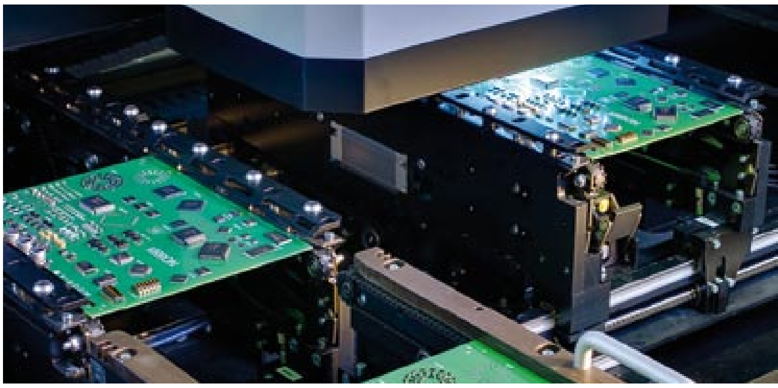
Various applications

Electronic components, fossils, halogen lamps etc.

Broad range of applications

Material inspection, laboratory work, sample analysis





Importance of the business area for Viscom

Increasing miniaturisation, denser assembly and new designs with regard to assembled printed circuit boards make X-ray inspection essential. However, non-destructive X-ray technology is also frequently used in other industries such as aviation and aeronautics, medical technology, material and food research as well as the development of new substances and materials. In light of this trend, Viscom is expecting high growth in this area particularly since considerable cost savings can be made thanks to non-destructive inspection.

The operating principle of the XP systems

The electromagnetic radiation generated in the micro-focus X-ray tubes enables the non-destructive inspection of a wide range of objects and materials. The resulting radiographic images can be automatically analysed or measured using the software.

Viscom systems and the competition

Thanks to their modular structure and their resulting flexibility, Viscom X-ray systems can be used in numerous ways. Another benefit is that they can be operated easily and intuitively.

The combination of a high-resolution Viscom micro-focus X-ray tube, the mature analysis technology and the system hardware described provide Viscom with a leading position over competitors.

Targets for the business area

This business area’s target is to conquer modern market niches with high growth potential such as computer tomography.

Business area IP: our products for wafer inspection

Viscom's newest business area is positioned in the field of inspecting wafers for semiconductor production. It is currently still being developed. In August 2007, Viscom acquired the MX product range for high-quality semiconductor inspection using infrared light sources produced by the US manufacturer Phoseon Technology Inc.

Unique inspection technology

Si-Thru™-technology with infrared light sources

Solutions for many requirement

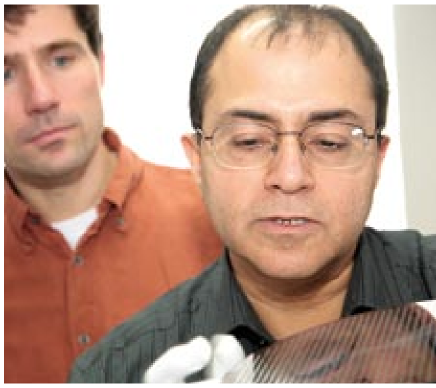
Manual and fully automatic systems

Booming industry

Target market the semiconductor industry

Highest quality in and on the wafer

High-precision wafer inspection



Importance of the division for Viscom

The acquisition of the new product line is a major step towards establishing Viscom in the area of semiconductor inspection using the unique infrared technology. The acquisition provides Viscom with whole new market, customer and growth fields in a booming industry. The infrared products are the perfect addition to the Viscom product range.

The operational mode of the IP systems

The core of the patented Si-ThruTM technology is the infrared light source. This light source produces a highly efficient infrared light of a certain wavelength in the almost-infrared range in a narrow spectrum, which is particularly suited to semiconductor inspection applications. As a result, the infrared sensor head is precisely positioned for imaging with the help of an X/Y/Z unit. The data obtained from the inside of the semiconductor material is then analysed using the software.

Depending on the batch size and the customer requirement, Viscom offers both manual and fully automatic systems.

Viscom systems in competition

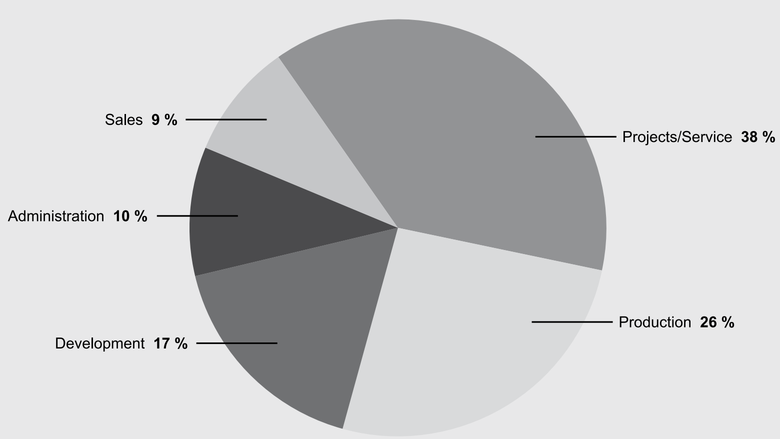
With the acquisition of the MX product range from Phoseon Technology Inc., Viscom has obtained exclusive access to this technology for short-wave infrared light sources for inspection applications. This unique technology can shine through silicon to determine whether the silicon wafer is free from impurities.

Targets for the business area

The most important target is to establish another key pillar and, therefore, to expand the business area. With the IP division, it will be possible to obtain customers, particularly from the semiconductor sector.

Employees and the Environment

The Viscom Group had 376 employees at the end of the 2007 financial year (previous year, 346). Particularly in Asia, the number of employees continued to increase. 59 employees (previous year: 50 employees) work globally in the branches and service centres, 35 of them (previous year: 25) in the Asia region. As a result, service and sales capacities in the key Asia region have again increased.



Committed and qualified employees are the decisive basis for the ongoing success of the Viscom Group. It is extremely important to the Viscom Group to recruit competent employees as the Group is growing rapidly on an international level and is one of the world's leading providers of high-quality inspection systems for automatic optical inspection and X-ray inspection.

The performance and motivation of employees as specialists and managers contributes to the company's success in the long term. For this reason, Viscom AG has provided a substantially increased range of in-house employee training at its Hanover location since 2007.

The revised and systematised training scheme is designed in such a way as to increase the expertise of our employees on an ongoing basis. The aim is to provide customers with qualified employees in order to offer optimised work processes, the highest level of product quality and the best possible service. In addition to basic training, e.g. in MS-Office programs or refreshing and extending knowledge of English, training courses for special areas such as customer support or employee leadership are also available. In 2007, the in-house employee training courses were extremely popular with around 36 % of employees at the Hanover location taking part in a large variety of courses.

The concept of ongoing employee qualification is being continued in order to ensure a steady process of improvement in the company. Employees' technical and personal abilities are also to be strengthened, to promote the motivation of each individual as well as the team spirit within the Viscom Group. The fluctuation rate in 2007 was below 6 %.

For a number of years, Viscom AG has been committed to environmental issues since an intact environment is an important location factor and helps improve the quality of life of our employees.

In 2007, Viscom AG took part in the “ÖKOPROFIT” project. With ÖKOPROFIT, the city and the region of Hanover support companies in their efforts to improve operational environmental protection. In conjunction with expert external support, workshops on environmental topics were carried out at Viscom AG and practical measures developed with which savings were made, particularly in the areas of energy, water, waste water, waste and emissions as well as in raw materials and supplies while at the same time relieving the burden on the environment. Viscom AG received an award for the numerous environmentally friendly measures which were introduced into the day-to-day work processes.

In 2008, Viscom AG will continue to deal intensively with environmental issues and participate in the follow-up event “ÖKOPROFIT-Klub“.

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IFRS Consolidated Financial Statements 2007

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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 focussed on their respective customer groups and their requirements. This enables them to act and respond quickly and flexibly. They also 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 59.9 % are held directly or indirectly by the Company’s founders and Executive Board members, Dr. Martin Heuser and Volker Pape. The remaining shares are in free float.

The Executive Board consists of three members at 31 December 2007:

Dr. Martin Heuser: Technology and Production
Volker Pape: Sales and Internationalisation
Ulrich Mohr: Finances, Personnel and Controlling

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

Dr. Jürgen Knorr: Chairman
Hans E. Damisch: Deputy Chairman
Prof. Dr. Claus-Eberhard Liedtke

Segments and key locations

Viscom develops, manufactures and sells high-quality automated inspection systems for use in industrial production. The Company’s business activities are broken down on the basis of 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 Asian market with its subsidiary in Singapore, the latter also having its own subsidiary in Shanghai.

Business processes

The inspection systems are developed and produced at the Company’s headquarters in Hanover. This is where all the centralised functions – business administration, marketing and sales management – are also based.

The Company’s products development activities are focused on fundamental development work for future generations of inspection systems, as well as project-specific development for the adaptation of basis machine types to meet customer-specific circumstances.

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

Sales activities are performed by 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 its subsidiaries.

Legal and economic factors

There have been no changes in the business year 2007 in legal factors with a material effect on the Company.
The economic stabilisation in Europe did not significantly affect the Company's business activities. Nevertheless, Viscom in Europe in the past has not been as dependent as other companies active in the investment goods industry on either a negative or positive overall economic development. In the medium and long term the greatest growth potential is regarded as being in the Asian market. The slowdown in economic developments in America can effect the business activities there.

Management system

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 machine 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 and completed systems. In addition, they provide an overview of fluctuation, sick leave and per capita revenue as well as key indicators for project management, product development, production and logistics. The Company's future-oriented key indicators include revenue and payment forecasts.

The statements contained in the monthly reports are analysed in regular meetings between the Company's management and the heads of the business areas. Any action that may be necessary results in decisions implemented in the short term.

Quarterly reports in accordance with IFRS have been published since the Company's initial listing.

Basic principles of the remuneration system

The remuneration to the Executive Board members is determined by the Supervisory Board. It consists of an annual fixed salary and 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. It is also based on the amount of the basic salary.

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

Macroeconomic and sector development

Macroeconomic development

The global economy continued to develop positively in 2007 despite the continuation of oil price increases. Particularly high growth was seen once again in China, although Europe, especially Germany, also developed extremely positively. The other newly industrialising 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 USA. Electronic goods in particular were particularly sought after.

General economic development in the euro zone in 2007 was particularly encouraging. The euro zone showed a similarly encouraging development as in 2006. This upswing was broad-based – with substantial convergence between the growth rates of the individual member states as last year.

In Germany gross domestic product increased by 2.5 %, slightly under the 2006 increase (2.9 %). The country's economic development is no longer based solely on an increase in exports; instead, domestic investment also made a substantial contribution to economic growth.

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; 2007 was also concluded with revenue growth in the automotove industry. This is largely attributable to the high degree of innovative pressure and ever-increasing safety requirements in the automotive industry and to the further increase in the volumes and quality requirements of the electronic assemblies.

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 intensified commitment in all of these areas, Viscom is able to provide evidence of these qualities in direct comparisons, and thus reinforce its market position. However, due to delays in launching new products, a slight fall in revenue was recorded compared with last year despite a higher level of incoming orders.

In particular, Viscom was unable to increase its market share within Europe in 2007. The revenue of the previous year was not reached here. In Asia, on the other hand, the first fruits of the investment policy were seen and resulted in an increase in revenue.

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, target markets and target customers

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. In addition, an increasing number of customers are so-called electronic manufacturing services (EMS). These are companies that do not produce their 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. These assemblies often components for safety-relevant components (ABS, ESP, airbags etc.), are as a rule inspected by systems such as those offered by Viscom.

Due to rising technological demands and steadily falling prices, 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. In this area, it is more and more essential to prevent returns due to poor quality. Close, long-term customer contact forms the basis for comprehensive, individual service. The results of such cooperation are incorporated into the development of new system solutions and the refinement of already established ones. This allows Viscom to develop new solutions and thus open up future markets with a high degree of innovative strength and customer proximity.

Customer structure

Viscom generated approximately 53 % of its revenue with the global operations of the subsidiaries of Bosch and Continental with Siemens VDO. A further 25 % of the Company's revenue was generated from around 40 customers, each of whom purchased between one and five inspection systems in the year under review. Overall, 20 % of revenue was generated with approximately 90 customers, each of which ordered one inspection system as a rule. The remaining revenue, which relates to approximately 180 different customers, was largely generated from services for systems already installed at other customers' premises.

Market position

With its optical, X-ray and combined inspection systems, Viscom is particularly well represented in the production processes 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.

The starting position was and is for the Company especially advantageous, as it is committed to a comparatively small degree in particularly cyclical market segments (IT, telecoms) and to an especially high degree in relatively steadily growing market segments (automotives, industrial).

The model campaigns pursued by Viscom in 2005 (S6056 and S3088 systems), 2006 (S2088 and S3016 systems) and 2007 (X7056 and S3088II systems, MX products), which involved considerable technical and economic progress, resulted in previous years in expansion in its market position in Germany and Europe.

In contrast to most of its competitors, who have recorded in some cases substantial losses in recent years, Viscom's growth slowed down between 2001 and 2003 only to recover strongly in the following years. The slight fall in revenue in the 2007 financial year, which was also due to delays in launching new products, is compensated for by the much higher level of incoming orders. Further product developments, improvements in business processes, the adjustment of the sales organisation to reflect changes in conditions and a spatial expansion in production capacity allowed the Company in the past to participate in the cyclical upturn of its target segment to an above-average extent. The technological advantage achieved as a result of ongoing product innovation made a key contribution to this development. Only Viscom is able to offer inspection systems with such a thorough depth of inspection.

■ Research and development

The „Research and Development" Department is being integrated into the Core Technology business area with effect from 1 January 2008 in order to achieve a higher efficiency for development activities. The main development activity focus remains the 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. In 2007, for example, the 7056 system which integrates optical and X-ray inspection was developed. The newly acquired products of the MX family were further developed. Expenditure for research and development, including customer-specific development, amounts to approximately 10 % of revenue.

Results of Operations

Development of revenue

The Company recorded revenue of € 52.0 million in 2007 (previous year: € 53.3 million), representing a year-on-year decrease of 2.4 %. Despite a very good second half of the year, it was not possible to completely make up for the fall in revenue in the first half of the year. The first quarter saw relatively weak revenue of € 10.7 million (previous year: € 13.0 million). Revenue of € 8.4 million in the second quarter was also substantially lower than the previous year (€ 11.4 million). The turnaround occurred in the third quarter with € 14.4 million (previous year: € 13.6 million) and in the fourth quarter the best quarterly result in the company's history was achieved with € 18.5 million (previous year: € 15.3 million). The weaker revenues during the first half year resulted in a much more pronounced degree of seasonality than usual.

Net profit for the period

Net profit for the period declined from € 8.4 million in the previous year to € 3.6 million. This is due to both the low revenue and the high proportion of costs allocated to personnel and other costs. In addition, the strong euro led to a decrease in the average revenue margin.

The ratio of net profit before taxes was 10.6 % and was thus below the level of last year. Nevertheless, a direct comparison with the sector shows that this is still good.

Result per share

On the basis of the net profit for the period of € 3,559 thousand and a total of 9,020,000 shares, earnings per share for the 2007 financial year amounted to € 0.39 (diluted and undiluted). In the previous year, earnings per share amounted to € 0.93, calculated on the basis of 9,020,000 shares.

The Executive Board and the Supervisory Board propose a dividend of € 0.30 per share (representing a total distribution of € 2,706 thousand). This high dividend compared with the net profit for the period documents a striving for continuity as well as confidence in higher period results again in the future.

Operating profit

Operating profit decreased by 56.1 % to € 4.5 million (previous year: € 10.2 million). This decline was also the result, as already described under "Net profit for the period," of a higher cost structure, especially in terms of personnel, which in the 2006 and 2007 financial years had already been designed for considerably higher revenue in the future.

Financial result

The financial result improved to € 1,006 thousand (previous year: € 543 thousand) due to the Company's strong net asset position and the resulting interest effects. This means that net interest income almost doubled. At 22.6 % of operating profit, the financial result is substantially higher than last year.

Exchange rate result

In contrast to the previous year, the euro appreciated on average substantially against the most important trading currency, the US dollar, during the year under review. This change had a substantial effect on the Company's export business and led to a lower average revenue margin. Nevertheless, in 2007 only approximately 15 % of total revenue is subject to a direct exchange rate influence due to the USD hedge accounting during the year.

■ Incoming orders

At € 57.7 million, incoming orders increased year-on-year (2006: € 53.3 million). The Company's orders on hand at the end of 2007 equalled € 14.2 million (previous year: € 8.5 million), representing a guaranteed range of approximately three months.

■ Employees

The following table shows the number of Viscom employees at 31 December 2007. The total number of employees increased by 30 to 376 in the past financial year (previous year: 346). Viscom AG's headquarters in Hanover recorded the highest level of growth, with 21 additional employees. A further 13 employees are currently in training.

As of 31 December 2007	AG	USA	Asia	France	Total
Total	317	18	35	6	376
of which: full-time	305	18	35	4	362
of which: part-time	12	0	0	2	14
plus trainees	13	0	0	0	13

■ Regional developments

Germany

Revenue in Germany of € 18.7 million declined year-on-year by € 3.3 million (previous year: € 22.0 million). Nevertheless, incoming orders amounted to more than € 24.4 million, to offset the decline in revenue. Again in 2007, Viscom claims market leadership in Germany for the manufacture of systems for inspecting electronic assemblies.

The Company's market penetration is expanding to include small and medium-sized enterprises to a greater extent, and in particular contract manufacturers (subcontractors without their own products).

Europe

Revenue of € 15.0 million in the rest of Europe was almost the same as the previous year (€ 16.0 million). Incoming orders during the year were slightly in excess of sales.

The market with the highest revenue in the rest of Europe was Hungary with € 3.9 million, followed by the Czech Republic (€ 2.4 million) and France (€ 1.4 million).

In 2007 also, the strongest impetus was generated from the relocation and new construction of production capacity in Eastern Europe, leading to revenue in excess of € 6 million. The Company's existing relationships with the respective Western European parent companies, most of them domiciled in Germany, proved to be the key factor behind this success.

Americas

In America, Viscom could raise US dollar revenue slightly above the level of the previous year. Due to the weaker dollar and the higher translation factor associated with this, euro revenue amounted to € 8.0 million although this was € 0.6 million less than the previous year (€ 8.6 million). Revenue was increased in Mexico in particular. It amounted to € 3.3 million in 2007 (previous year: € 2.6 million). Revenue in the USA and Canada of € 4.7 million (previous year: € 6.0 million) did not meet our expectations.

Asia (incl. Australia)

In Asia, revenue during the year under review increased year-on-year by more than 50 %. It only includes direct deliveries by the parent company of € 10.3 million (previous year: € 6.7 million). The rate of increase is even higher if it is taken into account that a large part of the revenue was invoiced in US dollars. As forecast, the investments, especially in the new application centres in Asia, are starting to pay off.

■ Products/inspection systems

The inspection systems offered by the Company are based on digital image processing technology or "machine vision", as it is known within the sector. This interprets digitalised images using special software tools and algorithms and thus measures, checks and verifies the objects. 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 as a manufacturer of X-ray tubes and related control electronics.

Due to the acquisition of the MX product family from Phoseon Technology Inc. in Portland, USA, Viscom has also been able to supply inspection systems for manufacturers of semiconductor wafers and components since the 2007 financial year. This inspection technology is based on a highly intensive beam of infrared light and enables wafers, for example, to be inspected.

The products manufactured by the Company in 2007 were primarily optical inspection systems of the S6056 series, as well as S3088- and S3038 II-series models. The S3088 model had originally been designed with the Asian market in mind, but now also sells in significant quantities in Germany in its S3088AV variant.

Viscom has a comparatively wide product portfolio due to continuous product development. Many variants of the individual machine types can be manufactured due to their modular structure. This represents a distinct advantage for customers.

Cost-effective model variants such as the S3088 product family can frequently be offered as entry-level systems with the 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.

The continuous development of the models compensated for the falling prices. However, the weaker dollar and the lower margins in America and Asia associated with this were not fully compensated.

Viscom produces a wide range of models, some in comparatively small numbers. This is achieved through the use of standardised modules. The model variants come about through design revisions and adaptations to the respective area of use. Thus all systems are operated on the market exclusively with two application software packages (SI for component inspection and VMC for general inspection), which in turn are based on a single basic library.

In addition to the introduction of the S3088II system and the new development of the X7056, the aim of the investments in new products was development in the X-ray area (CT) and particularly customer-specific projects, primarily in the area of semiconductor inspection. The focus for 2008 is again on the furthered development of machines for the Asian market and primarily in the establishment of the new business area of infrared inspection.

Production performance for the period increased compared with previous years. The area of series production is being optimised continuously. Special production in 2007 was at capacity with the complete reconstruction of the newly developed X7056 in addition to normal production. By far the greatest investment in this respect was in terms of personnel. Continued development of the quality management system achieved steady quality improvement. Since January 2005, Viscom has been certified by the German Society for the Certification of Management Systems under DIN ISO 9000:2000.

Financial Position

In the 2007 financial year, Viscom provided the required liquidity entirely from its own funds. In addition, the subsidiaries required no additional loans from the parent company. A currency forward transaction took place during the past financial year in the form of an option for USD 1 million to reduce the exchange rate risk.

The Company's equity ratio was around 84 %. It will decrease slightly after the planned dividend distribution.

■ Cash and cash equivalents/cash flow

Cash as of 31 December 2007 amounted to € 27,726 thousand (previous year: € 40,144 thousand). It has thus decreased substantially year-on-year primarily due to the profit distribution, the increase in inventories and the financing of the acquisition of the MX product family.

The cash flow from:

• operating activities showed a negative balance of € 5.7 million which resulted primarily from the increase in inventories, receivables and other assets (€ -7.3 million).

• investing activity amounted to € -2.1 million; in addition to the acquisition of the MX product family, investment was mainly in operating and office equipment and in new software for corporate planning and control (ERP system).

• financing activity amounted to € -4.5 million taking into account the dividend payment.

A year-on-year comparison showed considerably more machines partially completed at the end of the year. The construction of further machines for the application centres and worldwide evaluation by customers continued in 2007 also, resulting in an increase in the portfolio of completed systems. The levels of the other inventories were also increased, due to the higher level of orders on hand, 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 loan liabilities to third parties outstanding.

Net Assets

Current liabilities decreased during the financial year due to the payment of income tax liabilities and in connection with lower shareholders' equity resulted in a balance sheet contraction. Total assets declined by 4.2 %, from € 76,315 thousand to € 73,128 thousand.

Net assets did not develop as positively as planned in the 2007 financial year. Receivables are slightly below the previous year, while inventories have grown substantially and cash in hand has declined substantially in contrast. Liabilities were settled with an early settlement discount within the agreed payment period.

■ Receivables

Trade receivables, € 16,783, including receivables from construction contracts remained approximately the same as last year (previous year: € 17,186 thousand). The key factor in the relatively high level of receivables is the very high revenue in December. The corresponding incoming payments will not be recorded until the first quarter of 2008. Doubtful receivables, which were written off in full, amounted to € 724 thousand. Of this figure, most had already been written down in the previous year.

■ Inventories

Inventories have noticeably increased year-on-year due among other things to delayed introduction of a new product as well as provision of additional demonstration machines for the new application centers.

At the end of the business year, the book value of inventories stood at €19,508 thousand (previous year: €12,997 thousand).

■ Liabilities

Trade payables fell to € 1,855 thousand (previous year: € 2,035 thousand). There are no liabilities to banks.

■ Shareholders' equity

Shareholders' equity fell by 1.7 %, from € 62,574 thousand in the previous year to € 61,499 thousand. This decrease is due to the fact that the net profit for 2007 is less than the dividend payment in 2007 for the 2006 financial year. The equity ratio of 84.1 % was slightly more than the previous year (82.0 %) due to the lower total assets.

■ Investments

Investments by the Company totalled € 3,693 thousand (previous year: € 1,269 thousand). Focal points of investment included the purchase of the MX product family and a new ERP system. In addition, investment activity included the equipping of new office premises for the Company's subsidiaries and creating new workplaces at the parent company. The majority of the investments was allocated to software (€ 145 thousand; previous year: € 147 thousand), advance payments for intangible assets (€ 319 thousand; previous year: € 0 thousand), operating and office equipment (€ 591 thousand; previous year: € 690 thousand) and patents and similar rights and assets (€ 2,288 thousand; previous year: € 0 thousand).

■ Rental and lease contracts

Almost all of the Group's property, plant and equipment and intangible assets were 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 2007, 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	**2007 K€**	**2006 K€**
Tier 1 liquidity (cash and cash equivalents less current liabilities)	16,626	26,403
Tier 2 liquidity (tier 1 liquidity plus receivables less noncurrent liabilities)	36,348	46,521
Tier 3 liquidity (tier 2 liquidity plus inventories)	55,856	59,518
Assets:		
Cash and cash equivalents	27,726	40,144
Receivables and other assets	20,251	20,118
	47,977	**60,262**
+ Inventories	19,508	12,997
	67,485	**73,259**
Liabilities:		
Current liabilities	11,100	13,741
Noncurrent liabilities	529	0
Cash Flow 1		
Net profit for the period after taxes	3,559	8,373
+ Depreciation and amortisation expense	937	790
	4,496	**9,163**
Return on equity		
Net profit for the period/shareholders' equity	5.8 %	13.4 %
Return on investment (ROI)		
Net profit for the period/total assets	4.9 %	11.0 %
Return on revenues		
EBT/revenue	10.6 %	20.2 %
Return on capital employed (ROCE)		
EBIT/(total assets - bank balances - current liabilities)	13.1 %	45.6 %
Net debt		
Liabilities (-)	-11,629	-13,741
+ Cash and cash equivalents	27,726	40,144
+ Receivables and other assets	20,251	20,118
= Net debt	36,348	46,521
Working capital		
Current assets - liabilities	55,856	59,518
Equity ratio		
Shareholders' equity/total assets	84.1 %	82.0 %

Report on Post-Balance Sheet Date Events

There were no significant events after the end of the 2007 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 risk management 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 and approach to the significant risk positions are clarified on the basis of corresponding evaluations and reports. 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.

Sector risk

More than three-quarters of Viscom's customer base is in the automotive sector. Due to the Company's specialisation with regard to printed circuit board inspection for automotive suppliers, it could be exposed to a heightened risk in the event of a long-term slump in this market. However, the proportion of electronics in an automobile grows independently of economic cycles within the automotive industry. Therefore Viscom is able to gain orders in phases of decline as well.

■ Customer risk

Viscom generated approximately 53 % of its revenue with the global operations of the subsidiaries of Bosch and Continental with Siemens VDO. Each operation of these conglomerates is free to make its own investment decisions. Nonetheless the high revenue with these three major customers can present a certain risk.

■ Foreign currency risk

Exchange rates with the euro were 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 were effected in tranches during periods of positive development in order to ensure that potential exchange rate losses are minimised. Any remaining risk was covered during the year using currency forwards.

■ Procurement risk

Procurement of components and services from third-party suppliers is subject to the risk of changes in prices and delivery schedules. Corresponding purchasing negotiations have succeeded in ensuring that acquisition prices have largely remained stable 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 a limited extent. In the period under review, there were occasional major supply bottlenecks for parts and components which the Company was able to limit by using alternative suppliers and increasing minimum inventory levels. For 2008, a similar picture is expected with a further economic revival and increasing demand from strong growth markets such as China and India, although it is possible that higher prices will also have to be accepted.

■ Liquidity risk

The initial public offering in 2006 achieved a substantial improvement of the liquidity situation. No borrowing will be required to finance the expenditure planned up to now for 2008.

■ 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 credit standing. This means that the default risk 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 the respective 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. However, as Viscom's systems are based on similar construction principles to those of its US competitors, for example, this means that there is a certain risk of possible patent infringement. Corresponding provisions to protect against this risk have been recognised in the consolidated financial statements.

■ Competitive risk/competitive advantage

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 has been able to increase market share substantially. This competitive advantage will continue to have a significant bearing on Viscom‘s market strategy in future.

■ Significant events in the past financial year

The Company was not involved in any significant legal proceedings as of 31 December 2007.

In the period from 2004 to 2006, a provision in the amount of € 1,100 thousand was recognised for a potential patent risk in the USA. As this risk continued to exist in 2007, an additional provision of € 160 thousand was recognised in 2007 for machine sales.

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.

With effect from 23 August 2007, Viscom AG acquired from Phoseon Technology Inc. in Portland, USA, the MX product family for the inspection of semiconductor products.

Forecast 2007/2008

Economic conditions

Global economic conditions can be regarded as positive, despite the existence of certain risk factors. Propensity to invest is high in many newly industrialising economies, particularly in Asia. Increasing 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 significant changes in the significant political risk factors in recent years. The crisis regions in the Middle East are of minimal significance to Viscom. However, the possibility of regulatory measures and currency fluctuations in particular is more relevant. The company has succeeded in largely offsetting these influences, including the current substantial weakness of the dollar, during the past few years, meaning that they are not expected to constitute a significant risk factor in future.

Business policy

The core focus of the Viscom strategy is:

- extensive innovative strength
- technological leadership
- technology partnerships with key customers

With the company objectives derived from this focus, the 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 depth, thus allowing the other objectives to be achieved.

Based on this strategic focus, Viscom is continuing to expand its presence in its key regions with the aim of optimising direct customer access.

Markets

According to all forecasts, growth in Asia will continue to strengthen, particularly in the electronics industry. The European market on the other hand is assessed as consolidated. 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. Yet 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. In USA and Canada the market will tend to stagnate. However, steady growth opportunities are expected in Central and South America.

We continue to expect strong growth in Asia. This will take place in Korea, Taiwan and above all China, where considerable investments are being made. Viscom's substantially strengthened activities in this market for the last six months approximately will result in higher revenue in 2008 than was the case in 2007.

Company segments

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

Following the integration of the series products from the XP (X-Ray Products) business area into the SP (Series Products) business area at the end of 2005, this segmentation is reflected more tangibly 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 major revenue drivers.

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. They are the innovation drivers which generate expandable key revenue drivers as part of product development and market penetration. On this basis, 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. non-destructive testing. The XP business area will also focus on CT (computed tomography).

From 1 January 2008 there has been a new business area, IP (products for wafer inspection). This business area will develop and expand with corresponding expertise the MX product family acquired from Phoseon Technology Inc. With the inspection systems marketed in this respect Viscom will tap into a new group of customers. Infrared inspection technology will form a further pillar of strong growth alongside optical and X-ray inspection systems.

Products and services

One consequential project for the year 2008 is introduction of the X7056 for the optical/X-ray technology inspection of printed circuit boards. X-ray systems such as the X8060 will make an increased contribution to business success through higher piece counts.

The XP business area will develop further in the direction of three-dimensional inspections (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.

A great deal is also expected from the new IP (products for wafer inspection) business area. The first major revenue is expected to be generated in 2008.

Production/production processes

As part of the continuous improvement of the Company's workflows, processes are being further standardised and rationalised. The objective is to secure efficient production whilst maintaining the same high level of product quality.

■ Procurement

The established procurement structures are well proven. Viscom will continue to cooperate with reliable partners supplying goods and services and to expand the procurement structure internationally.

■ Results of operations

Viscom expects a greater market volume in 2008 than in 2007. Through the application of state-of-the-art product technologies and the customer orientation of the Company's overall alignment, it also expects a substantial increase in revenue in 2008 with corresponding positive effect on results of operations.

■ Financial position

The Company's financial situation is expected to remain stable. It is not planned to take up loans in 2008. 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. These relate to the further development of products, the expansion of its regional presence and the strengthening of its organisational structure. These investments will be financed primarily from own funds. Other financing models are used where third-party funding is more economically viable. This currently applies 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 as a general rule 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 office operates as a legally dependent sales office for the sale of Viscom's inspection systems.

Report on Additional Disclosure Requirements for Listed Companies

Viscom AG completed its initial public offering in May 2006, 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).

Viscom AG, represented by the Executive Board, is authorised in the period until 14 December 2008 to acquire own shares up to a total of 10 % of the current share capital. The shares acquired based on this authorisation, together with shares held by Viscom AG or to be assigned in accordance with sections 71a ff. of the German Stock Corporation Act, may at no point exceed 10 % of the Company's current share capital.

Hanover, 22 February 2008

Dr. Martin Heuser Volker Pape Ulrich Mohr

IFRS Consolidated Financial Statements 2007

Consolidated Income Statement

Item	Consolidated income statement	31.12.2007 K€	31.12.2006 K€
G1	Revenue	51,986	53,307
G2	Other operating income	1,195	536
		53,181	**53,843**
G3	Changes in finished goods and work in progress	4,187	4,126
G4	Cost of materials	-22,107	-21,536
G5	Staff costs	-18,772	-15,979
G6	Depreciation and amortisation expense	-937	-790
G7	Other operating expenses	-11,070	-9,445
	Total operating expenses	**-48,699**	**-43,624**
	Operating profit	**4,482**	**10,219**
G8	Interest income	1,039	1,008
G8	Interest expense	-33	-465
G9	Taxes on income	-1,929	-2,389
	Net profit for the period	**3,559**	**8,373**
P9–12	**Earnings per share (diluted and undiluted) in €**	**0.39**	**0.93**

Consolidated Balance Sheet: Assets

Item	Assets	31.12.2007 K€	31.12.2006 K€
	Current assets		
A1	Cash and cash equivalents	27,726	40,144
A2	Trade receivables	16,783	17,186
A3	Current income tax assets	2,709	2,412
A4	Inventories	19,508	12,997
A5	Other financial receivables	315	315
A5	Other assets	444	205
	Total current assets	**67,485**	**73,259**
	Noncurrent assets		
A6	Property, plant and equipment	2,182	2,142
A7	Goodwill	15	0
A8	Intangible assets	2,725	139
A9	Loans originated by the Company	98	91
A10	Deferred tax assets	623	684
	Total noncurrent assets	**5,643**	**3,056**
	Total assets	**73,128**	**76,315**

Balance Sheet: Liabilities and Shareholders' Equity

Item	Liabilities and shareholders' equity	31.12.2007 K€	31.12.2006 K€
	Current liabilities		
P1	Short-term loans and current portion of long-term loans	0	0
P2	Trade payables	1,855	2,035
P3	Payables to affiliated companies	28	0
P4	Advanced payments received	718	0
P5	Provisions	3,384	3,240
P6	Current income tax liabilities	312	4,376
P7	Other financial liabilities	2,625	1,907
P7	Other current liabilities	2,178	2,049
	Total current liabilities	**11,100**	**13,607**
	Noncurrent liabilities		
P8	Noncurrent provisions	159	134
P8	Other noncurrent liabilities	370	0
	Total noncurrent liabilities	**529**	**134**
	Shareholders' equity		
P9	Subscribed capital	9,020	9,020
P10	Capital reserves	42,170	42,082
P11	Retained earnings	10,527	11,478
P12	Exchange rate differences	-218	-6
	Total shareholders' equity	**61,499**	**62,574**
	Total liabilities and shareholders' equity	**73,128**	**76,315**

Cash Flow Statement

Item		31.12.2007 K€	31.12.2006 K€
	Cash flow from operating activities		
	Net profit for the period after interest and taxes	3,559	8,373
G10	Adjustment of net profit for income tax expense (+)	1,929	2,389
G9	Adjustment of net profit for interest expense (+)	33	465
G9	Adjustment of net profit for interest income (-)	-1,039	-1,008
A1 to A2	Adjustment of net profit for depreciation and amortisation expense (+)	937	790
P8 to P9	Increase (+) / decrease (-) in provisions	137	-292
A1 to A2	Gains (-) / losses (+) on the disposal of noncurrent assets	-46	0
A5 to A7 and A9	Increase (-) / decrease (+) in inventories, receivables and other assets	-7,295	-8,714
P6 and P10 to P13	Increase (+) / decrease (-) in liabilities	-1,212	-682
G10	Income taxes paid (-)	-2,653	-6,038
	Net cash used in/from operating activities	**-5,650**	**-4,717**
	Cash flow from investing activities		
	Proceeds (+) from the disposal of noncurrent assets	125	50
A1 to A2	Acquisition (-) of property, plant and equipment and noncurrent intangible assets	-1,339	-1,269
G9	Interest received (+)	1,002	920
See other disclosures	Payments from acquisition of a business area (-)	-1,895	0
	Net cash used in investing activities	**-2,107**	**-299**
	Cash flow from financing activities		
	Proceeds (+) from issue of shares	0	42,550
	Costs of initial public offering (-)	0	-1,299
P1 to P4	Dividend distribution (-)	-4,510	-8,527
	Payment from deferred receivables to capital reserve (+)	88	1,792
P5	Repayment (-) of loans	0	-49
G9	Interest paid (-)	-33	-427
	Cash flow from financing activities	**-4,455**	**34,040**
	Changes in cash and cash equivalents due to changes in interest rates	-206	-166
	Cash and cash equivalents		
	Changes in cash and cash equivalents	-12,212	29,024
	Cash and cash equivalents at 1 January 2006/2007	40,144	11,286
	Total cash and cash equivalents	**27,726**	**40,144**

Statement of Changes in Shareholders' Equity

Shareholders' equity	Sub-scribed capital K€	Capital reserves K€	Exchange differences K€	Retained earnings K€	Total K€
Shareholders' equity at 1 Jan. 2006	**67**	**7,913**	**174**	**12,177**	**20,331**
Exchange rate differences	0	0	-180	0	-180
New transaction costs for new shares less tax benefits	0	-1,299	0	0	-1,299
Net profit for the period	0	0	0	8,373	8,373
Total income and total expenses	0	-1,299	0	8,373	7,074
Dividends	0	0	0	-9,072	-9,072
Capital increase from company funds	6,653	-6,653	0	0	0
Payment from deferred receivables to capital reserves	0	1,871	0	0	1,871
Capital increase from issue of shares	2,300	40,250	0	0	42,550
Shareholders' equity at 31 Dec. 2006	**9,020**	**42,082**	**-6**	**11,478**	**62,574**
Shareholders' equity at 1 Jan. 2007	**9,020**	**42,082**	**-6**	**11,478**	**62,574**
Exchange rate differences	0	0	-212	0	-212
Net profit for the period	0	0	0	3,559	3,559
Total income and expenses	0	0	0	3,559	3,559
Dividends	0	0	0	-4,510	-4,510
Payment from deferred receivables to capital reserve	0	88	0	0	88
Shareholders' equity at 31 Dec. 2007	**9,020**	**42,170**	**-218**	**10,527**	**61,499**

Notes to the Consolidated Financial Statements

■ General disclosures on the Company and the consolidated financial statements

Fundamental accounting principles

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

These consolidated financial statements were approved on 6 March 2008 by the Executive Board for presentation to the Supervisory Board.

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.

Declaration of compliance

The present financial statements for the 2007 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 2007). Viscom does not apply any standards and interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) whose application was not yet compulsory for financial years starting on 1 January 2007. The Group is currently investigating the effects of the future application of the new 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). The consolidated financial statements are prepared on the basis of amortised historical cost.

The income statement was 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. Pursuant to IAS 1, assets and liabilities carried on the balance sheet are classified as either current or noncurrent. Current assets or liabilities are those designated for disposal/redemption within a one-year time horizon.

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. With trade receivables, the default risk is estimated using the respective level of knowledge, delinquency in particular. The inventories are subject to assumptions regarding the depreciation parameters, for example, the scope and measurement of the degree of completion. With provisions, especially provisions for warranty and repair expenses, variations from the actual expenses subsequently paid for warranty and repair expenses may occur as the provisions are based on reliable past information. With provisions for patent risks, the possible risk of damage must be assessed. 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 2007. 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 were included in the IFRS consolidated financial statements.

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, which is 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.

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

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
Viscom Machine Vision Trading Co. Ltd.	Shanghai, China	100 %	2007

Viscom Machine Vision Trading Co. Ltd., Shanghai, was founded during the financial year as a subsidiary of Viscom Machine Vision Pte. Ltd., Singapore and was pre-consolidated with it for inclusion in the IFRS consolidated financial statements.

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 or ends. 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. The shareholders' equity of the subsidiaries is translated at historic rates.

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

Translation differences from foreign-currency transactions are recognised in profit or loss under "Other operating income" or "Other operating expenses" 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, 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.

As the Group operates internationally, it is subject to market risks arising from changes in exchange rates. In the 2007 financial year, the Group employed one derivative financial instrument for reducing these risks. Derivative financial instruments are recognised at fair value. At the reporting date of 31 December 2007, the Company had no derivative financial instruments.

Research and development costs

In accordance with IAS 38, research costs may not 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 sufficiently certain 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. These 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 (between three and twelve years). Amortisation periods and methods are reviewed on an annual basis at the end of each financial year. The amortisation of intangible assets is reported under depreciation and amortisation in the income statement.

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

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

Impairment of 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. 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.

With regard to the capitalised goodwill, an annual assessment must be carried out to determine whether impairment has occurred. The assessment as to whether impairment has taken place is undertaken on the basis of the expected cash flows.

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 nominal 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.

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 and 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.

If the outcome of a manufacturing contract cannot be reliably estimated, revenue is only recognised to the extent of the contract costs incurred that are likely to be recoverable. Contract costs are recognised as an expense in the period 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.

<u>Taxes</u>

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. These are based on the statutory regulations valid or adopted at the reporting 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 tax benefit 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.

<u>Shareholders' equity</u>

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.

<u>Provisions</u>

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.

<u>Liabilities</u>

Liabilities are carried at their settlement amount. Foreign-currency items are translated at the middle rate prevailing at the reporting date. Liabilities with a remaining term of more than a year are discounted.

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

As Viscom is internationally active, the Company is subject to market risks arising from changes in interest rates and exchange rates.

In the 2007 financial year, Viscom employed one derivative financial instrument for the purposes of protection against these risks (currency forwards).

The significant risks for Viscom's financial instruments were the default risk, the interest rate risk and the 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 risk processes are summarised in the following section.

<u>Default risk</u>

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 also means that the default risk associated with sales must be 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.

<u>Interest rate risk</u>

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.

<u>Liquidity risk</u>

Viscom is committed to ensuring that it has sufficient cash and cash equivalents or irrevocable credit facilities at its disposal to meet its obligations for the next three years as set out in its strategic plan. Viscom had not utilised any of the credit facilities extended to it at the reporting date. On this date, all of the Company's cash and cash equivalents were held in current bank clearing accounts and as cash in hand.

<u>Exchange rate risk</u>

As Viscom operates internationally, the Group is also exposed to exchange risk risks. Around 15 % of the consolidated revenue is exposed to an exchange rate risk in the parent company. Around 2 % of the parent company's revenue is 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.

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 2007.

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 also 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 Group will only take into account the following adopted financial reporting standards and interpretations of the IFRIC when it is obligatory to do so:

IAS 1 Presentation of Financial Statements basically contains changes to the presentation of shareholders' equity and the definition of components of the consolidated financial statements. The revised standard is to be applied for financial years beginning on or after 1 January 2009. The standard had previously not been incorporated by the EU into European law. The changes to IAS 1 are not expected to have a material effect on the consolidated financial statements.

IAS 23 Borrowing Costs were changed/revised. The fundamental change concerns the abolition of the option to recognise the borrowing costs directly as expenses which can be assigned directly to the acquisition or manufacture of so-called qualified assets. Accordingly, companies have an obligation to capitalise such borrowing costs at cost. The standard is to be applied for the first time to borrowing costs for qualified assets, the capitalisation of which begins on or after 1 January 2009. IAS 23 had previously not been incorporated by the EU into European law. The changes contained in IAS 23 are not expected to have a material effect on the Viscom Group.

IFRS 8 Segment Reporting contains new regulations for the reporting by a company of its reportable segments. Accordingly, the segment reporting must be in line with the so-called "management approach".

The standard is to be applied for financial years beginning on or after 1 January 2009. The application of this standard for the first time is not expected to have a material effect on Viscom's consolidated financial statements.

IFRIC 11 Intercompany Transactions and Transactions with Own Shares in Accordance with IFRS 2 governs how IFRS 2 is to be applied to share-based payment agreements, which are included within the Group as the Company's own shares or as shareholders' equity instruments of another company. The interpretation is to be applied for financial years beginning on or after 1 March 2007. The application of IFRIC 11 will not have any effect on Viscom's consolidated financial statements as there are no share-based payment plans in the Group.

IFRIC 12 Service Concession Agreements governs the reporting of agreements in which a government or other public institution as licensors promise to supply contracts for the provision of public funds to private companies as licensees. For the fulfilment of its tasks the private company uses infrastructure which remains in public control. The private company is responsible for the construction, operation and maintenance measures with regard to the infrastructure. The regulations of IFRIC 12 are to be applied for financial years beginning on or after 1 January 2008. The interpretation had not yet been incorporated into European law. The application of IFRIC 12 for the first time is not expected to have a material effect on Viscom's consolidated financial statements.

IFRIC 13 Customer Loyalty Programmes governs the reporting of customer loyalty programmes operated by the manufacturers or service providers themselves or by third parties. IFRIC 13 is to be applied for financial years beginning on or after 1 July 2008. The interpretation had not yet been incorporated by the EU into European law. The application of IFRIC 13 for the first time is not expected to have a material effect on Viscom's consolidated financial statements.

IFRIC 14 – The Limitation of a Defined Benefit Asset, Minimum Financing Regulations and their Interaction provides indications to determine the limit of the excess of a pension fund, which can be carried as a defined benefit asset in accordance with IAS 19. In addition, it explains how statutory or contractual minimum financing regulations effect the assets or liabilities of a plan. In accordance with IFRIC 14, the employer has no further obligation unless the contributions to be paid in accordance with the minimum financing regulations cannot be paid back to the company. IFRIC 14 is to be applied for financial years beginning on or after 1 January 2008. The interpretation had not yet been incorporated by the EU into European law. The application of IFRIC 14 for the first time is not expected to have a material effect on the consolidated financial statements.

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	2007 K€	2006 K€
Delivery of machines	44,412	46,031
Services/replacement parts	6,055	6,540
Rentals	1,519	736
Total	**51,986**	**53,307**

• (G2) Other operating income

Other operating income (€ 1,195 thousand; previous year: € 536 thousand) is composed of the following items:

Breakdown of other operating income	2007 K€	2006 K€
Non-monetary remuneration	277	241
Income from sales of assets	99	32
Income from receivables previously written off	158	65
Insurance recoveries	24	45
Income from exchange rate differences	332	85
Miscellaneous other operating income	305	68
Total	**1,195**	**536**

• (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:

Cost of materials	2007 K€	2006 K€
Materials including incidental costs of acquisition	21,661	21,237
Purchased services	446	299
Total	**22,107**	**21,536**

In addition a value adjustment for materials, which is higher than the previous year by € 1,252 thousand (previous year: reversal of a write-down € 54 thousand) recognised at fair value, less costs to sell, this item contains a write-down for lease and demonstration models which is an increase of € 684 thousand (previous year: € 643 thousand).

• (G5) Staff costs

Staff costs comprise salaries and employer social security contributions:

Staff costs	2007 K€	2006 K€
Wages and salaries, incl. bonuses and management bonuses	16,009	13,525
Social security contributions	2,763	2,454
Total	**18,772**	**15,979**
Number of employees (average for the year)	364	317
Number of trainees (average for the year)	14	15
Total	**378**	**332**

In the period under review, payments for contribution-defined pension plans totalling € 1,350 thousand (previous year: € 1,200 thousand) were made.

• (G6) Depreciation and amortisation expense

Information on depreciation and amortisation expense can be found in the explanatory notes to A6 and A7 in the balance sheet assets.

• (G7) Other operating expenses

Other operating expenses can be broken down as follows:

Other operating expenses	2007 K€	2006 K€
Selling expenses	3,009	2,863
Travel expenses	2,576	2,100
Warranty/repair expenses	-16	-613
Rents/leases	1,558	1,287
Administrative expenses/ overheads etc.	2,690	2,252
Outgoing shipments	734	859
Expenses due to exchange rate differences	408	442
Losses on receivables	111	255
Total	**11,070**	**9,445**

Selling expenses increased by € 146 thousand as against the previous year; this was due to a rise in commission payments to agents, amongst 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 rented properties, higher maintenance expenses and recruitment costs, among other things.

• (G8) Financial result

Net interest income consists of the total of the interest paid and received. The interest from the reduced amount of cash deposited of just over € 1 million almost the same as the previous year (€ 1 million). However, interest expense was € 432 thousand less than the previous year, resulting in the financial result in 2007 almost doubling.

• (G9) Taxes on income

Taxes on income for the financial years ending 31 December 2007 and 2006 contain the following income and expense items:

Taxes on income	2007 K€	2006 K€
Taxes on income for the past financial year	1,868	2,502
Deferred taxes from the accrual and reversal of temporary differences	61	-113
Income tax expense reported in the consolidated income statement	**1,929**	**2,389**

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 2007 and 2006 financial years.

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

Reconciliation of income tax expense	**2007** **K€**	**2006** **K€**
Consolidated net profit before taxes	5,488	10,762
Expected tax expense (average tax rate for 2007: 38.2 %; previous year: 39.7 %)	2,096	4,273
Tax expense for prior periods	-37	-163
Differences to foreign tax rates	-62	-70
Non-deductible expenses	21	78
Effect of securities lending	0	-1,728
Effect of changes in tax rates	80	0
Effect of imputable foreign withholding tax	-111	0
Other	-58	-1
Current tax expense 35.1 % (previous year: 22.2 %)	**1,929**	**2,389**

Deferred tax liabilities	**Consolidated balance sheet**		**Consolidated income statement**	
	2007	**2006**	**2007**	**2006**
	K€	**K€**	**K€**	**K€**
Intangible fixed assets	27	0	-27	5
Measurement of property, plant and equipment	30	0	-30	0
Construction contract receivables	131	38	-93	150
Measurement of trade receivables	0	11	11	25
Measurement of provisions	2	12	10	29
Consolidation entries recognised in income	0	0	0	3
	190	**61**	**-129**	**212**

Deferred tax assets	**Consolidated balance sheet**		**Consolidated income statement**	
	2007	**2006**	**2007**	**2006**
	K€	**K€**	**K€**	**K€**
Goodwill	26	0	26	0
Measurement of property, plant and equipment	0	39	-39	22
Inventories	48	20	28	-112
Measurement of provisions	596	577	19	-18
Deferred taxes from elimination of intercompany profits	31	0	31	0
Currency translation gains/losses	112	108	4	9
Other receivables and assets	0	1	-1	0
	813	**745**	**68**	**-99**
Total	**623**	**684**	**-61**	**113**

The calculation of the deferred taxes took into account the changes in tax rates in Germany which are to be applied from the 2008 assessment year. This resulted in the tax rate for the temporary differences being reversed in the future being adjusted from 40.14 % to 32.0 %.

Viscom did not have any tax loss carryforwards in 2007. The distribution of dividends to shareholders did not affect income taxes at the level of Viscom AG.

Notes to the Balance Sheet (Assets)

Notes to the Balance Sheet

• (A1) Total cash and cash equivalents
Cash and cash equivalents consist of cash in hand and bank balances totalling € 27,726 thousand (previous year: € 40,144 thousand). This relates to items with a maturity of less than three months at the end of the year.

• (A2) 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 other receivables and assets constitute a reasonable approximation of their fair value.

Doubtful receivables, which were written off in full, amounted to € 724 thousand (previous year: € 914 thousand). Write-downs recognised in income decreased by € 190 thousand in the 2007 financial year. In 2007, customers generally met their payment obligations within the agreed period.

Construction contracts
Changes in the gross amount due from customers from contract work.

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.

Amount due from customers for contract work	**2007 K€**	**2006 K€**
Contract revenue recognised in the period under review	313	277
Contract costs	216	139
plus profits recognised to date	161	138
less progress billings	0	181
Total due from customers for contract work	**258**	**96**

• (A3) Current income tax assets

The largest component of current income tax assets is a claim for corporate and trade tax reimbursement by Viscom AG in the amount of € 2.8 million due to an excessive prepayment.

• (A4) 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). An increase in inventories was implemented 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.

Compared with the previous year, the impairments of inventories, required in the reported period in addition in accordance with IAS 2, were recognised as expenses and amounted to € 1.9 million.

Inventories	**2007 K€**	**2006 K€**
Raw materials and supplies	5,596	4,176
Assemblies and partially completed systems	8,475	5,610
Completed systems	5,437	3,211
Total	**19,508**	**12,997**

• (A5) Other receivables and assets

Other receivables and assets	**2007 K€**	**2006 K€**
Security deposits for leases	132	110
Creditors with debit balances	34	48
Advance payments	149	157
Subtotal of other financial receivables	**315**	**315**
Deductible input tax (Spain)	24	27
Other receivables	240	73
Miscellaneous assets	180	105
Subtotal of other assets	**444**	**205**
Total	**759**	**520**

These items relate to current assets.

• (A6–A8) Property, plant and equipment/ intangible assets

The acquisition of the MX product family represents the major proportion in terms of additions of intangible assets.

Intangible assets	**Patents and similar rights and assets** K€	**Software** K€	**Goodwill** K€	**Advanced payments for intangible assets** K€	**Total intangible assets** K€
Net carrying amount as of 1 Jan. 2007	**0**	**139**	**0**	**0**	**139**
Additions	0	125	0	319	444
Additions through business combinations	2,288	20	15	0	2,323
Depreciation/amortisation for the current year	77	89	0	0	166
Net carrying amount as of 31 Dec. 2007	**2,211**	**195**	**15**	**319**	**2,740**
1 Jan. 2007					
Cost	0	804	0	0	804
Accumulated depreciation/amortisation	0	665	0	0	665
Net carrying amount	**0**	**139**	**0**	**0**	**139**
31 Dec. 2007					
Cost	2,288	949	15	319	3,571
Accumulated depreciation/amortisation	77	754	0	0	831
Net carrying amount	**2,211**	**195**	**15**	**319**	**2,740**

Property, plant and equipment	Lease-hold improve-ments K€	Technical equipment and machi-nery K€	Operating and office equipment K€	Vehicles K€	Total property, plant and equipment K€	Total property, plant and equipment K€
Net carrying amount as of 1 Jan. 2007	**646**	**321**	**902**	**273**	**2,142**	**2.281**
Additions	134	63	591	107	895	1,339
Additions through business combinations	0	28	3	0	31	2,354
Disposals	0	0	16	381	397	397
Depreciation/amortisation of disposals	0	0	-12	-306	-318	-318
Depreciation/amortisation for the current year	152	95	433	91	771	937
Exchange differences	-19	0	-9	-8	-36	-36
Net carrying amount as of 31 Dec. 2007	**609**	**317**	**1,050**	**206**	**2,182**	**4,922**
1 Jan. 2007						
Cost	1,101	786	2,315	890	5,092	5,896
Accumulated depreciation/amortisation	455	465	1,413	617	2,950	3,615
Net carrying amount	**646**	**321**	**902**	**273**	**2,142**	**2,281**
31 Dec. 2007						
Cost	1,225	877	2,754	606	5,462	9,033
Accumulated depreciation/amortisation	616	560	1,704	400	3,280	4,111
Net carrying amount	**609**	**317**	**1,050**	**206**	**2,182**	**4,922**

	Intangible assets	Property, plant and equipment					Property, plant & equipm. & intangible assets
	Software	Leasehold improvements	Tech. equipm. & machinery	Operating & office equipm.	Vehicles	Total property, plant & equipm.	Total prop., plant & equipment & intangible assets
	K€	K€	K€	K€	K€	K€	K€
Net carrying amount as of 1 Jan. 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 Dec. 2006	**139**	**646**	**321**	**902**	**273**	**2.142**	**2.281**
1 Jan. 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 Dec. 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**

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
Patents	12
Expertise/customer base	3–5

The remaining useful life of important immaterial assets (patents) is 11.75 years.

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. Total research and development costs for the 2007 financial year amounted to approximately € 5.1 million (previous year: around € 4.8 million).

(A7) Goodwill

Goodwill of € 15 thousand is derived as residual from the purchase of the MX product family and is connected with the market access to semiconductor inspection.

(A9) 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 € 98 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.

(A10) 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 Shareholders’ Equity and Liabilities

Notes to the Shareholders‘ Equity and Liabilities

(P1) Current financial liabilities

The Company did not have any current or noncurrent overdraft facilities or loans at the end of 2007.

(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. Early settlement discounts are applied wherever possible. All of the Company’s trade payables are short-term in nature.

(P3) Payables to affiliated companies

These current liabilities at the end of the year were to HPC Vermögensverwaltung GmbH with respect to still to be paid rental and lease amounts.

(P4) Advanced payments received

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

(P5) 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. The provisions for warranty and repair expenses have changed only slightly year-on-year. In addition, provisions of € 160 thousand have been recognised for patent and litigation risks in the USA. This secures the risk 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 other provisions	1 Jan. 2007 K€	Additions K€	Utilisation K€	31 Dec. 2007 K€
Provisions for warranty and repair expenses	2,140	1,068	1,084	2,124
Provisions for litigation risks	1,100	160	0	1,260
Total	**3,240**	**1,228**	**1,084**	**3,384**

(P6) 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.

(P7) Other liabilities

Other current liabilities are composed of the following items:

Other current liabilities	2007 K€	2006 K€
Management bonuses, incentives, one-time payments	291	452
Commission payments to agents	828	858
Supervisory Board	45	45
Social security	267	113
Revenue-dependent purchase price component from the acquisition of the MX product family	322	0
Outstanding purchase invoices	872	439
Subtotal of financial liabilities	**2,625**	**1,907**
Taxes	505	591
Holiday, overtime	976	789
Miscellaneous	697	669
Subtotal of other current liabilities	**2,178**	**2,049**
Total	**4,803**	**3,956**

(P8) Noncurrent provisions and other liabilities

The noncurrent provisions and other liabilities contain anniversary provisions in the amount of € 159 thousand (previous year: € 134 thousand) and the noncurrent revenue-dependent purchase price component from the acquisition of the MX product family in the amount of € 370 thousand (previous year: € 0 thousand).

(P9 to P12) Shareholders' equity and reserves

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

The Company's shareholders' equity is used for controlling liquidity and primarily for financing the higher working capital. The working capital has risen steadily in the last few years, as there has been an increased financial requirement due to the Company's growth strategy of developing new products and opening up new markets. Financial resources not required are currently invested in risk-free funds.

The value of the working capital is calculated from the total of current assets less liabilities. This produces a year-on-year decline in working capital of € 3,662 thousand to € 55,856 thousand.

Some shareholders were granted a deferral of payments to capital reserves. The loans extended to those shareholders (€ 87 thousand; previous year: € 174 thousand) are offset against the respective capital reserves, and are expected to be repaid by 2010 at the latest. 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 Mr. 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 thousand 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 2007 financial year, a dividend in the amount of € 4,510 thousand (previous year: € 9,072 thousand) was distributed to shareholders.

The Executive Board proposes that a dividend be distributed in the amount of € 2,706 thousand (previous year: € 4,510 thousand) and that the remaining unappropriated surplus be carried forward to new account. This results in a proposed dividend of € 0.30 per share.

The diluted and basic earnings per share is determined by dividing the consolidated net profit for the period by the number of outstanding shares.

HPC Vermögensverwaltung GmbH holds an interest of 54.3 % in Viscom AG. HPC Vermögensverwaltung GmbH is thus both an affiliated company and the parent company of Viscom AG.

Segment Information

Disclosure's on the Group's geographical segments by sales market	Europe		Asia		America		Consolidation		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	K€	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**	**K€**
External revenue	33,737	38,044	10,280	6,675	7,969	8,589	0	0	51,986	53,307
Segment result	3,587	8,637	511	775	384	807	0	0	4,482	10,219
plus financial result	0	0	0	0	0	0	0	0	1,006	543
less income taxes	0	0	0	0	0	0	0	0	-1,929	-2,389
Consolidated net profit									**3,559**	**8,373**
Segment assets	68,013	71,890	5,727	4,090	3,102	2,920	-4,435	-3,360	72,407	75,540
plus financial assets	0	0	0	0	0	0	0	0	98	91
plus deferred taxes and current income tax assets	0	0	0	0	0	0	0	0	623	684
Total assets									**73,128**	**76,315**
Segment liabilities	10,594	8,856	3,086	1,821	2,443	2,546	-4,806	-3,858	11,317	9,365
plus deferred taxes and tax provisions	0	0	0	0	0	0	0	0	312	4,376
Total liabilities									**11,629**	**13,741**
Investments	3,377	875	104	43	212	351	0	0	3,693	1,269
Depreciation/amortisation	762	711	70	44	105	35	0	0	937	790

The geographical segments are the Group's primary segment reporting format, as its risks and rates of return are influenced in particular 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 business segments	Optical and X-ray series inspection systems		Special optical inspection systems		Special X-ray inspection systems		Other areas		Total	
	2007 K€	2006 K€	2007 K€	2006 K€	2007 K€	2006 K€	2007 K€	2006 K€	2007 K€	2006 K€
External sales	39,598	42,213	7,722	6,924	4,666	4,170	0	0	51,986	53,307
Segment assets	52,585	59,818	10,755	9,812	6,499	5,910	2,568	0	72,407	75,540
Investments	1,020	1,005	199	165	120	99	2,354	0	3,693	1,269

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 original equipment manufacturers. Other areas shows the investment from the acquisition of the MX product family from Phoseon Technology Inc.

Other Disclosures

Related party disclosures

There were no receivables from or liabilities to members of the Supervisory Board as of 31 December 2007.

The total remuneration paid to the Executive Board for the past financial year in the amount of € 683 thousand is broken down between the three members as follows:

Executive Board	Fixed Earnings* K€	Var. Earnings** K€	Total Earnings K€	Total 2006 K€
Dr. Engr. Martin Heuser	182	56	238	235
Volker Pape Dipl., Engr.	186	56	242	237
Ulrich Mohr Dipl., Bus. Engr.	163	40	203	205
Total	**531**	**152**	**683**	**677**

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

The slight change in the total remuneration compared with the previous year is the result of a recalculation of the cash value benefits. There was no increase in remuneration to the Executive Board.

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 (previous year: € 45 thousand) and a variable component. The amount to be paid will be resolved by the Annual General Meeting on the past financial year.

Related parties

Executive Board:

- Dr. Martin Heuser
- Volker Pape
- Ulrich Mohr

Supervisory Board

Dr. Jürgen Knorr	Chairman Chairman of the Supervisory Board, SIC Processing AG, Hirschau
Hans E. Damisch	Deputy Chairman Former Spokesman of the Executive Board, “Beteiligungsgesellschaft für die deutsche Wirtschaft mbH“, Frankfurt am Main Deputy Chairman of the Supervisory Board, TechniData AG, Markdorf 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 am Main
Prof. Dr. Claus-Eberhard Liedtke	

The members of the Supervisory Board Dr. Knorr (540 shares) and Prof. Dr. Liedtke (1,621 shares) hold a total of 2,161 shares in Viscom AG.

If the agreements mentioned in these financial statements are concluded with related parties, this is noted in the corresponding sections (see the following under rental and lease contracts).

Rental agreements

There are rental agreements for seven 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. The rented properties in Hanover, the USA, France and Singapore are also leased from third parties.

Last year's rental obligations are unchanged in terms of amount.

Agreements with third parties					
Agreements with remaining terms of	Office	Start of lease	Lease term	Net rent, monthly (€)	Net rent, annual (€)
one year or less	Singapore	1 Dec. 2005	3 years	3,725	44,700
	Shanghai	15 Oct. 2006	2 years	6,328	75,936
	Hanover CBS 7	1 Jan. 2005	3 months	1,576	18,912
between one and five years	Shenzhen	1 Sept. 2007	3 years	795	9,540
	Singapore	1 Jan. 2008	1.5 years	2,998	35,976
	Munich	15 Mar. 2007	3 years	1,455	17,460
	San Jose	1 Dec. 2006	40 months	3,579	42,947
	Atlanta	1 Oct. 2006	5.5 years	6,079	72,947
	France	1 Sept. 2004	6 years	1,630	19,560
Total rental obligations with a remaining lease term of one year or less					**307,413**
Total rental obligations with a remaining lease term of between one and five years					**323,616**
Total rental obligations with a remaining lease term of more than five years					**0**

Agreements with related parties					
Agreements with remaining terms of	Office	Start of lease	Lease term	Net rent, monthly (€)	Net rent, annual (€)
between one and five years	CBS 9*	1 Jan. 2001	10 years	5,000	60,000
	CBS 11*	1 Aug. 2001	10 years	22,500	270,000
	CBS 13**	1 Jan. 2001	10 years	6,500	78,000
	CBS 15**	1 Jan. 2001	10 years	9,250	111,000
more than five years	CBS 10***	15 Nov. 2005	10 years	15,000	180,000
	CBS 10a***	15 Nov. 2005	10 years	15,000	180,000
	CBS 6*	1 Dec. 2007	10 years	2,000	24,000
Total rental obligations with a remaining lease term of one year or less					**903,000**
Total rental obligations with a remaining lease term of between one and five years					**2,731,500**
Total rental obligations with a remaining lease term of more than five years					**1,138,000**

Loan agreements

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

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 disclosures regarding financial instruments

The financial instruments in the period under review were as follows:

	2007 K€	2006 K€
Loans and receivables	17,196	17,592
Liabilities at amortised cost	4,508	3,942

The carrying amounts of both financial instruments equal the fair value.

Rental and lease obligations for company cars	2007 K€	2006 K€
Total	**720**	**535**
of which to HPC Vermögensverwaltung GmbH (related party)	181	141
within one year of the reporting date	**281**	**231**
of which to HPC Vermögensverwaltung GmbH (related party)	73	80
within more than one year but less than five years of the reporting date	**439**	**304**
of which to HPC Vermögensverwaltung GmbH (related party)	108	61
within more than five years of the reporting date	**0**	**0**

Other financial obligations

Purchase commitments for capital expenditure amounted to around € 4 thousand as of 31 December 2007.

Use of derivative financial instruments

In the 2007 financial year, one derivatives financial instrument (currency forwards) was concluded for USD 1 million maturing in November for the purpose of protecting against exchange rate risk.

Receivables in the 2007 financial year include overdue receivables of € 4,2 million which have not been written down.

Write-downs for overdue receivables in the 2007 financial year were implemented in the amount of € 174 thousand (previous year: € 333 thousand). Interest on receivables and liabilities were neither capitalised nor carried as a liability. There were payments of € 158 thousand (previous year: € 65 thousand) for receivables written off.

Acquisitions in the 2007 financial year

By agreement dated 23 August 2007, Viscom AG acquired from Phoseon Technology Inc. in Portland, USA, the MX product family for the inspection of semiconductor products. The MX product family comprises inspection systems for the high-quality inspection of semiconductors using infrared light sources. These light sources generate a highly efficient infrared light in a narrow spectrum which is especially compatible to applications in semiconductor inspection for which silicon must be beamed through. These applications include the inspection of microsystems, transmitted light inspections of wafer bonds, SOI and flip chip inspections and applications in the field of photovoltaics. With this acquisition, Viscom obtains exclusive access to this technology in the field of short-wave infrared light sources for inspection applications.

In addition to parts and components for the manufacture of inspection systems and the accompanying operating and office equipment, also acquired in particular were patents and patent applications, licensed patents and expertise. The fair value of the acquired identifiable assets and liabilities were as follows at the time of acquisition:

Fair value of the identifiable assets and liabilities	K€
Rights and patents	2,076
Customer base	90
Expertise	121
Goodwill	15
Plant, property and equipment and software	51
Current assets	89
Option / reimbursement light sources	208
Warranties	-15
Total cost	**2,635**

Goodwill of € 15 thousand is derived as residual from the purchase of the MX product family and is connected with the market access to semiconductor inspection it allows.

The disclosures in accordance with IFRS 3.67 and IFRS 3.70 with regard to the disclosure of the carrying amounts prior to purchase price allocation, revenue and profit and losses prior to the time of acquisition can only be made in respect to the property, plant and equipment (€ 51 thousand) and inventories (€ 89 thousand) as this is the only data the seller has provided to us.

This purchase price allocation is still provisional as the accuracy of the underlying data is still uncertain.

The costs including probable revenue-based purchase price components amounts to € 2.6 million. Total payments of € 1,895 thousand were made in the 2007 financial year, which comprised a fixed purchase price payment to the seller in the amount of € 1,832 thousand, legal and travel expenses (€ 36 thousand) and advance payments (€ 27 thousand).

In 2007, the MX product family had yet to make a contribution to revenue or income. The first incoming order was recorded in December 2007. In addition to depreciation and amortisation in the amount of € 87 thousand, current expenses for the 2007 financial year include in particular personnel costs of around € 40 thousand.

Events after the balance sheet date

No significant events occurred after the end of the 2007 financial year.

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 2008, and have made this declaration permanently available to shareholders on the Internet.

Auditors' fees

The total fees paid to the auditors of the 2007 consolidated financial statements and recognised as an expense can be broken down as follows:

Total auditors' fees	**2007 K€**	**2006 K€**
Audit of the accounts	60	60
Other assurance and valuation services	28	134
Tax advisory services	0	0
Other services rendered to the parent company or its subsidiaries	0	0
Total	**88**	**194**

The fees for other confirmation and valuation services are basically in connection with the audit review of quarterly reports (previous year: in connection with the IPO).

Hanover, 22 February 2008

Dr. Martin Heuser   Volker Pape   Ulrich Mohr

Auditor‵s Certificate 2007

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 2007 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, 2007. 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."

Hanover, 29 February 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Roter	Büchsenschütz
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Corporate Governance Report 2007

The Executive Board and the Supervisory Board of Viscom AG feel bound by the principles of sound corporate governance. We perceive corporate governance as one decisive element of the modern capital market. Viscom AG thus welcomes the German Corporate Governance Code which represents key legal requirements for managing and monitoring German listed companies, supplemented by internationally recognised standards for sound and responsible company management. This promotes investor confidence, openness in managing and monitoring German listed companies. Viscom AG orientates itself to these expectations. Through our corporate governance, we ensure responsible management directed toward transparency and value creation.

Declaration of Compliance

In line with Section 161 of the German Stock Corporation Act, the executive and supervisory boards of a listed corporation are required to declare annually that 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 Gazette, were and will be complied with or state which recommendations were not or will not be applied. The declaration is to be made accessible to shareholders on an ongoing basis. Companies may deviate from the recommendations of the Code, but are then required to publish these annually. This allows companies to consider requirements specific to a sector or company. The Code thus provides flexibility and self-regulation in respect to corporate governance in Germany.

The Executive Board and the Supervisory Board of Viscom AG submitted the annual Declaration of Compliance as required by Section 161 of the German Stock Corporation Act on 14 February 2008 – and also made it publicly accessible on an ongoing basis on the website of 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 as of 12 June 2006 and from 14 June 2007 were and will be complied with, with the following exceptions explained in this report. The Executive Board and the Supervisory Board of Viscom AG also intend to observe these recommendations in the future.

The deviations from the recommendations of the Code as noted in the Declaration of Compliance are itemised as follows:

- The company has concluded a liability insurance (D&O-insurance) without a deductible for the Executive Board and the Supervisory Board (Code Section 3.8)
- The company has no Chairman or Speaker for the Executive Board (Code Section 4.2.1)
- The Supervisory Board has not formed any committees (Code Section 5.3)
- Articles of Association of the company make no provision for age limits for members of the Executive Board or the Supervisory Board (Code Sections 5.1.2, 5.4.1)

In addition to the recommendations, the Code also contains non-binding proposals, which can be deviated from without being disclosed. However, in a Corporate Governance report, these proposals may also be commented upon (Code Section 3.10).

Viscom AG voluntarily complies with the proposals of the Code with the following exceptions:

- Due to its size, the company plans no direct transmission of the Shareholders' Meeting via the Internet or other media (Code Section 2.3.4)
- The Supervisory Board members do not retire from the Supervisory Board at different dates, instead the term of office of the current members of the Supervisory Board end uniformly with the conclusion of the Shareholders' Meeting discharging the members of the Supervisory Board for the 2008 financial year (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 grants one vote (one share, one vote). The Shareholders' Meeting elects the Supervisory Board members and resolves on the discharge of the Executive and Supervisory Boards. It resolves on the appropriation of net profit, capital measures and company contracts and also upon Supervisory Board remuneration, as well as changes to the Articles of Association of the company. Each year, a Shareholders' Meeting takes place, during which the Executive Board and Supervisory Boards render account of the past financial year. In special circumstances, the German Stock Corporation Act provides for convening an extraordinary Shareholders' Meeting.

In order to facilitate exercising shareholders' rights in compliance with the provisions of the Code, the company offers shareholders – who do not wish to or are unable to exercise the voting right themselves – the right to vote at the Shareholders' Meeting via a proxy bound by their instructions.

However, contrary to the proposal of the Code, the company plans no direct transmission of the Shareholders' Meeting via the Internet or other media. This is because the proposal in Section 2.3.4 of the Code is not aligned to companies of our size. A direct transmission is inappropriate in view of the work and expenditure required.

However, for interested shareholders, the company will make the presentation of the Executive Board report pertaining to the past financial year as well as the results of the resolutions available on the Internet.

Executive Board

The Executive Board of Viscom AG currently consists of three members: Electrical Engineering graduate Dr. Martin Heuser (Technology and Production), Electrical Engineering graduate Volker Pape (Sales and Internationalisation) and Business Engineering graduate Ulrich Mohr (Finances, Personnel and Controlling).

The management of the company is the responsibility of the Executive Board. The primary tasks of the Executive Board are determining the strategic alignment, company management, planning as well as establishing and monitoring a risk management system. All members of the Executive Board are involved in the day-to-day running of the company and bear responsibility for operations. Contrary to the proposals of the Code (Section 4.2.1), the company has no Chairman or Executive Board Speaker. This is partly based on history. Executive Board members Dr. Martin Heuser and Volker Pape co-founded the company in 1986 and have always made decisions jointly. In this case, the Executive Board and the Supervisory Board are of the opinion that a Chairman or Speaker is not required in an Executive Board of three members. Furthermore, the law regulating stock companies assumes the collegiality principle, i.e. a collegial and not a hierarchal board. Since the company was founded, a strong consensus principle has applied for the Executive Board (previously the management). All major decisions are always made jointly by the entire Executive Board.

In accordance with the company's Articles of Association, the Supervisory Board has resolved standing rules for the Executive Board. The Articles of Association, in line with the provisions of the Code (Section 5.1.1), also provide that specific material transactions of the Executive Board are subject to the Supervisory Board's approval. During their activity, members of the Executive Board are subject to a comprehensive restraint on competition. They are bound to the interests of the company. Therefore, no member of the Executive Board may allow personal interests to affect their decisions or make use of business opportunities – to which the company is entitled – for their own benefit. Any possible conflicts of interest are to be disclosed promptly to the Supervisory Board and other members of the Executive Board are also to be informed. All transactions between the company and the Executive Board members, as well as related parties, must be in line with standards that are customary within the sector.

In addition, Executive Board members require the Supervisory Board's consent to take on sideline activities, particularly the assumption of mandates in other companies.

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

- Martin Heuser: 255,000 shares held directly; Mr. Heuser also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,894,391 Viscom AG shares.

- Volker Pape: 255,000 shares held directly; Mr. Pape also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,894,391 Viscom AG shares.

- Ulrich Mohr: 60,000 shares

The company has concluded a liability insurance for the Executive and Supervisory Boards (so-called D&O insurance) without a deductible. Deductibles within the context of D&O insurance remain a matter of dispute 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 are of the opinion that deductibles in the context of D&O insurance are not adequate to raise further the level of motivation and sense of responsibility for members of these bodies. For this reason, there is no deductible in the context of D&O insurance.

Contrary to the proposals of the Code (Section 5.1.2), the Articles of Association do not specify an age limit for Executive Board members. This is not an issue given the age structure of the current Executive Board members. Furthermore, there is general doubt about a connection between performance and certain age limits. Ultimately, an age limit would significantly restrict the selection of suitable persons. A stipulation in the Articles of Association has not yet been considered necessary.

Supervisory Board

The Supervisory Board of Viscom AG consists of three members. The company has no co-determination. The Supervisory Board monitors and advises the Executive Board on company management. It is also responsible for the appointment of Executive Board members, the determination of their remuneration and examination of the company's annual financial statements.

The Articles of Association of the company provide that the Supervisory Board may form committees from its members. There are currently no committees. In the view of the Supervisory Board, forming a committee is not advisable given the specific conditions of the company. This is because the purpose of forming a committee – i.e. increasing the efficiency of the decision-making process – would not be achieved with a committee of only three members. Hence, the Supervisory Board has also not formed an Audit Committee as proposed by the Code (Section 5.3.2).

Since 14 June 2007, the Code (Section 5.3.3) recommends forming a Nomination Committee consisting solely of shareholders and that the Supervisory Board proposes suitable candidates for nomination at the Shareholders' Meeting. As the Supervisory Board consists of only three persons, there is no need to form a Nomination Committee that also has to be made up of at least three persons.

The terms of office of the all the current Supervisory Board members expire with the conclusion of the Shareholders' Meeting discharging them from office for the 2008 financial year. Contrary to the proposals of the Code (Section 5.4.6), the members of the Supervisory Board do not leave the Supervisory Board on different dates. In the interest of effectively coordinating corporate supervision, the company deems a uniform term of office for all members appropriate.

Work within the Supervisory Board is coordinated by the Supervisory Board Chairman or, in case of his impairment, by a Deputy Chairman. Tasks and rules of procedures including the authorities of the Supervisory Board Chairman and his deputy, rules pertaining to conflicts of interest and an efficiency examination are stipulated in the standing rules governing the Supervisory Board, to be resolved in line with the Articles of Association.

The members of the Supervisory Board are independent from the management and maintain no business relationships with the company which could influence their independent formation of opinion. Consultancy, service or work contracts between Supervisory Board members and the company have not existed and do not exist. Supervisory Board's approval must be sought in cases of exception where a member of the Supervisory Board wishes to be active for the company outside his Supervisory Board function. In its report at the Shareholders' Meeting, the Supervisory Board provides information about any conflicts of interest that occurred in the respective financial year.

The members of the Supervisory Board currently hold shares in the company as follows:

- Prof. Dr. Claus-Eberhard Liedtke: 1,621 shares

- Dr. Jürgen Knorr: 540 shares

The Articles of Association do not provide for an age limit for Supervisory Board members.

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

Cooperation between Executive Board and Supervisory Board

In line with sound and responsible corporate governance, the Executive Board and the Supervisory Board of Viscom AG work consistently and very closely together. They coordinate in the areas recommended by the Code, but also adjust them regularly and on a timely basis. The Executive Board reports on general situation of the company including its risk position to the Supervisory Board in scheduled monthly meetings. Detailed information concerning Supervisory Board activity is given in the "Report of the Supervisory Board".

Executive Board members normally attend the quarterly meetings of the Supervisory Board. In exceptional cases, the Supervisory Board meets alone, in line with the proposals of the Code. Extraordinary meetings and telephone conferences take place as required.

Remuneration

Remuneration of Executive Board Members

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 remains constant over a period of several years.

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

Currently, the performance-related remuneration of the Executive Board members Dr. Martin Heuser and Volker Pape is 10 % of annual profits of Viscom AG (after taxes), up to a maximum of a third of the fixed salary (without fringe benefits). The variable compensation of Executive Board member Ulrich Mohr is 3 % of consolidated net profits of Viscom AG (pre-tax), up to a maximum of € 40,000. This is payable upon the approval of the annual financial statements. There is no share option programme at Viscom AG for management and employees.

Remuneration of the members of the Executive Board in the 2007 financial year is as follows:

Executive Board	**Fixed Earnings* K€**	**Variable Earnings** K€**	**Total Earnings K€**
Dr. Engr. Martin Heuser (Technology and Production)	182	56	238
Volker Pape Dipl., Engr. (Sales and Internationalisation)	186	56	242
Ulrich Mohr Dipl., Bus. Engr. (Finances, Personnel and Controlling)	163	40	203
Total	**531**	**152**	**683**

* incl. non-fringe benefit (vehicles), ** max.

Remuneration of Supervisory Board Members

For every full financial year as a member of the Supervisory Board, Supervisory Board members receive a fixed and a variable remuneration as a total amount for all members, determined at the Shareholders' Meeting of the concluded financial year, as proposed by the Executive and the Supervisory Boards.

The Supervisory Board then internally apportions the appropriate sum as determined at the Shareholders' Meeting to the individual members. The function as Chairman and Deputy Chairman of the Supervisory Board is taken into consideration here. However, the appropriation lies with the Supervisory Board itself. In the 2006 financial year, the Supervisory Board Chairman received double the basic remuneration and the Deputy Chairman one and a half times the basic remuneration.

The remuneration of the Supervisory Board members for 2006 financial year including the variable component is as follows:

Supervisory Board	Total amount (fix) in K€
Dr. Jürgen Knorr	32
Hans E. Damisch	24
Prof. Dr. Claus-Eberhard Liedtke	16
Total	**72**

The remuneration of the Supervisory Board for the past financial year is determined at the 2008 Shareholders' Meeting.

Transparency

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

Viscom AG regularly reports to shareholders, financial analysts, shareholder associations, the media and interested public on the situation of the company as well as key corporate changes. All new information is made promptly available to financial analysts, institutional investors, all shareholders and interested members of the public. Viscom deploys the Internet and other means of communication to ensure information is provided on a timely basis.

An overview of all key information throughout the financial year is published on our website under www.viscom.com.

• **Ad-hoc Publicity.** When events which may significantly influence the share price occur outside regular reporting by Viscom AG, they are announced via ad-hoc notifications. Viscom AG ad-hoc notifications are available to shareholders on the company website under "Investor Relations/News/Ad-hoc Notices".

• **Notices Concerning** Voting Rights. In line with Section 21 of the Securities Trading Act, when the company becomes aware that an entity acquires, exceeds or falls under 3 %, 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % or 75 % of the voting rights in the company by means of a purchase, disposal or in any other fashion, this fact will also be promptly disclosed via a European-wide information system as well as on our website.

• **Directors' Dealings.** Executive Board and Supervisory Board members of Viscom AG and certain executives who have regular access to insider information and are authorised to make major company decisions (including related parties as defined by the Securities Trading Act), are required to notify their securities transactions in line with Section 15a of the Securities Trading Act. Any such transactions will be published as soon as the company is informed via a European-wide information system as well as on our website under "Investor Relations/News/Directors Dealings".

• **Financial Calendar.** We inform our shareholders and the capital market in advance regarding the dates of key publications (e.g. annual report, interim reports or Shareholders' Meeting) via our financial calendar printed in the annual and interim reports and accessible on our website on an ongoing basis.

Accounting and Annual Audit

Viscom AG prepares its financial statements in line with International Financial Reporting Standards (IFRS). Shareholders and interested parties are informed of the general situation of the company via the annual and quarterly reports. All reports are simultaneously accessible on our website for all interested parties.
It was agreed that the auditors would promptly inform the Supervisory Board Chairman of any disqualifying reasons or conflicts of interest that arise during the audit, if these are not resolved immediately.

The auditors shall also promptly report all key findings and occurrences significant to the tasks of the Supervisory Board as they occur during the audit. Furthermore, the auditors must inform the Supervisory Board and report in the audit report if facts are determined in the course of the audit which are not compatible with the Declaration of Compliance as published by the Executive Board and the Supervisory Board in line with Section 161 of the German Stock Corporation Act.

As of: 14 February 2008

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for group interim financial reporting, the Group consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Dr. Martin Heuser Volker Pape Ulrich Mohr

Financial Calendar

- 27 March 2008 .... Presentation of the 2007 Annual Report — Hanover
  Press briefing on annual results
- 28 March 2008 .... Analyst and Investor Conference — Frankfurt
- 15 May 2008 .... Presentation of the First-Quarter Report — Hanover
  Telephone conference
- 12 June 2008 .... Annual General Meeting — Hanover
- 13 August 2008 .... Presentation of the Second-Quarter Report — Hanover
  Telephone conference
- 12 November 2008 .... Presentation of the Third-Quarter Report — Hanover
  Telephone conference

Imprint

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VISCOM
vision technology

Multiyear Report

Viscom AG five-year report		2007	2006	2005	2004	2003
Profit and Loss						
Revenue	K€	51,986	53,307	50,483	43,096	29,187
EBIT	K€	4,482	10,219	11,483	8,762	2,286
EBT	K€	5,488	10,762	11,675	8,815	2,229
Income taxes	K€	-1,929	-2,389	-4,208	-4,100	-646
Annual profit	K€	3,559	8,373	7,467	4,715	1,582
Balance						
Assets						
Non-current assets	K€	5,643	3,056	2,776	2,466	2,198
Current assets	K€	67,485	73,259	33,967	25,222	14,416
Total assets	K€	73,128	76,315	36,743	27,688	16,614
Liabilities						
Share capital	K€	61,499	62,574	20,331	14,616	10,189
Non-current liabilities	K€	529	0	273	2,476	1,993
Current liabilities	K€	11,100	13,741	16,139	10,596	4,432
Total capital	K€	73,128	76,315	36,743	27,688	16,614
Cashflow statement						
CF from current business	K€	-5,650	-4,717	10,132	4,834	4,429
CF from investment	K€	-2,107	-299	-981	-434	-405
CF from financing	K€	-4,455	34,040	-3,414	-905	-1,873
End of period capital	K€	27,726	40,144	11,286	5,319	1,911
Personnel						
Employees at year-end		376	346	266	229	189
Investment						
Tangible and intangible assets (paid)		3,234	1.269	1.038	585	479
Shares						
Shares		9,020,000	9,020,000	67,200	67,200	67,200
Dividend	K€	2,706	4,510	9,072	2,285	591
Dividend per share	€	0,30	0.50	135.00	34.00	8.79
Shareholder capital per share	€	6.82	6.94	302.54	217.50	151.62
Key figures						
EBIT margin	%	8.6	19.2	22.8	20.3	7.8
Equity return	%	5.8	13.4	36.7	32.3	15.5

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