VISCOM
vision technology

ANNUAL REPORT 2010

COMPETENCE. INNOVATION. MOTIVATION. TECHNOLOGY. WORLDWIDE.

CONTENTS

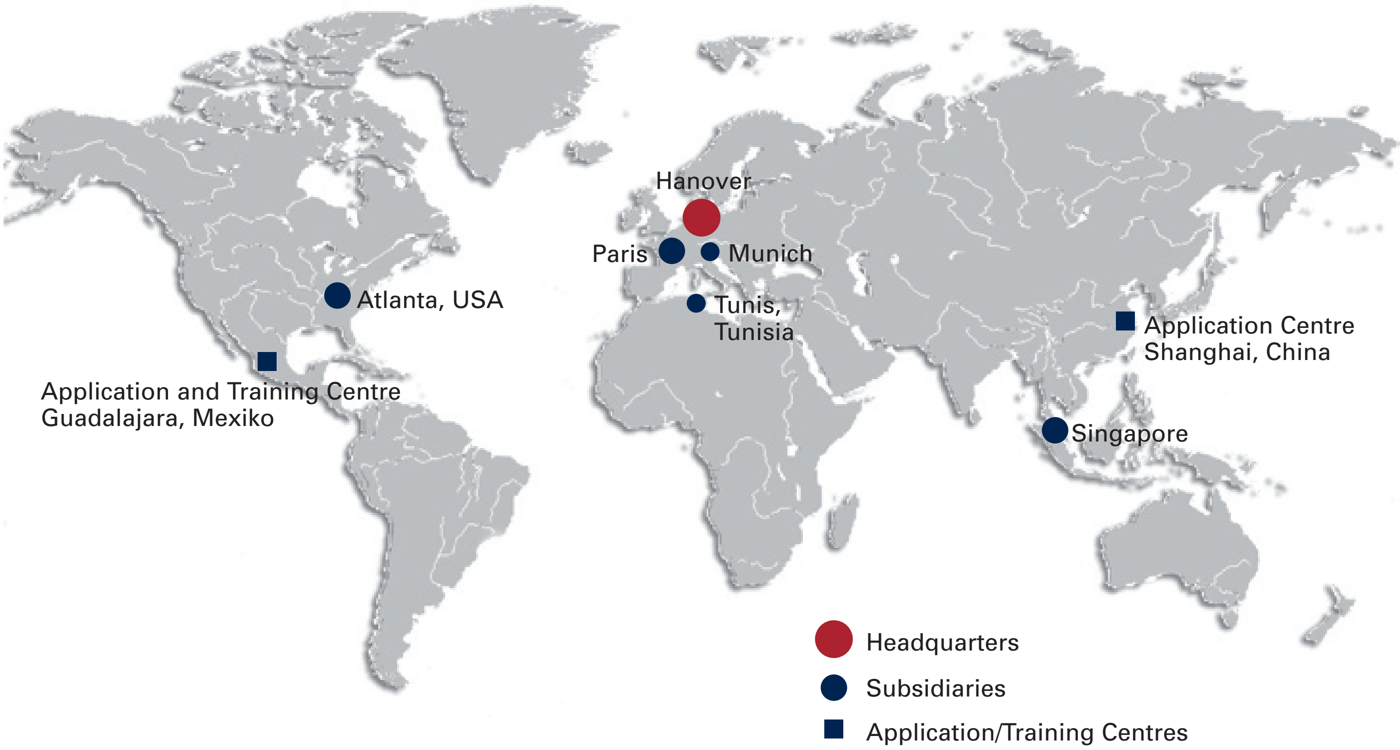
ANNUAL REPORT 2010

MULTIYEAR REPORT

VISCOM AG FIVE-YEAR REPORT

		2010	2009	2008	2007	2006
Income statement						
Revenue	K€	40,024	20,874	49,915	51,986	53,307
EBIT	K€	7,132	-13,893	-1,586	4,482	10,219
EBT	K€	7,475	-13,275	-1,272	5,488	10,762
Income taxes	K€	3,048	-442	-435	-1,929	-2,389
Net profit for the period	K€	10,523	-13,717	-1,707	3,559	8,373
Balance						
Assets						
Current assets	K€	11,073	5,005	5,612	5,643	3,056
Non-current assets	K€	51,120	43,113	59,407	67,485	73,259
Total assets	K€	62,193	48,118	65,019	73,128	76,315
Liabilities						
Shareholders‘ Equity	K€	53,662	42,842	56,677	61,499	62,574
Current liabilities	K€	299	231	533	529	0
Non-current liabilities	K€	8,232	5,045	7,809	11,100	13,741
Total liabilities and shareholders‘ equity	K€	62,193	48,118	65,019	73,128	76,315
Cashflow statement						
CF from operating activities	K€	4,686	1,757	2,007	-5,650	-4,717
CF from investing activities	K€	-4,394	-2,635	-328	-2,107	-299
CF from financing activities	K€	-6	-26	-3,274	-4,455	34,040
End of period capital	K€	25,905	25,322	26,254	27,726	40,144
Personnel						
Employees at year-end		264	273	412	376	346
Investment						
Tangible and intangible assets (paid)	K€	449	186	937	3,234	1,269
Shares						
Shares		9,020,000	9,020,000	9,020,000	9,020,000	9,020,000
Dividend	K€	0	0	0	2,706	4,510
Dividend per share	€	0.00	0.00	0.00	0.30	0.50
Shareholder capital per share	€	5.95	4.75	6.28	6.82	6.94
Key figures						
EBIT margin	%	17.8	-66.6	-3.2	8.6	19.2
Equity return	%	19.6	-32.0	-3.0	5.8	13.4

WORLDWIDE LOCATIONS



Viscom is represented by subsidiaries, application centres and service centres around the world.
A close network of representatives is also available to serve our clients.

FOCUS ON VISCOM

IMPRESSIVE EXPERTISE

We are continuously pooling our activities with a view to strengthening our core competence: Industrial image processing on the basis of optical and X-ray technology inspection systems. Internationally, Viscom is very high up in the rankings of manufacturers of high-quality inspection systems for automatic optical inspection (AOI) and X-ray inspection (AXI). We are the European market leader in automatic optical inspection of electronic components.

CLOSE TO THE MARKET

From automotive electronics, aviation and aerospace engineering to industrial and consumer electronics: Viscom inspection systems are indispensable throughout almost the entire electronics industry. We are continuously opening up new possibilities for application, keeping right up to speed with quality requirements in the high-end segment.

STRONG STRATEGIES

We generate product innovations – and constantly new applications for tried-and-tested technologies – by combining intensive research and development cycles with efficient project management. In all these activities, we feel it is crucial for us to remain user-focused, close to the customer and to the market. Our success proves us right in this.

This success is built on our employees' high levels of qualification and creativity. As an employer that moves with the times, with flat hierarchies and a corporate culture that emphasises openness, we are able to build upon our employees' strong sense of identification with our company.

FOCUSING ON OUR OBJECTIVES

Growth from technologies: For more than 25 years, Viscom has been impressing the industry with winning innovations. Our clear objective remains the continued expansion of our competitive position and a sustained and sustainable increase in the value of our company.

FOREWORD FROM THE EXECUTIVE BOARD

Dear Ladies and Gentlemen,

We can look back on an emphatically successful year. We have experienced a turnaround, the global economic crisis has been overcome – things have proceeded much better than it seemed they would at the beginning of the year just gone. We can now announce with pride: The 2010 financial year has exceeded our expectations, which were optimistic to start with. Compared to the previous year (€ 20.9 million), we were able in 2010 to almost double our revenue, which amounted in total to approximately € 40 million, with EBIT of € 7.1 million (previous year: € -13.9 million).

The saying according to which every crisis is also an opportunity has been characteristic of our development over the past year. Key elements of our corporate policies are consistent consolidation and efficient organisation, customer focus, and, last but not least, innovative research and development that stays close to the market and that has remained at the heart of our activities even through difficult economic periods. Thanks to our technological leadership, Viscom products are at the top of their class around the world. A broad, intricate network in Europe, Asia and America makes an indispensable contribution to this success. We have remained an independent organisation, with our roots in our head office in Hanover, Germany.

We have experienced record months in terms of incoming orders, and are heading into the new year with orders amounting to around € 13.5 million on our books. Those books are full, production and commissioning have plenty to do, our machinery is running at full speed. In other words, our capacities are currently full for three months in advance.

Volker Pape, Dr. Martin Heuser
Executive Board

We are tackling our satisfyingly full order books with our core of permanent employees, boosted by temporary loan workers. Outsourcing stages in module manufacturing to suppliers is making us significantly more flexible and helping us to optimise production workflows without compromising on quality.

Willingness to invest in Viscom AG's principal sales markets, particularly in the automotive supply industry, has increased notably again in the past business year, giving the positive development of our incoming orders an additional boost.

We are present all over the world with subsidiaries and application centres; in the course of evaluations, we have presented our technologically outstanding inspection systems to customers, above all key ones, at their locations. This method has shown considerable success, above all in Asia, where revenue has grown more than fivefold in contrast to the comparable period in the previous year.

We are also pleased to be able to report high demand for the technologically leading high-end inspection system X7056, which combines optical inspection with X-ray inspection technology and whose high testing depth and speed offer substantial benefits for the inspection of electronic components.

Organisational efficiency and lean structures create security for us and open up new opportunities for growth. We currently expect to achieve revenue of € 45 to 47 million and an EBIT margin of 10 to 13 % in the 2011 financial year. These are ambitious goals: We have no doubt, however, that our ever stronger market impact, our product portfolio with its focus on our core competence, our satisfied customers and our highly motivated employees will all play their part this year in ensuring that we achieve them.

This foreword would not be complete without a mention of changes at the head of the company: On 31 December 2010, our CFO, Mr. Ulrich Mohr, left Viscom AG in order to take up new career challenges. His exemplary commitment and his expertise have always played a significant part in our company's success. We would like to extend our thanks to him. Mr. Dirk Schwingel, who has been Director of Finance, Accounting and Controlling since 1 July 2010, will continue to pursue the tasks in this area with his customary commitment and knowledge.

We would like to thank you very much for your trust in us and assure you that we will continue to drive our company's business success.

The Executive Board

Dr. Martin Heuser   Volker Pape

REPORT OF THE SUPERVISORY BOARD

In financial year 2010, the management and staff of Viscom AG faced the challenge of achieving a turnaround after revenue had fallen sharply in the previous financial year. Thanks to restructuring measures that were introduced or implemented by the Executive Board in 2009 along with higher revenues, this goal was successfully achieved. In the following, the Supervisory Board reports on its activities in the past 2010 financial year – its meetings and discussions compliance with the Corporate Governance Code, the audit of the Viscom AG and Group financial statements and changes in the composition of the Company's Executive Board.

MONITORING MANAGEMENT

In the financial year 2010, the Supervisory Board carried out duties and obligations required by law and its Articles of Association. Activities of both the Executive Board and Supervisory Board focused on dealing with the effects of the economic crisis and returning the Company to its former growth path. The Supervisory Board actively accompanied the above activities with advice to and discussions with the Executive Board. It constantly monitored management on the basis of written and verbal Executive Board reports and joint meetings. The Supervisory Board carefully examined transactions requiring its approval and discussed each of them with the Executive Board.

STRUCTURE OF THE SUPERVISORY BOARD

The Supervisory Board of the Group consists of three members who are elected at the Annual General Meeting without it being bound by any proposals for suitable candidates, in compliance with Section 11, Paragraph 1 of the Articles of Association in conjunction with Section 95, Sentences 1 to 4, Section 96 Paragraph 1, Section 101 Paragraph 1 of the German Stock Corporation Act (AktG). In the 2010 financial year, the three members of

Bernd Hackmann
Chairman of the Supervisory Board

the Supervisory Board of Viscom AG were Mr. Bernd Hackmann (Chairman of the Supervisory Board), Klaus Friedland (Deputy Chairman of the Supervisory Board) and Professor Dr. Claus-E. Liedtke. Their terms of office are identical and will end at the close of the Annual General Meeting which will approve the actions of the members of the Supervisory Board in financial year 2013.

MEETINGS OF THE SUPERVISORY BOARD

During financial year 2010, the Supervisory Board was given prompt and comprehensive information on current business policies, relevant aspects of company planning including financial, investment and personnel planning, the course of business, current revenue, earnings and liquidity position, budget planning, the economic situation of the Company and Group including risk factors, risk management as well as compliance within the Group, strategic goals and all organisational and personnel changes at a total of seven regular meetings on 23 February, 16 March, 1 June, 2 June, 19 August, 10 November and 3 December 2010. All meetings were held in person. Resolutions on urgent matters were also passed outside of meetings in both conference calls and in writing.

The Supervisory Board was involved in all decisions of fundamental importance to the Company in a timely manner. In addition, the Supervisory Board was presented with transactions requiring its approval. These were approved following detailed examination and discussions with the Executive Board. The Executive Board provided the Supervisory Board with the key figures required to assess business developments, including comparisons to the current budget and figures for the previous year, as part of monthly reporting. Reporting by the Executive Board took place on request of and / or in response to specific inquiries by the Supervisory Board, and periodically according to the standing rules for the Executive Board established by the Supervisory Board. Additionally, the Chairman of the Supervisory Board was in regular contact with the Executive Board which informed him of current business events.

FOCUS OF SUPERVISORY BOARD ADVICE AND SUPERVISION ACTIVITIES

Information passed on from the Executive Board to the Supervisory Board focused on the improving revenue situation as well as related effects on the business operations of Viscom AG. The Supervisory Board discussed the organisation including risk management and the Company's economic, financial and strategic situation as well as key questions of corporate policy and strategy with the Executive Board. Developments in the second half of the year were particularly favourable. Not only was the Company able to significantly increase revenues, but impressive profit was also achieved thanks to the restructuring measures implemented in 2009 and at the beginning of 2010.

Key topics discussed in meetings of the Supervisory Board during financial year 2010 included the strategic direction of the Company following the economic crisis and the development strategy as well as the sales and marketing approach of the Company in the Asian market. In the course of its meetings, the Supervisory Board also dealt with the analysis of efficiency, updating the contracts for Executive Board members, the new areas of responsibility for each member of the Executive Board following the resignation of Mr. Ulrich Mohr with effect from 31 December 2010 and the Company compliance guidelines. In the last Supervisory Board meeting on 3 December 2010, the Supervisory Board and Executive Board discussed the 2011 Group budget in detail. The interim financial reports were also discussed with the Executive Board prior to their publication.

The Supervisory Board supported the Executive Board in preparing and staging the 2010 Annual General Meeting and at its meeting on 16 March 2010 discussed the annual financial statements, the consolidated financial statements and the management reports as of 31 December 2009, the Executive Board's proposal for the use of retained earnings, as well as the Executive Board report on the relationships of Viscom AG to affiliated companies in the presence of the auditors.

Each Supervisory Board member attended all Supervisory Board meetings.

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 Declaration of Compliance in accordance with Section 289a of German Commercial Code (HGB) which is part of this Annual Report. Remuneration of the individual Supervisory Board members is reported on an individual basis in the Corporate Governance Declaration printed in this Annual Report. There were no conflicts of interest with regard to the members of the Supervisory Board. During the 2010 financial year, the Supervisory Board assessed the efficiency of its activities in line with the requirements of the German Corporate Governance Code. The results of this review were incorporated in the Supervisory Board's work. Moreover, the Executive Board and Supervisory Board submitted the annual Compliance Statement confirming compliance with the German Corporate Governance Code on 26 February 2010. It has been made permanently accessible to the public on the Viscom AG website. The Executive Board, also on behalf of the Supervisory Board, reports on the Company's Corporate Governance in the Declaration of Compliance published by Viscom AG, in accordance with German Commercial Code Section 289a (HGB).

ACCOUNTING

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hanover was elected by the Annual General Meeting of the Company on 2 June 2010 and appointed as auditor for the annual and consolidated financial statements of Viscom AG as of 31 December 2010 by the Supervisory Board. The Supervisory Board then negotiated and awarded the audit assignment. It was agreed that the auditors should promptly report all findings and occurrences significant to the tasks of the Supervisory Board as they appear during the audit. Furthermore, it was agreed that the auditors are to inform the Supervisory Board and / or include a comment in the audit report if, in conducting the audit, the auditors become aware of any information indicating an inaccuracy in the Declaration of Compliance on the German Corporate Governance Code issued by the Executive Board and Supervisory Board.

The 2010 annual financial statements of Viscom AG prepared by the Executive Board according to German Commercial Code (HGB) and the consolidated financial statements prepared according to International Financial Reporting Standards (IFRS) as of 31 December 2010, as well as the summarised management and Group management report together with accounting were audited by the auditor who issued an unqualified audit opinion. The audit focused especially on the allocation of revenue to the appropriate accounting period, the valuation of inventories and the impairment test of intangible assets. In addition, the auditor inspected Viscom AG's existing early risk detection system in accordance with Section 317 (4) of German Commercial Code (HGB) and, as a result of this assessment, came to the conclusion that the statutory obligations of management in monitoring and transparency were complied with. The report on the relationships of Viscom AG to affiliated companies prepared by the Executive Board of Viscom AG in accordance with Section 312 of the German Stock Corporation Act (AktG) was also examined by the auditor PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft. The auditor issued the following audit opinion:

"Following our mandatory audit and examination, we confirm that

1. the factual information contained in the report is accurate,

2. payments made by the Company were not unreasonable for the transactions listed in the report,

3. the measures included in this report do not give cause for a materially different assessment from that of the Executive Board."

On 28 March 2011, the Supervisory Board meeting dealing with accounts took place. The annual financial statements, consolidated financial statements and audit reports, Executive Board report on the relationships of Viscom AG to affiliated companies and all other documents and meeting reports were provided to the members of the Supervisory Board in a timely manner prior to this meeting. This documentation was discussed in detail during the Supervisory Board meeting dealing with accounts. The auditor was present at the meeting, reported on the audit and audit results and was available to answer questions, provide additional information and discuss the documents.

Following a detailed discussion of the audit and audit results with the auditor, a thorough examination of the audit reports provided by the auditor and based on its own examination and discussion of the annual financial statements, consolidated financial statements, summarised management report and Group management report, the Supervisory Board was in agreement with the results of the audit as presented by the auditor. The Supervisory Board determined that no objections were to be raised following the final results of its examination. In the Supervisory Board meeting concerning the accounts on 28 March 2011, the Supervisory Board approved the annual financial statements and consolidated financial statements as well as the summarised management report and Group management report for the 2010 financial year. The annual financial statements are therefore adopted (Section 172 Sentence 1 of the German Stock Corporation Act (AktG)). The Supervisory Board also examined the report of the Executive Board on the relationships of Viscom AG to affiliated companies and, based on its own examination and discussion of the report, agreed with the audit results of the auditor. In its meeting on 28 March 2011, it determined that as the final result of its review, there are no objections against the declarations of the Executive Board at the end of the report on relationships with affiliated companies.

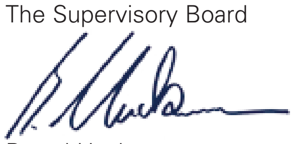
CHANGES ON THE EXECUTIVE BOARD

Ulrich Mohr, member of the Executive Board responsible for finance, resigned from the Viscom AG Executive Board with effect from the end of his regular term in office on 31 December 2010 to pursue other career opportunities. His responsibilities will henceforth be shared by Executive Board members Dr. Martin Heuser and Volker Pape. Ulrich Mohr made a significant contribution to the development of the company during his time as CFO.

The Supervisory Board would like to thank the members of the Executive Board, the management of the subsidiaries, the works council as well as all employees of the Company for their great commitment and hard work in the interest of the Company.

Hanover, 28 March 2011

The Supervisory Board



Bernd Hackmann
Chairman of the Supervisory Board

VISCOM SHARES

Listing	Regulated market (General Standard)
Abbreviation	V6C
ISIN	DE 000 7846867
Number of shares	9,020,000 shares
Market capitalisation as of 31 December 2010	€ 58.18 million
High (Xetra) on 21 December 2010	€ 6.75
Low (Xetra) on 27 January 2010	€ 3.10
Average trading volume (Xetra/day)	5,019
Earnings per share	€ 1.18

As of 31 Dec. 2010

MARKET CONDITIONS

In the year under review, global economic recovery continued, entailing similarly positive development on the international stock markets. Nevertheless, the effects and aftereffects of the financial and economic crisis – as well as the increasing severity of the European debt crisis – continued to put strain on the financial markets in 2010. The national debts of what are known as the PIIGS nations (Portugal, Ireland, Italy, Greece and Spain) created noticeable tensions on the capital markets and led to increased risk premiums on these countries' government bonds. Despite the fact that policymakers, at EU and international level, responded with resolute action to the crisis, the markets still bear traces of the insecurity caused.

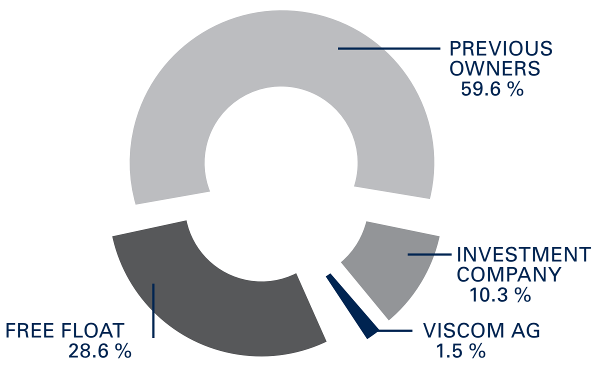
For businesses in Germany, economic recovery continued in 2010, meaning that the majority of them have put the crisis behind them and some have even achieved record results. In contrast to other EU countries, the German economy has benefitted from strong demand for exports, particularly from emergent markets such as China; increased demand at home and a solid employment market also played their part in the speedy economic recovery we have seen. Additionally, the German economy has not been dogged by burst property bubbles or increased consumer debt. The strongest growth observed in the German economy since reunification has been received positively on the German capital markets too, with the DAX, the German leading index, hovering around 6,000 points over a period of months and even concluding the year 2010 at its highest level since June 2008, at over 7,000 points.

VISCOM SHARES

Viscom's share price experienced a significant increase in 2010. First, however, after starting the year at € 3.59, Viscom shares reached their low for the year on 27 January 2010, at € 3.10. The positive company forecast announced at the end of March 2010, and the good news coming from the company that followed periodically throughout the rest of the year, led to continuous growth in the share price. Viscom shares reached their high of the financial year 2010, € 6.75, on 21 December 2010, before arriving at € 6.45 on 30 December 2010, an increase of around 80 % on the previous year's closing price of € 3.59.

SHAREHOLDER STRUCTURE

The company's shareholder structure is strongly influenced by the major investment held by Viscom AG's founders and Executive Board members. 59.6 % of shares are in the possession of Mr. Heuser and Mr. Pape, where it is intended that they will remain. Grünwald Equity V2 Beteiligungs GmbH holds approximately 10.3 % of Viscom AG's share capital. The free-floating shareholdings, amounting to 28.6 %, are largely held by investors in Germany and other European countries. Viscom AG aims for as wide a distribution of its free-floating shareholdings



as possible, in order to maintain as much liquidity as possible in the share despite the small number of freely tradeable shares. Viscom AG itself holds 1.5 % of its own shares as part of a buy-back programme; these shares are intended to be used as currency for possible acquisitions.

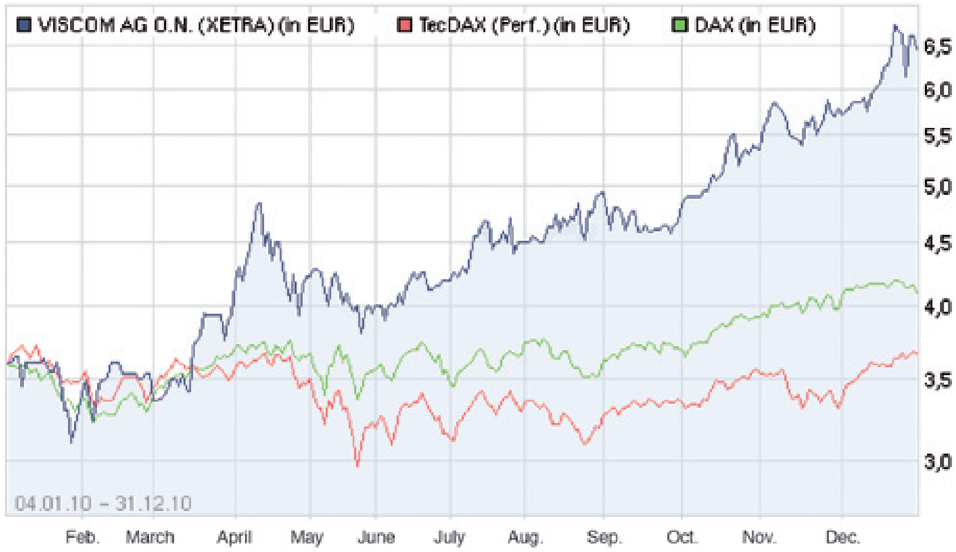
ANNUAL GENERAL MEETING

The Annual General Meeting of Viscom AG took place on 2 June 2010 in Hanover. Approximately 120 shareholders and shareholders' representatives, representing around 72.6 % of the Company's share capital, were in attendance. The agenda included approval of the actions of the Executive Board and the Supervisory Board, authorisation to buy back shares and a decision on changes to the Articles of Association to adjust them to the Act Implementing the Shareholder Rights Directive (Gesetz zur Umsetzung der Aktionärsrechterichtlinie – ARUG). Every motion on the agenda was passed with the required majority.

INVESTOR RELATIONS

The objective of our Company's investor relations work is to allow all participants in the capital market the opportunity to evaluate Viscom AG fairly; Viscom achieves this end by means of continuous, open communication. In 2010, the Company appeared in numerous individual discussions with investors as well as at the Entry & General Standard Conference in Frankfurt and at the financial trade fair Börsentag in Hanover. All information on Viscom shares is published on the website at www.viscom.de/en_ir as it becomes available.

TREND OF THE VISCOM SHARES IN THE FINANCIAL YEAR 2010



Source: www.ariva.de

CONVINCING FIGURES MAKE THE CASE: THE INTERVIEW

Volker Pape, Dr. Martin Heuser and Dirk Schwingel (f.l.t.r.)
Executive Board and Director of Finance

All the indications are that Viscom has put the economic crisis firmly behind it. In the fiscal year 2010, the company has managed to return to success, with plenty of momentum and the right strategy. Customers from the automotive supply industry are investing in high-quality manufacturing equipment at levels last seen before the crisis started, and the Asian markets are experiencing a new period of buoyancy. Viscom is also having a very upbeat period, with business figures topping even the most optimistic forecasts. The outlook is positive throughout. What else is there to say? The constituent members of Viscom AG's Executive Board, Dr. Martin Heuser and Volker Pape, and the Director of Finance, Dirk Schwingel, responded to some current questions.

Viscom has experienced an exciting year: After 2009, a year marked by crisis, the market has stabilised in record time. Were you expecting this?

VOLKER PAPE: Not from the outset – but the last quarter of 2009 brought with it the first noticeably positive indications, with Asia being a particular source of hope. Then, at the beginning of 2010, market conditions did a 180-degree turn in an extremely short space of time. In particular, our principal sales market, the automotive supply industry, recovered more quickly than expected, and demand for our inspection systems soared. Our customers have not only invested in upgrades, but also set up new production lines, i.e., extended their capacities. We were also able to earn a substantial proportion of our revenue with SME customers, primarily from Germany. Additionally, sales activities in other – new – market segments have begun to bear fruit and our courage as a company has started to pay off. For example, in the Asian market we were able to acquire new customers from the telecommunications and electronics manufacturing services (EMS) (job order producers) sectors.

What are the experiences you have gained from the crisis?

DR. MARTIN HEUSER: I would say the most important thing was this: We reacted to the break in the market very early on – at the end of 2008 already, in fact. We subjected Viscom to close scrutiny, decided on personnel restructuring measures, slimmed down the organisation and adjusted it to be in line with the new challenges we were facing. We focused on our core competences; part of this strategy involved outsourcing of manufacturing stages to suppliers and condensing our product portfolio. Overall, we are in fact stronger after the crisis than we were before, have a solid team, our products are market-leading in terms of technology. Through-out the difficult period, we continued investing in research and development that stays close to the market, and so find ourselves today in an optimum position with our innovative, top-of-the-range products “Made in Germany”.

Viscom’s order books are full. What’s your forecast for 2011? When will you be able to get back to “old times”, that is, to the kind of revenue we were seeing before the crisis?

VOLKER PAPE: Our expectations are realistic and fact-based, which makes us respond with a degree of caution to the euphoria currently seizing the world economy – the marked increase in revenue in 2010 almost certainly had something to do with catch-up effects as well as with other factors. One of our priorities is to increasingly open up the largest growth market of electronics manufacturing, in Asia, for ourselves; this is why we’ll be implementing targeted measures, in terms of personnel as well as of other matters, to boost our sales activities there. We’re confident that these measures will create positive effects on revenue. For 2011, we are expecting revenue to amount to € 45 to 47 million, with an EBIT margin of 10 to 13 %. This would give us substantially higher earnings than before the crisis – and that in 2011 already.

Let’s turn now to the international markets. Incoming orders in Asia were excellent in 2010. How are margins developing there? Is competition on prices tough?

VOLKER PAPE: In Asia, above all in China, automotive suppliers form a rather small portion of the market. Here, producers of products in the Computer, Consumer, Communications (the three C’s) industry dominate; these are often known as EMS (job order producers). The technology is the same, but the approach is different. Our machines tend to be used for process regulation rather then for quality control – with the aim of achieving as high a throughput as possible. The process is continuously optimised on the basis of the inspection results. Errors are practically avoided before they arise. In this context, Asian companies, too, are often prepared to invest in higher-end systems. However, many of these manufacturing companies are subject to considerable pressure on prices. It’s to be expected that this in turn exerts a degree of pressure on the margins we can achieve in this region. Overall, the Asian market is more price-sensitive than the European market.

Nevertheless, we can absorb this effect positively by taking appropriate action at the right moment, such as special products and services for the Asian market.

Your markets in Asia and Europe recovered well in 2010, whereas revenue in the USA is not yet satisfactory. How do you predict the US markets will develop in 2011?

VOLKER PAPE: In contrast to Europe, recovery in the US market began later and has proceeded more slowly than in previous, comparable cycles. But positive signals have been coming out of the USA too since the beginning of 2011, even if they are not yet reflected in incoming orders and revenue. Nevertheless, these signals from the USA have a great influence on consumer goods production in Asia. Many companies’ decision-makers are based in the USA, meaning that our subsidiary here is of substantial importance to us. Investments, on the other hand, often take place in Asia, as these companies manufacture in Asia rather than in the USA.

Viscom makes a lot of its revenue from the automotive supply industry. There's quite a bit of dependence involved here. What are you doing to minimise this effect?

VOLKER PAPE: Viscom is currently benefitting a lot from this dependence – the automotive supply industry is and remains our principal market. After all, our products are tailored to the high quality standards the automotive industry requires as a mass market. We do, though, understand that we need to continue putting ourselves on a broader footing in the market. Our principal objective is acquiring customers in the fields of Computer, Consumer, Communications (the three C's), and within this field primarily those working in EMS. These job order producers, which are mostly to be found in the Asian market, produce standard components for smartphones or laptops for big-name manufacturers. In 2010, we achieved initial successes in these areas. In 2011, targeted approaches to potential customers, evaluations conducted on site with customers, and work with agents and employees who speak the languages of our Asian customers will help us to gain access to new market segments and establish Viscom as a well-known manufacturer of high-end inspection systems.

Which products were 2010's sales hits?

VOLKER PAPE: Our bestsellers of 2010 were our standard inspection systems S3088, S6056 and X7056. The combined AOI/AXI system X7056 is unique in the market, after all! This machine works with automatic optical inspection (AOI) and X-ray inspection (AXI) – at the same time. Additionally, sales of our high-end machine S6056 continue to be extremely positive. Using automatic optical inspection (AOI), this inspection system performs speedy, reliable inspection of components and comprehensive process management in industrial production. The S3088, which is now available in version III, detects errors absolutely reliably and cost-effectively and allows processes to be optimised quickly.

Research and development are a top priority at Viscom. Are you going to continue investing in this area?

DR. MARTIN HEUSER: It goes without saying that it is and will remain essential for us to develop new top-class inspection machines and to improve existing ones. We always have an ear to the market: If we want to maintain our technological leadership, we need to respond to market trends as they emerge. In 2010, our user-friendly machine operating interface "vVision", which allows users to operate the inspection system intuitively, made its public debut, which proved successful, exciting much interest and a positive response. We are currently introducing the new interface for selected industrial customers; with series delivery for the first system family planned to commence in the third quarter of 2011. We have enjoyed similar success with our new 3D paste printing inspection system, which is used in manufacturing of printed circuit boards to check the correct positioning and amount of soldering paste applied from a range of diagonal views. Additionally, optimised sensor technology has allowed us to achieve a higher degree of preci-

S3088 flex with new machine operating interface „vVision"

sion. The extremely specific inspection system we use means that the 3D paste printing inspection system is perfectly suited to our customers' requirements. We will commence delivery in spring 2011, having concluded the testing phase with industrial customers.

Surplus capacities in the area of photovoltaics led to production in this industry partly not running to capacity. Viscom has severely curtailed its activities in this area. Will you be investing in this area again in the foreseeable future?

DR. MARTIN HEUSER: One of the core components of our strategy to overcome the crisis was the approach we took of focusing on our core business. Viscom leads the field in the inspection of electronic components. For this application, we have high-performance series systems which can be efficiently produced and made available for use. These systems are at the heart of our strategy. Further, we have also begun to realise another application, the inspection of bonding wire connections, in larger quantities. We intend in the future to only realise individual systems or special solutions in exceptional cases, where doing so makes strategic sense.

The electric car – is it a short-lived hype or a future development Viscom could also get involved with? Do you see potential for gaining new market shares here?

VOLKER PAPE: Of course Viscom can get involved. Electric cars certainly have different engines, but the electronic components and control elements used in them – such as ABS, airbags and ESP – still need to fulfil highly exacting quality standards. Another factor is that the next few years will see a continuously increasing number of electronic components in cars which will need inspecting. This growth generates higher demand for inspection systems – which is, of course, good news for Viscom. Electric cars don't extend the market as such, but rather alter it; a shift is taking place. The electronics of electric or hybrid cars include, for example, new engine controls or battery management systems. However, we can also envisage new market segments for Viscom. We need to pay attention to the following question: What technology is being fitted in electric cars, and can any of this bring additional benefit to Viscom? A possible answer to this question, among others, might revolve around inspection of batteries, especially the connection methods used in this area.

Let's move on to financial matters. Viscom's cashflow situation is very positive. Are any acquisitions in the pipeline?

DIRK SCHWINGEL: Our equity ratio of 86.3 % puts us in a very comfortable position. We are open to acquisitions that promise good opportunities for the future and review regularly whether new technologies are suited to our products, or whether potential candidates for acquisition would provide appropriate additions to Viscom's product portfolio. If a potential acquisition ticks the right boxes in these matters, we will, of course, make investments.

When do you expect dividend payments to resume?

DIRK SCHWINGEL: The tax loss carry-forward from 2009 prevents us from distributing a dividend for 2010. However, for 2011 we aim to restore our ability to pay a dividend, so that we can distribute one again in 2012. In order for this to happen, the Company will need to create retained earnings. Because the Company does not possess free capital reserves which could be dissolved in order to pay a dividend to shareholders, this means that we need to make an annual surplus that exceeds the existing tax loss carry-forwards. The retained earnings which would result from this would be available for dividend payments.

The order books are full to bursting, the prospects for the next few months are good. How far in advance is production at full capacity? What delivery deadlines are currently being worked to? And last but not least: Are Viscom's suppliers experiencing any difficulties in fulfilling orders?

DR. MARTIN HEUSER: Production is at full capacity for three months in advance, and additionally we currently have temporary employees working for us. Delivery times for our standard and series machines range between 8 and 14 weeks. In 2010, the situation at our suppliers was very difficult at times; currently the situation is easing somewhat. However, it's still noticeable that many manufacturers have substantially reduced their stocks and are now having trouble fulfilling our increased demand. These issues are particularly severe in the field of electronic components. In the case of key components, we have been forced to close contracts for the next 24 months. We have responded to this situation by looking for new suppliers for numerous components, which has helped to reduce our dependence on individual suppliers.

Are you planning to employ new people?

DIRK SCHWINGEL: No, not to any significant extent. Our budget for 2011 is based on the assumption that we will achieve our target revenue of € 45 to 47 million with the current number of employees. If necessary, our first stop will be to employ temporary workers on loan.

Viscom is a technological leader – you even build the X–ray sources and camera units (VisCam) used in your inspection machines yourselves. Are there plans to intensify these in-house developments? Or will the future see Viscom moving more of these tasks to suppliers?

DR. MARTIN HEUSER: We are continuing to pursue our outsourcing strategy. Viscom still develops key components – such as a high-speed camera – itself, but has these produced out of house. We order simple modules and components from suppliers and no longer produce them ourselves. We are focusing more closely than in the past on our core competences, which entails outsourcing areas of production and optimum use of our suppliers' expertise. It also means that we avoid running our own production facilities, which is complex and therefore costly.

How flexible is production generally? How can Viscom become still better prepared for fluctuations?

DR. MARTIN HEUSER: Standard systems account for more than 80 % of Viscom AG's business. Standardisation makes it possible to pre-produce components or entire systems in a customer-neutral way in times when demand is low, so that we can fall back on them when we are very busy. This helps us to flexibly balance out times of peak demand in production and keep capacity generally constant overall. Working hours are also an important factor: Production workers have flexitime accounts; in times of high demand they work overtime and do weekend work, and the additional hours worked are taken as time off in lieu when things are quiet. The sum total of these strategies is more flexibility for us as a company – which could be said overall to be a positive after-effect of the crisis.

GROUP MANAGEMENT REPORT 2010

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2010

COMPETENCE. INNOVATION. MOTIVATION. TECHNOLOGY. WORLDWIDE.

CONTENTS

GROUP MANAGEMENT REPORT 2010
BUSINESS AND ECONOMIC CONDITIONS

STRUCTURE OF THE COMPANY AND ITS INVESTEES

Viscom AG, Hanover (hereafter: Viscom AG), is the parent company of the Viscom Group (hereinafter referred to as Viscom). With subsidiaries in Asia, the USA, France and Tunisia that are majority or wholly-owned by Viscom AG, the Group has an efficient, market-oriented organisational structure. All of the companies are focused on their respective customer groups and their requirements. This enables them to act and respond quickly and in a flexible manner. They also benefit from the advantages of belonging to a larger group, thus allowing 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 one the most well-developed industrial locations, allowing it to guarantee a very high level of quality for its products.

In 2001, Viscom GmbH changed its legal form to that of a German stock corporation (Aktiengesellschaft) and became Viscom AG. The Company's share capital is divided into 9,020,000 shares, of which approximately 59.6 % are held directly or indirectly by the Company's founders and Executive Board members Dr. Martin Heuser and Volker Pape.

Grünwald Equity Beteiligungs V2 GmbH, Grünwald, held an interest of more than 10 % in Viscom AG as of 31 December 2010.

On 29 July 2008 the Executive Board, with the approval of the Annual General Meeting on 12 June 2008 and after consultation with the Supervisory Board, decided to acquire up to 902,000 of the Company's own shares by 31 March 2009. By the reporting date of 31 March 2009, the Company had bought back 134,940 shares. As of 31 December 2010, Viscom AG held around 1.5 % of its own shares. The remaining shares are in free float.

The Executive Board of Viscom AG consists of three members at 31 December 2010.
Dr. Martin Heuser: Technology
Volker Pape: Sales
Ulrich Mohr: Finance
(Ulrich Mohr left the Executive Board as of 31 December 2010)

After Ulrich Mohr left, his responsibilities were divided up between the two remaining Executive Board members.

The Executive Board is monitored by the three members of the Supervisory Board:
Bernd Hackmann (Chairperson)
Klaus Friedland (Deputy Chairperson)
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 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 geographic terms, the Company's business incorporates the European market with its headquarters in Hanover and a subsidiary in Paris, France; the American market with its subsidiary in Atlanta, USA; and the Asian market with its subsidiary in Singapore which in turn has its own subsidiary in Shanghai. The newly established sales company in Tunis, Tunisia, a subsidiary of Viscom France S.A.R.L., Cergy Pontoise Cedex, France, is tapping and working within the North African sales market.

BUSINESS PROCESSES

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

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

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

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

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

LEGAL AND ECONOMIC FACTORS

There have been no changes in external legal factors with a material effect on the Company in the 2010 financial year.

The improvement of the overall economic situation in 2010 has also had a positive impact on Viscom – incoming orders went up considerably. The trend of increasing investment activities in the automotive industry as well as the electric and consumer sectors pushed up Viscom's order volume considerably. Production capacities are therefore utilised to their full extent.

MANAGEMENT SYSTEM

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

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

In addition, they provide an overview of fluctuations, sick leave and per capita revenue as well as key indicators for project management, product development, production and logistics.

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 which are usually implemented in the short term.

Since the Company was listed on the stock exchange and changed from the Prime Standard to the General Standard in September 2009, IFRS quarterly financial statements are published in the form of interim and half-yearly reports.

BASIC PRINCIPLES OF THE REMUNERATION SYSTEM

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

Regarding variable remuneration, a bonus agreement is concluded with each member of the Executive Board in advance. It is based on profits and also on the amount of the basic salary.

The total remuneration paid to the Supervisory Board members consists of a fixed amount of € 45 thousand (previous year: € 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

One thing was already clear at the beginning of 2010 after the historic slump of the economy in 2008/2009: The macroeconomic environment was in better shape than 12 months ago. The economic stimulus packages issued by governments and the billions provided by the monetary policies of governments and central banks and the momentum they created managed to stabilize the long-awaited economic situation. The upturn was still unstable at the beginning of the year and progressed at different speeds. But the continuing recovery in the following months made the economy catch up.

The financial markets still remained under the influence of the European debt crisis in 2010. When the debt of the Greek government went up, other countries in the euro zone that were also in a weak financial position followed suit und tumbled into crisis. The growing mistrust about the liquidity of the so-called PIIGS states (Portugal, Ireland, Italy, Greece and Spain), caused the yields and risk premiums of government bonds in these countries to rise. Even comprehensive financial support measures were unable to stop the debt of these governments to create turbulences in the euro zone time and time again in the second half of 2010. The euro temporarily dropped below USD 1.20 during this period. Afterwards, the recovering economy in the euro zone and the different monetary policies of the European Central Bank and the US Federal Reserve brought about a solid recovery of the euro, making it push past the USD 1.40 mark again.

But as from the middle of 2010, the economic data deteriorated, especially in the USA. The euro zone, on the other hand, profited from above-average growth of the German economy. In 2010, the German economy soared by 3.6 % year on year, resulting in the strongest growth since the reunification. The DIW Berlin expects economic growth in Germany of around 2.2 % in 2011.

Sector developments

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

Technical developments in the electronics industry have been a growth driver for Viscom over the last few years. During the entire financial year 2010, Viscom generally profited from the economic upturn, especially that of the automotive-electronics sector, which grew disproportionately high. Both the volumes and quality requirements of electronic assemblies are still increasing. In addition, complex and increasingly miniature electronic assemblies can only be reliably tested by automatic inspection systems. Customers require evidence of high resolution, reliable fault diagnostics, high throughput and good service before making any decisions to purchase. In 2010, Viscom reaped the rewards of its relentless development drive in 2009 and also benefited from the catch-up effects in the market. The German market turned out to be the strongest and generated the most revenue. With its development efforts, Viscom was able to provide evidence of these qualities in direct comparisons and thus reinforce its market position over the last few years.

In 2010, Viscom intensified its efforts to gain a foothold in other industries such as telecommunication, industrial electronics and semiconductor production, thereby reducing its dependence on the automotive sector.

Target sectors, target markets and target customers

The inspection systems produced by Viscom are employed primarily within the electronics industry. Producers of electronic assemblies are the main customer segment with more than 80 % of revenue. Some of these companies are involved in production for end consumers. However, the majority of Viscom's customers are suppliers for other companies that manufacture products like electronic assemblies which are integrated into end products as parts from suppliers – for example, motor controllers in a vehicle. In addition, an increasing proportion of customers are so-called electronic manufacturing services (EMS). These are companies that do not own their own brand products but instead serve exclusively as an extended workbench for product 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 customer groups for the inspection of electronic assemblies. As a rule these assemblies, which often represent safety-related components such as ESP or airbags, are inspected by systems like those offered by Viscom.

Due to rising technological demands, quality pressure in the consumer goods industry is also far higher at present than in previous years. Here the emphasis is on process quality since a stable process improves the delivery quality but especially also results in less rejects and therefore higher levels of production efficiency. At the same time, Asian electronics manufacturers in particular are trying to position themselves as premium suppliers when they were still seen as low-price suppliers just a few years ago. Among these manufacturers, it is becoming more and more important to prevent returns due to poor quality.

Close, long-term customer contacts form the basis for comprehensive, individual service. The results of cooperation are incorporated into the development of new system solutions and the refinement of proven systems. This allows Viscom to develop new solutions and thereby open up future markets, such as the electronic manufacturing services market, with a high degree of innovation and customer proximity.

Customer structure

Viscom generated approximately 55 % of its revenue with its five largest customers. A further 30 % of revenue was generated with 32, and the rest with 320 different customers.

Market position

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

Accordingly, the main customers are companies who make product safety top priority. This includes aerospace and medical technology as well as the particularly high-volume automotive electronics sector. Here, Viscom has been one of the leading global suppliers of quality assurance machinery for many years.

The model campaigns and developments pursued by Viscom over the last few years, which involved considerable technical and economic progress, resulted in an expanded market position in Germany and Europe in the past and also tied customers to the Company in the long term.

Unlike some its competitors, Viscom was able to stabilise and expand its market position. In financial year 2010, this was reflected in a rise in incoming orders and revenue. The cost saving measures introduced in 2009 and implemented in 2010 contributed considerably to the positive revenue development.

By continuously developing its products, improving its business processes and adjusting its sales organisation to the changing general conditions, Viscom is able to face the challenges of the future.

Research and development

The main focus of development activities is on the further development of existing system solutions as well as the implementation of new market requirements in the field of optical and X-ray inspection processes. This area also focuses on the definition of new products and machines. Among other things, a 3D compound inspection system is currently being developed, which the Company plans to launch in the market in 2011. Another project includes the development of a new user interface for all future Viscom AOI and AXI systems (“vVision”). Expenditures for research and development, without customer-specific development, amounted to approximately 8 % of revenue.

RESULTS OF OPERATIONS

DEVELOPMENT OF REVENUE

Revenue amounted to € 40,024 thousand in 2010 (previous year: € 20,874 thousand). This corresponds to a rise of approximately 91.7 % compared to 2009.

Financial year 2010 developed positively as from the second quarter. Revenue for the first quarter of 2010 was € 5,102 thousand (previous year: € 5,471 thousand), slightly down year on year. Viscom generated revenue of € 7,742 thousand in the second quarter of 2010 (previous year: € 4,285 thousand). Revenue for the third quarter of 2010 amounted to € 10,131 thousand (previous year: € 3,844 thousand). The fourth quarter of 2010 contributed positively to the overall situation with revenue of € 17,049 thousand (previous year: € 7,274 thousand). As it did in previous years, revenue in the second half of 2010 once again exceeded the first six months of 2010. Revenue has therefore returned to the accustomed seasonality.

NET PROFIT FOR THE PERIOD

Net profit for the period rose from € -13,717 thousand in the previous year to € 10,523 thousand, due to the significant increase in revenue on account of customers being willing again to invest. The restructuring of the Group, started in 2009, and the consistent cost reduction were major contributors to the positive development of revenue. After initially making use of the economic stimulus package issued by the government (reduced working hours) at the Hanover site, it was possible to further reduce staff costs. The ratio between staff employed and revenue went down from 73.2 % in 2009 to 37.9 %. The ratio of other operating expenses was also successfully lowered from 40.4 % in the previous year to 22.7 % in 2010. The recognition of deferred taxes of € 4,080 thousand, company-produced assets of € 1,065 thousand and the one-off effects resulting from the write-up of slow movers – products for which demand in a certain period was low or non-existent – of € 1,695 thousand also had a positive impact on net profit for the period.

The ratio of net profit before taxes was 18.7 % (previous year: -63.6 %).

EARNINGS PER SHARE

iscom acquired 134,940 own shares for € 587 thousand on the stock exchange in the period from 29 July 2008 to 31 March 2009. The share buyback programme reduced the number of dividend bearing shares from 9,020,000 shares to 8,885,060 shares. The Company did not use the option of buying back shares in 2010.

In financial year 2010, earnings per share came to € 1.18 (diluted and undiluted), based on 8,885,060 shares. In the previous year, earning per share amounted to € -1.54, based on the annual average of 8,885,748 shares.

No dividend will be paid for the 2010 financial year.

OPERATING PROFIT

A steep rise in revenue compared to the previous year led to an increased consumption of stock items. This resulted in lower impairment losses for the stock of raw materials, auxiliary materials and supplies as well as assemblies due to shorter inventory coverage. In absolute terms, impairment losses decreased by € 1,346 thousand compared to the previous year.

The risk of bad debts was addressed by higher value adjustments on specific items to account for the larger number of receivables at the end of the year. In reference to the receivables portfolio, percentage value adjustments decreased significantly compared to the previous year from 17 % to 10.2 %.

The one-off effects already mentioned under net profit for the period also had a significant impact on operating profit. Operating profit (result of ordinary business operations less interest result) rose to € 7,132 thousand (previous year: € -13,893 thousand).

FINANCIAL RESULT

There was an decrease in the financial result compared to the previous year. During the course of the financial year, corporate bond of € 500 thousand became due and were paid. The remaining financial assets were either invested in term deposits or held in direct access savings accounts. The financial result for 2010 amounted to € 343 thousand (previous year: € 618 thousand), corresponding to a drop of 44.5 %.

EXCHANGE RATE RESULT

2010 started with the US dollar being low compared to the euro. During the course and towards the end of the year, it gained considerably on the euro. These changes in exchange rates however had no negative effect on the order behaviour of our customers. Approximately 4.5 % of total revenue was subject to a direct exchange rate influence.

INCOMING ORDERS

At € 19,931 thousand, incoming orders for 2010 were significantly up on the value of € 48,249 thousand for the previous year. Order backlog at the end of 2010 was € 13,480 thousand (previous year: € 5,255 thousand). Increases in these two key indicators are the result of current increased willingness to invest on the part of our customers.

EMPLOYEES

The following table shows the number of Viscom employees as of 31 December 2010. The total number of employees decreased to 264 over the course of the year, partly because of further dismissals (previous year: 273). Nine employees were in training as of the turn of the year.

An average of 259 employees (excluding trainees) worked for the Group in the 2010 financial year. Out of this number, 105 employees are classified as commercial employees (sales, development and administration) while 154 are classified as industrial employees (production, logistics, projects and service).

EMPLOYEES

As of 31 December 2010	AG	USA	Asia	France	Total
Total	**221**	**15**	**23**	**5**	**264**
Of which full-time	200	15	23	4	242
Of which part-time	21	0	0	1	22
Plus: Trainees	9	0	0	0	9

REGIONAL DEVELOPMENTS

Germany

Revenue in Germany in the amount of € 17,239 thousand increased significantly compared to the previous year (€ 10,072 thousand). The Viscom home market therefore once again remained the main sales market in 2010. In Germany, the Company is the market leader for the production of inspection systems for electronic assemblies (AOI and AXI).

With the success of the new S3088-III, the proven system platform S6056, and the future-oriented technology of the X7056 it was possible to gain new customers amongst SMEs in Germany. These are mostly subcontractors who manufacture products on behalf of other companies.

Europe

At € 11,759 thousand (previous year: € 6,873 thousand), revenue was also significantly up year on year in the rest of Europe. In terms of percentage, the rise is almost identical to Germany. Viscom is offering both low-cost and high-end products for various customer groups and requirements in these markets.

Impulses from the relocation and development of production capacity in Eastern Europe were more favourable in 2010 than in the previous years.

Americas

The American market recovered only slowly from the financial and economic crisis in the past two years. Viscom's revenue in the USA amounted to € 3,397 thousand, an increase of around 38 % year on year (previous year: € 2,459 thousand). Sales activities on the American continent were reorganised, and the sales office in San José was shut down.

Asia (including Australia)

In Asia, the Company was able to make up for the revenue slump in the previous year. Total revenue including direct deliveries rose 5.2 times to € 7,629 thousand (previous year: € 1,470 thousand). This rise was carried by the strong market position of automotive and electrical equipment producers. By restructuring and expanding the Company's sales activities, it was also possible to gain new Chinese customers.

PRODUCTS/INSPECTION SYSTEMS

The inspection systems manufactured by the Viscom Group are based on digital image processing technology, known as Machine Vision within the sector. Digitalised images are interpreted using special software tools and algorithms in order to measure, check and verify the objects being inspected. Entire production processes can be monitored and controlled using this measurement and inspection technology.

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 large selection of sensors is 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.

The inspection systems manufactured by the Company in 2010 were primarily optical inspection systems of the S3088-II and III, S6056 and X7056 series. While the S3088-II was originally designed for the Asian market, significant numbers are now also being sold in Europe and America.

Viscom has comparatively extensive product know-how 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 our 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 since customer decisions in favour of a given system are generally long term in nature, thereby ensuring follow-up sales.

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

In the X-ray field, Viscom is focusing on computed tomography and technically demanding customer projects in addition to optical inspection. The focus for 2010 was on the further development of machines for the Asian market, the establishment of a new 3D compound inspection system and a new operating system interface. These developments are being continued in 2011.

Continued development of the quality management system achieved steady quality improvements. Since January 2005, Viscom has been certified under DIN EN ISO 9001:2008 by the German Society for the Certification of Management Systems.

FINANCIAL POSITION

Viscom was able to continue providing the required liquidity entirely from its own funds in the 2010 financial year. In addition, the subsidiaries did not require any additional loans from the parent company. The Group's equity ratio is approximately 86.3 %.

CASH AND CASH EQUIVALENTS/CASHFLOW

Cash and cash equivalents as of 31 December 2010 amounted to € 25,905 thousand (previous year: € 25,322 thousand). They therefore went up by around € 600 thousand year on year despite the increase in receivables and inventories. The cashflow from:

- Operating activities showed a positive balance of € 4,686 thousand (previous year: € 1,757 thousand). This is largely due to the rise in net profit for the year and at the same time the rise in liabilities. Inventories and trade receivables developed in the opposite direction.

- Investment activities totalled € -4,394 thousand (previous year: € -2,635 thousand) and was mainly impacted by the acquisition of corporate bonds (€ 3,143 thousand) with a remaining term between one and two years and the recognition of company-produced assets.

- Financing activities totalled € -6 thousand (previous year: € -26 thousand).

Overdue receivables increased compared to the previous year. There are no major defaults to report.

At the consolidated balance sheet date, all bank accounts had a positive balance. There were no loan liabilities to third parties outstanding at the consolidated balance sheet date.

NET ASSETS

In financial year 2010, net profit was clearly positive. Together with the resulting rise in equity and the increase in provisions and liabilities, this pushed up total assets by 29 % from € 48,118 thousand to € 62,193 thousand.

Net assets, and especially cash and cash equivalents, developed positively in 2010 despite the increase in working capital. Receivables and inventories were significantly up on the previous year's level. Liabilities were generally settled with an early settlement discount within the agreed payment period.

FIXED ASSETS

Apart from intangible assets, fixed assets mainly include company-produced assets. These increased from € 1,505 thousand in the previous year to € 2,310 thousand.

RECEIVABLES

At € 12,155 thousand, trade receivables were up on the previous year's level (previous year: € 6,618 thousand). The main reason for this was the increase in revenue, particularly in the last quarter of 2010. Value adjustments on trade receivables totalled € 1,244 thousand (previous year: € 1,101 thousand). Overdue receivables increased around 2.7 times (€ 8,039 thousand) overall compared to the previous year. Most of the overdue receivables are short-term in nature. Approximately 7.5 % of the total receivables are more than six months overdue.

INVENTORIES

The book value of inventories stood at € 10,162 thousand at the end of the financial year (previous year: € 8,499 thousand). This net inventory figure includes impairment losses for extended inventory coverage in the amount of € 5,946 thousand (previous year: € 7,441 thousand), individual value adjustments on partially completed systems of € 0 thousand (previous year: € 89 thousand) and individual value adjustments on rental and demo machines of € 5,141 thousand (previous year: € 4,903 thousand). This means net inventories increased by € 1,663 thousand compared to the previous year while gross inventories rose by € 102 thousand.

LIABILITIES

Trade payables went up to € 1,681 thousand by the end of the year (previous year: € 738 thousand) due to the increased order volume. As of 31 December 2010, there were no liabilities to banks.

SHAREHOLDERS' EQUITY

Total shareholders' equity plus reserves went up by 25 % from € 42,842 thousand in the previous year to € 53,662 thousand. This increase is mainly the result of positive profit for the current financial year. The equity ratio dropped slightly to 86.3 % (previous year: 89.0 %) due to the increase in total assets.

INVESTMENTS

Investments in property, plant, and equipment and intangible assets totalled € 1,529 thousand (previous year: € 1,049 thousand).

At € 1,065 thousand, the bulk of the investments applies to the capitalisation of company-produced assets while the remainder mainly applies to software (€ 15 thousand; previous year: € 73 thousand) and operating and office equipment (€ 301 thousand; previous year: € 76 thousand).

Corporate bonds with a remaining term between one and two years and a total value of € 3,187 thousand were acquired over the course of the 2010 financial year.

Corporate bonds with a remaining term of more than one year are reported under financial investments (€ 3,166 thousand). Short-term corporate bonds with a remaining term of less than one year are reported under current assets (€ 1,603 thousand).

RENTAL AND LEASE CONTRACTS

Almost all of the Group's capital equipment was owned directly by Viscom and its subsidiaries. Due to liquidity and economic considerations, the operating premises and vehicle fleet were rented or leased.

SUBSIDIES

Viscom received subsidies of € 43 thousand in 2010.

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

	2010 K€	2009 K€
Tier 1 liquidity (cash and cash equivalents less current liabilities)	**17,673**	**20,277**
Tier 2 liquidity (tier 1 liquidity plus receivables less non-current liabilities)	**32,426**	**29,337**
Tier 3 liquidity (tier 2 liquidity plus inventories)	**42,587**	**37,836**
Assets:		
Cash and cash equivalents	25,905	25,322
Receivables and other assets	15,053	9,291
	40,958	**34,613**
+ Inventories	10,162	8,499
	51,120	**43,112**
Liabilities:		
Current liabilities	8,232	5,045
Non-current liabilities	299	231
Cash flow 1		
Net profit for the period after taxes	10,523	-13,717
+ Depreciation and amortisation expense	804	2,858
	11,327	**-10,859**
Return on equity		
Net profit for the period/shareholders' equity	19.6 %	-32.0 %
Return on Investment (ROI)		
Net profit for the period/total assets	16.9 %	-28.5 %
Return on revenue		
EBT/revenue	18.7 %	-63.6 %
Return on Capital Employed (ROCE)		
EBIT / (total assets - bank balances – current liabilities)	25.4 %	-78.3 %
Net debt		
Liabilities (-)	-8,531	-5,276
+ Cash and cash equivalents	25,905	25,322
+ Receivables and other assets	15,052	9,291
= Net debt	32,426	29,337
Working capital		
Current assets – liabilities	42,589	37,836
Equity ratio		
Shareholders' equity/total assets	86.3 %	89.0 %

REPORT ON POST-BALANCE SHEET DATE EVENTS

There were no significant events after the end of the 2010 financial year.

RISK REPORT

RISK MANAGEMENT STRATEGY, PROCESSES AND ORGANISATION

Since the parent company Viscom AG is a capital market-oriented corporation in terms of section 264d of the German Commercial Code (HGB), key features of the internal control and risk management system including the early identification of risks pursuant to section 91 (2) of the German Stock Corporation Act (AktG) have to be described pursuant to section 315 (2) (5) of the German Commercial Code (HGB), both in regard to the accounting processes of the consolidated companies and in regard to consolidated financial reporting.

The internal control and risk management system in terms of the accounting process and consolidated financial reporting is not defined by law. Viscom views the internal control and risk management system as a comprehensive system and as a basis uses the definition by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf (German institute of auditors) of an accounting-related internal control system (IDW PS 261 para. 19 f.) and risk management system (IDW PS 340 para. 4). An internal control system therefore includes the principles, processes and measures introduced by Company management to support the organisational realisation of management decisions.

The guiding principle of risk management is that the relevant decision-makers should be made aware of the development of significant risks as promptly and comprehensibly as possible in order to facilitate a timely and appropriate response or pre-emptive action. To this end, regular meetings of senior employees are held, during which the current status of and approach to the recognised significant risk positions are clarified on the basis of corresponding evaluations and reports. Additional information regarding the current status may be required; this is obtained from employees in the respective departments.

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

The Executive Board of Viscom AG considers the following elements of the internal control and risk management system at Viscom essential in regard to the accounting process and consolidated financial reporting:

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

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

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

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

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

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

COUNTRY RISK

Revenue is generated almost exclusively from customers in industrialised nations with a functioning legal system. Based on past experience, the enactment of trade restrictions on the goods sold by Viscom is not a matter of concern. There are currently no import restrictions on the inspection systems produced by Viscom.

SECTOR RISK

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

The Viscom business strategy is to reduce this risk through various development and sales activities with areas of application in other industries.

CUSTOMER RISK

Viscom generated approximately 55 % of its revenue with its five largest customers. This means the proportion of revenue rose by more than 15 percentage points compared to the previous year.

FOREIGN CURRENCY RISK

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

Sales in US dollars were affected in tranches during periods of positive development to ensure that potential exchange rate losses were minimised. Foreign currency hedges, e.g. using forward exchange transactions, were not established in 2010 but have been set up as needed in the past.

PROCUREMENT RISK

The procurement of components and services from third-party suppliers is generally subject to the risk of changes in prices and delivery schedules. Corresponding purchasing negotiations have succeeded in ensuring that acquisition prices have largely remained stable. The Company is only directly dependent on specific suppliers to a very limited extent. There were bottlenecks relating to the procurement times for specific assemblies and components during the period under review due to the generally positive order situation, resulting in longer delivery times. In the future, the Company will prevent against bottlenecks by changing its procurement strategy and expanding its supplier base.

LIQUIDITY RISK

The initial public offering in 2006 resulted in a substantial improvement in the liquidity situation. No borrowing will be required to finance the expenditures that have been made and are planned for 2011.

DEFAULT RISK

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

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

The maximum default risk can be derived from the carrying amount of the respective financial assets as reported on the balance sheet.

TRADEMARK AND PATENT RISK

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

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

COMPETITIVE RISK/ COMPETITIVE ADVANTAGE

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

SIGNIFICANT EVENTS IN THE PAST FINANCIAL YEAR

The Company was not involved in any significant legal proceedings as of 31 December 2010.

Few risks affecting the Company's short to medium term development arising from the expected general economic developments in the automotive industry are apparent at present.

Risks from business relationships, especially receivables default risks related to high revenue customers, are not apparent at present. However, risks continue to be evident relating to the development of revenue since this is highly dependent on subsequent developments in the automotive supplier industry.

The Company has a positive outlook for financial year 2011 and expects further growth compared to 2010.

The Annual General Meeting of Viscom AG took place on 2 June 2010 at the town hall (Rathaus), Hanover. No dividend was distributed for 2009 on account of the poor revenue and earnings situation in that year.

FORECAST 2011/2012

ECONOMIC CONDITIONS

Overall economic conditions for 2011 have improved considerably compared to the previous year. In 2010, the market continued to recover at great speed. The regionally very different growth momentum of the global economy is reflected in the amount of incoming orders. In many newly industrialised economies with production capacity – especially in Asia – economic growth has once again stabilised or even started to recover. This means a higher willingness to invest is to be expected in these countries in 2011/2012. Ongoing technology advancements will also lead to new electronic products and the steady expansion of electronics production. Many new products are designed in such a way that their production is only possible by carrying out a rationally designed inspection process aimed at guaranteeing sufficient product quality.

Nevertheless the expected positive economic developments over the coming years remain unclear. In particular, any company-specific forecasts remain uncertain in the current financial market and industry situation because of high market volatility. The euro crisis could still worsen and the insecurity in the financial markets could spill over into the real economy.

There have been no significant changes in the key political risk factors in recent years. The crisis regions in the Middle East are of minimal significance to the direct business of Viscom AG. On the other hand, the possibility of trade policy regulatory measures and currency fluctuations is more relevant.

BUSINESS POLICY

The core focal points of the Viscom strategy are:
- extensive innovative strength
- technological leadership
- technology partnerships with key customers

These strategies allow Viscom to develop innovative products and offer them on a customer-specific basis. Extensive innovative capacity provides the framework for the Company's rapid and comprehensive adjustment to reflect new challenges in the market. The position of technology leadership, which is based on customer requirements, is used to transport the Company's image to the market, "If anybody can do it, Viscom can". In turn, technology partnerships mean that technology expertise is available promptly and in depth, therefore allowing the other objectives to be achieved.

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

MARKETS

Experts continue to view the European market as consolidated. As an important market for Viscom and a strong technology trend setter in the field of automotive and industrial electronics, this market will continue to be very important to Viscom after the automotive sales crisis ends. Viscom expects revenue within the European market – including Southern and Eastern Europe – to once again increase over the course of 2011.

The situation in America is similar. In the USA and Canada, demand will start growing again. Growth opportunities will also arise in Central and South America.

Most current forecasts for the electronics industry once again expect growth in Asia. Revenue there is therefore expected to rise again. The company has made it its target to raise the profile of the Viscom brand even more in this region and to make even better use of opportunities in the Asian market.

COMPANY SEGMENTS

In addition to the primary structuring into geographic segments (markets), Viscom also performs segment reporting based on its business areas. Since revenue for the majority of these segments accounts for less than 10 % of total revenue, segmenting by business areas is of subordinate importance.

The SP business area is responsible for enhancing, producing and distributing series systems which are the Company's major revenue drivers.

On the other hand, the XP and NP business areas develop promising new products with growth potential for customer applications in the context of individual projects. They are the innovation drivers which generate expandable 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 coming years. By internally transferring its series business to the SP business area, the capacities of the XP business area for instance are being used for developing new sub-markets with a demand for the inspection of hidden components without disassembly, among other things. Computed tomography (CT) constitutes another focal point.

The Service business area offers Viscom customers an improved and wider product portfolio. Since starting the activities, revenue has gone up steadily. Further growth of this business area is expected.

PRODUCTS AND SERVICES

Viscom will continue to focus on the development of new standard inspection systems in order to meet future customer requirements. Examples include the further development of the S3088 to accept larger test specimens and the X7056 for 3D X-ray inspection.

Among other things, the XP business area will become increasingly involved in three-dimensional inspection (CT) technology.

Due to the steadily increasing installation base, follow-up business which includes training, maintenance, replacement part sales and upgrade projects will continue to increase in terms of both volume and differentiation and will help expand Service.

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 assure efficient production while maintaining the same high level of product quality and assuring short delivery times.

PROCUREMENT

The established procurement structures are well proven. Viscom will continue counting on reliable partners and expanding the procurement structures internationally when required.

RESULTS OF OPERATIONS

Viscom anticipates a significant increase in revenue in 2011 and 2012 compared to 2010. The development of incoming orders and revenue will once again largely depend on the overall economic situation in the coming two years, especially in the automotive industry. By implementing the sustainable cost savings measures, Viscom laid the foundation for successful business development in the future. With a revenue forecast of € 45 to 47 million, Viscom expects results of operations to be clearly positive again in 2011.

FINANCIAL POSITION

It is to be expected that the financial position will barely change despite the expected increase in working capital. However, there are no plans for borrowing in 2011 and 2012 thanks to the on-going good liquidity position. Capital continues to be available for investing activities. Only part of the financial assets have been invested in corporate bonds for the medium term, i.e. between one and two years. Most of the funds, invested in direct access savings accounts and term deposits, are available quickly.

INVESTMENTS AND FINANCING

The Company plans to make additional investments in its core business in the future. These relate to further developing products, expanding its regional presence and strengthening the 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 operating premises, buildings and vehicle fleet. Viscom made no major investments in 2010. Investment activities were reduced to a minimum on account of the uncertain economic outlook.

OTHER CASHFLOWS AND REFINANCING

Additional cashflows exist only in the form of dividend distributions to shareholders. This generally depends on the 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.

DECLARATION OF COMPLIANCE

The Executive Board and Supervisory Board of Viscom AG are committed to the principles of sound Corporate Governance. We see Corporate Governance as a vital element of the modern capital market. Therefore, Viscom AG welcomes the German Corporate Governance Code. The Code defines important legal regulations for the management and supervision of German listed companies, and it supplements internationally recognised standards of good and responsible management. This is intended to promote investors' and the public's trust in the management and supervision of publicly owned German companies. Viscom AG uses these expectations as a point of orientation. Our Corporate Governance allows us to ensure responsible management and control, focused on transparency and value creation. The Executive Board, also on behalf of the Supervisory Board, reports on the Company's Corporate Governance in the declaration of compliance published by Viscom AG, in accordance with Section 3.10 of the German Corporate Governance Code as well as Section 289a Paragraph 1 of the German Commercial Code (HGB) on Corporate Governance.

The Declaration of Compliance and the Compliance Statement were published on the Viscom AG website www.viscom.com on 25 February 2011 in the section "Investor Relations/Company/Corporate Governance/ Declaration of Compliance" and "Investor Relations/Company/Corporate Governance/Compliance Statement", respectively.

The Declaration of Compliance and the Compliance Statement are also included in the Company's 2010 Annual Report.

REPORT ON ADDITIONAL DISCLOSURE REQUIREMENTS FOR LISTED COMPANIES

Viscom AG completed its initial public offering in May 2006 and was listed in the Prime Standard of the regulated market on the Frankfurt Stock Exchange until September 2009. Since September 2009 Viscom has been listed in the General Standard of the regulated market. Subscribed capital amounts to € 9,020 thousand and is divided into 9,020,000 no-par value bearer shares with a notional interest in share capital of € 1.00 per share.

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

HPC Vermögensverwaltung GmbH, Hanover, held an interest of 53.96 % in Viscom AG as of 31 December 2010. Grünwald Equity Beteiligungs V2 GmbH, Grünwald, held an interest of more than 10 % in Viscom AG as of 31 December 2010.

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

The Supervisory Board is authorised to make amendments to the Articles of Association 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 1 June 2015 to acquire own shares of up to 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 section 71a ff. of the German Stock Corporation Act (AktG), may at no point exceed 10 % of the Company's current share capital. The acquired own shares may be used for all legally allowable purposes, excluding the trade in own shares.

CONFIRMATION OF THE DEPENDENCY REPORT

Viscom AG was dependent on HPC Vermögensverwaltung GmbH in the 2010 financial year. Since there was no control agreement between said company and Viscom AG in this period, the Executive Board of Viscom AG prepared a report of the Executive Board regarding the relationships to affiliated companies pursuant to section 312 (1) of the German Stock Corporation Act (AktG), which includes the following confirmation:

"Our Company received commensurate compensation for each of the legal transactions listed in the report on relationships to affiliated companies and was not disadvantaged by the measures taken or omitted according to the report. This assessment is based on the circumstances known to us at the time of the transactions subject to mandatory reporting."

Hanover, 10 March 2011

Dr. Martin Heuser

Volker Pape

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2010 CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

Item		01.01.–31.12.2010 K€	01.01.–31.12.2009 K€
G1	Revenue	40,024	20,874
G2	Other operating income	1,525	3,117
		41,549	23,991
G3	Changes in finished goods and work in progress	-181	-6,648
G4	Other capitalised company-produced assets	1,065	862
G5	Cost of materials	-10,287	-5,529
G6	Staff costs	-15,105	-15,268
G7	Depreciation and amortisation expense	-804	-2,858
G8	Other operating expenses	-9,105	-8,443
	Operating expenses	**-34,417**	**-37,884**
	Operating profit	**7,132**	**-13,893**
G9	Interest income	393	757
G9	Interest expenses	-50	-139
G10	Income taxes	3,048	-442
	Net profit for the period	**10,523**	**-13,717**
G11	**Earnings per share (diluted and undiluted) in €**	**1,18**	**-1,54**
	Other earnings		
	Currency translation differences	297	-92
	Other earnings after taxes	**297**	**-92**
	Total earnings	**10,820**	**-13,809**

CONSOLIDATED BALANCE SHEET: ASSETS

ASSETS

Item		31.12.2010 K€	31.12.2009 K€
	Current assets		
A1	Cash and cash equivalents	25,905	25,322
A2	Trade receivables	12,155	6,618
A3	Current income tax assets	282	1,138
A4	Inventories	10,162	8,499
A5	Other financial receivables	2,014	896
A5	Other assets	602	640
	Total current assets	51,120	43,113
	Non-current assets		
A6	Property, plant and equipment	1,221	1,372
A7	Intangible assets	2,310	1,505
A8	Financial assets	3,166	1,670
A8	Loans originated by the Company	162	52
A9	Deferred tax assets	4,214	406
	Total non-current assets	11,073	5,005
	Total assets	62,193	48,118

BALANCE SHEET:
LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES

Item		31.12.2010 K€	31.12.2009 K€
	Current liabilities		
P1	Trade payables	1,681	738
P2	Advance payments received	788	488
P3	Provisions	1,173	1,439
P4	Current income tax liabilities	607	433
P5	Other financial liabilities	2,506	841
P5	Other current liabilities	1,477	1,106
	Total current liabilities	**8,232**	**5,045**
	Non-current liabilities		
P3	Non-current provisions	299	231
	Total non-current liabilities	**299**	**231**
	Shareholders' equity		
P6	Subscribed capital	9,020	9,020
P7	Capital reserves	35,135	41,583
P8	Retained earnings	9,368	-7,603
P9	Exchange differences	139	-158
	Total shareholders' equity	**53,662**	**42,842**
	Total liabilities and shareholders' equity	**62,193**	**48,118**

CASHFLOW STATEMENT

CASHFLOW STATEMENT

Item		31.12.2010 K€	31.12.2009 K€
	Cash flow from operating activities		
	Net profit for the period after interest and taxes	10,523	-13,717
G10	Adjustment of net profit for income tax expense (+)	-3,048	442
G9	Adjustment of net profit for interest expense (+)	6	139
G9	Adjustment of net profit for interest income (-)	-394	-757
A6 to A8	Adjustment of net profit for depreciation and amortisation expense (+)	804	2,858
P3	Increase (+) / Decrease (-) in provisions	-266	-1,206
A6 to A8	Gains (-) / losses (+) on the disposal of non-current assets	-20	0
A2 to A5, A9	Increase (-) / decrease (+) in inventories, receivables and other assets	-5,671	13,879
P1 to P3, P5	Increase (+) / Decrease (-) in liabilities	2,772	-2,804
G10	Income taxes repaid (+) / paid (-)	-20	2,923
	Net cash used in/from operating activities	**4,686**	**1,757**
	Cash flow from investing activities		
	Proceeds (+) from the disposal of non-current assets	89	15
A6 to A8	Acquisition (-) of property, plant and equipment and non-current intangible assets	-449	-186
	Acquisition (-) of non-current financial investments	-3,143	-2,185
G4	Capitalisation of development costs (-)	-1,080	-862
G9	Interest received (+)	189	583
	Net cash from/used in investing activities	**-4,394**	**-2,635**
	Cash flow from financing activities		
P7 to P8	Expenditures for acquisition of own shares (-)	0	-26
G9	Interest paid (-)	-6	0
	Cash flow from financing activities	**-6**	**-26**
	Changes in financial assets due to changes in exchange rates	297	-28
	Cash and cash equivalents		
	Changes in cash and cash equivalents	286	-904
	Cash and cash equivalents at 1 January	25,322	26,254
	Total cash and cash equivalents	**25,905**	**25,322**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

Item	Subscribed Capital K€	Capital Reserve K€	Exchange Rate Differences K€	Retained Earnings K€	Total K€
Shareholders' equity at 1 Jan. 2009	9,020	41,609	-66	6,114	56,677
Net profit for the period	0	0	0	-13,717	-13,717
Other earnings	0	0	-92	0	-92
Total earnings	**0**	**0**	**-92**	**-13,717**	**-13,809**
Dividends	0	0	0	0	0
Acquisition of own shares	0	-26	0	0	-26
Shareholders' equity at 31 Dec. 2009	9,020	41,583	-158	-7,603	42,842
Shareholders' equity at 1 Jan. 2010	9,020	41,583	-158	-7,603	42,842
Net profit for the period	0	0	0	10,523	10,523
Other earnings	0	0	297	0	297
Total earnings	**0**	**0**	**297**	**10,523**	**10,820**
Dividends	0	0	0	0	0
Acquisition of own shares	0	0	0	0	0
Loss carry-forward adjustment	0	-6,448	0	6,448	0
Shareholders' equity at 31 Dec. 2010	9,020	35,135	139	9,368	53,662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL DISCLOSURES ON THE COMPANY, THE CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

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

These consolidated financial statements were approved on 10 March 2011 by the Executive Board for presentation to the Supervisory Board.

The consolidated financial statements and the 2009 Group management report were submitted to and published in the electronic version of the German Federal Gazette.

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 2010 financial year were prepared on the basis of uniform application and compliance with all of the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union at the reporting date of 31 December 2010.

Changes or additions to IFRS and resulting reporting, recognition or measurement changes

Compared to the consolidated financial statements dated 31 December 2009, the following standards and interpretations have changed or became mandatory following their adoption under EU law or the effective date of the provisions:

Amendments to IAS 1 "Presentation of Financial Statements" – Classification of the debt component of convertible bonds as current or non-current

he amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 1 January 2010, clarify when the debt component of a convertible bond has to be classified as current or non-current. The application of this amendment did not have a significant impact on the net assets, financial position and results of operations of Viscom.

Amendments to IAS 7 "Statement of Cash Flows" – Cash flow from investment activities

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 1 January 2010, clarify that only cash outflow that actually resulted in an asset being recognised are allowed to be stated under cashflow from investment activities. This pertains to items such as research and development costs that do not fulfil the recognition criteria pursuant to IAS 38 for intangible assets. Viscom applied the amended standard. This did not change the Group's net assets, financial position and results of operations.

Amendments to IAS 17 "Leases" – Leases of land and buildings

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 1 January 2010, clarify which criteria are to be applied for classifying the lease of land and buildings as an operating lease. The financial substance of the lease has to be evaluated. The amendments to this standards are important for Viscom. The application of these amendments did not however have any impact on the net assets, financial position and results of operations of Viscom.

Amendments to IAS 18 "Revenue" – Identifying agency relationships

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 1 January 2010, clarify certain agency relationships. According to the amended standard, an entity acts as a principal if it is exposed to the material risks and opportunities arising from the sale of goods or the provision of services, while it acts only as an agent if it is not exposed to such risks in connection with a transaction. The appendix to IAS 18 now includes general guidelines for determining the principal and agent in agency relationships. The clarifications of the corresponding standard could be important to Viscom, but have not had any impact on the Company's net assets, financial position and results of operations.

Amendments to IAS 36 "Impairment of Assets" – Allocating goodwill

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 1 January 2010, clarify the allocation of goodwill to the cash generating units for the purpose of an impairment test. Goodwill has to be allocated prior to the combination of segments. Synergies and compensation between segments aggregated in accordance with IFRS 8 are therefore no longer possible. The amendments to this standards were unimportant for Viscom.

Amendments to IAS 38 "Intangible Assets" – Combined assets

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 01 July 2009, clarify the following: Intangible assets acquired as part of a business combination are to be recognised together with an associated contract, asset or liability if this is the only way for them to be separated from goodwill. The previously imperative possibility of a reliable, individual measurement is therefore no longer a primary requirement.

Other formal changes as well as amendments to the measurement of intangible assets as part of a business combination for which there is no active market were carried out. The amendments to this standards were unimportant for Viscom.

Amendments to IAS 39 "Financial instruments: Recognition and Measurement" – Eligible hedged items

The amendment published on 15 October 2008 was adopted in EU law upon announcement in the Official Journal of the EU on 15 September 2009 and must be mandatorily applied to all financial years starting on or after 1 July 2009. The underlying purpose of the amendments is to offer additional application guidelines for the designation of hedging instruments, since current practices – especially for the treatment of one-sided risk and in regards to accounting for inflation within a hedging transaction – are not uniform. The corresponding amendments to this standards were unimportant for Viscom.

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 1 January 2010, clarify the following: Exceptions for the application area of IAS 39 were defined for forward transactions agreed upon in connection with a business combination. The reclassification of remeasurements of cashflow hedges from an expected transaction directly in equity has also been clarified. Furthermore, an additional exception for certain options embedded in an underlying contract (structured products) were introduced. The amendments to this standards were unimportant for Viscom.

Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Additional exceptions for first-time adopters

The amendments to IFRS 1 were published on 28 January 2010 with retroactive effect and on 15 October 2008 and adopted in EU law upon publication in the Official Journal of the EU on 24 July 2010 and must be applied to financial years starting on 1 July 2009 and 1 January 2010. The amendments introduced formal aspects as well as two new exceptions for first-time adopters regarding certain assets depending on whether an agreement contains a lease. The application of the amendment to IFRS 1 is important to Viscom Group but has no impact on these consolidated financial statements as Viscom is not a first-time adopter.

Amendments to IFRS 2 "Share-based Payments" – Recognition of share-based cash payments within the Group

The amendment published on 18 June 2009 was adopted in EU law upon announcement in the Official Journal of the EU and must be applied to all financial years starting on or after 01 January 2010. The amendment to this standard clarifies for the area of application of IFRS 2 that a company receiving goods or services under a share-based payment agreement is required to recognise them, regardless of which entity within the group is responsible for meeting the related obligations or whether these are met in shares or in cash. The amendment to this standard has not had any effect on the consolidated financial statements of Viscom.

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on 1 January 2010, clarify the following: Apart from business combinations, which fall within the area of application of IFRS 3, the establishment of joint ventures or common control transactions are also excluded from the area of application of IFRS 2. The amendments to this standards were unimportant for Viscom.

Amendment to IFRS 3 "Business Combinations" – Expansion of the areas of application, including revisions, of IAS 27 "Consolidated and Separate financial Statements", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures"

The amendments published on 10 January 2008 were adopted in EU law upon announcement in the Official Journal of the EU on 12 June 2009 and must be mandatorily applied to all financial years starting on or after 1 July 2009. As a result of the revision of the standard, the scope was expanded to include business combinations of mutual entities and combinations without consideration. Acquisition costs (with some exceptions) must continue to be expensed. Furthermore, the "full goodwill method" accounting policy choice was introduced. In accordance with IAS 27, increases and decreases in the non-controlling interest in a subsidiary that do not lead to a parent entity obtaining or losing control must now be mandatorily recognised as equity transactions directly in equity in consolidated and separate financial statements. A loss of control results in the remaining interests being recognised at fair value in income, making it necessary to amend IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures". The amendments of the affected standards were of no importance to Viscom Group during the reporting period.

Amendments to IFRS 5 "Non-current Assets Held for Sale and discontinued Operations" – Subsidiaries held for sale

The amendment published on 15 August 2008 was adopted in EU law upon announcement in the Official Journal of the EU on 24 March 2010 and must be mandatorily applied to all financial years starting on or after 1 July 2009. The amendment clarifies that all assets and liabilities of a subsidiary where a planned disposition results in the loss of control over this subsidiary must be classified as "held for sale" when the entity will retain a non-controlling interest in this former subsidiary after the disposition. The amendment to this standard has not had any effect on the consolidated financial statements of Viscom.

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, were adopted by EU law upon publication in the Official Journal of the EU on 23 October 2009, and must be mandatorily applied to financial years starting on 1 January 2010. The amendment to IFRS 5, paragraph 5b, regulates the details to be included in the notes to the financial statements for non-current assets held for sale and discontinued operations. The amendments to this standards were unimportant for Viscom.

IFRS 8 "Operating Segments" – Measuring assets

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 20 July 2010, and applicable to financial years starting on 1 January 2010, clarify that in segment reporting, disclosures of (segment) assets and liabilities only have to be provided if these disclosures also form part of regular internal reporting to the main decision-maker. The amendment of this standard did not have a significant impact on the net assets, financial position and results of operations of Viscom.

Amendments to IFRIC 9 "Reassessment of embedded Derivatives" – Restrictions of the area of application

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on or after 1 July 2009, clarify the restriction of the area of application of IFRIC 9. According to these amendments, all contracts with embedded derivatives, which were acquired during a business combination within the meaning of IFRS 3 and during the establishment of joint ventures pursuant to IAS 31, fall outside the area of application of IFRIC 9. The amendments to this interpretation were unimportant for Viscom.

IFRIC 12 "Service Concession Arrangements" – Recognition of rights and obligations

The amendment published on 3 July 2008 was adopted in EU law upon announcement in the Official Journal of the EU on 23 July 2009 and must be mandatorily applied to all financial years starting on or after 30 March 2009. The amendments deal with accounting rules for rights and obligations arising from service concession arrangements for companies offering public services, e.g. the construction of roads or airports, on behalf of a grantor such as the government or other public sector entity. The amendment to this interpretation was unimportant for Viscom.

IFRIC 15 "Agreements for the Construction of Real Estate" – Standardised recognition of revenue

The amendment published on 3 July 2008 was adopted in EU law upon announcement in the Official Journal of the EU on 23 July 2009 and must be mandatorily applied to all financial years starting on or after 1 January 2010. The amendment of this interpretation pertains to the standardised recognition of revenue for entities that construct property on land. The amendment to this interpretation was unimportant for Viscom.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" – Holding hedging instruments The amendment published on 16 April 2009 was adopted in EU law upon announcement in the Official Journal of the EU on 5 June 2009 and must be mandatorily applied to all financial years starting on or after 1 July 2009. The regulations of IAS 39 "Hedge Accounting" make it possible to calculate the hedged currency risk arising from the different currencies used by individual operations within one entity and to recognise the changes in value of the hedging instruments up to the point of sale of the relevant foreign operation in equity as a future expense. The interpretation specifies which requirements have to be met by such a hedging relationship as well as the consequences for their recognition. The amendment to this interpretation was unimportant for Viscom.

The amendments carried out under the Annual Improvement Project 2009, published in April 2009, as adopted by EU law upon publication in the Official Journal of the EU on 24 March 2010, and applicable to financial years starting on or after 1 July 2009, remove the exception that entities whose currency risk is to be hedged are not allowed to hold the hedging instrument. This is now permitted according to the amendment. The amendment to this interpretation was unimportant for Viscom.

IFRIC 17 "Distributions of Non-cash Assets to Owners" – Recognition and measurement of non-cash distributions to shareholders

The amendment published on 17 November 2008 was adopted in EU law upon announcement in the Official Journal of the EU on 27 November 2009 and must be mandatorily applied to all financial years starting on or after 1 November 2009. The interpretation governs how an entity has to measure non-cash assets as cash and cash equivalents when they are distributed to owner's dividends. The amendment to this interpretation was unimportant for Viscom.

IFRIC 18 "Transfer of Assets from Customers" – recognition of property, plant and equipment transferred by customers

The amendment published on 29 January 2009 was adopted in EU law upon announcement in the Official Journal of the EU on 1 December 2009 and must be mandatorily applied to all financial years starting on or after 1 November 2009. The interpretation governs how the recipient of items of property, plant and equipment transferred by customers has to carry out their recognition. The recipient uses these items to provide the customer with goods and services. The interpretation specifically mentions the energy sector as a relevant area of application of this amendment. These changes did not affect Viscom.

IASB standards and interpretations not applied prematurely

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

Standard/ Inter-pretation			Mandatory Application for Financial Years from	Adopted by the EU Com-mission
STANDARDS				
IFRS 1	Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	This amendment makes it possible for first-time adopters of IFRS to apply the transitional provisions of IFRS 7 for the new disclosure obligations adopted in March 2009. IFRS first-time adopters therefore do not have to disclose comparative values for the new disclosure obligations of IFRS 7 for comparative periods ending before 31 December 2009.	1 July 2011	Yes
IFRS 1	Hyperinflation and fixed transition date	The amendment provides guidelines on how to proceed in the presentation of IFRS financial statements when an entity was unable to comply with IFRS regulations for a period of time because its functional currency was subject to hyperinflation.	1 January 2012	No
IFRS 7	"Financial instruments: notes to the financial statements" – Transfer of financial instruments, separation of general and specific regulations of the standard	Clarification on the presentation of the transfer of financial instruments as well as additional disclosures in the notes to the financial statements. Regulates the first-time adoption of IFRS	1 July 2011	No
IFRS 9	Financial instruments: Classification and impairment of financial assets	Governs the classification and measurement of financial assets. The previous categories "loans and receivables", "held to maturity", "available for sale" and "at fair value through profit or loss" will be replaced by the new categories "fair value" and "at amortised cost".	1 January 2013	No
IAS 24	Related party disclosures	The amendments simplify the disclosure requirements for companies under government control or significant government influence.	1 January 2011	Yea
IAS 32	Classification of rights issues	According to the amendments, rights issues defined in the standard that are offered for a fixed amount of foreign currency and issued pro rata to an entity's existing shareholders are no longer classified as derivative liabilities but as equity.	1 February 2010	Yes
IAS 12	"Income taxes – Exceptions for investment property"	Exceptions for investment property that is to be recognised at fair value according to IAS 40.	1 January 2012	No
Various	Annual Improvement Project 2010	Amendments to ten IFRS and two interpretations. The amendments mainly serve to clarify the presentation, recognition and measurement of end-of-year items.	Mainly 1 January 2011	No
INTERPRETATIONS				
IFRIC 14	Notes on IFRIC 14: Minimum Funding Requirements	If an entity is subject to minimum funding requirements and makes prepaid contributions to meet these obligations, the amendment allows these prepayments to be reported as an asset.	1 January 2011	Yes
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Explains the application of IFRS in case a company extinguishes a financial liability, in whole or in part, by issuing shares or other equity instruments (so-called "debt for equity swaps").	1 July 2010	Yes

The Viscom Group expects that the application of the standards and/or interpretations published on or before the reporting date but not yet in force will have no material impact on the net assets, financial position and results of operations of the Group.

Principles underlying the preparation of the consolidated financial statements

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

The income statement was prepared in accordance with the total expenditure format.

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 non-current. Current assets or liabilities are those designated for disposal/redemption within a one year time horizon.

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 2010. The financial statements of the companies included in the consolidated financial statements are prepared on the basis of uniform accounting principles. Adjustments were made for differences in accounting standards as necessary. The single entity financial statements of the subsidiaries are prepared to the same reporting date as the consolidated financial statements.

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

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

Basis of consolidation

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

Name	Headquarters	Equity Interest	Date of Initial Control
Viscom France S.A.R.L.	Cergy Pontoise Cedex, France	100 %	2001
Viscom Machine Vision Pte Ltd.	Singapore, Singapore	100 %	2001
Viscom Inc.	Atlanta, Georgia, USA	100 %	2001
Viscom Machine Vision Trading Co. Ltd.	Shanghai, China	100 %	2007
Viscom Tunisie S.A.R.L.	Tunis, Tunisia	99,99 %	2010

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

In December 2010, Viscom France S.A.R.L. and another associate established Viscom Tunisie S.A.R.L.

Changes to accounting and measurement principles

The applied accounting and measurement principles correspond to those applied in the previous year.

Significant arbitrary decisions, estimates and assumptions

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.

Trade receivables

With trade receivables, the default risk is estimated using the respective level of knowledge, delinquency in particular. Despite there being trade receivables owed by customers from the automotive industry, no increased receivable default risk is evident at present.

Inventories

Inventories are subject to assumptions regarding the depreciation parameters, for example, the scope and measurement of the degree of completion.

Provisions

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. In this case, the warranty or repair expense is quantified for each system installed and used as a measurement standard for systems that are still under warranty or repair at the turn of the year.

Impairment of non-financial assets

At every reporting date the Group determines whether there are indications of an impairment of non-financial assets. Goodwill and other intangible assets with an indefinite useful life are reviewed at least once a year and also if there are indications of an impairment. Other non-financial assets are subject to an impairment test, if there are signs that the carrying amount exceeds the recoverable amount.

To calculate use value, management estimates the expected future cashflow from the cash-generating unit and selects a discount rate to determine the present value of this cashflow. In accordance with IAS 36, a cash generating unit is the perceived smallest group of assets that generates cashflows from continuous use, which is largely independent of those of other units.

Summary of significant accounting and measurement principles

Intangible assets

Intangible assets are carried at cost during first-time recognition. These are recognised if it is probable that the future economic benefits attributable to the asset will flow to the Company and the acquisition or production costs of the asset can be measured reliably. The costs of intangible assets acquired as part of a business combination correspond to their fair value at the time of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with a limited useful life are amortised on a straight-line basis over their estimated useful life. Amortisation periods and methods are reviewed on an annual basis at the end of each financial year. The amortisation of intangible assets is reported under depreciation and amortisation in the income statement.

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

Goodwill from business combinations is initially recognised at cost. This 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. If the acquisition costs are lower than the net assets measured at fair value of the acquired subsidiary, the difference is recognised directly in income.

After initial recognition, goodwill is subjected to an annual impairment test and carried at cost less any accumulated impairment losses. Goodwill may not be written up.

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. In particular, the Company must intend to complete, use or sell the development project and also possess the required technical, financial and other resources. Furthermore, the Company must be in a position to use or dispose of the intangible asset and derive an economic advantage from the same. Viscom capitalises development costs when these criteria are cumulatively met and the development costs can be measured reliably.

Other development costs that do not meet these criteria are recognised as expenses when they are incurred. Development costs that have been recognised as an expense in previous periods are not stated as assets in subsequent reporting periods. Capitalised development costs are recognised as intangible assets and amortised on a straight-line basis from the time they become usable over their useful life, but over a maximum of four years. An annual impairment test is carried out on any capitalised development costs that are not yet ready for use for the cash generating unit.

Viscom has five submitted patents. With the exception of registering a patent in Taiwan, none of these patents were issued as of 31 December 2010.

Property, plant and equipment

Property, plant and equipment is carried at cost less any accumulated depreciation and accumulated impairment losses. Gains and losses from derecognising property, plant, and equipment are calculated as the difference between the net proceeds from the sale of an asset and the carrying amount, and are recognised in the period in which the asset is written off.

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 as well as an appropriate proportion of the fixed and variable 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 and that costs can be reliably determined. All other subsequent expenditure should be recognised as an expense in the period in which it is incurred. Expenses for repairs and maintenance, which are not major replacement investments, are recognised in expenses on the income statement in the financial year they are incurred.

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

Gains or losses from the disposal of property, plant and equipment is the difference between the sales income and carrying amount of the item of property, plant and equipment and recognised under "Other operating income" or "Other operating expenses".

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 with an indefinite useful life are tested for impairment whenever changes or events take place that indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognised when the carrying amount of an item of property, plant and equipment or an intangible asset 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 cashflow 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.

An annual impairment test is carried out on intangible assets with an indefinite useful life and any intangible assets that are not yet ready for use for the cash generating unit.

Financial investments and other financial assets and liabilities

Financial instruments (financial assets and financial liabilities) according IAS 32 and IAS 39 are divided into the following categories: financial assets held up to the final maturity, available-for-sale financial assets, financial assets and liabilities recognised in income and at fair value (including assets classified for trading purposes), granted loans and receivables as well as other financial liabilities. The Management determined the classification of financial assets upon initial recognition.

On initial recognition, these financial assets and liabilities are carried at cost, which corresponds to the fair value of the consideration paid or received. Financial instruments are recognised at the trade date. After initial recognition, different measurement methods apply to the various categories of financial assets and liabilities. These are described as part of the accounting policies for the respective balance sheet items. Foreign currency items are translated at the middle rate prevailing at the reporting date. Gains and losses due to changes in the fair value of financial instruments are recognised in income.

One exception are gains and losses from changes in fair value of financial assets held for sale, excluding receivables. They are recognised separately in equity until the disposal of the financial instrument.

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, cancelled or they expire.

As the Group operates internationally, it is subject to market risks arising from changes in exchange rates. In the 2010 financial year, the Group did not employ any derivative financial instruments for reducing these risks since revenues in US dollars were very low.

Interest-bearing loans from Viscom to third parties are initially carried at the cost of acquisition less issuing costs. After initial recognition, interest-bearing loans are measured at amortised cost in accordance with the effective interest method. The same applies to the subsequent measurement of financial instruments held to maturity.

Inventories

In accordance with IAS 2, inventories are assets that are held for sale in the ordinary course of business (completed systems), that are in the process of production for such sale (assemblies and partially completed systems), or that are held for consumption in the production process or in the rendering of services (raw materials and supplies). Production costs of finished and unfinished products include costs for the product design, raw materials, auxiliary materials and supplies, direct staff costs, other direct costs and general costs directly attributable to their production (based on average production capacities). Inventories are measured at the lower of acquisition or production cost as calculated using the weighted average method less discount for obsolescence, taking volume deductions into account, and their fair value less cost to sell.

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

Raw materials, auxiliary materials and supplies intended for production are written off completely in case of inventory coverage for more than one year (slow mover measurement). Inventory coverage is calculated based on historic sales in the previous year. Completed and partially completed systems are subject to an impairment test after one year and are then also depreciated as and when required.

Trade receivables/other receivables and assets

Trade receivables are initially recognised at cost, corresponding to the fair value of the consideration, and in subsequent periods at amortised cost using the effective interest method less any allowances for uncollectability. Estimates of uncollectible amounts are performed when it is no longer likely that the respective invoice will be settled in full. Uncollectible amounts are derecognised and write-downs are carried out on bad debts. Foreign currency items are translated at the middle rate prevailing at the reporting date.

Construction contracts

Construction contracts are recognised in accordance with IAS 11 when the respective contract is a customer-specific contract, the total contract revenue and costs 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 which they are incurred.

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

Viscom AG recognises a liability under trade payables for all unfinished construction contracts with a negative balance payable to customers, where the total of all partial invoices exceeds the incurred costs plus recognised gains (i.e. less recognised losses).

Shareholders' equity

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

Provisions

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

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

Taxes

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method for temporary differences between the tax base of an asset or liability and its carrying amount in the IFRS and tax balance sheet of the individual companies, temporary differences resulting from consolidation processes and utilisable loss carry forwards. This is based on the tax rates that are expected to apply in the respective countries at the realisation date. These are based on the statutory regulations valid or adopted at the reporting date. A tax rate of 32 %, as in the previous year, was used for the calculation of deferred taxes in Germany. The income tax rates of the foreign subsidiaries vary between 17 % (previous year: 17 %) and 39 % (previous year: 40 %).

Deferred taxes are recognised in income, unless they relate to items that have been recognised directly in equity or other result. In this case, deferred taxes are also recognised in equity or other result.

The carrying value of deferred tax assets is verified at the respective reporting date. Deferred taxes are only recorded to the extent they are expected to be realised based on future positive results.

Deferred taxes attributable to items accounted for directly in equity are recognised in equity.

Deferred tax assets and deferred tax liabilities are offset if the Group has an enforceable right to offset current tax assets and current tax liabilities and if they relate to the income taxes of the same taxable entity, imposed by the same taxation authority. In these consolidated financial statements, corresponding setoffs were recorded at the individual company level.

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.

Leases

In the case of finance leases, under which substantially all the risks and rewards incident to ownership of an asset are transferred to the Company, the leased asset is recognised at fair value or, if lower, the present value of the minimum lease payments. No finance leases were recognised in Viscom's consolidated financial statements as of 31 December 2010.

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

Revenue

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

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

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.

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

Borrowing costs

Borrowing costs are not capitalised, but instead are expensed in the period in which they are incurred - except in case of qualified assets pursuant to IAS 23.

Interest

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

Dividends

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

Rentals

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.

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". When a foreign Group company is sold, exchange differences previously recognised directly in equity are reclassified to income as part of the gain or loss from disposal.

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

Significant translation exchange rates in the financial year are as follows:

TRANSLATION EXCHANGE RATES 2010

	1 SGD = x CNY	1 EUR = x SGD	1 EUR = x USD
Closing rate	5.1482	1.7136	1.3362
Average rate	4.9688	1.8055	1.3257

TRANSLATION EXCHANGE RATES 2009

	1 SGD = x CNY	1 EUR = x SGD	1 EUR = x USD
Closing rate	4.8703	2.0194	1.4406
Average rate	4.7071	2.0241	1.3948

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

(G1) REVENUE

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

BREAKDOWN OF REVENUE	2010 K€	2009 K€
Construction and delivery of machines	31,598	15,423
Services/replacement parts	7,750	4,826
Rentals	676	625
Total	40,024	20,874

Revenue includes € 383 thousand (previous year: € 664 thousand) in contract revenue measured in accordance with IAS 11.

(G2) OTHER OPERATING INCOME

Other operating income is composed of the following items:

BREAKDOWN OF OTHER OPERATING INCOME	2010 K€	2009 K€
Income from the release of other provisions for warranties and repairs	527	1,251
Non-monetary remuneration	338	360
Income from exchange rate differences	91	182
Income from receivables previously written off	55	92
Income from sales of assets	26	10
Insurance recoveries	16	70
Income from the release of other provisions	10	102
Income from the reimbursement of short-time allowance	0	299
Income from the derecognition of liabilities, Phoseon	0	366
Miscellaneous other operating income	462	385
Total	1,525	3,117

Non-monetary remuneration, which has a corresponding offsetting item under staff costs, results from the taxation of non-monetary benefits such as the private use of company cars.

(G3) CHANGES IN FINISHED GOODS AND WORK IN PROGRESS

Changes in finished goods and work in progress include the inventory-based manufacturing costs for finished and partially completed machines. The net value of these machines and assemblies is € 6,075 thousand (previous year: € 6,256 thousand) at a cost of € 13,698 thousand (previous year: € 13,531 thousand) and corresponding value adjustment of € 7,623 thousand (previous year: € 7,275 thousand).

(G4) OTHER CAPITALISED COMPANY-PRODUCED ASSETS

Company-produced assets for new developments were capitalised in the 2010 financial year at the amount of € 1,065 thousand (previous year: € 862 thousand). The developments mainly relate to software and new systems.

(G5) COST OF MATERIALS

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

COST OF MATERIALS	2010 K€	2009 K€
Materials including incidental costs of acquisition	9,452	5,256
Purchased services	835	273
Total	10,287	5,529

Additional releases for the value adjustment of slow movers had a major impact on the material usage ratio.

(G6) STAFF COSTS

Staff costs comprise salaries and employer social security contributions:

STAFF COSTS	2010 K€	2009 K€
Wages and salaries, incl. bonuses and management bonuses	13,023	12,643
Social security contributions	2,082	2,625
Total	**15,105**	**15,268**
Number of employees (average for the year)	259	319
umber of trainees (average for the year)	9	11
Total	**268**	**330**

Staff costs dropped only slightly considering the reduction in the number of employees, mainly due to a marked increase in bonuses and management bonuses payable on account of the positive business development in 2010 (see note P5).

In the period under review, payments were made to defined contribution pension plans in the amount of € 907 thousand (previous year: € 1,063 thousand).

(G7) DEPRECIATION AND AMORTISATION EXPENSE

Information on depreciation and amortisation expense can be found in note A6 for the balance sheet assets.

(G8) OTHER OPERATING EXPENSES

Other operating expenses can be broken down as follows:

OTHER OPERATING EXPENSES	2010 K€	2009 K€
General and administrative costs	3,040	2,790
Rents/leases	1,574	1,690
Selling expenses	1,265	1,313
Warranty/repair expenses	1,236	238
Travel expenses	1,197	887
Outgoing shipments	408	322
Expenses due to exchange rate differences	222	198
Value adjustment on receivables and losses on receivables	163	855
Expenses due to value adjustments Phoseon receivable	0	150
Total	**9,105**	**8,443**

The drop in value adjustments on receivables and losses on receivables by € 692 thousand year on year is the result of the low default risk of receivables from customers. The rise in warranty/repair expenses by € 998 thousand stems from the increase in the number of delivered systems compared to the previous year.

(G9) FINANCIAL RESULT

Thanks to investments at fixed interest rates, interest revenue is significantly lower compared to the previous year. The financial result was € 343 thousand (previous year: € 618 thousand).

(G10) INCOME TAXES

Taxes on income for the financial years ending 31 December 2010 and 2009 contain the following income and expense items:

INCOME TAXES	2010 K€	2009 K€
Actual taxes on income for the past financial year	703	27
Actual taxes on income for previous years	32	22
Deferred taxes on income from the accrual and reversal of temporary differences and tax loss carryforwards	-3,783	393
Income tax income/expense reported in the consolidated income statement	**-3,048**	**442**

Actual taxes on income for the past financial year relate to the foreign subsidiaries in France, USA and Singapore as well as Viscom AG.

The actual taxes on income for previous years in the amount of € 32 thousand are the result of expenses (€ 55 thousand) for additional taxes levied on the American subsidiary and a tax refund (€ -23 thousand) for the subsidiary in Singapore.

The deferred taxes on income primarily resulted from the initial recognition of deferred taxes on tax losses carried forward from previous years and also from changes in the temporary differences between the IFRS and tax balance sheets at the level of the German and American company. Furthermore, a deferred tax liability is the result of development costs which were only capitalised in the IFRS financial statements.

The distribution of dividends to shareholders did not affect income taxes at the level of Viscom AG.

The reconciliation from the expected to the reported income tax expense is based on the tax rate of the parent company (previous year: average corporate tax rate), as follows:

RECONCILIATION OF INCOME TAX EXPENSE	2010 K€	2009 K€
Consolidated net profit before taxes	7,475	-13,275
Anticipated tax income / expense based on 32 % (previous year: 32 %)	2,392	-4,248
Difference compared to the corporate tax rate	-1	37
Non-capitalised deferred taxes on tax loss carry-forwards	0	4,625
Use of previously unrecognised tax loss carry-forwards	-1,541	0
Recognition of tax loss carry-forwards previously deemed to be unusable	-4,080	0
Prior-period tax expense for previous years resulting from the audit	0	293
Tax income from loss carry-back	0	-271
Taxes for other accounting periods	32	0
Non-deductible expenses	99	71
Other	51	-65
Actual tax expense	**-3,048**	**442**

DEFERRED TAX LIABILITIES	Consolidated balance sheet 2010 K€	2009 K€
Intangible assets	590	272
Construction contract receivables	123	212
Measurement of trade receivables	5	21
Gross amount	718	505
Netting out	-718	-505
Net amount	0	0

DEFERRED TAX ASSETS	Consolidated balance sheet 2010 K€	2009 K€
Goodwill	0	0
Measurement of property, plant and equipment	50	22
Financial assets	16	0
Inventories	600	538
Measurement of trade receivables	117	129
Measurement of provisions	37	203
Deferred taxes from elimination of intercompany profits	2	5
Currency translation gains/losses	0	14
Other receivables and assets	15	0
Other liabilities	13	0
Unrealised revenue	3	0
Tax loss carry-forwards	4,079	0
Gross amount	4,932	911
Netting out	-718	-505
Net amount	4,214	406

Deferred tax assets and liabilities were balanced on a company by company basis. For the backlog of deferred tax assets over deferred tax liabilities on a level of the individually affected company, the recoverability of the backlog of deferred tax assets was estimated as sufficiently safe based on the Company budget. All changes to deferred taxes in 2010 were, similar to the previous year, recorded in income. € 4,079 thousand (previous year: € 0 thousand) in deferred taxes were capitalised for the tax loss carry-forwards of Viscom AG, Hanover and the subsidiary in Singapore as of 31 December 2010.

The corporate and trade tax loss carry-forwards of Viscom AG at the end of the year under review amounted to € 12,728 thousand and € 12,780 thousand, respectively (previous year: € 20,434 thousand and € 20,552 thousand). Due to uncertainties about the outcome of an ongoing court appeal, around € 5,200 thousand in corporate tax loss carry-forwards were not taken into account in the reporting year. Due to the turnaround of the tax result – the Company had taxable income in financial year 2010 after incurring tax losses in 2008 and 2009 – and a positive earnings forecast on the planning horizon, Viscom AG's tax loss carry-forwards as of 31 December 2010 were deemed to be recognisable at their full value. The tax loss carry-forwards for the subsidiary in Singapore amounted to € 642 thousand (previous year: € 880 thousand).

The use of previously unrecognised tax losses led to the actual tax expense dropping by € 1,541 thousand (previous year: € 0 thousand).

There is no legal time limit for using these domestic and foreign tax loss carry-forwards.

Also, no deferred tax liabilities were recognised for retained profits amounting to € 1,128 thousand (previous year: € 901 thousand) from foreign subsidiaries, as there are currently no plans to distribute these profits to the parent company or sell the subsidiaries. If deferred taxes were recognised for these timing differences, their measurement would have to take just 5 % of potential dividends plus possible foreign withholding tax into account due to the statutory regulation in section 8b of the Corporate Tax Act (KStG).

(G11) EARNINGS PER SHARE

On the basis of 8,885,060 shares as an average for the year, earnings per share for the 2010 financial year amounted to € 1.18 (diluted and undiluted). In the previous year, earnings per share amounted to € -1.54 (diluted and undiluted), calculated on the basis of 8,979,542 shares. Earnings on which the calculation is based (diluted and undiluted) totalled € 10.523 thousand (previous year: € -13,717 thousand).

NOTES TO THE BALANCE SHEET (ASSETS)

(A1) TOTAL CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and bank balances totalling € 25,905 thousand (previous year: € 25,322 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 to 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 € 302 thousand (previous year: € 139 thousand). Cumulative value adjustments on receivables totalled € 1,244 thousand (previous year: € 1,101 thousand).

Some customers were late in meeting their payment obligations in 2010. There were payments of € 55 thousand (previous year: € 37 thousand) for receivables written off and derecognised.

Value adjustments on receivables developed as follows:

	2010 K€	2009 K€
As of 1 January	1,101	710
Additions to value adjustments on receivables	0	370
Receivables written off as unrecoverable during the financial year	232	120
Reversal of unused impairment losses	-89	-99
As of 31 December	1,244	1,101

CONSTRUCTION CONTRACTS

Changes in the gross amount due from customers from contract work:

AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK	2010 K€	2009 K€
Contract revenue recognised in the period under review	383	664
Contract costs	161	194
Amount due from customers for contract work	**222**	**470**

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.

(A3) CURRENT INCOME TAX ASSETS

Current income tax assets as of 31 December 2010 mainly consist of a claim for corporate tax reimbursement by Viscom AG in the amount of € 150 thousand due to excessive prepayments for the 2009 assessment period (previous year: € 876 thousand due to prepayments for the 2007 and 2008 assessment periods).

(A4) INVENTORIES

INVENTORIES	2010 K€	2009 K€
Raw materials and supplies	3,784	2,243
Assemblies and partially completed systems	3,616	1,989
Completed systems	2,762	4,267
TOTAL	10,162	8,499

The completed systems reported in inventories relate to rental and demonstration machines as well as inspection systems ready for sale. All systems are subject to an impairment test every year and value adjusted if required. 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). All inventories, especially those of completed and partially completed systems, were recognised at the same carrying values as in 2009.

The cumulative impairment loss at year end was € 3,463 thousand (previous year: € 5,158 thousand) on raw materials, auxiliary materials and supplies, € 2,483 thousand (previous year: € 2,372 thousand) on partly completed systems and assemblies and € 5,121 thousand (previous year: € 4,903 thousand) on completed systems.

(A5) OTHER RECEIVABLES AND ASSETS

OTHER RECEIVABLES AND ASSETS	2010 K€	2009 K€
Bonds	1,603	500
Interest receivable on corporate bonds	201	73
Creditors with debit balances	143	28
Security deposits for leases/duties	67	146
Receivables from the employment office for short-time allowance	0	149
Subtotal of other financial receivables	**2,014**	**896**
Advance payments	421	417
Miscellaneous assets	65	86
Deductible input tax (Spain)	3	7
Receivable from trust account, transition company	1	72
Other receivables	112	58
Other assets	**602**	**640**
TOTAL	2,616	1,536

Please see note A9 for information on the bonds.

(A6-A8) PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS

INTANGIBLE ASSETS in K€	Patents and similar rights and assets	Software	Goodwill	Advanced payments for intangible assets	Develop-ment costs	Total intangible assets
Net carrying amount as of 01.01.2010	0	613	0	30	862	1,505
Additions	0	15	0	0	1,065	1,080
Disposals	0	0	0	0	0	0
Depreciation/amortisation of disposals	0	0	0	0	0	0
Depreciation/amortisation for the current year*	0	194	0	0	82	276
Exchange differences	0	1	0	0	0	1
Net carrying amount as of 31.12.2010	0	435	0	30	1,845	2,310
01.01.2010						
Cost	2,288	1,539	15	30	862	4,734
Accumulated depreciation/amortisation	2,288	926	15	0	0	3,229
Net carrying amount	0	613	0	30	862	1,505
31.12.2010						
Cost	2,288	1,555	15	30	1,927	5,815
Accumulated depreciation/amortisation	2,288	1,120	15	0	82	3,505
Net carrying amount	0	435	0	30	1,845	2,310

PROPERTY, PLANT AND EQUIPMENT in K€	Leasehold improve-ments	Technical equipment and machi-nery	Operating and office equipment	Vehicles	Total property, plant and equipment	Total pro-perty, plant and equip-ment and intangible assets
Net carrying amount as of 01.01.2010	381	180	695	117	1,373	2,878
Additions	0	7	301	141	449	1,529
Disposals	148	22	93	117	380	380
Depreciation/amortisation of disposals	-148	-10	-23	-99	-280	-280
Depreciation/amortisation for the current year*	97	62	309	60	528	804
Exchange differences	8	0	10	9	27	28
Net carrying amount as of 31.12.2010	292	113	627	189	1,221	3,531
01.01.2010						
Cost	1,247	887	2,518	375	5,028	9,762
Accumulated depreciation/amortisation	866	707	1,823	258	3,655	6,884
Net carrying amount	381	180	695	117	1,373	2,878
31.12.2010						
Cost	1,395	872	2,726	400	5,393	11,208
Accumulated depreciation/amortisation	1,103	759	2,099	211	4,172	7,677
Net carrying amount	292	113	627	189	1,221	3,531

* Of which impairment losses of € 0 thousand

INTANGIBLE ASSETS in K€	Patents and similar rights and assets	Software	Goodwill	Advanced payments for intangible assets	Develop-ment costs	Total intangible assets
Net carrying amount as of 01.01.2009	**1,990**	**137**	**15**	**629**	**0**	**2,771**
Additions	0	73	0	30	862	965
Reclassification	0	629	0	-629	0	0
Disposals	0	0	0	0	0	0
Depreciation/amortisation of disposals	0	0	0	0	0	0
Depreciation/amortisation for the current year*	1,990	226	15	0	0	2,231
Exchange differences	0	0	0	0	0	0
Net carrying amount as of 31.12.2009	**0**	**613**	**0**	**30**	**862**	**1,505**
01.01.2009						
Cost	2,288	837	15	629	0	3,769
Accumulated depreciation/amortisation	298	700	0	0	0	998
Net carrying amount	**1,990**	**137**	**15**	**629**	**0**	**2,771**
31.12.2009						
Cost	2,288	1,539	15	30	862	4,734
Accumulated depreciation/amortisation	2,288	926	15	0	0	3,229
Net carrying amount	**0**	**613**	**0**	**30**	**862**	**1,505**

PROPERTY, PLANT AND EQUIPMENT in K€	Leasehold improve-ments	Technical equipment and machi-nery	Operating and office equipment	Vehicles	Total property, plant and equipment	Total pro-perty, plant and equip-ment and intangible assets
Net carrying amount as of 01.01.2009	**506**	**268**	**980**	**186**	**1,940**	**4,711**
Additions	8	0	76	0	84	1,049
Disposals	0	24	134	74	232	232
Depreciation/amortisation of disposals	0	-19	-131	-67	-217	-217
Depreciation/amortisation for the current year*	130	83	355	59	627	2,858
Exchange differences	-3	0	-3	-3	-9	-9
Net carrying amount as of 31.12.2009	**381**	**180**	**695**	**117**	**1,373**	**2,878**
01.01.2009						
Cost	1,239	911	2,576	449	5,175	8,944
Accumulated depreciation/amortisation	733	643	1,596	263	3,235	4,233
Net carrying amount	**506**	**268**	**980**	**186**	**1,940**	**4,711**
31.12.2009						
Cost	1,247	887	2,518	375	5,028	9,762
Accumulated depreciation/amortisation	866	707	1,823	258	3,655	6,884
Net carrying amount	**381**	**180**	**695**	**117**	**1,373**	**2,878**

* Of which impairment losses of € 1,777 thousand pertaining to the Europe segment

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

	Years
Leasehold improvements	2–14
Technical equipment and machinery	2–13
Other equipment, operating and office equipment	8–20
Vehicles	5–8
Software	1–6
Patents	12
Expertise / customer base	3–5

Intangible assets and property, plant and equipment include written-off assets which are still in use and carried at cost totalling € 2,767 thousand (previous year: € 4,423 thousand).

Development costs were capitalised during the period under review. Research and development costs for series products totalled approximately € 3,100 thousand in 2010.

(A8) FINANCIAL INVESTMENTS/LOANS AND SECURITIES FOR RENT GRANTED BY THE COMPANY

Corporate bonds with a remaining term between one and two years and an acquisition cost of € 3,187 were acquired over the course of the financial year. The short-term bonds are reported under other financial receivables at the amortised cost of € 1,603 thousand. The long-term bonds are reported under financial investments at the amortised cost of € 3,138 thousand. An additional € 28 thousand from subsidiaries are recognised in financial investments. The company plans to hold the bonds to maturity based on the current high yield. The residual value of all corporate bonds was € 4,742 thousand as of 31 December 2010.

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

The loans were recognised at amortised cost, totalling € 162 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.

(A9) DEFERRED TAX ASSETS

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

NOTES TO THE SHAREHOLDERS' EQUITY AND LIABILITIES

(P1) TRADE PAYABLES

Trade payables are initially recognised at cost, corresponding to fair value. Subsequent measurements are carried out at cost using the effective interest method. Invoices are generally settled on a twice-weekly basis and within the agreed payment period. Early settlement discounts are applied wherever possible. All of the Company's trade payables are short-term in nature.

(P2) ADVANCE PAYMENTS RECEIVED

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

(P3) PROVISIONS

BREAKDOWN OF OTHER PROVISIONS	01.01.2010 K€	Additions K€	Dissolutio K€	Utilisation K€	31.12.2010 K€
Current provisions					
Provisions for warranties/repairs	1,012	1,042	441	450	1,163
Provisions for reimbursement payments	427	0	0	416	11
Total current provisions	**1,439**	**1,042**	**441**	**866**	**1,174**
Non-current provisions					
Anniversary provisions	156	25	10	31	140
Provisions for warranties	75	178	86	8	159
Total non-current provisions	**231**	**203**	**96**	**39**	**299**
Total	1,670	1,245	537	905	1,473

Current 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 decreased significantly compared to the pre-vious year due to the decline in revenue.

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

Anniversary provisions amounting to € 141 thousand (previous year: € 156 thousand) and the long-term component of warranty provisions in the amount of € 159 thousand (previous year: € 75 thousand) are included in non-current provisions. A claim is anticipated for warranty provisions within twelve to 36 months and for the anniversary provision within twelve to 300 months.

(P4) CURRENT INCOME TAX LIABILITIES

Current income tax liabilities comprise trade tax provisions (€ 354 thousand) and corporate tax provisions (€ 278 thousand) of Viscom AG as well as current tax assets of the subsidiary in Singapore (€ 25 thousand).

(P5) OTHER CURRENT AND FINANCIAL LIABILITIES

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

OTHER CURRENT AND FINANCIAL LIABILITIES	2010 K€	2009 K€
Management bonuses, incentives, one-time payments	1,266	147
Commission payments to agents	598	504
Outstanding purchase invoices	423	12
Social security	122	146
Debtors with a credit balance	52	4
Supervisory Board	45	28
Subtotal of other financial liabilities	2,506	841
Holiday, overtime	547	508
Taxes	430	420
Other	500	178
Subtotal of other current liabilities	1,477	1,106
Total	3,983	1,947

The item “Other financial liabilities” includes current liabilities in the form of, for example, unpaid bonuses to employees and commission payments for which agents are already eligible but which are only due on receiving customer payment, or outstanding invoices, i.e. the goods were already delivered and recorded but the accompanying invoice was not presented by the turn of the year. Liabilities for management bonuses, incentives and one-time payments rose steeply year on year on account of the positive business development.

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

(P6 to P9) 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.

As communicated in the corresponding ad hoc release from 29 July 2008, Viscom has initiated a buy-back of its own shares over the stock exchange since that date. During the period from 29 July 2008 to 31 March 2009, Viscom AG bought back 134,940 of its own shares. This corresponds to around 1.5 % of share capital. The purchase of own shares is recognised directly in equity and reduces equity. The amount was deducted in a lump sum from capital reserves. The shares were acquired at an average price of € 4.33 per share. The buy-back provides currency for potential acquisitions. Pursuant to section 71b of the German Stock Corporation Act (AktG), shares held directly or indirectly by Viscom AG have no dividends.

In financial year 2010, no further shares were acquired in this context (previous year: 10,018 shares totalling € 26 thousand). The number of dividend bearing shares remained the same at 8,885,060 on 31 December 2010.

In financial year 2010, as in the previous year, no dividend was distributed.

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

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions in the period until 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).

SEGMENT INFORMATION

DISCLOSURES ON THE GROUP'S GEOGRAPHIC SEGMENTS BY SALES MARKET

	Europe		Asia		Americas		Consolidation		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€
External sales	28,998	16,945	7,629	1,470	3,397	2,459	0	0	40,024	20,874
Segment result	6,735	-12,348	336	-641	37	-904	24	0	7,132	-13,893
plus financial result	0	0	0	0	0	0	0	0	343	618
less income taxes	0	0	0	0	0	0	0	0	3,048	-442
Consolidated net profit									**10,523**	**-13,717**
Segment assets	47,660	42,639	5,457	1,758	1,424	2,149	-10	-2,194	54,531	44,352
plus financial assets	4,891	4,222	0	0	22	17	-1,747	-2,017	3,166	2,222
plus deferred taxes and tax provisions	0	0	0	0	0	0	0	0	4,496	1,544
Total assets									**62,193**	**48,118**
Segment liabilities	7,595	4,147	3,812	626	1,275	2,227	-5,057	-2,388	7,625	4,612
plus financial assets	299	231	0	0	0	0	0	0	299	231
plus deferred taxes and tax provisions	0	0	0	0	0	0	0	0	607	433
Total liabilities									**8,531**	**5,276**
Investment	1,094	1,039	412	0	23	9	0	0	1,529	1,048
Depreciation/ amortisation	646	2,698	76	85	102	109	-20	-34	804	2,858

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

The operating segments provide supplementary internal information for management. The geographic segments are determined on the basis of the domicile of the respective customer. The reportable segments generate the majority of their revenue by producing and selling the product groups stated in the table below.

The "Optical and X-ray series inspection systems" product group contains all standard AOI machines which are identical up to a certain stage of completion irrespective of the content of the respective customer order. On the other hand, 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. Viscom generated approximately 55 % (previous year: 40 %) of its revenue with its five largest customers. External sales amounted to € 16,756 thousand (previous year: € 10,072 thousand) in Germany and to € 23,267 thousand (previous year: € 10,802 thousand) in all other countries.

In Germany, total non-current assets, excluding financial instruments and deferred tax assets (the Company has no assets in connection with pensions or rights arising from insurance policies), came to € 3,257 thousand (previous year: € 2,885 thousand); in all other countries, these totalled € 436 thousand (previous year: € 44 thousand).

DISCLOSURES ON THE PRODUCT GROUPS

	Optical and X-ray series inspection systems		Special optical inspection systems		Special X-ray inspection systems		Total	
	2010 K€	2009 K€	2010 K€	2009 K€	2010 K€	2009 K€	2010 K€	2009 K€
External sales	34,419	16,297	3,069	1,761	2,536	2,815	40,024	20,874
Segment assets	46,894	34,628	4,182	3,742	3,456	5,982	54,532	44,352
Investment	1,315	818	117	88	97	141	1,529	1,048

SEGMENT CASHFLOW STATEMENT

SEGMENT CASHFLOW STATEMENT

	Europe 2010 K€	Asia 2010 K€	Ameri-cas 2010 K€	Consoli-dation 2010 K€	Total 2010 K€
Cash flow from operating activities					
Net profit for the period after interest and taxes	10,196	342	-50	35	10,523
Adjustment of net profit for income tax expense (+)	-3,105	-22	76	3	-3,048
Adjustment of net profit for interest expense (+)	0	0	14	-8	6
Adjustment of net profit for interest income (-)	-399	0	-3	8	-394
Adjustment of net profit for depreciation and amortisation expense (+)	646	76	102	-20	804
Increase (+) / Decrease (-) in provisions	224	0	-457	-33	-266
Gains (-) / losses (+) on the disposal of non-current assets	-2	-30	0	12	-20
Increase (-) / decrease (+) in inventories, receivables and other assets	-6,338	-2,470	427	2,710	-5,671
Increase (+) / Decrease (-) in liabilities	2,902	3,080	-379	-2,831	2,772
Income taxes repaid (+) / paid (-)	-229	-2	211	0	-20
Net cash used in/from operating activities	**3,895**	**974**	**-59**	**-124**	**4,686**
Cash flow from investing activities					
Proceeds (+) from the disposal of non-current assets	14	117	0	-42	89
Acquisition (-) of property, plant and equipment and noncurrent intangible assets	-111	-412	-23	97	-449
Acquisition (-) of non-current financial investments	-3,138	0	0	-5	-3,143
Capitalisation of development costs (-)	-1,080	0	0	0	-1,080
Interest received (+)	194	0	3	-8	189
Net cash from/used in investing activities	**-4,121**	**-295**	**-20**	**42**	**-4,394**
Cash flow from financing activities					
Repayments (-) of loans	279	0	-290	11	0
Interest paid (-)	0	0	-14	8	-6
Changes in net cash from financing activities	**279**	**0**	**-304**	**19**	**-6**
Changes in cash and cash equivalents due to changes in interest rates	0	182	52	63	297
Cash and cash equivalents					
Changes in cash and cash equivalents	53	679	-383	-63	286
Cash and cash equivalents at 1 January	23,722	925	675	0	25,322
Total cash and cash equivalents	**23,775**	**1,786**	**344**	**0**	**25,905**

OTHER DISCLOSURES

DISCLOSURES REGARDING FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Presentation of the categories of financial instruments and the corresponding net profit in accordance with IFRS 7

Agreements, which mutually lead to the accrual of a financial asset for a company and the accrual of a financial liability or an equity instrument for a counterparty, are classified as financial instruments.

In this context, financial assets include cash and cash equivalents, contractually committed rights for receiving cash or other financial assets such as trade receivables, derivative financial instruments and equity instruments held in other companies. Financial liabilities include contractual obligations, a liquid asset or other financial assets to be released to other companies. This encompasses obtained loans, current loans, trade payables and derivatives.

The presentation below provides information on the carrying amounts from individual measurement categories. The fair values for each class of financial instrument are also displayed. The presentation enables carrying amounts and fair values to be compared.

For liquid assets and other current original financial instruments, including trade receivables and payables, financial assets as well as other receivables and liabilities, the fair values correspond to the carrying amounts recognised at particular reporting dates. The fair values of the category "Financial instruments held to maturity" corresponded to the market values as of 31 December 2010.

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

ASSETS 31.12.2010	Measurement category	Total		Nominal value		Amortised cost	
				Liquid assets/ cash reserve		Loans and receivables (LaR) as well as financial instruments held to maturity (HTM)	
Amounts in K€		Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Financial investments	HTM	3,166	3,158	0	0	3,166	3,158
Financial assets and other receivables	LaR	2,296	2,296	0	0	2,296	2,296
Trade receivables	LaR	12,155	12,155	0	0	12,155	12,155
Liquid assets	LaR	25,905	25,905	25,905	25,905	0	0
Total		**43,522**	**43,514**	**25,905**	**25,905**	**17,617**	**17,609**

LIABILITIES 31.12.2010 Amounts in K€	Measurement category	Total		Amortised cost			
				Financial liabilities (FL)		Loans and receivables (LaR)	
		Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Trade payables	FL	1,681	1,681	1,681	1,681	0	0
Other financial liabilities	FL	2,505	2,505	2,505	2,505	0	0
Total		4,186	4,186	4,186	4,186	0	0

ASSETS 31.12.2009 Amounts in K€	Measurement category	Total		Nominal value		Amortised cost	
				Liquid assets/ cash reserve		Loans and receivables (LaR)	
		Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Financial investments and current financial assets	HTM	2,170	2,178	0	0	2,170	2,178
Other financial assets	LaR	448	448	0	0	448	448
Trade receivables	LaR	6,618	6,618	0	0	6,618	6,618
Liquid assets	LaR	25,322	25,322	25,322	25,322	0	0
Total		34,558	34,566	25,322	25,322	9,236	9,244

LIABILITIES 31.12.2009 Amounts in K€	Measurement category	Total		Amortised cost			
				Financial liabilities (FL)		Loans and receivables (LaR)	
		Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
Trade payables	FL	738	738	738	738	0	0
Other financial liabilities	FL	841	841	841	841	0	0
Total		1,579	1,579	1,579	1,579	0	0

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

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

Interest income of € 354 thousand resulted from liquid assets and bonds in financial year 2010 (previous year: € 757 thousand). Corporate bonds with a remaining term between one and two years and an acquisition cost of € 3,187 thousand were acquired over the course of the financial year. The short-term bonds are reported under other financial receivables at the amortised cost of € 1,603 thousand. The long-term bonds are reported under financial investments at the amortised cost of € 3,138 thousand.

The company plans to hold the bonds to maturity based on the current high yield. The residual value of the corporate bonds was € 3,178 thousand as of 31 December 2010. The value adjustment of trade receivables at € 224 thousand (previous year: € 1,005 thousand) was recognised in income in financial year 2010.

31.12.2010	Gross amount	From interest	From remeasurement		Net amount 2010
Amounts in K€			Currency translation	Value adjustment	
Financial assets	3,215	-49	0	0	3,166
Financial assets and other receivables	2,296	0	0	0	2,296
Trade receivables	13,399	0	0	-1,244	12,155
Derivatives	0	0	0	0	0
Liquid assets	25,905	0	0	0	25,905
Total	44,815	-49	0	-1,244	43,522

31.12.2009	Gross amount	From interest	From remeasurement		Net amount 2009
Amounts in K€			Currency translation	Value adjustment	
Financial assets	2,179	-9	0	0	2,170
Financial assets and other receivables	448	0	0	0	448
Trade receivables	7,719	0	0	-1,101	6,618
Derivatives	0	0	0	0	0
Liquid assets	25,322	0	0	0	25,322
Total	35,669	-9	0	-1,101	34,559

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

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

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

Default risk

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

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

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

AGE STRUCTURE OF FINANCIAL ASSETS 31.12.2010 Amounts in K€	Gross amount	Not overdue	Overdue in the following time frames				
			< 30 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Financial assets	3,215	3,215	0	0	0	0	0
Financial assets and other receivables	2,296	2,296	0	0	0	0	0
Trade receivables	13,399	5,235	3,676	1,168	613	1,537	1,170
of which impaired	0	0	0	0	17	332	895
Total	18,910	10,746	3,676	1,168	613	1,537	1,170

AGE STRUCTURE OF FINANCIAL ASSETS 31.12.2009 Amounts in K€	Gross amount	Not overdue	Overdue in the following time frames				
			< 30 days	31 <> 60 days	61 <> 90 days	91 <> 180 days	> 181 days
Financial investments and current financial assets	2,170	2,170	0	0	0	0	0
Other financial assets	448	448	0	0	0	0	0
Trade receivables	7,719	4,716	777	303	67	873	983
Total	10,337	7,334	777	303	67	873	983

No conditions of any financial asset that would otherwise be overdue or impaired were renegotiated in the financial year. None of the loans to related parties are overdue but not impaired.

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

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

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

Interest rate risk

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

Liquidity risk

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

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

The remaining contractual terms are presented in the following tables:

REMAINING CONTRACTUAL TERMS 31.12.2010 Amounts in K€	Book Value	Remaining Term		
		< 1 Year	1 to 5 Years	> 5 Years
Trade payables	1.681	1.681	0	0
Other financial liabilities	2.506	2.506	0	0
Total	4.187	4.187	0	0

REMAINING CONTRACTUAL TERMS 31.12.2009 Amounts in K€	Book Value	Remaining Term		
		< 1 Year	1 to 5 Years	> 5 Years
Trade payables	738	738	0	0
Other financial liabilities and liabilities to related parties	841	841	0	0
Total	1.579	1.579	0	0

There were no gross outflows.

Exchange rate risk

As Viscom operates internationally, the Group is also exposed to exchange rate risks. Around 4.5 % of the consolidated revenue is exposed to an exchange rate risk in the parent company. Around 1 % 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. As of 31 December 2010, net receivables relevant to the exchange rate totalled € 3.9 million. It includes both the receivables portfolio of Viscom AG in US dollars and the receivables portfolio of the subsidiaries in euros. With a change of 5 %, the exchange rate risk recognised in income amounts to around 1.5 % of total receivables. Due to the Company's business volumes and the development of the euro/US dollar exchange rate, the current level of exchange rate risk was deemed acceptable without the need for hedging.

Capital management

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

The uninvested and the therefore dedicated shareholders' equity components of the Company are used for controlling liquidity and financing the Company's operating activities. The Company's objective is to finance operating activities primar-ily from shareholders' equity.

Use of derivative financial Instruments

Viscom did not use derivative financial instruments for the purpose of hedging exchange rate and interest risks in the 2010 financial year due to fluctuations in the value of the US dollar and the low transaction volume in US dollars.

Related party disclosures

The board members and other related parties listed below are related parties within the meaning of IAS 24:

Executive Board:
Dr. Martin Heuser
Volker Pape
Ulrich Mohr (resigned with effect from 31 December 2010)

Total remuneration of € 681 thousand (previous year: € 514 thousand) was paid to the Executive Board in the financial year. The allocation between the three members of the Executive Board is as follows:

EXECUTIVE BOARD	Fixed Remuneration 2010* K€	Variable Remuneration 2010** K€	Total Remuneration 2010 K€	Total Remuneration 2009 K€
Dr. Martin Heuser	175	56	231	166
Volker Pape	179	56	235	173
Ulrich Mohr	175	40	215	175
Total	**529**	**152**	**681**	**514**

* including non-cash benefits (motor vehicle) **maximum variable remuneration

The members of the Executive Board, Dr. Heuser and Mr. Pape, each directly hold 255,000 Viscom AG shares. They also hold 4,867,395 Viscom AG shares via HPC Vermögensverwaltung GmbH.

Supervisory Board:
Bernd Hackmann (Chairperson)
Klaus Friedland (Deputy Chairperson)
Prof. Dr. Claus-Eberhard Liedtke

The total remuneration paid to the Supervisory Board members in the financial year is likely 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.

The remuneration for active members of the Executive Board and Supervisory Board pertain exclusively to short-term components within the meaning of IAS 24.16 (a).

A provision of € 101 thousand (previous year: € 0 thousand) was recognised in connection with the termination of the employment contract of Executive Board member Ulrich Mohr, who left the Board on 31 December 2010 (IAS 24.16 (d)).

Apart from the fixed remuneration component to the Supervisory Board, there were no receivables and liabilities to Supervisory Board members and Executive Board members as of 31 December 2010.

The Chairperson of the Supervisory Board, Bernd Hackmann, holds 5,000 Viscom AG shares, and Supervisory Board member Prof. Dr. Claus-Eberhard Liedtke 1,621 shares.

Related parties

HPC Vermögensverwaltung GmbH held an interest of 53.96 % in Viscom AG as of 31 December 2010. HPC Vermögensverwaltung GmbH is therefore both an affiliated company and the parent company of Viscom AG.

SERVICES OF RELATED PARTIES IN K€

From lease contracts:		
HPC Vermögensverwaltung GmbH	2010	70
	2009	77
From services:		
HPC Vermögensverwaltung GmbH	2010	240
	2009	118
From rentals:		
HPC Vermögensverwaltung GmbH	2010	360
	2009	360
Marina Hettwer/Petra Pape GbR	2010	165
	2009	165
Dr. Martin Heuser/Petra Pape GbR	2010	458
	2009	447

Viscom AG has also concluded lease contracts for Company vehicles with HPC Vermögensverwaltung GmbH. In 2010, HPC Vermögensverwaltung GmbH provided further services such as Company childcare, cleaning services and other miscellaneous services.

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

LEASE OBLIGATIONS FOR COMPANY CARS	2010 K€	2009 K€
Total	510	628
of which to HPC Vermögensverwaltung GmbH (related party)	124	166
within one year of the reporting date	278	313
of which to HPC Vermögensverwaltung GmbH (related party)	66	77
within more than one year but less than five years of the reporting date	232	315
of which to HPC Vermögensverwaltung GmbH (related party)	58	89
within more than five years of the reporting date	0	0

The future services for the following periods are:

SERVICES	2010 K€	2009 K€
Total	240	104
of which to HPC Vermögensverwaltung GmbH (related party)	240	104
within one year of the reporting date	240	104
of which to HPC Vermögensverwaltung GmbH (related party)	240	104
within more than one year but less than five years of the reporting date	0	0
within more than five years of the reporting date	0	0

Other related parties

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

AGREEMENTS WITH RELATED PARTIES

Agreements with remaining terms of	Properties	Start of lease	Lease term	Net rent, monthly (€)	Net rent, annual (€)
between one and five years	CBS 10***	01.03.2002	10 years	15,000	180,000
	CBS 10a***	15.11.2005	10 years	15,000	180,000
	FS 28*	01.11.2008	5 years	2,200	26,400
more than five years	CBS 9*	01.01.2001	10 years	5,000	60,000
	CBS 11*	01.08.2001	10 years	22,500	270,000
	CBS 13*	01.11.2007	10 years	6,500	78,000
	CBS 15**	15.11.2007	10 years	13,750	165,000
	CBS 6*	01.12.2007	10 years	2,000	24,000
Total rental obligations with a remaining lease term of one year or less					**0** (prev. year: 983,400)
Total rental obligations with a remaining lease term of between one and five years					**4,139,800** (previous year: 2,470,300)
Total rental obligations with a remaining lease term of more than five years					**2,299,000** (previous year: 1,529,875)

The right to terminate the leases of buildings CBS 9 and CBS 11 was not used in 2010. Both lease agreements were therefore extended for another 10 years.

Loan agreements

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

Obligations arising from operating leases for the lessee

Details on vehicle and building leases are disclosed in the section on related parties on pages 77 and 78.

The office in Munich, which is responsible for sales in southern Germany, Austria, Hungary and Switzerland, is leased from a third party. The other rented properties in Hanover, the USA, France, Singapore and Shanghai are also leased from third parties.

AGREEMENTS WITH THIRD PARTIES

Agreements with remaining terms of	Office	Start of lease	Lease term	Net rent, monthly (€)	Net rent, annual (€)
expired in 2010	Munich	15.03.2007	3 years	1,110	13,320
	USA San José	01.12.2006	48 months	949	11,388
one year or less	Singapore	01.07.2009	2 years	3,501	42,017
	Hanover	01.07.2010	1 Monat	375	4,500
	Munich	01.03.2010	3 months	312	3,744
between one and five years	Singapore	01.03.2010	2 years	2,101	25,210
	Singapore	01.12.2010	2 years	5,978	71,731
	Shanghai	01.01.2009	4 years	3,627	43,528
	France	01.09.2004	9 years	1,634	19,610
	USA Atlanta	01.10.2006	5,5 years	4,905	58,859
Total rental obligations with a remaining lease term of one year or less					**209,977** (previous year: 236,362)
Total rental obligations with a remaining lease term of between one and five years					**409,070** (previous year: 90,906)

Operating lease costs of € 1,574 thousand (previous year: € 1,690 thousand) were recognised in expenses.

Purchase commitments

Purchase commitments from investment/delivery contracts amounted to around € 4,293 thousand (previous year: € 66 thousand) as of 31 December 2010.

Events after the balance sheet date

There were no significant events after the end of the 2010 financial year.

German Corporate Governance Code

The Executive Board and Supervisory Board of Viscom AG submitted the annual Compliance Statement, according to section 161 of the German Stock Corporation Act (AktG), in February 2011. It has been published and is permanently accessible on the Viscom AG website.

Total auditors' fees (Section 314 (1) No. 9 of the German Commercial Code (Handelsgesetzbuch – HGB))

The total fees paid to the auditors of the 2010 consolidated financial statements and recognised as an expense can be broken down as follows:

TOTAL AUDITORS' FEES	2010 T€	2009 T€
Year-end audit services	72	84
Other confirmation services	0	0
Other services	27	0
Total (including half-yearly report)	**99**	**84**

Hanover, 10 March 2011

Dr. Martin Heuser

Volker Pape

AUDITOR'S REPORT

On completion of our audit work, we issued the following unqualified auditors` report dated March, 10, 2011. This report was originally prepared in German language. In case of ambiguities the German version shall prevail:

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Viscom AG, comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the statement of cashflows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hannover, March 10, 2011

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Helmuth Schäfer	Prof. Dr. Mathias Schellhorn
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

CORPORATE GOVERNANCE STATEMENT AND CORPORATE GOVERNANCE REPORT

The Executive Board and Supervisory Board of Viscom AG are committed to the principles of sound Corporate Governance. We see Corporate Governance as a vital element of the modern capital market. Therefore, Viscom AG welcomes the German Corporate Governance Code. The Code defines important legal regulations for the management and supervision of German listed companies, and it supplements internationally recognised standards of good and responsible management. This is intended to promote the trust of investors and the public in the management and supervision of publicly owned German companies. Viscom AG uses these expectations as a point of orientation. Our Corporate Governance allows us to ensure responsible management and control, focused on transparency and value creation. The Executive Board, also on behalf of the Supervisory Board, reports on the Company's Corporate Governance in the declaration of compliance published by Viscom AG, in accordance with Section 3.10 of the German Corporate Governance Code as well as Section 289a, Paragraph 1 of the German Commercial Code (HGB) on Corporate Governance.

Corporate Governance Compliance Statement and Report

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board of any corporation that is listed on the stock exchange in Germany are required to make an annual declaration that the recommendations by the Government Commission on the German Corporate Governance Code as published by the Federal Ministry of Justice in the official section of the electronic version of the German Federal Gazette were and will be complied with, or state which recommendations were not or will not be applied and for what reasons. The declaration must be made permanently accessible to the public on the Company's website. Companies are permitted to vary from the recommendations of the Code, but are required to publish any such exceptions and the reasons for them annually. This allows companies to consider sector or company-specific requirements. The Code thereby contributes towards enhancing flexibility and self-regulation with regard to the corporate legal structure of German companies.

The Executive Board and Supervisory Board of Viscom AG submitted the annual Compliance Statement pursuant to Section 161 of the German Stock Corporation Act (AktG) on 25 February 2011. It has been published and is permanently accessible on the Viscom AG website under www.viscom.de in the section "Investor Relations/Company/Corporate Governance/Compliance Statement".

For the period since the last declaration of compliance dated 26 February 2010 until 4 August 2010, the following statement refers to the Code version of 18 June 2009 as published in the electronic Federal Gazette (Bundesanzeiger) on 5 August 2009. For all Corporate Governance activities by Viscom AG since 5 August 2010, this statement refers to the Code version of 26 May 2010 as published 2 July 2010 in the electronic Federal Gazette.

Wording of the 2011 Compliance Statement

In conformity with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of Viscom AG declare that the recommendations by the Government Commission on the German Corporate Governance Code have been and are being complied with. The Executive Board and Supervisory Board of Viscom AG are also committed to ensuring future compliance. Only the following recommendations have not been and will not be followed:

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

The directors & officers insurance (D&O insurance) obtained by Viscom AG did not call for a deductible for the Executive Board and Supervisory Board prior to the implementation of the legally prescribed deductible for Executive Board members effective 1 July 2010. In the opinion of the Executive Board and Supervisory Board, a deductible does not represent an adequate means to further enhance the motivation and responsibility of board members which is already effected by law. Furthermore, a deductible can be insured by the board members themselves so that the impact on behaviour intended by the deductible is largely nullified. As a result, deductibles have been excluded from the D&O insurance coverage to date.

The Company has complied with the legal requirement to implement a deductible for Executive Board members pursuant to Section 93, paragraph 2 sentence 3 of the German Stock Corporation Act (AktG) in conjunction with Section 23, paragraph 1 sentence 1 of the Introductory Act to the German Stock Corporation Act (EGAktG) effective 1 July 2010, but continues to refrain from implementing a corresponding deductible for the Supervisory Board as well. In Section 116, paragraph 1 of the German Stock Corporation Act (AktG), lawmakers did not prescribe a deductible for the Supervisory Board but expressly exempted the Supervisory Board from the mandatory deductible. The nature of the Supervisory Board mandate, which is also emphasised by differences in remuneration, makes it seem reasonable to differentiate between the Executive Board and Supervisory Board. Extending the D&O insurance deductible to members of the Viscom AG Supervisory Board therefore did not appear appropriate.

2. No Postal Vote Offer (Code Section 2.3.3 sentence 2).

Viscom AG has currently not implemented the postal vote option created by the Law for the Implementation of the Shareholder Rights Guidelines (ARUG) (Section 118, paragraph 2 of the German Stock Corporation Act (AktG)). In view of the resulting legal uncertainty, the Executive Board and Supervisory Board intend to await developments and the experiences of other listed issuers before making the postal vote option available.

3. The Company has no Chairperson or Speaker of the Executive Board (Code Section 4.2.1).

For one, this is due to historic reasons since the Executive Board members Dr. Martin Heuser and Volker Pape founded the Company jointly in 1986 as a GmbH (German limited company) and in their judgment have always held equal rights. The Executive Board and the Supervisory Board are of the opinion that, on a board with only two members, a Chairman or a Speaker is not required. In addition, the law for stock corporations is based on a principle of consensus, i. e. on a collegial rather than a hierarchal Executive Board. A strong principle of consensus has prevailed within the Executive Board (and previously within the executive) since the Company was founded. All significant decisions are made together by the entire Executive Board.

4. The Supervisory Board has not formed any committees, especially an audit committee and a nomination committee (Code Sections 5.3.1, 5.3.2, 5.3.3).

The Supervisory Board consists of only three members. In the view of the Supervisory Board, the formation of committees is not expedient under the specific circumstances of the Company. All matters are addressed by all members of the Supervisory Board. Furthermore, a nomination committee is unnecessary as the Supervisory Board consists solely of shareholder representatives.

5. The Supervisory Board has not identified concrete objectives for its composition (Code Section 5.4.1 sentence 2 to 5).
In its nomination proposals submitted to the Annual General Meeting, the Supervisory Board will continue to be guided solely by the applicable legal requirements and shall focus on the professional and personal qualifications of the candidates, regardless of gender. Taking into account the international activities of the Company, potential conflicts of interest and diversity – including the commensurate participation of women – is a matter of course. In the opinion of the Supervisory Board, this does not require the identification of concrete objectives. For a body that consists of only three members elected by the shareholders, establishing concrete objectives appears problematic and frequently schematic.

6. The fixed and variable remuneration for the Supervisory Board which is decided upon annually at the Annual General Meeting does not include remuneration for holding the position of Chairperson and Deputy Chairperson of the Supervisory Board nor of Chairperson or member of committees (Code Section 5.4.6).
The Annual General Meeting of the Company decides on a total amount to cover the fixed and variable remuneration elements for all the members of the Supervisory Board (Section 20, paragraph 1 of the Articles of Association). The commensurate allocation of the respective total amount to the individual Supervisory Board members is decided by the Supervisory Board subject to its equitable discretion. In the past, it has been common practice to provide the Chairperson and Deputy Chairperson of the Supervisory Board with a higher remuneration. The lack of committees due to the small size of the Supervisory Board renders any further plan for the distribution of remuneration unnecessary.

7. The Articles of Association do not call for a maximum age limit for Executive Board and Supervisory Board members (Code Sections 5.1.2 and 5.4.1).
Given the age structure of the current occupants of the Executive Board, this status quo needs not be questioned. The Company is also committed to ensuring access to the expertise of experienced members of the Executive Board. Any exclusions based solely on age do not appear expedient to the Executive Board and Supervisory Board, since the optimum composition of the Executive Board could thereby be prevented for merely formal reasons. An age limitation in the Articles of Association has been and is therefore deemed unnecessary. In regards to the Supervisory Board, the Executive Board and Supervisory Board believe that a fixed age limit would compromise the ability of the Company to attract and hold suitable members of the Supervisory Board.

8. The service contracts with the members of the Executive Board of Viscom AG provide for no payment caps on severance compensation in the case of early termination of the Executive Board mandate (Code Section 4.2.3).
The recommendations in the Code regarding severance payment caps for early termination of the Executive Board mandate refer to the conclusion or extension of Executive Board contracts and have not been relevant to Viscom AG in the past. The Executive Board contracts of Viscom AG do not contain any provisions regarding severance pay in the case of early termination of the Executive Board mandate without serious cause or as a result of a change of control. It is generally understood that agreements on severance pay in the case of early termination of the Executive Board mandate without serious cause cannot be legally enforced, since contracts with Executive Board members can only be terminated subject to mutual agreement when there is no serious cause and Executive Board

members have no legal obligation to agree to caps on severance pay within the meaning of the recommendations of the Code.

Working Methods of the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board of Viscom AG work together consistently and closely, in keeping with sound and responsible Corporate Governance. They coordinate regularly and on a timely basis in the areas recommended by the Corporate Governance Code, but also on issues beyond those in the Corporate Governance Code.

Executive Board

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

The Executive Board of Viscom AG currently consists of two members: Dr. Martin Heuser (Technology and Production) and Volker Pape (Sales, International Business and Corporate Development). Formerly responsible for finance, board member Ulrich Mohr resigned from the Executive Board of Viscom AG when his contract ended effective 31 December 2010 in order to dedicate himself to other tasks. Board members Dr. Heuser and Mr. Pape assumed shared responsibility for finance upon the resignation of Mr. Mohr. They are supported by a business administration manager in this regard. The Executive Board is responsible for the management of the Company. The primary tasks of the Executive Board are determining strategic alignment, managing the Company, and planning, establishing and monitoring a risk management system and compliance. All members of the Executive Board are involved in the day-to-day management of the Company and bear responsibility for operations.

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

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

The Executive Board is also obligated to regularly inform the Supervisory Board of the Company of all matters of interest to it concerning the Company and companies affiliated with the Company, especially of all matters covered in Section 90 of the German Stock Corporation Act (AktG). These reporting duties apply to the full Executive Board. As a rule, Executive Board reports must be presented in written form except when urgency allows or necessitates a verbal report. Further-more, the Executive Board members must regularly report to the Supervisory Board on business planning and progress, the situation of the Company, including its affiliated companies and risk management, as well as compliance in written or verbal form. The report for the Supervisory Board Chairperson also includes monthly information on revenue, staff costs, incoming orders and order backlog, broken down by business area, as well the income statement and key figures of the Company and the directly and indirectly associated companies. Both the comparative figures of the previous year and of the annual business plan must be included. The Executive Board also reports on significant issues pertaining to the current situation of the Company and directly and indirectly associated companies and events that exceed normal business operations of the Company and affiliated companies and are of special importance for the Company as occasion requires. Any information relevant for decision making will be made available to the members of the Super-visory Board in a timely manner prior to the meeting.

Members of the Executive Board are subject to comprehensive restraint on competition during their Board membership. They are bound to the interests of the Company. No member of the Executive Board may allow personal interests to affect his decisions or make use of business opportunities to which the Company is entitled for his own benefit. Any possible conflicts of interest are to be disclosed promptly to the Supervisory Board, and other members of the Executive Board are 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 consent of the Supervisory Board to other professional roles, particularly the assumption of mandates in other companies.

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

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

Mandates of the Board Members

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

Supervisory Board

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

The current members of the Viscom AG Supervisory Board are Bernd Hackmann (Chairman), Klaus Friedland (Deputy Chairman) and Prof. Dr.-Ing. Claus-E. Liedtke. They were individually elected at the Annual General Meeting on 18 June 2009 pursuant to the recommendations of the German Corporate Governance Code. The term of office for the Supervisory Board is five years. The current term ends with the regular Annual General Meeting which will approve the actions of the members of the Supervisory Board for the 2013 financial year of the Company.

The proposals for suitable candidates not only consider the skills, expertise and experience necessary for the duties of the Supervisory Board but also aim to ensure diversity of Board members. Former members of the Viscom AG Execu-tive Board are not members of the Supervisory Board. There are a sufficient number of independent members of the Supervisory Board who maintain no business or personal relations to the Company or to its Executive Board.

The Supervisory Board monitors and advises the Executive Board on Company management. It is involved in strategy and planning as well as all matters fundamental to the Company. The Supervisory Board has resolved standing rules for the Executive Board, in accordance with the Company's Articles of Association. The Articles of Association include the provision that specific material transactions of the Executive Board are subject to the Supervisory Board's approval. The Supervisory Board's further responsibilities include appointing Executive Board members, determining the remuneration system for the Executive Board and its individual members and examining the Company's annual financial statements.

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

Supervisory Board meetings were generally convened as needed in the past, with a minimum of two meetings every half calendar year being compulsory. Starting with the 2011 financial year of the Company, six regular meetings will be held. Four of these will be held shortly before the publication of the financial reports, one immediately following the Annual General Meeting and one in December of each calendar year. The Chairman of the Supervisory Board or, in case of his impairment, the Deputy Chairman, convenes meetings in written form with a 14 day notification period. In urgent cases, the Chairman of the Supervisory Board can shorten the notification period appropriately and convene the meeting via verbal notifi-cation or via telephone, fax or e-mail. The agenda and proposals for resolutions must be included with the invitations.

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

All resolutions of the Supervisory Board require a simple majority unless stated otherwise by law or the Articles of Association. The Chairman of the Supervisory Board or, in case of his impairment, the Deputy Chairman, casts the deciding vote in the case of a tie. Barring different arrangements made by the Supervisory Board for individual cases, all members of the Executive Board attend the quarterly meetings of the Supervisory Board. The Executive Board's written reports for the Supervisory Board are handed out to the Supervisory Board members, unless the Supervisory Board has decided on a different approach in an individual case.

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

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

Detailed information on Supervisory Board activity during the 2010 financial year is included in the "Report of the Supervisory Board" to the Annual General Meeting.

Mandates of the Supervisory Board Members

The mandates of the Supervisory Board members in other Supervisory Boards required by law and comparable domestic and foreign governing bodies are listed in the notes to the annual financial statements of Viscom AG.

Structure and Working Methods of Executive Board and Supervisory Board Committees

The Company's Articles of Association allow the Supervisory Board to form committees from among its members. No such committees currently exist. The Supervisory Board does not see committee formation as advisable under the circumstances of the Company. The purpose of forming a committee, i. e. increasing the efficiency of the decision-making process, would not be achieved with a committee of only three members.

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

Shareholdings of Board Members

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

- Dr. Martin Heuser: 255,000 shares held directly; Dr. Heuser also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,867,395 Viscom AG shares.

- Volker Pape: 255,000 shares held directly; Mr Pape also holds 50 % of HPC Vermögensverwaltung GmbH, which in turn holds 4,867,395 Viscom AG shares.

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

- Bernd Hackmann: 5,000 shares.

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

Shareholders and Annual General Meeting

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

The Annual General Meeting elects the Supervisory Board members and decides on approving the actions of the Executive Board and Supervisory Board. It resolves on the use of retained earnings, on capital market measures and on the approval of Company contracts. Further responsibilities include the determination of Supervisory Board remuneration, as well as changes to the Company's Articles of Association. At the Annual General Meeting, the Executive Board and Supervisory Board render account of the past financial year. The German Stock Corporation Act provides for convening an extraordinary General Meeting in special cases.

Shareholders are entitled to take part in the Annual General Meeting if they register in a timely manner and provide proof of their right to attend the Annual General Meeting and exercise their voting right. Shareholders who cannot attend in person can exercise their voting right via a bank, shareholder association or any other authorised representative. The Company offers shareholders who do not wish to or are unable to exercise the voting right themselves the right to vote at the Annual General Meeting via a proxy determined by Viscom AG and bound by the shareholders' instructions. This facilitates the exercising of shareholders' rights in compliance with the provisions of the Code.

The invitation to the Annual General Meeting and all information and reports necessary for passing resolutions are made accessible to the public on the website of Viscom AG in German, as stipulated by the laws governing stock companies.

Remuneration Report

This remuneration report, which is part of the management report, reports on the remuneration of the Executive Board and Supervisory Board in keeping with the recommendations of the German Corporate Governance Code.

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

Remuneration of Executive Board Members

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

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

Currently the performance-related remuneration of Executive Board members Dr. Martin Heuser and Volker Pape is 10 % of annual profits of Viscom AG (after taxes), limited to a maximum of a third of the fixed remuneration (without cash value benefits). Executive Board member Ulrich Mohr's variable remuneration is 3 % of the Viscom Group's consolidated net profit (before taxes), up to a maximum of € 40 thousand. This is payable upon the approval of the annual financial statements.

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

Remuneration of the members of the Executive Board in the 2010 financial year is as follows:

EXECUTIVE BOARD	Fixed Renumeration 2010* in T€	Variable Renumeration 2010** in T€	Total Renumeration 2010 in T€	Total Renumeration 2009 in T€
Dr. Martin Heuser	175	56	231	166
Volker Pape	179	56	235	173
Ulrich Mohr***	175	40	215	175
Total	529	152	681	514

* includes cash value benefits (motor vehicle) **max. ***Mr. Ulrich Mohr left the company on 31 December 2010. As a result he will receive further remuneration amounting to 101 K€.

Remuneration of Supervisory Board Members

Supervisory Board members receive fixed (€ 45 thousand) and variable remuneration for every full financial year of Supervisory Board membership. The variable remuneration is determined at the Annual General Meeting for the past financial year as a total amount for all members, as proposed by the Executive Board and the Supervisory Board.

The total sum determined at the Annual General Meeting is divided between the individual members according to an exclusively internal decision of the Supervisory Board. The role of Chairman and Deputy Chairman of the Supervisory Board is taken into consideration here, but this decision is made by the Supervisory Board. In the 2009 financial year, the Chairman of the Supervisory Board received double the basic remuneration and the Deputy Chairman one and a half times the basic remuneration.

Remuneration of the members of the Supervisory Board in the 2009 financial year is as follows:

SUPERVISORY BOARD	Total Earnings in K€
Dr. Jürgen Knorr (until 18.06.2009)	10
Hans E. Damisch (until 18.06.2009)	7,5
Bernd Hackmann (since 18.06.2009)	10
Klaus Friedland (since 18.06.2009)	7,5
Prof. Dr. Claus-Eberhard Liedtke	10
Total	45

The remuneration for the 2010 financial year will be determined at the 2011 Annual General Meeting. The Supervisory Board members received no remuneration or benefits from the Company for personal services rendered, such as consulting or brokerage services.

Risk Management

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

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

Transparency

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

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

An overview of all key information throughout the financial year is published on our website at www.viscom.de:

• Ad Hoc publicity. Ad-hoc notices are issued when facts arise concerning Viscom AG outside regular reporting that may significantly influence the share price. Viscom AG Ad Hoc notices are available to shareholders on the Company website in the section "Investor Relations/News/Ad Hoc Notices".

• Notices concerning voting rights. In accordance 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 as a result of a purchase, disposal or in any other fashion, this fact will also be promptly disclosed via a Europe-wide information system.

The Company did not receive any notifications with regards to shareholders reaching, exceeding or dropping below reporting thresholds during the reporting period (1 January 2010 to 31 December 2010).

• Directors' Dealings. Executive Board and Supervisory Board members of Viscom AG and certain executives who have regular access to insider information and are authorised to make significant Company decisions (including related parties as defined by the Securities Trading Act), are required to disclose their securities transactions, in accordance with Section 15a of the Securities Trading Act. These types of transactions will be published as soon as the Company is informed, via a Europe-wide information system.

• Acquisition or sales transactions of shares of Viscom AG subject to mandatory reporting or of financial instruments based on these that were carried out by Board Members (directors' dealings) were reported to the Company for the 2010 financial year by HPC Vermögensverwaltung GmbH and by Mr. Bernd Hackmann:

HPC Vermögensverwaltung GmbH sold 125,000 shares at a price of € 4.00 per share on 17 June 2010.

Mr. Bernd Hackmann purchased 5,000 shares at an average price of € 4.80 per share on 7 September 2010.

• Financial calendar. We inform our shareholders and the capital market in advance about the dates of key publications (e. g. annual report, interim reports or Annual General Meeting) via our financial calendar, which is printed in the annual and interim reports and constantly available on our website.

Accounting and Annual Audit

Viscom AG prepares its consolidated financial statements in line with International Financial Reporting Standards (IFRS). The annual financial statements of Viscom AG are prepared according to German Commercial Code (HGB). The Executive Board prepares the consolidated financial statements which are audited by the auditor and the Supervisory Board. Shareholders and interested parties are informed of the general situation of the Company via the annual and interim reports and interim announcements. All reports are simultaneously accessible on our website for all interested parties.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hanover, was elected by the 2010 Annual General Meeting as auditor and audited the consolidated financial statements and the annual financial statement of Viscom AG. The audit took place in accordance with German auditing regulations and the standards for the audit of financial statements put forward by Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer: IDW), as well as the International Standards on Auditing. Risk management and reporting obligations in compliance with Corporate Governance as stated in Section 161 of the German Stock Corporation Act were also taken into account.

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

The auditors should also promptly report all findings and occurrences significant to the tasks of the Supervisory Board as they occur during the audit. The auditors also have to inform the Supervisory Board and report in the audit report, if facts are determined in the course of the audit that do not conform with the Compliance Statement, as submitted by the Executive Board and the Supervisory Board, in accordance with Section 161 of the German Stock Corporation Act.

Information on Relevant Company Management Practices

Beyond the legal obligations for behaviour that apply to all board members and employees of the Viscom Group, the Executive Board is planning, in the near future, to pass compliance guidelines for its employees with provisions for dealing with business partners and government institutions, maintaining confidentiality, independence and objectivity, and handling conflicts of interest. Compliance with these standards will be monitored by a Compliance Officer. More information on the compliance guidelines will be available on the Company website www.viscom.de under Investor Relations after the guidelines come into force.

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."

Heuser

Dr. Martin Heuser

Volker Pape

FINANCIAL CALENDAR 2011

- 30 MARCH 2011 .... Disclosure of annual report 2010
- 30 MARCH 2011 .... Press conference, Hanover
- 31 MARCH 2011 .... DVFA-Analysts and investors conference, Frankfurt
- 12 MAY 2011 .... Disclosure of interim management report
- 16 JUNE 2011 .... Annual general meeting, Hanover
- 25 AUGUST 2011 .... Disclosure of interim report
- 11 NOVEMBER 2011 .... Disclosure of interim management report

GLOSSARY OF TECHNICAL TERMS

TERM	DEFINITION
AOI	automated optical inspection
AXI	automated x-ray inspection
SP	serial products
NP	new products
XP	x-ray products
CT	computed tomography
SI	software platform for SP-products (AOI/AXI)
VMC	software platform for NP-non standard machines and XP-products
vVision	new machine operating interface
VisCam	Viscom camera technology (multi camera concept with extremly high data transfer rates, developed by Viscom specially for its own machines)
EMS (Electronic Manufacturing Services)	contract manufacturer/subcontractor – especially for Consumer, Communication and Computer products

IMPRINT

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