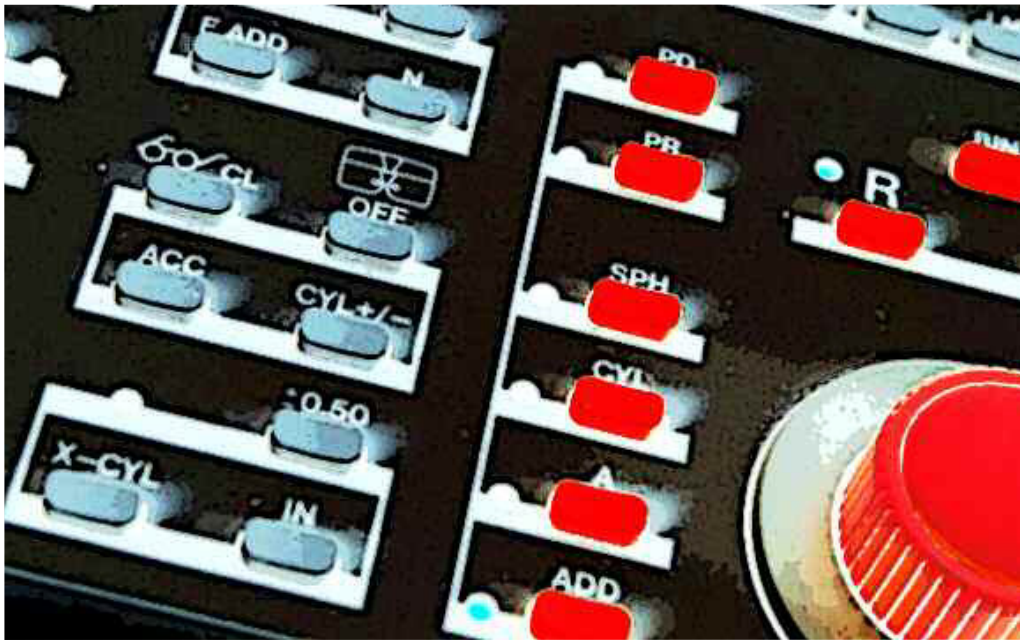


ifa systems AG

# annual report 2018



## Group key figures

in €'000 unless stated otherwise	2014	2015	2016	2017	2018
Revenue	8,077	8,267	8,864	8,553	6,611
own development work capitalized	2,341	2,395	1,596	824	522
Total performance	10,806	11,676	11,893	9,592	7,930
EBITDA	3,297	3,414	1,030	-2,942	1,266
EBITDA margin (%)					
in relation to total performance	31.6	32.0	8.7	n.a.	16.0
EBIT	2,419	2,686	-2,216	-7,797	106
EBIT margin (%)					
in relation to total performance	23.2	25.2	-18.6	n.a.	1.3
Consolidated net income / loss	1,538	2,062	-2,224	-9,291	740
Earnings per share (EUR)	0.56	0.75	-0.81	-3.38	0.27
Operating cash flow	2,502	1,708	1,222	544	-70
Free cash flow	-384	-1,108	-474	-296	-606
Total	23,446	26,446	22,965	20,740	18,588
Shareholders' equity	17,875	20,271	15,806	8,267	7,612
Equity ratio (%)	76.2	76.7	68.8	39.8	41.0
Employees (average)	82	87	91	73	59
Performance per employee	127	123	131	131	134
Number of shares (€'000)	2,750	2,750	2,750	2,750	2,750

The above mentioned figures can be derived from the balance sheet and the profit and loss account. However, they cannot and shall not replace these.

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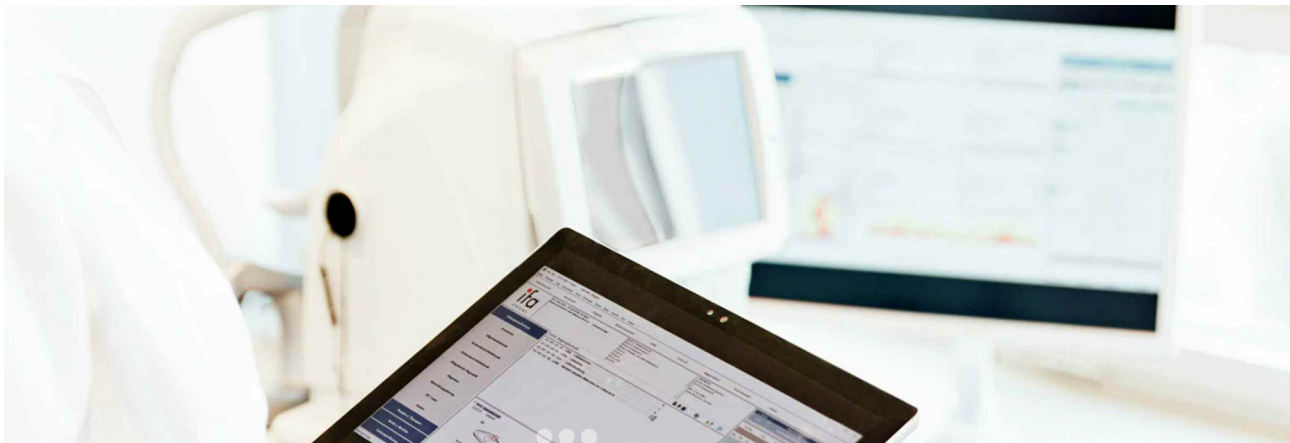


### Therapy requires information – promptly and close to the patients

Healthy people have many goals in their life. People suffering from poor health primarily have one goal: to change their condition as soon as possible and in a sustainable way. The experts and doctors who are taking up this challenge need one thing above all: Find information about the patient to the greatest possible extent and - ideally - with only one click and in the shortest time possible.

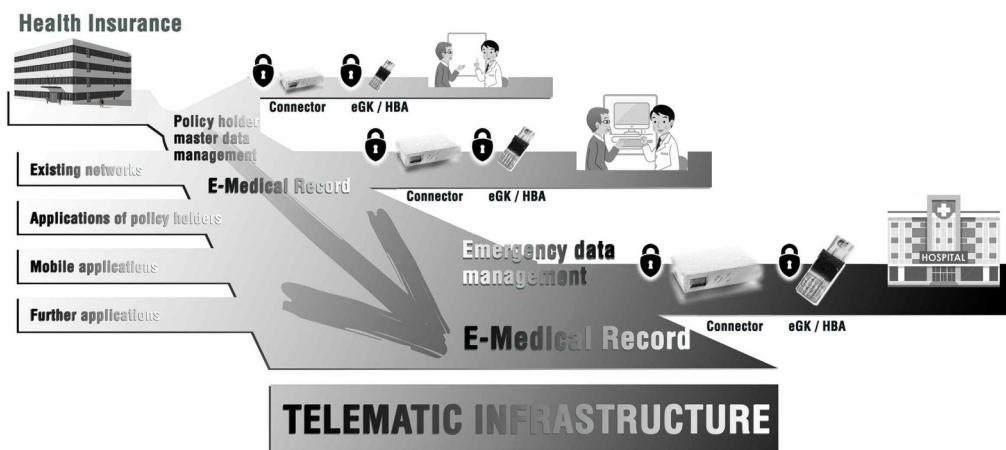
The IT solutions of the ifa Group are based on 30 years' experience in ophthalmology and help bring all information of the corresponding experts closer together. The key product here is the electronic medical record (EMR), where all examinations and therapies are documented in detail and made available in a structured way, in text and images. With the help of the EMR, the efficiency of specialist practices, eye centers and the corresponding specialty departments in hospitals is improved significantly. Important information on the corresponding guidelines, therapies and possible risks associated with the patient create a special proximity to these people, even before the first contact. The individuality and uniqueness of each medical challenge in connection with the benefit of the patient stand on a firm basis at an already very early stage. The treating physicians are quickly very close to the corresponding requirements. With ifa's EMR, currently more than 250,000 ophthalmological examinations are documented at approximately 15,000 workstations in over 30 countries worldwide every day by doctors and other specialists.

Beyond the individual treating possibilities, special databases behind the EMR create – in cross-references and connectivity - evaluations of images, documents and data from single therapies which in turn provide new findings and treatment methods. Accordingly, this information is an important aspect of research in ophthalmology. Finally, they are recommended for the specific quality management of the customers. This challenging niche market in medicine is set to grow worldwide to a volume of approximately up to USD 6.2 billion until 2020 according to experts.



### Even technology moves together closely

About 20 global players of the medical technology market develop and provide devices for a wide variety of applications. Under the title of “Connectivity Business”, ifa systems AG helps all these devices to speak a common language known by the electronic medical record of ifa. Currently, there are more than 480 interfaces to diagnostic devices available. Thus, errors in transmitting measurement values are excluded in practice. The ifa software even recognizes the type of measurement value (refraction, tonometry, etc.) during the transmission process and locates exactly the correct area of the EMR where this information needs to be made available. This means a significant time saving for the customer. Time that can be used for their most important task: the well-being of their patients. Additional values that help experts to opt for ifa technologies are modules like the appointment manager, workflow management or automated letter writing.



### The whole world connected to one practice

It's more than a trend that the number of practice and clinic associations decentrally organized is growing constantly. This applies not only to Germany but for the healthcare sector worldwide. ifa systems AG has not jumped on a bandwagon here due to an early implementation of VPN and terminal server solutions but has already taken the right steps for decades. This advantage, which the company keeps stable by a continuous row of innovations, is a sound basis for further growth.

ifa solutions experience additional tailwind due to the E-Health Act. This act for a secure digital communication and solutions in the healthcare sector contains a precise road map for implementing a secure telematics infrastructure and other solutions. Thus, the legislator increases the pressure on practices and clinics to use the opportunities of the digitalization for healthcare. Until mid-2019, all participants shall be connected to this infrastructure. The cooperation with the “Deutsche Telekom” (German telecommunication company) ensures the smooth processing by performing the installations in the practices. ifa provides a comprehensive carefree package and also saves a lot of time and effort for those responsible.

## About ifa systems AG



### **Close to the customer, close to the team**

Through decentralized sales offices, whose number is developing steadily, ifa systems creates a close proximity to the customers. Personal conversations are indispensable in the sensitive market of the company. The strategic hotspots reduce the unproductive time behind the steering wheel and provide a high degree of flexibility of the ifa service team when experts set out to meet experts. The high competence of the corresponding contact person is certainly one of the reasons why customers choose ifa solutions. The expertise of the employees is currently at eye level with doctors and experts in the practices and clinics. They speak one language and knows the related challenges in the everyday work of ophthalmology.

### **ifa Systems AG at a glance**

More than 60 employees in a passionately committed team are focused on a sustainable company success in 2019. It is easier to become market leader than remain market leader. Therefore, ifa is investing a lot in these people and their work - above all, in the areas research and development. Thus, everything is set for the ambitious goal: ifa is becoming the largest solution provider and the integration platform in ophthalmology.





# Letter from the Management Board



**Jörg Polis**  
Chief Executive Officer since 2016

**Dear Sir or Madam,  
dear Shareholders and Business Partners,**

by taking the opportunity to look back at the financial year 2018, we can say that we put many good ideas into practice. We concentrated on our strengths and courageously took all opportunities that arose for ifa. We have the leading position in the niche market of IT solutions for customers in ophthalmology and provide a product range that is unique in many ways and, at the same time, is tried and tested a thousand times in practice. We can be proud of this! We concentrate on this and on our customers with whom we want to continue to grow.

You can already see the success of our strategic reorientation in the figures of the financial year 2018. We have successfully put the planned growth in our core business into practice. The result was positive again, as planned. Furthermore, we came a good step closer to our goal of a positive cash flow. In 2018, we still had to carry the burdens from the restructuring, which are now behind us. We consider these facts as a confirmation to have recently taken the correct and appropriate measures for putting ifa back on the right track. This is a good prerequisite for the further successful development of the company.

What are our plans for the future?

The core of our product portfolio is and remains the Electronic Medical Record. Looking at the milestones of the telematics infrastructure, you know that there is no way of getting around this product over the next few years. We want to use this tailwind and stand up to demonstrate our strengths. We already connect several hundred devices that are set up by different manufacturers in practices and clinics around the world. Each device transfers the measurement values and analysis directly into ifa's patient chart. The next step is the even more obvious one: We do not only connect the hardware but also the software. It would be presumptuous if ifa were to claim to have an own software solution for every purpose in the practice or clinic. We do not develop an online scheduler where patients can make appointments themselves, or an inventory management system by which the practice can control all supplies online – others have done that already. But we are definitely those who integrate all these solutions and connect them for the benefit of our customers. Thus, ifa is not only becoming the company that is able to connect all hardware components, but it will also be easy for our customers to connect their software components. We expect this idea of integrating to have a great future!

Everyone in our industry was heavily involved in the telematics infrastructure over the past year. After the frameworks have been created during the course of the year, all people involved in healthcare are being connected to a secure network that enables the exchange of patient information step by step. Until mid-2019, all practices and clinics shall be connected to this network and we expect the digitalization subsequently to gain a new dynamic. For example, if doctor's letters or medication plans do not have to be sent by post or fax anymore, many practices and clinics will understand the benefit of the new digital world and realize the efficiency benefits hidden in it. We consider the willingness to invest in these new technologies will heavily increase. These are good prospects regarding the customers that are already working on 15,000 workstations with ifa as well as regarding new customers. Not least due to this we have decided to deliberately expand our sales team.

There is no question that we can only reach our goals with a highly motivated and qualified team. Therefore, we put much effort in transparently communicating the future of our company, our strategy and our goals and in ensuring despite all changes an intact corporate culture where everyone is able and willing to contribute to the company's success. This also includes to express expectations and celebrate success. We are very grateful for the support that we experienced from our team and are convinced to be prepared for the challenges of the future. All our employees deserve our heartfelt thanks!

Looking back, we know that we have opened a new chapter in the company's history in the financial year 2018. Errors that were made in the past have been corrected courageously – a turning point we have learned from. For the financial year 2019 we are looking forward to continuing the successful history of ifa systems AG with new ideas, proven products and new products.

We are happy when you support us on this journey!

Frechen, April 2019

For the management board



Jörg Polis

## Letter from the Management Board

## Report of the Supervisory Board

Also, in the previous fiscal year, the Supervisory Board carried out the duties required by law, the articles of association and the company's rules of procedure without limitation. It regularly advised the Management Board on the management of the company and continuously supervised and monitored its conduct of business. The Supervisory Board was directly and promptly involved in all major company decisions.

During and after the fiscal year 2018, the Management Board regularly, promptly and comprehensively informed the Supervisory Board, in both written and verbal reports, and in accordance with its obligations under Section 90 of the German Stock Corporation Act (AktG), about the current status of the business performance, business development, economic situation, risk situation, risk management as well as relevant matters relating to compliance, strategy and planning. Based on the reports by the Management Board, important business transactions were discussed at length in the meetings. Deviations from the plans and targets set in the course of business were explained to the Supervisory Board in detail and dealt with by the Supervisory Board intensively.

In the past fiscal year, the Supervisory Board approved transactions requiring approval after thoughtful consideration and examination; the Supervisory Board updated the list of transactions requiring approval. The Chairman of the Supervisory Board also maintained regular contact with the Management Board. In addition, the Chairman of the Management Board informed the Chairman of the Supervisory Board in a timely manner about developments of vital importance for assessing the situation and development as well as for managing the company.

In the fiscal year 2018, the Supervisory Board convened for a total of four scheduled meetings in the presence of the Management Board, which took place on February 7, May 3, September 27, and December 4, 2018. These meetings addressed the written and verbal reports by the Management Board on the business situation of ifa systems AG and its subsidiaries, particularly the company's revenue and earnings development as well as the financial performance and net asset situation. The Supervisory Board was informed in detail and consulted about significant business transactions, the strategy and its implementation, and the risk management of the company. All members of the Supervisory Board and Management Board were present at all meetings. Where necessary, resolutions were also passed in these meetings.

Further, the Supervisory Board was informed as well by telephone and in writing about the current business situation, individual business transactions and the implementation of the product and sales strategy in the various markets during regular telephone conferences with the Management Board.



# Report of the Supervisory Board

The key items of the Supervisory Board meetings during the reporting period were:

- The annual financial statement and the consolidated financial statement 2017 as well as the interim financial statement 2018.
- The adoption of the agenda for the Annual General Meeting on June 22, 2018 including the proposed resolutions.
- The statement of independence and the appointment of the auditing company HLB Treumerkur, Dr. Schmidt und Partner KG, Wuppertal (Germany), as annual auditor and group auditor for the fiscal year 2018, in accordance with the resolution of the Annual General Meeting on June 22, 2018.
- The planning of the Management Board with regard to revenue, costs, earnings, liquidity, investment and personnel, the current forecast for the running fiscal year and budgeting for 2019's fiscal year.
- The strategy of the ifa group and its realization, especially regarding the companies in the US.
- Issues of corporate financing.
- The internal efficiency audit with regard to the organization and conduct of the Supervisory Board meetings as well as the optimization of reporting by the Management Board with respect to the presentation of the company's financial performance and cash flows and the situation of the subsidiaries.
- The monitoring and development of the internal control system (risk monitoring and early warning system in accordance with Section 91 (2) of the German Stock Corporation Act) and the information gathered from it.
- The appointment of Nobuo Takase succeeding Kaoru Nihei as a member of the Management Board.

The Supervisory Board also met in the presence of the auditor as well as the Management Board, in order to address issues pertaining to the annual financial statements, accounting processes, controlling and risk management. Other aspects included tax-related topics, compliance as well as determining the audit priority areas and the level of compensation for the auditor.

In their capacity as employees of the Topcon Corporation, some members of the Supervisory Board cannot, in absolute terms, be considered as independent. The Topcon Cooperation holds indirectly through its subsidiary Topcon Europe Medical B.V. more than 50% of the shares of ifa systems AG. No conflicts of interests exist, that must be disclosed to the Supervisory Board and that need to be reported in the Annual General Meeting. All members of the Supervisory Board have sufficient time to perform their mandates. In the run-up to the meetings as well as during the plenary session, they always had ample opportunity to deal with and to discuss the reports and proposed resolutions submitted by the Management Board.



Nick Smit

The audit reports as well as the annual reporting for the fiscal year 2018 were submitted to all members of the Supervisory Board in a timely manner. They were debated intensively and extensively in the meeting on April 15, 2019. In this meeting, the responsible auditor also reported on the principal findings of his audits and was available to answer further questions and provide additional information. The annual financial statements prepared by the Management Board for ifa systems AG for the fiscal year 2018 in accordance with the German Commercial Code (HGB), and the consolidated financial statements for the fiscal year 2018 prepared in accordance with Section 315a of the German Commercial Code (HGB) based on the International Financial Reporting Standards (IFRS), as well as the combined management report were reviewed by the auditor.

After reviewing the annual financial statements, the consolidated financial statements and the combined management report, the Supervisory Board has no objections regarding the results of the audit and has approved the annual and consolidated financial statements drawn up by the Management Board. Therefore, the annual financial statements for fiscal year 2018 are finally approved.

In addition, the Management Board submitted the prepared report on relationships to affiliated companies in the fiscal year 2018. The auditor, HLB Treumerkur Dr. Schmidt & Partner KG, Wuppertal (Germany), verified the report and issued the following audit certificate: "According to our audit and assessment, we confirm that 1. the information in the report is correct, the payments by the company for the legal transactions conducted and reported were not unreasonably high." The auditor submitted the audit report to the Supervisory Board. The dependency report and audit report were made available to the Supervisory Board in a timely manner.

The Supervisory Board closely reviewed the dependency report with regard to completeness and correctness, taking the auditor's results into consideration. The Supervisory Board made no complaint with regard to the results of the audit and didn't raise any objections with regard to the declaration of the Management Board regarding the relationship to affiliated companies submitted at the end of the report.

The Supervisory Board thanks the Management Board and all employees of the group for their committed service. Together, their great dedication has helped to shape the development of the company in the fiscal year 2018.

**Frechen, April 15, 2019**

For the Supervisory Board:

**sgd Nick Smit**

Chairman of the Supervisory Board

The following translation is provided for information purposes only.  
In case of doubt the German version shall prevail.

# Group Management Report and Management Report of ifa systems AG

## Basic Information on the Group

### Group structure and locations

The ifa systems group (hereafter also “the ifa group”) consists of the parent company, ifa systems AG, which is based in Frechen-Königsdorf (Germany), and five subsidiary companies, in which the parent company holds 100% of the shares. An overview of the group companies can be found in the notes under “List of the consolidated companies”. The Integration AG i.L. is currently in liquidation. In addition, ifa systems AG holds 22.9 percent of the MedKaizen AG i.L. shares, that is also currently in liquidation.

The operating business is significantly influenced by ifa systems AG and its American subsidiary ifa united i-tech Inc.

The majority of the Development Department and the Sales Department, which markets the products worldwide, is found at ifa systems AG. ifa united i-tech Inc. supports the customers in the USA, Canada and Latin America.

### Business model

The ifa systems group develops, distributes and installs software solutions and components specifically for ophthalmologists and eye clinics. Thus, the group is operating in the growth market “Health IT”. This market is growing strongly as IT solutions contribute to further reduce the costs of the healthcare sector also in the wake of demographic change. ifa’s software solutions make a significant contribution towards an efficient and reliable diagnosis and treatment of patients. The core is the electronic health record specialized in ophthalmology where all the details of examinations and treatments are stored. A unique selling point is the possibility to integrate data from more than 480 different devices and software products that in use from different manufacturers throughout the world. This guarantees at any time that all data is available at each examination and that the correct treatment for the current symptoms can be chosen. In addition, potential risks can be mitigated. Furthermore, through different specialized database solutions images and documents can be archived and evaluated. They are often an integral part of quality management and quality assurance or are used for research projects. Around half of the sales revenue is attributable to runtime licenses, which customers pay for the duration that the software is in use.

### Segments

Segmentation is not used to manage the ifa group.

### Products, services and business processes

In the growing market of health-IT software solutions, the ifa systems group develops, distributes and installs software solutions and components specifically for ophthalmologists and eye clinics. The most important product areas are the EMR (Electronic Medical Record) and the connectivity business. In most of the projects, a combination of different products is used:

- EMR software: The electronic medical record, specialized in ophthalmology, as a comprehensive solution for worldwide use.



## Group Management Report and Management Report of ifa systems AG

- MDI (Medical Device Interface): A system as proprietary solution that is specialized in all data from ophthalmology and that merges all data from different sources. Though, numeric data as well as images, texts, etc. are stored and are displayed highly structured or prepared for transfer to other software systems.
- Software Connection Platform: An ifa platform that connects and integrates different software products, like web-based calendars, patient education software, inventory management systems, AI software, doctor-to-doctor software as well as quality assurance systems and systems for clinical trials. Due to the ongoing digitalization there is a growing need to integrate many different solutions and interface them to overall systems.
- CDSS (Clinical Decision Support System): Software for direct analysis of already available clinical patient data, in order to provide information about the respective guidelines, treatment methods, risks, etc. Individual specifications (e.g. Filter criteria) of the users are supported. The above-mentioned connection platform plays an important role here, to control the data transfer to the down streamed software products.
- WFM software (Workflow Management) for efficiently managing treatment processes (preliminary examination, diagnostic findings, administration, special examinations, etc.) within a clinic or practice. The patient is guided through the module to the different examinations and treatments. The staff knows at all time, where the patient is, which examinations are to follow and if someone has to act, e.g. when there is a bottleneck.
- Web-based registry solutions to improve treatment and standards of treatment for cataract and refractive surgery, on behalf of patient safety and further development of guidelines.

The services offered by the ifa group include software installation and training for users, including doctors and specialist medical staff as well as the consulting of customers to optimize the use of the software.

Therefore, the key business processes are development and sales as well as installation, training and consulting.

Development focuses on the further development and extension of the current ifa product portfolio. This ensures that our solutions comply with requirements from eye clinics and ophthalmologists, not just today but also in the future. This also guarantees that innovations in ophthalmology – for example, new diagnostic equipment – are always considered in the products offered by ifa. Localization is also a focus of development. Here, the individual requirements of the regional markets are considered; certain certifications, for example, and ensuring that terminology is provided in the correct language.

Global sales are supported by our own employees and by our sales partners. They are the key link to eye clinics and specialist practices in the local markets and are the basis for the leading position that ifa systems has achieved in this niche market: Worldwide, data of more than 200,000 patients is processed in our systems every day.

Installation and user training are the third key business process. Implementing this not only provides the foundation for the smooth operation of our solutions, but also often involves the integration of many devices and software solutions from a wide range of manufacturers. Our expertise here is a unique selling point for ifa's software solutions. The user training is a key element, so that the customers are able to work rapidly and efficiently with the new IT instruments.

## Sales markets

In the growing market of health-IT, ifa systems focuses on software solutions and components for ophthalmology. Accordingly, customers include specialist eye clinics, both public and private, the relevant specialist departments of large hospitals and the practices of established ophthalmologists.

In a recent study, the market research institute Markets and Markets estimated the worldwide market for the implementation of Electronic Medical Record solutions to a total volume of USD 12 billion. By 2023 it should increase to USD 18.3 billion (CAGR 8.8%). Obviously, only a fraction (approx. 4 percent = USD 480 million) will be used for the field of ophthalmology. But the market volume for resident doctors should be again in the same range.

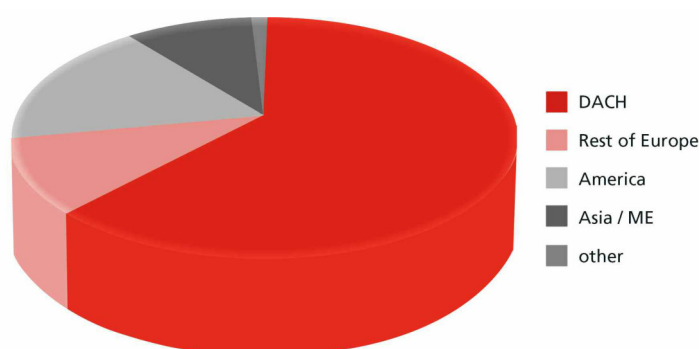


The DACH region (Germany with Austria and Switzerland) was the most important regional market during the last financial year. The company achieved 62 % of its sales here (previous year: 47.6%). The rest of Europe accounted for 9.9 % (previous year: 7.4 %). 17.6 percent of the revenues were generated in America, including Canada and Latin America (previous year 7.9 %), the share of revenue in Asia and Middle East amounted to 9.7 % (previous year 34.7 %). This reduction results from the completion of the projects with Topcon. The remaining sales (0.8 %) were generated in the rest of the world. Larger projects can have a considerable impact on the shift in sales between the regions.

## External influencing factors

External influencing factors are described hereinafter as factors that can have a positive or negative impact on the planned business performance and which the company cannot control or influence. According to this definition, e.g. rapid technological developments in the area “Big Data” and artificial intelligence, among others, have a positive impact. It is already possible today to cross-check anonymized treatment data with big data bases

in order to give the doctor recommendations for the treatment. The expansion of genome information will provide completely new insights in the future. Trends such as the use of mobile devices open up new and further application possibilities for ifa solutions. Occasionally, regulatory measures are registered as positive factors,



# Group Management Report

## and Management Report of ifa systems AG

as for example the demand of the German authorities to push the implementation of the telematics infrastructure among the involved parties of the healthcare sector. This results in an environment that makes the use of many digital solutions and systems necessary and reasonable and needing integrators which are able to connect everything appropriately.

In the past, however, two factors rather have proven to be obstacles, and it can be assumed that these will also play a role in the future. First, in some regions there are efforts to heavily regulate or standardize the use of such software solutions. In this case, lengthy certification procedures would have to be completed before a product could be successfully launched on the market or further developed for the market. However, they only led to delays in the past. On the other hand, the attractiveness of this niche also introduced different companies to the market which often dispose of little experience and immature products but come to the market with very low prices accepting start-up losses. This type of competitive environment puts a strain on price quality, so that the ifa group must take a deliberately cautious stance here.

### **Goals and strategies**

The ifa group has established a leading position in the growth market Health IT for ophthalmology. The strategic goal is to further expand this position and thus achieving the market leadership in the DACH market (Germany, Austria, Switzerland). The company focuses on the Electronic Medical Record and related products that emphasize the role as solution provider and integration platform. An important core competence is the capacity to integrate devices and software of other manufacturers through interfaces and thus making all data available for the users of the ifa software. Therefore, the strategic focus lies on the continuous expansion of these interfaces as well as the further expansion of the sales activities and customer care. Through targeted technology partnerships, both the use of ifa solutions for the customers and the access to the market will be extended.

### **Internal Management System of the Company**

The operative business of the ifa group is run by the Management Board, which consists of three people who are appointed by the Supervisory Board. In accordance with the law and the articles of incorporation, the Management Board is monitored by the Supervisory Board.

The Management Board develops the corporate strategy and implements this in coordination with the Supervisory Board and in consideration of the best interests of all stakeholders. Derived from the strategic targets, once a year an annual plan is created, agreed with the Supervisory Board and implemented. The management of the corporate group primarily serves to monitor this implementation, in order to identify any deviations as early as possible and, if necessary, to introduce appropriate measures in a timely manner. In line with company development, the instruments and processes for company management are continually developed and adapted.

### **Performance indicators used**

ifa systems AG and its subsidiary companies are primarily controlled through the target figures revenue and operative cash flow. After the completed restructuring, also the EBIT (Earnings before Interests and Taxes) is becoming more important again. Our goal is to bring the development of our company into harmony with sustainable profitability.

### **Remuneration system for the Management Board**

The remuneration system for the Management Board of ifa systems AG is determined by the Supervisory Board. The elements of the remuneration system include a fixed and a variable component as cash components. The fixed component amounts to around 90 percent of the total remuneration and is paid out monthly in 12 equal installments. The variable remuneration component is tied to achieving result targets. The individual remuneration of the Board members is determined by the role and the area of responsibility.

Furthermore, the members of the Management Board are contractually entitled to fringe benefits, such as the use of a company vehicle. The company has concluded a D&O insurance policy in its own interest and covers the cost of the premium. The insurance currently covers damages up to 3 million per event with a deductible of at least 10% of the damage up to the amount of one-and-a-half times the fixed annual remuneration of the Management Board member. This deductible is covered by a pecuniary damage liability insurance, up to 25% of which the members of the Management Board must cover themselves.

The Management Board contracts provide compensation for early termination by the company. The amount of compensation is the contractual remuneration for the remaining term of the contract, but for a maximum period of 24 months.

An overview of the remuneration paid to members of the Management Board in fiscal year 2018 can be found under 33 of the notes.

### **Remuneration system for the Supervisory Board**

In accordance with the statutes, the Supervisory Board members receive a remuneration in the amount of EUR 25,000.00 for each financial year. Supervisory Board members who did not belong to the Supervisory Board for the whole financial year, receive the remuneration pro rata temporis according to the duration of their Supervisory Board membership. The members of the Supervisory Board receive additionally a reimbursement of their cash expenses (especially travel expenses). Furthermore, the company refunds the VAT applying to their remuneration, as long as the Supervisory Board member is entitled to invoice the tax separately.

The Supervisory Board consists of three members by statute. Two of these members had a contractual relationship with the major shareholder in the past financial year. Therefore, they did not receive a Supervisory Board remuneration in the financial year 2018.

### **Research and Development**

In the dynamic health-IT market, research and development plays a significant role in the company's success. This applies to the continuous development of existing solutions; for example, by adding additional functionalities. Besides, applications are developed that will only find a sales market in the future. Especially the area "registry" needs to be named here, that are developed by us. Priority here is based on external market data, which provides information about future opportunities. Resources and competencies, often across locations, must be carefully managed, so that development projects can be completed within their agreed time frames and at the planned costs. This also includes external service providers, who become involved rarely for capacity reasons or due to their specific area of expertise.



# Group Management Report

## and Management Report of ifa systems AG

ifa systems AG has maintained long-term business relationships with a number of renowned eye clinics and practices worldwide. We have very close contact with the owners as well as chief and senior physicians. These contacts are used again and again to verify and identify necessary modifications to the software but also to identify and assess trends, market requirements and the market in general.

<b>R&amp;D key figures</b>			
in €'000	2016	2017	2018
Book values of the intangible assets 01/01	14,706	15,119	11,220
New capitalization of development work	1,596	824	522
Amortization of capitalized development work	-1,294	-4,225	-839
Asset retirements	0	-223	-446
Currency translation effects	111	-275	11
Book values of the intangible assets 12/31	15,119	11,220	10,468

Capitalization of development costs only occurs if the criteria according to IAS 38 are met.

In the financial year 2018, the own work capitalized amounted to EUR 522 thousand (previous year: EUR 824 thousand). They mainly related to development costs for the technological development of the successful product range as well as expenses related to certifications.

The amortization of capitalized development work amounted to EUR 839 thousand in 2018 and were thus on a normalized level. In the financial year 2017, amortizations were characterized by the value adjustments at the American subsidiaries due to the strategic reorientation.

In the financial year 2018, the focus was placed on the telematics infrastructure in Germany and Meaningful Use in the US. Additional certifications are due in Germany and Austria, where the electronic interchange between partners in the healthcare sector is pushed by the government. Other countries of the European Union are expected to follow. Besides, we could promote significantly the development of the ifa integration platform through the integration of solutions for digital patient education, web-based calendar solutions and many other software solutions without neglecting the device integration and development of interfaces. Furthermore, specific customer requirements were implemented in connection with a major project. The resulting modules can be offered to other customers and thereby strengthen ifa's market position.

## Economic Report

### Macroeconomic conditions

Various conflicts contributed to the fact that the economic growth slowed down to 3.7 percent world-wide in 2018. For the euro zone it still amounted to 1.8 percent. Also, in Germany the economic growth has weakened significantly. The gross domestic product (GDP) increased by 1.5 percent in 2018 (previous year: 2.2 percent). Reasons for the decrease were i.a. the global trade dispute initiated by the USA that burdened the export, as well as the slowdown of the automobile industry over the year.

### Sector-specific conditions

Recent studies have shown that the Health IT market continues to develop dynamically. For the period 2016 to 2021, annual growth rates of 15.9 percent are being derived. The key drivers are the government subsidies for the implementation of IT solutions in the healthcare sector, the need to comply with regulatory guidelines and the economic benefits of these solutions. The market research institute Markets and Markets estimates the market for the implementation of Electronic Medical Records in hospitals at USD 12 billion for 2018 and foresees a strong growth here within the next years, also by upgrading existing installations.

The German market was stimulated in 2018 by the roll-out of the telematics infrastructure (TI). All actors in the healthcare sector shall be integrated in a structure which ensures the secure transmission of patient data. The installation will be largely completed by mid-2019 which creates the environment for a wider use of software solutions between all parties involved in the healthcare sector, like doctors, dentists, psychotherapists and pharmacists in clinics and practices.

## Financial performance, financial position and net worth

### Comparison of the forecast with the business development 2018

Following the completion of the restructuring and the strategic reorientation, the business developed as expected in 2018. The planning for the financial year 2018 of the ifa Group envisaged a revenue between EUR 6.3 and 6.8 million. This goal was reached with EUR 6.6 million. In addition, it was planned to reach a nearly balanced result (EBIT) with this revenue level. This goal was also reached with EUR 106 thousand. Furthermore, as mid-term goal, a positive operating cash flow was envisaged. This goal was reached by the ifa Group in the second half of 2018.

### Comparison of forecast and actual values for the financial year 2018

in €'000	2017	Forecast 2018	2108
Revenue	8,553	6,300 – 6,800	6,611
EBIT	-7,797	+/- 0	106

# Group Management Report and Management Report of ifa systems AG

Consequently, the guidance for the financial year 2018, published in the annual financial report 2017 on May 9, 2018 was achieved both regarding the revenue and the result.

## Earnings

### Revenue and results

In the financial year 2018, the revenue of the ifa Group reached EUR 6.6 million (previous year: EUR 8.6 million). The significant decrease was in connection with the completed major projects in 2017 (EUR 2.3 million). Adjusted for this effect, growth (2.1 percent) was successfully generated in the core business in the past financial year.

Revenues by product group in €'000	2018	2017
Basic licenses	952	744
RTL	3,526	3,537
Hardware, third-party SW and accessories	842	676
Services	603	612
Topcon basic transactions	266	392
Topcon project transactions	160	2,340
Others	262	251
<b>Total</b>	<b>6,611</b>	<b>8,552</b>

As expected, the concentration on the core business in the financial year 2018 led to significant changes in revenue in some product groups. The revenues of the basic licenses increased by 28 percent; they result from the first sale of products. The revenues from hardware, third-party software and accessories also increased significantly by 24.6 percent. Here, the successful implementation of third-party software is reflected. In return, the project business with Topcon reduced close to zero as expected. The major projects were already completed in the financial year 2017.

This revenue shift was also reflected in the regional distribution of the revenues. By concentrating on the core business, the share generated in Germany and the neighboring countries Austria and Switzerland increased again. It amounted to 62.0 percent on the lower revenue level (previous year: 47.6 percent). In absolute figures, the revenue remained stable here with EUR 4.1 million (previous year: EUR 4.1 million). The share of revenue in the other European countries amounted to EUR 0.7 million or 9.9 percent (previous year: EUR 0.6 million, 7.4 percent). The revenue in North and South America including Canada developed satisfactorily again after the transition year 2017 and increased to EUR 1.2 million which corresponds to 17.6 percent of the revenues (previous year: EUR 0.7 million, 7.9 percent). In the Asia and Middle East region, revenues were generated amounting to EUR 0.6 million. This corresponds to 9.7 percent. In the financial year 2017, 34.7 percent of the revenues were generated here, mainly in the project business. The remaining revenues were generated in the rest of the world.

## Result

An overall performance of EUR 7.9 million was generated in the financial year 2018 corresponding to a decrease by 17.3 percent (previous year: EUR 9.6 million). Adjusted for the project business, which expired in 2017, there was a pleasing increase of 7.1 percent. While the capitalized development services significantly decreased to EUR 522 thousand compared to the previous year 2017 due to the modified capitalization policy, the other operating income increased from EUR 215 thousand to EUR 797 thousand, i.a. due to a reclassification and the release of provisions.

In accordance with the lower revenue, the volume of the purchased goods and services decreased to EUR 604 thousand (previous year: EUR 869 thousand). This decrease by 30.5 percent is also a result of cost savings particularly in development services provided by third parties.

Also, the staff costs decreased by almost one-third. They amounted to EUR 3.5 million in the financial year 2018 (previous year: EUR 4.9 million). The restructuring and rightsizing measures had the greatest impact in this area. For the future, we assume a slight increase here as investments were made to strengthen the sales team.

Other operating expenses reduced to EUR 2.5 million and thus to a level that can also be expected for the future. The previous year's 2017 figure was affected in the amount of EUR 1.9 million i.a. by expenses for restructuring and other one-time effects.

The earnings before interests, taxes, depreciation and amortization (EBITDA) is clearly positive again at EUR 1.3 million (previous year: -2.9 million), basically due to considerably lower expenses. The performed adjustment measures have been proved to be successful and adequate.

After high depreciations in the previous year (EUR 4.9 million) basically due to special effects, the level returned to normal again at EUR 1.2 million in the financial year 2018.

The operating result (EBIT) is again positive at EUR 106 thousand (previous year: EUR -7.8 million). We expect that profitability will also further improve in accordance with the business development in the future.

The financial result for the 2018 financial year was almost balanced; in the previous year (€ -2.5 million) it was heavily burdened by the impairment of the carrying amounts of participations. The earnings before taxes of EUR 109 thousand therefore almost corresponds to the EBIT range.

Also, in the financial year 2018, a tax income amounting to EUR 0.6 million was realized resulting from the reduction of deferred taxes in connection with lower intangible assets (previous year: EUR 1.0 million). This results in a consolidated net income of EUR 740 thousand (Previous year: EUR -9.3 million) corresponding to a result of EUR 0.27 per shares outstanding (previous year: EUR -3.38)

The figures of the past financial year show that the ifa Group has strategically repositioned itself and emerged strengthened from the restructuring. Given the fact that the free cash flow is still negative this year, the Management Board suggests once again distributing no dividends for the year 2018. But the goal is to create the conditions for further dividend payments in the future.



# Group Management Report and Management Report of ifa systems AG

## Financial position

### Principles and targets of financial management

The goal of the financial management of ifa systems AG is to ensure liquidity for the operating business, development processes and growth at all times. The control is performed centrally by the ifa systems AG. It primarily includes the liquidity control and the procurement of loans, as well as the management of interest rate and currency risks, when needed.

Derivative financial instruments are not used.

### Capital structure

At the balance sheet date on December 31, 2018, the equity of the ifa Group reached EUR 7.6 million (previous year: EUR 8.3 million). The reason for the decrease, despite the positive Group result, is the initial application of IFRS 15. The financial liabilities did not change. They represent the loans from Topcon (EUR 4.0 million) and from the Mizuho Bank (EUR 2.0 million). These loans have a maximum term of one year and have been prolonged during the year. A subordination agreement exists for the Topcon loan. The long-term liabilities decreased to EUR 2.6 million (previous year: EUR 3.2 million) due to the reversal of deferred tax liabilities in connection with lower intangible assets. The equity ratio remains almost unchanged at 40.9 percent at reporting date (previous year: 39.8 percent).

in €'000	2018	2017	Δ absolute
Long-term financial liabilities	0	0	0
Short-term financial liabilities	6,000	6,000	0
Liquid funds	3,693	4,328	635
Net debt	2,307	1,672	635

The net debt (as difference from financial liabilities and liquid funds) rose over the course of the year from EUR 1.7 million to EUR 2.3 million. This could mostly be attributed to payments in connection with the restructuring. In the first quarter of 2019, parts of the loan from the Mizuho Bank have been repaid.

The current liquidity position is sufficient to finance the operating business and offers adequate scope to cover the upfront costs for implementation even in the case of larger projects, as the proceeds from runtime licenses always start with a delay.

It is also assumed for the future that the ifa Group will be in the position to finance operating business and the planned growth from the available funds and the current cash flow. A utilization of the capital market is not planned for the foreseeable future.

Off-balance sheet financing instruments are not being used by ifa.

## Investments

The tangible assets amounted to EUR 54 thousand at reporting date (previous year: EUR 119 thousand). The decrease is the result of planned depreciation as well as retirements within the restructuring.

Own development work in the amount of EUR 0.5 million was capitalized in the area of intangible assets (previous year: EUR 0.8 million). Based on scheduled depreciation in the amount of EUR 1.1 million (previous year: EUR 4.7 million, predominantly due to special effects) and retirements in the amount of EUR 0.4 million, the total volume of intangible assets reduced from EUR 13.6 million in the previous year to EUR 12.7 million.

## Liquidity

Based on a clearly reduced revenue level in the financial year 2018 (-22.7 percent) due to the completed major projects in the financial year 2017, customer payments also reduced to EUR 6.1 million (previous year: EUR 10.0 million). Set against that were significantly lower payments to employees and suppliers in the amount of EUR 7.1 million (-25.3 percent). However, this position was still burdened by payments of restructuring expenses in the amount of EUR 600 thousand. Therefore, the cash flow from operating business was slightly negative with EUR -70 thousand (previous year: EUR 544 thousand).

The investments in intangible assets were further reduced to EUR 522 thousand (previous year: EUR 824 thousand). The cash flow from investment activity amounted to EUR 536 thousand (previous year: EUR 840 thousand, -36.2 percent). Thus, the free cash flow was negative with EUR 606 thousand (previous year: EUR 296 thousand) due to the barely negative operating cash flow.

While cash flow from financing activities in the previous year was dominated by borrowings, it was only influenced by interest paid (EUR 20 thousand) in the financial year 2018.

At the end of the financial year, the liquid funds amounted to EUR 3.7 million (previous year: EUR 4.3 million). This liquidity is sufficient not only to finance the operating business but also to make the first repayments of the loans. We assume that, on this basis, the ifa Group can meet all payment obligation in the financial year 2019.

in €'000	01/01/ 12/31/2018	01/01/ 12/31/017	Δ absolute	in %
Cash flow from operating activities	-70	544	-614	n/a
Cash flow from investment activities	-536	-840	304	-36.2
Cash flow from financing activities	-20	5,528	-5,548	n/a
Cash flow	-625	5,232	-5,857	n/a
Free cash flow	-606	-296	-310	104.7

# Group Management Report and Management Report of ifa systems AG

Contrary to previous periods, the cash flow statement is presented according to the direct method due to the higher reliability since the half-year report 2018. According to IAS 7 companies have the choice to use the direct or indirect method while the direct method is recommended. Both methods lead to the same result. The direct method contrasts cash receipts and payments for the operating cash flow. The net result is adjusted by non-cash items using the indirect method. We believe that the chosen form of presentation makes it easier for outsiders to see at a glance the intended progress towards improving cash flow.

Due to a lack of demand, no account overdrafts are currently available to the ifa Group as no utilization is planned.

In 2018 there were no restrictions on the availability of the granted loans. The business relationships with our banks and lender showed again to be stable. However, the current environment does not guarantee that they will be able or willing to continue to fulfil their role as financing partners to the usual extent in the future. In addition, ifa systems AG, as a publicly-traded company, has capital market instruments available to it.

## Net worth

At balance sheet date on December 31, 2018, the balance sheet total reduced by 10.4 percent to EUR 18.6 million compared to the previous year (EUR 20.7 million). The equity ratio improved slightly by roughly one percentage point to 40.9 percent (previous year: 39.9 percent).

### – Assets

With regard to the long-term assets, the internally generated intangible assets reduced by EUR 0.9 million from EUR 13.6 million to EUR 12.7 million due to scheduled amortizations and disposals. In return, new development work was capitalized in the amount of EUR 0.5 million (previous year: EUR 0.8 million). The long-term assets decreased by 3.1 % to EUR 14 million in total (previous year: EUR 14.5 million).

The major changes in assets resulted from short-term assets. The trade receivables changed here, basically in line with the decline in revenue and an active receivables management. They dropped from EUR 1.1 million in the previous year to EUR 0.6 million. The liquid funds also declined to EUR 3.7 million (previous year: EUR 4.3 million), mainly due to payments associated with the restructuring. The total of the short-term assets at the reporting date amounted to EUR 4.6 million compared to EUR 6.3 million in the previous year.

### – Equity and liabilities

On the liabilities side equity was reduced due to the first-time application of IFRS 15. The equity was burdened by the “other result” from the accrual of customer orders with EUR 1.2 million. This effect will be eliminated by the end of the financial year 2020. On the other hand the consolidated net income amounting to EUR 740 thousand had a positive effect for the financial year 2018 (previous year: EUR -9.3 million).

In the area of long-term debt, the decrease resulted from the release of deferred tax liabilities as a result of the lower immaterial financial assets. Last year they still amounted to EUR 3.3 million and sank down to EUR 2.6 million.

The short-term debt amounted to EUR 8.4 million (previous year: EUR 9.2 million). Significant changes affected the provisions. They were reduced from EUR 2.4 million to EUR 1.1 million primarily in the area of restructuring and warranty since the last balance sheet date.

The working capital (as inventories plus the receivables for supplies and services less the liabilities from supplies and services) amounted to EUR 0.6 million on the date of reporting (previous year: EUR 0.7 million). The capital employed amounted to EUR 13.2 million. The result of EUR 0.1 million on the EBIT level results in a ROCE of less than 1 percent.

The net debt of EUR 2.3 mil. in relation to equity (gearing) on the balance sheet date was 30.3 percent (previous year: 20.7 percent).

## Annual financial statement of ifa systems AG (HGB, German Commercial Code)

### Profit and loss statement

ifa systems AG Individual financial statements (HGB) in €'000	2018	2017
Sales revenues	4,939	6,052
Other income	1,074	229
Own expenses capitalized	291	343
<b>Total performance</b>	<b>6,304</b>	<b>6,624</b>
Cost of goods	682	634
Personnel costs	3,004	3,167
Other costs	2,507	4,867
<b>Earnings before interest, taxes and depreciation (EBITDA)</b>	<b>111</b>	<b>-2,044</b>
Amortizations	640	607
<b>Earnings before interest and taxes (EBIT)</b>	<b>-529</b>	<b>-2,651</b>
Financial income	58	50
Financial costs	52	47
Depreciation of financial assets	0	3,631
<b>Earnings before taxes</b>	<b>-523</b>	<b>-6,279</b>
Taxes	5	-303
<b>Annual income/loss</b>	<b>-518</b>	<b>-5,976</b>

[This short presentation of the profit and loss account for the individual company ifa systems AG should be used as an aid to the reader. This does not replace the detailed presentation in the individual financial statements.]

## Group Management Report and Management Report of ifa systems AG

The **revenues** of ifa systems AG declined by 18.4 percent from EUR 6.1 million (previous year) to EUR 4.9 million. This development was mainly caused by the significant reduction of the discount campaign for the advance payment of the runtime licenses. Thus, the revenue narrowly missed the originally planned range of EUR 5.1 million. With EUR 291 thousand the capitalized development costs remained roughly at the previous year's level (EUR 343 thousand). An **overall performance** of EUR 6.3 million was generated in the financial year 2018 corresponding to a decrease by 4.8 percent (previous year: EUR 6.6 million).

The **costs of material and staff** changed only marginally compared to the previous year, amounting to EUR 3.7 million (previous year: EUR 3.8 million). Whereas the other expenses reduced significantly. They amounted to EUR 2.5 million, after EUR 4.9 million in the previous year. In the financial year 2017, various value adjustments significantly increased this position. The operating result as **EBITDA** (Earnings before interest, taxes, depreciation and amortization) was positive again with EUR 111 thousand (previous year: EUR -2.0 million).

The amortizations changed only insignificantly compared to the previous year from EUR 607 thousand to EUR 640 thousand). Although the **EBIT** (Earnings before interest and taxes) improved considerably and reached EUR -529 thousand (previous year: EUR -2,7 million), it remained negative.

The impact of the financial income netted with the financial costs was again negligible for the result. In the previous year, the amortization of financial assets burdened the result with EUR 3.6 million. This effect was not repeated in 2018. The **earnings before tax** amounts to EUR -523 thousand, after EUR -6.3 million in the previous year.

The tax expense amounted to EUR 5 thousand for the financial year 2018 (tax income previous year: EUR 303 thousand). The **net loss for 2018** amounts in total to EUR 518 thousand (previous year: EUR -6.0 million).

## Balance sheet

ifa systems AG

Individual financial statements (HGB) in €'000

ASSETS	2018	2017
<b>Fixed Assets</b>		
Intangible assets	7,013	7,068
Tangible fixed assets	46	50
Financial assets	279	279
	<b>7,337</b>	<b>7,397</b>
<b>Current Assets</b>		
Inventories	31	46
Trade receivables	416	827
Receivables from affiliated companies	1,002	294
Other short-term receivables	193	610
Cash and cash equivalents	3,377	3,911
	<b>5,020</b>	<b>5,688</b>
<b>Prepaid expenses</b>	<b>41</b>	<b>51</b>
<b>Deferred tax assets</b>	<b>705</b>	<b>663</b>
<b>Total</b>	<b>13,103</b>	<b>13,799</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Stockholders' equity</b>		
Subscribed capital	2,750	2,750
Capital reserve	7,652	7,652
Income reserves	1,499	1,499
Balance sheet income/loss	-7,465	-6,947
	<b>4,436</b>	<b>4,954</b>
<b>Provisions</b>	<b>1,166</b>	<b>1,339</b>
<b>Liabilities</b>		
Financial liabilities	2,000	2,000
Trade payables	51	330
Liabilities with affiliated companies	4,554	4,359
Other short-term liabilities	88	65
	<b>6,693</b>	<b>6,754</b>
<b>Prepaid expenses</b>	<b>22</b>	<b>0</b>
<b>Deferred tax liabilities</b>	<b>786</b>	<b>751</b>
<b>Total</b>	<b>13,103</b>	<b>13,799</b>

[This short presentation of the profit and loss account for the individual company ifa systems AG should be used as an aid to the reader. This does not replace the detailed presentation in the individual financial statements.]



# Group Management Report and Management Report of ifa systems AG

The balance sheet total remained basically stable compared to the previous year, amounting to EUR 13.1 million at balance sheet date (previous year: EUR 13.8 million). The same applies to the equity ratio. It decreased slightly by two percentage points to 33.8 percent (previous year: 35.9 percent).

On the asset side, trade receivables reduced (EUR 416 thousand, previous year: EUR 827 thousand) as well as the liquid funds (EUR 3.4 million, previous year: EUR 3.9 million) at the balance sheet date. In return, the receivables from affiliated companies increased by EUR 0.7 million due to benefits granted within the Group.

On the liabilities side, the changes mainly related to equity because of the balance sheet loss, decreasing from EUR 5.0 million to EUR 4.5 million.

46 employees (52 previous year) were employed at the company on annual average. The Board members are not included in this total.

For the financial year 2019, the Management Board plans with a revenue between EUR 5.5 to 6.0 million for ifa systems AG. This means a strong growth compared to the revenue 2018. Furthermore, the goals are a positive operating result (EBIT) and a positive operating cash flow. The Management Board is confident that these goals will be reached in 2019.

## **Non-financial performance indicators**

ifa systems AG attaches great importance to a fast response time in case of queries from our customers. It is our concern that our customers have time for their patients. The fact that this is highly appreciated can be seen from the high level of satisfaction of our customers, which we regularly query through direct telephone calls.

Through a strategic cooperation with a company that takes back IT devices after using, we assure that our desktops, laptops, printer etc. do not end up in trash but are disposed of in an environment-friendly way and, if possible, are reused.

ifa systems AG is a dedicated member of Kununu (workplace evaluation by employees and applicants). Transparency is our highest command even in human resource management issues. We regularly invest in trainings (functional and management) for all our employees, regardless of the level. Evaluations with a score of 4.17 by employees and 4.8 by applicants confirm our efforts.

## **General statement on business performance and the situation of the Group**

The financial year 2018 showed that the ifa Group chose the right way and thus met all expectations concerning the business performance. With a revenue of EUR 6.6 million and a positive EBIT of EUR 0.1 million, the target figures were reached for the financial year. By consistently concentrating on the core business growth could successfully be generated again in this area. At the same time, the profitability improved significantly and shows that the right course was set successfully for a sustainable business development. With the existing product range, the current development projects and the lean structures of the Group, ifa has the potential to further extend its leading role in the future.

## Dependency report

Since December 17, 2015, and as a result of a public takeover bid Topcon Europe B.V., a wholly-owned subsidiary of Topcon Corporation holds 1,377,750 shares (50.1%) and thus the majority of ifa systems AG's shares listed on the Frankfurt Stock Exchange. In 2018 the stake has been assigned to Topcon Europe Medical BV, Capelle aan den IJssel, NL.

As a consequence, ifa systems AG has become a dependent company since December 17, 2015 according to section 17 para. 2 of the AktG [German Stock Corporation Act]. The management board of ifa systems AG thus creates a dependency report as per section 312 of the AktG about the relationship with affiliated companies. The management board made the following statement at the end of the report: "The Management Board of ifa systems AG declares that, under the circumstances known to it at the time the transaction was entered into or the measure was taken or omitted, the company received an appropriate consideration for each transaction and was not disadvantaged by the fact that the measure was taken or omitted".

# Group Management Report and Management Report of ifa systems AG

## Forecast Report

### Macro-economic and sector-specific conditions

#### Development of the economy as a whole

At the beginning of 2019, the International Monetary Fund lowered its growth forecast for the global economy. Having grown by 3.7 percent in 2018, only another growth of 3.5 percent will be recorded in 2019. A growth of 1.6 percent is expected for the whole of the euro area (previous year: 1.8 percent). The prospects for the German economy were also reduced, most recently by the European Commission. It reduced the growth forecast to 1.1 percent for 2019.

#### Condition in the markets for Health IT – Eye care

The market for Health IT solutions continues to grow strongly worldwide. According to conservative estimates, the total volume will increase to USD 230 billion in 2023, with an average annual growth rate of 14 percent. The biggest market is North America, followed by Europe. Here, it is expected that the most dynamic increase will be in Germany. One of the reasons are efficiency potentials due to eHealth, reaching up to EUR 39 billion per year according to a study by Strategy&. A great potential offers the implementation of the Electronic Medical Record. According to a study of the university of Osnabrück (Germany), only 25.6 percent of the hospitals are equipped with a properly functioning EMR system. Also, the Bertelsmann Foundation still sees potential for improvement: “Electronic Medical Records prevent dangerous drug interactions, telemedicine connects doctor and patient, no matter where they are, healthcare apps make chronically sick patients stronger.” They find that the possibilities of the digital progress are not yet sufficiently implemented. However, the Electronic Medical Record is an integral part of the German road map for telematics applications. In February 2019, a first information event was organized by industry representatives and certification holders.

We estimate that around four to five percent of the total Health IT market is for ophthalmology applications. The ifa group is a leading supplier in this niche.

#### Market and competition

The products of the ifa group are software solutions that are mainly implemented in private practices and hospitals specialized in ophthalmology. The strongest products are EMR software as well as all connectivity modules to various devices, other clinical systems, etc. In recent decades, these have reached a very high stage of development, which makes the ifa group one of the largest, if not the largest, player in ophthalmology. These positions shall be further extended with new and improved modules. There is also great potential in SaaS (software as a service). The first relevant solutions should be available in 2020.

Also, in ophthalmology there are more and more devices on the market that are cross-linked (IoT= Internet of Things). There are already apps available that remind patients to take their medicine or that take and evaluate photos. They facilitate the direct contact between patient and doctor. With most of these solutions it is also possible to transfer data directly into the patient chart.

## **Forecast for 2019 business**

### **Revenue**

The ifa group expects a slight growth in revenue to between EUR 6.8 million and EUR 7.2 million. The biggest growth is expected for the ifa systems AG. Especially in the first half year, it should benefit from the installations of the telematics infrastructure. This infrastructure is, in turn, the requirement for a greater penetration of all healthcare parties with IT solutions. Thus, this is a good opportunity to further expand the installed customer base and equip them with complementary solutions.

Besides a dynamic development on the German market, we expect a stable revenue level on the foreign markets where ifa is active. The business of the American subsidiary stabilized during the financial year 2018. Therefore, we expect a revenue volume just about equaling the previous year, which is also reached due to the successful completion of the certifications.

With a detailed plan for new and further developments of the functions and interfaces, we work to ensure to meet the requirements of the customers also in the following years. The main focus here is put on the Electronic Medical Record, which will increasingly gain importance with the implementation of the telematics infrastructure within the next years. We aim to consistently take advantage of the resulting opportunities.

### **Results**

The operating result (EBIT) shall significantly improve further in the financial year 2019. Depending on the revenue performance, we are planning with a volume between EUR 0.2 and EUR 0.5 million, which would correspond on average to an EBIT margin of approximately 5 percent. The prerequisites to reach this goal have been established in the financial year 2018 by reconciling consequently and successfully all relevant cost positions with the current revenue level. Furthermore, we want to generate a positive operating cash flow in the financial year 2019, which was still burdened by the restructuring in the financial year 2018.

### **Financial and asset position**

Our goal is to strengthen ifa's internal financing capability by a stable operating cash flow. The sustained stabilization of the business situation in the second half of 2018 has already led to utilize ifa system AG's financial resources to reduce external debts step by step. Therefore, in the first quarter of 2019, a part of the loan of the Mizuho Bank has been repayed. With the liquid funds available and the expected future cash flows, ifa has sufficient flexibility to finance the operating business. We expect that the amortization of intangible assets will exceed the activation volume also in the financial year 2019.

# Group Management Report and Management Report of ifa systems AG

## **Overall statement**

The overall conditions on the market are positive so that today we can assume that a slowing-down of the economy will not have a great impact on the planned business development in the short term. This provides that we will generate a revenue between EUR 6.8 million and 7.2 million. The operating result (EBIT) is expected to improve significantly compared to the previous year and to reach a volume between EUR 0.2 million and 0.5 million. The improved profitability shall help to achieve a positive operating cash flow for the overall year. By achieving these goals, ifa returns to a company growth consistent with a sustainable profitability.

# Report on Risks and Opportunities

In this section of the report, risks and opportunities are to be understood as impacts or events that can cause the exceeding or falling short of management's expectations for the short- and medium-term business development.

## Risk management system

### Goals

During its business operations, the ifa group is exposed to a variety of risks which are inseparably associated with commercial activities. The goal of risk management is to identify developments that could threaten the continued existence of the group at an early stage. The risk management aims to ensure that risks are detected in a timely manner and countermeasures are taken promptly, in order to control and minimize the impact on the company. Avoiding all risks, however, is not the goal since risks are also always associated with opportunities. Instead, an opportunity-risk profile that fits with the strategy should help achieve the company's goals.

### Strategy

Risks are handled in various ways according to their assessment. If they can have considerable disadvantages for the company's development or even endanger the company's continued existence, they are strictly avoided. The appropriate controls have been put into place, in order to limit the effects of risks; for example, through quality management. Certain risks can also be limited by setting maximum and minimum values on a case-by-case basis. If it is economically feasible and possible, risks are outsourced to insurers, for example.

### Structure and processes

The structures and processes of risk management come together in the Management Board, where risks are categorized and assessed in regard to both their probability of occurrence and their potential impacts on the financial performance, financial position and cash flow of the company. Based on risk aggregation, measures for the management of single risks will be defined. Risk management and the results of the risk analysis are regularly discussed between Management Board and Supervisory Board.

## Significant risks

The following risks could impact the company's ability to achieve its goals and are therefore relevant to the decision-making process of investors.

### Market risks

Various risks exist in the growing market of health-IT and here in the niche market of solutions for the field of ophthalmology. For example, ifa could overlook technological trends or identify them too late, resulting in products that no longer meet customer requirements. This risk is reduced through close exchange with experts on the user side.

Furthermore, new market competitors could introduce new solutions on the market or individual markets, which would threaten ifa's role. We consider this risk to be mostly manageable, however,



# Group Management Report

## and Management Report of ifa systems AG

due to our intensive development activities, decades of experience and large number of reference customers. This also applies to the commercial benefit of our solutions with traceable ROI calculations, which set them apart from low-price products.

Basically, it is possible that unauthorized individuals take possession of the source codes of our programs. We consider our measures for the protection of the company's intellectual property as sufficiently but cannot exclude this risk completely.

We do not see risks resulting from changes of international relations (i.a. Brexit).

Overall, we assess the market risks as "medium to high", as the impact on the revenue situation could be considerable.

### **Technological risks**

As a company that invests substantial resources in the development of its products, it is exposed to the risk of setting the wrong priorities when selecting projects. This can be based on incorrect assumptions about market developments, the needs of customers or the future competitive situation. Since development costs are capitalized according to the criteria laid out in IAS 38, a false decision can lead to impairment losses in the future. This risk is countered through intensive dialog with key users in markets around the world and with our international partners. However, both do not necessarily guarantee that the right conclusions will be drawn from these exchanges or that the conclusions cannot change over time.

In the case of new products, the company must often find the right balance between product quality and customer expectations. Time to market is an important criterion; however, customer relationships can suffer when products are introduced too early. This risk is minimized through careful preparation and implementation plans.

The integrity of our customer's data is a core aspect for their confidence in our solutions. ifa's reputation could be damaged considerably for instance by cyberattacks. Therefore, we attach fundamental importance to data security and use security mechanisms which provide the best possible protection.

Overall, we assess the technological risks as "medium", even though the impact on the earnings situation in particular could be considerable.

### **Sales risks**

ifa systems cooperates with distribution partners, in order to expand its geographical reach into the market. The success of these cooperations largely depends on the level of expertise applied by distributor employees at third parties, over which ifa often has no direct influence. Also, it cannot be ruled out that the potentials and goals of these partnerships will change over time. Therefore, ifa management remains in close personal contact with key partners, in order to ensure that interests and goals coincide as much as possible.

A significant portion of ifa's revenues result from implementing larger projects. If a customer postpones order placement or there is a delay in the completion of such a large project, it can have a very significant impact on the planned targets for revenues and earnings. We reduce this risk by implementing realistic-conservative business planning.

The ifa's customer structure is heterogeneous; apart from many small customers, there are also some major ones. The loss of one of these major customers to another provider may have considerable

impact on the business development concerning the sales of runtime licenses but also concerning new businesses. These impacts would not be relevant in the short term, but in the medium- and long-term. We prevent this risk by ensuring a particularly close-meshed support and considering actively their individual wishes.

For the financial year 2019, ifa is planning the introduction of a new CRM/ERP system. As generally known, such measures are risky as many processes of the company are affected by the changeover. We counter this risk with a very diligent project planning and implementation so that these processes run as smoothly as possible.

Overall, we assess the sales risks as “medium”.

#### **Personnel risks**

The lack of skilled workers and the change in demographics are two influencing factors that ifa cannot completely prevent. The company relies on highly-qualified employees, who ideally also strengthen the teams on a permanent basis, so that it can achieve its short- and medium-term goals. So far job vacancies have been filled within a reasonable time, but it is not guaranteed that this will always be the case in the future.

The same applies, of course, to the possible unforeseen loss of key personnel with special skills. Here there is a risk that the unplanned resignation of such experts would be difficult to offset in the short term. However, ifa already uses suppliers that take on certain defined tasks on a case-by-case basis. But the goal must be to provide a certain level of core competence within the company itself.

Currently, we assess the personnel risks as “medium”.

#### **Liquidity Risks**

There is a trend on the sales market towards “pay per use”. The purchase of basic licenses when implementing the system is replaced by “renting”. In contrast to the advantage of long-term predictable cash flows from the projects (SaaS, pay per use), there is a risk that at the start of a project that ifa will have to be able to finance the resulting costs in advance.

ifa uses credit facilities with reasonable terms. So far, they always could be prolonged easily. We assume that the creditors will continue to do so in the future. In order to achieve a greater planning reliability, a new financing concept is to be created.

Until the completion of this financing concept, we assess the liquidity risks as “medium”.

#### **Interest and exchange rate risks**

As ifa currently obtains very attractive terms for their external debt, risks with regard to the possibly rising basis for the calculation of variable interest rates in the future play a subordinate role. Due to the group’s structure, ifa generates a part of the revenues in foreign currency zones. Exchange rates had no great influence so far on revenue and profit or the balance sheet and did not justify the use of derivative instruments.

Therefore, we assess the interest and exchange rate risks as “low”.

# Group Management Report and Management Report of ifa systems AG

## **Risks on receivables**

Defaults on trade receivables, which led to corresponding value adjustments, were also of minor significance in 2018. The risks involved are taken into account in the annual financial statements. In addition to the solvency and the payment behavior of the customers from the healthcare sector, we also benefit from the very heterogeneous customer structure (no cluster risk) which means that we cannot recognize any significant risks for the future. We only see a theoretical risk in the long-term financing of major projects. In certain cases, specific agreements are made with the customers, which minimize the possible effects.

Overall, we assess the risks on receivables as “low”.

## **Other risks**

### **Regulatory risks**

In many regions, certifications are required in order to be able to operate on the market. If these certifications are not completed to the extent required or are not completed on time, this would possibly have a significant impact on the operative business. Since the certification process cannot be fully controlled by ifa, for example because the corresponding guidelines are defined too late or because the authorities are busier than usual. This risk is particularly relevant for Germany, Austria and the USA.

The roll out of the telematics infrastructure (TI) has started in Germany in the past financial year. Every doctor shall be integrated in a structure which ensures the secure transmission of patient data. The realization of such projects bears different risks that are mostly beyond the area of influence of the company. Hence, delays in realization may result from that.

Therefore, due to the regulatory conditions we assess the risk as “medium”.

### **Summary of the risk situation**

According to the assessment of the Management Board, the risks that ifa systems AG are exposed to at the time of this report and for the current planning period are manageable, and the continued existence of the group is in no way endangered. Despite the comprehensive analysis of risks, their occurrence cannot be systematically excluded.

## Opportunity management system

Similar to the risks, the opportunities within the group are prepared in a transparent manner and are systematically incorporated into the company's decisions. They represent future developments or events that can lead to a positive deviation from the company's forecast or from goals. The goal of opportunity management is to recognize these opportunities at an early stage and to take advantage of them.

### Opportunity categories

ifa systems primarily makes a distinction between opportunities that can make a positive impact on revenue targets and those that can make a positive impact on earnings targets.

#### Revenue-relevant opportunities

There is a chance that products can be launched on the market faster than planned and that the demand will surpass the original expectations. Potentials also open up through products that have been developed for certain new applications but can also be used by existing customers. In general, we see major opportunities in connectivity. Through the development of interfaces to third party software solutions, ifa can play a role as system integrator and benefit disproportionately from the steadily increasing digitalization in private practices - also because of the telematics infrastructure. Trends like cloud solutions, wearables and the Internet of Things (IOT) will open new potential also in the area of ophthalmology. Even one big new project could possibly be enough to exceed the planned targets.

#### Result-relevant opportunities

Of course, an unplanned increase in sales would also have a positive impact on the result. At the same time, we are working on optimizing costs, processes and structures. If these projects show positive results faster than planned or if the extent of the planned optimizations are clearly exceeded, the earnings expectations could prove to be too low. As part of the restructuring of the US-American business, new perspectives could be opened for assets, for which an activation was not possible according to IFRS. This could have a positive impact on the revenue and, in particular, on the result.

#### Summary of opportunity situation

With its solutions in the niche market of health-IT for ophthalmology, the ifa group is well positioned to systematically take advantage of opportunities for the group. While we are working to develop these opportunities on the one hand, it is rather unlikely that we will make unexpected progress here in the short term. This is one of the main reasons why our strategy is geared towards growth, accompanied by an appropriate level of profitability.

## Disclosure of takeover provisions

in accordance with section 289a or 315a para. 1 HGB (German Commercial Code) at balance sheet date

### **1. Composition of the subscribed capital**

The subscribed capital of EUR 2,750,000.00 is divided into 2,750,000.00 no-par value bearer shares with a calculated nominal value of EUR 1.00.

All shares are common shares and grant identical rights in accordance with the AktG (German Stock Corporation Act).

### **2. Restrictions affecting the voting right or the transfer of shares**

The Management Board is not aware of any restrictions that would affect voting rights or the transfer of shares. Otherwise, only the legal requirements of section 136 (1) AktG, as well as in accordance with art. 19 para. (11) MAR, apply particularly for members of the Management Board and the Supervisory Board.

### **3. Direct or indirect shareholding that exceed ten percent of the voting rights**

To the best of our knowledge, Topcon Europe Medical B.V., Capelle aan den IJssel (the Netherlands), a subsidiary of Topcon Corp., Tokyo (Japan), holds 52.6 percent of the shares of the ifa systems AG following the public offer in connection with the acquisition in 2015.

### **4. Disclosure of shareholders conferring special control rights**

There are no shares with special rights, in particular no shares that grant powers of control.

### **5. Type of voting rights control, when employees hold an interest in share capital and do not directly exercise their control rights**

Employees who hold an interest in share capital may exercise their voting rights directly. Agreements different from these are not known to the Management Board.

### **6. Legal regulations and provisions governing the appointment and replacement of members of the Management Board and the amendments to the articles of incorporation**

The legal provisions apply to the appointment and dismissal of the members of the Management Board (sections 84, 85 AktG) and to the amendment of the articles of incorporation (section 179 AktG).

### **7. The Management Board's power to issue or buy back shares**

The Management Board is authorized until 23 October 2022, with the approval of the Supervisory Board, to increase the share capital of the company by issuing new bearer shares, once or several times, for cash or non-cash contributions with a maximum increase of up to EUR 1,375,000.-.

### **8. Agreements of the company under the condition of a change of control**

There are no significant agreements of the company that are subject to the condition of a change of control following a takeover bid.

### **9. Compensation agreements of the company in the event of a takeover bid**

ifa systems AG has no compensation agreements with members of the Management Board or employees in the event of a takeover bid.

**Consolidated financial statement**  
as of December 31, 2018

**Assets**

in €'000	Annex	2018	2017
<b>Long-term Assets</b>			
Intangible assets	(3)	12,663	13,577
Tangible fixed assets	(4)	54	119
Other long-term receivables	(5)	606	113
Deferred taxes	(6)	705	662
		<b>14,028</b>	<b>14,471</b>
<b>Short-term Assets</b>			
Inventories	(7)	31	46
Trade receivables	(8)	552	1,073
Receivables from affiliated companies	(9)	49	169
Tax receivables	(10)	91	400
Other short-term receivables	(11)	144	253
Cash and cash equivalents	(12)	3,693	4,328
		<b>4,560</b>	<b>6,269</b>
		<b>18,588</b>	<b>20,740</b>



## Consolidated financial statement

### Stockholders' equity and liabilities

in €'000	Annex	2018	2017
<b>Stockholders' equity</b>	<b>(13)</b>		
Subscribed capital	(14)	2,750	2,750
Capital reserve	(15)	7,305	7,305
Other reserves	(15)	-2,443	-1,788
		<b>7,612</b>	<b>8,267</b>
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	(16)	0	0
Other long-term liabilities		52	50
Deferred taxes	(6)	2,568	3,247
		<b>2,620</b>	<b>3,297</b>
<b>Short-term liabilities</b>			
Other accruals	(17)	1,107	2,377
Tax liabilities		126	0
Short-term interest-bearing liabilities	(16)	2,000	2,000
Trade payables	(18)	80	455
Liabilities with affiliated companies		3,996	4,038
Other short-term liabilities	(19)	1,047	306
		<b>8,356</b>	<b>9,176</b>
		<b>18,588</b>	<b>20,740</b>

**Group Profit and Loss Statement**  
for the financial year 2018

in €'000	Annex	2018	2017
Sales revenues	(20)	6,611	8,553
Other income	(21)	797	215
Own expenses capitalized	(22)	522	824
<b>Total performance</b>		<b>7,930</b>	<b>9,592</b>
Costs of purchased goods and services	(23)	-604	-869
Personnel costs	(24)	-3,515	-4,949
Other expenses	(25)	-2,545	-6,716
<b>Earnings before interest, taxes and depreciation (EBITDA)</b>		<b>1,266</b>	<b>-2,942</b>
Amortizations	(26)	-1,160	-4,855
<b>Earnings before interest, taxes (EBIT)</b>		<b>106</b>	<b>-7,797</b>
Financial income	(27)	116	7
Financial costs	(27)	-113	-2,492
<b>Earnings before taxes</b>		<b>109</b>	<b>-10,282</b>
Income taxes	(28)	631	991
<b>Consolidated net income / loss</b>		<b>740</b>	<b>-9,291</b>

**Consolidated Income Statement**  
for the financial year 2018

in €'000	2018	2017
<b>Consolidated net income / loss</b>	<b>740</b>	<b>-9,291</b>
Changes in value	-1,244	2,077
Currency translation differences	-151	-325
<b>Total income</b>	<b>-655</b>	<b>-7,539</b>
<b>Sums that may be regrouped into the income statement in future periods</b>	<b>-151</b>	<b>-325</b>

## Consolidated financial statement

### Consolidated Cash Flow Statement for the financial year 2018

in €'000	2018	2017
Cash inflows from customers	6,132	9,999
Cash outflows to suppliers and employees	-7,145	-9,562
Other cash inflows	858	2,882
Other cash outflows	-254	-2,775
Income tax payments (-) / income tax refunds (+)	339	0
<b>Cash flow from operating activities</b>	<b>-70</b>	<b>544</b>
Cash outflows for investment in tangible assets	-14	-16
Cash outflows for investment in intangible assets	-522	-824
<b>Cash flow from investment activities</b>	<b>-536</b>	<b>-840</b>
Cash inflows from the raising of credits	0	6,000
Cash outflows for the repayment of credits	0	-457
Interest paid	-20	-15
<b>Cash flow from financing activities</b>	<b>-20</b>	<b>5,528</b>
<b>Cash funds at beginning of period</b>	<b>4,328</b>	<b>218</b>
Total cash flow	-625	5,232
Exchange rate / consolidation	-10	-1,122
<b>Cash funds at end of period</b>	<b>3,693</b>	<b>4,328</b>

**Consolidated Statement of Changes in Group Equity**  
for the financial years 2017 and 2018

in €'000	Subscribed capital	Capital reserves	Income reserves	Other income	Group equity
<b>As of 12/31/2016</b>	<b>2,750</b>	<b>7,305</b>	<b>6,236</b>	<b>-485</b>	<b>15,806</b>
Consolidated net income / loss	0	0	-9,291	0	-9,291
Changes in value	0	0	0	2,077	2,077
Currency translation and rounding differences	0	0	0	-325	-325
Total income	0	0	-9,291	1,752	-7,539
Rounding adjustment	0	0	0	0	0
<b>Transactions with equity holders</b>					
Dividend payment	0	0	0	0	0
<b>As of 12/31/2017</b>	<b>2,750</b>	<b>7,305</b>	<b>-3,055</b>	<b>1,267</b>	<b>8,267</b>
Consolidated net income / loss	0	0	740	0	740
Changes in value	0	0	0	-1,244	-1,244
Currency translation and rounding differences	0	0	3	-154	-151
Total income	0	0	743	-1,398	-655
Rounding adjustment	0	0	0	0	0
<b>Transactions with equity holders</b>					
Dividend payment	0	0	0	0	0
<b>As of 12/31/2018</b>	<b>2,750</b>	<b>7,305</b>	<b>-2,312</b>	<b>-131</b>	<b>7,612</b>

## Consolidated financial statement

# Group Annex for the financial year 2018

## 1. General information

Parent company of the Group is ifa systems AG. ifa systems AG is entered as HRB 42943 in the commercial register of the local court in Cologne, Germany. The shares of ifa systems AG are listed in the Open Market of Frankfurt Stock exchange in the segment "Basic Board".

The headquarters and registered business address of ifa systems AG are:  
Augustinusstrasse 11b, 50226 Frechen, Germany

Listing of consolidated companies	Country	12/31/2018	12/31/2017
		Share of capital in %	
<b>Full consolidation</b>			
Integration AG i.L., Frechen	Germany	100.00	100.00
ifa informationssysteme für Augenärzte GmbH	Austria	100.00	100.00
ifa united i-tech; Inc., Fort Lauderdale	USA	100.00	100.00
Inoveon Corp., Oklahoma City	USA	100.00	100.00
<b>Equity consolidation</b>			
MedKaizen AG i.L., Frechen	Germany	22.92	22.92

Furthermore, ifa systems AG holds 100% of the shares of ifa systems India Private Limited, Hyderabad, India. It is not included in the consolidated financial statement as it is not significant.

The liquidation of the Integration AG and MedKaizen AG was agreed by Annual General Meetings.

## 2. Accounting and valuation method

### 2.1. Principles for creating the annual statement

These consolidated financial statements have been prepared in accordance with section 315a of the German Commercial Code (HGB) and in accordance with the rules of the International Accounting Standards (IASB) adopted by the European Union on the balance sheet date and the additional requirements of German commercial law. They are in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as required by the European Union, including the International Accounting Standard (IAS), which is still in force, and supplementary interpretations (IFRIC or SIC). All IFRS and IFRICs, which are mandatory for the 2018 financial year, were taken into consideration. Standards and interpretations of the IASB, which have not yet come into force, have not been applied.

### Report currency

The consolidated financial statements are prepared in euros. Unless otherwise stated, all values are rounded to the nearest thousand (TEUR).



### **Consolidated Group**

The consolidated financial statements include the financial statements of ifa systems AG and those of the major companies controlled by the company. An affiliated company was accounted for using the equity method.

### **Consolidation principles**

All companies included as of Monday, December 31, 2018 prepare their annual financial statements as of December/31. These are translated into uniformly prepared consolidated financial statements in accordance with the IFRS, which are mandatory in the European Union. Intra-group transactions are then eliminated.

Receivables and liabilities between the consolidated companies were offset against each other as part of the debt consolidation process. Internal sales as well as intercompany profits were eliminated as part of the consolidation of expenses and income.

The consolidated result for the year is calculated as a fully consolidated profit for the period according to the total cost method, in which all income and expenses have been consolidated between the individual companies.

The assets and liabilities of foreign subsidiaries whose functional currency is not the euro are translated in accordance with IAS 21. The functional currency is the respective national currency for all companies. Assets and liabilities are therefore translated at the closing rate; with the annual result translated at the average rate and the equity capital at historical rates. Resulting translation differences are recognized in other comprehensive income in equity capital. Translation differences resulting from the debt consolidation are recognized in the income statement.

### **2.2 Changes to the accounting and valuation method**

The accounting and valuation methods applied fundamentally correspond to the methods used in the previous year. The first-time application of IFRS15 resulted in significant differences in the disclosure of revenues which are detailed below. In addition, the IASB and the IFRIC have adopted an adaptation of existing standards as well as some new interpretations. All IAS, IFRS and IFRICs, which are mandatory for the 2018 financial year, were taken into consideration. The following table shows the new or changed standards or interpretations that were either applied in the financial year or else have not yet been applied.

The first-time application of IFRS 15, that entered into force on January 1, 2018, led to differences in accounting and valuation methods. According to IAS 18, revenues from runtime licenses had to be recognized in the profit and loss account at the time of invoicing. According to IFRS 15, contracts with customers need to be checked whether separately identifiable goods or services are to be identified. For every single identified contractual obligation, it must be defined if it needs to be fulfilled over a specific time period or at a specific date.

The essential components of the runtime license contract contain the right to use the license, which is transferred to the customer at the time of contract conclusion, as well as the service hotline and the software maintenance that are provided during the agreed service period. The revenues from the runtime license contracts are to be shared between these service components according to the transaction price. A proportion of 50% of the total revenue for the right to use the license has to be defined. For the service hotline and software maintenance, a proportion of 25% each was determined as appropriate. Thus, at the beginning of the financial year 2018, 50% of the revenues from runtime licenses are recognized in the profit and loss account at the time of invoicing, the remaining 50% are linearly distributed over the service period.

The new standard must be applied to contracts not yet concluded in the transition period January 1, 2018.

The reorganization can be applied completely retrospective or modified retrospective. ifa uses the modified retrospective application. The cumulative effects from the initial application are represented in the revenue reserves on January 1, 2018.

The overall effect of this application amounts to EUR 1,249 thousand. The equity was reduced at this level on January 1, 2018. A deferred income was recognized at the same level. This will be used by revenue recognition in the years 2018 – 2020. In 2018, EUR 754 thousand of this position were recognized in revenue so that it amounts to EUR 495 thousand at the end of the reporting period.

As, at the same time, services were delimited proportionally for the invoices generated for future years in 2018, the revenue improves by EUR 368 thousand net for the financial year.

## Group Annex

### Future requirements

Standard / Interpretation	Title of the standard / interpretation or amendment	Application for financial years starting from	Effects on the consolidated financial statement
<b>EU Endorsement has been given until</b>			
IFRS 16	Leasing	Januar 1, 2019	Effects still to be determined
IFRIC 23	Accounting for income taxes	Januar 1, 2019	Effects still to be determined
Amendments to IFRS 9	Prepayment penalty with negative financial compensation	Januar 1, 2019	No effects
Amendments to IAS 28	joint ventures	Januar 1, 2019	No effects
<b>EU Endorsement still pending</b>			
IFRS 17	Insurance contracts	Januar 1, 2019	No effects
Improvements to IFRS 2015 - 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	Januar 1, 2019	Effects still to be determined
Amendments to IAS 19	Employee benefits: Plan amendments, curtailments or settlements	Januar 1, 2020	Effects still to be determined
Amend. References IFRS framework	Update of the references to the IFRS framework	Januar 1, 2020	Effects still to be determined
Amendments to IFRS 3	Definition of business operations	Januar 1, 2020	No effects
Amendments to IAS 1 and IAS 8	Definition of materiality	Januar 1, 2020	Effects still to be determined

### **2.3 Significant discretionary decisions, estimates and assumptions**

The most important discretionary decisions, forward-thinking assumptions and other significant sources of uncertainty as to the date on which there is a significant risk that a material adjustment to the carrying amounts of assets and liabilities will be necessary within the next financial year are explained below.

#### **Impairment of goodwill**

The Group reviews at least once a year whether the goodwill has been impaired. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated.

The recoverable amount is the higher of the two amounts from the fair value of a cash-generating unit minus selling costs and the value in use. To estimate the value in use, the Group also needs to estimate the future cash flows as well as an appropriate discount rate, in order to determine the cash value of these cash flows.

#### **Development costs**

Development costs are capitalized in accordance with the accounting and valuation method described in Note 2.4. For the capitalization of the production costs of self-created developments the future useful life must be estimated to determine the type of depreciation and its duration.

#### **Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses carried forward to the extent that it is likely that taxable income will be available and will continue to exist, so that the losses carried forward can actually be used. To determine the amount of deferred tax assets, a significant exercise of discretion by corporate management is required, based on the expected date of entry and the amount of future taxable income, as well as future tax planning strategies.

### **2.4 Summary of significant accounting and valuation methods**

#### **Structure**

The assets and liabilities in the balance sheet were classified according to their maturity. The profit and loss account was compiled according to the total cost method.

#### **Intangible assets**

Acquired intangible assets are valued at acquisition cost on initial recognition and are subsequently reported net of accumulated depreciation and impairment losses. The depreciation of acquired intangible assets is based on useful lives between 3 and 15 years.

Internally generated intangible assets are not capitalized except for capitalized development costs. The capitalization is carried out at production cost, provided the preconditions set out in IAS 38.57 are cumulatively met. If these preconditions are not met, the development costs are recognized in the income statement in the year in which they are incurred. The capitalized intangible assets are amortized over the economic operating life and tested for possible impairment. Depreciation is based on useful lives of up to 15 years.

The excess of the acquisition cost of a company over the acquired portion of the fair value of the identifiable assets and liabilities at the date of acquisition is designated as goodwill and recognized as an asset in the balance sheet. Goodwill is recognized for an indefinite operating life. Goodwill is tested for impairment at least once a year or as a result of impairment if situations or changes in circumstances indicate that the carrying value may be impaired.

### **Tangible fixed assets**

Tangible fixed assets are stated at acquisition or production cost less accumulated depreciation and accumulated impairment losses. Depreciation is based on useful lives of between 3 and 10 years. The operating life and the depreciation method are reviewed periodically. This ensures that they are consistent with the expected economic benefit.

### **Financial assets**

Financial assets are classified according to IFRS rules (IAS 39) in the following categories: (A) loans and receivables (LaR); and (b) available-for-sale assets (afs). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at the time of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are regarded as current assets if their maturity does not exceed twelve months after balance sheet date.

Available-for-sale financial assets are allocated to this category or to none of the other categories presented. These are allocated to long-term assets unless management intends to sell them within twelve months after the balance sheet date and the asset is not due during this period.

### **Impairment of financial instruments**

Financial instruments are reported either at fair value or at amortized cost. Management will determine on each reporting date whether there is objective evidence that a financial asset has been impaired.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

### **Derivative financial instruments and hedging**

Derivative financial instruments and hedging are not relevant within the ifa systems AG Group.

### **Inventories**

Inventories and stocks of goods are valued at the lower of acquisition or production costs and net realizable amount. Costs of production include service costs of personnel as well as overhead costs attributable to direct service costs. Costs such as general administration and distribution, which do not function as direct service costs, are not included in production costs.

The net realizable amount corresponds to the selling price minus all probable costs up to the completion or sale and including costs for sales and marketing.

**Trade receivables**

Trade receivables are shown under current assets considering individual valuation adjustments as of the balance sheet date. Receivables in foreign currencies are translated at the exchange rate on the balance sheet date.

**Cash and cash equivalents**

Cash funds relate to current bank balances. Their development is based on the cash flow statement.

**Stockholders' equity**

Equity capital (divided into 2,750,000 shares in ifa systems AG) consists exclusively of similar shares. Capital increases in the reporting period are reported separately.

**Trade payables**

Liabilities are measured at fair value minus transaction costs at the time of entry. Subsequent valuation is carried out at amortized cost, considering the effective interest rate method. For liabilities in foreign currencies, these are calculated at the exchange rate on the balance sheet date.

**Financial debts**

Financial debts are divided into short-term and long-term debts. Their remaining maturities are specified globally.

**Borrowing costs**

The expenses for financial debts (short-term and long-term) are reported separately as cost of capital. A distinction is made between the cost of redeemable loans and bank overdrafts. There is no capitalization of borrowing costs according to IAS 23, as there are no qualifying assets.

**Compound financial instruments**

No compound financial instruments are present within the ifa systems AG Group.

**Income taxes**

The current tax expense and the deferred taxes calculated yield the income tax expense. Liabilities for the income tax expense are derived from taxable income and the applicable tax rates as of the balance sheet date.

Deferred taxes are determined according to the provisions of IFRS (IAS 12) and reported in the balance sheet as of the balance sheet date.

Deferred tax assets are recognized for tax losses carried forward.

Deferred taxes are recognized in the income statement (exception: initial consolidation), unless they relate to items recognized directly in equity capital or else in other comprehensive income. Taxes are also recorded there.

## Group Annex

### **Employee benefits**

There are no pension obligations in the Group. Employee benefits are recognized as expenses. The usual provisions are shown for vacation entitlements.

### **Share-based payment**

There are no share-based payments within the Group.

### **Provisions**

Provisions are recognized for commitments (legally and in fact) that arose as of the balance sheet date or were caused economically. The valuation is made at the settlement amount with the highest probability of occurrence. Provisions are generally reported at the present value of the expected expenses. If guarantee obligations exist, they are recorded as a provision at the time of sale. The value is based on the estimated expenses that are expected to be fully incurred. If there are many similar guarantees, the estimates of the probability of an impact on assets is calculated on a Group basis.

### **Revenue recognition**

In the financial year 2018, the realization of revenues is based on IFRS 15 for the first time.

### **Interest income**

Interest income from loans granted is calculated on a regular basis, considering the interest rate and the residual loan amount.

### **Dividend income**

The ifa systems AG Group does not hold any financial investments that generate dividend income.

### **Leases**

If leasing assets for which the ifa systems AG Group bears the main risks and benefits are leased, this situation is determined to be a finance lease. The assets from finance leases are capitalized at the lower of the fair value of the leasing item and the present value of the minimum leasing payment at the beginning of the lease term. A leasing liability is set as a liability in long-term liabilities for the same amount. Lease installments are divided into interest and repayments. The leasing liability therefore bears interest continuously. The net lease obligation is reported as long-term debt. The interest rate determined for the leasing rate is recognized as an expense in the income statement. Tangible fixed assets held based on a leasing contract are amortized. The depreciation period determined as either the operating life or the duration of the leasing contract, whichever is the shorter period.

Operating leases are classified as such if significant portions of the risks and opportunities associated with the leased item lie with the lessor. The payments are recorded in the income statement on a straight-line basis over the duration of the leasing contract.

Leasing ratios for which the ifa systems Group is a lessee are almost exclusively classified as operating leases.

In the reporting period, there are no transactions in which the ifa systems Group is the lessor.

As of the financial year 2019, all leases are to be recognized according to IFRS16. The effects are currently identified.

#### Extraordinary income and expense

According to the IFRS, extraordinary income and expense (as defined by the German Commercial Code) are not disclosed separately but are listed in the income statement documentation (IAS 1.87).

### 3. Intangible assets

in €'000	2018	2017
Internally generated intangible assets	10,468	11,220
Goodwill	0	0
Other intangible assets	2,195	2,357
	<b>12,663</b>	<b>13,577</b>

#### Intangible assets

In the current financial year EUR 522 thousand own expenses (previous year EUR 824 thousand) (software development, database content) were capitalized according to regulations IAS 38. Valuation is made based on directly attributable costs.

For capitalized own expenses, the depreciation in the reporting year amounted to EUR 839 million (previous year EUR 4.225 million). The previous year was influenced by special write-offs at the American subsidiary as market expectations had changed. For the development of intangible assets see the separate overview "development of intangible and tangible assets".

Other intangible assets decreased as expected as the development works for software have not been purchased but have been exclusively rendered in-house in the financial year.



## Group Annex

### 4. Tangible fixed assets

For the development of tangible assets see the separate overview “development of intangible and tangible assets”.

### 5. Other long-term receivables

in €'000	2018	2017
Services not yet invoiced	287	0
Customer receivables that are due in excess of one year	201	0
Deposits, permanent advances	56	55
Other credits	62	58
	606	113

Services rendered to customers are disclosed as services not yet invoiced that have not been invoiced yet due to the agreed cash flows. These mainly involve the purchase of ifa licenses that are invoiced to the customer in up to 72 equal amounts.

### 6. Deferred taxes

	Assets		Liabilities	
in €'000	2018	2017	2018	2017
Intangible assets	0	324	2,568	3,247
Losses carried forward	705	339	0	0
	705	663	2,568	3,247

## 7. Inventories

in €'000	2018	2017
Raw materials, auxiliary materials and operating materials	0	5
Goods	31	41
	<b>31</b>	<b>46</b>

The carrying amount of inventories primarily includes inventories for computer hardware and network components. As a rule, these are only kept for orders already issued (approx. 4-week inventory).

## 8. Trade receivables

in €'000	2018	2017
<b>Maturity structure</b>		
Receivables, neither overdue nor impaired	146	722
Receivables, overdue but not impaired		
0 to 3 months	168	179
4 to 6 months	89	20
More than 6 months	53	151
Receivables, overdue and impaired	456	263
Itemized valuation allowance	-360	-262
	<b>552</b>	<b>1,073</b>
<b>Regions</b>		
Receivables, domestic	269	163
Receivables, foreign	643	1,172
Itemized valuation allowance	-360	-262
	<b>552</b>	<b>1,073</b>

Receivables, that are more than 60 days overdue, have been at least partially value-adjusted. As far as payments received were recorded shortly after balance sheet date, impairments have been waived.

## 9. Receivables from affiliated companies

The amount disclosed in the consolidated balance sheet in the amount of EUR 49 thousand. EUR 169 thousand is exclusively receivables from companies of the Topcon Group.

## Group Annex

### 10. Tax receivables

in €'000	2018	2017
Income tax financial year	91	334
Income tax previous year	0	66
	<b>91</b>	<b>400</b>

The tax receivables are based on tax advance payments of the companies, that exceed the tax liability. Those have been predominantly paid by the parent company.

### 11. Other short-term receivables

in €'000	2018	2017
Advance payments for future periods	62	80
Others	82	173
	<b>144</b>	<b>253</b>

### 12. Cash and cash equivalents

The credit balance at banks relate to current accounts. Regarding changes to the cash stock see the cash flow statement. Cash and cash equivalents are not subject to restrictions on use.

### 13. Stockholders' equity

Regarding changes to the stockholders' equity see the stockholders' equity analysis.

### 14. Subscribed capital

The subscribed capital of EUR 2.75 million is divided in EUR 2.75 million of bearer shares with a theoretical nominal value of EUR 1.00.

### 15. Reserves

Regarding changes to the reserves see the stockholders' equity analysis.

Due to the balance sheet loss for the financial year 2017, no dividend was paid to the shareholders in 2018.

### 16. Interest-bearing debts

(short- and long-term)	in €'000	RT < 1 y	RT 1–5 y.	RT > 5 y.	Total
Liabilities 12/31/2018		6,000	0	0	6,000
Liabilities 12/31/2017		6,000	0	0	6,000

As in the financial year 2017 this amount comprises of a bank loan amounting to EUR 2,000 thousand and of a loan from Topcon Europe B.V. amounting to EUR 4,000 thousand.

#### 17. Other accruals

in €'000

	2018	2017
Personnel costs	403	275
Audit fees	272	280
Guaranty, warranties, outstanding services	0	427
Restructuring costs	182	1,030
Remaining	250	365
	<b>1,107</b>	<b>2,377</b>

#### 18. Trade payables

Trade accounts payable of EUR 80 thousand (previous year: EUR 455 thousand) only have a remaining time of up to one year.

#### 19. Other short-term liabilities

in €'000

	2018	2017
Deferred income	937	236
Value added tax	57	5
Liabilities from regarding wages and salaries	50	50
Accounts receivable with loan balances	2	15
Other short-term liabilities	1	1
	<b>1,047</b>	<b>307</b>

The increase in deferred income is related to the application of the accounting method in accordance with IFRS 15, which is explained in detail in the following section.

#### 20. Sales revenues

in €'000

	2018	2017
Basic licenses	952	744
RTL	3,526	3,537
Hardware, third-party SW and accessories	842	676
Services	603	612
Topcon basic transactions	266	392
Topcon project transactions	160	2,340
Others	262	251
<b>Sum</b>	<b>6,611</b>	<b>8,553</b>

The first-time application of IFRS 15, that entered into force on January 1, 2018, led to differences in accounting and valuation methods. According to IAS 18, revenues from runtime licenses had to be recognized in the profit and loss account at the time of invoicing. According to IFRS 15, contracts with customers need to be checked whether separately identifiable goods or services are to be identified.

## Group Annex

For every single identified contractual obligation, it must be defined if it needs to be fulfilled over a specific time period or at a specific date.

The essential components of the runtime license contract contain the right to use the license that is transferred to the customer at the time the agreement is concluded, as well as the service hotline and the software maintenance that are provided during the agreed service period. The revenues from the runtime license contracts must be shared between these service components according to the transaction price. A proportion of 50% of the total revenue for the right to use the license must be defined. For the service hotline and software maintenance, a proportion of 25 % each was determined as appropriate. Thus, at the beginning of the financial year 2018, 50% of the revenues from runtime licenses are recognized in the profit and loss account at the time of invoicing, the remaining 50% are linearly distributed over the service period.

The new standard must be applied to contracts not yet concluded in the transition period January 1, 2018.

The reorganization can be applied completely retrospective or modified retrospective. ifa uses the modified retrospective application. The cumulative effects from the initial application are represented in the revenue reserves on January 1, 2018.

The overall effect of this application amounts to EUR 1,249 thousand. The equity was reduced at this level on January 1, 2018. A deferred income was recognized at the same level. This will be used by revenue recognition in the years 2018 - 2020. In 2018, EUR 754 thousand of this position were recognized in revenue so that it amounts to EUR 495 thousand at the end of the reporting period.

As, at the same time, services were delimited proportionally for the invoices generated for future years in 2018, the revenue improves by EUR 368 thousand net for the financial year. The respective decline of the deferred income by EUR 368 thousand is due to the fact that ifa continued to reduce significantly the offers for the prepayment of RTL.

### 21. Other income

in €'000

	2018	2017
Incomes from the reversal of accruals	355	3
Remuneration in kind	167	183
Topcon: Reporting Agreement	144	0
Income from currency translation differences	0	10
Remaining other incomes	131	19
	<b>797</b>	<b>215</b>

Since the second quarter of 2018, ifa monthly generates complete consolidated financial statements upon request of the majority shareholder Topcon. They are transmitted in a data format specified by Topcon. For the additional expenses relating thereto, ifa receives EUR 18 thousand for the additional expenditure every month.

The remuneration in kind include, amongst others, the passed-on charges for employee vehicle use.

## 22. Own expenses capitalized

Involve exclusively the capitalization of internally generated intangible assets.

## 23. Costs of purchased goods and services

in €'000	2018	2017
Hardware, third-party software	480	524
Other cost of sales	124	251
Third-party services	0	94
	<b>604</b>	<b>869</b>

## 24. Personnel costs

in €'000	2018	2017
Salaries	2,822	3,948
Social security	431	572
Fringe benefits	123	137
Other personnel costs	139	292
	<b>3,515</b>	<b>4,949</b>

Staff costs are influenced by the significantly reduced number of staff compared to the previous year as a consequence of the restructuring. In addition, the previous year was burdened by additional personnel expenses as part of the restructuring.

59 employees (73 previous year) were employed at the company on annual average.

## 25. Other expenses

in €'000	2018	2017
Legal expenses and consulting costs	867	864
Advertising costs/travel expenses	274	745
Bad debts	271	755
Vehicle costs	166	196
Premises expenses	158	566
Licenses	148	347
Communication costs	130	196
Office equipment	42	78
Insurances, contributions, fees	36	44
Maintenance costs	29	33
Third-party development costs	0	702
Restructuring	0	643
Reduction of unfinished services in inventories	0	465
Provisions, fees	0	226
Remaining other expenses	424	855
	<b>2,545</b>	<b>6,716</b>

## Group Annex

The remaining other expenses include operating costs not listed separately before, e.g. non-current expenses and other company taxes.

### 26. Amortizations

For a structure and development of amortizations see the separate overview „development of tangible and intangible assets“.

### 27. Financial result

in €'000	2018	2017
Income from currency translation differences	113	0
Interest income	3	7
Expenses from currency translation differences	-63	-293
Interest expenses	-50	-39
Depreciation of financial assets	0	-2,160
	3	-2,485

### 28. Income tax

The income taxes break down as follows:

in €'000	2018	2017
Current tax expense	-108	-8
Deferred tax	739	999
	631	991

The Group tax rate is the quotient of the income tax charge, identified in the profit and loss statement, and the annual result before taxes. Therefore, the Group's tax expenditure generally resulted from the current and deferred tax.

The transition from total tax rate to effective tax rate is as follows:

	2018		2017	
	in €'000	%	in €'000	%
Profit before tax	109		-10,282	
Total tax rate				
– theoretical tax expense	34	31.58%	-3,247	31.58%
Tax impact from unrecognized deferred tax assets on loss brought forward and temporary differences	31	31.58%	2,256	21.94%
Tax expense from permanent differences	0	0.00%	0	0.00%
Remaining differences	566	N/A	0	0.00%
Effective tax income	631	N/A	991	9.64%

## 29. Earnings per share

	2018	2017
Consolidated net income / loss in €'000	740	-9,291
Number of shares (Number)	2,750,000	2,750,000
Earnings per share (Euro)	0.27	-3.38



## Group Annex

### 30. Additional disclosures on financial instruments

In the regard of classification of financial instruments ifa systems AG aligned with the classification categories according to IAS 39, as the risk diversification in these categories is similar.

The following tables show the book values and fair values for each category of financial assets and liabilities on 12/31/2018 and 12/31/2017.

		Assigned value in balance sheet acc. to IAS 39					
		Book value	amortized		Fair Value	Fair Value	Fair Value
			costs	costs	not affecting	affecting	
in €'000		12/31/2018			net income	net income	12/31/2018
<b>Financial assets</b>							
Financial assets	LaR	0	83	0	0	0	0
Other long-term receivables	LaR	606	606	0	0	0	606
Trade receivables	LaR	552	552	0	0	0	552
Other short-term receivables	LaR	284	284	0	0	0	284
Cash and cash equivalents	LaR	3,693	3,693	0	0	0	3,693
		<b>5,135</b>	<b>5,218</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,135</b>
<b>Financial liabilities</b>							
Financial debt	OL	2,000	2,000	0	0	0	2,000
Trade payables	OL	80	80	0	0	0	80
Other short-term liabilities	OL	1,047	1,047	0	0	0	1,047
		<b>3,127</b>	<b>3,127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,127</b>
<b>Aggregated by measurementcategories according to IAS 39</b>							
Loans and receivables (LaR)		5,135	5,218	0	0	0	5,135
Other Liabilities (OL)		3,127	3,127	0	0	0	3,127

		Assigned value in balance sheet acc. to IAS 39					
		Book value	amortized		Fair Value	Fair Value	Fair Value
			costs		not affecting	affecting	
in €'000		12/31/2017	costs		net income	net income	12/31/2017
<b>Financial assets</b>							
Financial assets	LaR	0	83	0	0	0	0
Other long-term receivables	LaR	113	113	0	0	0	113
Trade receivables	LaR	1,073	1,073	0	0	0	1,073
Other short-term receivables	LaR	821	821	0	0	0	821
Cash and cash equivalents	LaR	4,328	4,328	0	0	0	4,328
		<b>6,335</b>	<b>6,418</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,335</b>
<b>Financial liabilities</b>							
Financial debt	OL	2,000	2,000	0	0	0	2,000
Trade payables	OL	455	455	0	0	0	455
Other short-term liabilities	OL	306	306	0	0	0	306
		<b>2,761</b>	<b>2,761</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,761</b>
<b>Aggregated by measurementcategories according to IAS 39</b>							
Loans and receivables (LaR)		6,335	6,418	0	0	0	6,335
Other Liabilities (OL)		2,761	2,761	0	0	0	2,761

#### Determination of actual cash value (Fair Value)

Due to the short maturity, the book value of financial instruments such as receivables and liabilities essentially match the market value.

The company watches the performance of liabilities with fixed and variable interest rates, as well as long-term and short-term liabilities. In this context, the business risk and other financial risks are examined.

## Group Annex

### Disclosures on the profit and loss statement

The following table shows the net profit (+) and net losses (-) of financial instruments according to classification categories considered in the profit and loss statement.

in €'000	2018	2017
Loans and Receivables (LaR)	-217	-817
Other Liabilities (OL)	-17	-123

In the financial statement of the ifa systems AG the adjustments to receivables and deliverables and other assets that can be categorized as "loans and receivables" are recorded as other operating expenses. The financial assets categorized as "loans and receivables" mainly result from deliveries and deliverables. Net profits mainly include interest income, allowances and receivables defaults, as well as 'income from the release of allowances.

The net losses in the category "other liabilities" mainly result from the interest costs for financial liabilities.

Development of the intangible assets and tangible assets  in €'000	Acquisition costs or production costs				
	as of 12/31/2018	Asset additions	Asset retirements	Currency adjustment	as of 12/31/2018
Intangible assets					
Internally generated intangible assets	18,470	522	-604	108	18,496
Goodwill	133	0	0	0	133
Other intangible assets	4,856	164	-33	133	5,120
	23,459	686	-637	241	23,749
Tangible fixed assets	848	13	-161	29	729
	24,307	699	-798	270	24,278

	Amortizations				
in €'000	as of 01/01/2018	Asset additions	Asset retirements	Currency adjustment	as of 01/01/2018
Intangible assets					
Internally generated intangible assets	7,250	839	-91	31	8,029
Goodwill	133	0	0	0	133
Other intangible assets	2,499	293	0	133	2,925
	9,882	1,132	-91	164	11,087
Tangible fixed assets	729	28	-109	26	674
	10,611	1,160	-200	190	11,761

	Book values				
in €'000	as of 01/01/2018	Asset additions	Asset retirements	Currency adjustment	as of 01/01/2018
<b>Intangible assets</b>					
Internally generated intangible assets	11,220	-317	-513	77	10,467
Goodwill	0	0	0	0	0
Other intangible assets	2,357	-129	-33	0	2,195
	<b>13,577</b>	<b>-446</b>	<b>-546</b>	<b>77</b>	<b>12,662</b>
<b>Tangible fixed assets</b>					
	<b>119</b>	<b>-15</b>	<b>-52</b>	<b>3</b>	<b>55</b>
	<b>13,696</b>	<b>-461</b>	<b>-598</b>	<b>80</b>	<b>12,717</b>

### 31. Auditor's fee in accordance with section 314 (1) no. 9 of the HGB

The following statement considers the total auditor's fee and the services towards the ifa group for the fiscal year of 2018.

in €'000	2018	2017
Auditing company and Group statements	65	71
Other services	1	1
	66	72

### 32. Business relations with related individuals and companies

As of December 31, 2018, the members of the Management Board and Supervisory Board hold shares in ifa systems AG, either personally or through related companies:

Board of Management		Supervisory Board	
Jörg Polis	38,798 shares	Nick Smith	no shares
Christoph Reinartz	23,945 shares	Robert Gaulke	no shares
Kaoru Nihei (bis 31.03.2018)	no shares	Randy Samuels	no shares
Nobuo Takase (seit 01.04.2018)	no shares		

The Euronet Software AG, Frechen (Germany), with Robert Gaulke holds as majority shareholder, provided consulting services in the amount of EUR 2,400 in 2018. This fee corresponds to the market conditions.

### 33. Compensation of the Management Board

in €'000	2018	2017
Compensation of the Management Board in total	498	500
Fixed salary thereof	498	500
Profit sharing thereof	0	0

The Management Board received no variable compensation for the financial year 2018.

### 34. Events after the balance sheet date

Significant events and transactions of particular importance, that occurred after the end of the financial year 2018 and had impact on the net assets, financial position and operation results, are not known to the Management Board.

The date for release of the annual financial statements by the Management Board pursuant to IAS 10.17 is April 15, 2019.

## Statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, financial position and profit or loss of the Group, and the consolidated management 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.

Frechen, on April 15, 2019

ifa systems AG



Jörg Polis



Christoph Reinartz



Nobuo Takase

# Bestätigungsvermerk des unabhängigen Abschlussprüfers

An die ifa Systems AG, Frechen

## Prüfungsurteile

Wir haben den Konzernabschluss der ifa Systems AG, Frechen, und ihrer Tochtergesellschaften (der Konzern) – bestehend aus der Konzernbilanz zum 31. Dezember 2018, der Konzerngesamtergebnisrechnung, der Konzerneigenkapitalveränderungsrechnung und der Konzernkapitalflussrechnung für das Geschäftsjahr vom 1. Januar 2018 bis zum 31. Dezember 2018 sowie dem Konzernanhang, einschließlich einer Zusammenfassung bedeutsamer Rechnungslegungsmethoden – geprüft. Darüber hinaus haben wir den mit dem Lagebericht zusammengefassten Konzernlagebericht (nachfolgend: Konzernlagebericht) der ifa Systems AG, Frechen, für das Geschäftsjahr vom 1. Januar 2018 bis zum 31. Dezember 2018 geprüft. Die im Abschnitt „Sonstige Informationen“ unseres Bestätigungsvermerks genannten Bestandteile des Konzernlageberichts haben wir in Einklang mit den deutschen gesetzlichen Vorschriften nicht inhaltlich geprüft.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse

- entspricht der beigefügte Konzernabschluss in allen wesentlichen Belangen den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315e Abs. 1 HGB anzuwendenden deutschen gesetzlichen Vorschriften und vermittelt unter Beachtung dieser Vorschriften ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens- und Finanzlage des Konzerns zum 31. Dezember 2018 sowie seiner Ertragslage für das Geschäftsjahr vom 1. Januar 2018 bis zum 31. Dezember 2018 und
- vermittelt der beigefügte Konzernlagebericht insgesamt ein zutreffendes Bild von der Lage des Konzerns. In allen wesentlichen Belangen steht dieser Konzernlagebericht in Einklang mit dem Konzernabschluss, entspricht den deutschen gesetzlichen Vorschriften und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar. Unser Prüfungsurteil zum Konzernlagebericht erstreckt sich nicht auf den Inhalt der im Abschnitt "Sonstige Informationen" genannten Bestandteile des Konzernlageberichts.

Gemäß § 322 Abs. 3 Satz 1 HGB erklären wir, dass unsere Prüfung zu keinen Einwendungen gegen die Ordnungsmäßigkeit des Konzernabschlusses und des Konzernlageberichts geführt hat.

## Grundlage für die Prüfungsurteile

Wir haben unsere Prüfung des Konzernabschlusses und des Konzernlageberichts in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführt. Die Prüfung des Konzernabschlusses haben wir unter ergänzender Beachtung der International Standards on Auditing (ISA) durchgeführt. Unsere Verantwortung nach diesen Vorschriften, Grundsätzen und Standards ist im Abschnitt „Verantwortung des Abschlussprüfers für die Prüfung des Konzernabschlusses und des Konzernlageberichts“ unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von den Konzernunternehmen unabhängig in Übereinstimmung mit den deutschen handelsrechtlichen und berufsrechtlichen Vorschriften und haben unsere sonstigen deutschen Berufspflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zum Konzernabschluss und zum Konzernlagebericht zu dienen.

### **Besonders wichtige Prüfungssachverhalte in der Prüfung des Konzernabschlusses**

Wir haben bestimmt, dass es keine besonders wichtigen Prüfungssachverhalte gibt, die in unserem Bestätigungsvermerk mitzuteilen sind.

### **Sonstige Informationen**

Die gesetzlichen Vertreter sind für die sonstigen Informationen verantwortlich. Die sonstigen Informationen umfassen die folgenden nicht inhaltlich geprüften Bestandteile des Konzernlageberichts:

- die übernahmerechtlichen Angaben gemäß § 289a bzw. § 315a Abs. 1 HGB am Bilanzstichtag

Die sonstigen Informationen umfassen zudem die übrigen Teile des Geschäftsberichts – ohne weitergehende Querverweise auf externe Informationen –, mit Ausnahme des geprüften Konzernabschlusses, des geprüften Konzernlageberichts sowie unseres Bestätigungsvermerks.

Unsere Prüfungsurteile zum Konzernabschluss und zum Konzernlagebericht erstrecken sich nicht auf die sonstigen Informationen, und dementsprechend geben wir weder ein Prüfungsurteil noch irgendeine andere Form von Prüfungsschlussfolgerung hierzu ab.

Im Zusammenhang mit unserer Konzernabschlussprüfung haben wir die Verantwortung, die sonstigen Informationen zu lesen und dabei zu würdigen, ob die sonstigen Informationen

- wesentliche Unstimmigkeiten zum Konzernabschluss, den inhaltlich geprüften Bestandteilen des Konzernlageberichts oder unseren bei der Prüfung erlangten Kenntnissen aufweisen oder
- anderweitig wesentlich falsch dargestellt erscheinen.

Falls wir auf Grundlage der von uns durchgeführten Arbeiten den Schluss ziehen, dass eine wesentliche falsche Darstellung dieser sonstigen Informationen vorliegt, sind wir verpflichtet, über diese Tatsache zu berichten. Wir haben in diesem Zusammenhang nichts zu berichten.

### **Verantwortung der gesetzlichen Vertreter und des Aufsichtsrats für den Konzernabschluss und den Konzernlagebericht**

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Konzernabschlusses, der den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315e Abs. 1 HGB anzuwendenden deutschen gesetzlichen Vorschriften in allen wesentlichen Belangen entspricht, und dafür, dass der Konzernabschluss unter Beachtung dieser Vorschriften ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig bestimmt haben, um die Aufstellung eines Konzernabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Konzernabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit des Konzerns zur Fortführung der Unternehmenstätigkeit zu beurteilen. Des Weiteren haben sie die Verantwortung, Sachverhalte in Zusammenhang mit der Fortführung der Unternehmenstätigkeit, sofern einschlägig, anzugeben. Darüber hinaus sind sie dafür verantwortlich, auf der Grundlage des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit zu bilanzieren, es sei denn, es besteht die Absicht den Konzern zu liquidieren oder der Einstellung des Geschäftsbetriebs oder es besteht keine realistische Alternative dazu.



## Auditor's report

Außerdem sind die gesetzlichen Vertreter verantwortlich für die Aufstellung des Konzernlageberichts, der insgesamt ein zutreffendes Bild von der Lage des Konzerns vermittelt sowie in allen wesentlichen Belangen mit dem Konzernabschluss in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt. Ferner sind die gesetzlichen Vertreter verantwortlich für die Vorkehrungen und Maßnahmen (Systeme), die sie als notwendig erachtet haben, um die Aufstellung eines Konzernlageberichts in Übereinstimmung mit den anzuwendenden deutschen gesetzlichen Vorschriften zu ermöglichen, und um ausreichende geeignete Nachweise für die Aussagen im Konzernlagebericht erbringen zu können.

Der Aufsichtsrat ist verantwortlich für die Überwachung des Rechnungslegungsprozesses des Konzerns zur Aufstellung des Konzernabschlusses und des Konzernlageberichts.

### **Verantwortung des Abschlussprüfers für die Prüfung des Konzernabschlusses und des Konzernlageberichts**

Unsere Zielsetzung ist, hinreichende Sicherheit darüber zu erlangen, ob der Konzernabschluss als Ganzes frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist, und ob der Konzernlagebericht insgesamt ein zutreffendes Bild von der Lage des Konzerns vermittelt sowie in allen wesentlichen Belangen mit dem Konzernabschluss sowie mit den bei der Prüfung gewonnenen Erkenntnissen in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt, sowie einen Bestätigungsvermerk zu erteilen, der unsere Prüfungsurteile zum Konzernabschluss und zum Konzernlagebericht beinhaltet.

Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung sowie unter ergänzender Beachtung der ISA durchgeführte Prüfung eine wesentliche falsche Darstellung stets aufdeckt. Falsche Darstellungen können aus Verstößen oder Unrichtigkeiten resultieren und werden als wesentlich angesehen, wenn vernünftigerweise erwartet werden könnte, dass sie einzeln oder insgesamt die auf der Grundlage dieses Konzernabschlusses und Konzernlageberichts getroffenen wirtschaftlichen Entscheidungen von Adressaten beeinflussen.

Während der Prüfung üben wir pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung. Darüber hinaus

- identifizieren und beurteilen wir die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Konzernabschluss und im Konzernlagebericht, planen und führen Prüfungshandlungen als Reaktion auf diese Risiken durch sowie erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zu dienen. Das Risiko, dass wesentliche falsche Darstellungen nicht aufgedeckt werden, ist bei Verstößen höher als bei Unrichtigkeiten, da Verstöße betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen bzw. das Außerkraftsetzen interner Kontrollen beinhalten können.

- gewinnen wir ein Verständnis von dem für die Prüfung des Konzernabschlusses relevanten internen Kontrollsystem und den für die Prüfung des Konzernlageberichts relevanten Vorkehrungen und Maßnahmen, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit dieser Systeme abzugeben.
- beurteilen wir die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte und damit zusammenhängenden Angaben.
- ziehen wir Schlussfolgerungen über die Angemessenheit des von den gesetzlichen Vertretern angewandten Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die bedeutsame Zweifel an der Fähigkeit des Konzerns zur Fortführung der Unternehmenstätigkeit aufwerfen können. Falls wir zu dem Schluss kommen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, im Bestätigungsvermerk auf die dazugehörigen Angaben im Konzernabschluss und im Konzernlagebericht aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser jeweiliges Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch dazu führen, dass der Konzern seine Unternehmenstätigkeit nicht mehr fortführen kann.
- beurteilen wir die Gesamtdarstellung, den Aufbau und den Inhalt des Konzernabschlusses einschließlich der Angaben sowie ob der Konzernabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse so darstellt, dass der Konzernabschluss unter Beachtung der IFRS, wie sie in der EU anzuwenden sind, und der ergänzend nach § 315e Abs. 1 HGB anzuwendenden deutschen gesetzlichen Vorschriften ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns vermittelt.
- holen wir ausreichende geeignete Prüfungsnachweise für die Rechnungslegungsinformationen der Unternehmen oder Geschäftstätigkeiten innerhalb des Konzerns ein, um Prüfungsurteile zum Konzernabschluss und zum Konzernlagebericht abzugeben. Wir sind verantwortlich für die Anleitung, Überwachung und Durchführung der Konzernabschlussprüfung. Wir tragen die alleinige Verantwortung für unsere Prüfungsurteile.
- beurteilen wir den Einklang des Konzernlageberichts mit dem Konzernabschluss, seine Gesetzesentsprechung und das von ihm vermittelte Bild von der Lage des Konzerns.
- führen wir Prüfungshandlungen zu den von den gesetzlichen Vertretern dargestellten zukunftsorientierten Angaben im Konzernlagebericht durch. Auf Basis ausreichender geeigneter Prüfungsnachweise vollziehen wir dabei insbesondere die den zukunftsorientierten Angaben von den gesetzlichen Vertretern zugrunde gelegten bedeutsamen Annahmen nach und beurteilen die sachgerechte Ableitung der zukunftsorientierten Angaben aus diesen Annahmen. Ein eigenständiges Prüfungsurteil zu den zukunftsorientierten Angaben sowie zu den zugrunde liegenden Annahmen geben wir nicht ab. Es besteht ein erhebliches unvermeidbares Risiko, dass künftige Ereignisse wesentlich von den zukunftsorientierten Angaben abweichen.

## Auditor's report

Wir erörtern mit den für die Überwachung Verantwortlichen unter anderem den geplanten Umfang und die Zeitplanung der Prüfung sowie bedeutsame Prüfungsfeststellungen, einschließlich etwaiger Mängel im internen Kontrollsystem, die wir während unserer Prüfung feststellen.

Wir geben gegenüber den für die Überwachung Verantwortlichen eine Erklärung ab, dass wir die relevanten Unabhängigkeitsanforderungen eingehalten haben, und erörtern mit ihnen alle Beziehungen und sonstigen Sachverhalte, von denen vernünftigerweise angenommen werden kann, dass sie sich auf unsere Unabhängigkeit auswirken, und die hierzu getroffenen Schutzmaßnahmen.

Wir bestimmen von den Sachverhalten, die wir mit den für die Überwachung Verantwortlichen erörtert haben, diejenigen Sachverhalte, die in der Prüfung des Konzernabschlusses für den aktuellen Berichtszeitraum am bedeutsamsten waren und daher die besonders wichtigen Prüfungssachverhalte sind. Wir beschreiben diese Sachverhalte im Bestätigungsvermerk, es sei denn, Gesetze oder andere Rechtsvorschriften schließen die öffentliche Angabe des Sachverhalts aus oder wir bestimmen in äußerst seltenen Fällen, dass ein Sachverhalt nicht im Bestätigungsvermerk mitgeteilt werden soll, weil vernünftigerweise erwartet wird, dass die negativen Folgen einer solchen Mitteilung deren Vorteile für das öffentliche Interesse übersteigen würden.

### **Verantwortlicher Wirtschaftsprüfer**

Der für die Prüfung verantwortliche Wirtschaftsprüfer ist Arvid Feuerstack.

Wuppertal, den 15. April 2019

  
Dipl.-Oec. Andreas F. Wildoer  
Wirtschaftsprüfer

  
Dipl.-Kfm. Arvid Feuerstack  
Wirtschaftsprüfer

## Corporate Bodies

### Board of Management

Jörg Polis	CEO since Nov. 1, 2016
Christoph Reinartz	CIO since 2001
Nobuo Takase	CMO since April 1, 2018
Kaoru Nihei	CMO until March 31, 2018

### Supervisory Board

Nick Smit	Chairman since Oct. 24, 2017
Robert Gaulke	since Oct. 24, 2017
Randy Samuels	since Oct. 24, 2017



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