ifa systems AG

Interim financial report

as of 30 June 2018

Group key indicators

in € '000, if not stated otherwise	2014	2015	2016	2017	18/06/30
Sales revenues	8,077	8,267	8,864	8,553	3,133
own development work capitalized	2,341	2,395	1,596	824	414
Total performance	10,806	11,676	11,893	9,592	3,764
EBITDA	3,297	3,414	1,030	-2,942	592
EBITDA margin (%) in relation to sales	40.8%	41.3%	11.6%	-34.4%	18.9%
EBIT	2,419	2,686	-2,216	-7,797	42
EBIT margin (%) in relation to sales	29.9%	32.5%	-25.0%	-91.2%	1.3%
Consolidated net income / loss	1,538	2,062	-2,224	-9,291	-12
Earnings per share (EUR)	0.56	0.75	-0.81	-3.38	0.00
Operating cash flow	2,502	1,708	1,222	544	-323
Free cash flow	-384	-1,108	-474	-296	-739
Balance sheet total	23,446	26,446	22,965	20,740	19,704
Equity	17,875	20,271	15,806	8,267	6,925
Equity ratio (%)	76.2%	76.7%	68.8%	39.8%	35.1%
Employees (average)	82	87	91	73	58
Total performance per employee	132	134	131	131	65
Number of shares (€ '000)	2,500	2,750	2,750	2,750	2,750

The figures above can be derived from the balance sheet and the profit and loss accounts without the intention to replace them.

Dear shareholders and business partners,

No sooner said than done. The restructuring phase over and done with, the ifa group has returned to calmer waters as of midyear 2018. Significant cost cutting has helped us, after six months of slightly lower sales, to achieve an EBITDA number that is nearly €1.2m up on last year, with a margin of 18.9 percent. The operating result (EBIT) has improved correspondingly and is back into the black. These numbers form a solid basis for the achievement of our targets for the full year.

What were the major factors whose effect is demonstrated by the current figures? We slimmed down the workforce in line with the decision to concentrate on our core business, which resulted in a decrease of nearly 24 percent in our personnel costs. As some of these measures take effect delayed, we expect an even more pronounced decline by the end of the year. Other expenditure (last year at €2.2m) has been more than halved. Trade-fair costs showed a particularly heavy fall, as did development services by third parties and occupancy costs, not least because of the situation-related reduction in the activities of our subsidiaries in the US.

None of these measures had a significant impact on the operating business. On the contrary: we have in fact already compensated for more than half of the discontinued project business with Topcon, which in the first half of last year was still adding nearly €600 thousand more to the sales total. A particular contribution to this effect came from the strong rise in revenues from the Runtime licences, by more than 50 percent or €587 thousand, an increase which resulted from the first-time application of IFRS 15. Following the accounting procedure by this standard, revenue from Runtime licences is distributed more evenly over the corresponding period since the beginning of the year. The effect for ifa is that there is less fluctuation of sales volume across the year. Our American subsidiary, which is currently responsible for installation work at one of the largest ophthalmological clinic groups in Peru, the Oftalmosalud, also played a part in this pleasing development of sales. The project involves the fitting out of 135 workplaces at the four locations of the clinic group, and 86 interfaces with the equipment and software of third-party providers are also being installed.

For the second half of the year we expect stable development of business, which could even become more dynamic due to recent events. After all, just a short time ago Telekom's connector was released by gematik (Gesellschaft für Telematikanwendungen der Gesundheitskarte mbH, based in Berlin). And ifa software has also been given the "confirmation of the conformity of the primary system for the connector interface". This means that ifa software is certified for use with telematics infrastructure (TI). The prerequisites for German ifa customers to be linked up with TI have therefore been fulfilled. The E-Health act provides for all participants in the healthcare system to be linked up by the end of 2018, which, as things stand, is of course an ambitious objective. Many people therefore expect the deadline to be extended even further.

TI provides the basis for patient information, such as doctor's letters, to be exchanged inside a secure network. It is a fundamental aim that medical information which is needed for the treatment of patients should be made available more rapidly and more simply. The management of the master data of people with health insurance is already possible. Further applications that will follow are: the storage of emergency data on the electronic health card, the electronic medication plan and communication with healthcare providers. To enable ifa customers, whether existing or new, to make use of these facilities, additional modules, tested and their conformity confirmed, will have to be installed for each of the new requirements. And we are convinced that the odd practice which still works with cards in files will now also be motivated to take the daring leap into the digital age.

Furthermore, in order to lay the foundation for the future sustained growth of our core business, we have stepped up our sales activities in recent months, and are also going to expand them even further. Initial results can be seen in the project pipeline, with special emphasis on the quality aspect. Overall, therefore, as far as the planned and introduced measures are concerned, we are on track for a successful future of the Group.

The restructuring accomplished, the ifa group is an agile and dynamic company whose gaze is directed at the future and which is focused on using all the products related to the electronic health record in the ophthalmological field to exploit the opportunities on the market. The results achieved in the first half of 2018 demonstrate that we are on the right track. And we look forward to your constructive support for the continued success of our company.

Management Board

Jörg Polis | Christoph Reinartz | Nobuo Takase


ifa
SYSTEMS
Zeit für Ihre Patienten

Interim group report

Economic report

General economic and sector-related framework conditions

General economic development

The upwards trend of the world economy lost, for a time, some of its momentum in the first quarter. This was reflected in the indicators for global trade and industrial production. According to the assessment by the International Monetary Fund (IMF), political uncertainties are making the condition of the world economy slightly gloomy at midyear. Growth has slowed down in some important countries, such as Japan, the UK unsettled by the approach of Brexit and certain Eurozone members as well.

Development of the market for Health-IT Eye Care

In connection with the development of the Health-IT Eye Care market we would refer to the information given in the 2017 annual report (pages 22, 33). There were no material changes in the first six months of the current financial year.

Results of operations

Development of sales

Sales in the ifa group reached a level of €3.1m as of the 2018 half-year reporting date after €3.3m in the same period last year (down 5.9 percent). The decline was effectively due to the completion of the project business with Topcon, whose contribution to last year's sales total war almost €600 thousand higher. It was however possible to compensate for this shortfall to a large extent. In particular the proportion of sales accounted for by Runtime licences rose from €1.1m to €1.7m (up 52.4 percent).

In contrast to the sales reported in previous years, the mandatory first-time application of IFRS 15 brought about a significant change. Whereas, in the past, the revenue from advance payments of licence fees was booked as sales volume at the time of invoicing, now only 50 percent is realised as sales immediately, and the other half is distributed evenly over the course of the period covered by the fees. Sales from previous years, which relate to periods after the beginning of 2018 were, for balance sheet purposes, booked under other reserves. The negative effect on equity capital will be eliminated successively over the period concerned.

Sales by product groups (in € '000)	30 June 2018	30 June 2017
Basis licences	352	499
RTL	1,682	1,104
Hardware, external SW, accessories	347	295
Services	283	475
Topcon base business	205	234
Topcon project business	79	636
Other	185	87
Total	3,133	3,330

While in the past about two thirds of Runtime license sales were usually only realized in the second half of the year, especially in the fourth quarter, this seasonality will become less pronounced from 2018 on.

Order situation

As of 30 June 2018 ifa has a stable order situation. In order to exploit the opportunities in the established markets in an even more targeted manner in the future, our sales and marketing activities have already been expanded and are to be boosted even further in the second half of the year. After the long-awaited release for Telekom's connector came at the end of June, orders from German ifa customers are now being accepted to connect them to the telematics infrastructure. This project will be implemented vigorously in the second half of the year.

Result

Total performance for the first half of 2018 came to €3.8m (previous year €4.5m). The €718 thousand shortfall resulted on the one hand from a distinctly lower capitalisation of internal development services (€414 after 694 thousand). This was also a reflection of the realignment of our activities on the American market.

One result of the restructuring measures was an appreciable reduction on costs items already in the first half of the year. Personnel costs were down to €1.8m (previous year €2.4m, a drop of 23.8 percent), and other expenditure went down from €2.2m to €961 thousand (down 57.3 percent). Here was a particularly sharp fall in trade fair costs, development services by third parties and occupancy costs, not least because of the situation-based reduction of activities in the US. EBITDA (earnings before interest, taxes, interest, depreciation and amortisation) therefore improved, in spite of lower total performance, by €1.2m to €591 thousand (previous year minus €614 thousand). At €550 thousand depreciation and amortisation were again at the usual level (previous year €1.0m) but, as planned, they exceeded capitalised own work (€414 thousand). This produced an operating result (EBIT) of €41 thousand (previous year €1.6m loss) and therefore is back in the black as planned for the fiscal year. The consolidated net income after financial results and taxes amounts to minus €12 thousand (previous year minus €1.3m).

The numbers for the first half of 2018 are thus, taken overall, within the planned range for the financial year. They form a sound foundation for achieving the objectives for the full year.

Financial position and net assets

There has been no significant change in the balance sheet structure of the ifa group since the beginning of 2018. The balance sheet total came to €19.7m after €20.7m as at the reporting date 31 December 2017.

On the assets side the long-term assets were virtually unchanged at €14.4m (previous year €14.5m). As for current assets, the 15.9 percent decline from €6.3m to €5.3m was largely due to the changes in liquid funds, which have fallen from €4.3m to €3.6m since the beginning of the year. The main reason for this was the payments caused by the restructuring, which had already been recognised as expenditure in the 2017 financial year. In addition, payments received from our customers were, as usual, at a lower level in the first half of the year, as many customers had already paid their Runtime licence fees in previous years.

On the liabilities side, equity temporarily decreased to € 6.9 million (reporting date 2017: € 8.3 million). This is mainly due to the 75.1 percent increase in other reserves to € -3.1 million due to the change in accounting principles. The equity ratio is therefore temporarily 35.1 percent.

Under the heading of current liabilities there was a slight decline in provisions, due to the utilization in connection with the restructuring measures, from €2.4m to €2.0m. The other current liabilities however rose to €1.2m (previous year €306 thousand), as deferred income had to be created for payments which had already been made, while the utilisation of the service (for example the use of the hotline) will take place in a future period.

The development of long-term and current liabilities and liquid funds since the beginning of the year is set out in the following table:

(in € '000)	30 June 2018	31 Dec 2017	Absolute deviation	in %
Current financial liabilities	6,000	6,000	0	
Liquid funds	3,596	4,328	-732	-16.9
Net debt	**2,404**	**1,672**	**732**	**43.8**

The financial liabilities consist of a loan from Topcon (€4m) and loans from the Mizuho Bank (€2m), which have since been extended.

Investments, depreciation and amortisation

In the course of the first half of 2018 €414 thousand (previous year €694 thousand) was invested in intangible assets, and the amount was capitalised according to the provisions of IAS 38. These investments were set off by depreciation on property, plant & equipment and intangible assets to the value of €550 thousand (previous year €1.0m). The intangible assets thus amount to €13.5m compared with €13.6m at the end of 2017.

The property, plant & equipment item has fallen since the beginning of the year from €119 thousand to €80 thousand (down 32.8 percent). The item consists for the most part of hard and software equipment, so that the reduction is consistent with the smaller number of employees.

Cash flow statement

The cash flow statement shows clear signs of the success of the restructuring. Operating cash flow improved by nearly €1.4m compared with the same period of last year to minus €323 thousand (previous year minus €1.7m). The main factors here were lower personnel costs (down 23.8 percent) and the reduction of other expenditure (down 57.3 percent).

The cash flow from investments was sonly at €416 thousand after €694 thousand in the previous year. As had been announced, capitalised development services fell sharply in comparison with the previous years. At minus €739 thousand, free cash flow was still negative, but then showed distinct improvement compared with the previous year (minus €2.4m). Whereas cash flow from financing was shaped last year by taking up the loans granted by Topcon and Mizuho Bank, in the first half of 2018 there were no such activities in this area. The liquid funds at the end of the reporting period amounted to €3.6m (previous year as at 30 June: €3.5m).

(in € '000)	1 Jan to 30 June 2018	1 Jan to 30 June 2017	Diff.	Diff. in %
Operating cash flow	-323	-1,687	1,364	-80.9
Cash flow from investments	-416	-694	278	-40.0
Cash flow from financing	-10	5,533	-5,543	-100.2
Cash flow	**-749**	**3,152**	**-3,901**	**-123.8**

By contrast with earlier reporting periods, the cash flow statement is now set out in accordance with the direct method so as to make it more informative. Under IAS 7 companies have the option of using the direct or the indirect method, but the direct method is recommended. Both methods produce the same result. With the direct method, payments received and payments made are set against each other for operating cash flow. With the indirect method, the result for the period is adjusted for non-cash transactions. In our opinion the form selected makes it easier for outsiders to take in the progress made to improve the cash flow at a glance.

General conclusions

The restructuring having been implemented for the most part, the ifa group is once again sailing in quiet waters. Operating business developed as planned in the first half of the year and, at €3.1m, sales almost reached the level of the previous year. As expected, the cost-cutting measures have now had a significant impact for the first time. Personnel costs fell by 23.8 percent from €2.4m to €1.8m, other expenditure more than halved and now amounts to only €960 thousand. This means that we now have a clearly positive number for EBITDA, with a margin at midyear of 18.9 percent. And, at €42 thousand, EBIT has matched it by reaching the aim of going into the black. Taken altogether, these numbers create a firm foundation for achieving our aims for the full year.

Supplementary report

No significant events occurred after the reporting date with an impact on net assets, financial position and results of operations.

Report on opportunities and risks

With regard to the report on opportunities and risks we would refer to the information published in the 2017 annual report. There were no significant changes to the facts and situations described there in the first six months of the 2018 financial year.

Forecast report

General economic development

In its latest forecast the OECD expects the global gross domestic product to grow by 3.8 percent in 2018 and by 3.9 percent in 2019. On the basis of a very strong backlog of orders, the business climate in Germany continues to be above the long-term average. General business trends will probably therefore move moderately upwards in the months to come. The risks, however, are still present, particularly because of a possible escalation of trade disputes.

Development of the Health-IT market

Medical technology will continue to be a growth market, as the world's population keeps on rising and those of them with access to medical care form an ever larger number. Furthermore – particularly in the developed economies – the proportion of older people is rising as well. In the age of digitalisation the integration of medical technology and information technology will tend to accelerate even further. Applications of the technology are still predominantly local, but experts believe that Cloud solutions and the use of artificial intelligence will shape the future. The security of data and the safety of patients need to be guaranteed on the basis of national and international framework conditions.

Development of the ifa systems Group

The electronic patient record is the proverbial linchpin for the collection, storage and targeted forwarding of the data that are accumulated in structured form for recording findings and for diagnosis and therapy. In the eye care sector ifa systems is one of the leading suppliers, with more than 15 thousand workplaces worldwide where work is done on ifa's software solutions. The possibility of linking up almost every device that is used in practices and clinics anywhere in the world and thus ensuring uninterrupted electronic workflow is a unique selling point for the company. It is for this reason that we believe the trends in medical technology in general and in the German health-care system in particular will have a positive influence on the further development of the group.

Sales and earnings

The sales figure planned for the 2018 financial year is between €6.3m and €6.8m. On the basis of the sales already attained in the amount of €3.1m, we are confident that this range will in fact be reached. The Runtime licences, which continue to make the largest contribution to the sales figure, usually account for a larger amount in the second half of the year, especially in the fourth quarter. The changes through the application of IFRS 15 will level out the effect to some extent, but we nevertheless expect there to be a slight positive impact. Another positive effect is expected to result from the telematics infrastructure (TI) project. Telekom's connector was released for use a short time ago. This fulfilled the prerequisite for linking up German ifa customers to TI. However, whether it will be possible to execute all the orders expected by the date stipulated by the law, 31 December 2018, cannot be assessed with certainty at the present moment.

Slightly higher sales in the second half of the year should of course have a positive impact on the results situation. In addition, some of the restructuring measures will have a belated effect, so that results for the second half-year could turn out to be mildly improved. We therefore continue to be comfortable with our aim of going into the black at EBIT level for the full year.

Financial position and net assets

Our primary aim – once operating business has to a large extent returned to a steady and orderly course – is for the ifa group to get back to positive cash flows. However, we do not want to achieve this by promoting massive advance payments by our customers. Instead, we will continue to strive for improved results, so as to strengthen our capacity to finance ourselves.

By means of a moderate approach to capitalisation and a reasonable level of write-downs we will, in future too, seek to secure and safeguard our financial substance in the form of intangible assets, without exposing ourselves to the risks of major value adjustments.

General conclusions

By concentrating on our core competencies, we have been able to put the ifa group back on the right track to future corporate success. Business trends in the first half of the year have shown that sales and results are developing as planned. We are therefore confident that we will achieve our aims for the full year, namely sales between €6.3m and €6.8m and an EBIT number in the black. On that basis we can now, circumspectly, set the course for future growth in our markets.

Disclaimer: The group management report contains statements relating to the future. The actual results may differ significantly from our expectations concerning probable developments if one of the uncertainties mentioned, or other uncertainties, should occur, or if the assumptions on which our statements are based, including those relating to general economic developments, prove to be inaccurate.

Consolidated interim accounts

Consolidated balance sheet
as of 2018/06/30 and 2017/12/31

Assets

(€ '000)	2018/06/30	2017/12/31
Long-term Assets		
Intangible assets	13,498	13,577
Tangible assets	80	119
Financial assets	0	0
Other long-term receivables	114	113
Deferred taxes	739	662
Other long-term assets	0	0
	14,431	**14,472**
Short-term Assets		
Inventories	46	46
Trade receivables	1,062	1,073
Receivables from affiliated companies	49	169
Tax receivables	323	400
Other short-term receivables	197	253
Cash and cash equivalents	3,596	4,328
	5,273	**6,269**
	19,704	**20,740**

Shareholders’ equity and liabilities

(€ ’000)	2018/06/30	2017/12/31
Shareholders’ equity		
Subscribed capital	2,750	2,750
Capital reserve	7,305	7,305
Other reserves	-3,130	-1,788
	6,925	**8,267**
Long-term liabilities		
Long-term interest-bearing liabilities	0	0
Other long-term liabilities	51	50
Deferred taxes	3,288	3,247
	3,339	**3,297**
Short-term liabilities		
Other accruals	1,956	2,377
Tax liabilities	36	0
Short-term interest-bearing liabilities	2,000	2,000
Liabilities with affiliated companies	4,003	4,038
Trade payables	229	455
Other short-term liabilities	1,216	306
	9,440	**9,176**
	19,704	**20,740**

Group Profit and Loss Statement
01/01 to 2018/06/30

(€ '000)	01/01 – 06/30 2018	01/01 – 06/30 2017
Sales revenues	3,133	3,330
Other income	217	458
Own development expenses capitalized	414	694
Total performance	**3,764**	**4,482**
Costs of purchased goods and services	-372	-435
Personnel costs	-1,840	-2,414
Other expenses	-961	-2,247
Earnings before interest, taxes and depreciation (EBITDA)	**591**	**-614**
Amortizations	-550	-990
Earnings before interest and taxes (EBIT)	**41**	**-1,604**
Financial income	18	33
Financial costs	-59	-9
Earnings before taxes	**0**	**-1,580**
Income taxes	-12	321
Consolidated net income / loss	**-12**	**-1,259**

Consolidated income statement
01/01 to 2018/06/30

(€ '000)	01/01 – 06/30 2018	01/01 – 06/30 2017
Consolidated net income / loss	-12	-1,259
Initial application of IFRS 15	-1,249	–
Currency translation differences	-81	-265
Total income	**-1,342**	**-1,524**

Consolidated cash flow statement
01/01 to 2018/06/30

(€ '000)	01/01 – 06/30 2018	01/01 – 06/30 2017
Cash receipts from customers	3,356	3,928
Cash paid to suppliers and employees	-3,832	-5,502
Other receipts	342	65
Other payments	-189	-178
Cash flow from operating activities	**-323**	**-1,687**
Purchase of property, plant and equipment	-5	0
Cash outflows for investments in intangible assets	-414	-694
Proceeds from the disposal of property, plant and equipment	3	0
Cash flow from investment activities	**-416**	**-694**
Cash inflow from the raising of credits	0	6,000
Cash outflow for the repayment of credits and interest payments	-10	-467
Cash flow from financing activities	**-10**	**5,533**
Cash and cash equivalents at beginning of period	4,328	218
Cash flow	**-749**	**3,152**
Effect of exchange rates and changes in the consolidated group	17	125
Cash and cash equivalents at end of period	**3,596**	**3,496**

Consolidated statement of changes in group equity
as of 2018/06/30

	Subscribed capital € '000	Capital reserves € '000	Income reserves € '000	Other income € '000	Group equity € '000
as of December 31, 2016	2,750	7,305	6,236	-485	15,806
Consolidated net income / loss	0	0	-9,291	0	-9,291
Changes in value	0	0	2,077	0	2,077
Currency translation differences	0	0	0	-325	-325
Total income	**0**	**0**	**-7,214**	**-325**	**-7,539**
Rounding adjustment	0	0	0	0	0
Transactions with equity holders	**0**	**0**	**0**	**0**	**0**
Dividend payment	0	0	0	0	0
aas of December 31, 2017	2,750	7,305	-978	-810	8,267
Consolidated net income / loss	0	0	-12	0	-12
Initial application of IFRS 15	0	0	-1,249	0	-1,249
Currency translation differences	0	0	0	-82	-82
Total income	**0**	**0**	**-1,261**	**-82**	**-1,343**
Rounding adjustment	0	0	0	0	0
Transactions with equity holders	**0**	**0**	**0**	**0**	**0**
Dividend payment	0	0	0	0	0
as of June 30, 2018	2,750	7,305	-2,239	-892	6,924

Abridged
Interim Consolidated Accounts

Accounting and valuation methods

The present interim report of ifa systems AG at as 30 June 2018 was prepared in accordance with the International Financial Reporting Standards (IFRS) which are required to be applied in the EU. In doing so, due consideration was given to the interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The provisions of IAS 34 were observed in the interim accounts as at 30 June 2018. The present report is an abridged version of the accounts which does not contain all the information given in IFRS consolidated accounts, so it should be read in conjunction with the notes to the 2017 consolidated accounts.

The first-time application of IFRS 15, which came into force on 1 January 2018, brought about changes in the accounting and valuation methods. In accordance with IAS 18, revenue from runtime licenses had to be recognized in the income statement at the time of invoicing. According to IFRS 15, contracts with customers must be examined to determine whether separately distinguishable goods or services are to be identified. For each of these identified benefit obligations, it must then be determined whether they will be fulfilled over a certain period of time or at a certain point in time.

One of the essential components of the Runtime licence agreement is the right to use the licence. This right is transferred to the customer at the time of the agreement, as is the right to use the hotline and to receive maintenance of the software, i.e. services which are rendered over the agreed period of performance. The revenue from the Runtime licence agreements must be distributed among these three components on the basis of the transaction price. The proportion of total revenue accounted for by the right to use the licence was reasonably determined at 50%, and the hotline and software maintenance at 25% each. Accordingly – starting with the 2018 financial year – 50% of the revenue from the Runtime licences is recognised in the income statement as of invoice date, and the remaining 50% is distributed on a straight-line basis over the period of the contract.

The new standard is to be applied to contracts not yet fulfilled at the transition date of January 1, 2018. The new rule can be applied either completely retrospectively or modified retrospectively. ifa uses the modified retrospective application. The cumulative effects from the first-time application are shown in the revenue reserves as of January 1, 2018.

The total impact of this application amounts to €1,249 thousand and the equity was reduced by this amount as of January 1, 2018. The same amount was allocated to deferred income. This will be used up in the years 2018 - 2020 through revenue recognition. In the first half of 2018, €422 thousand of this item was recognized in sales so that it amounted to €827 thousand at the end of the period.

By contrast with earlier reporting periods, the cash flow statement is now set out in accordance with the direct method so as to make it more informative. Under IAS 7 companies have the option of using the direct or the indirect method, but the direct method is recommended. Both methods produce the same result. With the direct method, payments received and payments made are set against each other for operating cash flow. With the indirect method, the result for the period is adjusted for non-cash transactions. In our opinion the form selected makes it easier for outsiders to take in the progress made to improve the cash flow at a glance.

In other respects the same accounting and valuation methods were used as for the consolidated accounts for the 2017 financial year.

The report has not been audited.

Consolidated companies

There has been no change in the group of consolidated companies as against the group presented in the consolidated accounts as at 31 December 2017.

Intangible assets

(€ '000)	2018/06/30	2017/12/31
Internally generated intangible assets	11,191	11,220
Goodwill	0	0
Other intangible assets	2,307	2,357
	13,498	13,577

Intangible assets created by ifa

In the first half of 2018 own work (software developments, database contents) to the value of €414 thousand was capitalised in accordance with the provisions of IAS 38. The valuation was on the basis of directly attributable manufacturing costs.

Interest-bearing debts (short- and long-term)

(€ '000)	RT <1 y.	RT 1–5 y.	RT > 5 y.	Sum
Liabilities June 30, 2018	6,000	0	0	6,000
Liabilities December 31, 2017	6,000	0	0	6,000

Other income

(€ '000)	01/01 – 06/30 2018	01/01 – 06/30 2017
Remuneration in kind	83	93
Reimbursement of expenses by Topcon	54	0
Change in inventories of finished goods and work in progress	0	350
Remaining other incomes	80	15
	217	**458**

Starting in the second quarter of 2018, ifa's reporting to Topcon for the preparation of the Topcon Group's monthly and interim financial statements will be significantly intensified, as will the associated internal expenses. Accordingly, the existing contract with the Topcon Group was supplemented to the effect that Topcon reimburses the expenses with a monthly lump sum of €18 thousand. This income is reported as other operating income.

In contrast to previous years, income from currency differences is no longer reported under other operating income but under the financial result.

Other expenses

(€ '000)	01/01 – 06/30 2018	01/01 – 06/30 2017
Legal expenses and consulting costs	260	220
Marketing costs/travel expenses	150	544
Third-party development costs	110	612
Premises expenses	93	258
Vehicle costs	84	109
Licenses	76	108
Communication costs	70	89
Commissions, fees	62	103
Office equipment	29	63
Insurances, contributions, fees	18	26
Remaining other expenses	8	115
Sum	**960**	**2,247**

The significant reduction in other expenses is related to the restructuring and the resulting reduction in costs for third-party development, advertising and trade fair and premises costs.

Other explanatory notes

Business relations with associated persons and companies

There were no transactions with associated persons in the reporting period.

Responsibility statement by legal representatives (affidavit)

pursuant to sections 264 (2) 3rd sentence and 289 (1) 5th sentence HGB (German Commercial Code)

We hereby represent and warrant to the best of our knowledge and belief that, in accordance with the accounting principles to be applied for the interim report on the consolidated interim accounts, a true and fair picture of the group's net assets, financial positions and operating results has been conveyed and has been presented in the group interim management report, including total results and the condition of the group, in such manner that a true and fair picture is conveyed and the significant opportunities and risks for the probable development of the group have been described.

Frechen, 2018/08/09

ifa systems AG

Jörg Polis | Christoph Reinartz | Nobuo Takase

ifa systems AG, Frechen

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