FINANCIAL REPORT **2017/2018**

Annual and Group financial statements and combined management report for the period from 01 July 2017 to 30 June 2018

STEMMER IMAGING AT A GLANCE

CONSOLIDATED KEY FIGURES (IN KEUR)	01/07/2017 – 30/06/2018	01/07/2016 – 30/06/2017
REVENUE	100,634	88,304
GROSS MARGIN	36.4 %	34.9 %
EBITDA ADJUSTED	11,107	7,584
EBITDA MARGIN ADJUSTED	11.0 %	8.6 %
EBIT ADJUSTED	8,871	5,808
EBIT MARGIN ADJUSTED	8.8 %	6.6 %
COMPREHENSIVE INCOME	2,935	2,802
TOTAL ASSETS	82,905	28,708
EQUITY	68,437	14,619
EQUITY RATIO	82.5 %	50.9 %
CASH AND CASH EQUIVALENTS	51,757	5,508
CASH FLOW FROM OPERATING ACTIVITIES	3,345	5,151
CASH FLOW FROM INVESTING ACTIVITIES	– 2,712	– 5,713
EMPLOYEES*	251	239

* annual average

EUR 106.93 m

Incoming orders

11

Subsidiaries

EUR 0.45

Earnings per share

EUR 271.05 m

Market capitalisation at the end of the year

EUR 1.18

Earnings per share adjusted

CONTENTS

Lars Böhrnsen (CFO),Christof Zollitsch (CEO), Martin Kersting (CTO), (FLTR)

LETTER TO THE SHAREHOLDERS

Dear shareholders,

The past 2017/2018 financial year will go down forever in STEMMER IMAGING AG's history. It ranged between the poles of tradition, innovation and future. It was a year of big and far-reaching decisions for the company. But it was one thing above all: a successful year. After the first few months as a public company, we can report that we have grown faster than the market. We would like to tell you about the developments in the reporting year in more detail below.

Faster than the market

Within the German mechanical engineering industry, the segment for optoelectronics and industrial IMAGING (machine vision) is particularly prominent on account of its high growth momentum. With a 14.0 per cent increase in revenue in the reporting period, STEMMER IMAGING AG again exceeded the overall market's annual growth rate, which was around 11 per cent, and consolidated its strong position. Revenue amounted to EUR 100.63 million and thus topped the EUR 100 million mark for the first time in the company's history (previous year: EUR 88.30 million). The extremely positive development is also reflected in the further rise in incoming orders, which increased by 15.6 per cent in the 2017/2018 financial year. In the reporting period, STEMMER IMAGING AG also grew via acquisitions. Data Vision, which was acquired in the third quarter of 2017/2018 and consolidated from 01 February 2018, contributed EUR 1.7 million to revenue and EUR 0.14 million to EBITDA. On an adjusted basis, the EBITDA margin in the Group as a whole rose to 11.0 per cent in the 2017/2018 financial year (previous year: 8.6 per cent). EBITDA was adjusted for non-recurring costs totalling EUR 4.72 million in the reporting period, which primarily comprise costs of the IPO. Adjusted consolidated earnings before interest and taxes (EBIT) were EUR 8.87 million, considerably higher than the previous year's figure of EUR 5.81 million. Including income tax expenses of EUR 1.25 million (previous year: EUR 1.15 million), the 2017/2018 financial year ended with adjusted consolidated net income of EUR 7.66 million as against EUR 4.37 million. Due to the IPO, STEMMER IMAGING has cash and cash equivalents of EUR 51.76 million compared with EUR 5.51 million in the previous year. The company is soundly financed with an equity ratio of 82.5 per cent. After a successful IPO, the STEMMER IMAGING share defied the generally weak capital market environment and closed the first half of the year 2018 at a closing price of EUR 41.70 on 29 June 2018. This equates to growth of 22.6 per cent on the issue price of EUR 34.00 and of 15.8 per cent compared to the initial listing of EUR 36.00 on 27 February 2018.

Strong start on the stock exchange

The times are changing, and STEMMER IMAGING AG is changing with them. The biggest change of all within the Group was surely the initial public offering at the beginning of 2018. It was the latest milestone in a company history steeped in tradition. Wilhelm Stemmer founded STEMMER IMAGING GmbH in 1987, which means we can look back on over 30 years of experience with machine vision. This expertise is appreciated not only by our loyal customers, but also by the capital market. In the period from 2013 to 2017, the company grew by an average of 12 per cent and thus faster than the market. The stock market recognised our success story on 27 February 2018 with a significantly oversubscribed issue with an issue price of EUR 34.00. STEMMER IMAGING AG generated gross proceeds of EUR 51.0 million from the IPO. The share closed at the end of the first trading day at EUR 37.70. We are happy and proud of our successful stock market debut and would like to reinvest the funds in line with the philosophy of the founder Wilhelm Stemmer and in order to created sustainable value.

Creating growth through acquisitions – promised and delivered

In times of advancing digitalisation, existing business models are being scrutinised and new ones are being created. Monumental upheaval processes are in motion in industry in particular due to the increasing level of automation and greater connectivity. Experts are speaking of the next industrial revolution or Industry 4.0. As STEMMER IMAGING AG, we want not only to benefit from this dynamic development, but also to shape the entire process with our innovative technology. To this end, we are convinced that keeping pace with the market and also growing via acquisitions is essential. In January 2018, we acquired Data Vision, a highly specialised provider of machine vision solutions in the Netherlands. This boils down to the simple fact that it was a good fit. We significantly strengthened our position in the Benelux countries with this acquisition. Moreover, the companies' two portfolios complement each other perfectly and largely represent products from the same providers. At the same time, the acquisition benefits our suppliers, as we succeeded in almost doubling our sales and support team. As one of the largest technology suppliers for machine vision in Europe, we can provide even better support for the technological developments of our manufacturers to our customers' advantage.

In line with our ambitious expansion strategy, we founded a subsidiary in Austria at the start of June 2018. We believe that this will bolster our strong position in Central Europe. In the future, our loyal Austrian customers will be able to obtain all the familiar STEMMER IMAGING products in Graz. We expect attractive growth prospects for the local market and an opportunity to significantly increase revenue in the medium term. It was therefore a logical decision to establish our wholly owned subsidiary.

The same story is behind our latest acquisition, ELVITEC S.A.S. from France, which we acquired after the end of the reporting period at the start of July 2018 (signing). The established provider of products and services in the machine vision sector counts mechanical engineering firms (OEMs), system integrators and industrial corporations among its customers. We expect the acquisition to result in an estimated additional revenue contribution of around EUR 9 million p. a. and an EBIT margin of around 11 per cent at ELVITEC in the new 2018/2019 financial year.

On 12 October 2018, STEMMER IMAGING AG announced its investment in the Austrian Perception Park GmbH, its first ever investment in an innovative software provider. Perception Park also operates in the field of machine vision, with the company's expertise lying in Hyperspectral Imaging (HSI) software technology. The purchase price amounts to a low seven-figure sum. The company is consolidated retroactively from 01 October 2018.

Continuing growth

We are often asked, from various quarters, what our technology is all about. It is quite simple: We make machines see. Directly or indirectly, everyone has probably come into contact with STEMMER IMAGING technology at some point, be it while enjoying a morning cup of coffee, watching a football match on television or riding a train. Industrial Imaging and machine vision are needed for the quality control of workpieces and end products, in measuring technology and for applications in the medical sector. STEMMER IMAGING technology is used in these and many other areas. As you see, our solutions are indeed in demand in a wide variety of industries and thus from various but also numerous customers. It is clear that the use of industrial camera technology and accompanying software, such as our self-programmed Common Vision Blox, can make many processes more efficient. We are therefore confident that we will continue to grow dynamically in the future. According to Verband Deutsche Maschinen- und Anlagenbau e.V. (German Mechanical Engineering Industry Association), the revenue of the robotics and automation sector in Germany more than doubled from EUR 6.2 billion to around EUR 14.2 billion between 2009 and 2017. The rate of growth increased by 6 percentage points from 2016 to 2017 to an overall growth rate of 11 per cent. The market intelligence firm Tractica assumes that global revenue with industrial robots alone will amount to USD 14.2 billion in 2022. In 2017, revenue amounted to USD 11.5 billion.

Based on the growth rates exhibited by the market so far, the desire of many customers for a steadily rising level of automation and the new release of our Common Vision Blox software, we are confident that we will continue to benefit from the dynamic development in the machine vision sector. In the years to come, we want to further propel our growth through focused international expansion. We have already successfully implemented an important first step in line with our internationalisation strategy. In mid-August 2018, we agreed a wide-ranging partnership with Nanjing Inovance Industrial Vision Technology. The cooperation is of high strategic importance for us, as it allows us entry to the Chinese automation market, which is characterised by high demand for machine vision technology and therefore high growth momentum. Our partner, a subsidiary of the publicly traded Shenzhen Inovance Technology Co. Ltd., a leading manufacturer of automation components in China, will help us enter the market with its wealth of experience. We anticipate high sales potential for our self-developed machine vision software Common Vision Blox in the Chinese market. However, a well thought-out internationalisation strategy is just one factor on the way to sustainable corporate growth. We are therefore endeavouring to improve profitability in a targeted manner through concept and product innovations. This includes expanding the service portfolio, especially towards new application areas for our machine vision software Common Vision Blox. We have identified the expansion of the higher-value business in the areas of services, system design and software as a major driver of our targeted growth acceleration and want to intensify our efforts here. Therefore, we expect increased revenue growth, a slight increase in the gross margin and a slight improvement in the EBITDA margin in the current 2018/2019 financial year.

In order to adjust the reporting to the increasing internationalisation of the Group, STEMMER IMAGING AG, which currently still reports according to the German Commercial Code (HGB), plans to switch to financial reporting according to International Financial Reporting Standards (IFRS). Another advantage of IFRS reporting is the harmonisation with the accounting of the PRIMEPULSE Group. In addition, future accounting on an IFRS basis is likely to result in greater transparency and better international comparative figures. The switch to Deutsche Börse's PRIME STANDARD, which we want to complete before the end of this financial year, will also contribute to the transparency of reporting obligations.

We would like to thank all employees of STEMMER IMAGING AG for their passionate commitment to the successful conclusion of the 2017/2018 financial year. We also thank our business partners, customers and shareholders for their trust in us. We now look forward to continuing our growth story as a public company.

Puchheim, 28 September 2018

CHRISTOF ZOLLITSCH
CHIEF EXECUTIVE OFFICER

MARTIN KERSTING
CHIEF TECHNICAL OFFICER

LARS BÖHRNSEN
CHIEF FINANCIAL OFFICER

HIGHLIGHTS 2017/2018

June 2018

Expansion to Austria

All of STEMMER IMAGING's key products and services can now be obtained from the 100 per cent subsidiary based in Graz.

April 2018

First CVB user group meeting

More than 50 experts from Europe discussed the latest developments in machine vision software library Common Vision Blox at the company headquarters in Puchheim near Munich.

Feb 2018

Successful stock market debut

Compared to the issue price of EUR 34.00, the share was listed at more than EUR 36.00, a gain of more than 7 per cent.

Jan 2018

Acquisition of the Dutch Data Vision

In an asset deal STEMMER IMAGING AG acquired Data Vision as a highly specialised provider of machine vision solutions, strengthening its position in the Benelux countries.

Dec 2017

Best net income for the half-year period in the company's history

With a 12.6 per cent increase in revenue, the company generated the best six-month result in its history for the period from 01 July to 31 December 2017.

Dec 2017

Record attendance at the Machine Vision Technology Forum

More than 1,250 participants in five countries visited the STEMMER IMAGING Machine Vision Technology Forum which was initiated for the third time.

Nov 2017

Rebranding to STEMMER IMAGING AG

With effect from 28 November 2017, STEMMER IMAGING GmbH became STEMMER IMAGING AG.

Sep 2017

30 years STEMMER IMAGING & 20 years Common Vision Blox

With over 80,000 machine vision computers installed, the internal programming library Common Vision Blox is one of the most widely used software platforms for machine vision.

June 2017

STEMMER IMAGING became part of PRIMEPULSE SE

PRIMEPULSE SE (previously: AL-KO AG) acquired 75.04 per cent of the shares in STEMMER IMAGING GmbH.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

STEMMER IMAGING AG can look back on a successful 2017/2018 financial year. The Supervisory Board (SB) congratulates the Management Board (MB) and the employees of the STEMMER IMAGING Group on this outstanding achievement. At the same time, the SB thanks them for the good and open cooperation. Thanks also go to the shareholders for their trust.

The STEMMER IMAGING Group is well positioned for further dynamic growth in the machine vision market and for the challenges of digitalisation. In the past year, the SB supported the MB of STEMMER IMAGING AG in its work in an advisory capacity. In light of the successful financial year and the company's promising growth prospects, the management has decided to propose to the Annual General Meeting the distribution of a dividend of EUR 0.50 per share.

In the 2017/2018 financial year, the SB performed its duties and obligations according to the law, the articles of association and the rules of procedure. It advised the MB on the management of the company while supervising and monitoring the management and development of the company's business. As part of the customary close cooperation, the MB regularly, promptly and comprehensively reported to the SB in writing, by telephone and in person about the company's situation and prospects, the principles of the business policy, the company's profitability and material transactions for the company. The MB also communicated personally with the SB members outside of the set meetings. In addition, MB kept the entire SB continuously informed about relevant developments and transactions requiring approval. The SB was included in a direct and timely manner in all decisions of fundamental importance for the company or in decisions in which it had to be included according to the law, articles of association or rules of procedure. In urgent cases, the Board also had the option to pass resolutions by written circular if necessary. Due to the regular, prompt and detailed information from the MB, the SB was always able to perform its monitoring and advisory function. The SB therefore believes that the MB acted legally, properly and efficiently in every respect.

A. Meetings and key topics

In light of increasing digitalisation and connectivity in all areas of life and business, companies continue to face major challenges and drastic change. At the same time, this also presents diverse opportunities for the machine vision industry, in which the STEMMER IMAGING Group is one of the leading providers of machine vision technologies in Europe. Throughout the 2017/2018 financial year, these developments were therefore the subject of a regular and intensive exchange of opinions between the MB and the SB on market topics and the development or expansion of business areas and of talks and discussions about the strategic direction and the suitable structures and resources to achieve the Group's ambitious growth.

The SB met six times in the reporting year, namely on 15 November 2017, 06 February, 12 February, 22 February, 22 March and 11 June 2018. The meetings were attended by all sitting SB members.

At the meetings, the SB regularly accepted the MB's reports in accordance with section 90 (1) sentence 1 no. 1 – 3 of the German Stock Corporation Act (AktG) on intended business policy, profitability and the state of business, including the market and competitive situation, and discussed them in detail. In addition, the MB reported in accordance with section 90 (1) sentence 1 no. 4 on transactions that may have a material impact upon the profitability or liquidity of the company and/or the Group, especially on planned acquisitions.

The following relevant topics and resolutions from the SB's work in the 2017/2018 financial year are worthy of note:

- The members of the SB appointed with the company's change of form passed the resolution on the appointment of the company's MB in their telephone meeting on 15 November 2017.
- In the telephone SB meeting on 06 February 2018, the SB approved the MB's resolution on the setting of the price range within which bids could be made in the public offer phase.
- In the telephone SB meeting on 12 February 2018, the company's consolidated financial statements for the 2016/2017 financial year, prepared by the company's management and submitted to the SB, together with the Group management report, were approved after a discussion of the content.
- In the telephone SB meeting on 22 February 2018, the SB approved the MB's resolution on the setting of the number of new shares to be issued and the offer price.
- In the SB meetings on 22 March 2018 and 11 June 2018, the MB and SB extensively discussed the rules of procedure for the MB and the MB remuneration system, among other things. The intensive discussions also covered potential acquisitions. In the SB meeting on 11 June 2018,

the business plans for the 2018/2019 financial year were also presented by the MB and approved by the SB.

B. Composition of the Management Board and Supervisory Board

The MB of STEMMER IMAGING AG comprises Christof Zollitsch as Chairman, Martin Kersting (Chief Technical Officer) and Lars Böhrnsen (Chief Financial Officer).

The members of the SB of STEMMER IMAGING AG are Klaus Weinmann (Chairman), Stefan Kober (deputy Chairman) and Markus Saller. With Markus Saller, among others, the company has a SB member with expertise in the fields of accounting or annual auditing in accordance with section 100 (5), first half of the sentence, AktG.

C. Corporate governance and declaration of conformity

In the past 2017/2018 financial year, the MB and SB of STEMMER IMAGING AG were not obliged to submit an annual declaration of conformity with the German Corporate Governance Code (GCGC) in accordance with section 161 AktG. The company is targeting a switch to Deutsche Börse's Prime Standard, a segment of the Regulated Market, in the current financial year. With the fulfilment of the high transparency requirements associated with this, the company will commit to publishing an annual declaration of conformity with the GCGC in the future.

D. Annual and consolidated financial statements

The financial statements prepared by the MB and the combined management report for STEMMER IMAGING AG and the Group for the 2017/2018 financial year were audited by S&P GmbH Wirtschaftsprüfungsgesellschaft, Munich. S&P GmbH Wirtschaftsprüfungsgesellschaft, accountably represented by the auditor and tax advisor Georg Komm, has audited the financial statements since 30 June 2008. Georg Komm has been the lead auditor for STEMMER IMAGING AG for six years. The auditor conducted the audit of the separate and consolidated financial statements as of 30 June 2018 and the management report of the company and the Group in accordance with section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) and issued an unqualified auditor's report in each case.

The consolidated financial statements, the management report of the company and the Group, the report by the auditor on the audit and the MB's proposal for the appropriation of net retained profits were made available to all SB members in due time before the resolution and approval by the SB on 08 October 2018. The auditor reported to the SB on the progress and the material events of his audits and was available to answer and discuss questions and to provide supplementary information. He participated in the SB's discussions regarding the annual and consolidated financial statements and attended the SB's meeting for the adoption of the annual financial statements and the approval of the consolidated financial statements on 08 October 2018.

In its financial statements meeting, the SB considered the financial statements and the combined management report for STEMMER IMAGING AG and the Group as well as the MB's proposal for the appropriation of net retained profits and the payment of a dividend of EUR 0.50 per share, which the entire SB agreed with. In addition, the SB submitted its proposal to the Annual General Meeting for the election of the auditor. Previously, the SB had obtained a written declaration of independence from the auditor. The Board also discussed the dependent company report prepared by the MB, the company's accounting process and risk management system, the effectiveness, resources and findings of internal audit, and the maintenance of integrity in financial reporting.

After discussing the audit reports on the separate and consolidated financial statements as of 30 June 2018 and the management report of the company and the Group in detail, the SB raised no objections and deemed the proposal for the appropriation of net profits appropriate. It approved the consolidated financial statements as of 30 June 2018 of STEMMER IMAGING AG prepared by the MB and adopted the separate financial statements as of 30 June 2018.

E. Dependent company report

The report on relations to affiliated companies in accordance with section 312 (1) AktG compiled by the MB was also reviewed by the auditor. The auditor issued the unqualified auditor's report in accordance with section 313 (3) AktG reproduced below:

"On the basis of our diligent examination and judgement I hereby confirm that:

- the statements in the report are accurate,
- the consideration given by the company for the transactions specified in the report was not unreasonably high and any disadvantages incurred have been compensated,
- there are no circumstances that would justify a different opinion in respect of the acts specified in the report than the opinion of the MB."

Dear shareholders, our company is in a good position for the future. The SB thanks the members of the MB and all employees for their great commitment, which made an essential contribution to STEMMER IMAGING's successful development and gives reason to expect positive development in the future.

Puchheim, October 2018
For the Supervisory Board

SIGNED KLAUS WEINMANN
CHAIRMAN OF THE SUPERVISORY BOARD

» Tradition, innovation and vision: we are growing sustainably – promised and delivered. «

STEMMER IMAGING AT THE CAPITAL MARKET

STEMMER IMAGING AG makes successful stock market debut

On 22 January 2018, the Management Board of STEMMER IMAGING AG announced the company's initial public offering in the Scale segment of the Frankfurt Stock Exchange's Open Market. On publication of the approved securities prospectus on 09 February 2018, STEMMER IMAGING AG set the price range for the placement of new and existing ordinary shares at EUR 32.00 to EUR 36.00 per share.

On 22 February 2018, the final price for the placement was set in the middle of the price range at an issue price of EUR 34.00 per share. STEMMER IMAGING AG's IPO was thus significantly oversubscribed. Around half of the offered shares were placed in the significant capital market in Great Britain, and around half with investors from Germany, Switzerland and the rest of Europe. The high demand and full placement of all 2,990,000 shares with investors in Germany and abroad demonstrated great confidence in STEMMER IMAGING's future potential.

On 27 February 2018, STEMMER IMAGING AG successfully went public. The share was admitted to trading with an initial price of EUR 36.00 per share, EUR 2.00 above the issue price. At the end of the first trading day, the share was listed at EUR 37.70 with a market capitalisation of EUR 245.1 million (including the greenshoe shares) and a free float of around 46 per cent – growth of 10.9 per cent on the issue price.

STEMMER IMAGING AG's IPO was one of the most successful new entries to the capital market in 2018 so far.[1] In a challenging market environment, investors came out in favour of STEMMER IMAGING AG and subscribed to the issue at the planned volume and the targeted price. The issue proceeds will be used to implement the ambitious plans for expansion and innovation.

SHARE INFORMATION	
STOCK EXCHANGE	XETRA, FRANKFURT, BERLIN, DÜSSELDORF, HAMBURG, STUTTGART, TRADEGATE
SYMBOL	S9I
TOTAL NUMBER OF SHARES	6,500,000
SHARE CAPITAL	**EUR 6,500,000**
ISIN	DE000A2G9MZ9
WKN	A2G9MZ
MARKET SEGMENT	OPEN MARKET
TRANSPARENCY LEVEL	SCALE
DESIGNATED SPONSOR	HAUCK & AUFHÄUSER PRIVATBANKIERS AG

[1] https://www.handelsblatt.com/finanzen/maerkte/aktien/ipo-markt-mehr-licht-als-schatten-bei-boersengaengen/22675714.html?ticket=ST-3241576-JFkIETfztK3VY49J9gjn-ap6

Capital market environment

In light of economic data and leading indicators that confirmed the picture of a dynamically growing global economy at the same time as low inflation, investors went into the 2018 trading year with an optimistic outlook.[2] As the year progressed, however, the international stock markets had a difficult start. Concerns over an escalation of simmering trade conflicts with negative ramifications for the global economy, financing stress on the US bond market and US foreign policy that is increasingly dominated by national interest and protectionism dimmed the global growth prospects at the end of the first quarter of 2018.[3] While political risks put strain on the outlook, which remained fundamentally good, the global stock markets partially compensated for the price losses at the start of the year in the second quarter of 2018. This was supported by initial signs of a restabilising global economy and the ongoing positive development of corporate profits.[4]

The DAX, the leading German index, opened at 12,897.69 points on 02 January 2018 and, after an interim high of 13,596.89 points on 23 January 2018, registered a decline in prices to 11,726.62 points on 26 March 2018. The DAX ceased trading in the first half of 2018 with a closing level of 12,306.00 points on 29 June 2018 and a price loss of around 4.7 per cent. The Scale All Share Index, which also lists the STEMMER IMAGING AG share, dropped 4.8 per cent in the first half of 2018.

Share: price performance and trading volume

After a successful IPO, the STEMMER IMAGING share defied the generally weak capital market environment and closed the first half of the year at a closing price of EUR 41.70 on 29 June 2018. This equates to growth of 22.6 per cent on the issue price of EUR 34.00 and of 15.8 per cent compared to the initial listing of EUR 36.00 on 27 February 2018. The high in the reporting period was EUR 48.48 on 18 June 2018. The STEMMER IMAGING share marked its lowest point on 06 April 2018 at EUR 32.00.

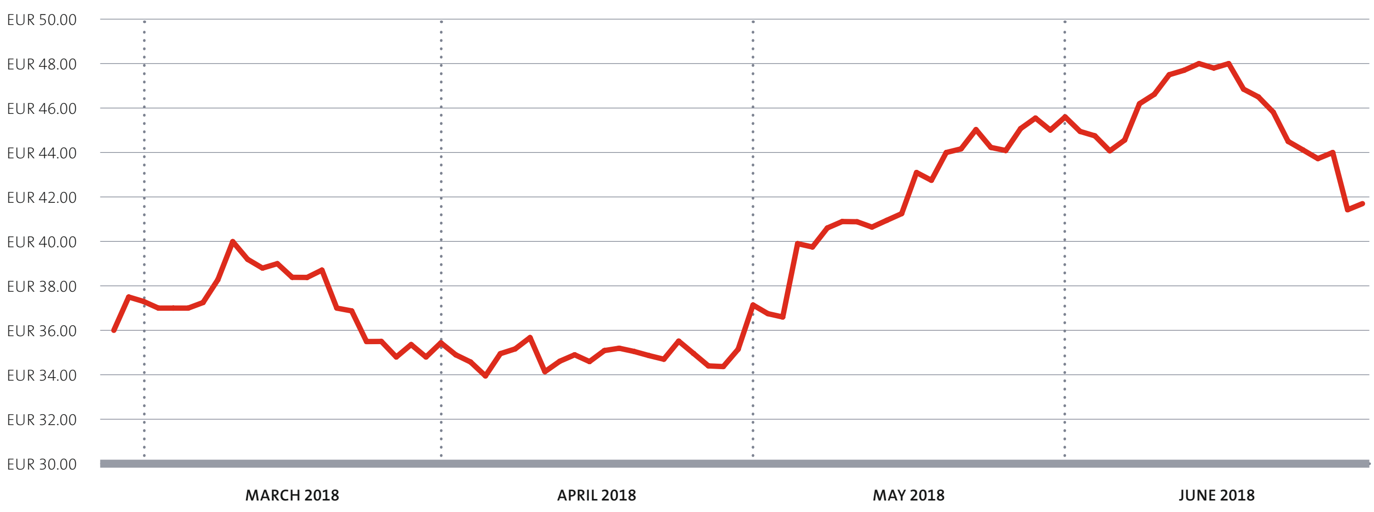
The STEMMER IMAGING share picked up pace again after the end of the reporting period. With tailwind from promising company announcements on the increase in the market share, such as the acquisition in France and the cooperation in China, prices climbed to their all-time high of EUR 51.00 as of 31 August 2018. The STEMMER IMAGING AG share thus grew 41.7 per cent as against the initial listing.

PRICE PERFORMANCE

OPENING PRICE	27/02/2018	EUR 36.00
LOW	06/04/2018	EUR 32.00
HIGH	18/06/2018	EUR 48.48
CLOSING PRICE	29/06/2018	EUR 41.70
MARKET CAPITALISATION		EUR 271.05 million

STEMMER IMAGING AG's market capitalisation amounted to EUR 271.05 million as of 29 June 2018 on the basis of 6,500,000 shares in circulation. At the IPO on 27 February 2018, the market capitalisation with the same number of shares and the initial listing of EUR 36.00 amounted to EUR 234.0 million (all information based on Xetra prices). Informed by the IPO on 27 February, the average daily trading volume of STEMMER IMAGING shares on all German stock exchanges amounted to 25,153 shares in the first quarter of 2018 and 6,155 shares in the second quarter. In the entire reporting period, the average daily trading volume was 9,400 shares.

Development STEMMER IMAGING share



Shareholder structure

Through active investor relations work and supported by corresponding analyst research, the shareholder base was widened and awareness of the share increased. The company has a balance between free float and the majority holding of a strategic anchor investor. As of 30 June 2018, 46.0 per cent of the shares were in free float. The largest shareholder of STEMMER IMAGING AG is SI HOLDING GmbH, a majority holding of the PRIMEPULSE Group, with 54.0 per cent of the voting rights.

Analyst research

In the reporting period, the STEMMER IMAGING AG share was regularly analysed and evaluated by a renowned research firm, namely Hauck & Aufhäuser Privatbankiers. The analysts centred their evaluations on the acquisition and growth strategy. In a study published on 14 August 2018, analyst Henning Breiter confirmed his Buy recommendation for the STEMMER IMAGING share and raised the price target from EUR 49.00 to EUR 54.00. Additional German share specialists are set to commence research coverage for the 2018/2019 financial year. Detailed information is available to interested investors at **www.stemmer-imaging.de** under Investor Relations/Share.

Investor relations activities

The STEMMER IMAGING AG share is listed in the qualified Scale segment of the Frankfurt Stock Exchange's Open Market. Continuous and transparent communication with the capital market is particularly important for the presentation of the company's performance here. The company immediately informs its shareholders and capital market participants of any important business events or incidents of significance for price performance via ad hoc notification or Corporate News. In addition, the Management Board of STEMMER IMAGING AG maintains close contact with investors, analysts and the financial and business press. The Investor Relations section of the STEMMER IMAGING AG website at **www.stemmer-imaging.de** offers a comprehensive insight into the business performance.

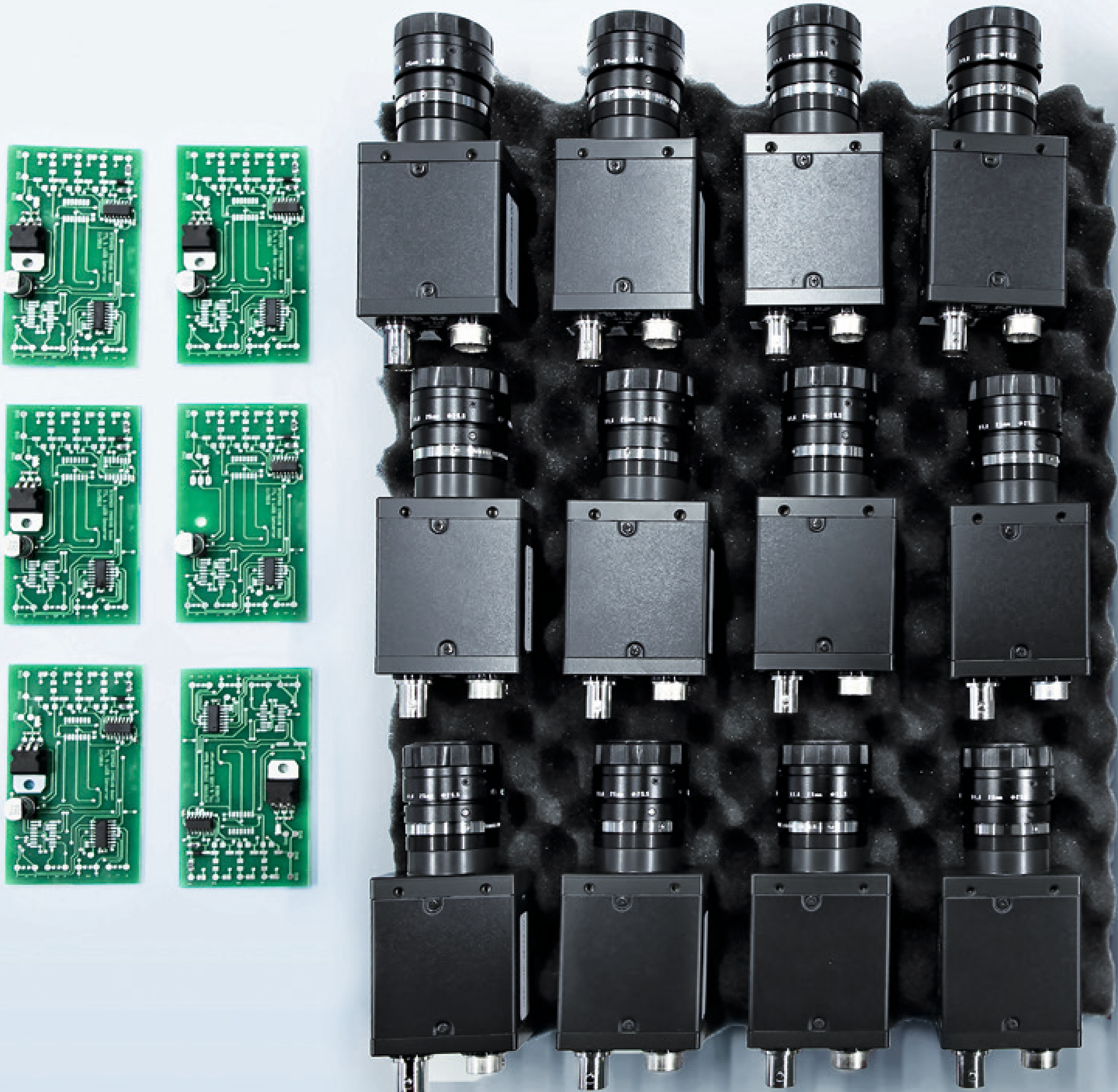
Hauck & Aufhäuser Privatbankiers AG acted as designated sponsor in the past financial year, continuously supporting the appropriate tradability of the STEMMER IMAGING share through binding bid and ask prices.

[2] https://www.metzler.com/de/metzler/bankhaus/presse-news/details/news/Metzler/MAM/Kapitalmarkt/markt-aktuell/Quartalsausblick/2018/Marktaktuell-Q1-2018

[3] https://www.metzler.com/de/metzler/bankhaus/presse-news/details/news/Metzler/MAM/Kapitalmarkt/markt-aktuell/Quartalsausblick/2018/Marktaktuell-Q2-2018

[4] https://www.metzler.com/de/metzler/bankhaus/presse-news/details/news/Metzler/MAM/Kapitalmarkt/markt-aktuell/Quartalsausblick/2018/Marktaktuell-Q3-2018

» Everyone has probably come into contact with our technology at some point. «



MANAGEMENT REPORT

of STEMMER IMAGING AG and the Group for the financial year 2017/2018

General information

Since changing its legal form (resolution of 15 November 2017), STEMMER IMAGING AG (hereinafter also referred to as "the company") has traded as a stock corporation (formerly "STEMMER IMAGING GmbH"). Since 27 February 2018, the company has been listed in the Open Market (Scale segment) of the Frankfurt Stock Exchange. A total of 2,990,000 shares were placed at an issue price of EUR 34.00 (of which 1,500,000 shares from a capital increase of the company). Cash totalling EUR 51 million was therefore generated (before transaction costs of approximately EUR 3.16 million) for the future growth strategy.

Basic information on the Group

Business model

The STEMMER IMAGING Group is one of Europe's leading providers of machine vision technologies for use in industry and science. It is headquartered in Puchheim, near Munich, and has subsidiaries/branch offices in numerous European countries.

Digital machine vision is used in a variety of application areas, including in automation & production technology, the automotive industry, medical technology, traffic technology, and increasingly in food technology and many other sectors as a powerful and efficient method of automatic optical inspection. Even at high speeds and with strict precision requirements, it enables 100 per cent control and is thus an ideal tool for making companies more competitive.

The customers of the STEMMER IMAGING Group benefit from a diversity of state-of-the-art machine vision products from leading manufacturers that is unique in Europe. As developer of the globally successful imaging software "Common Vision Blox" and manufacturer of customised products – such as specialist cables and protective housing for industrial cameras – we also have the expertise and experience to give our customers optimum support for the solution of their machine vision problem.

STEMMER IMAGING AG maintains subsidiaries in many European countries (Austria, Denmark, Finland, France, Netherlands, Poland, Sweden, Switzerland, UK). With the exception of Austria, which conducted no operating activity in the 2017/2018 financial year, the subsidiaries were included in the consolidated financial statements according to the principles of full consolidation. There are further branch offices/sales partners in Belgium and Ireland. The foreign subsidiaries and branch offices primarily provide sales and other services.

Management of the Group

The management of the Group is based on an annual budgeting and strategy process that defines the Group's direction and targets. The outcomes of the process include the definition of the service range, sales planning, key financial figures and budgeting for the following financial year. The material key figures are revenue, gross margin and operating earnings (EBITDA). Monthly reporting and regular management meetings with local managers result in continuous plan/actual analysis. Potential deviations from targets are thus identified at an early stage and corrected with suitable countermeasures.

In order to guarantee the high quality of the manufactured products and the methods used in the company, the STEMMER IMAGING Group has implemented a quality management system (ISO certification according to DIN EN ISO 9001:2015).

Objectives and strategy

STEMMER IMAGING pursues a long-term growth strategy in order to further extend its leading market position in machine vision nationally and internationally. The prime objective is to increase the enterprise value sustainably through dynamically growing business volume with increasing profitability. The further organic growth of the company and the Group and the acquisitions made so far and planned for the future will make a significant contribution to the pursued growth targets.

Economic report

General economic development

In terms of global gross domestic product (GDP), the global economic upturn gained momentum in 2017. According to the International Monetary Fund (IMF), the global growth rate amounted to 3.8 per cent in the year as a whole after 3.2 per cent in the previous year. The IMF economists thus reported the highest increase since 2011. Expansion rates in Europe and Asia in particular exceeded expectations.[1]

After the US economy grew by 2.3 per cent in 2017 (previous year: 1.5 per cent) according to the IMF, 2.9 per cent is expected in 2018. In emerging and developing markets, economic expansion was particularly strong in Asia, especially China. After declining growth rates since 2010, the People's Republic posted GDP growth of 6.9 per cent in 2017 compared to 6.8 per cent in the previous year.[2]

In 2017, the eurozone economy grew faster than at any time in the previous ten years. For the eurozone, the IMF expects economic expansion of 2.3 per cent in 2017 as a whole. In 2016, the GDP increase in the euro countries was 1.8 per cent. The growth was driven by stronger private consumption, corporate investments and the export sector. The eurozone recovery thus cemented itself in 2017.[3, 4]

In 2017, economic development in Germany was characterised by high growth momentum. For example, GDP increased by 2.2 per cent after 1.8 per cent in the previous year. Overall, the German economy has grown for eight years in a row. The positive stimulus in 2017 was primarily domestic: Private consumer spending was higher year on year. German exports also continued to grow in 2017, but imports posted even stronger growth. The inflation rate in Germany rose by 1.8 per cent on average in 2017, in line with the European monetary policy target of just under 2 per cent.[5]

Sector development

A key sales market for the STEMMER IMAGING Group is the automation sector. The automation sector was already performing particularly well in 2017 due to widespread digitalisation and the trend for greater company automation.

The German machine vision industry generated record revenue of EUR 2.6 billion in 2017 – a 17 per cent rise on the previous year. According to VDMA Machine Vision, the sector's revenue has thus doubled within ten years. The industry association claims that the boom in machine vision technology "Made in Germany" is being driven both by its increased use in the traditional industrial sectors' global automation race and by brand new sectors.

The importance of machine vision is particularly apparent in everyday life and has become indispensable to modern factories as a driver of industry 4.0. The diversity of applications, such as in traffic management systems, autonomous driving, waste sorting and recycling and health care, and especially embedded vision in combination with deep learning, provides further growth stimulus for the sector.

In the German domestic market, the machine vision industry posted year on year revenue growth of 8 per cent in 2017. Exports – a growth driver for years – grew by 23 per cent in 2017. China (+56 per cent) and North America (+21 per cent) are still the two most important export countries for the German machine vision industry. In 2017, the revenue volume in China exceeded that in North America for the first time. The growth is expected to continue in 2018 with a 7 per cent increase in revenue to EUR 2.8 billion due to industry-driven development alone.[6, 7]

[1] *http://www.imf.org/en/Publications/WEO/Issues/2018/03/20/~/media/Files/Publications/WEO/2018/April/c1.ashx?la=en*
[2] *http://www.imf.org/en/Publications/WEO/Issues/2018/03/20/~/media/Files/Publications/WEO/2018/April/c1.ashx?la=en*
[3] *http://www.imf.org/~/media/Files/Publications/WEO/2018/Update/January/0118.ashx*
[4] *http://www.imf.org/en/Publications/WEO/Issues/2018/03/20/~/media/Files/Publications/WEO/2018/April/c1.ashx?la=en*
[5] *https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/01/PD18_011_811.html*
[6] *https://rua.vdma.org/viewer/-/v2article/render/26774043*
[7] *https://ibv.vdma.org/viewer/-/v2article/render/26787213*

Net assets, financial position and results of operations of the Group

Net assets

As of 30 June 2018, the STEMMER IMAGING Group's total assets amounted to EUR 82.90 million (30 June 2017: EUR 28.71 million). The rise is based in particular on the capital increase and the cash generated by the IPO.

Fixed assets increased from EUR 4.33 million to EUR 6.80 million. This was due in particular to the increase in intangible assets from EUR 1.42 million to EUR 3.88 million. A significant portion of the goodwill (EUR 3.60 million; 30 June 2017: EUR 1.19 million) of the STEMMER IMAGING Group is attributable to the "Data Vision" segment acquired on 31 January 2018 from Batenburg Mechatronica B.V. (EUR 3.07 million).

In light of the growth strategy and the increased revenue volume, inventories also increased from EUR 6.21 million to EUR 8.55 million. SIS STEMMER IMAGING Services GmbH organises procurement, production, order processing and logistics for the entire STEMMER IMAGING Group. The company charges the services to the other companies of the Group accordingly. It also provides cable manufacturing services. Impairment risks were appropriately accounted for with write-downs for reduced marketability.

Trade receivables increased by EUR 2.53 million compared to the previous year to EUR 14.18 million, due in particular to the increased revenue volume. Impairment risks were appropriately accounted for by recognising specific and global valuation allowances. The other assets of EUR 0.94 million (30 June 2017: EUR 0.56 million) primarily include recoverable taxes and VAT balances.

Cash and cash equivalents and securities classified as current assets that can be converted into cash at short notice increased from a total of EUR 5.51 million to EUR 51.76 million year on year. The rise is particularly attributable to the IPO on 27 February 2018, which generated gross issue proceeds of EUR 51.0 million.

Equity totals EUR 68.44 million (30 June 2017: EUR 14.62 million). The increase in subscribed capital from EUR 0.25 million to EUR 6.50 million resulted from the conversion of the other revenue reserves recognised in the previous year of EUR 4.75 million (resolution of 15 November 2017) and the increase in subscribed capital by EUR 1.50 million (resolution of 05 February 2018). The capital reserves of EUR 49.50 million comprise the premiums from the capital increase in connection with the IPO on 27 February 2018.

The consolidated net income (after non-controlling interests) of EUR 2.93 million was slightly higher than the previous year's figure (EUR 2.80 million) despite certain non-recurring effects such as the transaction costs for the IPO.

Accordingly, the equity ratio also rose from 50.9 per cent to 82.5 per cent. The currency translation adjustment item (EUR −0.32 million; 30 June 2017: EUR −0.20 million) resulted from the inclusion of the foreign currency companies (UK, CH, SE, DK and PL) and was influenced in 2018 by changes in the pound sterling exchange rate in particular.

The STEMMER IMAGING Group's liabilities fell from EUR 11.35 million in the previous year to EUR 9.51 million. The decline is primarily due to the fact that other liabilities in the previous year included a holding bonus of EUR 2.55 million, which was paid out in full in the 2017/2018 financial year.

Financial position

In finance management, the Group aims to hedge all financial risks. This includes an efficient dunning process. Supplier invoices are settled deducting discounts wherever possible. The company was able to meet its payment obligations at all times.

The cash funds recognised in the consolidated cash flow statement – including in particular the investments in acquisitions of company shares and the cash generated by the IPO – increased to EUR 51.76 million (previous year: EUR 3.76 million).

The Group's operating cash flow (EUR 3.34 million; previous year: EUR 5.15 million) declined – starting from slightly higher net income – due in particular to increased commitment of funds in inventories and trade receivables as well as special bonus payments (EUR 2.89 million). The Group reports negative cash flow from investing activities (EUR – 2.71 million); this is due in particular to the payments made for the acquisition of the business of Data Vision, a segment of Batenburg Mechatronica B.V., Netherlands, by the Dutch subsidiary (previous year: EUR – 5,71 million; due in particular to the acquisition of noncontrolling interests).

Cash inflow from financing activities totalled EUR 47.45 million in the 2017/2018 financial year (previous year: cash outflow of EUR – 8.95 million due in particular to distributions). The high cash inflow from financing activities was the result, as mentioned above, of proceeds from capital increases (less transaction costs) of EUR 47.85 million, which were generated in connection with the IPO.

As in the previous year, there was no bank financing in the Group as of the balance sheet date. The company will also be able to meet its payment obligations at all times in the future.

Results of operations

The STEMMER IMAGING Group increased its consolidated revenue by 14.0 per cent to EUR 100.63 million in the 2017/2018 financial year (previous year: EUR 88.30 million) and thus generated the highest revenue in its history. The revenue increase is primarily organic in nature and due in particular to the sales markets of Germany and the Benelux region. Some new customers were also acquired. Inorganic growth effects resulted from the acquisition of the Data Vision segment by the Dutch subsidiary (effect from the date of initial consolidation in February 2018: revenue EUR 1.7 million and gross margin EUR 0.6 million).

Nominally, the cost of materials increased from EUR 57.51 million to EUR 63.99 million. The materials ratio was reduced to 63.6 per cent (previous year: 65.1 per cent) due in particular to improved purchasing conditions and changes in the product mix. The STEMMER IMAGING Group thus reports an increased gross margin (compared to revenue) of 36.4 per cent (previous year: 34.9 per cent). The improved gross margin is also due to the rise in the proportion of proprietary, higher-margin products (especially software and services) to 11.1 per cent (previous year: 10.9 per cent). Significant areas of material procurement relate to industrial area scan, line scan and 3D cameras, optics, illumination, custom machine vision systems/software and accessories.

Operating business is conducted in close coordination with the STEMMER IMAGING Group, in particular with SIS STEMMER IMAGING Services GmbH, Puchheim, which covers significant central functions such as procurement, production, order processing and logistics.

The other operating income amounts to EUR 1.25 thousand (previous year: EUR 2.56 thousand) and primarily includes income from the allocation of IPO costs to SI HOLDING GmbH (EUR 0.27 thousand) and income from currency translation of EUR 0.48 thousand (previous year: EUR 0.38 thousand). In the previous year, there was an extraordinary reversal of long-term personnel provisions/obligations of EUR 1.71 million as part of the change in shareholder.

Personnel expenses increased only slightly from EUR 19.58 million in the previous year to EUR 19.88 million. The previous year includes a holding bonus of EUR 2.55 million, while for the 2017/2018 financial year an EBITDA bonus of EUR 1.50 million was recognised and an IPO bonus of EUR 0.34 million was paid to the employees. The personnel ratio therefore fell from 22.2 per cent to 19.8 per cent despite the rising number of employees.

Depreciation and amortisation of fixed assets totalled EUR 2.08 million (previous year: EUR 1.78 million), of which EUR 0.79 million (previous year: EUR 0.72 million) is attributable to amortisation of goodwill. In the 2017/2018 financial year, there were also extraordinary write-downs of EUR 0.16 million (previous year: EUR 0 million) on current assets (extraordinary write-downs on items of demo stock).

Other operating expenses climbed by EUR 3.87 million to EUR 11.63 million (previous year: EUR 7.76 million). The total amount includes extraordinary expenses of EUR 3.16 million for the IPO (transaction costs for the capital increase). The carrying amount also especially includes trade show, selling, administrative, IT and travel costs.

Operating earnings (EBITDA) nominally rose from EUR 6.02 million in the previous year to EUR 6.38 million in the 2017/2018 financial year, despite the included non-recurring effects. However, the EBITDA margin fell due to the included non-recurring effects from 6.8 per cent to 6.3 per cent. In contrast, adjusted operating earnings (adjusted EBITDA) increased by 46.5 per cent to EUR 11.11 million (previous year: EUR 7.58 million). The adjustments of the 2017/2018 financial year totalling EUR 4.72 million relate to the following amounts:

- Costs of the IPO: EUR 3.16 million
- Allocation of IPO costs to SI HOLDING GmbH: EUR – 0.27 million
- EBITDA bonus: EUR 1.50 million
- IPO special payment: EUR 0.33 million

In particular, income from the reversal of personnel provisions (EUR 1.71 million) and a holding bonus of EUR 2.55 million were eliminated from the adjusted EBITDA of the previous year. Compared to the previous year, there were also net currency effects in the Group of EUR –149 thousand (previous year: EUR +55 thousand) recognised in income.

Unadjusted consolidated operating earnings (EBIT) increased to EUR 4.15 million (previous year: EUR 4.24 million). The unadjusted EBIT margin thus amounted to 4.1 per cent (previous year: 4.8 per cent).

Including income tax expenses of EUR 1.25 million (previous year: EUR 1.15 million), the 2017/2018 financial year ended with consolidated net income of EUR 2.93 million (previous year: EUR 3.11 million or EUR 2.80 million after non-controlling interests). There were no more non-controlling interests to account for in the 2017/2018 financial year.

The Group's revenue, gross margin and adjusted earnings before taxes (EBT) are thus considerably higher than originally planned (planning as of June 2017). In summary, the Management Board finds that the Group's net assets, financial position and results of operations developed very satisfactorily in the 2017/2018 financial year. After the change of legal form to a stock corporation, the IPO was successfully completed in February 2018. The consolidated balance sheet structure is very solid, the equity ratio is above average and the cash flow is gratifyingly positive. Overall, this is a sound basis for the STEMMER IMAGING Group's strategic development.

Net assets, financial position and results of operations of the annual financial statements

Net assets

STEMMER IMAGING AG's total assets increased from EUR 24.88 million in the previous year to EUR 76.85 million. As in the Group, the rise is based in particular on the capital increase and the cash generated by the IPO.

The replacement and expansion investments in intangible assets and tangible assets were made in software, leasehold improvements and office and operating equipment.

The shares in affiliated companies of EUR 10.82 million (30 June 2017: EUR 10.64 million) are primarily attributable to STEMMER IMAGING Ltd., Tongham/UK (EUR 3.88 million; 30 June 2017: EUR 3.88 million), and STEMMER IMAGING AB, Stockholm/SE (EUR 3.51 million; 30 June 2017: EUR 3.51 million).

The loans to affiliated companies of EUR 3.62 million include loans of EUR 3.25 million (30 June 2017: EUR 0.07 million) to STEMMER IMAGING B.V., Zutphen/NL, which were disbursed among other things for the acquisition of the "Data Vision" segment from Batenburg Mechatronica B.V.

As in the previous year, the reported inventories essentially comprise only test/demo devices. Procurement and stock-keeping are carried out centrally via SIS STEMMER IMAGING Services GmbH.

Trade receivables increased by 6.5 per cent compared to the previous year to EUR 6.12 million, due in particular to the increased revenue volume. Potential default risks were appropriately accounted for by recognising specific and global valuation allowances.

Receivables from affiliated companies (EUR 5.58 million; 30 June 2017: EUR 2.53 million) especially comprise balances due from SIS STEMMER IMAGING Services GmbH, which primarily serve the financing of inventories within the Group.

The other assets (EUR 0.62 million; 30 June 2017: EUR 0.15 million) result in particular from recoverable taxes for the current assessment year.

Please refer to the remarks on the financial position for information on the sharp rise in cash and cash equivalents.

Equity totals EUR 71.61 million (30 June 2017: EUR 18.73 million). The increase in subscribed capital from EUR 250,000.00 to EUR 6,500,000.00 resulted from the conversion of the other revenue reserves recognised in the previous year of EUR 4.75 million (resolution of 15 November 2017) and the increase in subscribed capital by EUR 1.50 million (resolution of 05 February 2018). The capital reserves of EUR 49.50 million comprise the premiums from the capital increase in connection with the IPO on 27 February 2018. The net income recognised in the annual financial statements was down year on year due to the non-recurring effects described below (EUR 1.88 million; 30 June 2017: EUR 3.57 million). The equity ratio rose from 75.3 per cent to 93.2 per cent overall.

The tax provisions reported in the previous year (EUR 0.23 million) were paid in full in the 2017/2018 financial year. For the 2017/2018 financial year, there were recoverable taxes that are recognised separately under other assets.

The other provisions appropriately cover all risks and primarily include personnel provisions (especially for holiday, bonuses and anniversaries) and financial statement and consulting costs. In the 2017/2018 financial year, a total of EUR 1.50 million was recognised for an extraordinary EBITDA bonus.

Liabilities fell from EUR 4.40 million in the previous year to EUR 1.67 million. The decline is primarily attributable to the holding bonus of EUR 2.55 million included in the previous year. This was paid out in full in the current financial year.

The net assets are very soundly and solidly structured overall.

Financial position

Cash and cash equivalents (including securities classified as current assets) increased to a total of EUR 47.66 million (30 June 2017: EUR 2.85 million) due to the capital increase and the IPO in February 2018. STEMMER IMAGING AG has negative cash flow from operating activities dominated by non-recurring effects (especially increased commitment of funds in trade receivables and special bonus payments (EUR 2.89 million)), negative cash flow from investing activities and high positive cash flow from financing activities due to the capital increase.

There was no bank financing as of the balance sheet date. The company was able to meet its payment obligations at all times.

Results of operations

The company's total revenue rose by 12.8 per cent year on year to EUR 66.23 million in the 2017/2018 financial year (previous year: EUR 58.73 million). This includes intra-group allocations of EUR 6.37 million (previous year: EUR 5.81 million). The company's operating revenue thus amounted to EUR 59.86 million or EUR 52.92 million in the previous year.

The materials ratio – including intra-group allocations – was largely constant at around 68 – 69 per cent. Incoming orders rose from EUR 53.48 million in the previous year to EUR 60.59 million. STEMMER IMAGING AG's operating business is conducted in close coordination with the other companies of the STEMMER IMAGING Group, in particular with SIS STEMMER IMAGING Services GmbH, Puchheim, which covers procurement, production, order processing and logistics.

Other operating income decreased year on year to EUR 0.73 million (previous year: EUR 2.20 million). The decline resulted in particular from the non-recurring effect of the reversal of the exit provision of EUR 1.71 million for the management, which took place in the previous year in connection with the change of shareholder.

Personnel expenses decreased slightly year on year to EUR 13.42 million (previous year: EUR 13.60 million). The previous year includes a holding bonus of EUR 2.55 million, while for the 2017/2018 financial year an EBITDA bonus of EUR 1.50 million was recognised and an IPO bonus of EUR 0.33 million was paid to the employees. The personnel ratio therefore fell from 23.2 per cent to 20.3 per cent despite the rising number of employees.

Other operating expenses increased by EUR 2.62 million year on year to EUR 7.80 million. The increase resulted in particular from one-off costs of EUR 3.16 million in connection with the IPO. As in the previous year, the carrying amount also includes rents, trade show and advertising costs, travel expenses, outgoing freights and other administrative and consulting costs.

Including the above non-recurring effects, operating earnings (unadjusted EBIT) amounted to EUR 1.20 million in the 2017/2018 financial year (previous year: EUR 2.05 million). The decline is due in particular to the one-off costs in connection with the IPO. Income from investments includes profit distributions from the foreign subsidiaries in UK and SE and at EUR 0.75 million are lower than in the previous year (EUR 2.05 million).

Including income tax expenses of EUR 0.46 million (previous year: EUR 0.90 million), the 2017/2018 financial year ended with net income of EUR 1.88 million (previous year: EUR 3.57 million).

Revenue, gross margin and adjusted earnings before taxes (EBT) are thus considerably higher than originally planned (planning as of June 2017). In summary, the Management Board finds that the company's net assets, financial position and results of operations, taking non-recurring effects into account, developed very satisfactorily in the 2017/2018 financial year. The balance sheet structure is solid and the company's financial resources are gratifyingly positive. Overall, this is a sound basis for the development of the company and the STEMMER IMAGING Group.

Internal control system and risk management system

STEMMER IMAGING AG has an appropriate risk management system. With regard to accounting in the Group, it is aimed at identifying, evaluating and communicating risks of incorrect bookkeeping, accounting and reporting. In addition, the STEMMER IMAGING Group has a set of financial planning tools for monitoring and managing the current and future liquidity situation.

Among other things the risk management system and the internal control system are concerned with monitoring accounting processes. As well as identifying and assessing risks that could obstruct the proper preparation of financial statements, taking suitable measures to avert such risks is obligatory.

The key requirements for proper accounting include an adequate enterprise resource planning (ERP) system, detailed training for employees, the definition of responsibilities and segregation of duties in accounting, and controlled access at IT system level. STEMMER IMAGING AG has an ERP system (S4), which supports and documents the main operating processes, and a DATEV bookkeeping system, which enables proper bookkeeping.

In addition, the STEMMER IMAGING Group has a certified consolidation program (LUCANET) to guarantee transparent, reliable and timely Group accounting and integrated, multi-year budgetary accounting for the Group. Newly founded or acquired companies are integrated into the existing systems as quickly as possible. At the same time, STEMMER IMAGING AG partly performs the accounting for the companies of the STEMMER IMAGING Group centrally as a service provider. Material accounting processes and functions are subject to deputisation policies, the dual-control principle, segregation of duties, and approval processes. When the financial statements are prepared, the figures are analysed and changes reviewed.

In order to rule out any potential risk to data, STEMMER IMAGING AG constantly endeavours to review and develop preventative measures in the IT department. Regular updates and enhancements of the system when necessary are a matter of course, as is employees' compliance with internal security and data protection policies. Protection against unauthorised access, deletion and misuse is largely ensured among other things by complex firewall systems and access controls at operating system and application level.

The design of the IT systems contributes to the prompt and proper recording of all relevant information for the accounting process and guarantees the greatest degree of security throughout the Group.

STEMMER IMAGING AG's risk management system incorporates strategic corporate planning, internal reporting and the internal control system. The aim of strategic corporate planning is the identification and use of future opportunities giving due consideration to the resulting risks. Internal reporting functions as an information system, which provides information on current developments and existing risks. The internal control system is continually working to identify risks, initiate corresponding measures and monitor their implementation and impact. Among other things, it covers the accounting process of the entire STEMMER IMAGING Group. Controlling is responsible for the analysis of the accounting process. Regular and timely reports on accounting are made to the Management Board. The reporting includes relevant key financial figures and involves a detailed comparison of actual figures against the planning.

In addition, risk management includes regular meetings between the Managing Directors of the operating subsidiaries and the Management Board of STEMMER IMAGING AG, where risks are monitored and measures discussed.

Risk report

The risk policy of STEMMER IMAGING AG and the Group is guided by the corporate objectives of sustainable growth and improvement in business performance in order to contribute to an increase in the enterprise value. Business opportunities are usually countered by risks that must be identified as early as possible. The initiation of suitable measures is intended to limit potential negative consequences in order to prevent a risk to the company's existence.

Risks that could have medium or high adverse effects on the STEMMER IMAGING Group's net assets, financial position or results of operations are described below. Please note that the STEMMER IMAGING Group classifies the probability of occurrence of all the risks cited below as low. Additional risks of which we are currently not yet aware or risks that we currently classify as immaterial could likewise have a negative impact on our business activities.

As things stand, there are the following internal and external risks for the STEMMER IMAGING Group:

Macroeconomic opportunities and risks

According to the Kiel Institute for the World Economy (IfW), merely concerns about escalating global trade conflicts could slow down the economy worldwide. In addition, the impending normalisation of monetary policy could put a strain on emerging economies due to uncertainty on the capital markets.[1] With the change of government in Italy and the uncertainty over the country's future economic policy, risks for the euro area have increased again.[2] In light of the above factors, the German economy is exposed to numerous economic and trade policy risks on account of its focus on exports. There is also continued uncertainty over the negative consequences of the UK's exit from the EU.[3] Given that industrial capacity utilisation is at historically high levels, the IfW considers a downturn a potential risk for the economy in Germany.[4] A general economic downturn could also adversely affect the development of the company or the Group, although the generally positive sector development could absorb any macroeconomic slowdown.

Market- and industry-specific risks

The order situation of STEMMER IMAGING AG and the Group is particularly dependent on the customers' budgets, their specific sector development and the fierceness of the competition. This results in the fundamental risk that the company or Group may be unable to continue implementing its market strategy and thus acquiring additional market shares from other competitors.

The company and the Group are particularly dependent on the further positive development of markets for machine vision. They also depend on the markets relevant to the machine vision sector, especially the automotive and manufacturing industries, not being rendered obsolete or superfluous by a technological change. In contrast, the risk diversification across the customers' various industries has a positive effect here.

In addition, there are risks resulting from direct sales by manufacturers of hardware and software products. If manufacturers of hardware and software products for machine vision succeed in establishing their direct sales more firmly, the STEMMER IMAGING Group could be compelled to separate their own sales channels from the manufacturers.

[1] *https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2018/weltwirtschaft-mit-etwas-geringerer-dynamik-11072/*
[2] *https://www.ifw-kiel.de/de/publikationen/kieler-konjunkturberichte/2018/weltwirtschaft-mit-etwas-geringerer-dynamik-11072/*
[3] *https://www.gtai.de/GTAI/Navigation/DE/Trade/Maerkte/Wirtschaftsklima/wirtschaftsausblick,t=wirtschaftsausblick--deutschland-juli-2018,did=1955070.html*
[4] *https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KKB_44_2018-Q2_Deutschland_DE.pdf*

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), the shortage of skilled employees in the digital transformation of the working world into Industry 4.0 also constitutes a risk for the sector development. [5] ZVEI says the expansion of digital infrastructure is also crucial in order to remain competitive internationally. [6] The company and the Group are trying to counter the skills shortage through the responsible training of employees, especially IT specialists, IT systems technicians and electronics engineers for devices and systems. State-of-the-art technology, knowledge transfer and the advancement of innovations are key goals for the STEMMER IMAGING AG. In this respect, the company is involved in an array of cooperations with universities and associations and actively contributes to important technology committees. By offering trainee programs within the company and setting up modern workstations in university labs, STEMMER IMAGING is making an essential contribution to the practical education of students and the future acquisition of qualified young staff.

As things stand, the existing and expected market risks do not jeopardise the existence of the company or the Group. However, favourable market development could have a positive effect on the net assets, financial position and results of operations.

Business risks

There are potential risks that newly acquired companies or parts of companies will not be able to be successfully integrated into the STEMMER IMAGING Group, putting the targets that the STEMMER IMAGING Group was pursuing with the acquisition at considerable risk.

The STEMMER IMAGING Group depends on major suppliers and is therefore exposed to the risk of supplier delays as well as export and import restrictions. There is also a risk that suppliers could change their product portfolio and no longer supply machine vision components in the necessary volume for the STEMMER IMAGING Group or at all. In order to minimise these risks, there are alternative sources of supply for important components.

The Group's past and expected future growth is associated with an increase in working capital. Potential inventory/impairment risks with regard to receivables and inventories are accounted for as soon as possible through regular analyses such as age structure overviews and monthly slow-mover reports.

The STEMMER IMAGING Group could be exposed to price increases for the goods it procures. Price risks are minimised by way of cooperation agreements or arrangements and permanent market monitoring. In addition, price changes can be passed onto customers.

There is a risk that STEMMER IMAGING AG or the Group could violate third parties' industrial rights and thus be exposed to the risk of considerable compensation or licence payments.

Only limited protection is possible for intellectual property and know-how, so there is a risk that know-how carriers within the STEMMER IMAGING Group could leave the company and/or join competitors, meaning that this know-how is lost to the STEMMER IMAGING Group and/or made available to competitors. In addition, there are risks in connection with the organisation of the STEMMER IMAGING Group, especially with regard to the necessary, continuous development of internal organisational structures and management/compliance processes. The Management Board endeavours to continuously adapt the compliance and risk management systems to new requirements and laws.

STEMMER IMAGING AG and the Group are exposed to currency risks. Currency risks comprise the risks arising from exchange rate fluctuations, which can affect the competitiveness of the products and the STEMMER IMAGING Group's procurement prices. As the majority of the procurement and sales transactions are concluded in euros, exchange rate risks from the billing of deliveries or services from suppliers or to customers are largely avoided. Similarly, the STEMMER IMAGING Group actively counters currency risk with natural hedging and price adjustment clauses.

An external wage tax audit is under way at the time of reporting, the final results of which are not yet available at the time of reporting. No material findings are currently expected. According to the Management Board's current assessment, there are no tax risks. In summary, there are currently no identifiable risks to the existence of the company as a going concern.

Report on opportunities

STEMMER IMAGING AG, or rather the Group, is one of the largest technology suppliers for the machine vision industry. This is associated with a high profile on the market and strong customer confidence in the products and services offered.

The Group has wide-ranging technological expertise regarding hardware components from leading international manufacturers (illumination, optics, cameras, cabling, image acquisition, computer systems, accessories). It also has the self-developed software Common Vision Blox (CVB). This gives the Group a competitive edge and a good distinguishing feature versus its rivals.

As well as supplying machine vision products, the Group increasingly offers service/support and solution-oriented consulting including feasibility studies in the application laboratory for the customers. Communication and customer retention are therefore more intensive and open up new areas of application/sales. In addition, the company and the Group offer customers practical training.

With the funds generated by the IPO, the company has a very strong capital base and intends to continue expanding into new European and non-European markets. The STEMMER IMAGING Group has its sights set on further companies that it finds interesting in the machine vision sector and will continue the national/international expansion in the future, including in areas that use technologies complementary to machine vision technology, such as the entertainment, transport or food industry. The opportunities are therefore closely associated with the growing importance of machine vision in an increasingly digitalised world. The current trends in hyperspectral imaging, Industry 4.0, embedded vision, etc., therefore offer considerable opportunities for the company and for the Group.

The integration of the companies acquired in previous years is currently being advanced and, in the Management Board's view, is proceeding as planned and without major risks. The existing international organisation/structure, the management team with many years of experience, the potential synergies with related companies (e.g. PRIMEPULSE SE and CANCOM SE), market/industry development, the long-standing and in some cases uniquely structured range of products, software and services, and the good customer relationships offer an ideal basis to implement future objectives and strategies in a targeted manner.

[5] *https://www.zvei.org/presse-medien/pressebereich/automatisierer-blicken-2018-optimistisch-nach-vorn/*
[6] *https://www.zvei.org/presse-medien/pressebereich/hannover-messe-2018-industrie-40-macht-den-naechsten-grossen-sprung/*

Report on expected developments

For 2018, the IMF forecasts 3.9 per cent growth in global gross domestic product. The economic researchers expect industrialised nations to perform better than emerging economies in the current year 2018, with the former benefiting in particular from the still expansionary monetary policy of the European Central Bank (ECB). The IMF experts likewise expect positive stimulus in the USA following the corporate tax reform.[1] For 2018, the IMF expects an increase of 2.4 per cent. Inflation in the eurozone continued to rise in 2017 and climbed to 1.5 per cent after 0.2 per cent in the previous year. The inflation rate is expected to remain at 1.5 per cent in 2018.[2,3,4] According to the Kiel Institute for the World Economy (IfW), economic growth of 2.5 per cent is expected for Germany in 2018.[5]

There was a noteworthy start to 2018. In January and February 2018, the sector once again grew year on year in terms of order intake (+10.7 per cent), production (+7.4 per cent) and revenue (+8 per cent). These figures come from the German Electrical and Electronic Manufacturers' Association (ZVEI). German automation engineers also achieved good success in 2017 as a whole. At EUR 53.9 billion, sector revenue is 7.4 per cent higher than in the previous year.[6] The generally very positive development is driven by orders from China, the USA and Central Europe, with end customers chiefly from the automotive, electronics, metal, and food and beverage industries.[7] The Chinese automation and robotics market is developing especially dynamically. The penetration rate with industrial robots remains low. The German Mechanical Engineering Industry Association (VDMA) expects real production growth in the mechanical engineering industry of 6 per cent in 2018 and 4 per cent in 2018. For machine vision, the specialist association forecasts sustainable growth rates for both Germany (10 per cent) and Europe (9 per cent) in 2018.

Particular challenges in the field of digitalisation and Industry 4.0 are cybersecurity in the wake of growing interconnection and the continuing shortage of qualified employees and human/robot collaborations. The great interest in automation solutions was recently demonstrated at "automatica 2018". The exhibition set new records for the number of visitors (46,000) and exhibitors (890), with 20 per cent more visitors coming to Munich from abroad.[8]

Therefore, the Management Board expects increased revenue growth, a slight increase in the gross margin and a slight improvement in the EBITDA margin in the current 2018/2019 financial year.

Miscellaneous information

Scientific research

The scientific research activities are focusing on our CVB machine vision software and projects with some of our important customers. Particularly notable is the palpable trend for machine vision in embedded systems. Instead of using PC systems based on the Windows operating system as before, customers are increasingly asking for support for ARM processors under the Linux operating system. We expect this trend to continue in the next financial year. In response, the porting of the CVB software to these systems has begun.

In connection with this, we have turned our attention in this financial year to collaboration in the new relevant international standardisation committees of VDMA and OPC UA. The latter is the logical consequence of the interconnection of various components in the industrial manufacturing process and thus a direct implementation of Industry 4.0.

[1] *http://www.imf.org/en/Publications/WEO/Issues/2018/03/20/~/media/Files/Publications/WEO/2018/April/c1.ashx?la=en*
[2] *http://www.imf.org/~/media/Files/Publications/WEO/2018/Update/January/0118.ashx*
[3] *http://www.imf.org/en/Publications/WEO/Issues/2018/03/20/~/media/Files/Publications/WEO/2018/April/c1.ashx?la=en*
[4] *https://www.destatis.de/DE/PresseService/Presse/Pressemitteilungen/2018/01/PD18_011_811.html*
[5] *https://www.ifw-kiel.de/de/publikationen/medieninformationen/2017/deutsche-wirtschaft-unter-volldampf/*
[6] *https://www.zvei.org/presse-medien/pressebereich/automatisierer-blicken-2018-optimistisch-nach-vorn/*
[7] *https://www.zvei.org/presse-medien/pressebereich/prozessautomatisierer-blicken-2018-optimistisch-nach-vorn/*
[8] *https://www.atpinfo.de/aktuell/veranstaltungen/25-06-2018-automatica-2018-neue-bestmarken-bei-besuchern-und-ausstellern/*

Investments

Investments in tangible assets in the 2017/2018 financial year related in particular to the new location at Aubinger Weg, Puchheim, in the form of leasehold improvements/office equipment. Otherwise, there were only minor replacement investments. In the future, only the customary investments for the business are planned for this area.

Equity investments were made in particular with regard to the acquisition of the Data Vision segment in the Netherlands.

The company will continue to focus on the further strategic development and internationalisation of the Group in the future. Please refer to the supplementary report in the notes. Further targeted strategic investments are also planned.

Environment/non-financial performance indicators

Non-financial performance indicators, especially with regard to customer satisfaction, are important for the company's operations. In a survey on this topic, the customers confirmed the outstanding quality of the range of services. In contrast, environmental concerns are less important.

No environmental problems have hitherto arisen with regard either to contaminated sites or the production sites constructed by the company itself. The STEMMER IMAGING Group's production processes neither use environmentally harmful raw materials nor create pollutive (residual) materials as waste products that would have to be disposed of with special methods.

With regard to non-financial performance indicators, particular priorities are quality and customer satisfaction, the reduction of occupational accidents/complaints, and the regular renewal of certifications (esp. ISO 9001).

Concluding statement on dependent company report

The company has compiled a dependent company report for the 2017/2018 financial year, which ends with the following concluding statement:

The Management Board of STEMMER IMAGING AG hereby states that, under the circumstances known to us at the date on which the company entered into the transactions listed in the report on relations to affiliated companies or undertook acts, the company received adequate consideration for each transaction and suffered no disadvantage by reason of undertaking such acts.

Significant events after the end of the financial year

Please refer to the notes.

» We help to exploit the
potential of machine vision
in an optimum manner. «

CONSOLIDATED BALANCE SHEET

ASSETS	30/06/2018	30/06/2017
	KEUR	KEUR
A. FIXED ASSETS	**6,797**	**4,328**
I. INTANGIBLE ASSETS		
1. PURCHASED INDUSTRIAL AND SIMILAR RIGHTS AND ASSETS AND LICENCES IN SUCH RIGHTS AND ASSETS	234	225
2. GOODWILL	3,602	1,194
3. PREPAYMENTS ON INTANGIBLE ASSETS	48	0
	3,884	**1,419**
II. TANGIBLE ASSETS		
1. LAND, LAND RIGHTS AND BUILDINGS, INCLUDING BUILDINGS ON THIRD-PARTY LAND	1,346	1,455
2. OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	1,464	1,454
3. PREPAYMENTS ON TANGIBLE ASSETS AND CONSTRUCTION IN PROGRESS	12	0
	2,822	**2,909**
III. FINANCIAL ASSETS		
SHARES IN AFFILIATED COMPANIES	91	0
	91	**0**
B. CURRENT ASSETS	**75,862**	**23,930**
I. INVENTORIES		
1. RAW MATERIALS AND SUPPLIES	352	304
2. FINISHED GOODS AND MERCHANDISE	8,195	5,904
3. PREPAYMENTS ON INVENTORIES	7	4
	8,554	**6,212**
II. RECEIVABLES AND OTHER ASSETS		
1. TRADE RECEIVABLES	14,180	11,648
2. RECEIVABLES FROM AFFILIATED COMPANIES	430	0
3. OTHER ASSETS	941	561
	15,551	**12,209**
III. SECURITIES		
OTHER SECURITIES	5,027	1,753
	5,027	**1,753**
IV. CASH-IN-HAND, BANK BALANCES AND CHEQUES	**46,730**	**3,756**
C. PREPAID EXPENSES	**205**	**405**
D. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES	**41**	**45**
	82,905	**28,708**

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	30/06/2018	30/06/2017
	KEUR	KEUR
A. EQUITY	**68,437**	**14,619**
I. SUBSCRIBED CAPITAL	6,500	250
II. CAPITAL RESERVE	49,500	0
III. REVENUE RESERVES	0	4,750
IV. CONSOLIDATED NET RETAINED PROFITS	12,757	9,822
V. CURRENCY TRANSLATION ADJUSTMENTS	−320	−203
B. PROVISIONS	**4,902**	**2,556**
1. TAX PROVISIONS	471	274
2. OTHER PROVISIONS	4,431	2,282
C. LIABILITIES	**9,507**	**11,350**
1. PAYMENTS RECEIVED ON ACCOUNT OF ORDERS	117	161
2. TRADE PAYABLES	6,587	5,764
3. OTHER LIABILITIES	2,803	5,425
- THEREOF TAXES: KEUR 2,218 (30/06/2017: KEUR 1,917)		
- THEREOF SOCIAL SECURITY: KEUR 123 (30/06/2017: KEUR 172)		
D. DEFERRED INCOME	**46**	**170**
E. DEFERRED TAX LIABILITIES	**13**	**13**
	82,905	**28,708**

CONSOLIDATED INCOME STATEMENT

	2017/2018	2016/2017
	KEUR	KEUR
REVENUE	100,634	88,304
OTHER OPERATING INCOME	1,248	2,561
- THEREOF INCOME FROM CURRENCY TRANSLATION: KEUR 480 (PREVIOUS YEAR: KEUR 384)		
COST OF MATERIALS		
COST OF RAW MATERIALS, CONSUMABLES AND SUPPLIES, AND OF PURCHASED MERCHANDISE	−63,990	−57,506
PERSONNEL EXPENSES		
A. WAGES AND SALARIES	−16,942	−16,831
B. SOCIAL SECURITY, POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT COSTS	−2,934	−2,747
- THEREOF FOR PENSION EXPENSES: KEUR −335 (PREVIOUS YEAR: KEUR −335)		
	−19,876	**−19,578**
OTHER OPERATING EXPENSES	−11,632	−7,762
- THEREOF EXPENSES FROM CURRENCY TRANSLATION: KEUR −331 (PREVIOUS YEAR: KEUR −439)		
EBITDA	**6,385**	**6,019**
DEPRECIATION		
A. ON INTANGIBLE FIXED ASSETS AND TANGIBLE ASSETS	−2,075	−1,776
B. EXCEPTIONAL WRITE DOWNS ON CURRENT ASSETS	−161	–
	−2,236	**−1,776**
OPERATING RESULT (EBIT)	**4,149**	**4,244**
INCOME FROM OTHER SECURITIES AND LONG-TERM LOANS	–	82
OTHER INTEREST AND SIMILAR INCOME	87	30
- THEREOF FROM AFFILIATED COMPANIES: KEUR 78 (PREVIOUS YEAR: KEUR 0)		
INTEREST AND SIMILAR EXPENSES	−47	−95
- THEREOF TO SHAREHOLDERS: KEUR 0 (PREVIOUS YEAR: KEUR 36)		
EARNINGS BEFORE TAX	**4,189**	**4,261**
TAXES ON INCOME	−1,254	−1,149
- THEREOF DEFERRED TAXES: KEUR 0 (PREVIOUS YEAR: KEUR 3)		
CONSOLIDATED NET INCOME INCL. NON-CONTROLLING INTERESTS	**2,935**	**3,112**
NON-CONTROLLING INTERESTS IN CONSOLIDATED NET INCOME	–	−310
CONSOLIDATED NET INCOME FOR THE YEAR	**2,935**	**2,802**
RETAINED PROFITS BROUGHT FORWARD FROM THE PREVIOUS YEAR	9,822	22,877
TRANSFERS TO REVENUE RESERVES (OTHER REVENUE RESERVES)	–	−4,750
ACQUISITION OF NON-CONTROLLING INTERESTS (AS PER GAS 23)	–	−2,988
PROFIT DISTRIBUTIONS	–	−8,120
NET RETAINED PROFITS	**12,757**	**9,822**

CONSOLIDATED CASH FLOW STATEMENT

for the 2017/2018 financial year

	01/07/2017 – 30/06/2018	01/07/2016 – 30/06/2017
	KEUR	KEUR
COMPREHENSIVE INCOME (INCL. NON-CONTROLLING INTERESTS) AND BEFORE TRANSACTION COSTS FROM THE CAPITAL INCREASE	**2,935**	**3,112**
+ ADJUSTMENT FOR TRANSACTION COSTS FROM THE CAPITAL INCREASE	3,155	0
+ AMORTISATION/DEPRECIATION AND WRITE-DOWNS OF INTANGIBLE/TANGIBLE FIXED ASSETS	2,075	1,776
+ NON-CASH ITEMS	1,753	712
± INCREASE/DECREASE IN OTHER PROVISIONS	663	172
± INCREASE/DECREASE IN INVENTORIES, TRADE RECEIVABLES AND OTHER ASSETS	–5,641	–2,364
± INCREASE/DECREASE IN TRADE PAYABLES AND OTHER LIABILITIES	1,506	2,231
– CASH USED FOR NON-RECURRING SPECIAL BONUS	–2,886	0
± NET INTEREST INCOME	–40	–18
± TAX REFUNDS/TAXES PAID	–1,430	–1,619
± INCOME TAX EXPENSES/INCOME	1,255	1,149
CASH FROM OPERATING ACTIVITIES	**3,345**	**5,151**
– PURCHASE OF INTANGIBLE ASSETS	–404	–209
TANGIBLE ASSETS	–856	–1,274
– PURCHASE OF CONSOLIDATED SUBSIDIARIES AND NON-CONTROLLING INTERESTS	–3,291	–4,354
+ EXTRAORDINARY PROCEEDS FROM SECURITIES PORTFOLIO ORIGINALLY INTENDED TO BE HELD IN THE LONG TERM	1,752	0
+ INTEREST RECEIVED	87	112
+ PROCEEDS FROM THE DISPOSAL OF FIXED ASSETS	0	12
CASH USED FOR INVESTING ACTIVITIES	**–2,712**	**–5,713**
+ PROCEEDS FROM CAPITAL INCREASES LESS TRANSACTION COSTS	47,845	0
– INTEREST PAID	–47	–94
– PAYMENTS FOR PROFIT DISTRIBUTIONS TO NON-CONTROLLING INTERESTS	0	–805
– PAYMENTS FOR PROFIT DISTRIBUTIONS TO MAIN SHAREHOLDERS	0	–8,120
± PROCEEDS FROM/PAYMENTS FOR SHAREHOLDER LOANS	–353	74
NET CASH PROVIDED BY FINANCING ACTIVITIES	**47,445**	**–8,945**
NET CHANGE IN CASH FUNDS	48,078	–9,507
CHANGES IN CASH FUNDS FROM EXCHANGE RATE MOVEMENTS, REMEASUREMENT AND OTHER REASONS	–77	–88
CASH FUNDS AT BEGINNING OF FINANCIAL YEAR	3,756	13,351
CASH FUNDS AT END OF FINANCIAL YEAR	51,757	3,756
NET CHANGE IN CASH FUNDS	**48,001**	**–9,595**

CONSOLIDATED CHANGES IN EQUITY STATEMENT

for the 2017/2018 financial year

	SUBSCRIBED CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	CURRENCY TRANSLATION ADJUSTMENTS	NON-CONTROLLING INTERESTS	CONSOLIDATED NET RETAINED PROFITS	CONSOLIDATED EQUITY
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
30/06/2016	**250**	**0**	**0**	**−6**	**1,852**	**22,877**	**24,972**
TRANSFERS TO REVENUE RESERVES		0	4,750			−4,750	0
PROFIT DISTRIBUTIONS						−8,120	−8,120
CONSOLIDATED NET INCOME						2,802	2,802
OTHER CHANGES				−196	−1,852	−2,988	−5,036
30/06/2017	**250**	**0**	**4,750**	**−203**	**0**	**9,822**	**14,619**
CONVERSION OF REVENUE RESERVES	4,750		−4,750				0
PROFIT DISTRIBUTIONS	1,500	49,500					51,000
CONSOLIDATED NET INCOME						2,935	2,935
OTHER CHANGES				−117			−117
30/06/2018	**6,500**	**49,500**	**0**	**−320**	**0**	**12,757**	**68,437**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2017/2018

General information

STEMMER IMAGING AG (hereinafter also referred to as "the company") is headquartered in Puchheim and registered with the Local Court of Munich under number HRB 237247. The company's change of legal form from a limited liability company (GmbH) into a stock corporation (AG) was enacted by a resolution dated 15 November 2017.

Since 27 February 2018, the company has been listed in the Open Market (Scale segment) of the Frankfurt Stock Exchange. A total of 2,990,000 shares were placed at an issue price of EUR 34.00. STEMMER IMAGING AG's offer comprised 1,500,000 shares from a capital increase, 1,100,000 shares from the holding of the sole shareholder, i.e. SI HOLDING GmbH, and a greenshoe option of 390,000 shares, likewise from the placement of existing shares. All 2,990,000 shares offered were placed. The placement volume including the greenshoe option therefore amounted to around EUR 101.7 million.

STEMMER IMAGING is one of the leading providers of machine vision technology for use in industry and science. With a perfect combination of innovative products, expert advice and comprehensive service, STEMMER IMAGING helps customers complete imaging tasks quickly, simply and safely. Experienced specialists are on hand to provide local advice in 19 European countries.

STEMMER IMAGING's customers benefit from the combination of an exceptionally diverse range of products from leading global manufactures (e.g. cameras, optics, illumination, machine vision systems, software) and the solution know-how of experienced experts. In addition to the technically and economically optimum combination of components for every task, particular emphasis is given to solution-oriented customer service, including feasibility studies, development services, training and customer support.

STEMMER IMAGING AG is a parent company and is therefore required by section 290 of the German Commercial Code (HGB) to prepare consolidated financial statements as of 30 June 2018. The consolidated financial statements have been prepared in accordance with the provisions of the HGB and the supplementary provisions of the German Stock Corporation Act (AktG). The company is subject to the provisions for large corporations in accordance with section 267 HGB.

The income statement is prepared according to the nature of expense method set out in section 275 (2) HGB.

Consolidation policies

The shareholdings held directly by STEMMER IMAGING AG as of 30 June 2018, the consolidation policies, the capital shares and the net incomes of the consolidated companies are presented below. Affiliated companies are generally included according to the principles of full consolidation. There were no joint ventures to be consolidated by way of proportionate consolidation as of the balance sheet date.

Consolidated group

The consolidated financial statements comprise the parent company, i.e. STEMMER IMAGING AG, as well as one domestic and eight foreign subsidiaries, which are included in the consolidated financial statements by way of full consolidation.

The following subsidiaries were included in the consolidated group in 2017/2018:

COMPANY NAME	SHARE OF CAPITAL (%)	CURRENCY	NET INCOME 2017/2018	EQUITY AS OF 30/06/2018
GERMANY				
SIS STEMMER IMAGING Services GmbH, Puchheim/D *	100%	KEUR	0	107
OUTSIDE GERMANY				
STEMMER IMAGING S.A.S., Suresnes/F	100%	KEUR	439	1,800
STEMMER IMAGING Ltd., Tongham/UK	100%	KGBP	677	2,138
STEMMER IMAGING AG, Pfäffikon/CH	100%	KCHF	304	795
STEMMER IMAGING B.V., Zutphen/NL	100%	KEUR	647	1,293
STEMMER IMAGING AB, Stockholm/SE **	100%	KSEK	4,107	8,790
STEMMER IMAGING A/S, Copenhagen/DK **	100%	KDKK	3	1,235
STEMMER IMAGING Oy, Espoo/FI **	100%	KEUR	136	131
STEMMER IMAGING Sp. z o.o., Lowicz/PL **	100%	KPLN	–162	–118

* Profit and loss transfer agreement with STEMMER IMAGING AG
** Provisional financial data

In the 2017/2018 financial year, a shelf company/subsidiary was acquired in Austria, namely STEMMER IMAGING Ges.m.b.H., Graz/AT (acquisition cost: EUR 59 thousand), which had conducted no operating activity by 30 June 2018. STEMMER IMAGING Ges.m.b.H. was therefore not included in the consolidated group in exercise of the option provided by section 296 HGB.

Effective 31 January 2018, the business of Data Vision, a segment of Batenburg Mechatronica B.V., Netherlands, was acquired by the Dutch subsidiary, i.e. STEMMER IMAGING B.V., Zutphen/NL, in an asset deal. The business serves the regional expansion of the Vision Technology segment. The purchase price amounted to EUR 3.28 million and was paid in cash in the current financial year. Corresponding tax advantages from the amortisation of the goodwill resulting from the goodwill (approx. EUR 0.7 million) had an opposite effect. The initial consolidation of the Data Vision business resulted in goodwill of EUR 3.20 million, which is primarily attributable to the acquired customer base. The acquired segment contributed to growth in the Group from February 2018 to June 2018 with revenue of around EUR 1.7 million and a gross margin of around EUR 0.6 million. If the segment had been included at the start of the financial year, revenue would have increased by around EUR 4.2 million in total and the gross margin by around EUR 1.4 million in total.

There were no other changes in the consolidated group in the 2017/2018 financial year.

Financial year

The financial year is the period from 01 July 2017 to 30 June 2018. All financial years of the consolidated subsidiaries also cover this period or were adapted to this period.

Capital consolidation

Capital consolidation was performed according to the provisions of section 301 HGB and strictly as of the date of acquisition.

As part of capital consolidation, the acquisition cost of the equity investment was offset against the pro rata carrying amount of the equity of the fully consolidated entity as of the consolidation date. Any remaining difference was allocated to hidden reserves/liabilities. Any further remaining difference is carried as goodwill in accordance with section 301 (3) sentence 1 HGB. Goodwill is amortised in accordance with section 309 (1) sentence 2 HGB on a straight-line basis over expected useful lives of five to ten years.

If non-Group third parties hold shares in the equity and income of the consolidated companies, these shares are recognised separately within equity as “non-controlling interests”.

Consolidation of intercompany balances

Receivables and liabilities of the companies included in the consolidated financial statements were offset in accordance with section 303 HGB.

Consolidation of income and expenses

Revenue, interest income, other trade income and income from investments between the entities included in the consolidated financial statements were offset against the corresponding expenses in accordance with section 305 (1) HGB.

Consolidation of intercompany profits/losses

With regard to section 304 (2) HGB, immaterial intercompany profits/losses were not eliminated in inventories and assets.

Foreign currency translation

Translation of annual financial statement items denominated in foreign currencies

If annual financial statements contain items based on amounts that are denominated in a foreign currency or were originally denominated in a foreign currency, they are translated in accordance with section 256a HGB.

Translation of financial statements in foreign currencies

Foreign Group companies' annual financial statements in a foreign currency were translated in accordance with section 308a HGB, with balance sheet items (not including equity) being translated at the middle spot exchange rate on the balance sheet date, equity at historical rates and the items of the income statement at the average rate for the financial year. Differences from the translation of asset, capital and liability items of foreign Group companies are offset against equity under "currency translation adjustments". The differences between the expenses and income translated at average rates for the period and the net income for the year translated at the closing rate are likewise recognised under "currency translation adjustments".

EXCHANGE RATES OF FOREIGN CURRENCIES	CLOSING RATE 30/06/2018	AVERAGE RATE 2017/2018	CLOSING RATE 30/06/2017	AVERAGE RATE 2016/2017
SWITZERLAND (CHF)	1.15690	1.15819	1.09300	1.08006
UK (GBP)	0.88605	0.88598	0.87933	0.86000
SWEDEN (SEK)	10.45300	9.91513	9.63980	9.61318
DENMARK (DKK)	7.45250	7.44404	7.43660	7.43870
POLAND (PLN)	4.37320	4.23210	4.22590	4.31349

Accounting policies

The consolidated financial statements are prepared in accordance with the German Commercial Code (HGB) in the version amended by the German Accounting Directive Implementation Act (BilRUG).

The annual financial statements of foreign subsidiaries included in the consolidated financial statements were prepared according to local requirements and, in the event of material deviations in accordance with section 308 HGB, adjusted to the parent company's accounting policies. For reasons of materiality and the disproportionate effort required, minor differences in accounting were not adjusted.

Measurement was performed on the assumption that the company is a going concern. The annual financial statements were prepared in accordance with the following accounting policies.

Purchased intangible assets and tangible assets were measured at cost and amortised and depreciated, respectively, on a straight-line basis over useful lives of three to eight years.

The positive difference from capital consolidation remaining after the disclosure of hidden reserves and liabilities was allocated to **goodwill**, which also includes acquired customer bases. Until the previous year, goodwill was uniformly amortised over five years. Because of the high proportion of customer bases in the goodwill and past experience of the very low reduction rate of acquired customer bases, the useful life was redefined as ten years from the 2017/2018 financial year. With regard to the acquisition of the Dutch "Data Vision" segment, the changed useful life of ten years resulted in depreciation from the acquisition date (February 2018) of EUR 133 thousand (instead of EUR 267 thousand if the useful life had been five years).

"Raw materials, consumables and supplies and finished goods and merchandise" are recognised under inventories. The raw materials, consumables and supplies measured at cost of EUR 0.35 million (30 June 2017: EUR 0.30 million) primarily relate to cabling and small parts. As of 30 June 2018, demo devices/materials were recognised for the first time at a cost of EUR 169 thousand (30 June 2017: EUR 0 thousand). Finished goods and merchandise were measured at average cost in accordance with the principle of lower of cost or market. Cost includes direct costs (including incidental purchase costs and reductions) plus appropriate overheads. Write-downs for inventory risks resulting from storage periods and diminished marketability are performed to an appropriate and sufficient extent.

Receivables and other assets are carried at nominal value less write-downs for individual risks and the general credit risk. Specific valuation allowances were recognised on all risk-bearing items; the general credit risk was reflected by an appropriate global valuation allowance.

Securities classified as current assets (other securities) are carried at cost or in accordance with the strict principle of lower of cost or market.

Cash and cash equivalents are recognised at nominal value.

Prepaid expenses relate to expenditures before the balance sheet date representing an expense for a certain period after this date. The items are reversed on a straight-line basis over time or according to economic affiliation.

Deferred tax assets/liabilities comprise expected tax payments or reimbursements resulting from temporary differences between the carrying amounts under commercial law and the carrying amounts for tax purposes. Deferred tax assets are not recognised for loss carryforwards. If it does not seem sufficiently likely that deferred tax assets will be realised in the future, they are written down accordingly. The measurement option for deferred tax assets was exercised at the level of the annual financial statements. Deferred tax liabilities and deferred taxes from consolidation adjustments must be recognised according to local tax rates and without discounting.

Subscribed capital is stated at nominal value.

Tax provisions and other provisions take account of all discernible risks and uncertain liabilities on the basis of cautious business judgement. They are measured at the necessary settlement amount, i.e. including future price and cost increases. Provision amounts with a term of more than one year are discounted at the average market interest rate corresponding to their remaining term.

Liabilities are carried at their settlement amount.

Deferred income relates to income received before the balance sheet date representing income for a certain period after this date. The items are reversed on a straight-line basis over time or according to economic affiliation.

Proceeds from the sale of products and the provision of services are recognised as **revenue**. In accordance with the realisation principle, they are recognised when the risk is transferred or the service is rendered, respectively. Sales allowances are deducted from revenue.

Notes on the consolidated balance sheet

Fixed assets

The statement of changes in fixed assets is shown in the annex to the notes to the consolidated financial statements.

The **goodwill** reported in the consolidated financial statements amounted to EUR 3.60 million as of 30 June 2018 (30 June 2017: EUR 1.19 million). EUR 3.07 million (30 June 2017: EUR 0 million) of the carrying amount as of the balance sheet date was attributable to the acquisition of the Dutch "Data Vision" segment. Another EUR 0.38 million (30 June 2017: EUR 0.96 million) is attributable to the goodwill of the Swedish subsidiary and EUR 0.15 million (30 June 2017: 0.21 million) to the goodwill of the Danish subsidiary.

The recognised **shares in affiliated companies** of EUR 91 thousand primarily relate to the non-consolidated STEMMER IMAGING Ges.m.b.H., Graz/AT, which conducted no operating activity in the 2017/2018 financial year.

Receivables and other assets

All **receivables and other assets** have a remaining term of less than one year. Receivables from affiliated companies of EUR 0.43 million primarily relate to current receivables from PRIMEPULSE SE and SI HOLDING GmbH (30 June 2017: EUR 0 million).

Cash and cash equivalents

As of 30 June 2018, there was **cash** of EUR 46.73 million (30 June 2017: EUR 3.76 million) and **money market securities** of EUR 5.03 million (30 June 2017: EUR 1.75 million). There were no restrictions on disposition as of the balance sheet date.

Prepaid expenses

The carrying amount of EUR 0.21 million (30 June 2017: EUR 0.41 million) includes expenditures before the balance sheet date for expenses after that date, e.g. for prepaid insurance premiums, fees, contributions and services.

Excess of plan assets over pension liabilities

The **excess of plan assets over pension liabilities** recognised in accordance with section 246 (2) HGB results from the coverage of pension liabilities or similar long-term obligations (original obligation EUR 100 thousand; settlement amount of the obligation as of the balance sheet date EUR 63 thousand (previous year: EUR 56 thousand)) with assets (fair value EUR 103 thousand, cost EUR 100 thousand; previous year: EUR 98 thousand) that are inaccessible to all other creditors and are used solely to satisfy liabilities from these obligations (called plan assets). The fair value of the offset assets is based on actuarially determined pension liability insurance as of the balance sheet date (cover funds including allotted surpluses). EUR 40 thousand (previous year: EUR 45 thousand) of the carrying amount is barred from distribution.

Equity

The **subscribed capital** totalled EUR 6,500,000.00 as of 30 June 2018 (30 June 2017: EUR 250,000.00) and is fully paid up. As of 30 June 2018, there were 6,500,000 no-par-value bearer shares. The change in subscribed capital resulted from the conversion of the other revenue reserves recognised in the previous year of EUR 4.75 million (resolution of 15 November 2017) and the increase in subscribed capital by EUR 1.50 million (resolution of 05 February 2018; issuance of 1,500,000 shares as part of the IPO on 27 February 2018).

The Management Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 31 October 2022 by a total of EUR 2.50 million against cash and/or non-cash contributions by issuing up to 2,500,000 new no-par-value bearer shares (**Authorised Capital 2017/I**).

The **capital reserves** in accordance with section 272 (2) no. 1 HGB amount to EUR 49.50 million (30 June 2017: EUR 0 million), which was generated as an additional payment on the issue of the above-mentioned 1,500,000 shares on 27 February 2018.

As of 30 June 2018, **net retained profits** amounted to EUR 12.76 million (30 June 2017: EUR 9.82 million). The change on the previous year resulted from the net income for 2017/2018 of EUR 2.94 million. There were no profit distributions in the 2017/2018 financial year.

The **currency translation adjustment item** recognised in equity of EUR 0.32 million (30 June 2017: EUR 0.20 million) resulted from the translation of the annual financial statements of foreign consolidated companies in foreign currencies. They were translated in accordance with section 308a HGB, according to which the differences arising from the translation of asset, capital and liability items and of the income statements of foreign Group companies are offset directly in equity under the adjustment item.

Tax provisions

Tax provisions include all income taxes of the companies included in the consolidated financial statements up to the balance sheet date.

Other provisions

The **other provisions** primarily include provisions for personnel costs (especially holiday, anniversaries, bonuses/incentives), legal and consulting costs and outstanding invoices. The previous year's figure related to obligations to former shareholders of EUR 0.23 million (30 June 2018: EUR 0 million). Provision amounts with a term of less than twelve months were not discounted.

Liabilities

As was the case in the previous year, all liabilities are due within one year and – apart from the retentions of title typical of the sector – are unsecured. In the previous year, EUR 1.65 million (30 June 2018: EUR 0 million) of the liabilities were liabilities to former shareholders.

Deferred tax assets and liabilities

The recognised amount comprises deferred taxes on minor differences (primarily measurement differences in personnel provisions and fixed assets) between the carrying amounts under commercial law and for tax purposes. The measurement of deferred taxes is based on local tax rates (primarily Germany at around 28 per cent; 30 June 2017: around 28 per cent). The measurement option for deferred tax assets was exercised at the level of the annual financial statements (EUR 90 thousand; 30 June 2017: EUR 75 thousand). The deferred tax liabilities of EUR 13 thousand (30 June 2017: EUR 13 thousand) result from the English subsidiary. There were no deferred taxes from consolidation adjustments to be recognised. In particular, the net income under commercial law was reduced by non-tax-deductible amortisation of goodwill.

Notes on the consolidated income statement

Revenue by region

Revenue is generated in the Machine Vision segment and is attributable to regions and areas of activity as follows:

	2017/2018		2016/2017	
	KEUR	%	KEUR	%
GERMANY	53,452	53.1	47,507	53.8
EU	40,062	39.8	34,632	39.2
OTHER	7,120	7.1	6,165	7.0
	100,634	**100.0**	**88,304**	**100.0**

	2017/2018		2016/2017	
	KEUR	%	KEUR	%
MACHINE VISION TECHNOLOGY	89,455	88.9	78,699	89.1
OWN PRODUCTS	11,179	11.1	9,605	10.9
	100,634	**100.0**	**88,304**	**100.0**

Other operating income

The other operating income of EUR 1.25 million (previous year: EUR 2.56 million) especially includes the following material items:

- Income from currency translation (EUR 0.48 million; previous year: EUR 0.38 million)
- Income from the allocation of IPO costs to SI Holding GmbH: EUR 0.27 million (previous year: EUR 0 million)
- Income from the reversal of provisions: EUR 0 million (in the previous year, there was an extraordinary reversal of long-term personnel provisions/obligations of EUR 1.71 million as part of the change in shareholder)

The carrying amount of other operating income does not contain any material prior-period amounts.

Personnel expenses

Personnel expenses include amounts for extraordinary special bonus payments (EUR 1.84 million; previous year: EUR 2.55 million).

Other operating expenses

The other operating expenses of EUR 11.63 million (previous year: EUR 7.76 million) especially include the following material items:

- Extraordinary expenses for the IPO: EUR 3.16 million (previous year: EUR 0 million)
- Expenses from currency translation: EUR 0.33 million (previous year: EUR 0.44 million)
- Other expenses for various trade shows and selling, administrative, IT and travel costs

The carrying amount of other operating expenses does not contain any material prior-period amounts.

Taxes on income

Taxes on income amount to EUR 1.25 million (previous year: EUR 1.15 million). Expenses or income from deferred items are not included.

Scientific research expenses

Scientific research costs (especially with regard to new technologies in the field of hard/software) are – as in the previous year – not recognised according to the option provided by section 248 (2) HGB.

Other disclosures

Other financial commitments and contingent liabilities

Future payment obligations (other financial commitments) were as follows as of the balance sheet date:

TYPE OF FINANCIAL COMMITMENT	DUE WITHIN ONE YEAR	DUE WITHIN TWO TO FIVE YEARS	LONGER THAN FIVE YEARS
	KEUR	KEUR	KEUR
FROM LEASES	1,246	1,093	–
FROM CAR LEASES	196	100	–
FROM LEASING OF MOVABLE ASSETS	82	–	–

There is no material purchase commitment in excess of usual operating activity.

There were no other contingent liabilities as of the balance sheet date.

Derivative financial instruments

There were no derivative financial instruments as of the balance sheet date.

Employees

There were 251 employees (previous year: 239 employees) on average during the 2017/2018 financial year.

EMPLOYEES	2017/2018	2016/2017
GERMANY	169	160
OUTSIDE GERMANY	82	79
	251	**239**

Auditor's fee

For the 2017/2018 financial year, the following fees were charged by S & P GmbH and Sonntag & Partner Partnerschaftsgesellschaft:

- Audits of financial statements for the 2017/2018 financial year: EUR 52 thousand (previous year: EUR 50 thousand)
- Other assurance services: EUR 0 thousand (previous year: EUR 0 thousand)
- Tax advisory services: EUR 33 thousand (previous year: EUR 27 thousand)
- Other services: EUR 115 thousand (previous year: EUR 42 thousand)

Management Board

During the past financial year, the Group's business was managed by the following people:

- Mr Christof Zollitsch, Kaufering, Chairman of the Management Board, Chief Sales Officer, et. al.
- Mr Lars Böhrnsen, Breitbrunn a. Ammersee, since 15 November 2017, Chief Financial Officer
- Mr Martin Kersting, Gröbenzell, since 03 August 2017, Chief Technology Officer

The right to protection in accordance with section 286 (4) HGB regarding the remuneration of management bodies is exercised. All Management Board members represent the company together with another Management Board member or jointly with a registered authorised officer (Prokurist).

Supervisory Board

In the past financial year, Supervisory Board activities were carried out by the following people:

- Klaus Weinmann, Chairman of the Board of Directors of PRIMEPULSE SE as of the reporting date, since 15 November 2017; Chairman of the Supervisory Board
- Stefan Kober, Chairman of the Management Board of AL-KO KOBER SE, since 15 November 2017
- Markus Saller, Director Mergers & Acquisitions of PRIMEPULSE SE, since 15 November 2017

The total remuneration of the Supervisory Board amounted to EUR 0.07 million in the 2017/2018 financial year (previous year: EUR 0 million).

Notes on the consolidated cash flow statement

The cash flow statement was prepared according to German Accounting Standard 21 (GAS 21). Cash funds only include cash and cash equivalents and freely available current items that are not subject to significant value fluctuations. As of 30 June 2018, cash funds amounted to EUR 51.76 million (30 June 2017: EUR 3.76 million) and had increased materially due to cash generated by the IPO carried out in February 2018.

Cash inflow from operating activities declined from EUR 5.15 million to EUR 3.35 million due in particular to the increased commitment of funds in current assets and the payment of special bonuses (EUR 2.89 million). Cash outflow from investing activities fell from EUR 5.71 million in the previous year to EUR 2.71 million. Cash inflow from financing activities was influenced in particular by proceeds from capital increases (after deducting transaction costs) of EUR 47.94 million.

The STEMMER IMAGING Group there has high operating cash flows and high cash funds in order to meet its objectives with regard to development and internationalisation.

Notes on the consolidated statement of changes in equity

Consolidated equity totals EUR 68.44 million (30 June 2017: EUR 14.62 million); of which EUR 49.50 million (30 June 2017: EUR 0 million) is attributable to capital reserves and EUR 12.76 million (30 June 2017: EUR 9.82 million) to consolidated net retained profits. Please also refer to the statement of changes in equity.

Related party transactions

Due to the change of shareholder as of 30 June 2017 and the IPO as of 27 February 2018, the group of related parties changed before the balance sheet date. The group of related parties now particularly includes companies of the international PRIMEPULSE SE Group (formerly AL-KO Group). In the 2017/2018 financial year, there were the following material transactions with related parties in particular:

- Income from the allocation of IPO costs to SI HOLDING GmbH: the shareholder, i. e. SI HOLDING GmbH, was allocated a EUR 0.32 million share in the IPO costs incurred. The receivable from the cost allocation amounted to EUR 0.32 million as of the balance sheet date. In addition, SI HOLDING GmbH bore a material portion of the issuing bank's own costs for the share packages sold.
- The issue proceeds generated by the IPO were temporarily handed over to PRIMEPULSE SE as a loan of EUR 40 million; the interest rate was 1.5 per cent; as of the balance sheet date, the interest receivable amounted to EUR 0.08 million.
- In the 2017/2018 financial year, arm's length goods and services transactions were conducted with CANCOM SE in a volume of EUR 0.27 million. As of the balance sheet date, the liabilities amounted to EUR 0.01 million.

According to the Management Board, all transactions with related parties were agreed and conducted at arm's length conditions.

For the 2017/2018 financial year, the Management Board prepared a dependent company report in accordance with section 312 of the German Stock Corporation Act (AktG). Please see the concluding remarks in the management report of the company and the Group.

Off-balance sheet transactions

There were no material off-balance sheet transactions in the 2017/2018 financial year.

Higher-level consolidated financial statements

The STEMMER IMAGING Group is included in the consolidated financial statements of PRIMEPULSE SE, Munich, which prepares consolidated financial statements as of 31 December of each calendar year and publishes them in the electronic German Federal Gazette (Bundesanzeiger).

Proposal on the appropriation of net profit

The Management Board proposes using the net retained profits as follows:

- Distribution of a dividend of EUR 3.25 million
- Rest: carry forward to new account

EUR 0.04 million (previous year: EUR 0.04 million) of equity was barred from distribution as of 30 June 2018.

Exemption in accordance with section 264 (3) HGB

The exemption of section 264 (3) HGB was exercised with regard to the domestic subsidiary, i. e. SIS STEMMER IMAGING Services GmbH, Puchheim.

Supplementary report

STEMMER IMAGING AG acquired the shares in ELVITEC S.A.S., Pertuis, France, by agreement dated 10 July 2018. The provisional purchase price is approximately EUR 5.06 million. There are also earn-out clauses and purchase price adjustment clauses for working capital items, which could not yet be conclusively quantified at the time of reporting.

On 13 August 2018, STEMMER IMAGING AG announced a cooperation in the form of a memorandum of understanding with Nanjing Inovance Industrial Vision Technology Development Co., Ltd. (Nanjing Inovance). Nanjing Inovance is a subsidiary of the publicly traded Shenzhen Inovance Technology Co., Ltd., a leading manufacturer of automation components in China.

Otherwise, no further significant events occurred after the end of the financial year.

Puchheim, 28 September 2018

CHRISTOF ZOLLITSCH	**MARTIN KERSTING**	**LARS BÖHRNSEN**
CHIEF EXECUTIVE OFFICER	CHIEF TECHNICAL OFFICER	CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES

in fixed assets for the 2017/2018 financial year

	COST 01/07/2017	ADDITIONS	RECLASSI-FICATIONS	DISPOSALS	CURRENCY
	EUR	EUR	EUR	EUR	EUR
		(+)	(±)	(−)	
I. INTANGIBLE ASSETS					
1. CONCESSIONS, INDUSTRIAL AND SIMILAR RIGHTS AND ASSETS AND LICENCES IN SUCH RIGHTS AND ASSETS	1,627,719.98	355,992.15	0.00	0.00	0.00
2. GOODWILL	3,936,475.71	3,200,000.00	0.00	0.00	−894.38
3. ADVANCE PAYMENTS FOR INTANGIBLE ASSETS	0.00	47,600.00	0.00	0.00	0.00
	5,564,195.69	**3,603,592.15**	**0.00**	**0.00**	**−894.38**
II. TANGIBLE ASSETS					
1. LAND, LAND RIGHTS AND BUILDINGS, INCL. BUILDINGS ON THIRD-PARTY LAND	3,013,422.61	151,173.57	24,008.46	−5,280.00	−3,440.98
2. OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	4,509,649.80	639,415.95	29,632.94	−32,081.67	−26,471.96
3. ADVANCE PAYMENTS AND ASSETS UNDER CONSTRUCTION	0.00	65,667.63	−53,641.40	0.00	0.00
	7,523,072.41	**856,257.15**	**0.00**	**−37,361.67**	**−29,912.94**
III. FINANCIAL ASSETS					
SHARES IN AFFILIATED COMPANIES	0.00	90,540.86	0.00	0.00	0.00
	13,087,268.10	**4,550,390.16**	**0.00**	**−37,361.67**	**−30,807.32**

COST 30/06/2018	CUMULATIVE DEPRECIATION AND AMORTISATION 01/07/2017	ADDITIONS TO DEPRECIATION AND AMORTISATION	DISPOSALS FROM DEPRECIATION AND AMORTISATION	CURRENCY	CUMULATIVE DEPRECIATION AND AMORTISATION 30/06/2018	CARRYING AMOUNT 30/06/2018	CARRYING AMOUNT 30/06/2017
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
		(+)	(±)				
1,983,712.13	−1,402,515.32	−346,889.81	0.00	0.00	−1,749,405.13	234,307.00	225,204.66
7,135,581.33	−2,742,955.29	−791,078.28	0.00	516.28	−3,533,517.29	3,602,064.04	1,193,520.42
47,600.00	0.00	0.00	0.00	0.00	0.00	47,600.00	0.00
9,166,893.46	**−4,145,470.61**	**−1,137,968.09**	**0.00**	**516.28**	**−5,282,922.42**	**3,883,971.04**	**1,418,725.08**
3,179,883.66	−1,558,399.81	−282,626.59	5,280.00	1,423.02	−1,834,323.38	1,345,560.28	1,455,022.80
5,120,145.06	−3,055,322.90	−654,436.74	32,077.67	21,871.02	−3,655,810.95	1,464,334.11	1,454,326.90
12,026.23	0.00	0.00	0.00	0.00	0.00	12,026.23	0.00
8,312,054.95	**−4,613,722.71**	**−937,063.33**	**37,357.67**	**23,294.04**	**−5,490,134.33**	**2,821,920.62**	**2,909,349.70**
90,540.86	0.00	0.00	0.00	0.00	0.00	90,540.86	0.00
17,569,489.27	**−8,759,193.32**	**−2,075,031.42**	**37,357.67**	**23,810.32**	**−10,773,056.75**	**6,796,432.52**	**4,328,074.78**


STEMMER
IMAGING

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by STEMMER IMAGING AG, Puchheim, comprising the consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, cash flow statement and statement of changes in equity, and the management report of the company and the Group for the financial year from 01 July 2017 to 30 June 2018. The preparation of the consolidated financial statements in accordance with German commercial law and supplementary provisions of the company's bylaws or articles of association are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the management report of the company and the Group based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the legal requirements and supplementary provisions of the company's bylaws and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The management report of the company and the Group is consistent with the consolidated financial statements, complies with the legal regulations, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 28 September 2018
S & P GmbH Wirtschaftsprüfungsgesellschaft

SIGNED ULRICH STAUBER
WIRTSCHAFTSPRÜFER
[German Public Auditor]

SIGNED GEORG KOMM
WIRTSCHAFTSPRÜFER
[German Public Auditor]

» Be it in measuring technology, quality control or human/machine collaborations, machine vision is the key to digital transformation and Industry 4.0. «

BALANCE SHEET

ASSETS	30/06/2018	30/06/2017
	KEUR	KEUR
A. FIXED ASSETS	**16,582**	**13,173**
I. INTANGIBLE ASSETS		
1. PURCHASED INDUSTRIAL AND SIMILAR RIGHTS AND ASSETS AND LICENCES IN SUCH RIGHTS AND ASSETS	234	204
2. PREPAYMENTS ON INTANGIBLE ASSETS	48	0
	282	**204**
II. TANGIBLE ASSETS		
1. LAND, LAND RIGHTS AND BUILDINGS, INCLUDING BUILDINGS ON THIRD-PARTY LAND	1,085	1,137
2. OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	766	757
3. PREPAYMENTS ON TANGIBLE ASSETS AND CONSTRUCTION IN PROGRESS	12	0
	1,863	**1,894**
III. FINANCIAL ASSETS		
1. SHARES IN AFFILIATED COMPANIES	10,819	10,641
2. LOANS IN AFFILIATED COMPANIES	3,618	434
	14,437	**11,075**
B. CURRENT ASSETS	**60,103**	**11,430**
I. INVENTORIES		
FINISHED GOODS AND MERCHANDISE	111	148
	111	**148**
II. RECEIVABLES AND OTHER ASSETS		
1. TRADE RECEIVABLES	6,123	5,748
2. RECEIVABLES FROM AFFILIATED COMPANIES	5,585	2,535
3. OTHER ASSETS	620	153
	12,328	**8,436**
III. SECURITIES		
OTHER SECURITIES	5,027	1,752
	5,027	**1,752**
IV. CASH-IN-HAND, BANK BALANCES AND CHEQUES	**42,637**	**1,094**
C. PREPAID EXPENSES	**124**	**230**
D. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES	**41**	**45**
	76,850	**24,878**

BALANCE SHEET

EQUITY AND LIABILITIES	30/06/2018	30/06/2017
	KEUR	KEUR
A. EQUITY	**71,609**	**18,734**
I. SUBSCRIBED CAPITAL	6,500	250
II. CAPITAL RESERVE	49,500	0
III. REVENUE RESERVES / OTHER REVENUE RESERVES	0	4,750
IV. NET RETAINED PROFITS	15,609	13,734
B. PROVISIONS	**3,566**	**1,742**
1. TAX PROVISIONS	0	234
2. OTHER PROVISIONS	3,566	1,508
C. LIABILITIES	**1,675**	**4,402**
1. PAYMENTS RECEIVED ON ACCOUNT OF ORDERS	76	13
2. TRADE PAYABLES	529	488
3. PAYABLES TO AFFILIATED COMPANIES	28	39
4. OTHER LIABILITIES	1,042	3,862
- THEREOF TAXES: KEUR 660 (30/06/2017: KEUR 502)		
- THEREOF SOCIAL SECURITY: KEUR 18 (30/06/2017: KEUR 14)		
D. DEFERRED INCOME	**0**	**0**
E. DEFERRED TAX LIABILITIES	**0**	**0**
	76,850	**24,878**

INCOME STATEMENT

	2017/2018	2016/2017
	KEUR	KEUR
REVENUE	66,235	58,731
OTHER OPERATING INCOME	733	2,196
- THEREOF INCOME FROM CURRENCY TRANSLATION: KEUR 69 (PREVIOUS YEAR: KEUR 63)		
COST OF MATERIALS		
A. COST OF RAW MATERIALS, CONSUMABLES AND SUPPLIES, AND OF PURCHASED MERCHANDISE	–41,003	–36,265
B. COST OF PURCHASED SERVICE	–2,586	–3,149
	–43,589	**–39,414**
PERSONNEL EXPENSES		
A. WAGES AND SALARIES	–11,812	–12,162
B. SOCIAL SECURITY, POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT COSTS	–1,605	–1,443
- THEREOF FOR PENSION EXPENSES: KEUR –13 (PREVIOUS YEAR: KEUR –8)		
	–13,417	**–13,605**
OTHER OPERATING EXPENSES	–7,798	–5,183
- THEREOF EXPENSES FROM CURRENCY TRANSLATION: KEUR –88 (PREVIOUS YEAR: KEUR –113)		
EBITDA	**2,164**	**2,725**
AMORTISATION OF INTANGIBLE FIXED ASSETS AND DEPRECIATION OF TANGIBLE FIXED ASSETS	–965	–672
OPERATING RESULT (EBIT)	**1,199**	**2,053**
INCOME FROM OTHER PARTICIPATIONS	745	2,051
- THEREOF FROM AFFILIATED COMPANIES: KEUR 745 (PREVIOUS YEAR: KEUR 2,051)		
INCOME FROM PROFIT POOLS AND LOSS ASSUMPTION	74	37
INCOME FROM OTHER SECURITIES AND LONG-TERM LOANS	58	125
- THEREOF FROM AFFILIATED COMPANIES: KEUR 58 (PREVIOUS YEAR: KEUR 125)		
OTHER INTEREST AND SIMILAR INCOME	294	263
- THEREOF FROM AFFILIATED COMPANIES: KEUR 294 (PREVIOUS YEAR: KEUR 261)		
INTEREST AND SIMILAR EXPENSES	–40	–64
EARNINGS BEFORE TAX	**2,331**	**4,465**
TAXES ON INCOME	–456	–897
NET INCOME FOR THE YEAR	**1,875**	**3,568**
RETAINED PROFITS BROUGHT FORWARD FROM THE PREVIOUS YEAR	13,734	23,036
TRANSFERS TO REVENUE RESERVES (OTHER REVENUE RESERVES)	–	–4,750
PROFIT DISTRIBUTIONS	–	–8,120
NET RETAINED PROFITS	**15,609**	**13,734**

NOTES

for the 2017/2018 financial year

General information on the annual financial statements

STEMMER IMAGING AG (hereinafter also referred to as "the company") is headquartered in Puchheim and registered with the Local Court of Munich under number HRB 237247. The company's change of legal form from a limited liability company (GmbH) into a stock corporation (AG) was enacted by a resolution dated 15 November 2017.

Since 27 February 2018, the company has been listed in the Open Market (Scale segment) of the Frankfurt Stock Exchange. A total of 2,990,000 shares were placed at an issue price of EUR 34.00. STEMMER IMAGING AG's offer comprised 1,500,000 shares from a capital increase, 1,100,000 shares from the holding of the sole shareholder, i.e. SI HOLDING GmbH, and an over-allotment ("greenshoe") option of 390,000 shares, likewise from the placement of existing shares. All 2,990,000 shares offered were placed. The placement volume including the greenshoe option therefore amounted to around EUR 101.7 million.

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG). The company is subject to the provisions for large corporations in accordance with section 267 HGB.

The income statement is prepared according to the nature of expense method set out in section 275 (2) HGB.

Disclosures on the accounting policies

Measurement was performed on the assumption that the company is a going concern. The annual financial statements were prepared in accordance with the following accounting policies. There were no material changes to accounting policies.

Acquired **intangible assets and tangible assets** are carried at cost less amortisation and depreciation. Amortisation and depreciation are recognised on a straight-line basis over the relevant useful life. The useful lives are mainly between three and five years.

For additions of **low-value tangible assets**, the tax requirements for the recognition of an omnibus item and depreciation over five years are also applied in the financial accounts, as they do not preclude the actual useful life. Movable fixed assets worth between EUR 150.01 and EUR 410.00 were written off in full in the year of acquisition.

Financial assets are carried at cost unless write-downs are required due to expected permanent impairment.

Inventories are measured at cost in line with the principle of lower of cost or market. The carrying amount primarily comprises rental/test devices; appropriate write-downs were recognised depending on the marketability or age structure of the inventories.

Receivables and other assets are carried at nominal value or the fair value as of the balance sheet date. Identifiable risks among the receivables are accounted for appropriately by recognising specific valuation allowances. The general default and credit risk is accounted for by a global valuation allowance of 0.5 per cent on the net receivables.

Securities classified as current assets include money market fund units and are carried at cost or in accordance with the strict principle of lower of cost or market.

Cash and cash equivalents are carried at nominal amount.

Prepaid expenses relate to expenditures before the balance sheet date representing an expense for a certain period after this date. The items are reversed on a straight-line basis over time or according to economic affiliation.

The **excess of plan assets** over pension liabilities is recognised in accordance with section 246 (2) HGB.

Deferred taxes on differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income under commercial law and for tax purposes and including eligible loss and interest carryforwards are recognised in the event of a surplus of deferred tax liabilities if, overall, tax expenses are anticipated in future financial years. Deferred tax assets are not recognised, even in the event of a net asset position, in exercise of the option according to section 274 HGB.

Provisions are recognised in the amount required in line with prudent business judgement. They cover all discernible risks and uncertain liabilities. Provisions with a term of more than one year are discounted at the average market interest rate for their remaining term.

Liabilities are reported at settlement amount.

Assets and liabilities in foreign currencies are translated in accordance with section 256a HGB.

Proceeds from the sale of products and the provision of services are recognised as **revenue**. In accordance with the realisation principle, they are recognised when the risk is transferred or the service is rendered, respectively. Sales allowances are deducted from revenue.

Notes on the balance sheet

Fixed assets

The breakdown and development of individual fixed assets is shown in the statement of changes in fixed assets, which is attached to the notes as an annex.

The **shares in affiliated companies** of EUR 10.82 million are primarily attributable to STEMMER IMAGING Ltd., Tongham/UK (EUR 3.88 million; 30 June 2017: EUR 3.88 million), and STEMMER IMAGING AB, Stockholm/SE (EUR 3.51 million; 30 June 2017: EUR 3.51 million). In the 2017/2018 financial year, the shares in STEMMER IMAGING Sp. z o.o., Lowicz/PL, STEMMER IMAGING A/S, Copenhagen/DK, and STEMMER IMAGING Oy, Espoo/FI, previously held by the Swedish subsidiary (STEMMER IMAGING AB, Stockholm/SE), were transferred to the company at a carrying amount of around EUR 0.09 million in total. In addition, a shelf company/subsidiary was acquired in Austria, namely STEMMER IMAGING Ges.m.b.H., Graz/AT (acquisition cost: EUR 0.06 million), which had conducted no operating activity by 30 June 2018.

The **loans to affiliated companies** of EUR 3.62 million include loans of EUR 3.25 million (30 June 2017: EUR 0.07 million) to STEMMER IMAGING B.V., Zutphen/NL, which were disbursed among other things for the acquisition of the “Data Vision” segment from Batenburg Mechatronica B.V.

Receivables and other assets

All receivables and other assets are due within one year.

The **receivables from affiliated companies** are mainly trade receivables. The carrying amount of EUR 5.58 million (30 June 2017: EUR 2.53 million) is primarily attributable to SIS STEMMER IMAGING Services GmbH, Puchheim.

Deferred tax assets and liabilities

As a result of measurement differences between the financial and tax accounts, there are individual temporary differences resulting in particular from deviating measurements of personnel provisions. Overall, an applicable tax rate of around 28 per cent (30 June 2017: 28 per cent) gives a surplus of deferred tax assets of EUR 90 thousand (30 June 2017: EUR 75 thousand), which were not recognised in exercise of the option according to section 274 HGB.

Excess of plan assets over pension liabilities

The excess of plan assets over pension liabilities recognised in accordance with section 246 (2) HGB results from the coverage of pension liabilities or similar long-term obligations (original obligation EUR 100 thousand; settlement amount of the obligation as of the balance sheet date EUR 63 thousand (30 June 2017: EUR 56 thousand)) with assets (fair value EUR 103 thousand, cost EUR 100 thousand; 30 June 2017: EUR 98 thousand) that are inaccessible to all other creditors and are used solely to satisfy liabilities from these obligations (called plan assets). The fair value of the offset assets is based on actuarially determined pension liability insurance as of the balance sheet date (cover funds including allotted surpluses). EUR 40 thousand (30 June 2017: EUR 45 thousand) of the carrying amount is barred from distribution.

Equity

The **subscribed capital** totalled EUR 6,500,000.00 as of 30 June 2018 (30 June 2017: EUR 250,000.00) and is fully paid up. As of 30 June 2018, there were 6,500,000 no-par-value bearer shares. The change in subscribed capital resulted from the conversion of the other revenue reserves recognised in the previous year of EUR 4.75 million (resolution of 15 November 2017) and the increase in subscribed capital by EUR 1.50 million (resolution of 05 February 2018; issuance of 1,500,000 shares as part of the IPO on 27 February 2018).

The Management Board is authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 31 October 2022 by a total of EUR 2.50 million against cash and/or non-cash contributions by issuing up to 2,500,000 new no-par-value bearer shares (**Authorised Capital 2017/I**).

The **capital reserves** in accordance with section 272 (2) no. 1 HGB amount to EUR 49.50 million (30 June 2017: EUR 0 million), which was generated as an additional payment on the issue of the above-mentioned 1,500,000 shares on 27 February 2018.

As of 30 June 2018, **net retained profits** amounted to EUR 15.61 million (30 June 2017: EUR 13.73 million). The change on the previous year resulted from the net income for 2017/2018 of EUR 1.88 million. There were no profit distributions in the 2017/2018 financial year.

Provisions

The **tax provisions** of the previous year of EUR 0.23 million were paid in full in the 2017/2018 financial year. For the 2017/2018 financial year, there were refund claims that are recognised separately under other assets.

The **other provision**s of EUR 3.57 million (30 June 2017: EUR 1.51 million) primarily include personnel provisions (especially for holiday, bonuses and anniversaries) and financial statement and consulting costs. The previous year's figure related to obligations to former shareholders of EUR 0.23 million (30 June 2018: EUR 0 million). Provision amounts with a term of less than twelve months were not discounted.

Liabilities

As was the case in the previous year, all liabilities are due within one year and are unsecured. In the previous year, EUR 1.65 million (30 June 2018: EUR 0 million) of the liabilities were liabilities to former shareholders.

Notes on the income statement

Revenue

Revenue is generated in the Machine Vision segment and is attributable to regions and areas of activity as follows:

	2017/2018		2016/2017	
	KEUR	%	KEUR	%
GERMANY	60,788	91.8	54,412	92.6
EU	3,241	4.9	2,700	4.6
OTHER	2,206	3.3	1,619	2.8
	66,235	**100.0**	**58,731**	**100.0**

	2017/2018		2016/2017	
	KEUR	%	KEUR	%
MACHINE VISION TECHNOLOGY	53,503	80.8	47,203	80.4
INTRA-GROUP ALLOCATIONS	6,371	9.6	5,809	9.9
OWN PRODUCTS	6,361	9.6	5,719	9.7
	66,235	**100.0**	**58,731**	**100.0**

"Own products" includes software, other services and cable production.

Other operating income

The other operating income of EUR 0.73 million (previous year: EUR 2.20 million) especially includes the following material items:

- Income from the allocation of IPO costs to SI HOLDING GmbH: EUR 0.27 million (previous year: EUR 0 million)
- Income from currency translation (EUR 0.07 million; previous year: EUR 0.06 million)
- Income from the reversal of specific/global valuation allowances on receivables: EUR 0.02 million (previous year: EUR 0.12 million)
- Income from the reversal of provisions: EUR 0 million (in the previous year, there was an extraordinary reversal of long-term personnel provisions/obligations of EUR 1.71 million as part of the change in shareholder)
- Other prior-period income: EUR 0.17 million (previous year: EUR 0.01 million)

Personnel expenses

Personnel expenses include amounts for extraordinary special bonus payments (EUR 1.84 million; previous year: EUR 2.55 million).

Other operating expenses

The other operating expenses of EUR 7.80 million (previous year: EUR 5.18 million) especially include the following material items:

- Extraordinary expenses for the IPO: EUR 3.16 million (previous year: EUR 0 million)
- Rental expenses for immovable assets: EUR 0.57 million (previous year: EUR 0.47 million)
- Expenses from currency translation: EUR 0.09 million (previous year: EUR 0.11 million)
- Other expenses for various trade shows and selling, administrative, IT and travel costs

The carrying amount does not contain any material prior-period amounts.

Income from equity investments

Income from equity investments of EUR 0.75 million (previous year: EUR 2.05 million) is primarily attributable to profit distributions from the following affiliated companies:

- STEMMER IMAGING AB, Stockholm/SE: EUR 0.29 million (previous year: EUR 0 million)
- STEMMER IMAGING Ltd., Tongham/UK: EUR 0.45 million (previous year: EUR 0.75 million)
- STEMMER IMAGING AG, Pfäffikon/CH: EUR 0 million (previous year: EUR 0.59 million)
- STEMMER IMAGING AB S.A.S., Suresnes/F: EUR 0 million (previous year: EUR 0.70 million)

Taxes on income

Taxes on income include prior-period income of EUR 0 million (previous year: EUR 0.01 million). Expenses or income from deferred items are not included.

Auditor's fee

Please refer to the consolidated financial statements for the auditor's fee in accordance with section 285 no. 17 HGB.

Other disclosures

Material outsourced operations in accordance with section 285 no. 3 HGB

In particular, the following functional areas of the company were outsourced in the financial year: procurement, warehousing, order processing and marketing. These functions were centralised within the STEMMER IMAGING Group and performed by SIS STEMMER IMAGING Services GmbH, Puchheim/D. Within the Group, corresponding synergies can thus be generated with regard to procurement prices, logistics costs, quality assurance, etc. In the 2017/2018 financial year, a total of EUR 3.79 million (previous year: EUR 2.66 million) was charged for the outsourced areas. The receivables resulting from existing trade relationships are recognised under receivables from affiliated companies. The Management Board does not believe that the outsourcing of the functions results in any risk.

Disclosures on shareholdings

As of 30 June 2018, the company held interests in the following domestic and foreign companies:

COMPANY NAME	SHARE OF CAPITAL (%)	CURRENCY	NET INCOME 2017/2018	EQUITY AS OF 30/06/2018
GERMANY				
SIS STEMMER IMAGING Services GmbH, Puchheim/D *	100 %	KEUR	0	107
OUTSIDE GERMANY				
STEMMER IMAGING S.A.S., Suresnes/F	100 %	KEUR	439	1,800
STEMMER IMAGING Ltd., Tongham/UK	100 %	KGBP	677	2,138
STEMMER IMAGING AG, Pfäffikon/CH	100 %	KCHF	304	795
STEMMER IMAGING B.V., Zutphen/NL	100 %	KEUR	647	1,293
STEMMER IMAGING AB, Stockholm/SE **	100 %	KSEK	4,107	8,790
STEMMER IMAGING A/S, Copenhagen/DK **	100 %	KDKK	3	1,235
STEMMER IMAGING Oy, Espoo/FI **	100 %	KEUR	136	131
STEMMER IMAGING Sp. z o. o., Lowicz/PL **	100 %	KPLN	–162	–118
STEMMER IMAGING Ges.m.b.H, Graz/AT	100 %	KEUR	–38	–3

* Profit and loss transfer agreement with STEMMER IMAGING AG
** Provisional financial data

Consolidated financial statements

As the parent of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the 2017/2018 financial year in accordance with the provisions of the German Commercial Code. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

The STEMMER IMAGING Group is included in the consolidated financial statements of PRIMEPULSE SE, Munich, which prepares consolidated financial statements as of 31 December of each calendar year and publishes them in the electronic German Federal Gazette (Bundesanzeiger).

Other financial commitments and contingent liabilities

Future payment obligations (other financial commitments) were as follows as of the balance sheet date:

TYPE OF FINANCIAL COMMITMENT	DUE WITHIN ONE YEAR	DUE WITHIN TWO TO FIVE YEARS	LONGER THAN FIVE YEARS
	KEUR	KEUR	KEUR
FROM LEASES	552	1,093	–
FROM CAR LEASES	110	100	–
FROM LEASING OF MOVABLE ASSETS	82	–	–

There is no material purchase commitment in excess of usual operating activity.

There were no other contingent liabilities as of the balance sheet date.

Management Board

During the past financial year, the company's business was managed by the following people:

- Mr Christof Zollitsch, Kaufering, Chairman of the Management Board, Chief Sales Officer, et. al.
- Mr Lars Böhrnsen, Breitbrunn am Ammersee, since 15 November 2017, Chief Financial Officer
- Mr Martin Kersting, Gröbenzell, since 03 August 2017, Chief Technology Officer

The right to protection in accordance with section 286 (4) HGB regarding the remuneration of management bodies is exercised. All Management Board members represent the company together with another Management Board member or jointly with a registered authorised officer (Prokurist).

Supervisory Board

In the past financial year, Supervisory Board activities were carried out by the following people:

- Klaus Weinmann, Chairman of the Board of Directors of PRIMEPULSE SE as of the reporting date, since 15 November 2017; Chairman of the Supervisory Board
- Stefan Kober, Chairman of the Management Board of AL-KO KOBER SE, since 15 November 2017
- Markus Saller, Director Corporate Venture Capital of PRIMEPULSE SE, since 15 November 2017

The total remuneration of the Supervisory Board amounted to EUR 0.07 million in the 2017/2018 financial year (previous year: EUR 0 million).

Employees

The average number of employees in the financial year was 169 (previous year: 160).

Related party transactions

Due to the change of shareholder as of 30 June 2017 and the IPO as of 27 February 2018, the group of related parties changed before the balance sheet date. The group of related parties now particularly includes companies of the international PRIMEPULSE SE Group (formerly AL-KO Group).

In the 2017/2018 financial year, there were the following material transactions with related parties in particular:

- Income from the allocation of IPO costs to SI HOLDING GmbH: the shareholder, i.e. SI HOLDING GmbH, was allocated a EUR 0.32 million (including VAT) share in the IPO costs incurred. The receivable from the cost allocation amounted to EUR 0.32 million as of the balance sheet date. In addition, SI HOLDING GmbH bore a material portion of the issuing bank's own costs for the share packages sold.
- The issue proceeds generated by the IPO were temporarily handed over to PRIMEPULSE SE as a loan of EUR 40 million; the interest rate was 1.5 per cent; as of the balance sheet date, the interest receivable amounted to EUR 0.08 million.
- In the 2017/2018 financial year, arm's length goods and services transactions were conducted with CANCOM SE in a volume of EUR 0.27 million. As of the balance sheet date, the liabilities amounted to EUR 0.01 million.

According to the Management Board, all transactions with related parties were agreed and conducted at arm's length conditions.

For the 2017/2018 financial year, the Management Board prepared a dependent company report in accordance with section 312 of the German Stock Corporation Act (AktG). Please see the concluding remarks in the management report of the company and the Group.

Appropriation of net profit and restriction on distribution

The Management Board proposes using the net retained profits of EUR 15.61 million as follows:

- Distribution of a dividend of EUR 3.25 million
- Carry forward of EUR 12.36 million to new account

EUR 0.04 million (30 June 2017: EUR 0.04 million) of equity was barred from distribution as of 30 June 2018.

Supplementary report

STEMMER IMAGING AG acquired the shares in ELVITEC S.A.S., Pertuis, France, by agreement dated 10 July 2018. The provisional purchase price is approximately EUR 5.06 million. There are also earn-out clauses and purchase price adjustment clauses for working capital items, which could not yet be conclusively quantified at the time of reporting.

On 13 August 2018, STEMMER IMAGING AG announced a cooperation in the form of a memorandum of understanding with Nanjing Inovance Industrial Vision Technology Development Co., Ltd. (Nanjing Inovance). Nanjing Inovance is a subsidiary of the publicly traded Shenzhen Inovance Technology Co., Ltd., a leading manufacturer of automation components in China.

Otherwise, no further significant events occurred after the end of the financial year.

Puchheim, 28 September 2018

CHRISTOF ZOLLITSCH
CHIEF EXECUTIVE OFFICER

MARTIN KERSTING
CHIEF TECHNICAL OFFICER

LARS BÖHRNSEN
CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES

in fixed assets for the 2017/2018 financial year

	COST 01/07/2017	ADDITIONS	DISPOSALS
	EUR	EUR	EUR
		(+)	(–)
I. INTANGIBLE ASSETS			
1. CONCESSIONS, INDUSTRIAL AND SIMILAR RIGHTS AND ASSETS AND LICENCES IN SUCH RIGHTS AND ASSETS	1,308,823.03	355,992.15	269,838.95
2. ADVANCE PAYMENTS	0.00	47,600.00	0.00
	1,308,823.03	**403,592.15**	**269,838.95**
II. TANGIBLE ASSETS			
1. LAND, LAND RIGHTS AND BUILDINGS, INCL. BUILDINGS ON THIRD-PARTY LAND	2,359,404.63	150,123.89	0.00
2. OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	2,595,627.14	393,157.90	157,747.50
3. ADVANCE PAYMENTS AND ASSETS UNDER CONSTRUCTION	0.00	65,667.63	0.00
	4,955,031.77	**608,949.42**	**157,747.50**
III. FINANCIAL ASSETS			
1. SHARES IN AFFILIATED COMPANIES	10,640,692.07	178,256.83	0.00
2. LOANS TO AFFILIATED COMPANIES	434,350.23	3,231,044.43	47,496.82
	11,075,042.30	**3,409,301.26**	**47,496.82**
	17,338,897.10	**4,421,842.83**	**475,083.27**

RECLASSIFICATIONS	COST 30/06/2018	CUMULATIVE DEPRECIATION AND AMORTISATION 01/07/2017	ADDITIONS	DISPOSALS	CUMULATIVE DEPRECIATION AND AMORTISATION 30/06/2018	CARRYING AMOUNT 30/06/2018	CARRYING AMOUNT 01/07/2017
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
			(+)	(–)			
0.00	1,394,976.23	1,104,537.03	325,971.15	269,838.95	1,160,669.23	234,307.00	204,286.00
0.00	47,600.00	0.00	0.00	0.00	0.00	47,600.00	0.00
0.00	**1,442,576.23**	**1,104,537.03**	**325,971.15**	**269,838.95**	**1,160,669.23**	**281,907.00**	**204,286.00**
24,008.46	2,533,536.98	1,223,213.63	224,996.35	0.00	1,448,209.98	1,085,327.00	1,136,191.00
29,632.94	2,860,670.48	1,838,231.14	414,450.84	157,743.50	2,094,938.48	765,732.00	757,396.00
−53,641.40	12,026.23	0.00	0.00	0.00	0.00	12,026.23	0.00
0.00	**5,406,233.69**	**3,061,444.77**	**639,447.19**	**157,743.50**	**3,543,148.46**	**1,863,085.23**	**1,893,587.00**
0.00	10,818,948.90	0.00	0.00	0.00	0.00	10,818,948.90	10,640,692.07
0.00	3,617,897.84	0.00	0.00	0.00	0.00	3,617,897.84	434,350.23
0.00	**14,436,846.74**	**0.00**	**0.00**	**0.00**	**0.00**	**14,436,846.74**	**11,075,042.30**
0.00	**21,285,656.66**	**4,165,981.80**	**965,418.34**	**427,582.45**	**4,703,817.69**	**16,581,838.97**	**13,172,915.30**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AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of STEMMER IMAGING AG, Puchheim, for the financial year from 01 July 2017 to 30 June 2018. The maintenance of the books and records and the preparation of the annual financial statements and the management report of the company in line with the requirements of German commercial law and supplementary provisions of the articles of association are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report of the company based on our audit.

We conducted our audit of the annual financial statements in accordance with section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report of the company are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report of the company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the annual financial statements and the management report of the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

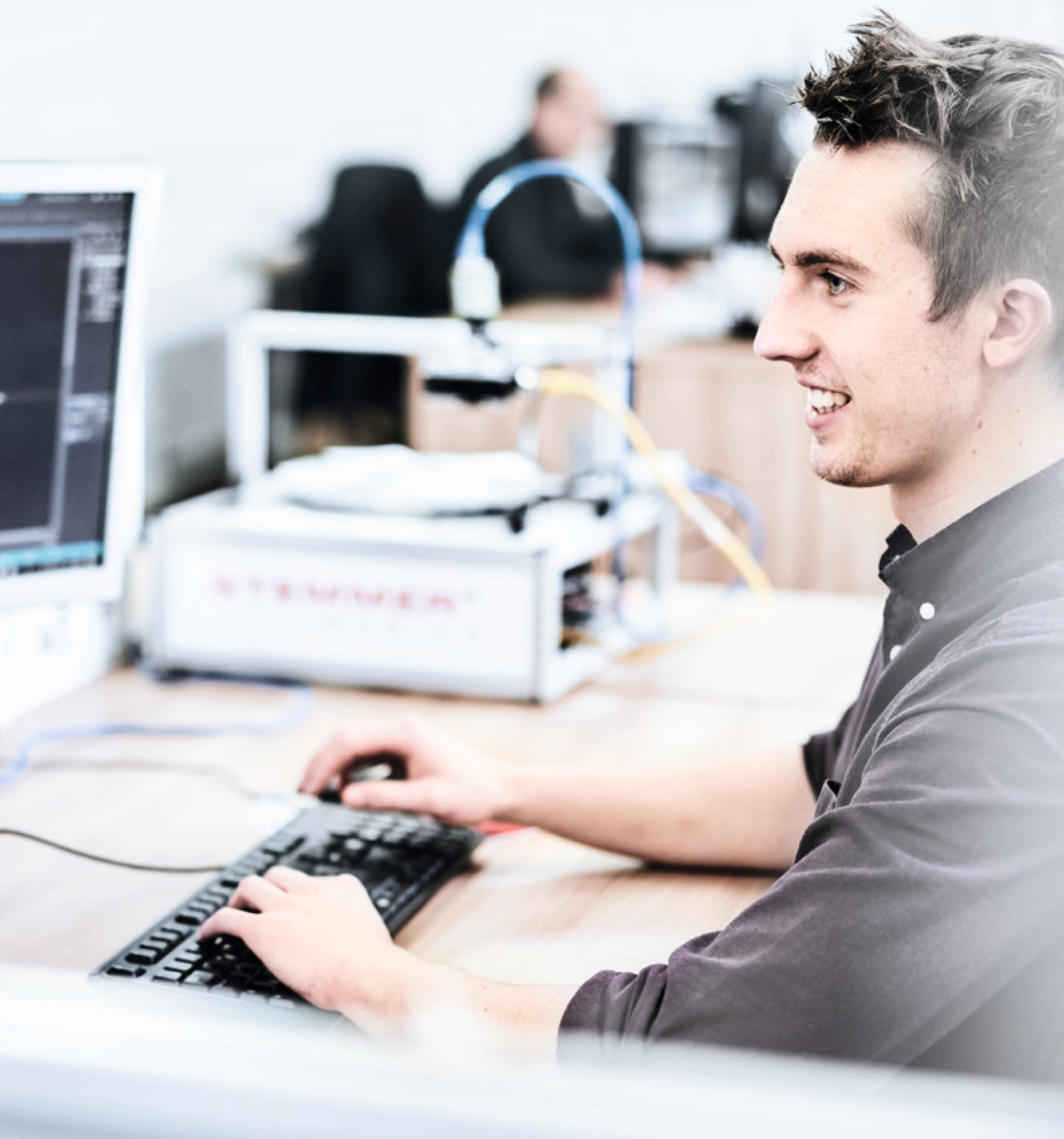
In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report of the company is consistent with the annual financial statements, complies with the legal regulations, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Munich, 28 September 2018
S & P GmbH Wirtschaftsprüfungsgesellschaft

SIGNED ULRICH STAUBER
WIRTSCHAFTSPRÜFER
[German Public Auditor]

SIGNED GEORG KOMM
WIRTSCHAFTSPRÜFER
[German Public Auditor]

» Our job is to shape the digital transformation in a positive way. «



FINANCIAL CALENDAR 2018

25 October 2018

Berenberg Pan-European Discovery Conference USA,
New York

20 November 2018

Interim report on the first quarter 2018/2019

26/27 November 2018

German Equity Forum,
Frankfurt am Main

04 December 2018

CF&B – MidCap Event,
Geneva

07 December 2018

Annual General Meeting

IMPRINT

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The annual financial report of STEMMER IMAGING AG is available in German and English.
The German version is legally binding.