STEMMER®
IMAGING

VISION.
RIGHT.
NOW.

ANNUAL REPORT

SHORT FISCAL YEAR 2019

AT A GLANCE

GROUP KEY FIGURES SHORT FISCAL YEAR 2019

in KEUR	2019	2018/19
Revenue	62,337	108,966
Gross profit	22,381	38,787
Gross profit margin	35.9 %	35.6 %
EBITDA (normalised)	4,819	9,955
EBIT (normalised)	2,309	8,498
Consolidated net income (normalised)	1,488	7,348
	31.12.2019	**30.06.2019**
Total assets	100,936	87,454
Equity	67,213	71,616
Equity ratio	66.6 %	81.9 %
Cash and cash equivalents	27,974	46,257
Operating cash flow after income taxes	1,950	4,938
Employees (average)	394	295

STEMMER IMAGING IN FIGURES SHORT FISCAL YEAR 2019

Incoming orders: EUR 62.9 million

EUR 0.23 earnings per share (adjusted)

66.6 per cent Equity ratio

> 5,000 customers

394 employees, 70 per cent with a technical background

15 subsidiaries and represented in > 20 countries

This report, results from previous fiscal years and English language versions are available for you to download at www.stemmer-imaging.com

STEMMER IMAGING is a leading international machine vision technology provider. With experienced specialists located across Europe, Latin America and Asia, we provide state-of-the-art machine vision solutions, extensive knowledge and outstanding customer service.

Our customers value us as a trusted advisor, positioned to deliver tailored solutions. These include components that we can pre-configure, sub-systems designed to reduce time and effort when integrating vertical applications, and customer-specific solutions delivering a competitive advantage to predominantly OEMs – all powered by our renowned knowledge and leading software tools including our own “Common Vision Blox”.

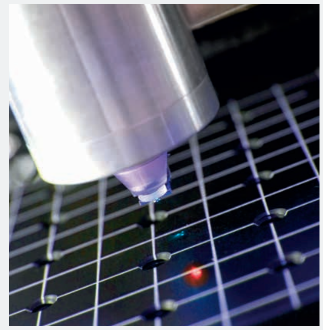
VISION.RIGHT.NOW. symbolises our mission to make machine vision easy and accessible, empowering customers to deliver world-class solutions.

OUR MARKETS –
WE SUPPLY KEY TECHNOLOGY FOR DIGITALISATION

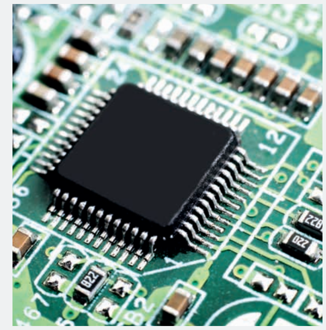
MACHINE VISION IN INDUSTRY

Innovation and comprehensive added value combined with a wealth of experience in industrial application areas.

Factory automation



Testing and measurement



Electronics

ARTIFICIAL VISION

Machine vision is driving forward digitalisation through intelligent data.

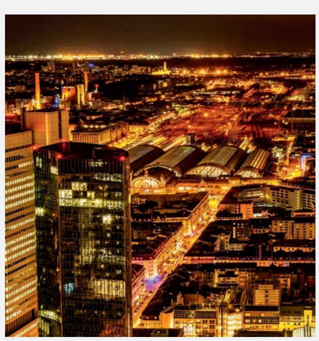
Cinematography and gaming

Sport and entertainment

Life science

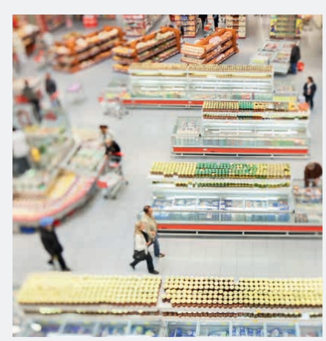
FUTURE MARKETS

Machine vision technology is becoming ever more diverse and extending well beyond its current application areas.



Smart infrastructure

Service robots



Retail

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SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT FOR THE PERIOD FROM 1 JULY 2019 TO 31 DECEMBER 2019

STRONG PRESENCE IN OVER 20 COUNTRIES

STEMMER IMAGING has locations all across Europe. We are also serving the Spanish- and Portuguese-speaking market in South America via our Infaimon Group.

01 SHAREHOLDER INFORMATION

The STEMMER IMAGING AG Executive Board:
Arne Dehn (CEO) and Martin Kersting (CTO)

VISION.RIGHT.NOW. symbolises our mission to make machine vision easy and accessible, empowering customers to deliver world-class solutions. It is our objective to achieve strong performance so that we can enhance the company's value for our shareholders and continue to strengthen our market position. In the past short fiscal year, our attractive business model provided a solid base. Our focus on digitalisation and smart data puts us in a good position. We support our customers with their applications as a trusted advisor and inject a high degree of added value to develop first-rate solutions. We focus our attention not only on industrial applications, but also on non-industrial applications in the wider artificial vision area.

DEAR SHAREHOLDERS,

In the past short fiscal year, we again aspired to promote and shape progress in the machine vision sector. Our vision, extensive expertise combined with strong implementation skills and appreciation of trends make us a reliable and valued point of contact in our industry.

In a difficult market environment, with revenue of EUR 62.3 million, we succeeded in achieving the forecast range of EUR 59.0 million to EUR 65.0 million in the 2019 short fiscal year. While many of our competitors reported declining revenue, we extended our market share both regionally and in a large number of application markets. Our expertise in working with our customers to apply innovative technologies into successful projects in new machine vision application areas is one of the most important competence areas that will continue to provide us with significant growth opportunities. The growth of gross profit from 33.7 per cent (first half of 2019) to 35.9 per cent (2019 short fiscal year) underlines the fact that our customers reward us for the added value we deliver.

In order to continue developing this competence base in the future, we are constantly challenging ourselves both in a technical sense and in respect to our organisational structure. To date, we have implemented the strategy presented at the IPO in February 2018 and the uplisting in May 2019. The proven value-add business model combined with a scalable platform to expand efficiently added-value services internationally was successfully rolled out across Europe. The positive completion of the integration and initial consolidation of Infaimon S. L. U., which is headquartered in Barcelona and has locations in Spain, Portugal, Mexico and Brazil, from July 2019, and the development of our business through a new branch in Italy were crucial to this.

During the first STEMMER IMAGING Capital Markets Day on 24 October 2019, we presented our forward-looking, medium-term strategy for accelerated growth within the Group and for continuous improvement in profitability based on our strong foundations. Clearly defined areas of activity point the way to achieving the target we have set for profitable growth. We want you, as shareholders, to participate in this. For this objective, we are planning:

- to establish STEMMER IMAGING as a leading provider in the artificial vision sector, which leverages our leading position in industrial machine vision and artificial intelligence,
- to further expand our business to cover non-industrial applications,
- to press ahead with technological innovations of our own products and sub-systems, such as our Common Vision Blox (CVB) software library and our robot-assisted bin-picking solution, InPicker,
- to further improve the scalability of our business model,

– to further develop the range and quality of our products and services and thus to assist our customers as a trusted advisor with added-value services
– to motivate our employees continuously through a modern working environment, efficient processes, and attractive incentives and training opportunities.

We have taken the decision to accelerate these plans to enhance our strategic springboard. With this in mind, in the short fiscal year we realised additional expenditure for organisational and structural measures and pulled forward development projects. The end of the year was shaped by short term orders in the highly resource-intensive project business. Due to a combination of these effects, we did not meet our forecast EBITDA (between EUR 6.0 million and EUR 7.5 million) for the short fiscal year. Adjusted EBITDA nonetheless exceeded the prior-year level (EUR 4.0 million) at around EUR 4.8 million.

The focus on a successful future and the continual transformation of our company associated therewith is progressing steadily. As a company in the machine vision sector, “vision” is our everyday life – but vision also stands for our mission to shape the future as a medium-sized employer. The fact that STEMMER IMAGING is on the right path is validated by being awarded the Bavarian prize for small and medium-sized businesses in November 2019. This prize, which has been awarded since 2007, acknowledges small and medium-sized companies that have rendered outstanding services to the mid-sized sector. The speech at the award presentation highlighted the fact that STEMMER IMAGING makes a material contribution to digitalisation by the implementation of innovative solutions using machine vision technology internationally and facilitates forward-looking business models in the Industry 4.0 sector based on “intelligent data”.

Our employees remain the crucial success factor. They are in day-to-day contact with our customers, develop innovative solutions and secure STEMMER IMAGING’s performance. Huge thanks are therefore due to all employees for their dedication and their motivation. Their commitment provides the basis for our future success.

The current volatility on capital markets, political instability and the as yet indeterminable impact of coronavirus are all generating a high degree of uncertainty at the current time. However our diversification as well as the competence and commitment of our employees provides a strong basis for STEMMER IMAGING’s sustainable development.

The social environment is taking on a great deal of importance in this day and age. This is another of the reasons why in the past fiscal year we began to structure our activities in the context of corporate social responsibility and provide a separate chapter on this vital topic for the first time in this annual report. As a medium-sized company with strong regional links, we have always paid attention to key elements of corporate social responsibility but we also want to develop in this area and give our responsibility more form.

In the 2019 short fiscal year, on which we look back in the present report, we set the course for achieving our medium-term Group targets that were presented last year for the first time in terms of growth in revenue to more than EUR 200 million and an EBITDA margin of 10 to 12 per cent.

Our dear shareholders,
in the 2020 fiscal year we will achieve further significant milestones and will clearly communicate developments on how our company is progressing on the path to this objective. On a final note, we would like to express our heartfelt thanks to you. We shall continue to assist our customers, suppliers and business partners as a sound, trustworthy partner and create added value for our investors.

Puchheim, 31 March 2020

Arne Dehn
CEO

Martin Kersting
CTO

The feminine form is equal to the masculine form in this annual report; the masculine form was only chosen in parts of the report to make it more legible.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

At the end of the short fiscal year, the Supervisory Board would like to thank the Executive Board and the employees of STEMMER IMAGING for their dedication and their performance in the past reporting period. Thanks also go to the shareholders for their trust.

For technology suppliers such as STEMMER IMAGING the opportunities resulting from digitalisation and automation are very promising. Despite a challenging market environment, STEMMER IMAGING is well placed to take advantage of these trends which allows the company to feel confident about the growth strategy it is pursuing. Given the company's business performance in the reporting period, its appropriation of profits was the subject of discussion in the Supervisory Board. It was decided to prioritise strengthening the equity in order to maintain the growth strategy of the Group. For this reason, the management is proposing to the Annual General Meeting not to pay a dividend for the 2019 short fiscal year.

In the reporting period from 1 July 2019 to 31 December 2019, the Supervisory Board performed its duties and obligations according to the law, the articles of association and the rules of procedure. It advised the Executive Board 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 Executive Board regularly, promptly and comprehensively reported to the Supervisory Board 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 of the company. The Executive Board also regularly communicated personally with the Supervisory Board members outside the set meetings.

In addition, the Executive Board kept the entire Supervisory Board informed about relevant developments and transactions requiring approval in Supervisory Board meetings. The Supervisory Board was included in a direct and timely manner in all decisions of fundamental importance for the company and 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. Due to the regular, prompt and detailed information from the Executive Board, the Supervisory Board was always able to perform its monitoring and advisory function. The Supervisory Board therefore believes that the Executive Board acted legally, properly and efficiently in every respect.

MEETINGS AND KEY TOPICS

In light of increasing digitalisation, automation and connectivity in all areas of life and business, companies face numerous challenges. At the same time, this also presents diverse opportunities for the machine vision industry, where STEMMER IMAGING is one of the leading providers in Europe.

These developments were the subject of a regular and intensive exchange of opinions between the Executive Board and the Supervisory Board in the 2019 short fiscal year. In particular, this included the analysis of relevant market information and the derivation of trends to aid the expansion of STEMMER IMAGING's business areas.

In the course of the strategic direction of STEMMER IMAGING, the Executive Board and Supervisory Board conferred on the appropriate structures and resources to do justice to the Group's momentum.

The potential for inorganic growth through targeted M&A activities, which arise because of the fragmented market environment, were also the subject of discussions. The Supervisory Board met three times in the reporting period, namely on 23 September 2019, 21 October 2019 and 19 November 2019. All meetings of the Supervisory Board in the reporting period were attended by all sitting Supervisory Board members.

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

The following material topics and resolutions from the Supervisory Board's work in the reporting period are worthy of note:

- In its meeting on 23 September 2019, the Supervisory Board received the report of the auditor on the annual financial statements of STEMMER IMAGING AG and the STEMMER IMAGING Group for the 2018/2019 fiscal year. After extensive discussion, the Supervisory Board approved the annual and consolidated financial statements and the combined management report of STEMMER IMAGING AG and the Group for the 2018/2019 fiscal year. The annual financial statements were thus adopted. The Board also considered the report of the Supervisory Board for the 2018/2019 fiscal year. In addition, in its meeting on 23 September 2019, the Supervisory Board examined the dependent company report of the STEMMER IMAGING AG Executive Board for the 2018/2019 fiscal year in accordance with section 312 of the German Stock Corporation Act. The dependent company report in accordance with section 312 (1) of the German Stock Corporation Act prepared by the Executive Board was also reviewed by the auditor.
- In the conference call of the Supervisory Board on 21 October 2019, the Supervisory Board agreed to the departure, by mutual consent, of Lars Böhrnsen from the Executive Board of STEMMER IMAGING AG on 30 November 2019.
- In the Supervisory Board meeting on 19 November 2019, the Supervisory Board approved the planning for the 2020 fiscal year presented by the Executive Board. The Supervisory Board also gave its consent to the conclusion of a termination agreement between Lars Böhrnsen and the company.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

During the reporting period the Executive Board of STEMMER IMAGING AG was composed of Arne Dehn as Chief Executive Officer and Martin Kersting (Chief Technology Officer). In the reporting period, there was a change in the Executive Board. At his own request, Lars Böhrnsen (Chief Financial Officer) resigned from the Executive Board on 30 November 2019. Chief Executive Officer Arne Dehn will take over his responsibilities on the Executive Board until further notice.

There were no changes to the composition of the Supervisory Board in the reporting period. The members of the Supervisory Board of STEMMER IMAGING AG are unchanged; they are Klaus Weinmann (Chairman), Stefan Kober (Deputy Chairman) and Markus Saller. With Markus Saller, among others, the company has a Supervisory Board member with expertise in the fields of accounting or annual audits in accordance with section 100 (5), first half sentence, of the German Stock Corporation Act.

In the 2019 short fiscal year, the three-member Supervisory Board of the company did not establish any committees and addressed all pending topics in the Supervisory Board as a whole.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

Supervisory Board work is aligned to the regulations of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code. The Executive and Supervisory Boards identify themselves with the objectives of the Code in promoting responsible and transparent corporate governance aligned to the sustained increase of the value of the company.

On 24 June 2019, the Executive Board and Supervisory Board declared that STEMMER IMAGING AG largely complied with the recommendations of the Code and issued a declaration of compliance pursuant to section 161 of the German Stock Corporation Act, which is permanently available on the company's website.

In the reporting period, the Supervisory Board did not determine any potential conflicts of interest in respect to a member of the Supervisory Board.

A detailed presentation of the corporate governance of the company can be found on the company's website at **www.stemmer-imaging.com**.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements prepared by the Executive Board and the combined management report for STEMMER IMAGING AG and the Group for the 2019 short fiscal year were audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, represented by Martina Schaaf and Linda Ruoß, has been the auditor of the annual and consolidated financial statements of STEMMER IMAGING AG, Puchheim, since the 2018/2019 fiscal year. Martina Schaaf as left-signatory of the audit opinion is working for the second year on the audit; Linda Ruoß is working for the first year as lead auditor and right-signatory of the audit opinion.

The annual financial statements of STEMMER IMAGING AG and the combined management report for STEMMER IMAGING AG and the Group were prepared in accordance with German accounting principles. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable within the European Union, and in accordance with the supplementary German regulations to be applied as specified in section 315a (1) of the German Commercial Code. The auditor conducted the audit of the separate and consolidated financial statements as of 31 December 2019 and the combined management report of the company and the Group in accordance with section 317 of the German Commercial Code 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 audit by the auditor found that the Executive Board of STEMMER IMAGING AG had implemented the measures required to establish a risk early warning system in accordance with section 91 (2) of the German Stock Corporation Act and that the risk warning system is generally capable of detecting developments that could jeopardise the company as a going concern at an early stage. In coordination with the auditor, suitable measures were defined to develop risk management on a targeted basis (analysis, assessment, reporting). The annual financial statements, the consolidated financial statements, the combined management report of the company and the Group, the report by the auditor on the audit and the Executive Board's proposal for the appropriation of net retained profits were made available to all Supervisory Board members in due time before the resolution and approval by the Supervisory Board on 2 April 2020. The auditor reported to the Supervisory Board on the progress and the material events of the audits and was available to answer and discuss questions and to provide supplementary information. The auditor participated in the Supervisory Board's discussions regarding the annual and consolidated financial statements and attended the Supervisory Board's meeting for the adoption of the annual financial statements and the approval of the consolidated financial statements on 2 April 2020.

In this meeting, the Supervisory Board considered the financial statements and the combined management report for STEMMER IMAGING AG and the Group with a particular focus on the key audit matters described in the respective audit opinion. In addition, the Supervisory Board submitted its proposal to the Annual General Meeting for the election of the auditor. Previously, the Supervisory Board had obtained a written declaration of independence from the auditor and verified the independence of the auditor in the course of an independent monitoring process. The Board also discussed the dependent company report prepared by the Executive Board, the company's accounting process and risk management system and the maintenance of integrity in financial reporting.

After discussing the audit reports on the separate and consolidated financial statements as of 31 December 2019 and the combined management report of the company and the Group in detail, the Supervisory Board raised no objections. It approved the annual financial statements of STEMMER IMAGING AG, the consolidated financial statements and the combined management report of STEMMER IMAGING AG and the Group for the 2019 short fiscal year prepared by the Executive Board. The annual financial statements were thus approved.

DEPENDENT COMPANY REPORT

In addition, in its meeting on 2 April 2020, the Supervisory Board examined the dependent company report of the STEMMER IMAGING AG Executive Board for the 2019 fiscal year in accordance with section 312 of the German Stock Corporation Act.

The dependent company report in accordance with section 312 (1) of the German Stock Corporation Act prepared by the Executive Board was also reviewed by the auditor. The auditor issued the unqualified auditor's report in accordance with section 313 (3) of the German Stock Corporation Act reproduced below:

"We have audited in accordance with our professional duties and 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."

The auditor presented the audit report to the Supervisory Board. The dependent company report and the relevant audit report were communicated in due time to the Supervisory Board. The auditor participated in the Supervisory Board meeting on 2 April 2020 and provided information on the main findings of his audit of the dependent company report.

The Supervisory Board examined the dependent company report prepared by the Executive Board and the audit report prepared by the auditor.

The Supervisory Board concurred with the results of the audit performed by the auditor and, after the final result of its own review, approved the report. Based on the final result of its own review, the Supervisory Board has no objections to the statement made by the Executive Board at the end of the dependent company report.

Dear shareholders,
STEMMER IMAGING is in a good position for the future. The Supervisory Board thanks the members of the Executive Board, the management and all employees for their great commitment. The many important strategic decisions made in the 2019 short fiscal year give us reason to expect positive development in future.

Puchheim, April 2020

On behalf of the Supervisory Board

Klaus Weinmann
Chairman of the Supervisory Board

MILESTONES

JULY 2019

STEMMER IMAGING successfully completes acquisition of the Spanish Infaimon S. L. U. Group
The latest acquisition will be consolidated by STEMMER IMAGING from 1 July 2019 and will contribute additional revenue of around EUR 18 million (annualised) and EBITDA of approximately EUR 3 million (annualised) to the result. Having concluded the acquisition, STEMMER IMAGING is successfully continuing its international expansion strategy and is now represented in all major European markets through its own local representative offices.

OCTOBER 2019

STEMMER IMAGING stages its first Capital Markets Day
At its first Capital Markets Day, STEMMER IMAGING positioned itself with its growth strategy as a leading provider in the artificial vision sector. The proven value-add approach with a scalable platform to provide added-value services with potential for further internationalisation efficiently was successfully rolled out across Europe. The Group has also significantly strengthened its technology base through extensions around systems for hyperspectral imaging and through bin-picking sub-systems. Based on this strategy, revenue is expected to increase to more than EUR 200 million in the medium term, which is well above market growth forecasts of 7 per cent p. a. The EBITDA margin is expected to be between 10 and 12 per cent.

OCTOBER / NOVEMBER 2019

Machine Vision Technology Forum sees record participation
With more than 1,350 visitors and over 100 specialist lectures, the Machine Vision Technology Forum is the key event for machine vision in Europe. The combination of lectures, exhibits and networking offers the specialist audience an ideal framework to find out about current developments, establish contacts within the sector and obtain suggestions for their own applications.

NOVEMBER 2019

STEMMER IMAGING presents a successful software update for Common Vision Blox
The Common Vision Blox (CVB) 2019 release contains new APIs for the development of innovative machine vision solutions such as functions for hyperspectral imaging and the processing of images from polarisation cameras, tools for machine learning on embedded platforms and machine-to-machine communication using OPC UA for Industry 4.0.

Significant growth in revenue and earnings
STEMMER IMAGING publishes its quarterly figures. Revenue increases by 29.7 per cent to EUR 30.5 million, EBITDA stands at EUR 4.0 million and the EBITDA margin is 13.1 per cent, well up on the level of the previous year.

STEMMER IMAGING receives the 2019 Bavarian prize for small and medium-sized enterprises
The prize, which is awarded by Europäisches Wirtschaftsforum e. V., distinguishes successful small and medium-sized companies that have rendered outstanding services to the mid-sized sector. The speech at the presentation highlighted the fact that STEMMER IMAGING makes a material contribution to digitalisation through innovative machine vision solutions developed by highly qualified employees and facilitates forward-looking “smart data” business models in Industry 4.0.

Keep up to date! We regularly keep you up to speed on the business developments of STEMMER IMAGING AG in our newsletter:
www.stemmer-imaging.com/en/subscribe-to-newsletter

STEMMER IMAGING ON THE CAPITAL MARKET

CAPITAL MARKET ENVIRONMENT

The performance of the global stock markets was positive overall in the second half of 2019. Despite trade disputes, Brexit and a global economic slowdown, the capital markets benefited from increasing share prices, not least due to the continued expansionary monetary policy of central banks[1].

In the equivalent period of STEMMER IMAGING AG's short fiscal year (1 July to 31 December 2019), the German Stock Index (DAX) increased by 6.9 per cent compared with the closing price on 28 June 2019 (12,398.80 points). The DAX opened the second half of the year on 1 July 2019 at 12,616.34 points and closed the reporting period on 30 December 2019 at 13,249.01 points. STEMMER IMAGING's comparable technology stock index (TecDAX) gained 4.8 per cent in the reporting period[2].

SHARE INFORMATION

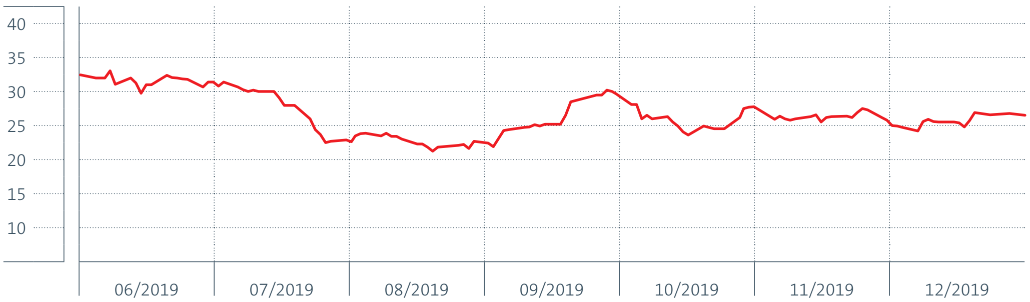
Exchange market	Xetra, Frankfurt, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart, Tradegate
Symbol	S9I
Total number of shares	6,500,000
Share capital	EUR 6,500,000
ISIN	DE000A2G9MZ9
WKN	A2G9MZ
Market segment	Regulated Market
Transparency level	Prime Standard
Designated sponsor	Hauck & Aufhäuser Privatbankiers AG

STEMMER IMAGING AG shares opened trading at EUR 31.30 on 1 July 2019 and closed at EUR 26.50 on 30 December 2019. This corresponds to a decrease of 18.5 per cent compared with the closing price of EUR 32.50 on 28 June 2019. The shares marked their high of the reporting period on 4 July 2019 at EUR 33.10, and reached their low on 5 and again on 11 September 2019 at EUR 21.20. On the basis of the closing price of EUR 26.50, STEMMER IMAGING AG's market capitalisation was EUR 172.3 million as of 30 December 2019 with a total of 6,500,000 shares issued (end of 2018/2019 fiscal year: EUR 211.3 million as of 28 June 2019 with the same number of shares and a share price of EUR 32.50 (all information based on Xetra prices))[3].

1 Metzler outlook for 2020
2 https://www.boerse-frankfurt.de/index/tecdax
3 https://www.boerse-frankfurt.de/aktie/stemmer-imaging-ag-inh-on

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

SHARE PRICE FROM END OF JUNE 2019 TO END OF DECEMBER 2019
in EUR



In the reporting period of the short fiscal year, the average daily trading volume increased to 5,684 shares compared with the same period of the previous year (2,546 shares).

SHARE PRICE DEVELOPMENT

Opening price	1 July 2019	EUR 31.30
Low	5/11 September 2019	EUR 21.20
High	4 July 2019	EUR 33.10
Closing price	30 December 2019	EUR 26.50
Market capitalisation	As of 30 December 2019	EUR 172.25 million

DIVIDEND DISTRIBUTION AND ANNUAL GENERAL MEETING

On 19 November 2019, the Executive Board of STEMMER IMAGING AG informed the shareholders at the Annual General Meeting in Munich about the course of the 2018/2019 fiscal year and responded to their questions. When the vote was taken, 88.40 per cent of the share capital was represented. The shareholders expressed their satisfaction with the company's development and approved the actions of the Executive Board and Supervisory Board. The management's recommendations for all agenda items, including the resolution on the appropriation of net retained profits, were adopted by a large majority. In light of the company's successful operating performance, for the 2018/2019 fiscal year it was resolved to distribute a dividend of EUR 0.50 per participating share (EUR 3,250,000). The company also resolved to change the previous STEMMER IMAGING AG fiscal year to the calendar year to simplify the processes for the annual financial statements. That is why a short fiscal year is presented for the period from 1 July to 31 December 2019.

The voting results of the Annual General Meeting may be viewed at **www.stemmer-imaging.com** under Investors/Annual General Meeting.

SHAREHOLDER STRUCTURE

The company has a balance between free float and the majority holding of a strategic anchor investor. As of 31 December 2019, 46.0 per cent of the shares were in free float. The largest shareholder of STEMMER IMAGING AG is SI HOLDING, a majority holding of the PRIMEPULSE Group, with 54.0 per cent of the voting rights.

ANALYST RESEARCH

The shares of STEMMER IMAGING AG have been listed in the Prime Standard of the Frankfurt Stock Exchange since 10 May 2019. The STEMMER IMAGING AG share is regularly evaluated by qualified securities analysts, namely Hauck & Aufhäuser Privatbankiers, Warburg Research and Berenberg Bank. All analysts have a positive opinion on the medium- to long-term potential of STEMMER IMAGING AG. This is also reflected in the analyst recommendations for STEMMER IMAGING shares as of 31 December 2019.

ANALYST EVALUATIONS

Issuer	Date	Recommendation	Price target
Warburg Research	14 November 2019	Buy	EUR 43.00
Berenberg Research	14 November 2019	Buy	EUR 34.00
Hauck & Aufhäuser Research	27 September 2019	Buy	EUR 47.00

Detailed information is available to interested investors at **www.stemmer-imaging.com** under Investor Relations/Share.

INVESTOR RELATIONS ACTIVITIES

A highlight of the reporting period was the first-ever Capital Markets Day, where the medium-term corporate strategy was unveiled. Over the short fiscal year, the Executive Board stepped up its contact with capital market participants at numerous roadshows and investor conferences.

ACTIVITIES

23–25 September 2019	8th Berenberg German Corporate Conference, Munich
24 October 2019	Capital Markets Day, Puchheim/Munich
26–27 November 2019	German Equity Forum, Frankfurt am Main
2–5 December 2019	Berenberg European Conference, London

In addition, the Executive Board maintained continuous and constructive dialogue with investors, analysts and the financial and business press. In the Investor Relations section of the STEMMER IMAGING AG website – **stemmer-imaging.com/investor-relations** – the company presents comprehensive information on the business situation, the latest news and an overview of future events.

Hauck & Aufhäuser Privatbankiers AG acted as designated sponsor in the short fiscal year under review, continuously supporting the appropriate tradability of the STEMMER IMAGING shares through binding bid and ask prices.

Sarah Heiß (order entry), Christian Heindl (software engineering), Kai-Uwe Wernitz (warehouse logistics)

Our customers value us as a trusted advisor, positioned to deliver bespoke solutions while benefiting from our outstanding service and support.

02
COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

GENERAL INFORMATION

STEMMER IMAGING AG (hereinafter also referred to as “the company”) trades as a stock corporation. Since 10 May 2019, all 6,500,000 shares have been listed in the Prime Standard of the Frankfurt Stock Exchange.

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL

STEMMER IMAGING is a leading international machine vision technology provider. With experienced specialists located across Europe, Latin America and Asia, we provide state-of-the-art machine vision solutions, extensive knowledge and outstanding customer service.

Customers appreciate STEMMER IMAGING as a reliable partner for bespoke solutions. These include components that are preconfigured on request, sub-systems that reduce the time and effort involved in the integration of vertical applications, and customised solutions that give OEMs in particular a crucial competitive advantage – all based on longstanding experience and leading software tools, such as the machine vision software Common Vision Blox (CVB), which STEMMER IMAGING develops and manufactures itself.

Digital machine vision is used in industrial sectors and increasingly in non-industrial sectors. It has established itself as a powerful and efficient method of automatic optical inspection in automation and production technology, the automotive industry, medical technology, traffic technology, and increasingly in food technology and many other sectors. Even at high speeds and with strict precision requirements, digital machine vision enables 100 per cent control and is thus an ideal tool for making companies more competitive. Increasingly, machine vision as the basic technology for digital factories and the Industrial Internet of Things (IIoT) is taking centre stage and making a material contribution to innovative industrial application areas in Industry 4.0 with the intelligent data generated.

Digital imaging provides an important base for new digital business models in areas of non-industrial applications. Technically speaking, many elements of industrial machine vision are used here and supplemented by innovative solutions, including from artificial intelligence, deep learning and embedded solutions as vital components. In particular, major sales opportunities for machine vision components and systems are emerging in the sport and entertainment, retail but also in the gaming and smart city sectors.

The business model of STEMMER IMAGING, which is based on a bespoke range of services for different customer requirements, is the basis for further sustained growth. The employees of STEMMER IMAGING advise users in the choice of components to produce machine vision systems, which make processes smoother and systems more efficient. Growth will also be accelerated in future through proprietary preconfigured systems, known as software or vision sub-systems. These preconfigured machine vision solutions are developed by experts at STEMMER IMAGING especially for certain task definitions and offer considerable key benefits through bespoke solutions. In the context of project business, STEMMER IMAGING also assists customers holistically in relation to machine vision technology, providing a service for implementing their systems and equipment. A key factor in STEMMER IMAGING's component, project and sub-system business is the technical competence of its employees. By providing individual advice focused on customer benefit, they ensure that the optimal products and services are always used.

The customers of STEMMER IMAGING benefit from a diverse range of state-of-the-art machine vision products from leading manufacturers. As a developer of proprietary software and sub-system solutions and a provider of customised products – such as specialist cables and protective housing for industrial cameras – STEMMER IMAGING has the expertise and experience to give its customers optimum support for resolving their machine vision problems.

In particular, proprietary software development is of major strategic significance. Through its high levels of in-house competence in the development of software, the company is able to implement customer requirements rapidly and reliably and contribute expertise from a large number of completed applications and significant collaboration in setting industry standards to the benefit of its customers. The globally successful machine vision software Common Vision Blox (CVB), but also other portfolio elements in the robot-assisted bin-picking solutions sector and the innovative solutions in hyperspectral applications distinguish STEMMER IMAGING as a leading technology company.

The company comprises subsidiaries in all major European and other countries (Austria, Brazil, Denmark, Finland, France, Italy, Mexico, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, UK). The subsidiaries were included in the consolidated financial statements in this annual report according to the principles of full consolidation. There are further branch offices and sales partners in Belgium and Ireland.

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 setting specific targets per function and the definition of the service range, sales planning and specifying the revenue and earnings forecast for the coming fiscal year. The material key figures for the Group and the parent company are revenue and EBITDA [1]. Continuous management is ensured with monthly reporting and regular management meetings with local managers. Potential deviations from targets can thus be identified as early as possible and corrected with suitable countermeasures.

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

In this report the key figures for STEMMER IMAGING are summarised as Group key figures. This reflects the circumstances of the one-segment company.

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. Both the further organic growth of STEMMER IMAGING and the acquisitions made so far and planned for the future will make a significant contribution to the pursued growth targets.

RESEARCH AND DEVELOPMENT ACTIVITIES

Strategically speaking, STEMMER IMAGING focuses its development activities in such a way that they provide the best possible support for the company's long-term success as a reliable advisor for machine vision solutions and the business model focused on components, projects and sub-systems. The degree of innovation is being significantly increased by bundling software activities and the overall strategy for the software offering, which was outlined for the first time in the 2019 short fiscal year. In November 2019, STEMMER IMAGING presented CVB 2019, the new version of its proprietary machine vision software library Common Vision Blox (CVB). CVB is a modular platform for recording and evaluating image data.

In the 2019 short fiscal year, for EUR 1.25 million STEMMER IMAGING acquired the rights to algorithms, which form the basis in particular for the successful text and object recognition tool Minos and the classification and object recognition tool Polimago (cumulatively "CAMO software").

Note on alternative performance measures (APM) used in accordance with the APM guidelines issued by the European Securities and Markets Authority (ESMA):
1 EBITDA = profit/loss for the period + taxes + at equity share of profit/loss + income from investments + net finance costs + depreciation of property plant and equipment and amortisation of intangible assets

In addition to improvements for existing functions in 3D imaging and barcode reading, the current version offers developments for machine learning and hyperspectral imaging applications in particular. The algorithms allow complex organic objects to be distinguished from each other, surface defects to be detected and classified, or up to 200,000 characters to be read for OCR applications. The software is used in all industrial and non-industrial sectors that usually need a large number of training images.

CVB 2019 contains new software interfaces for all leading programming languages. CVB 2019 also supports machine-to-machine communication via the internationally established interface standard OPC UA, which helps integrate CVB applications into existing automation networks easily. All updates are available both for PC systems based on the Windows operating system and Linux. The significance of proprietary software as a key part of the strategy will be underpinned with these developments and the positioning of CVB as an optimal foundation for customer projects and future sub-systems reinforced.

Further development was also focused on the design of a software platform for future vision sub-systems. These preconfigured solutions are combinations of hardware and software aimed at solving the typical tasks of an application without time-consuming programming. Bin-picking solutions, with which vision-guided robotics tasks can be solved, are an example of such sub-systems. The spatial position of objects that were previously acquired can be precisely detected so that these objects can subsequently be grasped by a robot and put down in a desired position. Besides industrial applications, systems of this type are predominately used in the foodstuffs and agriculture, recycling and logistics sectors. A redesigned software platform will provide the basis for all the company's future sub-systems. The processes are being adapted accordingly at the development sites in Germany and Spain. This also applies to the development site in Austria, where STEMMER IMAGING has a stake in the software provider Perception Park. In essence, development activities are therefore focused across regions and help to exchange research results and technological expertise across the Group. Local development teams also develop customer-specific solutions for the individual countries.

Total development expenses amounted to EUR 0.72 million in the short fiscal year (previous year 2018/19: EUR 0.65 million).

ECONOMIC REPORT

GENERAL ECONOMIC DEVELOPMENT

The findings of the IMF's World Economic Outlook Update (January 2019 and January 2020) and the CBP World Trade Monitor (November 2019) indicate that the global economy continued to lose momentum over the course of 2019. The cyclical downturn was exacerbated by the upheaval in the automotive industry, economic reorientation in China and increasing protectionism worldwide. At the start of 2019, the IMF was still projecting global economic growth of 3.5 per cent. As of the start of January 2020, the IMF economists are now estimating a growth rate of just 2.9 per cent for 2019 as a whole. Industrial production increased by an estimated 0.8 per cent during 2019 as a whole (2018: 3.1 per cent).

Economic output slowed down in key regions. The US achieved the strongest growth among the industrialised countries at 2.3 per cent. Growth in the eurozone, on the other hand, came to just 1.2 per cent. Italy reported exceptionally weak growth of 0.2 per cent. Spain's economy posted above-average growth of 2.0 per cent. Economic growth in the emerging and developing countries was more than twice as high as in the industrialised countries at 3.7 per cent. However, here too, almost every country fell short of its forecasts in the second half of 2019, particularly so in India, Mexico, Brazil and Saudi Arabia (compared with projections from January 2019). The structural transformation, including the slowdown in growth, continued in China.

In Germany, GDP rose by 0.5 per cent in 2019, meaning that the German economy posted growth for the tenth year in a row. This is the longest phase of growth in unified Germany. However, the increase in growth has slowed and is now below the average figure for the last ten years. The primary growth impetus was from consumption, with private consumer spending increasing by 1.6 per cent and government spending by 2.5 per cent. There was a positive trend in gross capital investment as well, with construction investment rising by 3.8 per cent and other investments by 2.7 per cent. Equipment investments weakened, with growth of just 0.4 per cent. Gross investment, which includes changes in inventories, declined by 1.7 per cent. This reduction in inventories can be accounted for by weak industrial production and increased exports. There were 45.3 million people in employment in 2019, which is 0.4 million or 0.9 per cent more people than in 2018. This marked a new high in employment levels. The rise in employees subject to social security contributions was a significant contributing factor. In its 2019/2020 Annual Report, the German Council of Economic Experts anticipates GDP growth of 0.9 per cent in 2020 (adjusted for calendar effects: 0.5 per cent).

SECTOR DEVELOPMENT

An increase in global mechanical engineering revenue of around 3.0 per cent on a price-adjusted basis seemed possible at the start of 2019. But in its December 2019 International Business Outlook, the German Mechanical Engineering Industry Association (VDMA) cited a number of politically motivated upheavals as the reason for uncertainty among potential investors. The transformation process in the automotive industry also led to shortfalls in demand. For this reason, revenue in the global mechanical engineering sector on a price-adjusted basis is likely to have stagnated at the previous year's level in 2019. Of the top five countries (China, US, Germany, Japan, Italy), which account for around 70 per cent of global mechanical engineering sector revenue, only China was expected to end the year with a positive result.

According to the preliminary calculations of the German Federal Statistical Office, the German mechanical engineering sector fell short of its price-adjusted production target by 3.2 per cent year-on-year. In 35 per cent of companies, this led to restrictions on production output due to a shortage of orders (as of October 2019). Production and revenue reached an estimated level of between EUR 224 billion and EUR 230 billion. Exports likewise reached an estimated volume of EUR 176 billion. Whereas there is still likely to have been growth in exports to industrialised countries, exports to developing and emerging countries, which account for more than a third of total mechanical engineering exports, were down substantially.

According to the VDMA, the German robotics and automation sector suffered a decline of 3.0 per cent in 2019 to EUR 14.6 billion. Development in the sub-sectors varied. The machine vision sector, which is the key sector for STEMMER IMAGING, reported a decline in revenue of 1.0 per cent to EUR 2.4 billion in 2019 after sector growth of 4.0 per cent to EUR 2.7 billion in 2018.

Note: At the time this annual report was prepared, the statements by the German Mechanical Engineering Industry Association still contained estimates and represented only provisional results.

EMPLOYEES

An average of 394 employees worked for STEMMER IMAGING in the 2019 short fiscal year (annual average in the prior-year period: 295). The employees of STEMMER IMAGING are distinguished by a high level of expertise. Not least, the company's customers benefit from the high level of technical expertise. This is why STEMMER IMAGING attaches great importance to strengthening its employees' loyalty to the company. To this end, in 2019 a revised targets and salary model was developed that is based on the corporate strategy and takes account of targets both for the company and individuals. The targets and salary model will be applied from the following fiscal year.

EMPLOYEE QUALIFICATION AND FURTHER EDUCATION

The qualification and promotion of employees is a key focus for STEMMER IMAGING. To guarantee a high qualification level, STEMMER IMAGING also invests continuously in training and further education at all its locations. Besides training for new employees, among other things, there is also regular product and technology training for employees in the Technology and Sales departments. These measures are supported by demand-based training in both professional development (e. g. project management, current customs rules) and further personal training (e. g. employee management, trainer qualification). In addition, STEMMER IMAGING supports employees who would like to qualify as a technician or business administrator, for example, alongside their work. The offer of dual study programmes is aimed primarily at young employees, who were trained in the company and want to continue studying subsequently while working for the company at the same time.

PROMOTION OF YOUNG TALENT

STEMMER IMAGING is investing in vocational training at the company's headquarters in order to cover the future demand for qualified staff. The company is training IT specialists in the fields of system integration and application development, IT systems technicians, electronics engineers for devices and systems as well as industrial managers. In order to prevent a shortage of suitable trainees, STEMMER IMAGING continuously hosts student internships and open days for schools in the local area and participates in careers fairs at nearby schools. Graduate employees are recruited by providing bachelor's and master's dissertation topics and by employing them as working students early in their studies. Furthermore, for this purpose, STEMMER IMAGING has also maintained a close partnership with the Machine Vision Competence Center at Munich University of Applied Sciences for over ten years. As part of this commitment, it also awards an annual prize for the best bachelor's and master's dissertations on the subject of machine vision.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE GROUP (IFRS)

NET ASSETS

The total assets of the STEMMER IMAGING Group amounted to EUR 100.94 million as of 31 December 2019 (30 June 2019: EUR 87.45 million).

The increase is due in particular to the growth in non-current assets, which climbed to EUR 42.84 million (30 June 2019: EUR 13.57 million). The increase is essentially due to goodwill arising from the acquisition of Alea Rubicon S. L. U., Barcelona/Spain, and its subsidiary Infaimon S. L. U., Barcelona/Spain, and its subsidiaries in Portugal, Brazil and Mexico ("Infaimon Group") (EUR 16.55 million) and from the customer base of the Infaimon Group reported under other intangible assets (EUR 4.82 million).

Current assets decreased to EUR 58.10 million (30 June 2019: EUR 73.88 million). This is attributable mostly to the payment of the purchase price for the shares in the Infaimon Group. This was countered by a slight rise in funds tied up in inventories and trade receivables and in tax assets.

The Group's inventories totalled EUR 11.16 million as of 31 December 2019 (as of 30 June 2019 EUR 10.72 million). The majority of this amount at EUR 9.22 million related to the inventories of SIS STEMMER IMAGING Services GmbH. SIS STEMMER IMAGING Services GmbH organises procurement, production, order processing and logistics for the STEMMER IMAGING Group. The company charges the services to the other companies of the Group accordingly. It also provides product and system manufacturing services. The Infaimon Group contributed to an absolute increase in inventories in the amount of EUR 1.47 million. Impairment risks in the inventories were appropriately accounted for with write-downs for reduced marketability.

Trade receivables increased to EUR 16.61 million as a result of ongoing internationalisation and revenue growth through the acquisition of the Infaimon companies (30 June 2019: EUR 15.80 million). The trend was quite the opposite at STEMMER IMAGING AG, whose trade receivables were EUR 2.01 million lower than the level as of 30 June 2019.

Cash and cash equivalents decreased to EUR 27.97 million (30 June 2019: EUR 46.26 million).

The equity of the STEMMER IMAGING Group amounts to EUR 67.21 million as of 31 December 2019 (30 June 2019: EUR 71.62 million), reflecting in particular the distribution of the dividend totalling EUR 3.25 million to shareholders in November 2019 and the consolidated net loss of EUR −1.40 million (in the twelve months of 2018/19: EUR 4.38 million). The equity ratio is 66.6 per cent (previous year: 81.9 per cent).

Non-current liabilities rose significantly from EUR 0.97 million as of 30 June 2019 to EUR 13.63 million as of 31 December 2019. They mainly relate to the non-current portion of the new bank loan of EUR 7.5 million that was taken out by the parent company in July 2019, R&D loans for the Infaimon Group (EUR 0.61 million) and the non-current portion of lease liabilities (EUR 2.92 million) as a result of the first-time application of the IFRS 16 rules in the 2019 short fiscal year. See the disclosures in the notes to the consolidated financial statements for more specific information. In addition, deferred tax liabilities on intangible assets as part of the acquisition of the Infaimon Group (EUR 1.78 million) were recognised under non-current liabilities.

Current liabilities increased to EUR 20.09 million (30 June 2019: EUR 14.87 million). This primarily includes the current portion of the aforementioned bank loan (EUR 2.0 million) and leases (EUR 1.89 million).

In the operating business, trade payables went up by EUR 0.64 million, in line with the increase in business volume resulting from the addition of the Infaimon Group to the scope of consolidation. This had the opposite effect for STEMMER IMAGING and SIS STEMMER IMAGING Services GmbH. In both cases, other liabilities went up from EUR 4.30 million as of 30 June 2019 to EUR 5.21 million as of 31 December 2019, which was due predominantly to the increase in personnel liabilities (EUR 0.76 million). The main factor in the increase was severance payments of EUR 0.45 million.

FINANCIAL POSITION

The objective of the Group's financial management is to hedge material financial risks. Supplier invoices are settled using discount deductions wherever possible. The company's solvency was assured at all times.

The cash and cash equivalents reported in the consolidated statement of cash flows decreased from EUR 46.26 million as of 30 June 2019 to EUR 27.97 million as of 31 December 2019.

There was a reduction in cash flow from operating activities in the 2019 short fiscal year to EUR 1.95 million compared with the twelve months of the previous year (EUR 4.94 million) mainly as a result of the Group's lower net income. The release of funds under working capital (EUR 1.52 million) did not offset the negative effect.

The Group reported negative cash flow from investing activities of EUR -25.64 million in the 2019 short fiscal year (2018/19: EUR -2.09 million). This can be attributed primarily to the acquisition of the Infaimon Group (EUR 23.70 million). Investments of EUR 1.38 million were also made in software acquisition.

Cash flow from financing activities includes a cash inflow of EUR 5.22 million in the 2019 short fiscal year, which was mainly due to the borrowing of a bank loan of EUR 10.0 million. Loan repayments and finance leases amounted to EUR 1.47 million. There was also a cash outflow of EUR 3.25 million in the 2019 short fiscal year associated with the payment of a dividend.

The Group has no net financial liabilities as of the reporting date (bank liabilities less cash and cash equivalents).

RESULTS OF OPERATIONS

In the 2019 short fiscal year, STEMMER IMAGING achieved consolidated revenue of EUR 62.34 million (twelve months of 2018/19: EUR 108.97 million). This was mainly thanks to the successful acquisition of the Infaimon Group, which contributed EUR 9.47 million to revenue. Due to the economic situation, revenue for the former group companies remained at roughly the same level as in the previous year on the whole.

The higher business volume produced cost of materials of EUR 39.96 million, with the cost of materials ratio falling slightly to 64.1 per cent (2018/19: 64.4 per cent).

Personnel expenses for STEMMER IMAGING amounted to EUR 12.83 million in the 2019 short fiscal year (2018/19: EUR 19.96 million). The average headcount increased to 394 (2018/2019: 295), of which 85 employees are from the acquisition of the Infaimon Group. The staff costs ratio was 20.6 per cent (2018/19: 18.3 per cent). The personnel expenses of the Infaimon Group (EUR 1.90 million), the higher number of employees and severance payments (EUR 0.45 million) all had a negative effect on earnings.

Other operating expenses came to EUR 8.15 million in the 2019 short fiscal year compared with EUR 12.89 million in 2018/19. This item includes administrative expenses (EUR 2.43 million; 2018/19: EUR 3.74 million), selling expenses (EUR 2.15 million; 2018/19: EUR 3.18 million) and other operating expenses (EUR 1.06 million; 2018/19: EUR 1.50 million). Rental and lease expenses are being accounted for in accordance with IFRS 16 for the first time in the 2019 short fiscal year (2018/19: EUR 1.81 million). See the explanations in the notes to the consolidated financial statements for more specific information. Other operating expenses also include other costs of EUR 2.31 million (previous year: EUR 2.66 million).

The increase in other operating expenses mainly results from the following largely non-recurring expenses that were incurred in the 2019 short fiscal year:

- M&A: Consulting fees and subsequent costs in connection with the acquisition of Elvitec S. A. S and the merger of Alea Rubicon S. L. U. with Infaimon S. L. U. (approximately EUR 1.4 million)
- Costs for (software) development projects, conversion measures and implementation of tools and equipment (approximately EUR 0.4 million)
- Additional costs for annual financial statement preparation and auditing and other costs relating to the changing of the fiscal year to the calendar year (approximately EUR 0.3 million)
- Start-up costs for penetration of the Italian market (approximately EUR 0.1 million)

Consolidated EBITDA totalled EUR 1.95 million (2018/19: EUR 6.98 million).

Depreciation of property, plant and equipment and amortisation of intangible assets amounted to EUR 2.52 million overall in the 2019 short fiscal year (2018/19: EUR 1.46 million), with depreciation on property, plant and equipment accounting for EUR 1.42 million (2018/19: EUR 0.94 million). Please refer to the notes to the consolidated financial statements for information on the effects of IFRS 16. The sharp rise in amortisation of intangible assets is due to amortisation as a result of the first-time consolidation of the Infaimon Group's capitalised intangible assets (brand, technology, customer base and order backlog) in the amount of EUR 0.81 million.

Consolidated EBIT totalled EUR –0.58 million (2018/19: EUR 5.52 million). This brought the EBIT margin down from 5.1 per cent in 2018/19 to –0.9 per cent.

Net financial income amounted to EUR –0.84 million (2018/19: EUR 0.43 million). The main effects on this item were from the partial write-down and the ongoing share of the loss from the investment in Perception Park GmbH, Graz/Austria (EUR –0.75 million) and from the elimination of interest income from affiliated companies due to repayment of the loan by Primepulse SE (2018/19: EUR 0.41 million).

Taking into account income tax income of EUR 0.02 million (2018/19: expenses of EUR 1.56 million), the Group ended the 2019 short fiscal year with a consolidated net loss of EUR –1.40 million (2018/19: consolidated net income of EUR 4.38 million).

The STEMMER IMAGING Group forecast for the 2019 short fiscal year stated in the 2018/19 combined management report was met in terms of revenue but not in terms of EBITDA. The 2018/19 combined management report projected revenue of between EUR 59.0 million and EUR 65.0 million and EBITDA of between EUR 5.5 million and EUR 7.1 million.

The updated forecast issued on 13 November 2019 within the scope of the quarterly report as of 30 September 2019 confirmed the revenue forecast and revised the EBITDA forecast to between EUR 6.0 million and EUR 7.5 million. It cited potential extraordinary effects of EUR 1.5 million, which could have a non-recurring effect on EBITDA. The revenue forecast was achieved at EUR 62.34 million, though EBITDA fell short of its target at EUR 1.95 million. This was due to factors including a higher level of additional costs and additional expenses for extensive organisational and structural measures, which were not included in the forecast in this amount.

TAKEOVER DISCLOSURES

The disclosures in accordance with section 289a (1) and section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) can be found below. Please refer to the information in the notes to the annual financial statements and the notes to the consolidated financial statements of STEMMER IMAGING AG for individual relevant disclosures.

AMOUNT AND CLASSIFICATION OF SHARE CAPITAL

In accordance with the Articles of Association, STEMMER IMAGING AG's share capital amounted to EUR 6.50 million as of 31 December 2019 (30 June 2019: EUR 6.50 million) and was divided into 6,500,000 no-par value bearer shares (ordinary shares). Each share grants a pro rata portion of the share capital of EUR 1.00. All shares are fully paid in. The shares grant the holder full dividend entitlement from 1 July 2018. Each share grants one vote at the company's Annual General Meeting. They are represented by global certificates. All STEMMER IMAGING AG shareholders are entitled to statutory pre-emption rights, which state that, in the event of capital increases, shareholders must be allocated a portion of the new shares that corresponds to their interest in the existing share capital at their request.

DIRECT OR INDIRECT SHAREHOLDINGS OF 10 PER CENT OR MORE IN CAPITAL

In the 2019 short fiscal year, STEMMER IMAGING AG was not aware of any direct shareholding in its capital exceeding 10 per cent of the voting rights. The largest shareholder, at 54 per cent, is still SI HOLDING GmbH, Munich.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD

The appointment and dismissal of members of the Executive Board are governed by the provisions of sections 84 and 85 of the Aktiengesetz (AktG – German Stock Corporation Act). The Supervisory Board determines the number of members of the Executive Board. In appointing the members of the Executive Board, STEMMER IMAGING complies with the recommendations of the German Corporate Governance Code, taking into account the specific situation of the company.

By resolution on 21 October 2019, the Supervisory Board agreed to the departure, by mutual agreement, from the Executive Board of the Chief Financial Officer, Lars Böhrnsen. Lars Böhrnsen left STEMMER IMAGING AG effective 30 November 2019.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Supervisory Board is authorised to resolve amendments to the Articles of Association that affect their wording only.

REMUNERATION REPORT

The remuneration report presents the main features of the remuneration system for the members of the Executive Board and explains the structure and amount of Executive Board and Supervisory Board remuneration. The report is based on the recommendations of the German Corporate Governance Code and contains information required by the Handelsgesetzbuch (HGB – German Commercial Code) and the International Financial Reporting Standards (IFRS). The remuneration report below forms part of the combined management report.

REMUNERATION OF THE EXECUTIVE BOARD

Determining and reviewing Executive Board remuneration and the remuneration system itself is the responsibility of the Supervisory Board. In particular, it is based on the size of the Group, its economic situation, its success and future prospects, and the amount of remuneration at comparable companies. The duties and personal performance of the respective member of the Executive Board are also taken into account.

COMPONENTS OF EXECUTIVE BOARD REMUNERATION

The Executive Board contracts of Arne Dehn and Martin Kersting were amended in the 2019 short fiscal year with respect to Executive Board remuneration.

Executive Board remuneration is performance-based. It consists of fixed (basic) remuneration and variable remuneration.

Variable remuneration is measured by consolidated EBIT (graded degree of target achievement with respect to target EBIT; required target achievement of at least 75 per cent) and is capped at 125 per cent (Arne Dehn) and 100 per cent (Martin Kersting) of the base salary. The basis for calculation is the approved consolidated financial statements. Extraordinary effects such as acquisitions are not taken into account.

Variable remuneration consists of a cash payment (49 per cent) and the granting of share options (51 per cent), meaning that in future it will depend largely on the long-term business development of STEMMER IMAGING. Specific details on the granting of share options are subject to an agreement, which has not yet been finalised.

Variable portions in the 2019 short fiscal year:
– Arne Dehn: The amount of the bonus is 0 per cent of adjusted consolidated EBIT.
– Martin Kersting: The amount of the bonus is 0 per cent of adjusted consolidated EBIT.

In the event of temporary incapacity to work, the payments will continue to be made at the same amount for a period of six months, which shall not exceed the end of the contract. If this temporary incapacity to work is extended by an additional six months, the Executive Board members will receive 80 per cent of their base salaries during this period, which shall not exceed the end of the contract.

The contracts with members of the Executive Board Arne Dehn and Martin Kersting contain a severance agreement in the event of their termination or expiry.

In addition, compensation is paid for the duration of one year after the contract ends on account of a non-competition clause. For the duration of the non-competition clause, the company pays the Executive Board members compensation totalling 75 per cent of their most recent annual remuneration plus additional benefits.

In the event of members of the Executive Board stepping down by mutual arrangement without cause, their contracts provide for compensation capped at a maximum of two years' annual remuneration. This amount is calculated pro rata temporis if the remaining term is less than two years. The amount of annual remuneration for calculating severance pay is determined by the total remuneration for the last full fiscal year before the end of the contract.

Contracts with members of the Executive Board do not include change of control clauses.

Fixed remuneration is paid as a monthly salary. The bonus is due once the annual financial statements for the relevant fiscal year have been approved.

Lars Böhrnsen

Lars Böhrnsen stepped down from the Executive Board on 30 November 2019. A termination agreement was concluded with a date of 14 November 2019. The termination agreement includes the payment of remuneration until 30 June 2020. An amount of EUR 16,692 was paid in December 2019. The amounts covering the period from 1 January to 30 June 2020 were recognised as a provision. As of 31 December 2019, the provision amounts to EUR 152,000.

OVERVIEW OF EXECUTIVE BOARD REMUNERATION

Based on the above determination by the Supervisory Board, for the 2019 short fiscal year total remuneration of the Executive Board of EUR 325 thousand (2018/19: EUR 758 thousand[1]) was recognised as an expense (individual, rounded figures):

EXPENSES in EUR	Arne Dehn		Martin Kersting	
	2019	2018/19	2019	2018/19
Fixed remuneration	120,000	120,000	108,000	208,200
Additional benefits[2]	6,419	6,419	3,446	6,893
Total fixed remuneration components	**126,419**	**126,419**	**111,446**	**215,093**
Short-term variable remuneration	0	0		47,380
Total variable remuneration components	**0**	**0**	**0**	**47,380**
Total remuneration	**126,419**	**126,419**	**111,446**	**262,473**

1 The figures for the previous year include details on the remuneration of an Executive Board member who stepped down in the 2018/19 fiscal year.
2 Additional benefits include the costs for or the monetary value of additional benefits such as the provision of company cars, contributions to insurance policies, childcare subsidies, etc.

Fixed remuneration including additional benefits for the departed Executive Board member Lars Böhrnsen came to EUR 86,802 up to the date of his departure. There were no variable remuneration components. In the 2018/19 fiscal year, the total remuneration recognised as an expense was EUR 225,174 (fixed: EUR 193,431; variable: EUR 31,743).

The following remuneration was received by the individual members of the Executive Board in the 2019 short fiscal year (individual, rounded figures):

AMOUNT RECEIVED in EUR	Arne Dehn		Martin Kersting	
	2019	**2018/19**	**2019**	**2018/19**
Fixed remuneration	120,000	120,000	108,000	208,200
Additional benefits[1]	6,419	6,419	3,446	6,893
Total fixed remuneration components	**126,419**	**126,419**	**111,446**	**215,093**
Special bonus	0	0	0	375,000
Short-term variable remuneration	0	0	47,380	110,660
Total variable remuneration components	**0**	**0**	**47,380**	**485,660**
Total remuneration	**126,419**	**126,419**	**158,826**	**700,753**

1 Additional benefits include the costs for or the monetary value of additional benefits such as the provision of company cars, contributions to insurance policies, childcare subsidies, etc.

The amounts received by the departed Executive Board member Lars Böhrnsen totalled EUR 118,957 up to the date of his departure. Of this amount, EUR 86,802 related to fixed remuneration plus additional benefits and EUR 32,156 to variable remuneration components. In addition, there were non-cash benefits of EUR 49,500 in the short fiscal year, which were offset in the termination agreement.

As of 31 December 2019, there are pension obligations to a former member of the Executive Board amounting to EUR 111,716 (30 June 2019: EUR 103,438), which are covered by a corresponding pension liability insurance policy. See the explanations on pension obligations in the notes to the consolidated financial statements for more information.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board consists of fixed remuneration only. The Deputy Chairman and the Chairman of the Supervisory Board are considered separately in the amount of remuneration, as is the number of Supervisory Board meetings attended (attendance fee).

COMPONENTS OF SUPERVISORY BOARD REMUNERATION

Each member of the Supervisory Board receives fixed annual remuneration for his work. This currently amounts to EUR 20,000 p. a. The Deputy Chairman receives one and a half times this amount, while the Chairman receives double this fixed annual remuneration. An attendance fee of EUR 1,000 is also granted per member for meetings held in person. The Deputy Chairman receives one and a half times this amount, while the Chairman receives double this attendance fee. This remuneration regulation was resolved at the shareholder meeting of the company on 15 November 2017.

OVERVIEW OF SUPERVISORY BOARD REMUNERATION

SUPERVISORY BOARD REMUNERATION
in EUR

	Fixed remuneration	Attendance fee	Total in 2019	Total in 2018/19
Klaus Weinmann	20,000	6,000	26,000	48,000
Stefan Kober	15,000	4,500	19,500	36,000
Markus Saller	10,000	3,000	13,000	24,000

The members of the Supervisory Board received no further remuneration or benefits for services provided personally in the reporting year, including in particular consulting or mediation services. The members of the Supervisory Board were not granted loans or advances, and contingent liabilities were not entered into on their behalf.

D & O INSURANCE

STEMMER IMAGING AG has taken out liability insurance (D & O insurance) to cover the management activities of its directors and officers. The D & O insurance for the Executive Board includes a deductible of 10 per cent. However, the policy does not stipulate a deductible for the members of the Supervisory Board.

(GROUP) CORPORATE GOVERNANCE DECLARATION

The (Group) corporate governance declaration in accordance with section 289 f and 315 d of the Handelsgesetzbuch (HGB – German Commercial Code), including the declaration on the German Corporate Governance Code in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act), was published by the company on the Investors page of its website **www.stemmer-imaging.com**.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE HGB SINGLE-ENTITY FINANCIAL STATEMENTS

NET ASSETS AND FINANCIAL POSITION

At EUR 77.26 million, STEMMER IMAGING AG’s total assets are higher than the previous year’s level (30 June 2019: EUR 73.03 million).

Financial assets are the largest item on the assets side at EUR 46.39 million (30 June 2019: EUR 20.68 million). The increase can be accounted for by the acquisition of Alea Rubicon S. L. U., Barcelona, Spain, subsidiary Infaimon S. L. U., Barcelona, Spain, and its subsidiaries in Portugal, Mexico and Brazil (“Infaimon Group”). The EUR 1.83 million increase in loans to affiliated companies to EUR 9.85 million is the result of increasing the loan to the French subsidiary (by EUR 2.27 million); this was countered by Group loan repayments of EUR 0.40 million. Lower profit expectations were the reason that the investment in Perception Park GmbH was written down by EUR 0.75 million.

In addition, investments were made in software acquisition in the short fiscal year, which led to a rise in purchased industrial rights to EUR 1.49 million (30 June 2019: EUR 0.34 million).

As of 31 December 2019, lower trade receivables were offset by lower trade payables. There was an increase in other provisions mainly due to severance payments (EUR 0.36 million).

The increase in other assets to EUR 1.49 million can be attributed primarily to tax refund claims as a result of the loss situation in the 2019 short fiscal year.

The above investments led to a reduction in cash and cash equivalents to EUR 10.84 million (30 June 2019: EUR 33.71 million). On the equity and liabilities side, there was a change in liabilities to banks: a bank loan was taken up which totalled EUR 9.5 million as of 31 December 2019 (30 June 2019: EUR 0). There was no change year-on-year in the other items on the equity and liabilities side.

RESULTS OF OPERATIONS

The decline in STEMMER IMAGING AG's revenue and earnings forecast for the period up to 31 December 2019 materialised. In the 2019 short fiscal year, STEMMER IMAGING AG generated revenue of EUR 26.99 million compared with EUR 59.37 million in the twelve months of 2018/19. This figure includes intra-group allocations of EUR 2.90 million (2018/19: EUR 5.81 million). The cost of goods sold ratio was down on the previous year's figure of 65.3 per cent at 64.6 per cent thanks to favourable purchasing conditions, synergies within the Group and changes in the product mix.

The increase in the average headcount at STEMMER IMAGING over the course of last year (2019: 216 employees; 2018/19: 209 employees) led to a rise in personnel expenses to EUR 6.82 million (2018/19: EUR 12.28 million).

Other operating expenses of EUR 4.36 million (previous year 2018/19: EUR 7.34 million) include selling expense (EUR 0.99 million, previous year 2018/19: EUR 1.8 million), operating expenses (EUR 0.87 million, previous year 2018/19: EUR 1.47 million) and administrative expenses(EUR 2.50 million, previous year 2018/19: EUR 4.07 million).

Overall this resulted in a negative EBITDA of EUR – 1.02 million (2018/2019: EUR 2.15 million)

STEMMER IMAGING AG's financial result deteriorated in the short fiscal year as a result of depreciation and impairment of financial assets in the amount of EUR 0.89 million, and totalled EUR – 0.18 million (2018/19: EUR 1.08 million). There was a positive effect from the distribution by the Swiss subsidiary (EUR 0.36 million). However, this did not fully offset the elimination of interest income from Primepulse SE (2018/19: EUR 0.41 million).

After taking into account income from tax refund claims (EUR – 0.36 million; 2018/19: EUR 0.62 million), the company closed the 2019 short fiscal year with a net loss of EUR – 1.72 million (2018/19: net income of EUR 1.39 million).

RISK REPORT

The risk policy of STEMMER IMAGING is guided by the corporate objectives of sustainable growth and improvement in business performance in order to contribute to an increase in the company's value. However, business opportunities are also countered by risks that must be identified at an early stage. An important part of the Group-wide risk management system entails determining risk categories as well as identifying, analysing, managing and communicating the identified risks. The initiation of suitable measures is intended to limit potential negative effects in order to identify a risk that could jeopardise the future of the company as a going concern as early as possible. There are no risks to the existence of the company as a going concern at present.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

STEMMER IMAGING has an appropriate risk management system. With regard to accounting, it is aimed at identifying, evaluating and communicating risks of incorrect bookkeeping, accounting and reporting. There is also 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. In addition to identifying and evaluating risks, this system also encompasses measures aimed at ensuring the complete, correct and timely transmission and presentation of information that is relevant for the preparation of compliant financial statements.

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 has a Group-wide ERP system (S4), which supports and documents the main operating processes, and local bookkeeping systems (particularly DATEV), which support and ensure proper bookkeeping.

In addition, STEMMER IMAGING 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 in the existing systems as quickly as possible. 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 any changes reviewed.

The relationships between the companies are outlined in service agreements that direct and govern cooperation and mutual allocation of services within the Group. The compliance system is currently being adapted to current requirements and the growth of the Group.

To safeguard ongoing company operations from an IT perspective, STEMMER IMAGING has established preventative measures, and endeavours to improve these measures and implement additional measures. They include regular updates and enhancements where necessary and employee compliance with internal security and data protection policies. The risk of unauthorised access, modification and withdrawal of company data is mitigated through means including a security system to largely protect against unwanted network access 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.

STEMMER IMAGING's risk management system incorporates strategic corporate planning, internal reporting and the internal control system. The aim of strategic corporate planning is to identify and take advantage 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. Among other things, it covers the accounting process at STEMMER IMAGING. Controlling is responsible for analysing the accounting process. Regular and timely reports on accounting are made to the Executive Board.

RISK IDENTIFICATION, ANALYSIS AND ASSESSMENT

Identified risks that, at the present time, could materially impact the business and the net assets, financial position or results of operations of STEMMER IMAGING are described below.

For reasons including its Europe-wide diversification, STEMMER IMAGING classifies the probability of occurrence of the identified risks as no higher than medium. Additional risks of which the company is not yet aware or risks that STEMMER IMAGING currently classifies as immaterial could likewise have a negative impact on its business activities.

MARKET- AND INDUSTRY-SPECIFIC RISKS

Dependence on the economic situation

STEMMER IMAGING's order situation is influenced by global economic conditions and geopolitical developments. Risks to the Group's growth prospects arise from issues including the still undetermined effects of Brexit, the unstable political conditions in many countries and the possible introduction of tariffs and trade restrictions. Additional negative effects could also stem from the below-average performance of European economies compared with other countries.

Investment decisions by STEMMER IMAGING customers depend to a large extent on macroeconomic developments and the situation in the relevant customer industry. A high degree of economic uncertainty or even economic downturns could result in STEMMER IMAGING's orders being reduced, postponed or cancelled.

Specific measures taken to minimise risk
– Diversification in other regional markets
– Penetration of other potential application sectors

Competitive intensity

The fragmented market in which STEMMER IMAGING operates is fiercely competitive and characterised by rapid change. STEMMER IMAGING is exposed to competitive pressure both from medium-sized and large manufacturers of machine vision components and from international system providers. In addition, the concentration process in the market has accelerated in recent years due to takeovers. If this process continues, the existing price and competitive pressure could further intensify, which could lead to reduced margins and losses in market share.

Specific measures taken to minimise risk
– Focus on new markets and innovations: digitalisation and smart data
– Expansion of solutions expertise in non-industrial applications
– Focus on cross-selling, proprietary IP and sub-systems

Technological change

The machine vision market is undergoing rapid technological change. STEMMER IMAGING is particularly dependent on the continued positive development of markets for machine vision. In the relevant markets, including the automotive and manufacturing industries, new technologies could render the use of machine vision products and services less important or superfluous.

Specific measures taken to minimise risk
– Expansion of the value-added portfolio
– Scalable platform for efficient provision of value-added services
– Consolidation of the software portfolio through in-house developments in particular
– Strengthening of the technology base with powerful components and sub-systems

BUSINESS RISKS

Mergers and acquisitions

STEMMER IMAGING's market strategy focuses on strengthening and expanding its own market position in the machine vision sector through organic and inorganic growth in the form of acquisitions and integrations of fitting companies in STEMMER IMAGING.

Aside from the risk that newly acquired companies or parts of companies cannot be effectively integrated, there is also a risk in the selection of suitable acquisition targets. If a planned acquisition is made on the basis of false assumptions or an excessive purchase price is paid, this transaction could constitute a risk for the Group's financial situation.

In addition, the organisational integration of additional companies can be considerably time-consuming and expensive and targeted synergies may not be realised to the extent expected. Furthermore, there is a risk that important employees or key personnel from the acquired company could leave the company following the acquisition, such that objectives that were supposed to be achieved through the acquisition can no longer be achieved.

There is also the risk that minority shareholders could adversely affect the performance of a portfolio company if they use their powers to negatively impact the company's development (e.g. obstructive attitude in committees).

Specific measures taken to minimise risk
– Performance of due diligence regarding business, financial, legal and tax aspects
– Inclusion of essential guarantees and retention clauses in takeover agreements for key personnel

Dependence on suppliers

STEMMER IMAGING is dependent on major suppliers. There are no exclusivity agreements between the suppliers and STEMMER IMAGING. A percentage of its products STEMMER IMAGING imports and is therefore exposed to the general risk inherent in international trade relations. This includes, for example, delivery delays, exchange rate fluctuations, changes in security requirements and changes in the general, economic or political situation in the country of the supplier.

Disruptions affecting major suppliers may impair STEMMER IMAGING's delivery capacity and thereby impact its earnings.

There is also a risk that suppliers could change their product portfolio and no longer supply individual components in the volume required by STEMMER IMAGING or at all.

Specific measures taken to minimise risk
– Use of alternative sources of supply for important components
– Conclusion of master agreements that secure long-term availability
– Forecast planning and adapted warehouse management

Product risks

Products are being subjected to increasingly stringent requirements, regulations and quality standards from customers and to legal and regulatory requirements including CE (Conformitée Européene or "European Conformity"), RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals). There are also an increasing number of liability issues at stake, which need to be assessed in contracts, agreements or when taking out insurance cover to offset risks.

The situation is also being exacerbated by the market trend towards shorter product cycles.

Specific measures taken to minimise risk
– Securing of alternative sources of supply for important components
– Careful portfolio selection
– Conclusion of master agreements that secure long-term availability
– Supplier audits

Price risks

In its business operations, STEMMER IMAGING is reliant on purchasing products at prices that allow it to generate sufficient profit margins. In some circumstances, STEMMER IMAGING's profit margin may also be dependent on supplier prices. There is a risk that STEMMER IMAGING may be unable to avoid price increases for certain goods or to pass on these price increases to customers.

Specific measures taken to minimise risk
– Management of exchange rate risks for long-term customer and supplier contracts
– Possibility of modification through flexible exchange rate clauses

Risks from sales channels

While manufacturers have so far predominantly organised their sales via distributors such as STEMMER IMAGING, there is a growing trend of manufacturers selling products to end customers directly. If manufacturers of machine vision products succeed in expanding their direct sales, this will create additional price and competitive pressure for STEMMER IMAGING. This could also impact collaboration on customer orders and customer-specific integration services.

Specific measures taken to minimise risk
– Customer retention through value-added services
– Broad positioning of portfolio and suppliers
– No single-sourcing restriction for certain portfolio items

Risks from IT operations and IT security

To ensure smooth business operations, STEMMER IMAGING relies on the proper functioning of key IT systems. There are risks with regard to the IT systems themselves and data that is stored and processed by these systems. They apply to STEMMER IMAGING AG and to its subsidiaries. These risks relate to data in cloud computing systems in particular.

STEMMER IMAGING is reliant on important information technology both for the development of machine vision software and for the manufacture of customised products. There is a risk that external influences, such as fire, lightning strikes, blackouts, computer viruses, hacker attacks, etc., and internal influences, such as improper use of the systems, could result in the loss of data or operating malfunctions or interruptions due to partial or complete failures of STEMMER IMAGING's IT systems.

System failures and malfunctions or errors affecting the many connections with other systems may result in considerable costs. A temporary system shutdown could also result in related costs for recovering and verifying data. Malfunctions all the way up to an IT system failure could thus have a detrimental impact on the results of operations not to mention on supplier and customer relationships and could result in a decline in operating activities.

There is also the risk that customer and supplier information and price calculations could be stolen through unauthorised access by strangers, competitors or employees, or that the IT systems could be manipulated. In the cloud computing systems as well, it is impossible to completely rule out the possibility of third parties managing to gain access to data in the cloud and copy it, delete it, manipulate it or otherwise misuse it. STEMMER IMAGING could face legal claims as a result and/or suffer damage to its reputation.

Specific measures taken to minimise risk

- Continuation of permanent monitoring of IT operations and IT security by appropriately trained staff
- Frequent training of employees in the IT department in cyber security and continuity management
- Upgrading of IT hardware and software to the latest technological standards, particularly with respect to cyber security

Risks from skills shortage

STEMMER IMAGING's success depends on its ability to attract sufficiently qualified staff, build up its workforce and retain employees at the company over the long term and to keep expertise within the company.

Specific measures taken to minimise risk

- Prevention of a skilled staff shortage through internal workforce training
- Continuation and expansion of existing partnerships with universities and associations to attract the interest of prospective new employees early on
- Recruitment of qualified junior staff by providing bachelor's and master's dissertation topics and by employing them as working students
- Setting up of modern workstations in university labs as an essential contribution to the practical education of students

Tax risks

STEMMER IMAGING is exposed to tax risks insofar as some tax assessments and external audits result in subsequent payments or there may be detrimental changes in tax legislation. It cannot be ruled out that future assessments and external audits may lead to subsequent payments.

Risks also arise with newly acquired companies. Past risk usually remains with the seller by way of tax exemptions and safeguard clauses in the corresponding share price agreements. But any future risks (particularly the periods following the economic transfer date) are borne by the buyer. Significant risks are normally identified through the process of red flag due diligence. During the post-acquisition phase, these risks are examined in more detail and appropriate measures are taken. There are constant changes to applicable tax law – including to its administrative application. STEMMER IMAGING has no influence over whether or not currently applicable tax provisions, rules and directives will continue to exist in their present form. It cannot exclude the possibility of future changes to legislation, different interpretations of laws by financial authorities and courts, and these may have retroactive effect where applicable. The STEMMER IMAGING Group's business activities may be negatively impacted by such changes to laws and/or directives.

A tax audit is under way at the time of reporting. Preliminary findings are not yet fully available, which means that the company is not able to make a definitive statement on the amount of any back taxes.

Compliance risks

It cannot be ruled out that STEMMER IMAGING's compliance system may prove to be inadequate in certain cases. It is possible that STEMMER IMAGING employees could infringe legal requirements, internal compliance guidelines or organisational requirements, or domestic or foreign laws.

A violation of statutory provisions can have legal consequences, such as monetary penalties and fines. In addition, the reputation of STEMMER IMAGING could suffer if offences are revealed to the public.

Specific measures taken to minimise risk
- Adaptation of the compliance and risk management system to current requirements and laws
- Communication of our Code of Conduct to employees

REPORT ON OPPORTUNITIES

STEMMER IMAGING has diverse opportunities for sustained positive business development. They arise in particular from the ability to identify customer requirements early and cater to these requirements in a largely customised manner.

STEMMER IMAGING analyses and shapes trends in all potential application sectors to lay the groundwork for sustainable growth at an early stage and develop a competitive edge. The following market aspects in particular give rise to opportunities:

GROWING DEMAND FOR INTEGRATED APPLICATIONS

Customers are increasingly looking for custom-made combinations of hardware and software components that are validated through upstream feasibility studies. Focusing its attention on components, project business and sub-systems, STEMMER IMAGING advises customers on selecting components for machine vision solutions that suit their needs, and preconfigures them on request.

DEMAND FOR SUPPORT IN PROJECT BUSINESS

STEMMER IMAGING's project business complements its holistic customer approach. As a developer of proprietary software and sub-system solutions and a provider of customised products – such as specialist cables and protective housing for industrial cameras – STEMMER IMAGING has the expertise and experience to give its customers optimum support with their machine vision projects. To this end, specialist staff perform in-depth feasibility studies to give customers recommendations for custom-made combinations of hardware and software components. Practical experience from the project business is thus integrated in the development of new sub-systems.

DEMAND FOR PRECONFIGURED SUB-SYSTEMS

Sub-systems are developed on the basis of component and project business and are expected to accelerate STEMMER IMAGING's growth going forward. Preconfigured hardware and software solutions are custom-developed by machine vision experts for specific tasks. This considerably cuts down the amount of time and work spent integrating vertical customer applications. One of the first key applications here was the robot-guided bin picking system InPicker. This sub-system is a robot guidance solution based on proprietary software and third-party hardware. The interlinking of robotics and machine vision enables a robot to determine the exact position of objects, pick them up and position them – all in real time. Many customers are already using the sub-system and it promises significant growth rates for STEMMER IMAGING. One hyperspectral system variant is also housed in the sub-system segment. This innovative technology enables a spectroscopic analysis of objects to aid the classification of organic and inorganic materials. Hyperspectral systems can potentially be used not only in industrial environments, but also in non-industrial applications such as in the food sector, the agricultural sector and the recycling industry. The contributions that STEMMER IMAGING makes to hyperspectral imaging and bin picking are seen as affirmation of the Group's future-driven alignment with megatrends combined with the generation of substantial added value for its customers.

STEMMER IMAGING's extensive range of sub-systems means that system integrators spend less time and effort developing solutions from the bottom up, which in turn shortens time to market and limits competition among this customer group.

Going forward, STEMMER IMAGING will ramp up and further expand its component, project and sub-system businesses in equal measure to take advantage of the associated opportunities to benefit its customers and to extend its customer base.

NEW GROWTH MARKETS IN THE NON-INDUSTRIAL SECTOR

In addition to established industrial application areas such as the mechanical engineering sector and the automotive industry, STEMMER IMAGING's machine vision products and services are increasingly being used in non-industrial areas as well. These include highly promising application areas in the medical technology, pharmaceutical, transport, logistics and infrastructure segments, the food sector, and the sporting and entertainment industries. While some industrial sectors are currently experiencing a lull – despite current technology trends such as Industry 4.0 and increasing connectivity in production – machine vision revenue in non-industrial applications is growing at an exceptional rate. STEMMER IMAGING is already generating a significant and strongly increasingly percentage of its revenue in this area and, in its own estimation, has established a leading position in artificial vision. This combination of machine vision and artificial intelligence yields potential for innovative solutions for non-industrial applications and opens up some bright prospects.

STEMMER IMAGING's broad diversification in all key industries and non-industrial markets broadens the company's business opportunities considerably, while reducing its dependence on individual end markets.

DEMAND FOR EXPERIENCE AND EXPERTISE

An important success factor for STEMMER IMAGING's continued positive development is the fact that its predominantly technically trained employees already have a diverse array of practical experience in all key industrial and non-industrial application areas, which makes it much easier for the company to expand its business in these markets. Most of these employees have been working at the company for many years and have a well-acknowledged high degree of technical expertise. This specialist expertise in the full range of machine vision disciplines at a component, project and sub-system level is of tremendous value to users and is also imparted to customers through theoretical and practical training. The customer retention that this inspires is the foundation for STEMMER IMAGING's continued positive business development.

Continuous development of its employees' technical expertise in all existing and newly acquired machine vision segments also gives customers an edge in terms of advanced knowledge in innovative technologies such as embedded vision, artificial intelligence and deep learning.

ADAPTABILITY

The flexible, scalable STEMMER IMAGING corporate platform with its short decision-making processes constitutes the basis for the company's long-term success. The newly acquired locations in Brazil and Mexico will give STEMMER IMAGING the potential to move into other regions such as the US.

As part of its M&A strategy, the company also keeps an eye on companies with considerable business potential in the machine vision sector and continues to press ahead with expansion on a national and international scale. This strategy includes industrial and non-industrial application areas on an equal footing.

STEMMER IMAGING keeps track of regional and global market and technology developments with great interest, which puts it in a position to identify trends at an early stage, respond appropriately and shape these trends. The company is able to take advantage of market opportunities that present themselves in the most effective way by developing new business models and systematically prioritising customer requirements.

STEMMER IMAGING's customers benefit from a diverse range of state-of-the-art machine vision products; close, long-lasting partnerships with leading manufacturers; and extensive value-added services including feasibility studies, system validation, training and on-site customer support.

OPPORTUNITY SITUATION IN SUMMARY

In view of the extensive market opportunities outlined above, which STEMMER IMAGING is able to seize and implement thanks to its secure financial background, STEMMER IMAGING anticipates growth in consolidated revenue to EUR 200 million in the medium term. Additional opportunities are brought about by portfolio measures and acquisitions. Advancing digital development is giving rise to new growth markets in the non-industrial sector. The flexible, scalable corporate platform with motivated employees and efficient work processes throughout the entire value chain is every bit as important as the process of identifying and leveraging market developments.

CSR ACTIVITIES

STEMMER IMAGING wants to make its contribution to a sustainable society. With this aim in mind, it is currently organising its first sustainability activities and integrating them more fully in the corporate strategy as well as implementing specific projects.

It uses the UN's Sustainable Development Goals (SDGs) as a point of reference. They encompass all three pillars of sustainability – social, environmental and economic – and comprise tangible measures at a global and local level that are to be achieved by 2030. Goals 4, 7, 8, 12 and 13 are of particular importance to STEMMER IMAGING.

As a responsible employer (SDG 8), STEMMER IMAGING regards its employees as a significant success factor in achieving its sustainability goals. The working environment that is fostered and all general conditions at the company offer all employees the ideal setting to maximise their potential. Integrity, respect and fair dealings are some of the company's most important core values. To ensure that all employees follow a set of binding standards, a code of conduct applies to all and training is provided through measures such as e-learning. STEMMER IMAGING's mission statement sets out its core values, which serve as a benchmark for the actions of each and every employee.

By means of innovative machine vision solutions, STEMMER IMAGING helps to conserve resources and make the environment a better place (SDGs 12, 13). One of the key aspects of this concerns measures to reduce its internal energy consumption on a sustainable basis (SDG 7).

As a medium-sized company, STEMMER IMAGING and its subsidiaries are committed to making a difference in all economic regions in which they operate. For example, the German company STEMMER IMAGING AG has for many years been involved in partnerships with schools in its districts to get young people interested in technology and encourage them to develop their talents (SDG 4).

To make sustainability an integral part of everyday business operations with its suppliers, STEMMER IMAGING has implemented a supplier code, which ensures that environmental, compliance and working standards are put into practice effectively.

The Executive Board is involved in the ongoing development of the sustainability strategy. The sharing of information with the global subsidiaries of STEMMER IMAGING ensures that all company initiatives are improved continuously and also helps to progressively enhance the company's value.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE ECONOMIC DEVELOPMENT

There was a significant increase in risks in the macroeconomic environment last year and again in recent weeks and months.

The OECD currently classes the spread of coronavirus (SARS-CoV-2) as the greatest danger to the world economy since the global financial crisis. The WHO's declaration of the SARS-CoV-2 outbreak as a pandemic on 11 March 2020 will lead to economic disruption. Major restrictions to the movement of people, goods and services are foreseeable, and are expected to result in a significant deterioration in business and consumer sentiment and a slowdown of production. In its Economic Outlook at the beginning of March 2020, in the base-case scenario (a contained outbreak centred largely in China) the OECD anticipates a sharp decline in global growth in the first half of 2020 as a result to disruptions in supply chains, a downturn in tourism and a deterioration of business confidence (global economic growth is projected to slow from 2.9 per cent in 2019 to 2.4 per cent in 2020). In the event that SARS-CoV-2 spreads more widely in the Asia-Pacific region and the major advanced economies – a situation that has since materialised – the OECD expects global economic growth to fall to 1.5 per cent. According to estimates by the OECD, the measures taken to contain the virus and the loss of confidence could impact production and consumption to such an extent that it could push several economies – including Japan and the euro area – into recession.

PREMISES FOR THE FORECAST

The forecasts for the STEMMER IMAGING Group and STEMMER IMAGING AG include all information known to the Executive Board at the time this report was prepared that could have an impact on the business performance of the STEMMER IMAGING Group. In particular, the outlook is based on the expectations described above with regard to economic trends. It also relates exclusively to organic business performance. In respect to the entire STEMMER IMAGING Group and STEMMER IMAGING AG, unforeseen events could impact the development of the company as anticipated today. Due to their nature, such events are not included in this forecast.

FORECAST FOR THE STEMMER IMAGING GROUP

The continued spread of coronavirus and its effects on STEMMER IMAGING's business operations are being monitored continuously. Based on recent developments, STEMMER IMAGING expects the increasing spread of coronavirus and the necessary containment measures taken to have a negative impact on supply chains and its key sales markets. Some of STEMMER IMAGING's supply chains may be jeopardised and there may be risks to procurement processes. Addtionally, reductions in investments from customers could impact negatively order intake during the course of the year.

In light of the aforementioned market conditions, the management anticipates a decline in demand year-on-year in some sales markets, which the company – despite its broad positioning – may not be able to avoid. The forecast revenue range for the 2020 fiscal year is therefore EUR 105 million to EUR 120 million.

The forecast EBITDA range, which has been impacted by the aforementioned factors, is EUR 3 million to EUR 7 million.

The management has already taken preventative steps to absorb any potential impact of coronavirus and maintain the company's profitability. These steps fall under the categories of ensuring business continuity, avoiding health risks to employees and business partners, and adjusting costs and resources in line with the short- and medium-term order situation. They range from preparing contingency plans to maintain delivery capacity right through to reviewing and adjusting available capacity where necessary, and also include process steps and implementing tools to improve efficiency. Implementation of these steps is constantly being adjusted to current requirements.

The management is standing by its communicated medium-term target of achieving annual revenue of over EUR 200 million and an EBITDA margin of between 10 per cent and 12 per cent.

FORECAST FOR STEMMER IMAGING AG

The Group's parent company generates revenue from selling machine vision technology in Germany and from allocations for services and financing provided. All the projections made for the Group with respect to the continued impact of coronavirus also apply to STEMMER IMAGING AG. For the 2020 fiscal year, the Executive Board anticipates a decline in revenue and strongly negative EBITDA.

OTHER DISCLOSURES

CONCLUDING STATEMENT ON DEPENDENT COMPANY REPORT

The company has compiled a dependent company report for the 2019 short fiscal year, which ends with the following concluding statement:

“The Executive Board of STEMMER IMAGING AG hereby states that, under the circumstances known to it at the date on which the transactions listed in this report on relations to affiliated companies were conducted, STEMMER IMAGING AG received adequate consideration for each transaction.

No reportable measures within the meaning of section 312 (1) sentence 2 AktG were taken or omitted in the short fiscal year from 1 July to 31 December 2019.”

SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

The World Health Organization (WHO) declared the coronavirus outbreak a public health emergency of international concern on 30 January 2020, and went on to class the spread of coronavirus as a pandemic on 11 March. As the situation continues, some of STEMMER IMAGING’s supply chains may be jeopardised and there may be risks to procurement processes. The expectation that customers will want to make cost savings over the remainder of the year could have a detrimental impact on the order situation. The estimates and assumptions for the 2020 fiscal year that are known to STEMMER IMAGING are contained and outlined in the report on expected developments. No further significant negative effects are known or foreseen at the present time. However, further negative effects are possible during the year.

At its meeting on 26 March 2020, the Supervisory Board of STEMMER IMAGING AG appointed Uwe Kemm to the company’s Executive Board effective 1 April 2020. As Chief Operating Officer (COO), he will be responsible for operational organisational units and for the further development and implementation of important initiatives within the scope of the corporate strategy. At the same time, Martin Kersting (CTO) stepped down from the Executive Board on 31 March 2020 for personal reasons and is leaving the company at his own request. However, he will remain affiliated with STEMMER IMAGING in an active advisory capacity.

Puchheim, 31 March 2020

STEMMER IMAGING AG
Executive Board

Arne Dehn **Martin Kersting**

Lukas Boguth (trainee in vision systems), Lukas Herrmannn (IT), Marion Strencioch (human resource management)

Through our machine vision solutions, we strive to contribute to conserving the earths valuable resources and making the world a safer and better place to live.

03 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

ASSETS
in KEUR

	Note	31/12/2019	30/06/2019
Non-current assets			
Property, plant and equipment	2	7,973	2,834
Goodwill	1	23,850	7,299
Other intangible assets	1	10,086	1,902
Investment securities accounted for using the equity method	3	600	1,349
Other investment securities	13	34	17
Deferred tax assets	25	293	170
Total non-current assets		**42,836**	**13,571**
Current assets			
Inventories	4	11,156	10,724
Trade receivables	5	16,610	15,799
Contract assets	6	180	36
Other financial assets	13	200	189
Income tax receivables	7	1,157	289
Other assets and prepaid expenses	8	823	589
Cash and cash equivalents	9	27,974	46,257
Total current assets		**58,100**	**73,883**
Total assets		**100,936**	**87,454**

EQUITY AND LIABILITIES
in KEUR

	Note	31/12/2019	30/06/2019
Capital and reserves			
Subscribed capital	10	6,500	6,500
Capital reserves	10	47,495	47,495
Revenue reserves	10	13,218	17,621
Total equity		**67,213**	**71,616**
Non-current liabilities			
Non-current loans	13	7,508	0
Provisions for pensions and similar obligations	11	58	38
Other financial liabilities	13	3,527	0
Other liabilities	16	251	236
Other provisions	12	206	198
Deferred tax liabilities	25	2,084	498
Total non-current liabilities		**13,634**	**970**
Current liabilities			
Current loans	13	2,048	78
Other provisions	12	32	69
Trade payables	14	9,102	8,460
Contract liabilities and advance payments received on orders	15	482	98
Other financial liabilities	13	2,452	1,084
Income tax liabilities		768	778
Other liabilities	16	5,205	4,301
Total current liabilities		**20,089**	**14,868**
Total liabilities		**33,723**	**15,838**
Total assets		**100,936**	**87,454**

CONSOLIDATED INCOME STATEMENT

DEVELOPMENT FROM 1 JULY 2019 TO 31 DECEMBER 2019
in KEUR

	Note	2019	2018/19
Revenue	18	62,337	108,966
Cost of materials	20	−39,956	−70,179
Gross profit		**22,381**	**38,787**
Other operating income	19	544	1,034
Personnel expenses	21	−12,834	−19,958
Other operating expenses	23	−8,146	−12,888
EBITDA		**1,945**	**6,975**
Depreciation and impairment of property, plant and equipment	22	−1,417	−936
EBITA		**528**	**6,039**
Amortisation of intangible assets	22	−1,108	−521
Operating earnings (EBIT)		**−580**	**5,517**
Associates’ share of profit or loss	24	−749	−51
Finance income	24	12	506
Finance costs	24	−104	−27
Profit before income taxes		**−1,421**	**5,945**
Taxes on income	25	20	−1,563
Consolidated net income		**−1,401**	**4,382**
Of which:			
Shareholders of the parent company		−1,401	4,382
Number of shares (weighted average)		6,500,000	6,500,000
Earnings per share in EUR (diluted and basic)	26	−0.22	0.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DEVELOPMENT FROM 1 JULY 2019 TO 31 DECEMBER 2019
in KEUR

	2019	2018/19
Consolidated net income	**−1,401**	**4,382**
Other comprehensive income		
Items that will be reclassified to profit or loss in future under certain conditions		
Exchange differences that arose during the fiscal year	254	−40
Items not reclassified to profit or loss in future		
Change in actuarial gains/losses	−8	86
Deferred taxes from change in actuarial gains/losses	2	−37
	−6	49
Other comprehensive income after income taxes	**248**	**9**
Total comprehensive income	**−1,153**	**4,391**
Of which:		
Shareholders of the parent company	−1,153	4,391

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JULY 2019 TO 31 DECEMBER 2019 [1]
in KEUR

	2019	2018/19
Cash flow from operating activities		
Consolidated net income	−1,401	4,382
Income tax income/expense recognised in profit or loss	−20	1,563
Finance expenses/income recognised in profit or loss	92	−407
Amortisation and depreciation of intangible assets, property, plant and equipment, and investment securities	3,274	1,457
Increase/(decrease) in provisions	−87	178
Other non-cash expenses/income	5	1,187
Income/loss from the disposal of fixed assets	4	0
(Increase)/decrease in inventories, trade receivables and other assets	3,180	−1,316
Increase/(decrease) in liabilities and other liabilities	−1,656	−1,431
Other income from loans, investments and securities	0	−21
Interest received	12	506
Cash inflow from operating activities	**3,403**	**6,098**
Income taxes paid	−1,453	−1,160
Net cash flow from operating activities	**1,950**	**4,938**
Cash flow from investing activities		
Proceeds from disposals of intangible assets	11	0
Payments for intangible assets	−1,378	−343
Proceeds from disposals of property, plant and equipment	56	12
Payments for investments in property, plant and equipment	−627	−958
Payments for investments in financial assets	0	−1,400
Payments for additions to the consolidated group less cash acquired	−23,702	−4,477
Proceeds from financial investments as part of short-term treasury management	0	5,074
Net cash outflow/inflow from investing activities	**−25,640**	**−2,092**
Cash flow from financing activities		
Proceeds from loans	10,000	0
Repayment of loans [2]	−1,467	−55
Proceeds from grants received	33	0
Dividends paid to shareholders of the parent company	−1,755	−1,755
Dividends paid to non-controlling interests	−1,495	−1,495
Interest paid	−98	−27
Net cash outflow for financing activities	**5,218**	**−3,332**
Net decrease/increase in cash and cash equivalents	**−18,472**	**−486**
Cash and cash equivalents at the beginning of the fiscal year	**46,257**	**46,730**
Changes in cash due to exchange rate movements and remeasurement	189	13
Cash and cash equivalents at the end of the fiscal year	**27,974**	**46,257**
Of which cash in hand and bank balances	27,974	46,257

1 For other information on the consolidated statement of cash flows, see “NOTES ON THE STATEMENT OF CASH FLOWS” in the notes to the consolidated financial statements.
2 An explanation on the repayment of lease liabilities can be found in the Notes on the statement of cash flows under note 26.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JULY 2018 TO 30 JUNE 2019
in KEUR

			Revenue reserves				
	Subscribed capital	Capital reserves	Reserve for actuarial gains/losses	Currency translation reserve	Miscellaneous	Total	Total
As of 30 June 2018	**6,500**	**47,495**	**−33**	**−295**	**16,808**	**16,480**	**70,475**
Consolidated net income	0	0	0	0	4,382	4,382	4,382
Distributions to shareholders of the parent company	0	0	0	0	−1,755	−1,755	−1,755
Distributions paid to non-controlling interests	0	0	0	0	−1,495	−1,495	−1,495
Adjustment of reserves (OCI)	0	0	49	0	0	49	49
Currency adjustments	0	0	0	−40	0	−40	−40
As of 30 June 2019	**6,500**	**47,495**	**16**	**−335**	**17,940**	**17,621**	**71,616**

FROM 1 JULY 2019 TO 31 DECEMBER 2019
in KEUR

			Revenue reserves				
	Subscribed capital	Capital reserves	Reserve for actuarial gains/losses	Currency translation reserve	Miscellaneous	Total	Total
As of 1 July 2019	**6,500**	**47,495**	**16**	**−335**	**17,940**	**17,621**	**71,616**
Consolidated net income	0	0	0	0	−1,401	−1,401	−1,401
Distributions to shareholders of the parent company	0	0	0	0	−1,755	−1,755	−1,755
Distributions paid to non-controlling interests	0	0	0	0	−1,495	−1,495	−1,495
Adjustment of reserves (OCI)	0	0	−6	0	0	−6	−6
Currency adjustments	0	0	0	254	0	254	254
As of 31 December 2019	**6,500**	**47,495**	**10**	**−81**	**13,289**	**13,218**	**67,213**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2019 SHORT FISCAL YEAR

A. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The consolidated financial statements of STEMMER IMAGING AG, Puchheim, and its subsidiaries (hereinafter: "STEMMER Group", "STEMMER" or "the Group") for the 2019 short fiscal year were prepared in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law. The short fiscal year is the period from 1 July 2019 to 31 December 2019.

The STEMMER 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 and other countries (Austria, Brazil, Denmark, Finland, France, Italy, Mexico, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, UK). Digital machine vision is used in a variety of application areas, including in automation and 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.

The consolidated financial statements were prepared in euro. Unless specified otherwise, all amounts are given in thousands of euro (EUR thousand or KEUR). Rounding may mean that individual figures given in this report do not add up exactly to the given total and that percentages are not the exact result of the figures presented. Certain consolidated income statement and consolidated statement of financial position items have been combined to improve the clarity of presentation. A breakdown of these items is presented in the notes to the consolidated financial statements. The consolidated income statement has been prepared in line with the nature of expense method. In this reporting period, STEMMER IMAGING changed the period of its fiscal year from 1 July to 30 June to reflect the calendar year from 1 January to 31 December. The fact that the fiscal year presented in this report is a short fiscal year means that there is only limited comparability of figures over time.

STEMMER's registered office is located at Gutenbergstrasse 9–13, 82178 Puchheim, Germany. STEMMER IMAGING AG is registered at the Local Court of Munich under HRB 237247.

PRIMEPULSE SE, based in Munich and the parent company of an international group, acquired a total of 75.04 per cent of shares in SI HOLDING GmbH effective 30 June 2017 and has since increased its shareholding to 76.37 per cent. The current and former STEMMER management held a 23.63 per cent interest in SI HOLDING GmbH as of 31 December 2019 (30 June 2019: 25.63 per cent). SI HOLDING GmbH, Munich, holds 54 per cent of the shares in STEMMER IMAGING AG.

As the parent company of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the smallest group of companies for the 2019 short fiscal year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law. 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 for the largest group of companies as of 31 December of each calendar year and publishes them in the electronic German Federal Gazette (Bundesanzeiger).

2. APPLICATION OF NEW ACCOUNTING STANDARDS

As an IFRS user, the Group must uniformly apply all mandatory standards and interpretations as of the end of the reporting period (31 December 2019) for all periods presented. Voluntary early adoption of standards and interpretations that have already been published and approved by the EU but that were not yet mandatory in the reporting period is also possible.

IFRS 16 "Leases" was mandatorily applied in the 2019 short fiscal year. The standard amends previous accounting by lessees. All rental agreements and leases are to be recognised by capitalising a right-of-use asset and carrying a lease liability as a liability. In exceptional cases, the standard provides for practical expedients for short-term or low-value leases and additional disclosures in the notes. There are no material changes to lessor accounting.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET MANDATORY

The following new standards and interpretations, which have been passed by the International Accounting Standards Board (IASB) and mandatorily assumed by the EU for fiscal years beginning after 1 January 2020, were not applied when preparing these consolidated financial statements:

Standard or interpretation	Contents and significance for financial statements	Mandatory date of first-time adoption
Amendments to IFRS 9, IAS 39 and IFRS 7	These amendments were issued to provide relief from any uncertainties arising from the IBOR reform. A number of specific hedge accounting requirements were specified. In addition, the amendments require companies to provide additional information to investors about their hedging relationships. The first-time adoption of the regulation is not expected to have any effect on the consolidated financial statements.	01/01/2020
Amendments to IAS 1 and IAS 8	These amendments seek to provide some resolution to repeated practical debates regarding the concept of materiality. The first-time adoption of the regulation is not expected to have any effect on the consolidated financial statements.	01/01/2020
Amendments to references to the 2018 conceptual framework	Update to references in individual standards and interpretations to the revised 2018 conceptual framework. They highlight the objectives of the conceptual framework, provide conceptual guidance and assist entities preparing financial statements with accounting treatment matters. They also promote a better understanding of the standards and interpretations. The first-time adoption of the regulation is not expected to have any effect on the consolidated financial statements.	01/01/2020

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET TO BE APPLIED

The following standards and interpretations and changes to existing standards and interpretations have been passed by the IASB. However, these have not yet been approved by the EU and so they were not taken into account when preparing these consolidated financial statements:

Standard	Contents and significance for financial statements	Mandatory date of first-time adoption
IFRS 17	The standard regulates the accounting of insurance contracts at the company that issues these contracts. It is not relevant to the consolidated financial statements of STEMMER IMAGING AG.	01/01/2021
Amendments to IFRS 3	Definition of a business	01/01/2020
Amendments to IAS 1	Classification of liabilities as current or non-current	Pending

The Group has not yet conclusively assessed whether, and if so, the extent to which the new standards and interpretations listed above that are not yet to be applied will impact net assets, financial position and results of operations. No material impact is expected at present.

3. CONSOLIDATED GROUP

As in the previous year, the consolidated financial statements as of 31 December 2019 comprise the parent company, i.e. STEMMER IMAGING AG, as well as one domestic and fourteen foreign subsidiaries, which are included in the consolidated financial statements by way of full consolidation.

A subsidiary is a company that is controlled by STEMMER IMAGING AG. STEMMER IMAGING AG controls an investee when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The following subsidiaries were included in the consolidated group as of 31 December 2019:

Germany: SIS STEMMER IMAGING Services GmbH, Puchheim

Outside Germany: **Direct investments**

STEMMER IMAGING S.A.S., Suresnes/France
STEMMER IMAGING Ltd., Tongham/United Kingdom
STEMMER IMAGING AG, Pfäffikon/Switzerland
STEMMER IMAGING B.V., Zutphen/Netherlands
STEMMER IMAGING AB, Stockholm/Sweden
STEMMER IMAGING A/S, Copenhagen/Denmark
STEMMER IMAGING Oy, Espoo/Finland
STEMMER IMAGING Sp. z o.o., Lowicz/Poland
STEMMER IMAGING Ges.m.b.H., Graz/Austria
STEMMER IMAGING S.R.L, Bologna/Italy
INFAIMON S.L.U., Barcelona/Spain

Indirect investments

INFAIMON UNIPESSOAL, LDA., Aveiro/Portugal
INFAIMON MEXICO S.A. DE C.V., Querétaro. QRO./Mexico
INFAIMON DO BRASIL VISAO ARTIFICIAL LTDA, São Bernardo do Campo/Brazil

With effect from 11 July 2019, STEMMER IMAGING AG, Puchheim, acquired 100 per cent of the shares in Alea Rubicon S.L.U., Barcelona/Spain, including the subsidiary Infaimon S.L.U., Barcelona/Spain, and its subsidiaries in Portugal, Brazil and Mexico. The parent company Alea Rubicon S.L.U. was subsequently merged with Infaimon S.L.U. retrospectively as of 1 January 2019. The Infaimon Group is a leading supplier for machine vision and image analysis processes and their application in popular sub-systems. In particular, the company has many years of experience in bin-picking applications. In the context of Industry 4.0 and Smart Factory, the sub-systems play a key role, and are deployed in areas such as the automation of production and logistics processes.

The purchase price for the shares amounted to EUR 24,700 thousand and was paid in cash.

Incidental acquisition costs not eligible for capitalisation of EUR 499 thousand were incurred and reported under other operating expenses in the 2018/19 fiscal year (EUR 450 thousand) and in the short fiscal year (EUR 49 thousand).

The consolidated statement of comprehensive income shows revenue of EUR 9,467 thousand since the date of acquisition and net income for the period of EUR 790 thousand not including PPA effects.

The following statement of financial position items were assumed as a result of the business combination:

in KEUR	Fair value as of 11 July 2019
Purchase price	
Cash and cash equivalents	24,700
Total consideration transferred	**24,700**
Fair values of acquired assets and liabilities	
Intangible assets	7,925
of which identified in purchase price allocation	7,916
Fixed assets	1,008
Inventories	1,685
Trade receivables	2,271
Other assets	793
Cash and cash equivalents	998
Provisions	7
Liabilities to banks	108
Liabilities to affiliated companies	0
Deferred tax liabilities	1,979
Trade payables	1,487
Other liabilities	2,950
Fair values of acquired net assets	**8,149**
Goodwill	**16,551**

The gross amount of the acquired contractual receivables is EUR 2,294 thousand, of which EUR 23 thousand was not expected to be collected as of the acquisition date.

There were no other changes to the consolidated group in the 2019 short fiscal year in comparison with the previous year.

The subsidiaries are held directly and indirectly by STEMMER IMAGING AG.

FOREIGN CURRENCY TRANSLATION

The financial statements included in the consolidated financial statements are prepared in their functional currency. The functional currency is the currency in which the majority of cash and cash equivalents are generated. As the equity investments conduct their business as financially, economically and organisationally independent entities, the functional currency is the respective national currency for all equity investments.

In the consolidated financial statements, assets and liabilities of the companies outside Germany are translated into euro at the beginning and end of the year at the respective closing rates. All changes during the short fiscal year, expenses and income and cash flows are translated into euro at the average rate for the year.

Equity items are translated at historical rates for the date they were acquired by the Group.

Translation differences in comparison with translation at closing rates are shown separately in equity as currency translation reserve of foreign subsidiaries or as currency changes. Currency translation differences recognised in equity while the company is a part of the consolidated Group are reversed to profit or loss if the Group company is deconsolidated or if the net investment in a foreign company is reduced.

Changes to exchange rates of key currencies against the euro were as follows:

EUR 1/		Closing rate on 31/12/2019	Closing rate on 30/06/2019	Average rate for 2019	Average rate for 2018/19
CHF	Switzerland	1.08540	1.11050	1.09591	1.13474
GBP	United Kingdom	0.85080	0.89655	0.88103	0.88167
SEK	Sweden	10.44680	10.56330	10.65458	10.44014
DKK	Denmark	7.47150	7.46360	7.46709	7.46191
MXN	Mexico	21.22020	21.82010	21.55728	–
BRL	Brazil	4.51570	4.35110	4.41354	–
PLN	Poland	4.25680	4.24960	4.30311	4.29653

FOREIGN CURRENCY VALUATION

Monetary items such as receivables and liabilities in a currency other than the functional currency are measured at the reporting date exchange rate in the individual financial statements of the Group companies. The resulting profit or loss is recognised in profit or loss and shown in consolidated net income under other expenses or income.

4. ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these consolidated financial statements are presented below. Unless stated otherwise, the policies described were applied consistently to the reporting periods presented.

Standards that are not to be applied until after the reporting date were not adopted early. Early adoption of standards thus had no effect on the net assets, financial position or results of operations of the Group in the 2019 short fiscal year.

The consolidated financial statements for the 2019 short fiscal year were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London/United Kingdom, as applicable in the European Union as of 31 December 2019.

The financial statements of the German and foreign companies included in the consolidated financial statements were prepared as of the reporting date of STEMMER IMAGING AG, i.e. 31 December 2019.

4.1. CONSOLIDATION METHODS

The consolidated financial statements are based on the individual financial statements of the STEMMER IMAGING AG companies included in the consolidated financial statements.

As part of initial consolidation, acquired assets and liabilities are recognised at fair value as of the date of acquisition. Any excess of the cost of the acquisition over the Group's share in net assets measured at fair value is carried as goodwill.

All material intragroup gains, losses, revenue, expenses and income and any receivables or liabilities between Group companies are eliminated.

Under the equity method, investments in associates are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The income statement includes the Group's share of the associate's net income for the period. It is reported in a separate item, including related income taxes. Changes to this investee's other comprehensive income are recognised in the Group's other comprehensive income.

After applying the equity method, the Group assesses whether it is necessary to recognise an impairment loss for its investments in associates. At the end of each reporting period, it determines whether there are objective indications that the investment in an associate could be impaired. If there are indications of this, the amount of the impairment loss is determined as the difference between the recoverable amount of the investments in associates and the carrying amount, and the loss is then recognised through profit or loss in the item "Associates' share of profit or loss".

If the Group acquires significant influence over an associate, it measures all investments that it held in the associate up until this point at fair value. Differences between the carrying amount of the investments in associates at the time significant influence is acquired and the fair value of the existing investment are recognised either in the income statement or in other comprehensive income, depending on the classification under IFRS 9.

Investments whose influence on the net assets, financial position and results of operations is immaterial, both individually and as a whole, are recognised at cost less impairment.

4.2. REVENUE RECOGNITION

As a provider of digital machine vision technology, the Group markets a diverse range of state-of-the-art machine vision products from leading manufacturers using internally generated software. As a developer of the globally successful imaging software "Common Vision Blox" and a provider of customised products – such as specialist cables and protective housing for industrial cameras – STEMMER IMAGING has the expertise and experience to give its customers optimum support for resolving their machine vision problems.

STEMMER applies IFRS 15 when recognising revenue. Using the five-step model set out under IFRS 15, the Group examines whether the performance commitments listed represent separate performance obligations and whether each contract contains additional obligations that represent separate performance obligations to which a portion of the transaction price must be allocated (e.g. financing components, warranties, equipment (customised parts), right-of-use assets).

The revenue model has five steps:
(1) Identify the contract with a customer
(2) Identify all the individual performance obligations within the contract
(3) Determine the transaction price
(4) Allocate the transaction price to the performance obligations
(5) Recognise revenue (at a point in time or over a period of time)

The Group recognises revenue on the basis of the consideration established in a contract with a customer. Revenue recognition excludes amounts recognised on behalf of third parties. Revenue is recognised in accordance with the transfer of control to the customer. In the Group, this largely occurs at a point in time when the customer takes ownership of the products. Amounts attributable to trade discounts and rebates are not included in revenue recognition. Guarantees and warranties are within the standard levels for the industry.

When determining the transaction price for the sale of machine vision technology, the Group takes into account the impact of variable consideration, the existence of significant financing components or, for example, consideration payable to a customer.

An assessment is carried out for all performance obligations that are distinct in the contract within the meaning of IFRS 15 as to whether the revenue is to be recognised at a point in time or over a period of time.

4.3. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the parent company shareholders' share of profit/loss after tax by the weighted average number of shares outstanding in the short fiscal year.

4.4. INTANGIBLE ASSETS

Purchased intangible assets are capitalised at cost.

With the exception of goodwill, all intangible assets have a limited useful life and are therefore amortised on a straight-line basis over their expected useful life.

In accordance with IAS 36, goodwill is tested for impairment at least annually. The company has set 30 November of each year as the impairment test date.

4.5. RESEARCH AND DEVELOPMENT COSTS

In accordance with IAS 38, research and development costs incurred by STEMMER cannot currently be capitalised and are recognised as an expense directly in the consolidated income statement.

4.6. PROPERTY, PLANT AND EQUIPMENT

In accordance with IAS 16, property, plant and equipment are measured at cost less depreciation. Amortisation and depreciation are recognised on a straight-line basis over the useful life.

Borrowing costs that can be assigned directly to qualifying assets are capitalised as part of cost in line with IAS 23. Repair costs that do not serve to enhance or significantly improve the asset in question are recognised as an expense.

4.7. LEASES

The STEMMER IMAGING Group has applied the new standard IFRS 16 Leases since 1 July 2019.

IAS 17 was still applied for the 2018/2019 fiscal year. Under the provisions of IAS 17, a lease was classified as a finance lease if it transferred substantially all the opportunities and risks incidental to ownership of an underlying asset. All other leases were classified as operating leases. Lease payments for operating leases were recognised as an expense in the income statement on a straight-line basis over the term of the lease, unless another systematic basis was more representative of the time pattern of STEMMER IMAGING's benefit.

The IFRS 16 standard that has been applied from 1 July 2019 provides a comprehensive model for identifying leases and accounting by lessors and lessees. The core aspect of the new standard is that, in general, all leases and the associated contractual rights and obligations must be reflected in the lessee's statement of financial position. The distinction between finance leases and operating leases previously required will no longer apply for lessees in future. Instead, IFRS 16 provides a single accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than 12 months. For lessors, the regulations of the new standard are similar to the previous provisions of IAS 17. In this case, leases will still be classified as either finance leases or operating leases.

In place of minimum lease payments from operating leases previously recognised under other financial obligations, as of 1 July 2019 there is an increase in non-current assets from right-of-use accounting. There is also an increase in current and non-current financial liabilities from the recognition of corresponding lease liabilities. In the consolidated statement of comprehensive income in place of the previous expenses for operating leases, write-downs are recognised on right-of-use assets and interest expenses are recognised on liabilities. In the statement of cash flows, there is an improvement in cash flow from operating activities due to lower payments and interest expenses, whereas the principal portion of the lease payments is assigned to cash outflow from financing activities.

Initial measurement of the right-of-use asset for the lease object is based on the present value of the lease payments plus initial direct costs, less any incentives received. The right-of-use asset for the lease object is depreciated over the shorter of the lease term and the useful life of the underlying asset. Lease payments normally comprise fixed and variable payments that may depend on an index. If the lease comprises an extension or purchase option, which is considered likely to be exercised to a reasonably certain extent, the costs for the option are reflected in the lease payments. The STEMMER Group exercises the option provided for in IFRS 16 with respect to the treatment of leases with a term not exceeding 12 months and leases for low-value assets.

The STEMMER IMAGING Group applies the standard as of 1 July 2019 using the modified retrospective method. This means that the figures for the previous fiscal year are not adjusted and the same amount for right-of-use assets and lease liabilities is recognised for existing leases as of 1 July 2019.

The adoption of IFRS 16 impacted the consolidated statement of financial position as follows on the 1 July 2019 transition date:

ASSETS
in KEUR

	IFRS on 30/06/2019	IFRS 16 adjustment	IFRS on 01/07/2019
Goodwill	7,299	0	7,299
Other intangible assets	1,902	0	1,902
Property, plant and equipment	2,834	4,047	6,881
Investment securities accounted for using the equity method	1,349	0	1,349
Other investment securities	17	0	17
Deferred tax assets	170	0	170
Non-current assets	**13,571**	**4,047**	**17,618**
Inventories	10,724	0	10,724
Trade receivables	15,799	0	15,799
Contract assets	36	0	36
Other financial assets	189	0	189
Income tax receivables	289	0	289
Other assets and prepaid expenses	589	0	589
Cash and cash equivalents	46,257	0	46,257
Current assets	**73,883**	**0**	**73,883**
Assets	**87,454**	**4,047**	**91,501**

EQUITY AND LIABILITIES
in KEUR

	IFRS on 30/06/2019	IFRS 16 adjustment	IFRS on 01/07/2019
Equity of the owners of the parent company	71,616	0	71,616
Equity	**71,616**	**0**	**71,616**
Provisions for pensions and similar obligations	38	0	38
Other provisions	198	0	198
Other financial liabilities	0	2,450	2,450
Other liabilities	236	0	236
Deferred tax liabilities	498	0	498
Non-current liabilities	**970**	**2,450**	**3,420**
Current loans	78	0	78
Other provisions	69	0	69
Trade payables	8,460	0	8,460
Contract liabilities and advance payments received	98	0	98
Other financial liabilities	1,084	1,597	2,681
Income tax liabilities	778	0	778
Other liabilities and deferred income	4,301	0	4,301
Current liabilities	**14,868**	**1,597**	**16,465**
Equity and liabilities	**87,454**	**4,047**	**91,501**

The carrying amount of lease liabilities as of 1 July is reconciled from other financial obligations from rental and lease agreements in accordance with IAS 17 as of 30 June 2019 as follows:

RECONCILIATION TO LEASE LIABILITIES IN ACCORDANCE WITH IFRS 16
in KEUR

Other financial obligations from rental and lease agreements in accordance with IAS 17 as of 30/06/2019	**4,051**
Adjustment amount from interest rate adjustment	21
Practical expedients for short-term leases	–10
Practical expedients for leases of low-value assets	–3
Payments for incidental lease costs	–2
Payments for non-lease components	0
Obligations from operating leases (undiscounted)	**4,057**
Discounting effect	–10
Obligations from operating leases (discounted)	**4,047**
Carrying amount of liabilities from finance leases in accordance with IAS 17 as of 01/07/2019	0
Addition of Infaimon Group to consolidated group	795
Carrying amount of lease liabilities in accordance with IFRS 16 as of 01/07/2019	**4,842**

The weighted average incremental borrowing rate, which was used to discount gross lease liabilities as of 1 July 2019, was 0–1.67 per cent.

4.8. DEPRECIATION AND AMORTISATION

Amortisation of intangible assets and depreciation of property, plant and equipment is calculated primarily on the basis of the following useful lives, which are applied uniformly throughout the Group:

in years	31/12/2019	30/06/2019
Purchased intangible assets	3–8	3–8
Buildings (leasehold improvements)	3–10	3–10
Other equipment, operating and office equipment	3–8	3–8

4.9. IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment loss is recognised for intangible assets and property, plant and equipment if the recoverable amount of the asset is lower than its carrying amount. This does not apply if the asset is part of a cash-generating unit. If the asset is part of a cash-generating unit, impairment is determined on the basis of the recoverable amount of the unit. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If goodwill has been allocated to a cash-generating unit and its carrying amount exceeds the recoverable amount, an impairment loss is recognised for the goodwill in the amount of the difference. Any additional impairment requirements are recognised by way of the pro rata reduction of the carrying amounts of other assets of the cash-generating unit. If the reason for a previous impairment loss no longer applies, the write-downs of the intangible assets are reversed. However, the increased carrying amount resulting from the reversal of the write-down may not exceed the depreciated cost. Impairment on goodwill is not reversed.

4.10. INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Appropriate deductions are made for storage and utilisation risks. Measurement takes into account lower realisable net selling prices at the end of the reporting period. If the reasons for a previous write-down no longer apply, the reversals of the write-downs are recognised as a reduction of material costs.

4.11. FINANCIAL INSTRUMENTS

Basic information

A financial instrument is any contract that simultaneously gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised as of the settlement date when STEMMER becomes party to a contract for the financial instrument. First-time measurement of financial assets and liabilities is at fair value. Transaction costs increase or decrease the initial carrying amount if the financial asset or financial liability is not measured at fair value when the changes in value are recognised through profit or loss.

In accordance with IFRS 9, all financial assets are divided into two classification categories as part of subsequent accounting: those measured at amortised cost and those measured at fair value. If financial assets are measured at fair value, expenses and income can be recognised either at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI).

The classification is determined when the financial asset is recognised for the first time, i.e. when the company becomes a counterparty to the instrument's contractual agreements. In certain cases, however, it may be necessary to reclassify financial assets at a later date.

Financial assets

A debt instrument held by the reporting company that meets the following two criteria must be measured at fair value through other comprehensive income (FVTOCI):

- The objective of the company's business model is to hold financial assets in order to collect contractual cash flows and sell these financial assets.

- The contractual terms of the financial asset result in cash flows at specified dates that are only repayments of portions of the nominal amount and interest on those portions of the nominal amount that have not yet been repaid.

A debt instrument held that meets the following two criteria must be measured at amortised cost (where applicable applying the effective interest method):

- The objective of the company's business model is achieved by collecting the contractual cash flows of financial assets.

- The contractual terms of the financial asset result in cash flows at specified dates that are only repayments of portions of the nominal amount and interest on those portions of the nominal amount that have not yet been repaid.

All other debt instruments that do not meet the criteria above must be measured at fair value through profit or loss (FVTPL).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and the allocation of interest income to the respective periods.

For all financial instruments not assigned to the group of purchased or originated impaired financial assets, the effective interest rate is the interest rate with which estimated future incoming payments (including all fees that are part of the effective interest rate, transaction costs and other premiums and discounts) are discounted over the expected term of the debt instrument or, where applicable, a shorter period to the net carrying amount of the asset at first-time recognition.

For financial assets that already show objective evidence of impairment upon recognition, the interest income is determined by applying an adjusted interest rate to the amortised costs. This adjusted interest rate is the interest rate at which expected cash flows upon recognition (expressly taking into account both expected payment defaults and the contractual regulations) are discounted to the carrying amount upon recognition.

Interest income for debt instruments measured at amortised cost or FVTOCI is calculated on the basis of the effective interest rate method. For all financial assets that do not show objective evidence of impairment upon recognition, interest income is determined by applying the effective interest rate method to the gross carrying amount.

In the case of financial assets that do not show objective evidence of impairment upon recognition but do show this later, interest income is determined by applying the effective interest rate method to amortised cost. If the credit risk of the financial asset that resulted in the classification improves in subsequent periods to the extent there is no longer objective evidence of impairment, interest income is calculated by applying the effective interest rate on the basis of the gross carrying amount.

For financial assets that already show objective evidence of impairment upon recognition, measurement is not carried out on the basis of the gross carrying amount, even after the credit risk improves.

Interest income is recognised in the income statement under finance income.

Equity instruments classified as FVTOCI

Upon initial recognition, the company can irrevocably elect to measure equity instruments it holds at fair value through other comprehensive income (FVTOCI). Only income from dividends is recognised in net income for the period, provided this does not constitute repayment of capital. Unlike for debt instruments held in the FVTOCI category, cumulative gains or losses on measurement are not reclassified to profit or loss when the equity instrument is disposed of. This classification is possible only if these equity instruments are not held for trading.

A financial asset is classified as held for trading if it:

- was acquired primarily with the intention of selling it in the near future, or
- at the time of initial recognition, is part of a portfolio of identified financial instruments managed jointly by the Group for which there are indications of recent short-term profit-taking, or
- is a derivative not designated as a hedging instrument, is effective as such and is not a financial guarantee.

Financial assets classified as FVTPL

Financial assets that do not meet the criteria to be classified as FVTOCI or at amortised cost are recognised as FVTPL.

Financial assets classified as FVTPL are measured at fair value at the end of each reporting period. All resulting gains and losses are recognised directly in the income statement, unless they are part of a hedge.

Foreign currency gains and losses

The carrying amounts of financial assets recognised in a foreign currency are translated at the closing rate for each reporting period. For

- assets recognised at amortised cost that are not part of a hedge, corresponding gains and losses are recognised in the income statement.
- debt instruments recognised at FVTOCI that are not part of a hedge, currency translation differences are recognised in the income statement on the basis of amortised cost. Additional currency differences are recognised in other comprehensive income.
- financial assets recognised at FVTPL, currency translation differences are recognised in the income statement, provided these are not part of a hedge.
- equity instruments recognised as FVTOCI, currency translation differences are recognised in other comprehensive income in the currency translation reserve.

Impairment of financial assets

The company recognises impairment losses on debt instruments measured at amortised cost or at FVTOCI for expected losses on financial assets ("expected loss model"). No impairment losses are recognised on equity instruments. The amount of expected losses is updated at the end of each reporting period so as to account for changes to the default risk since initial recognition.

The company uses the simplified method for trade receivables and contract assets. Under this method, impairment losses are recognised for these financial instruments on the basis of expected losses over their lifetime. The company makes corresponding impairment losses on the basis of past experience.

Significant increase in default risk

The company defines default risk as the risk that a business partner will not perform its contractual obligations, resulting in a financial loss for the Group. The Group is exposed to default risks (e.g. for trade receivables) and other financial instruments as part of its business activities.

When assessing whether the default risk has increased significantly since initial recognition, the company takes into account both qualitative and quantitative information that is available and relevant to making this decision and uses this to support the assessment. This includes both past and future information. In this process, past country-specific default rates are used to determine the probability of default for each country.

Future information relates to the development of the industry in which the debtor operates. This information is obtained from industry experts, financial analysts or public bodies.

The following factors are taken into account when classifying the default risk:
- Nature of the financial instrument
- Credit risk rating
- Nature of the security
- Date of initial recognition
- Remaining term
- Sector

At regular intervals the company monitors whether the criteria listed are still appropriate for assessing the default risk and adjusts these as necessary if they are no longer applicable.

Financial assets that are already impaired upon recognition

A financial asset is already impaired if one or more than one of the following events have occurred:

- The issuer or the debtor is in serious financial difficulties

- A breach of contract such as a default or delay on payments of interest or principal

- Concessions made by the lender to the borrower for financial or contractual reasons in connection to the borrower's financial difficulties that would not otherwise be granted

- Increased probability that the borrower will declare insolvency or undergo another restructuring process

- The disappearance of an active market for this financial asset on account of financial difficulties

- A financial asset is acquired or issued at a significant discount, reflecting credit losses incurred

Derecognition of financial assets

The Group derecognises a financial asset only if the contractual rights to cash flows from financial assets expire or if it transfers the financial asset and all opportunities and risks associated with the ownership of the asset to a third party.

If the Group neither transfers nor retains all opportunities and risks associated with the ownership but still has control of the transferred asset, the Group recognises its remaining share of the asset and a corresponding liability for the amounts that may be payable.

If the Group essentially retains all opportunities and risks associated with the ownership of a transferred financial asset, the Group continues to recognise the financial asset and a secured loan for the consideration received.

If a financial asset is fully derecognised, the difference between the carrying amount and the total of the consideration received or to be received is recognised in the income statement. In the case of debt instruments recognised at FVTOCI, cumulative gains or losses that were recognised in other comprehensive income are reclassified to the income statement. For equity instruments recognised at FVTOCI, however, these cumulative gains or losses are not transferred to the income statement and are instead transferred to revenue reserves through other comprehensive income.

Financial liabilities

Debt and equity instruments are classified in accordance with the economic substance of the contractual agreement and the definition as financial liabilities or equity.

Equity instruments
An equity instrument is a contract that evidences a residual interest in the assets of a company after deducting all related liabilities. Equity instruments are recognised in the amount of the proceeds received from the issue less costs that can be directly attributed to the issue. Issuing costs in this context are costs that would not have been incurred if the equity instrument had not been issued.

Repurchases of own equity instruments are deducted directly from equity. The purchase, sale, issue or cancellation of own equity instruments is not recognised in profit or loss.

Financial liabilities
All financial liabilities are recognised either at amortised cost applying the effective interest rate method or as FVTPL.

Financial liabilities as FVTPL
Financial liabilities are classified as FVTPL if the financial liability relates to
- liabilities for which the fair value option was exercised,
- liabilities held for trading,
- or other contingent claims by an acquirer as part of a business combination within the meaning of IFRS 3.

Financial liabilities classified as FVTPL are recognised at fair value. Changes to fair value are recognised in the income statement unless they are part of a hedge. This also takes into account interest payments on the financial liability.

If the change in fair value is due to a change in the liability's default risk, the resulting gains and losses are recognised in other comprehensive income. Future changes do not result in recognition in the income statement. Instead, they are transferred to revenue reserves when the financial liability is derecognised.

Derecognition of financial liabilities
A liability or part of the liability is derecognised at the time it is met or repurchased or at the time of debt relief. The difference between the carrying amount of the financial liability and the consideration paid and to be paid is recognised in the income statement.

4.12. INCOME TAXES

Current income taxes for the current and earlier periods are measured at the amount expected to be refunded by/paid to the tax authorities. The amount is calculated based on the tax rates and tax laws applicable at the end of the reporting period in the countries where the STEMMER Group operates.

Deferred taxes are calculated in accordance with the liability method. Under this method, deferred taxes reflect net tax expenses/income of temporary differences between the carrying amount of an asset or liability in the statement of financial position and their value for tax purposes. Deferred taxes are measured using the tax rates expected to apply in the periods in which an asset is realised or a liability is settled. The measurement of deferred taxes takes into account the tax consequences that arise from the way in which an asset is realised or a liability is settled.

Deferred tax assets and liabilities are recognised regardless of the time at which the temporary differences are expected to reverse. These are not discounted and are reported as non-current assets or liabilities.

A deferred tax asset is recognised for all temporary differences to the extent that it is likely that taxable profits will be available against which the temporary difference can be used. This is reassessed at the end of each reporting period.

Current and deferred taxes are charged or credited directly to equity if the taxes relate to items that are directly charged or credited to equity in the same or in another period.

No deferred tax liabilities arise to the extent that undistributed profits from equity investments are to remain invested in this company for the foreseeable future. A deferred tax liability is recognised for all taxable temporary differences, provided they do not result from goodwill that cannot be amortised for tax purposes.

4.13. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations relate to the company's obligations regarding defined benefit plans.

In the case of defined benefit plans, the pension obligations are calculated using the projected unit credit method. The measurement of pension obligations is based on actuarial reports. This takes into account future salary and pension increases by increasing the amount. Mortality and termination probability is calculated in Germany in accordance with the 2018 G Heubeck mortality tables. Outside Germany, these are determined using comparable foreign mortality tables.

If pension obligations are covered in full by plan assets with matching cover, these are reported net. The defined benefit obligation is used as the basis when measuring pension provisions and determining pension costs. Actuarial plan gains and losses are recognised through other comprehensive income taking into consideration deferred taxes. Past service cost is recognised immediately through other comprehensive income. The service cost is recognised in personnel expenses and net interest from additions to provisions and the return on plan assets is recognised in finance expenses.

4.14. OTHER PROVISIONS

Other provisions are recognised for present, legal or constructive obligations arising from past events that will likely lead to a future outflow of economic resources and where the amount of these obligations can be reliably estimated.

They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. Provisions are recognised only for obligations to third parties.

These are measured using the full cost approach, taking into account future cost increases.

Non-current provisions with a term of more than one year are carried at the discounted settlement amount at the end of the reporting period on the basis of appropriate interest rates if the time value of money is material. The underlying interest rates depend on the term of the obligation.

4.15. CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within STEMMER IMAGING's control. Contingent liabilities are also current obligations that arise from past events but that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated statement of financial position. Instead, they are stated and described in the notes to the consolidated financial statements.

4.16. SEGMENT REPORTING

The consolidated financial statements as of 31 December 2019 do not include separate segment reporting as the activities of the STEMMER Group are limited to one reportable segment within the meaning of IFRS 8. All business operations focus on machine vision technology and are monitored and managed internally. There are no other operating segments that would be subject to reporting requirements under IFRS 8.11. Regardless of this, company-wide disclosures in accordance with IFRS 8.31–34 are provided in connection with the presentation of revenue in section 18.

4.17. ESTIMATES AND ASSUMPTIONS

Judgements must be made in the application of accounting policies. Key future assumptions and other key sources of estimation uncertainty as of the end of the reporting period that entail a risk in the form of a need to adjust the carrying amounts of assets and liabilities within the next fiscal year are described below:

– The calculation of the fair values of assets and liabilities and the useful lives of assets is based on management assessments and planning. This also applies to determining impairment of property, plant and equipment, intangible assets and financial assets.

– Impairment losses are recognised for doubtful debts in order to account for estimated losses from customers' inability or unwillingness to pay.

– As part of calculating potential impairment losses, forward-looking information is used when deriving assumptions regarding the default probability and when determining the expected loss.

– Assumptions are also to be made when calculating current and deferred taxes. The ability to generate corresponding taxable income plays a particularly key role in assessing whether deferred tax assets can be used.

– Estimates of income to be generated in the future figure prominently when accounting for other provisions, especially in connection with variable purchase price components.

– Material estimation parameters in accounting for pension provisions also include discounting factors, expected salary and pension trends, fluctuation and mortality.

– When conducting impairment tests, assumptions are made on the basis of the recoverable amount calculated.

– With regard to revenue recognition, assumptions are required at various points when assessing the contract. This applies to determining amounts not included in recognition on account of returns, and also in regard to assumptions of utilisation rates for discounts or the attainment of certain levels for volume-based rebates. Recognising revenue over a period of time on the basis of input-based methods such as the cost-to-cost method is also inherently dependent on a certain amount of discretion when determining the percentage of completion.

In the case of these measurement uncertainties, the best information available in relation to the circumstances at the reporting date is used. The actual amounts may differ from the estimates. The carrying amounts recognised in the financial statements and that are subject to these uncertainties can be found in the statement of financial position or the related section of the notes.

B. NOTES ON ITEMS IN THE FINANCIAL STATEMENT

NOTES ON THE STATEMENT OF FINANCIAL POSITION

1. INTANGIBLE ASSETS

The carrying amount of intangible assets breaks down as follows as of the end of the reporting period:

in KEUR	31/12/2019	30/06/2019
Goodwill	23,850	7,299
Concessions, property rights and patents	1,520	385
Customer base	6,195	1,485
Order backlog	175	16
Brand	1,221	0
Technology	896	0
Advance payments	79	16
Total	**33,936**	**9,201**

Changes in intangible assets are shown below:

in KEUR	Goodwill	Concessions, property rights and patents	Customer base	Order backlog	Brand	Technology	Advance payments	Total
Cost								
As of 01/07/2019	**8,588**	**2,144**	**1,692**	**89**	**0**	**0**	**16**	**12,529**
Additions	0	1,314	0	0	0	0	63	1,377
Change in the consolidated group	16,551	9	5,136	552	1,263	965	0	24,476
Reclassification	0	0	0	0	0	0	0	0
Disposal	0	−11	0	0	0	0	0	−11
Net exchange rate differences	0	0	0	0	0	0	0	0
As of 31/12/2019	**25,139**	**3,456**	**6,828**	**641**	**1,263**	**965**	**79**	**38,371**
Cumulative depreciation, amortisation and impairment								
As of 01/07/2019	**−1,289**	**−1,759**	**−207**	**−73**	**0**	**0**	**0**	**−3,328**
Depreciation and amortisation	0	−177	−427	−393	−42	−69	0	−1,108
Disposal	0	0	0	0	0	0	0	0
Net exchange rate differences	0	0	0	0	0	0	0	0
As of 31/12/2019	**−1,289**	**−1,936**	**−634**	**−466**	**−42**	**−69**	**0**	**−4,436**
As of 31/12/2019	**23,850**	**1,520**	**6,195**	**175**	**1,221**	**896**	**79**	**33,936**

Intangible assets developed as follows in the previous period:

in KEUR	Goodwill	Concessions, property rights and patents	Customer base	Order backlog	Advance payments	Total
Cost						
As of 01/07/2018	**6,685**	**1,983**	**576**	**26**	**48**	**9,318**
Additions	0	315	0	0	39	354
Acquisition through business combinations	2,097	45	1,117	63	0	3,321
Reclassification	0	71	0	0	−71	0
Disposal	−193	−270	0	0	0	−463
Net exchange rate differences	−1	0	0	0	0	−1
As of 30/06/2019	**8,588**	**2,144**	**1,692**	**89**	**16**	**12,529**
Cumulative depreciation, amortisation and impairment						
As of 01/07/2018	**−1,483**	**−1,749**	**−30**	**−11**	**0**	**−3,273**
Depreciation and amortisation	0	−282	−177	−62	0	−521
Disposal	193	272	0	0	0	465
Net exchange rate differences	1	0	0	0	0	1
As of 30/06/2019	**−1,289**	**−1,759**	**−207**	**−73**	**0**	**−3,328**
As of 30/06/2019	**7,299**	**385**	**1,485**	**16**	**16**	**9,201**

Allocation to cash-generating units

The carrying amount of goodwill is to be allocated to the cash-generating units as follows:

in KEUR	31/12/2019	30/06/2019
STEMMER IMAGING B.V., Zutphen/Netherlands	2,953	2,953
STEMMER IMAGING A/S, Copenhagen/Denmark	140	140
STEMMER IMAGING S.A.S., Suresnes/France	2,097	2,097
STEMMER IMAGING AB, Stockholm/Sweden	2,109	2,109
INFAIMON, S.L.U., Barcelona/Spain	16,551	0
Total	**23,850**	**7,299**

With effect from 11 July 2019, STEMMER IMAGING AG, Puchheim, acquired 100 per cent of the shares in Alea Rubicon S.L.U., Barcelona/Spain, including the subsidiary Infaimon S.L.U., Barcelona/Spain, and its subsidiaries in Portugal, Brazil and Mexico. The parent company Alea Rubicon S.L.U. was subsequently merged with Infaimon S.L.U. retrospectively as of 1 January 2019. The initial consolidation resulted in goodwill of EUR 16,551 thousand. The Infaimon Group consequently represents a new cash-generating unit within STEMMER IMAGING.

The recoverable amount of the five cash-generating units was determined based on a value in use calculation using discounted, cash flow model forecasts based on the financial budgets approved by the Executive Board covering a detailed three-year planning period and an individual discount rate for each cash-generating unit. These models draw on material assumptions including estimates of future revenue, prices, costs of operating activities, sustainable growth rates and the weighted average cost of capital (discount rate).

Cash flow projections are based on the same expected gross margins and the same estimated rate of price increase for commodities over the entire budget period. The cash flow range was extrapolated for the period after the third year on the basis of a constant annual growth rate of 1 per cent.

The following discount rates before taxes were applied in the individual cash-generating units:

- STEMMER IMAGING B.V., Zutphen/Netherlands: 13.73 per cent (previous year: 13.04 per cent)
- STEMMER IMAGING A/S, Copenhagen/Denmark: 13.02 per cent (previous year: 12.62 per cent)
- STEMMER IMAGING S.A.S., Suresnes/France: 13.73 per cent (previous year: 14.76 per cent)
- STEMMER IMAGING AB, Stockholm/Sweden: 14.18 per cent (previous year: 13.31 per cent)
- INFAIMON, S.L.U., Barcelona/Spain: 14.13 per cent

The management believes that no conceivable change in the underlying assumptions on the basis of which the recoverable amount is calculated would result in the carrying amounts of the cash-generating units falling below their recoverable amounts. There are thus no impairment losses for any of the cash-generating units in the current fiscal year.

As part of a sensitivity analysis for the cash-generating units for which goodwill was allocated, expected EBIT was simultaneously reduced by 10 per cent and after-tax interest rates increased by 2 per cent. Based on the changed parameters, goodwill impairment for the newly added Infaimon, S.L.U. of EUR 6,320 thousand would need to be recognised.

Total expenses for research and development amounted to EUR 0.72 million in the reporting year (2018/19: EUR 0.65 million).

2. PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of property, plant and equipment as of the end of the reporting period were as follows:

in KEUR	31/12/2019	30/06/2019
Buildings (leasehold improvements)	1,330	1,350
Right-of-use assets for land and buildings	3,740	0
Technical equipment and machinery	11	0
Right-of-use assets for technical equipment and machinery	10	0
Other equipment, operating and office equipment	1,807	1,439
Right-of-use assets for operating and office equipment	1,075	0
Advance payments and assets under construction	0	45
Total	**7,973**	**2,834**

Fixed assets developed as follows in the fiscal year:

in KEUR	Buildings (leasehold improvements)	Right-of-use assets for land and buildings	Technical equipment and machinery	Right-of-use assets for technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets for operating and office equipment	Advance payments and assets under construction	Total
Cost								
As of 01/07/2019	**3,472**	**0**	**0**	**0**	**5,359**	**0**	**45**	**8,876**
Additions	95	542	4	0	528	363	0	1,533
Reclassifications	0	0	0	0	45	0	–45	0
Disposals	0	0	0	0	–468	0	0	–468
Change in the consolidated group	18	3,871	7	13	186	960	0	5,055
Net exchange rate differences	24	18	0		45	3	0	90
As of 31/12/2019	**3,609**	**4,431**	**11**	**13**	**5,695**	**1,326**	**0**	**15,086**
Cumulative depreciation, amortisation and impairment								
As of 01/07/2019	**–2,122**	**0**	**0**	**0**	**–3,920**	**0**	**0**	**–6,042**
Depreciation and amortisation	–142	–687	0	–3	–334	–251	0	–1,417
Reclassifications	0	0	0	0		0	0	0
Disposals	0	0	0	0	397	0	0	397
Net exchange rate differences	–15	–4	0	0	–31	0	0	–50
As of 31/12/2019	**–2,279**	**–691**	**0**	**–3**	**–3,888**	**–251**	**0**	**–7,112**
As of 31/12/2019	**1,330**	**3,740**	**11**	**10**	**1,807**	**1,075**	**0**	**7,973**

Fixed assets developed as follows in the previous period:

in KEUR	Buildings (leasehold improvements)	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
Cost				
As of 01/07/2018	**3,180**	**5,120**	**12**	**8,312**
Additions	125	627	207	958
Reclassifications	168	6	−174	0
Disposals	0	−383	0	−383
Change in the consolidated group	5	3	0	9
Net exchange rate differences	−5	−12	0	−17
As of 30/06/2019	**3,472**	**5,359**	**45**	**8,876**
Cumulative depreciation, amortisation and impairment				
As of 01/07/2018	**−1,834**	**−3,656**	**0**	**−5,490**
Depreciation and amortisation	−289	−647	0	−936
Reclassifications	0	0	0	0
Disposals	0	372	0	372
Net exchange rate differences	1	11	0	12
As of 30/06/2019	**−2,122**	**−3,920**	**0**	**−6,042**
As of 30/06/2019	**1,350**	**1,439**	**45**	**2,834**

3. EQUITY INVESTMENTS IN ASSOCIATES

Shareholdings in associates and the change in these against the previous year are shown in the table below:

in per cent	31/12/2019	30/06/2019
Perception Park GmbH, Graz/Austria	42.0 per cent	42.0 per cent

The company is accounted for using the equity method.

The carrying amount is EUR 600 thousand (previous year: EUR 1,349 thousand). The summarised financial information with regard to the share of the loss and other income, adjusted for STEMMER IMAGING's shareholding, is shown below:

in KEUR	2019	2018/19
Loss from continuing operations	−749	−51
Total comprehensive income	**−749**	**−51**

With respect to the loss in the 2019 short fiscal year, an amount of EUR 87 thousand can be attributed to pro rata income for the short fiscal year and an amount of EUR 662 thousand to the write-down that was taken on 31 December 2019 due to the lower fair value.

4. INVENTORIES

Inventories are composed as follows:

in KEUR	31/12/2019	30/06/2019
Raw materials and supplies	257	349
Merchandise	10,387	10,375
Advance payments	512	0
Total	**11,156**	**10,724**

EUR 39,956 thousand was recognised as an expense under cost of materials in the 2019 short fiscal year in connection with inventories (previous year: EUR 70,179 thousand).

The total cost of inventories recognised as an expense under cost of materials comprises write-downs on the net selling price of EUR 479 thousand (previous year: EUR 204 thousand) due to excess reach, obsolescence, reduced marketability or subsequent costs.

It is expected that inventories will be realised within 12 months.

5. TRADE RECEIVABLES

in KEUR	31/12/2019	30/06/2019
Trade receivables	17,024	16,196
Impairment losses	−414	−398
Total	**16,610**	**15,799**

Group companies generally have payment terms of between 30 and 45 days. The Group does not charge the customer any interest for this period. In individual cases and depending on country-specific circumstances, default interest is subsequently charged on the outstanding amount.

The Group recognises impairment losses for trade receivables where there are doubts that the payment will be settled.

Impairment losses for trade receivables are explained in note 13.

The carrying amount of the trade receivables is largely to be considered as a suitable estimate of fair value.

Trade receivables are due within one year.

6. CONTRACT ASSETS

Contract assets are composed as follows:

in KEUR	31/12/2019	30/06/2019
Project order	180	36
of which current	180	36

Contract assets arise in connection with the recognition of revenue (based on the percentage of completion method and recognised for a period of time) for a project order in conjunction with the supply of a subsidiary's related bundle of hardware and software components, offset against advance payments received from customers.

An impairment loss was recognised under the expected loss method in accordance with IFRS 9, but this was not reported separately due to the immaterial amount.

7. INCOME TAX RECEIVABLES

There was a significant increase in income tax receivables as a result of the change in the fiscal year. The item includes tax assets of EUR 1,151 thousand, which will only be received after the end of the reporting period.

8. OTHER ASSETS

Other assets break down as follows:

in KEUR	31/12/2019	30/06/2019
Other tax assets	382	113
Receivables from employees	59	8
Prepaid expenses and other assets	382	468
Total	**823**	**589**

As in the previous year, none of the other assets have a remaining term of more than one year.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and bank balances. The carrying amount is to be considered as a suitable estimate of fair value. Bank balances are held exclusively for short-term cash management purposes. Please see the sensitivity analysis under note 13 for information on the dollar bank balance included in cash and cash equivalents.

10. EQUITY

Subscribed capital

STEMMER IMAGING AG's share capital is EUR 6,500 thousand (previous year: EUR 6,500 thousand) and is fully paid in. As of 31 December 2019, there were 6,500,000 no-par-value bearer shares (ordinary shares). Each share grants a pro rata portion of the share capital of EUR 1.00.

The Executive 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 2,500 thousand 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 Annual General Meeting on 7 December 2018 resolved to contingently increase the company's share capital by EUR 200 thousand. This will be used to grant up to 200,000 stock options with pre-emption rights to members of the Executive Board, company employees, members of management and employees of affiliated companies within the meaning of sections 15, 17 AktG on company shares with a term of up to ten years (Contingent Capital 2018/I).

Capital reserves

Capital reserves come to EUR 47,495 thousand (previous year: EUR 47,495 thousand).

Revenue reserves

Other revenue reserves include earnings carried forward that were generated in the past by companies included in the consolidated financial statements.

The currency translation reserve increased by EUR 254 thousand to EUR −80 thousand in the 2019 short fiscal year. Translation differences from translating the foreign currency of foreign operations into the Group's reporting currency are recognised in the consolidated financial statements directly in other comprehensive income and cumulated in the currency translation reserve.

The reserve for actuarial gains/losses decreased by EUR 6 thousand to EUR 10 thousand in the 2019 short fiscal year. Remeasurements of the net liability for defined benefit plans are recognised directly in other comprehensive income and cumulated in the reserve for actuarial gains/losses.

Key resolutions by the Annual General Meeting of 19 November 2019:

It was resolved to use the German Commercial Code (HGB) unappropriated surplus for the 2018/19 fiscal year of EUR 13,745,842.46 as follows:

a) Distribution of a dividend of EUR 0.50 per participating share: EUR 3,250,000.00
b) Carryforward of EUR 10,495,842.46 thousand to new account

In accordance with section 58 (4) sentence 2 of the Aktiengesetz (AktG – German Stock Corporation Act), the claim to the dividend became due on the third business day after the Annual General Meeting, i. e. on 22 November 2019.

11. EMPLOYEE BENEFITS

Pensions

In accordance with IAS 19, provisions for defined benefit plans are calculated using the projected unit credit method. Pension obligations are carried at the present value of pension claims earned as of the measurement date, taking into account expected future increases in pensions and salaries. Obligations for active employees increase each year by the accrued interest and by the present value of pension claims earned in the fiscal year. Actuarial gains or losses arise from changes in holdings and where current trends (e. g. income and pension increases, changes in interest rates) deviate from calculation assumptions.

Provisions for pensions and similar obligations are recognised on the basis of benefit plans for commitments for pensions, disability and survivors' benefits. Benefits are based on the duration of employment, the salary and the employment level of the employee entitled to the benefit. Direct and indirect obligations comprise those arising from current pensions and vested pension rights for pensions and retirement benefits payable in future.

As in the previous year, there was a performance obligation to a former member of the Executive Board as of 31 December 2019. There are also performance obligations to employees of a French subsidiary.

Actuarial assumptions:

Pension obligations are calculated using actuarial methods. These include assumptions on future salary, wage and pension trends.

Measurement is based on the following ranges of actuarial assumptions:

	31/12/2019	30/06/2019
Interest rate	0.75 per cent	1.25 per cent
Pension/salary trend	N/A	N/A

Change in present value for pensions and similar obligations:

in KEUR	2019	2018/19
As of 01/07	**141**	**74**
Service cost	21	39
Interest expense	1	1
Actuarial gains (–) and losses (+)	7	27
As of 31/12	**170**	**141**

Material changes in plan assets are shown below:

in KEUR	2019	2018/19
As of 01/07	**103**	**103**
Income/expenses from plan assets	9	0
As of 31/12	**112**	**103**

The following amounts were recognised in total comprehensive income with regard to defined benefit plans:

in KEUR	2019	2018/19
Cost of pension claims earned in the reporting year	21	1
Actuarial gains (–)/and losses (+) from the change in financial assumptions	7	6
Net interest expenses	1	1
Components of defined benefit costs recognised in the income statement	**29**	**8**

The remeasurement of the net defined benefit liabilities is recognised in other comprehensive income.

The amount recognised in the statement of financial position relating to the company's obligation from defined benefit plans is as follows:

in KEUR	31/12/2019	30/06/2019
Present value of covered defined benefit obligations	170	141
Fair value of plan assets	112	103
Excess liability (–)/plan surplus (+)	**–58**	**–38**

The main actuarial assumptions used to determine the defined benefit obligation are the discount rate and pension trends. Potential changes to the respective assumptions that may reasonably occur as of the end of the reporting period have no material impact on any change in the defined benefit obligation.

The expected term of the defined benefit obligation as of 31 December 2019 was 12.6 years.

Plan assets comprise pension liability insurance corresponding to the defined benefit obligation on the basis of a qualifying insurance contract.

No further contributions to plan assets are expected. STEMMER IMAGING does not expect any pension payments in the planned fiscal year from 1 January to 31 December 2020 (previous year: EUR 0).

There have been no changes to the methods and types of assumptions used in preparing the sensitivity analysis in comparison with the previous year. The following sensitivity analysis was carried out using a method that extrapolates the effect of realistic changes in material assumptions, i. e. the discount rate, on the obligation at the end of the reporting period. The sensitivity analysis is based on a change to a material assumption, with all other assumptions remaining changed. A change in the discount rate of

- +1.0 per cent results in an increase in the performance obligation to EUR 20 thousand, and
- −1.0 per cent results in a decrease in the performance obligation to EUR 23 thousand.

12. OTHER PROVISIONS

Other provisions, recognised in line with the Executive Board's best estimates, and their terms are as follows:

in KEUR	31/12/2019		30/06/2019	
	Current	Non-current	Current	Non-current
Retention obligations	0	82	0	82
Long-term incentive programme	0	124	0	116
Other	32	0	69	0
Total	**32**	**206**	**69**	**198**

in KEUR	As of 01/07/2019	Utilisation	Unused amounts reversed	Addition	Consolidated group	As of 31/12/2019
Retention obligations	82	0	0	0	0	82
Long-term incentive programme	116	0	0	8	0	124
Other	69	−65	0	21	7	32
Total	**267**	**−65**	**0**	**29**	**7**	**238**

Incentive programme

STEMMER IMAGING AG has developed a long-term incentive programme for selected employees. By being included in this programme, employees participate in STEMMER IMAGING's business performance on a pro rata basis. The programme was launched at the end of the 2010/11 fiscal year and is updated on an ongoing basis. Beneficiaries are entitled to the committed amounts upon termination of their employment at STEMMER IMAGING AG.

Provisions for the incentive programme are measured at the present value of existing claims in accordance with IAS 19. The calculation of the present value is based on an actuarial interest rate of 0.75 per cent (previous year: 1.25 per cent).

Change in present value for obligations from the incentive programme:

in KEUR	2019	2018/19
As of the beginning of the fiscal year	117	92
Additions	7	25
Total	**124**	**117**

Potential changes to the respective assumptions (discount rate) that may reasonably occur as of the end of the reporting period have no material impact on any change in the obligation.

The expected term of the obligation as of 31 December 2019 was 10.5 years. STEMMER IMAGING expects payments of EUR 15 thousand from this programme in the planned fiscal year from 1 January to 31 December 2020 (previous year: EUR 0).

13. FINANCIAL INSTRUMENTS

Classification and fair value

The following table provides a reconciliation of the statement of financial position items as of 31 December 2019 relating to financial instruments to classes and measurement categories in accordance with IFRS 9. It also shows aggregated carrying amounts for each measurement category and the fair values for each class.

in KEUR			Measurement in accordance with IFRS 9					
	Category under IFRS 9	Carrying amount 31/12/2019	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement in accordance with IFRS 9	Of which assets and liabilities under IFRS 16	Fair value 31/12/2019
Assets								
Trade receivables	Amortised cost	16,610	16,610	0	0	16,610	0	16,610
Other investment securities	FVTPL	34	0	0	34	34	0	34
Other financial assets	Amortised cost	200	200	0	0	200	0	200
Cash and cash equivalents	Amortised cost	27,974	27,974	0	0	27,974	0	27,974
Equity and liabilities								
Current and non-current loans	Amortised cost	9,556	9,556	0	0	9,556	0	9,556
Trade payables	Amortised cost	9,102	9,102	0	0	9,102	0	9,102
Other financial obligations	Amortised cost	1,169	1,169	0	0	1,169	0	1,169
Liabilities from leases	N/A	4,810	0	0	0	0	4,810	4,810

The following table provides a reconciliation of the statement of financial position items as of 30 June 2019 relating to financial instruments to classes and measurement categories in accordance with IFRS 9. It also shows aggregated carrying amounts for each measurement category and the fair values for each class.

in KEUR			Measurement in accordance with IFRS 9				
	Category under IFRS 9	Carrying amount 30/06/2019	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement in accordance with IFRS 9	Fair value 30/06/2019
Assets							
Trade receivables	Amortised cost	15,799	15,799	0	0	15,799	15,799
Other investment securities	FVTPL	17	0	0	17	17	17
Other financial assets	Amortised cost	189	189	0	0	189	189
Cash and cash equivalents	Amortised cost	46,257	46,257	0	0	46,257	46,257
Equity and liabilities							
Current loans	Amortised cost	78	78	0	0	78	78
Trade payables	Amortised cost	8,460	8,460	0	0	8,460	8,460
Other financial obligations	Amortised cost	1,084	1,084	0	0	1,084	1,084

IFRS 13 provides regulations on calculating fair value and the related disclosures in the notes. The standard does not explicitly define in which cases fair value is to be used. Fair value is defined as the price that independent market participants would receive or pay under normal market conditions as of the measurement date when selling an asset or transferring a liability. Assets and liabilities measured at market rates are to be assigned to the three levels of the fair value hierarchy in accordance with IFRS 13. The individual levels of the fair value hierarchy are defined as follows:

Level 1: Quoted market prices on active markets for identical assets or liabilities

Level 2: Information other than quoted market prices that is directly or indirectly observable

Level 3: Information on assets and liabilities not based on observable market prices

The following table shows the fair value hierarchies of the assets and liabilities measured at fair value in the statement of financial position.

in KEUR	31/12/2019			30/06/2019		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Other investment securities			34	17		

The following table shows the fair value hierarchies of the assets and liabilities measured at amortised cost in the statement of financial position but for which the fair value is disclosed.

in KEUR	31/12/2019			30/06/2019		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Trade receivables	16,610			15,799		
Other financial assets	200			189		
Cash and cash equivalents	27,974			46,257		
Equity and liabilities						
Current loans	9,556			78		
Trade payables	9,102			8,460		
Other financial obligations	1,169			1,084		
Liabilities from leases		4,810				

Fair value in level 1 is calculated using quoted prices on an active market (unadjusted) for identical assets or liabilities that STEMMER IMAGING can access as of the end of the reporting period.

At level 2, fair value is determined by way of a discounted cash flow model using input data that is not quoted prices allocated to level 1 and that can be observed directly or indirectly. Level 3 fair values are calculated using methods that use factors that cannot be observed on an active market.

At the end of each reporting period, it is assessed whether there were any transfers between the levels of the fair value hierarchy for financial assets and liabilities accounted for at fair value. There were no reclassifications in the past reporting period.

Equity instruments are classified at fair value through other comprehensive income.

Current other financial assets break down as follows:

in KEUR	31/12/2019	30/06/2019
Securities	0	0
Other	200	189
Total	**200**	**189**

Current other financial assets include debtors with credit balances in the amount of EUR 90 thousand (previous year: EUR 31 thousand).

Non-current other financial liabilities are composed as follows:

in KEUR	31/12/2019	30/06/2019
Other financial liabilities	609	0
Liabilities from leases	2,918	0
Total	**3,527**	**0**

Other financial liabilities include research loans received by Infaimon, S.L.U.

Current other financial liabilities break down as follows:

in KEUR	31/12/2019	30/06/2019
Other financial liabilities	560	1,084
Liabilities from leases	1,892	0
Total	**2,452**	**1,084**

Other financial liabilities include obligations from another transaction arising from the acquisition of Elvitec S.A.S. of EUR 85 thousand (previous year: EUR 923 thousand), current research loans (EUR 310 thousand) received by Infaimon, S.L.U. and Supervisory Board remuneration of EUR 114 thousand.

Financial risk management

Risk management principles

STEMMER IMAGING's risk policy aims to identify any material risks or risks that could jeopardise the future of the company as a going concern and address these risks responsibly.

STEMMER IMAGING regularly assesses risks by way of a risk analysis.

Liquidity risks

In view of the capital resources following the IPO in February 2018, STEMMER IMAGING considers the liquidity risk to be low.

The Group monitors changes in liquidity at the parent company and subsidiaries on a regular basis in order to ensure that subsidiaries can meet their payment obligations at all times.

In connection with the acquisition of the Infaimon Group, a loan of EUR 10.0 million was taken out, which is to be repaid in the amount of EUR 0.5 million per quarter. The interest rate for the loan is 0.65 per cent.

The liquidity risk essentially relates to trade payables. Fixed payment terms are in place with suppliers. There is thus no risk of earlier payments.

The following table shows the contractual undiscounted interest and payment terms for financial instruments under IFRS 7:

31/12/2019 in KEUR	Cash flows 2020	Cash flows 2021	Cash flows 2022–2024	Cash flows 2025 onwards
Loan liabilities	2,048	2,000	5,509	0
Trade payables	9,102	0	0	0
Other financial liabilities	560	0	0	609
Liabilities from leases	1,884	1,454	1,194	296
Total	**14,203**	**3,454**	**7,194**	**296**

30/06/2019 in KEUR	Cash flows 2019 short fiscal year	Cash flows 2020	Cash flows 2021–2023	Cash flows 2024 onwards
Loan liabilities	78	0	0	0
Trade payables	8,460	0	0	0
Other financial liabilities	1,084	0	0	0
Total	**9,622**	**0**	**0**	**0**

This includes all financial instruments in the portfolio at the end of the reporting periods and for which payments had already been agreed. Foreign currencies are translated at the spot rate on the respective reporting date. Floating-rate interest payments from financial instruments were calculated on the basis of the last fixed interest rates prior to the reporting date in question. Financial liabilities repayable on demand are always assigned to the earliest time band.

In the 2019 short fiscal year, other financial liabilities from the application of IFRS 16 were included in the presentation of the liquidity risk for the first time.

Currency risks

Certain Group transactions are processed in a foreign currency. This gives rise to risks from exchange rate fluctuations.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies, to the extent that they are exposed to a currency risk through profit or loss, are as follows:

31/12/2019 in KEUR	Current			Non-current	
	GBP	BRL	USD	GBP	USD
Financial assets	1,386	981	5,172	0	0
Financial liabilities	−774	−119	−922	0	0
Total	**612**	**862**	**4,250**	**0**	**0**

30/06/2019 in KEUR	Current		Non-current	
	GBP	USD	GBP	USD
Financial assets	1,851	1,019	0	0
Financial liabilities	−1,110	−1,909	0	0
Total	**741**	**−890**	**0**	**0**

All other currencies in the Group, such as Danish krona, Swedish krona, Mexican peso, Polish zloty and Swiss franc, are immaterial due to the foreign currency amounts.

In addition, the number of transactions made in foreign currencies is not substantial and so resulting currency risks are negligible.

Foreign currency sensitivity analysis:
The following tables show the sensitivity of profit and equity in relation to the Group's financial assets and financial liabilities and of the USD/EUR, GBP/EUR and BRL/EUR exchange rates. All other parameters are unchanged. A change in the USD/EUR, GBP/EUR and BRL/EUR exchange rates of +/– 10 per cent or +/– 5 per cent as of 31 December 2019 and 30 June 2019 is assumed. This percentage was calculated on the basis of average market volatility of the exchange rates over the last 12 months.

If the EUR had appreciated against the USD by 10 per cent in 2019 and 5 per cent in 2018/19, this would have had the following effect:

USD in KEUR	Profit	Equity
31/12/2019	−386	−386
30/06/2019	51	51

If the EUR had depreciated against the USD by 10 per cent in 2019 and 5 per cent in 2018/19, this would have had the following effect:

USD in KEUR	Profit	Equity
31/12/2019	472	472
30/06/2019	−51	−51

If the EUR had appreciated against the GBP by 10 per cent in 2019 and 5 per cent in 2018/19, this would have had the following effect:

GBP in KEUR	Profit	Equity
31/12/2019	−60	−293
30/06/2019	−10	−32

If the EUR had depreciated against the GBP by 10 per cent in 2019 and 5 per cent in 2018/19, this would have had the following effect:

GBP in KEUR	Profit	Equity
31/12/2019	60	293
30/06/2019	10	32

If the EUR had appreciated against the BRL by 10 per cent in 2019, this would have had the following effect:

BRL in KEUR	Profit	Equity
31/12/2019	−184	275

If the EUR had depreciated against the BRL by 10 per cent in 2019, this would have had the following effect:

BRL in KEUR	Profit	Equity
31/12/2019	184	−275

Exchange rate risks vary over the year depending on the volume of transactions. Nevertheless, the above analysis can be considered as representative of the Group's currency risk.

Risk of default

The risk of default is the risk of financial losses in the event that a counterparty does not fulfil its obligations towards the Group. The Group is exposed to this risk through various financial instruments, particularly through existing trade receivables, other financial assets measured at amortised cost and investment of cash and cash equivalents. The maximum default risk to which the Group is exposed is limited to the carrying amount of financial assets recognised as of the end of the reporting period, as summarised below:

in KEUR	31/12/2019	30/06/2019
Financial assets – carrying amounts		
Cash and cash equivalents	27,974	46,257
Trade receivables	16,610	15,799
Other financial assets	200	189
Total	**44,784**	**62,245**

The Group monitors the payment history of customers and other contractual parties, who are observed either individually or by group, on an ongoing basis and incorporates this information into its credit risk review. Where these are available at a reasonable cost, external ratings and/or reports on customers or other contractual parties are obtained and analysed. The Group's policy is to deal only with creditworthy contractual partners.

Corresponding impairment losses are recognised for all receivables on the basis of information regarding the counterparty's current financial situation and past experience regarding payment history. Impairment losses are thus recognised if the expected future cash flows are lower than the carrying amount of the receivables.

Before commencing a business relationship with a new customer, the Group conducts internal and external credit checks to assess potential customers' credit standing and to define credit limits. The customer assessment and credit limits are reviewed regularly.

In line with IFRS 9, the STEMMER IMAGING Group uses the expected loss model to determine impairment losses. Under this method, the threshold for loss recognition includes expected losses, as opposed to only losses that have already occurred.

The tables below provide information on the estimated default risk and expected credit losses for trade receivables as of 31 December 2019 and 30 June 2019:

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
Not past due	0.59 per cent	13,106	−77	No
Past due < 3 months	0.42 per cent	3,303	−14	No
Past due > 3 months	21.93 per cent	301	−66	No
Past due > 6 months	63.64 per cent	33	−21	Yes
Past due > 12 months	83.99 per cent	281	−236	Yes
Total as of 31/12/2019		**17,024**	**414**	

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
Not past due	0.85 per cent	13,736	−117	No
Past due < 3 months	0.73 per cent	1,794	−13	No
Past due > 3 months	19.57 per cent	237	−46	No
Past due > 6 months	27.38 per cent	250	−68	Yes
Past due > 12 months	85.63 per cent	178	−153	Yes
Total as of 30/06/2019		**16,196**	**−398**	

Based on the application of the expected loss model, impairment losses at STEMMER IMAGING developed as follows:

in KEUR	2019	2018/19
As of the beginning of the fiscal year	398	182
Additions	173	312
Addition to consolidated group	23	0
Utilisation	−18	−4
Reversals	−162	−148
Currency adjustments, other changes	0	56
Total	**414**	**398**

Expected credit losses for trade receivables that were not already impaired on a case-by-case basis are determined using the practical expedient of a provision matrix, which specifies fixed provision rates depending on the length of time that trade receivables are past due. Impairment allowances based on the provision matrix amount to EUR 377 thousand (previous year: EUR 147 thousand).

The Group is exposed to a credit risk from individual customers in relation to trade receivables and other receivables. However, the Group did not generate any revenue in the reporting period with individual customers that account for over 10 per cent of the Group's annual revenue. There was thus no concentration risk in the reporting period. On the basis of past experience, the management regards the credit quality of trade receivables that are not past due or impaired as good.

The credit risk for cash and cash equivalents is considered negligible as the counterparties are serious banks with high external credit ratings.

Interest rate risk

As of 30 June 2019, there was just one current liability to a bank of EUR 78 thousand at the French subsidiary. As the impact of a potential change in the interest rate of this current bank liability is extremely low, no sensitivities were determined in connection with a change in interest rates for reasons of materiality.

As of 31 December 2019, there were bank liabilities of EUR 9,556 thousand. An amount of EUR 9,500 thousand relates to a bank liability of STEMMER IMAGING AG, which was raised from UniCredit Bank AG, Munich, to finance the acquisition of the Infaimon Group. Interest of 0.65 per cent p.a. is due at the end of the fixed-interest period on 30 September 2024. The loan is being repaid in quarterly instalments of EUR 500 thousand. The loan was extended on the basis of special conditions (compliance with key financial ratios, change of control, negative pledge, cross-default clause). STEMMER IMAGING is assuming that the covenants will not be breached in subsequent years, which is why no sensitivities were determined for a potential change in the interest rate.

The item cash and cash equivalents comprises cash in hand, bank balances and current deposits with a term of less than three months that are subject to only an immaterial fluctuation risk.

Disproportionately high concentration of risk

The Group is careful to ensure a balanced customer portfolio, long-standing customer relations and risk diversification with regard to industry-specific end markets and regional sales markets. Nevertheless, the Group's business model entails certain risks, which primarily constitute market- and industry-specific risks (e.g. customer budgets, changes to competition, economic risks, sales risks in connection with direct sales by manufacturers) and business risks (e.g. from company acquisitions, storage risks, dependence on suppliers, price increases, currency risks). According to the Executive Board's assessment, there is no disproportionately high concentration of risk.

14. TRADE PAYABLES

Trade payables all have a remaining term of less than one year. Liabilities are still subject to simple retentions of title until they are settled in full.

The carrying amount of trade payables is to be considered a suitable estimate of fair value.

15. CONTRACT LIABILITIES AND ADVANCE PAYMENTS RECEIVED ON ORDERS

As of 31 December 2019, contract liabilities were as follows:

in KEUR	31/12/2019	30/06/2019
Contract liabilities and advance payments received on orders	482	98

Contract liabilities in connection with construction contracts arise to the extent that advance payments exceed revenue generated for the period on the basis of the cost-to-cost method. As of 31 December 2019, this item relates exclusively to advance payments received on orders. The amounts reported at the reporting dates become revenue in the subsequent year.

16. OTHER LIABILITIES

31/12/2019 in KEUR	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Personnel liabilities	2,468	0	251	2,719
Tax liabilities	1,879	0	0	1,879
Other liabilities	766	0	0	766
Deferred income	92	0	0	92
Total	**5,205**	**0**	**251**	**5,456**

30/06/2019 in KEUR	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Personnel liabilities	1,706	0	236	1,942
Tax liabilities	1,891	0	0	1,891
Other liabilities	704	0	0	704
Total	**4,301**	**0**	**236**	**4,537**

Personnel liabilities break down as follows:

in KEUR	31/12/2019	30/06/2019
Liabilities for bonuses	501	304
Holiday, flexitime credit	975	946
Severance payments	454	0
Other social security liabilities	292	156
Liabilities for contributions to occupational health and safety agency	43	39
Anniversary obligations	251	236
Miscellaneous other personnel liabilities	203	261
Total	**2,719**	**1,942**

17. CAPITAL RISK MANAGEMENT

The Group manages its capital in order to ensure that all Group companies can operate as a going concern and also to maximise shareholder earnings by optimising the ratio of equity to debt.

The Group's capital structure consists of liabilities, cash and equity attributable to the parent company's equity providers. For the purposes of capital management, equity comprises subscribed capital and revenue reserves.

The Group's capital structure is managed and adjusted depending on changes to macroeconomic conditions. To maintain or adjust the capital structure, the Group can make adjustments to dividend payments to shareholders, repay capital to its shareholders or issue new shares.

Management monitors the company's capital structure at regular intervals. Subsidiaries' equity and existing forms of financing are both reported. In the past, on account of its structure and financial resources the company had a high equity ratio and low debt.

The Group monitors its capital structure by means of the debt ratio.

As of the end of the reporting period, the equity ratio was around 67 per cent (previous year: 82 per cent) and the net debt ratio was around 9 per cent (previous year: −42 per cent). Moving ahead, the company plans to continue optimising the capital structure, taking into account risk and return aspects.

in KEUR	31/12/2019	30/06/2019
Liabilities	33,723	15,838
Cash and bank balances	−27,974	−46,257
Net debt	**5,749**	**−30,419**
Equity	67,213	71,616
Net debt to equity	**8.55 per cent**	**−42.48 per cent**

The capital structure of the Group is regularly monitored in the context of risk management.

The Group is subject to externally regulated standard capital requirements within the scope of the loan agreement with UniCredit Bank AG.

As of 31 December 2019 and 30 June 2019, no changes were made to the risk management targets or processes.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

18. REVENUE

in KEUR	2019	2018/19
Machine vision technology	62,337	108,966

Revenue breaks down by region as follows:

in KEUR	2019	2018/19
Germany	22,734	48,987
Europe	36,482	58,273
Rest of world	3,121	1,706
Total	**62,337**	**108,966**

Revenue is distributed by region based on the headquarters of the customer, i. e. the place of delivery. Neither in the 2019 short fiscal year nor in the 2018/19 fiscal year did STEMMER IMAGING generate more than 10 per cent of overall revenue with one customer.

19. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in KEUR	2019	2018/19
Currency gains	83	217
Allocation of IPO costs to SI HOLDING GmbH, Munich	0	17
Offset non-cash benefits	92	166
Prior-period income	0	1
Reversal of valuation allowances on receivables	104	206
Income from reversal of provisions	17	128
Income from the disposal of fixed assets	0	1
Miscellaneous operating income	248	298
Total	**544**	**1,034**

Other operating income includes the following income from the measurement of financial instruments:

in KEUR	2019	2018/19
Result of financial instruments carried as assets at amortised cost	184	423

20. COST OF MATERIALS

Cost of materials is composed as follows:

in KEUR	2019	2018/19
Cost of raw materials, consumables and supplies, and of purchased merchandise	39,956	70,179

21. PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

Personnel expenses developed as follows:

in KEUR	2019	2018/19
Wages and salaries	10,683	16,474
Other social security contributions and employee benefit costs	2,151	3,484
Total	**12,834**	**19,958**

In the reporting year, the Group employed an average of 394 staff (previous year: 295). The increase essentially results from the addition of the Infaimon Group.

22. DEPRECIATION AND AMORTISATION

EUR 1,417 thousand (previous year: EUR 936 thousand) of depreciation and amortisation related to property, plant and equipment and EUR 1,108 thousand (previous year: EUR 521 thousand) to intangible assets. Neither in the 2018/2019 fiscal year nor in the 2019 short fiscal year were write-downs recognised.

23. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in KEUR	2019	2018/19
Selling expenses	2,153	3,176
General and administrative expenses	2,429	3,744
Rent and leases	201	1,811
Operating expenses	1,057	1,503
Other miscellaneous operating expenses	2,307	2,654
Total	**8,146**	**12,888**

Other operating expenses include EUR 223 thousand for foreign exchange losses (previous year: EUR 427 thousand), EUR 49 thousand for incidental acquisition costs for the acquisition of the Infaimon Group (previous year: EUR 450 thousand) and EUR 1,393 thousand for expenses in connection with the acquisition of ELVITEC, which are recognised under other transactions (previous year: EUR 971 thousand).

Rent and lease expenses of EUR 201 thousand include expenses for short-term leases of EUR 23 thousand, expenses for leases for low-value assets of EUR 2 thousand, other expenses from leases (incidental costs) of EUR 64 thousand and other expenses from usage fees not within the scope of IFRS 16 of EUR 111 thousand.

Other operating expenses include the following expenses from the measurement of financial instruments:

in KEUR	2019	2018/19
Result of financial instruments carried as assets at amortised cost	355	678

24. NET FINANCE COSTS

Net finance costs break down as follows:

in KEUR	2019	2018/19
Associates' share of profit or loss	−749	−51
Finance income	12	506
Finance costs	−104	−27
Total	**−841**	**428**

Finance income is composed as follows:

in KEUR	2019	2018/19
Income from other securities	0	72
Other interest and similar income	12	434
Total	**12**	**506**

Interest income from affiliated companies amounted to EUR 0 thousand (previous year: EUR 413 thousand)

Finance expenses are composed as follows:

in KEUR	2019	2018/19
Interest and similar expenses to third parties	54	27
Interest and similar expenses for leasing	6	0
Other interest and similar expenses	44	0

Net financial income includes the following income (+) and expenses (–) from the measurement of financial instruments:

in KEUR	2019	2018/19
Result of financial instruments carried as assets at amortised cost	12	434
Result from financial instruments at fair value through profit and loss	0	72
Result of financial instruments carried as liabilities at amortised cost	−98	−27

25. INCOME TAXES

Income taxes are broken down as follows:

in KEUR	2019	2018/19
Taxes on income	405	1,805
Deferred taxes	−425	−242
Total	**−20**	**1,563**

Tax income for the 2019 short fiscal year can be reconciled to the loss for the period as follows:

in KEUR	2019	2018/19
Profit before income taxes	−1,423	5,945
Income tax income (previous year: income tax expense) at a tax rate of 28.08 per cent	400	−1,669
Impact of differing tax rates at subsidiaries in other legal jurisdictions	101	343
Taxes for previous years	−91	−64
Permanent differences in the statement of financial position	−455	0
Tax rate changes	99	8 [1]
Impact of non-deductible and deductible income taxes	105	0
Impact of tax-free income/non-deductible expenses	−215	−230
Impact of first-time consideration or non-consideration of DTA	77	64 [2]
Other effects	0	1
Total	20	−1,563
Income tax income (+), income tax expense (–) recognised in profit or loss	**20**	**−1,563**

1 Presented under the item "Impact of tax-free income / non-deductible expenses" in the previous year
2 Presented under the item "Other effects" in the previous year

The tax rate used for the reconciliation shown corresponds to the corporate tax rate to be paid by the company in Germany on taxable earnings in line with German tax law.

The actual tax rate is as follows:

in KEUR	31/12/2019	30/06/2019
Taxes on income	405	1,805
Deferred taxes	−425	−242
Income taxes	−20	1,563
Earnings before tax	−1,423	5,945
Actual tax expense ratio	**1.48 per cent**	**26.29 per cent**

No deferred tax was recognised for foreign loss carryforwards of EUR 434 thousand. No deferred tax was recognised for foreign interest carryforwards of EUR 93 thousand in the previous year.

The differences for deferred tax assets can be attributed to the corresponding causes:

in KEUR	31/12/2019	30/06/2019
Goodwill	66	48
Property, plant and equipment	11	9
Investment securities accounted for using the equity method	11	0
Inventories	107	33
Trade receivables	78	19
Provisions for pensions	16	13
Personnel liabilities	76	62
Loss carryforwards	41	6
Other	7	11
Deferred tax assets	**413**	**201**
Offsetting	−120	−31
Deferred tax assets	**292**	**170**

The differences for deferred tax liabilities can be attributed to the corresponding causes:

in KEUR	31/12/2019	30/06/2019
Goodwill	0	45
Intangible assets	2,137	447
Property, plant and equipment	33	25
Trade receivables	28	6
Other	6	6
Deferred tax liabilities	**2,204**	**529**
Offsetting	−120	−31
Deferred tax liabilities	**2,084**	**498**

26. EARNINGS PER SHARE

In calculating basic earnings per share, the earnings attributable to ordinary shareholders of the parent entity are divided by the weighted average number of shares outstanding during the year.

In calculating diluted earnings per share, the earnings attributable to ordinary shareholders of the parent entity (less interest on the convertible preference shares) are divided by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares which would result from the conversion of all potential ordinary shares with dilutive effect in ordinary shares. For STEMMER IMAGING AG, there was no dilutive effect in either the 2019 short fiscal year or the 2018/19 fiscal year.

The result of calculating basic earnings per share for the 2019 short fiscal year and the 2018/19 fiscal year is given below:

	2019	2018/19
Result attributable to ordinary shareholders of the parent entity (in EUR thousand)	−1,401	4,382
Average weighted number of ordinary shares	6,500,000	6,500,000
Earnings per share (cents per share)	−0.22	0.67

NOTES ON THE STATEMENT OF CASH FLOWS

The consolidated statement of cash flows shows the changes in the cash and cash equivalents of the STEMMER IMAGING Group during the reporting year as a result of cash inflows and outflows. Cash flows are broken down into operating, investing and financing activities in accordance with IAS 7.

The changes in statement of financial position items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position as effects that do not affect cash have been eliminated.

Cash flow from operating activities is calculated from earnings after tax adjusted for income taxes and net interest income and corrected for depreciation, amortisation, impairment and other non-cash items. In addition, cash flows are recognised from dividends received from non-consolidated companies, from received and paid interest and paid taxes. Taking into account changes in working capital and the use of provisions results in cash flow from operating activities.

Cash flow from investing activities recognises cash flows from the acquisition or disposal of intangible assets as well as property, plant and equipment and investment securities If there is an acquisition or disposal of subsidiaries or other businesses (obtaining or losing control), the impact on the statement of cash flows is shown in individual items.

Key elements in cash flow from financing activities are changes in capital and dividends paid. Cash flow from financing activities includes repayments for lease liabilities of EUR 932 thousand.

Cash funds (EUR 27,974 thousand, previous year: EUR 46,257 thousand) contain cash and cash equivalents of EUR 27,974 thousand (previous year: EUR 46,257 thousand).

C. OTHER DISCLOSURE

1. RELATED PARTIES

Related parties are shareholders with significant influence on the STEMMER Group, associates, joint ventures, non-consolidated subsidiaries and persons with a significant influence on STEMMER IMAGING AG and the financial and operating policies of the Group. Persons with significant influence on the financial and operating policies of the Group are all persons in key positions and their close relatives. Within the Group this relates to the key management personnel of the parent company.

DISCLOSURES ON AFFILIATED COMPANIES

As part of ordinary business operations, STEMMER IMAGING AG and its subsidiaries maintain business relationships with numerous companies.

Transactions with SI HOLDING GmbH, Munich

The share ownership of SI HOLDING GmbH, Munich, in the company was 54 per cent on the 31 December 2019 reporting date. Thus the shareholding of SI HOLDING GmbH, Munich, is unchanged against the previous year. As the major shareholder of the parent company, in December 2019 SI HOLDING GmbH, Munich, thus received 54 per cent of the resolved distribution of EUR 0.50 per share for the 2019 fiscal year, i.e. EUR 1,755,000.00 (54 per cent of the dividend totalling EUR 3,250,000.00).

Transactions with PRIMEPULSE SE, Munich, and its subsidiaries

In line with the loan agreement dated 4 May 2018, STEMMER IMAGING AG granted PRIMEPULSE SE, Munich, a loan of EUR 40.0 million. The purpose of the loan is specified and it bears annual interest of 1.5 per cent at the amount utilised. According to the loan agreement, the loan has an indefinite term. The loan can be terminated at any time by both the borrower and the lender with notice of four weeks to the end of a calendar month. At the end of September 2018, the loan was completely paid back by PRIMEPULSE SE, Munich, and at the beginning of October 2018 again utilised at a level of EUR 37.0 million. After a partial repayment of EUR 17.0 million of the loan amount in December 2018, full repayment of the remaining loan amount of EUR 20.0 million plus interest was made at the end of June 2019. In the 2019 short fiscal year, PRIMEPULSE SE, Munich, stopped drawing on the loan.

According to a service agreement dated 1 April 2018, various commercial and organisational tasks can be outsourced to PRIMEPULSE SE, Munich, (e.g. operations & controlling, tax, M&A support, marketing, PR, IR). For providing the services, PRIMEPULSE SE, Munich, in each case receives daily rates between EUR 1,000 and EUR 1,500 (plus expenses, value added tax and travel costs). In the short fiscal year from 1 July to 31 December 2019, a gross amount of EUR 319 thousand (EUR 268 thousand net) was charged for services received and allocated costs. Of this amount, a total of EUR 287 thousand was paid to PRIMEPULSE SE, Munich, by 31 December 2019. As of 31 December 2019, STEMMER IMAGING AG reports a liability of EUR 32 thousand to PRIMEPULSE SE, Munich, for services received.

There were also oncharging licence costs by AL-KO KOBER SE, Kötz (EUR 2 thousand).

DISCLOSURES ON MANAGEMENT IN KEY POSITIONS

In the short fiscal year, the members of the Executive Board were granted remuneration of EUR 325 thousand (previous year: EUR 758 thousand) for their activities in the Group. Remuneration is recognised as short-term benefits.

For post-employment obligations in the form of a pension commitment to a former executive, EUR 112 thousand was recognised as of 31 December 2019 (previous year: EUR 103 thousand). EUR 8 thousand was recognised as income in the reporting year (previous year: EUR 2 thousand as expense).

2. COMPANY BODIES

The members of the Executive Board in the 2019 short fiscal year were:

Arne Dehn (Dipl.-Kfm.), Chief Executive Officer, Munich

Lars Böhrnsen (Dipl.-Kfm.), Chief Financial Officer, Breitbrunn a. Ammersee, up to 30 November 2019

Martin Kersting (Dipl.-Phys. Ing.), Chief Technology Officer, Gröbenzell

In the 2019 short fiscal year, Supervisory Board activities were carried out by the following people:

Supervisory Board member, name	Profession, town	Function in the STEMMER IMAGING AG Supervisory Board	Member in other statutory supervisory boards
Klaus Weinmann	Managing Director of PRIMEPULSE SE, Munich	Chairman	Chairman of the Advisory Board of PRIMEPULSE SE, Munich
Stefan Kober	Entrepreneur	Deputy Chairman	Chairman of the Supervisory Board of AL-KO KOBER SE, Kötz; member of the Supervisory Board of CANCOM SE, Munich
Markus Saller	Director Mergers & Acquisitions at PRIMEPULSE SE, Munich	Member	Member of the Supervisory Board of AL-KO KOBER SE, Kötz

The total remuneration of the Supervisory Board amounted to EUR 59 thousand in the 2019 short fiscal year (previous year: EUR 108 thousand).

3. SHAREHOLDINGS HELD BY MEMBERS OF COMPANY BODIES

SHAREHOLDINGS HELD BY MEMBERS OF THE EXECUTIVE BOARD:

As of 31 December 2019, 54 per cent (previous year: 54 per cent) of the shares in STEMMER IMAGING AG are held by SI HOLDING GmbH, Munich.

As of the reporting date, Arne Dehn held 1.34 per cent and Martin Kersting 7.64 per cent in SI HOLDING GmbH, Munich; former Executive Board member Christof Zollitsch still held 6.61 per cent of the shares as of the reporting date. Former Executive Board member Lars Böhrnsen no longer holds any shares as of the reporting date (previous year: Christof Zollitsch held 6.61 per cent and Lars Böhrnsen 2.00 per cent).

SHAREHOLDINGS HELD BY MEMBERS OF THE SUPERVISORY BOARD:

As of the reporting date, Stefan Kober indirectly held 13.31 per cent and Klaus Weinmann 12.90 per cent in STEMMER IMAGING AG. Markus Saller holds an indirect stake of 0.02 per cent.

4. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of the reporting date, there were guarantees of EUR 15 thousand (previous year: EUR 15 thousand).

There are other financial obligations from purchase commitments in the ordinary course of business.

Contingent liabilities and other financial obligations for the current and previous fiscal year break down as follows:

in KEUR	31/12/2019	30/06/2019
Rental and lease obligations	1,019	4,051
Other financial obligations	0	77
Total	**1,019**	**4,128**

The Group does not expect any notable future payments from sub-leasing agreements.

5. AUDITOR'S FEE

The following fees were recognised for the auditor in the individual years:

in KEUR	31/12/2019	30/06/2019
Audits of financial statements	210	286
Other assurance services	0	182
Tax advisory services	0	0
Other services	0	0
Total	**210**	**468**

LIST OF SHAREHOLDINGS

No.	Name and registered office of the company	Share of capital in per cent	How consolidated	Held by no.
1.	STEMMER IMAGING AG, Puchheim			
2.	SIS STEMMER IMAGING Services GmbH, Puchheim	100	k	1
3.	STEMMER IMAGING S.A.S., Suresnes/France	100	k	1
4.	STEMMER IMAGING Ltd., Tongham/United Kingdom	100	k	1
5.	STEMMER IMAGING AG, Pfäffikon/Switzerland	100	k	1
6.	STEMMER IMAGING B.V., Zutphen/Netherlands	100	k	1
7.	STEMMER IMAGING AB, Stockholm/Sweden	100	k	1
8.	STEMMER IMAGING A/S, Copenhagen/Denmark	100	k	1
9.	STEMMER IMAGING Oy, Espoo/Finland	100	k	1
10.	STEMMER IMAGING Sp. z o.o., Lowicz/Poland	100	k	1
11.	STEMMER IMAGING Ges.m.b.H., Graz/Austria	100	k	1
12.	STEMMER IMAGING S.R.L., Bologna/Italy	100	k	1
13.	INFAIMON S.L.U., Barcelona/Spain	100	k	1
14.	INFAIMON UNIPESSOAL LDA., Aveiro/Portugal	100	k	13
15.	INFAIMON MEXICO S.A. DE C.V., Querétaro QRO./Mexico	100	k	13
16.	INFAIMON DO BRASIL VISAO ARTIFICIAL LTDA, São Bernardo do Campo/Brazil	100	k	13
17.	Perception Park GmbH, Graz/Austria	42	e	1

c = fully consolidated companies
e = at equity / associate companies

6. EXEMPTION IN ACCORDANCE WITH SECTION 264 (3) HGB

The German subsidiary, SIS STEMMER IMAGING Services GmbH, Puchheim, utilised the exemption option provided for in section 264 (3) HGB in the 2019 short fiscal year.

7. EVENTS AFTER THE END OF THE REPORTING PERIOD

The World Health Organization (WHO) declared the coronavirus outbreak a public health emergency of international concern on 30 January 2020, and went on to class the spread of coronavirus as a pandemic on 11 March. As the situation continues, some of STEMMER IMAGING's supply chains may be jeopardised and there may be risks to procurement processes. The expectation that customers will want to make cost savings over the remainder of the year could have a detrimental impact on the order situation. The estimates and assumptions for the 2020 fiscal year that are known to STEMMER IMAGING are contained and outlined in the report on expected developments. No further significant negative effects are known or foreseen at the present time. However, further negative effects are possible during the year.

At its meeting on 26 March 2020, the Supervisory Board of STEMMER IMAGING AG appointed Uwe Kemm to the company's Executive Board effective 1 April 2020. As Chief Operating Officer (COO), he will be responsible for operational organisational units and for the further development and implementation of important initiatives within the scope of the corporate strategy. At the same time, Martin Kersting (CTO) stepped down from the Executive Board on 31 March 2020 for personal reasons and is leaving the company at his own request. However, he will remain affiliated with STEMMER IMAGING in an active advisory capacity.

8. DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

The declaration of compliance with the German Corporate Governance Code according to section 161 AktG was provided by the Executive Board and Supervisory Board of STEMMER IMAGING AG and has been made permanently available to shareholders on the Investors page of the company's website **(www.stemmer-imaging.com)**.

9. APPROVAL OF FINANCIAL STATEMENTS

The Executive Board approved the financial statements on 31 March 2020.

Puchheim, 31 March 2020

STEMMER IMAGING AG
Executive Board

Arne Dehn **Martin Kersting**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group, and the consolidated management report presents a true and fair view of the development and performance of the business and the position of the Group and describes the principal opportunities and risks associated with the expected development of the Group.

Puchheim, 31 March 2020

STEMMER IMAGING AG
Executive Board

Arne Dehn **Martin Kerstig**

INDEPENDENT AUDITOR'S REPORT

TO STEMMER IMAGING AG, PUCHHEIM

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of STEMMER IMAGING AG, Puchheim, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the abbreviated financial year from 1 July to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. We also audited the group management report, which is combined with the management report (hereinafter referred to as combined management report) of STEMMER IMAGING AG, Puchheim, for the abbreviated financial year from 1 July to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of "(Group) corporate governance declaration" (in German: (Konzern-) Erklärung zur Unternehmensführung) published on the website of the Company, which is referred to in the section of the combined management report subtitled "(Group) corporate governance declaration" and the responsibility statement of the executive directors on the consolidated financial statements added as a supplement to the notes to the consolidated financial statements or the section on CSR activities in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019, and of its financial performance for the abbreviated financial year from 1 July to 31 December 2019, and

– the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the component of the combined management report the content of which we, as described above, have not audited.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the abbreviated financial year from 1 July to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarise what in our view are the key audit matters below:
1. Acquisition of the Infaimon-Group
2. Impairment testing of goodwill arising from the acquisition of the Infaimon-Group.

Re 1) Acquisition of the Infaimon-Group

a) The risk for the financial reporting

Effective 11 July 2019 STEMMER IMAGING AG, Puchheim, acquired 100 % of the shares in Alea Rubicon S.L.U., Barcelona, Spain, together with all its subsidiaries (Infaimon-Group) for a purchase price of EUR 24.7 million. The Infaimon-Group was fully consolidated for the first time beginning on 1 July 2019 in the consolidated financial statements for the year ended 31 December 2019. Among other items, goodwill of EUR 16.6 million and other intangible assets, such as the customer base (EUR 5.1 million) and brands (EUR 1.3 million), were recognized in the consolidated financial statements on the basis of the purchase price allocation. From a quantitative perspective, the acquisition is of material significance for the consolidated financial statements and is subject to complex accounting standards. The fair value measurement of the assets and liabilities acquired and the purchase price allocation are based on a number of key assumptions and estimates of the executive directors that are subject to a high degree of uncertainty. Consequently, the accounting of the business acquisition constituted a key audit matter.

Reference is made to the disclosures in note “A.3 Consolidated group” of the notes to the consolidated financial statements for more information on the recognition and measurement policies applied to account for the acquisition of the Infaimon-Group. The disclosures on the discretionary judgments made by the Management Board with regard to the acquisition of the Infaimon-Group and the estimation uncertainty are also presented in this section of the notes to the consolidated financial statements.

b) Auditor’s response and conclusions

Within the framework of our audit of the accounting of the business acquisition we made an assessment of the purchase agreement and the purchase price paid to the seller. Moreover, we examined the methodology and clerical accuracy of the valuation model used to determine the fair values of the identifiable assets and liabilities acquired in the course of the business acquisition. Another key audit focus was placed on examining the completeness and measurement of the identified assets and liabilities acquired in the business acquisition. Taking account of our knowledge of the business of the Infaimon-Group and the explanations and plans of the executive directors, we assessed the identification of the assets and liabilities acquired using the valuation tool of the Company. We interviewed the executive directors on the key assumptions used in the fair value measurement and examined these on the basis of plausibility reviews using available industry and market data. In particular, our examination of the assumptions used extended to the derivation of the cost of capital and the underlying discount rate.

Based on the audit procedures described and other procedures, we are satisfied that the key assumptions and parameters are appropriate and that the business acquisition has been properly presented taking into account the available information.

Re 2) Impairment testing of goodwill arising from the acquisition of the Infaimon-Group.

a) The risk for the financial reporting

Goodwill of EUR 16.6 million resulting from the acquisition of the Infaimon-Group is carried in the consolidated financial statements of STEMMER IMAGING AG under the line item “Goodwill”. This corresponds to 16.4 % of the balance sheet total. Goodwill is subject to an impairment test as at 30 November of each respective (abbreviated) financial year.

The valuation was performed using the discounted cash flow method. The findings of the impairment test are highly dependent on the estimates made by the executive directors of future cash flows, the operating margins and the discount rate applied and are therefore subject to substantial uncertainty. In light of this circumstance and the complexity of the valuation, this issue was of special significance during our audit.

The disclosures of the Company regarding goodwill are contained in Sections “B.1 Intangible assets” and “A.3. Consolidated group” of the notes to the consolidated financial statements.

b) Auditor’s response and conclusions

We assessed the appropriateness of the future cash flows used in the calculation, which were derived by the executive directors from the three-year plan approved by the Supervisory Board for the year 2020 on the basis of the past results and the latest developments and compared them to the general and sector-specific market expectations.

Based on the knowledge that relatively small changes in the discount rate used can have a significant impact on the enterprise value determined in this way, we also placed a focus of our audit on the parameters used to determine the discount rate and the weighted average cost of capital and verified the formula used in the calculation.

In light of the material significance of goodwill and the fact that the measurement of goodwill depends on macroeconomic conditions that lie outside the sphere of influence of the Company, we also conducted sensitivity analyses for the cash-generating unit. These revealed that a 10 % shortfall in projected earnings and a 2-percentage point change in interest rates would result in a need to record an impairment loss of EUR 6.3 million. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises:
- the “(Group) corporate governance declaration” (in German: (Konzern-) Erklärung zur Unternehmensführung) published on the website of the Company, which is referred to in the Section “(Group) Declaration on Corporate Governance” of the combined management report,
- the “CSR activities” section of the combined management report,
- the report of the Supervisory Board,
- the remaining parts of the annual report, with the exception of the consolidated financial statements, the audited components of the combined management report and our auditor’s reports, and
- the responsibility statement pursuant to Sec. 297 (2) sentence 4 HGB regarding the consolidated financial statements, which is attached to the notes to the consolidated financial statements, and the declaration pursuant to Sec. 315 (1) sentence 5 HGB regarding the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Conformity with the German Corporate Governance Code pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act], which is part of the (Group) Declaration on Corporate Governance on the website of the Company. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information
– is materially inconsistent with the consolidated financial statements, the elements of the combined management report the content of which was audited, or our knowledge obtained in the audit, or
– otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the target audience taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as the independent auditor by the annual general meeting on 19 November 2019. According to Sec. 318 (2) HGB, we qualify as the independent auditors of the consolidated financial statements, as no other auditor has been appointed. We were engaged by the Chairman of the Supervisory Board on 15 December 2019. We have been the independent auditor of STEMMER IMAGING AG, Puchheim, without interruption since financial year 2018/2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Ms Linda Ruoß.

Stuttgart, 31 March 2020

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf
Wirtschaftsprüferin
(German Public Auditor)

Linda Ruoß
Wirtschaftsprüferin
(German Public Auditor)

Amouzou Aziadouvo (goods reception), Martina Hegermann (order entry), Engin Citak (goods delivery)

We can achieve more as a team. We improve our work through sharing knowledge and challenging our processes. We treat each other with mutual respect and appreciation.

04 SINGLE-ENTITY FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS
in KEUR

	31/12/2019	30/06/2019
Fixed assets	**49,846**	**22,878**
Intangible assets		
Purchased industrial and similar rights and assets	1,489	340
Advance payments	80	15
	1,569	355
Tangible assets		
Land, land rights and buildings, including buildings on third-party land	1,098	1,134
Other equipment, operating and office equipment	785	713
	1,883	1,847
Investment securities		
Shares in affiliated companies	35,945	11,258
Loans to affiliated companies	9,849	8,018
Investments	600	1,400
	46,394	20,676
Current assets	**27,329**	**49,953**
Inventories		
Goods	201	593
Receivables and other assets		
Trade receivables	4,294	6,306
Receivables due from affiliated companies	10,502	8,999
Other assets	1,488	343
	16,284	15,648
Cash-in-hand and bank balances	10,844	33,712
Prepaid expenses	**87**	**198**
	77,262	**73,029**

EQUITY AND LIABILITIES
in KEUR

	31/12/2019	30/06/2019
Equity	**64,776**	**69,746**
Subscribed capital (contingent capital KEUR 200; previous year: KEUR 200)	6,500	6,500
Capital reserves	49,500	49,500
Net retained profits	8,776	13,746
Provisions	**2,053**	**1,701**
Other provisions	2,053	1,701
Liabilities	**10,433**	**1,582**
Liabilities to banks	9,500	0
Advance payments received on orders	80	36
Trade payables	392	858
Liabilities to affiliated companies	59	99
Other liabilities	402	589
	77,262	**73,029**

INCOME STATEMENT

in KEUR

	2019	2018/19
Revenue	26,990	59,371
Other operating income	177	840
Cost of materials		
Cost of raw materials, consumables and supplies, and of purchased merchandise	−16,158	−36,286
Cost of purchased services	−1,270	−2,469
	−17,428	−38,755
Personnel expenses		
Wages and salaries	−5,852	−10,489
Social security and post-employment costs	−971	−1,795
	−6,823	−12,284
Amortisation and depreciation of intangible assets, property, plant and equipment	−462	−905
Other operating expenses	−4,361	−7,343
	−1,907	**924**
Income from investments	364	0
Profits received on the basis of a profit transfer agreement	20	41
Income from other securities and long-term loans	169	298
Other interest and similar income	202	771
Depreciation and impairment of investment securities	−893	0
Interest and similar expenses	−39	−29
Taxes on income	363	−618
	186	**463**
Earnings after tax = net loss for the year (previous year: net income)	**−1,721**	**1,387**
Retained profits brought forward before profit appropriation	13,746	15,609
Distribution	−3,250	−3,250
Net retained profits	**8,776**	**13,746**

NOTES

1. ACCOUNTING POLICIES

STEMMER IMAGING AG (hereinafter also referred to as "the company") is registered with the Local Court of Munich under number HRB 237247. On 10 May 2019, the company moved from the Scale segment of Frankfurt Stock Exchange's Open Market to the Regulated Market of the Frankfurt Stock Exchange and simultaneously to the subsegment of the Regulated Market with additional admission follow-up obligations (Prime Standard) by including all 6,500,000 shares.

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 presentation, classification, recognition and measurement of the annual financial statements are in line with the previous year's principles.

The income statement is prepared according to the nature of expense method.

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.

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 ten years.

For additions of **low-value tangible assets**, the tax requirements for immediate depreciation are applied. Movable fixed assets of up to EUR 800.00 are 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. The fair values of shares in affiliated companies and investments are determined on the basis of multi-year planning using the capitalised earnings method.

If the value of **fixed assets** determined in accordance with the above principles is lower than their fair value at the balance sheet date, this is taken into account by means of write-downs. If it emerges in a subsequent fiscal year that the reasons for this have ceased to exist, the amount of these write-downs is reversed in the amount of the increase in value, taking into account the write-downs that would have been made in that time.

Goods are measured at cost in line with the principle of lower of cost or market. Inventories essentially comprise rental and test devices, with appropriate deductions made for storage and realisation risks.

Receivables and **other assets** were 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 0.9 per cent (previous year: 0.5 per cent) on the net receivables.

Advance payments are recognised on a net basis.

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 and liabilities are determined for temporary differences between the carrying amounts of assets and liabilities under commercial law and for tax purposes. Any tax expense resulting overall would be recognised in the balance sheet as a deferred tax liability if, overall, tax expenses are anticipated in future fiscal years. In the event of a surplus of deferred tax assets, the option according to section 274 (1) sentence 2 HGB would be exercised and they would not be capitalised. In the short fiscal year, there was – as in the previous year – a surplus of deferred tax assets that was not recognised.

Assets that are inaccessible to all other creditors, are unencumbered, default-free and that are used solely to satisfy liabilities from pension liabilities (**plan assets**) are offset directly against the corresponding liabilities in accordance with section 246 (2) sentence 2 HGB. In accordance with section 253 (1) sentence 3 HGB, pension provisions, where pension liabilities are determined exclusively by the fair value of securities held as fixed assets, are to be recognised at the fair value of these securities if this exceeds a guaranteed minimum amount. As the **pension obligation** is a pension commitment linked to pension liability insurance, the book value of the pension obligation in accordance with section 253 (1) sentence 3 HGB is recognised in line with the fair value of the corresponding pension liability insurance and offset against this.

The **anniversary provision** is measured as the present value of future anniversary gifts, whereby the gift is accumulated in instalments over the years the recipient works for the company. It is discounted at an interest rate of 1.97 per cent (previous year: 2.15 per cent) for an average remaining term of 15 years. An annual fluctuation rate of 3 per cent is assumed.

Other **provisions** are recognised in the amount required in line with prudent business judgement. They cover all discernible risks and uncertain liabilities. Future increases in prices and costs are taken into account provided there are sufficient objective indications that these will occur. Provisions with a term of more than one year are discounted at the average market interest rate of the last seven years as determined by the Deutsche Bundesbank as of the balance sheet date for their remaining term.

Advance payments received on orders are recognised net after deduction of value added tax.

Liabilities are reported at settlement amount.

Assets and liabilities in foreign currencies with a remaining term of up to one year are translated at the middle spot exchange rate on the balance sheet date in accordance with section 256a HGB. This results in unrealised profits and losses from currency translation, which are included in these annual financial statements. Where the remaining term is more than one year, the assets and liabilities are translated at the exchange rate at the time they arise. In the event of changes in the exchange rate up to the balance sheet date, they are measured at the exchange rate on the balance sheet date in accordance with the principle of lower of cost or market for assets and in accordance with the principle of higher of cost or market for liabilities.

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.

2. NOTES ON THE BALANCE SHEET

2.1. FIXED ASSETS

The statement of changes in fixed assets, which is presented separately, is an integral part of the notes.

2.2. RECEIVABLES AND OTHER ASSETS

As in the previous year, all receivables and other assets are due within one year.

Receivables from affiliated companies relate to short-term operating lines of credit to subsidiaries in the amount of EUR 10,224 thousand (previous year: EUR 8,664 thousand). The remaining EUR 278 thousand (previous year: EUR 335 thousand) is attributable to current trade receivables.

Other assets include tax refund claims of EUR 1,151 thousand (previous year: EUR 331 thousand), which will only be received after the balance sheet date.

2.3. DEFERRED TAXES

As a result of measurement differences between the financial and tax accounts, there are individual temporary differences resulting from deviating measurements of personnel provisions (holiday, overtime, incentives and anniversary provisions). Overall, an applicable tax rate of around 28 per cent (previous year: 28 per cent) gives a surplus of deferred tax assets of EUR 83 thousand (previous year: EUR 68 thousand), which were not recognised in exercise of the option according to section 274 (1) sentence 2 HGB.

2.4. EQUITY

The **subscribed capital** (share capital) totalled EUR 6,500,000 as of 31 December 2019 (previous year: EUR 6,500 thousand) and is fully paid up. As of 31 December 2019, there were 6,500,000 no-par-value bearer shares (ordinary shares). Each share represents EUR 1.00 of the share capital. The shares grant the holder full dividend entitlement from 1 July 2018. Each share grants one vote at the company's Annual General Meeting. They are represented by global certificates. All STEMMER IMAGING AG shareholders are entitled to statutory pre-emption rights which state that, in the event of capital increases, shareholders must be allocated a portion of the new shares that corresponds to their interest in the existing share capital at their request.

The Executive 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 2,500 thousand 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 Annual General Meeting of 7 December 2018 resolved to contingently increase the company's share capital by EUR 200 thousand in order to issue members of the Executive Board, company employees, members of management and employees of affiliated companies within the meaning of sections 15 and 17 AktG up to 200,000 stock options with pre-emption rights to company shares with a term of up to ten years (**Contingent Capital 2018/I**).

The capital reserves in accordance with section 272 (2) no. 1 HGB amount to EUR 49,500,000, hence no legal reserve has to be allocated as this already amounts to one tenth of the share capital.

Net retained profits are as follows:

in KEUR	31/12/2019	2018/19
Retained profits brought forward 01/07	13,746	15,609
Dividend distribution	−3,250	−3,250
Net loss for the year (previous year: net profit)	−1,720	1,387
Net retained profits 31/12	**8,776**	**13,746**

Net retained profits are available for distribution in full.

2.5. PROVISIONS

The excess of plan assets over pension liabilities calculated in accordance with section 246 (2) HGB results from the coverage of pension liabilities (original obligation EUR 100 thousand; settlement amount of the obligation as of the balance sheet date EUR 107 thousand (previous year: EUR 105 thousand) with assets (fair value EUR 107 thousand, previous year: EUR 105 thousand); cost EUR 100 thousand that are inaccessible to all other creditors except the entitled former board member 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).

in KEUR	31/12/2019
Pension obligation	107
Plan assets (fair value)	107
Excess of plan assets/pension provision	**0**
Plan assets (cost)	100

Other provisions of EUR 2,053 thousand (previous year: EUR 1,701 thousand) essentially include personnel provisions (in particular for holiday, flexitime, bonuses, anniversaries and severance payments), provisions for audits and tax consulting and for outstanding invoices. Provision amounts with a term of less than twelve months were not discounted.

2.6. LIABILITIES

Liabilities to banks comprise an LfA capital market loan of EUR 10,000 thousand that was raised on 24 July 2019. A tranche of EUR 500 thousand was repaid on 30 December 2019. EUR 2,000 thousand of the loan has a remaining term of up to 1 year, EUR 7,500 thousand has a remaining term of 1–5 years. The loan is unsecured.

As in the previous year, all other liabilities have a remaining term of up to one year.

Trade payables are subject to retentions of title for goods supplied, as is typical in the sector.

As in the previous year, **payables to affiliated companies** relate exclusively to trade payables.

Other liabilities are as follows:

in KEUR	31/12/2019	30/06/2019
Tax liabilities	186	309
Social security liabilities	24	21
Remaining other liabilities	192	259
Total	**402**	**589**

3. NOTES ON THE INCOME STATEMENT

3.1. REVENUE

Revenue is generated in the Machine Vision segment and breaks down as follows:

By area of activity:

in KEUR	2019	2018/19
Machine Vision	24,085	53,562
Intra-group allocations and services	2,905	5,809
Total	**26,990**	**59,371**

By region:

in KEUR	2019	2018/19
Germany	26,142	55,743
EU	536	1,640
Other	312	1,988
Total	**26,990**	**59,371**

3.2. OTHER OPERATING INCOME

Prior-period income of EUR 62 thousand (previous year: EUR 320 thousand) is recognised under other operating income. This primarily relates to income from the reversal of provisions and specific valuation allowances.

Other operating income includes **income from currency translation** of EUR 9 thousand (previous year: EUR 119 thousand).

3.3. PERSONNEL EXPENSES

The item “social security, post-employment and other employee benefit costs” includes **pension expenses** of EUR 1 thousand (previous year: EUR 38 thousand), attributable in full to pension expenses for former executives. EUR 0 thousand (previous year: EUR 23 thousand) of this relates to a prior period.

3.4. OTHER OPERATING EXPENSES

Other operating expenses include **prior-period expenses** of EUR 59 thousand (previous year: EUR 33 thousand).

Other operating expenses include **expenses from currency translation** of EUR 15 thousand (previous year: EUR 88 thousand). EUR 15 thousand (previous year: EUR 16) of this relates to unrealised expenses.

3.5. NET INCOME FROM INVESTMENTS

Net income from investments amounts to EUR 364 thousand (previous year: EUR 0 thousand) and relates to profit distributions from **affiliated companies**.

In addition, EUR 20 thousand (previous year: EUR 41 thousand) is attributable to income from the profit transfer agreement with SIS STEMMER IMAGING Services GmbH.

3.6. FINANCIAL RESULT

in KEUR	2019	2018/19
Income from long-term loans	169	298
Other interest and similar income	202	771
Interest and similar expenses	−39	−29
Total	**332**	**1,040**

As in the previous year, income from long-term loans relates entirely to interest from affiliated companies.

Other interest and similar income relates to interest from affiliated companies in the amount of EUR 202 thousand (previous year: EUR 771 thousand).

Interest expense from the pension obligation (EUR 4 thousand) was netted with income from the plan assets (EUR 2 thousand).

3.7. DEPRECIATION AND IMPAIRMENT OF INVESTMENT SECURITIES

Of the depreciation and impairment of investment securities of EUR 893 thousand, EUR 62 thousand was attributable to affiliated companies, EUR 31 thousand to loans to affiliated companies and EUR 800 thousand to investments.

3.8. TAXES ON INCOME

Taxes on income include prior-period expenses of EUR 363 thousand (previous year: EUR 63 thousand).

3.9. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income

The disposal of securities resulted in income of EUR 197 thousand in the previous year. Income of EUR 246 thousand was generated from the reversal of provisions in the previous year. These costs are to be classified as extraordinary on account of the amount.

Extraordinary expenses

Personnel expenses include expenses for severance payments (EUR 381 thousand; previous year: EUR 226 thousand). These costs are to be classified as extraordinary on account of the amount and the non-recurring nature.

In the previous year, other operating expenses included expenses in connection with the company's change of segment (EUR 559 thousand). These expenses are to be classified as extraordinary on account of their amount and non-recurring nature.

An investment in Austria was written down by EUR 800 thousand in the reporting year. This transaction is to be classified as extraordinary on account of the amount involved and its chronological proximity to the acquisition of the investment.

4. OTHER DISCLOSURES

4.1. DISCLOSURES ON SHAREHOLDINGS

As of 31 December 2019, the company held interests in the following domestic and foreign companies:

Company name	Share of capital (%)	Currency 2019	Net income 2019	Equity as of 30/06/2019
Germany				
SIS STEMMER IMAGING Services GmbH, Puchheim/D [1]	100 %	KEUR	20 [2]	107
Outside Germany				
STEMMER IMAGING S.A.S., Suresnes/F	100 %	KEUR	144 [2]	2,623
STEMMER IMAGING Ltd., Tongham/UK	100 %	KEUR	27 [2]	3,585
STEMMER IMAGING AG, Pfäffikon/CH	100 %	KEUR	67 [2]	1,002
STEMMER IMAGING B.V., Zutphen/NL	100 %	KEUR	230 [2]	2,129
STEMMER IMAGING AB, Stockholm/SE	100 %	KEUR	577 [2]	2,239
STEMMER IMAGING A/S, Copenhagen/DK	100 %	KEUR	–53 [2]	347
STEMMER IMAGING Oy, Espoo/FI	100 %	KEUR	33 [2]	443
STEMMER IMAGING Sp. z o.o., Lowicz/PL	100 %	KEUR	–44 [2]	–46
STEMMER IMAGING Ges.m.b.H, Graz/AT	100 %	KEUR	320 [2]	584
STEMMER IMAGING S.R.L., Bologna/IT	100 %	KEUR	–123 [2]	–113
INFAIMON S.L.U., Barcelona/ES	100 %	KEUR	1,786	4,730
INFAIMON UNIPESSOAL, LDA., Aveiro/PT	100 % [3]	KEUR	91	286
INFAIMON MEXICO SA DE CV., Querétaro/MX	100 % [3]	KEUR	–194	–588
INFAIMON DO BRASIL VISÃO ARTIFICIAL LTDA, São Bernardo do Campo/BR	100 % [3]	KEUR	–212	–915
Perception Park GmbH, Graz/AT	42 %	KEUR	–209 [2]	1

1 Before profit/loss transfer 2 In the 2019 short fiscal year 3 Indirectly via INFAIMON S.L.U., Barcelona/ES

Equity in foreign currencies is translated at the official middle rate and net income in foreign currencies at the middle spot exchange rate.

4.2. CONSOLIDATED FINANCIAL STATEMENTS

As the parent of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the short fiscal year from 1 July to 31 December 2019 in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and also with the requirements of commercial law. 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 for the largest group of companies. The consolidated financial statements of PRIMEPULSE SE are published in the electronic German Federal Gazette (Bundesanzeiger).

4.3. OTHER FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

As of the balance sheet date, there are future payment obligations (other financial commitments) from leases (EUR 1,376 thousand) and from car leasing (EUR 482 thousand). EUR 797 thousand of these are due within one year and EUR 1,060 within the next one to five years.

As the parent company, STEMMER IMAGING AG is also liable for taxes payable by companies affiliated with it through the profit-and-loss transfer agreement.

4.4. COMPANY BODIES

Executive Board

Arne Dehn (Dipl.-Kfm.), Chief Executive Officer, Munich

Lars Böhrnsen (Dipl.-Kfm.), Chief Financial Officer, Breitbrunn a. Ammersee, up to 30 November 2019

Martin Kersting (Dipl.-Phys. Ing.), Chief Technology Officer, Gröbenzell

The total remuneration of the Executive Board in accordance with section 285 no. 9a HGB amounted to EUR 325 thousand in the short fiscal year (previous year: EUR 758 thousand).

Amounts of EUR 218 thousand in accordance with section 285 no. 9b HGB were also recognised in the 2019 short fiscal year.

There is one pension commitment to a former Executive Board member, which is fully covered.

A more detailed explanation of the Executive Board's remuneration system and the disclosures in accordance with section 285 no. 9a) sentence 5 to 8 HGB can be found in the remuneration report section of the combined management report.

Supervisory Board

Klaus Weinmann, Munich, Chairman of the Board of Directors and Managing Director of PRIMEPULSE SE, Chairman of the Supervisory Board

Stefan Kober, Jettingen-Scheppach, entrepreneur, Deputy Chairman

Markus Saller, Garmisch-Partenkirchen, Director of Mergers & Acquisitions at PRIMEPULSE SE

Mr Stefan Kober is also Chairman of the Supervisory Board of AL-KO KOBER SE, Kötz. Mr Stefan Kober is also Deputy Chairman of the Supervisory Board of CANCOM SE, Munich. There are no further memberships of other supervisory boards or committees within the meaning of section 125 (1) sentence 5 AktG.

Mr Markus Saller is also a member of the Supervisory Board of AL-KO KOBER SE, Kötz There are no further memberships of other supervisory boards or committees within the meaning of section 125 (1) sentence 5 AktG.

The total remuneration of the Supervisory Board amounted to EUR 59 thousand in the 2019 short fiscal year (previous year: EUR 108 thousand). Remuneration is divided into fixed remuneration of EUR 45 thousand (previous year: EUR 90 thousand) and attendance fees of EUR 14 thousand (previous year: EUR 18 thousand).

4.5. EMPLOYEES

The average number of employees in the short fiscal year was 216 (previous year: 209). They were attributable to the following areas:

Number	2019
Organisation	23
Sales	32
Technology	108
Order processing	53
Total	**216**

4.6. AUDITOR'S FEE

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

4.7. RELATED PARTY TRANSACTIONS

In accordance with section 312 AktG, STEMMER IMAGING AG prepared a report on relations to affiliated companies, which ends with the following concluding statement:

"As the Executive Board of STEMMER IMAGING AG, we hereby state that, under the circumstances known to it at the date on which the transactions listed in this report on relations to affiliated companies were conducted, STEMMER IMAGING AG received adequate consideration for each transaction. No reportable measures within the meaning of section 312 (1) sentence 2 AktG were taken or omitted in the short fiscal year from 1 July to 31 December 2019."

4.8. APPROPRIATION OF NET PROFIT AND RESTRICTION ON DISTRIBUTION

The Executive Board proposes carrying forward the net retained profits of EUR 8,776 thousand in full:

4.9. DISCLOSURES ON VOTING RIGHTS ANNOUNCEMENTS IN ACCORDANCE WITH SECTION 160 (1) NO. 8 AKTG

The following notifications in accordance with section 20 (6) AktG were published in November 2018:

– SI HOLDING GmbH, Munich, notified us in accordance with section 20 (1) AktG that SI HOLDING GmbH, Munich, holds more than a quarter of the shares of STEMMER IMAGING AG, Puchheim. (Puchheim, in November 2018)

– SI HOLDING GmbH, Munich, notified us in accordance with section 20 (4) in conjunction with section 16 (1) AktG that SI HOLDING GmbH, Munich, holds a majority interest in STEMMER IMAGING AG, Puchheim. (Puchheim, in November 2018)

The following notifications in accordance with section 40 (1) WpHG were published in the short fiscal year:

Party subject to notification requirement	Date on which threshold was met	Voting share as %	Absolute
Allianz Global Investors GmbH, Frankfurt am Main	9 December 2019	5.23	339,640
Allianz Global Investors GmbH, Frankfurt am Main	21 November 2019	4.94	320,972
Allianz Global Investors GmbH, Frankfurt am Main	30 October 2019	5.12	332,888
Allianz Institutional Investors Series SICAV, Senningerberg/Luxembourg	29 October 2019	3.01	195,652
ELEVA UCITS FUND, Luxembourg/Luxembourg	23 October 2019	2.22	144,537
Eric Bendahan	23 October 2019	2.22	144,537
Allianz Institutional Investors Series SICAV, Senningerberg/Luxembourg	22 July 2019	2.42	157,168

4.10. SUPPLEMENTARY REPORT

On 30 January 2020, due to the outbreak of the coronavirus, the World Health Organization (WHO) declared a public health emergency of international concern and since 11 March has classified the spread of the coronavirus as a pandemic. At a later stage STEMMER IMAGING supply chains can be threatened in part and there can be risks in procurement processes. Probable savings measures taken by customers would negatively impact the order situation over the remainder of the year. In the forecast account was taken and descriptions given of assessments and assumptions for the 2020 fiscal year known to STEMMER IMAGING. At the present moment no other material negative factors are known or foreseeable. However, during the course of the year further negative factors are possible.

At its meeting on 26 March 2020, the Supervisory Board of STEMMER IMAGING AG appointed Mr Uwe Kemm to the Management Board of the company effective 1 April 2020. As Chief Operating Officer (COO), he will be responsible for operational organisational units and for the further development and implementation of important initiatives within the scope of the corporate strategy. At the same time, at his own request Martin Kersting (CTO) stepped down from his position as a member of the Management Board as of 31 March 2020. However, he remains available to STEMMER IMAGING in an advisory capacity.

4.11. GERMAN CORPORATE GOVERNANCE CODE

The declaration on the German Corporate Governance Code required under section 161 AktG (known as the “declaration of compliance”) was issued by the Executive Board and the Supervisory Board of STEMMER IMAGING AG and is to be made permanently available to shareholders on the company’s website (**www.stemmer-imaging.com**) under Investor Relations.

Puchheim, 31 March 2020

STEMMER IMAGING AG
Executive Board

Arne Dehn **Martin Kersting**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the annual financial statements present a true and fair view of the net assets, financial position and results of operations of the company, and the management report of STEMMER IMAGING AG, which is combined with the Group management report, presents a true and fair view of the development and performance of the business and the position of the company and describes the principal opportunities and risks associated with the expected development of the company.

Puchheim, 31 March 2020

STEMMER IMAGING AG
Executive Board

Arne Dehn **Martin Kersting**

STATEMENT OF CHANGES IN FIXED ASSETS

for the 2019 short fiscal year
in KEUR

	Cost			
	As of 01/07/2019	**Additions**	**Disposals**	**As of 31/12/2019**
Intangible assets				
Purchased industrial and similar rights and assets	1,768	1,306	0	3,074
Advance payments	16	64	0	80
	1,784	1,370	0	3,154
Tangible assets				
Land, land rights and buildings, including buildings on third-party land	2,819	76	0	2,895
Other equipment, operating and office equipment	3,081	265	54	3,292
	5,900	341	54	6,187
Investment securities				
Shares in affiliated companies	11,258	24,749	0	36,007
Loans to affiliated companies	8,018	2,265	403	9,880
Investments	1,400	0	0	1,400
	20,676	27,014	403	47,287
Total	**28,360**	**28,725**	**457**	**56,628**

Cumulative depreciation and amortisation				Carrying amounts	
As of 01/07/2019	Additions	Disposals	As of 31/12/2019	As of 31/12/2019	As of 30/06/2019
1,428	157	0	1,585	1,489	340
0	0	0	0	80	16
1,428	157	0	1,585	1,569	356
1,685	112	0	1,797	1,098	1,134
2,368	193	54	2,507	785	713
4,053	305	54	4,304	1,883	1,847
0	62	0	62	35,945	11,258
0	31	0	31	9,849	8,018
0	800	0	800	600	1,400
0	893	0	893	46,394	20,676
5,481	**1,355**	**54**	**6,782**	**49,846**	**22,879**

INDEPENDENT AUDITOR'S REPORT

TO STEMMER IMAGING AG, PUCHHEIM

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

AUDIT OPINIONS

WWe have audited the financial statements of STEMMER IMAGING AG, Puchheim, which comprise the balance sheet as at 31 December 2019 and the statement of profit or loss for the abbreviated financial year from 1 July to 31 December 2019 as well as the notes to the financial statements, including a summary of significant accounting policies. We also audited the management report which is combined with the group management report (hereinafter referred to as combined management report) of STEMMER IMAGING AG, Puchheim, for the abbreviated financial year from 1 July to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of "(Group) corporate governance declaration" (in German: (Konzern-) Erklärung zur Unternehmensführung) published on the website of the Company, which is referred to in the section of the combined management report subtitled "(Group) corporate governance declaration" and the responsibility statement of the executive directors on the financial statements added as a supplement to the notes to the financial statements or the section on CSR activities in the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the abbreviated financial year from 1 July to 31 December 2019 in compliance with German Legally Required Accounting Principles, and

– the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report the content of which we, as described above, have not audited.

Pursuant to Sec. 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the financial statements and of the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the abbreviated financial year from 1 July to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarise what in our view are the key audit matters below:
– Acquisition of the Infaimon-Group

a) The risk for the financial reporting

In the financial statements of STEMMER IMAGING AG, Puchheim, shares in affiliated companies of EUR 35,945 thousand (47 % of total assets), loans to affiliated companies of EUR 9,849 thousand (13 %) and equity investments of EUR 600 thousand (1 %) are recognized under the line item "financial assets". As at 31 December 2019 shares in affiliated companies increased by EUR 24.7 million due to the acquisition of Alea Rubicon S.L.U., Barcelona, Spain, including its subsidiary, Infaimon S.L.U., Barcelona, Spain, and its subsidiaries in Portugal, Brazil and Mexico.

Financial assets are measured at the lower of cost or net realisable value. Section "1. Accounting Policies" of the notes to the financial statements contain explanations of the accounting of financial assets.

Acquisition costs are determined by the consideration agreed on in the purchase agreement. Due to the amount of the consideration and the resulting significance to the total assets of the Company, this matter was of particular significance for our audit.

b) Auditor's response and conclusions

During our audit of the acquisition costs of financial assets we assessed the purchase agreement and the purchase price payment derived from the agreement as well as the eligibility of the incidental acquisition costs, consisting of legal expenses, notarisation costs, and due diligence, for recognition in the cost of the assets. In addition, we examined the point in time when control over the shares was obtained and the proper settlement of the payment on the closing date.

Based on the audit procedures described and other procedures, we are satisfied that the acquisition has been properly accounted for, taking account of the available information.

OTHER INFORMATION

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises:

- the “(Group) corporate governance declaration” (in German: (Konzern-) Erklärung zur Unternehmensführung) published on the website of the Company, which is referred to in the section of the combined management report subtitled “(Group) corporate governance declaration”,
- the “CSR activities” section of the combined management report,
- the report of the Supervisory Board,
- the remaining parts of the annual report, with the exception of the financial statements, the audited components of the combined management report and our auditor’s report, and
- the responsibility statement pursuant to Sec. 264 (2) sentence 3 HGB regarding the financial statements attached to the notes to the financial statements and pursuant to Sec. 289 (1) sentence 5 HGB and Sec. 315 (1) sentence 5 HGB regarding the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Conformity with the German Corporate Governance Code pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act], which is part of the (Group) corporate governance declaration published on the website of the Company. In all other respects, the executive directors are responsible for the other information.

Our audit opinions on the financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the financial statements, the elements of the combined management report the content of which was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the financial statements and of the combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of the target audience taken on the basis of these financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the combined management report with the financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as the independent auditor by the annual general meeting on 19 November 2019. We were engaged by the Chairman of the Supervisory Board on 15 December 2019. We have been the independent auditor of STEMMER IMAGING AG, Puchheim, without interruption since financial year 2018/2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Ms Linda Ruoß.

Stuttgart, 31 March 2020

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf
Wirtschaftsprüferin
(German Public Auditor)

Linda Ruoß
Wirtschaftsprüferin
(German Public Auditor)

Alessandro Bruneri (sales), Peter Keppler (corporate sales), Robert Anlauf (procurement and order processing)

We place significant emphasis on quality in all that we do. We take responsibility for improving how we work while keeping our customers in focus at all times.

05 ADDITIONAL INFORMATION

FINANCIAL CALENDAR[1]

Tuesday – Wednesday
28/–29/04
2020
MUNICH CAPITAL MARKET CONFERENCE, MUNICH

Tuesday
12/05
2020
PUBLICATION OF Q1 2020 INTERIM REPORT

Monday
22/06
2020
ANNUAL GENERAL MEETING, MUNICH

Tuesday – Thursday
30/06–02/07
2020
SPRING CONFERENCE, FRANKFURT AM MAIN

Wednesday
12/08
2020
PUBLICATION OF Q2 2020 INTERIM REPORT AND PUBLICATION OF 2020 HALF-YEAR REPORT

Monday – Wednesday
21/–23/09
2020
BERENBERG GERMAN CORPORATE CONFERENCE, MUNICH

Thursday
12/11
2020
PUBLICATION OF Q3 2020 INTERIM REPORT

Monday – Wednesday
16/–18/11
2020
GERMAN EQUITY FORUM, FRANKFURT AM MAIN

1 Dates may change at short notice.

PUBLICATION DETAILS

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Chairman of the Supervisory Board: Klaus Weinmann
Commercial register: Munich HRB 237247
VAT no.: DE 128 245 559

Company responsible: STEMMER IMAGING AG
Text and editing: STEMMER IMAGING AG
Conception and design: Anzinger und Rasp Kommunikation GmbH
Cover: MAD Werbeagentur GmbH & Co.KG
Photos: Michaela Handrek-Rehle

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