STEMMER® IMAGING

VISION.
RIGHT.
NOW.

ANNUAL REPORT
2020

AT A GLANCE

GROUP KEY FIGURES FISCAL YEAR 2020

in KEUR

	2020	2019
Revenue	105,181	62,337
Gross profit	38,681	22,381
Gross profit margin	36.8 %	35.9 %
EBITDA (2019 norm.)	7,214	4,819
EBIT (2019 norm.)	−1,550	2,309
Consolidated net income (2019 norm.)	−3,323	1,488

	31.12.2020	31.12.2019
Total assets	96,684	100,936
Equity	64,079	67,213
Equity ratio	66.3 %	66.6 %
Cash and cash equivalents	34,718	27,974
Operating cash flow after income taxes	10,883	1,950
Employees (average)	357	394

STEMMER IMAGING IN FIGURES FISCAL YEAR 2020

Order intake:
EUR 113.9 million

EUR −0.51 earnings
per share (adjusted)

66.3 per cent Equity ratio

>5,000 customers

357 employees,
70 per cent with a
technical background

15 subsidiaries
and represented
in >20 countries

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

CONTENTS

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

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.

Due to the change of the fiscal year to the calendar year from 1 January 2020, Q1–Q4 2019 refer to the period 1 January 2019–31 December 2019. The period January–December 2019 has not been audited.

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.

WHO WE ARE – WHAT DRIVES US

STEMMER IMAGING is a **leading international machine vision technology provider**, founded in 1987, listed on the Frankfurt Stock Exchange since 2018 and in Prime Standard since 2019. With staff located across Europe, Latin America and Asia, we provide state-of-the-art machine vision solutions, extensive knowledge and outstanding customer service and support. We are committed to creating **long-term value** – for our customers and suppliers, our employees, our shareholders and the environment in which we operate.

The compass for this is formed by the three central components:
OUR VISION – OUR MISSION – OUR CORPORATE VALUES

OUR VISION

As machine vision specialists we enable businesses to improve the world we live in.

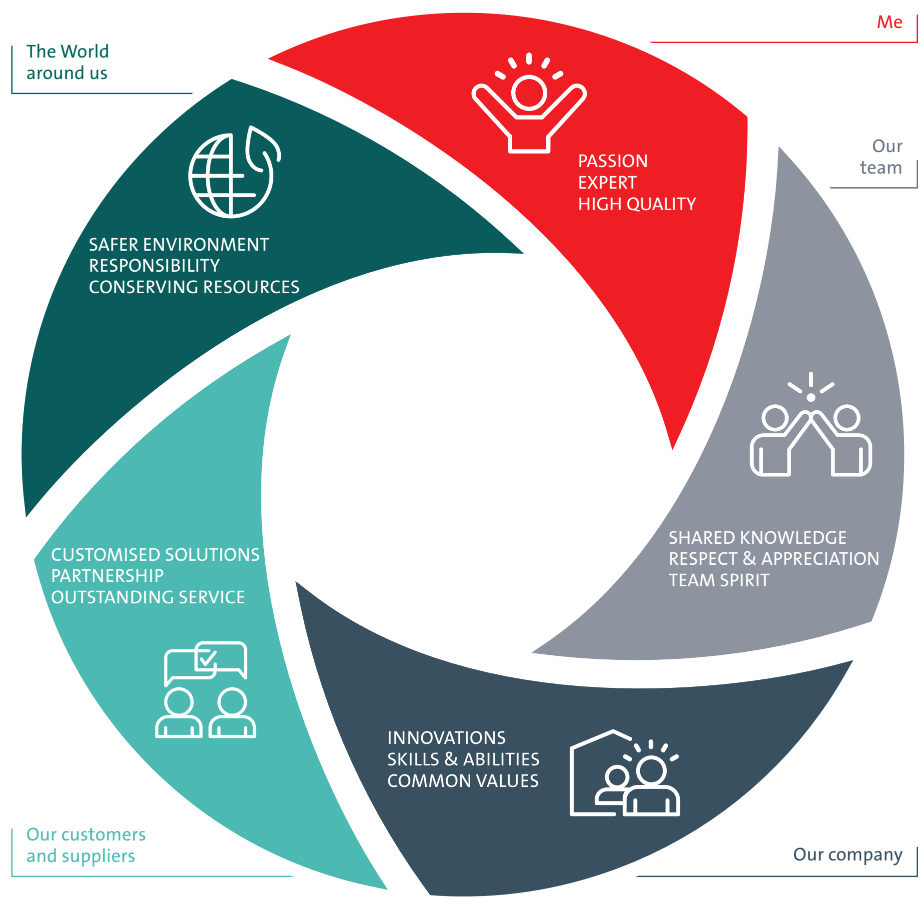
OUR MISSION

Our motto VISION. RIGHT. NOW. represents STEMMER IMAGING's claim to make machine vision easy and accessible empowering customers to deliver world-class solutions.

VISION.	RIGHT.	NOW.
Cutting-edge machine vision technology	Combining expertise with passion	Providing a clear competitive advantage
Validated & Configured	High technical know-how & broad range application experience	Reliable and trusted partner

OUR CORPORATE VALUES

Our vision, mission and corporate values form the compass for our company. These apply to all employees worldwide and provide a clear guideline and framework for action and express what makes us unique as STEMMER IMAGING.



ME

Every day, around 360 people are enthusiastically committed to improving and advancing and at STEMMER IMAGING they create the conditions for successfully realising our company's aspired goals – with great know-how and expertise, the focus is always on the customer.

OUR TEAM

With highly qualified employees and more than 30 years of experience, our team stands for its commitment to our customers with its entire identity and always wants to bring out the best for the customer. The high proportion of engineers and technicians gives the team the necessary expertise and clout to implement highly complex projects.

Low staff turnover, short distances and a motivated, innovative atmosphere are strengths that also benefit our customers.

OUR COMPANY

We strive to offer the most innovative machine vision solutions, to share our extensive technical knowledge with our customers and to offer them real added value with optimum service and support.

OUR CUSTOMERS AND SUPPLIERS

Machine vision is a key technology that is used in diverse application areas and helps customers in a wide range of markets to secure the decisive competitive advantage.

STEMMER IMAGING's roots lie in machine vision for the production and automation sector. However, there is an almost unlimited growth in possible applications for machine vision technology – for all industries, for all conceivable areas of application – in business, research and everyday life. We are currently seeing a clear trend beyond manufacturing towards machine vision in everyday applications.

THE WORLD AROUND US

We understand corporate social responsibility to mean STEMMER IMAGING's social responsibility in the sense of sustainable business. Our aim is to integrate sustainability into all areas of the company as a cross-sectional task. In this context, the areas of environment, social affairs and good corporate governance are regarded as overarching focal points. Our engagement also in training and further education makes us a valuable part in our community. By actively shaping the machine vision industry, we strive to contribute to making this world a safer and better place to live while conserving the earth's valuable resources. We are convinced that a business policy that complies with laws and ethical principles is socially responsible and best serves the long-term interests of our company and all its stakeholders.

You can find out more about our corporate responsibility in the **Corporate Social Responsibility** chapter starting on page 64.

FIVE GROWTH PILLARS FOR SUSTAINABLE BUSINESS SUCCESS

Customers value STEMMER IMAGING as a reliable, solution-oriented and competent partner for customised solutions. These include components that are pre-configured on request, subsystems that reduce the time and effort involved in integrating vertical applications, and customised solutions that give OEMs in particular a decisive competitive edge – all based on our many years of experience and leading software tools such as the company's own Common Vision Box (CVB) software platform. Together with the further expansion of our international presence, the components, subsystems, project and software business form the five pillars of our business model.

What sets us apart is our unique product selection, perfectly integrated, sustainable and economical solutions and our comprehensive service – from concept design to the finished solution.

CONCEPT DESIGN

- Local advice
- Feasibility studies
- Training sessions
- Component selection
- Design validation

REALISATION

- System design
- Software development
- Customised adaptations
- System design
- Cable confection

SOLUTION

- Assembly and manufacturing
- Modifications and tests
- Optimisation and calibration
- Ready-to-use subsystems
- Life cycle management

You can find more information in the part **Basic information on the Group** in the management report.

COMPONENTS: BUILDING VALUE IN THE COMPONENTS BUSINESS

– Further development and expansion of the hardware and software range for the optimal realisation of machine vision tasks
– Risk minimisation and process simplification for our customers through product modifications and individual service packages

SUBSYSTEMS: SCALING OF VALUE-ADDED PACKAGES

– Combination of pre-configured hardware and software for scalable applications
– Reduction of time and risk on the customer side for complex applications

PROJECTS: ADDING VALUE TO PROJECTS

– Solution development of individual, complex customer applications based on our development expertise
– Supporting our customers through system design, deployment of best suited hardware and software and project-related services

SOFTWARE: SOFTWARE PORTFOLIO AS A VALUE DRIVER

– Comprehensive software toolbox covering the entire spectrum of all common machine vision applications
– Continuous further development of our own software portfolio, Common Vision Blox (CVB)

INTERNATIONAL EXPANSION: STRENGTHENING & EXPANDING MARKET PRESENCE

– Strengthening market presence and expanding sales markets in existing regions
– Further expansion and development of new locations

EXAMPLES OF OUR GROWTH PILLARS

COMPONENTS

Reliable packaging of active medical ingredients

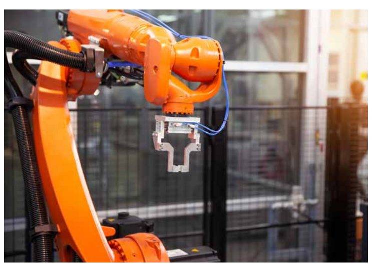
What patients ultimately remove from a package and take to relieve pain must meet the strictest quality requirements at all stages of the process. A manufacturer of packaging systems for pharmaceuticals and medical technology uses machine vision systems from STEMMER IMAGING for the packaging of painkillers to check the imprint, the correct position of the separated products and to inspect for cross-contamination. STEMMER IMAGING supports the customer by carrying out feasibility studies, programming the pre-processing, adapting components to specific requirements and continuously developing the system with the customer.

PROJECTS

Camera-based projector system for spectacular visual experiences

Camera systems from STEMMER IMAGING help one of the world's leading providers of experience production software and media servers to deliver spectacular visual experiences at live events. The 3D camera/projector systems allow video content to be projected perfectly onto complex geometric surfaces such as stages, cars, buildings and domes. In addition to pre-configuring and testing the camera systems according to customer requirements, STEMMER IMAGING takes care of the entire logistics process and delivers the systems with customer branding in robust flight cases directly to event organisers all over the world – a significant added value for customers.

SUBSYSTEMS



Bin picking subsystem InPicker

The InPicker subsystem from STEMMER IMAGING is a universal bin-picking solution. Based on Vision Guided Robotics (VGR), it enables the identification and precise localisation of any object in space. These can then be picked up by a robot to be processed at another location. 3D machine vision and artificial intelligence are used to determine the exact position and orientation of objects with complex shapes. This position data is transferred to the robot and enables it to react flexibly to changes in the object position and to adjust its movements accordingly. Using the InPicker significantly increases the flexibility and efficiency of automated production with extremely short cycle times.

SOFTWARE

The key to the optimal machine vision system

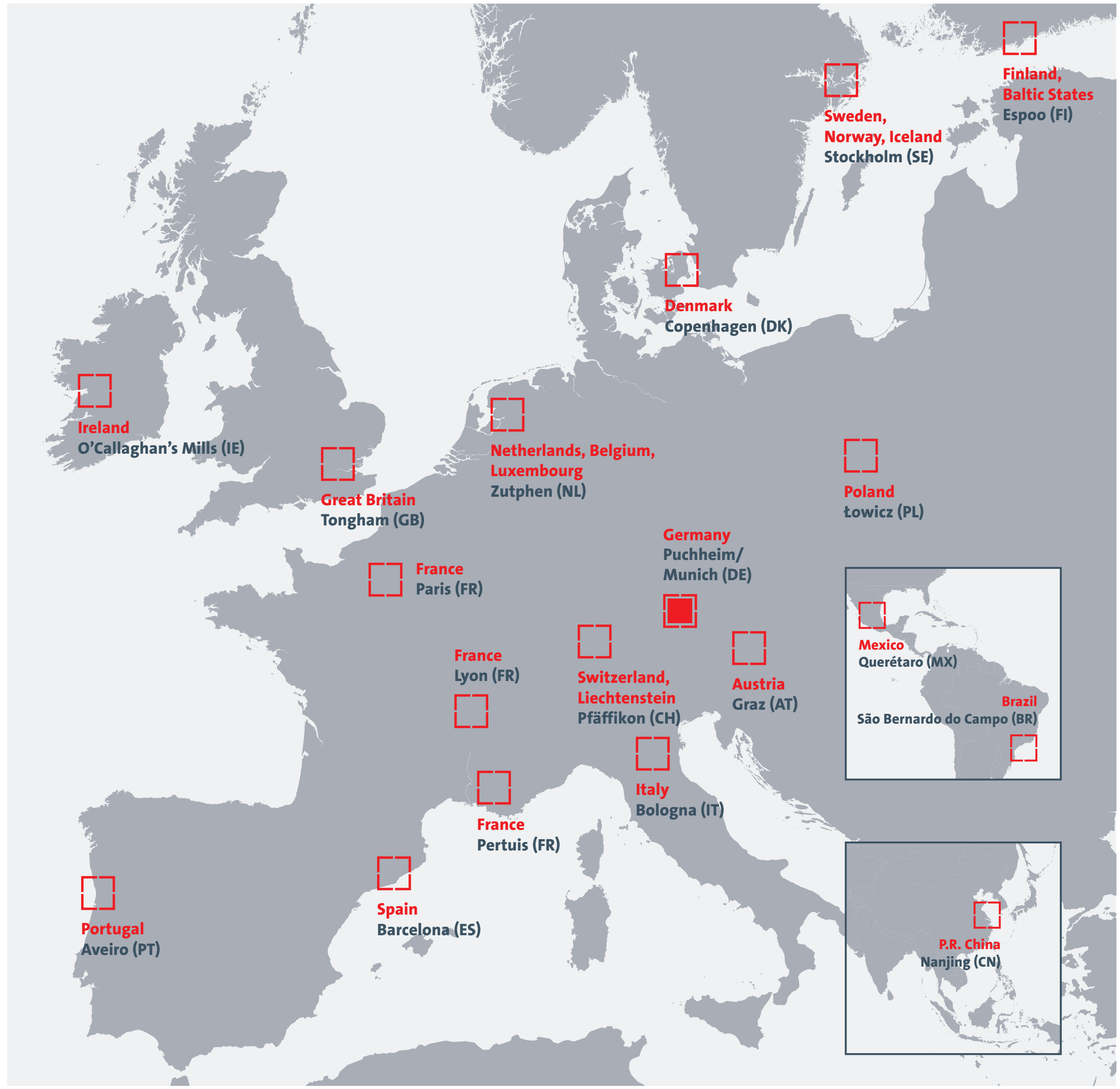
Powerful software solutions for complex, application-specific tasks in machine vision systems are becoming increasingly important. The modular software library Common Vision Blox (CVB) offers a complete toolbox for the most diverse applications. A CVB-based machine vision system helps a manufacturer of aluminium packaging to reduce material usage and at the same time conserve resources. The system enables 100 per cent inspection at the highest production speeds. The modular software makes it easy to adapt to a wide variety of packaging types.

INTERNATIONALISATION

Expansion and enlargement of the sales markets

STEMMER IMAGING laid the foundations for its successful internationalisation strategy back in 2004 with the establishment of subsidiaries in the UK, France and Switzerland, setting new standards in the machine vision market. Through the continuous expansion of the international locations on the one hand and the expansion of the market presence in the countries on the other hand, it has since been possible to successfully drive forward this growth course. With the acquisition of the Spanish machine vision manufacturer Infaimon S. L. U. in July 2019, we have further strengthened our internationalisation strategy and are now also represented in the fast-growing South American region. As a result, we are currently already serving more than 20 countries worldwide and strive to continue to grow organically and inorganically and further strengthen our international presence.

In addition to opening up new countries, the growth strategy focuses on the consistent penetration of existing international markets. A multilingual on-site support service tailored to customer needs, together with highly efficient delivery logistics, is the core of the internationalisation strategy. This structural model has proven to be extremely efficient, powerful and scalable. STEMMER IMAGING has highly motivated and well-trained employees at all locations who ensure the sustainable success of the business model.



Focus on the customer – insights into cooperation

Comprehensive range of services & expert advice

“blue box”, a system from Thermoplan GmbH for checking the quality of roof tiles, has been using machine vision components from STEMMER IMAGING since 2018. The following challenges had to be taken into account when selecting the appropriate components: the different surface colours of the tiles (matt red to high-gloss black), the speed within the system (45 tiles per minute with a desired accuracy of 0.1 mm) as well as use in a rough industrial environment (tilery with a lot of dust, heat and vibrations). With STEMMER IMAGING’s machine vision components, it is possible to inspect every point of a brick. Tiles that do not enter the system straight are automatically rotated and aligned.

Michael Nether, second managing director of Thermoplan on the cooperation: “A decisive reason for us to work with STEMMER IMAGING was their comprehensive range of services. Starting with the design of the extensive 3D camera system, the feasibility study and further expert advice for new applications. The service from STEMMER IMAGING and the high level of technical know-how guarantee an application that meets our high standards of quality and safety. Overall, we are very satisfied. In every case we have come with a problem and have always been presented with a clean solution.”

Technical expertise & commitment

neogramm GmbH & Co. KG is a provider of digital industrial applications based on the Industrial Internet of Things, automation and machine vision. STEMMER IMAGING has been supporting neogramm since it was founded in 2009. Together, the two companies have successfully completed projects from a wide range of industries (including transport & logistics, pharmaceuticals, automotive, electronics) in various technologies such as 3D, line scan camera, area scan cameras.

Stephan Könn, Managing Director of neogramm on the cooperation: “Working with STEMMER IMAGING turned out to be a very good decision. They deliver a solution that meets all our expectations. From neogramm’s point of view, STEMMER IMAGING is an extraordinarily committed company with an even higher level of technical expertise. All the people we met at STEMMER IMAGING have this commitment and know-how. And best of all, they are fun to work with.”

MACHINE VISION – INNOVATIVE AND COMPREHENSIVE APPLICATIONS IN INDUSTRY

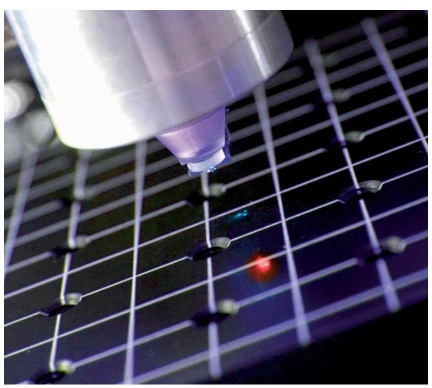
In the field of industrial **machine visio**n, STEMMER IMAGING's solutions are mainly used to automate manufacturing processes, to check the quality of manufactured products and to improve production quality. Machine vision replaces the human eye as a control, analysis and classification tool. Without fatigue, without subjective influences.

WELD SEAM TESTING ON HIGH PERFORMANCE BATTERIES

QUALITY CONTROL IN VACCINE PRODUCTION

VISION GUIDED ROBOTICS

OCR AND 2D CODE-READING IN PRINTING AND PACKAGING



VISUALISATION OF RESULTS IN MEASUREMENT AND TEST PROCEDURES

QUALITY TESTING AND QUALITY RECOGNITION FOR AGRICULTURAL PRODUCTS

SURFACE INSPECTION IN AUTOMATED MANUFACTURING PROCESSES

FOOD INSPECTION E. G. BROWN GRADING FOR BAKED GOODS

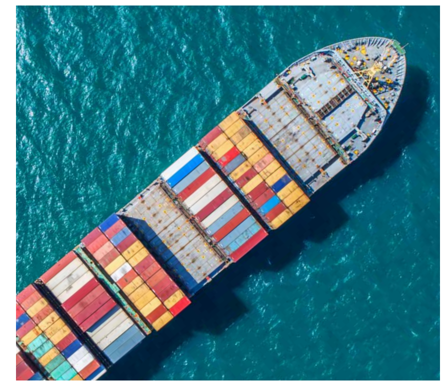
ARTIFICIAL VISION – FUTURE MARKETS WITH A WIDE RANGE OF NEW APPLICATIONS

For STEMMER IMAGING, **artificial vision** summarises all applications that go beyond the manufacturing sector and have nothing to do with the production or processing of products and goods. The areas of application are diverse and include the use of machine vision in areas such as sports and entertainment, as well as in traffic and infrastructure, for smart cities or for tasks in the field of transport and logistics. Applications in field of food, agriculture and in medical diagnostics also fall under this definition.

IMAGE DATA AS SMART DATA FOR STREAMING SERVICES IN THE SPORTS SECTOR

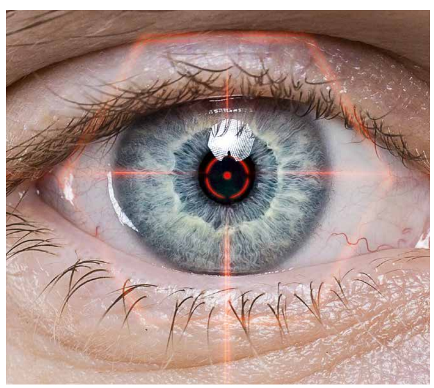
HIGH-PERFORMANCE VISUALISATION TECHNOLOGY FOR FILM AND VIDEO GAMES

AUTOMATED CONTROL OF GROWTH AND MATURITY IN AGRICULTURE



OBJECT DETECTION IN THE EVENT OF CARGO LEAKAGE IN CARGO SHIPPING

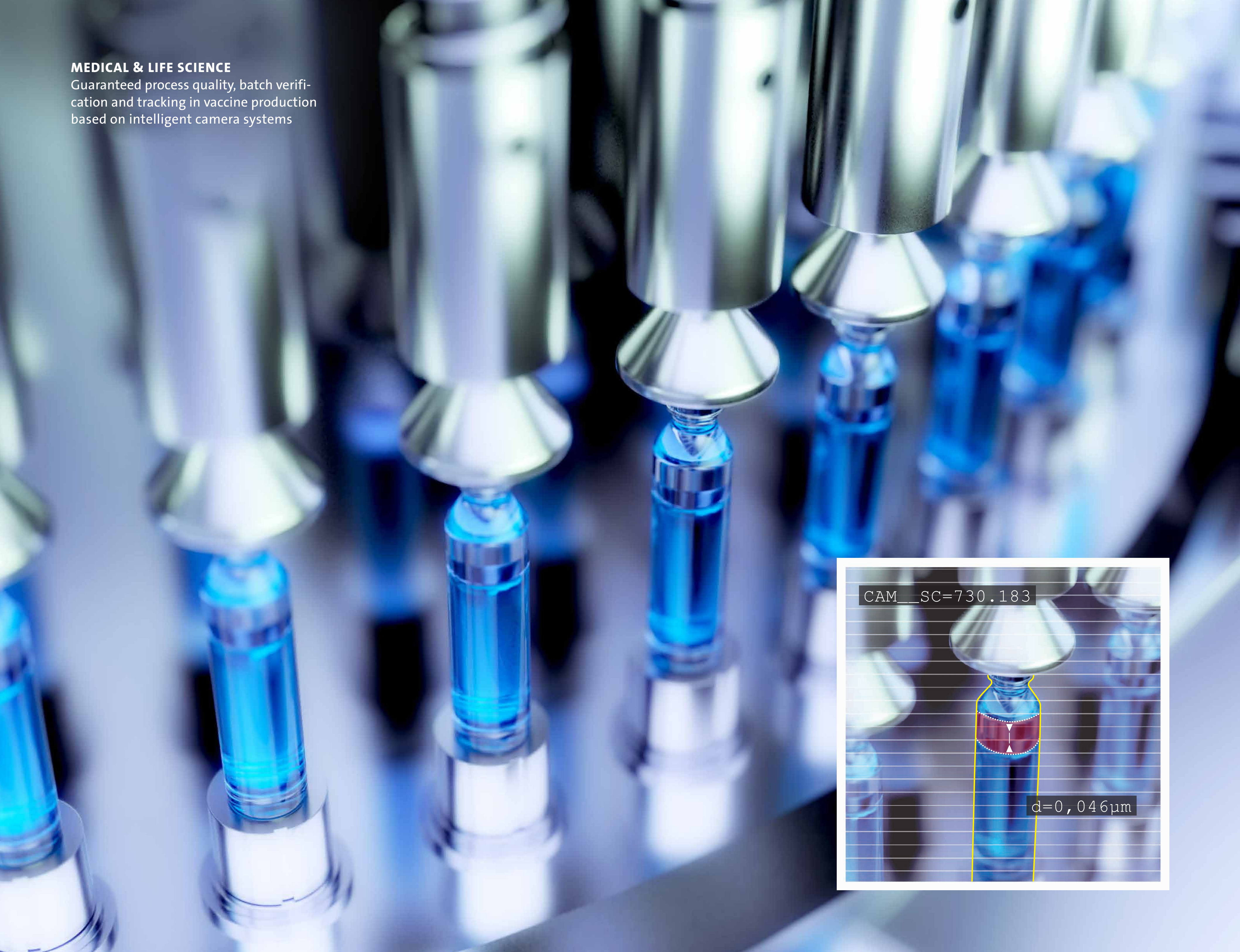
AUTOMATED VEHICLES IN TRANSPORT AND LOGISTICS



DIAGNOSTIC IMAGING IN MEDICINE AND LIFE SCIENCES

AUTOMATED RAIL MONITORING

MERCHANDISE RECOGNITION FOR CASHIERLESS SHOPPING IN RETAIL



MEDICAL & LIFE SCIENCE
Guaranteed process quality, batch verification and tracking in vaccine production based on intelligent camera systems

01
SHAREHOLDER INFORMATION

LETTER TO SHAREHOLDERS

The STEMMER IMAGING AG Executive Board: Uwe Kemm (COO) and Arne Dehn (CEO)

DEAR SHAREHOLDERS,

As we close the 2020 business year, we look back on a year that was extraordinary in many aspects. The global pandemic has confronted all of us – personally, society, and all companies within it – with previously unknown tasks and challenges. At STEMMER IMAGING, we can say today that this crisis has left us stronger for a successful future.

Stronger for the future through the crisis

2020 initially brought uncertainty for investment decisions for customers in the machine vision industry. According to the German Engineering Industry Association (VDMA), this uncertainty caused a double-digit percentage market decline in Europe. In the short term, however, opportunities have also arisen. As a supplier to systematically relevant manufacturers in the vaccine industry, but also through the expansion of logistics platforms due to the change in consumer behaviour with regard to e-business, we were able to participate in the growth of individual industries.

The coronavirus has accelerated existing trends and developments, especially in the areas of digitalisation and automation, and has highlighted the need for flexible and robust processes as well as requirements for efficient hygiene and safety regulations that meet the highest standards. These developments are unstoppable and represent a significant growth trend for our industry. The fact that some sectors such as the automotive industry are undergoing massive change processes is more of an opportunity than a threat for us. For example, electrification and the development of the necessary battery production facilities are clear proof that the European industry has massive growth potential. STEMMER IMAGING was able to achieve important strategic market successes in precisely these segments in 2020.

We clearly focussed on growth markets very early on and also made good progress with important milestones such as the European expansion of our company before the outbreak of the pandemic. We have now been able to increase our strategic goal of expanding our share of sales to end customers with a share of 15 per cent compared to 13 per cent in the previous year. The share of non-industrial customers, i. e. for artificial vision, has also increased from 37 per cent to almost 40 per cent of total turnover. Thanks to the timely expansion of strategically important customer segments in the last fiscal year, STEMMER IMAGING continues to be positioned for growth in the future.

Flexibility, agility and determination

Above all, 2020 demanded flexibility, agility and determination. The year has clearly shown us all that working together can lead to success in seizing opportunities and resolutely countering risks. Our renewed foundation of shared corporate values has guided us safely through the pandemic as a team. Our staff adapted to the situation so that operations were fully maintained at all times. Issues such as supply chain bottlenecks, changing internal conditions through working at home, and further digitalisation of processes have required many new ways of working. Looking back, we can say that the great commitment and adaptability of our employees has made us stronger as a company.

We would like to express our special thanks to our employees this year

We have achieved a great deal and are optimistic about the future. At this point, however, we should not fail to mention the challenge we faced in 2020 due to the temporary decline in business and the adjustment of our costs to the reduced turnover level. We knew we had to actively drive reorganisation for the period through the coronavirus – and espeacially for the period after it is defeated.

With our strategic orientation after the IPO we formulated in more detail in autumn 2019 the development into a company with a turnover of more than EUR 200 million in the medium term – we used the 2020 fiscal year to clearly align our organisation with this course. To this end, we conducted a organizational review in the second quarter under the changed conditions. In doing so, we introduced efficient and especially future-oriented processes, and optimised our set-up with a lean programme, in terms of both our competence profile and our cost structure. We had already reorganised our supply chain and portfolio management in 2019 and were prepared to adapt supply chains to ensure high delivery capability at all times. The conversion of our IT to cloud applications and IT security as early as January 2020 also prepared us to safely carry out the process change that will be necessary from March. Our aspiration for our corporate decisions is to not be driven by external events but to be prepared in time to take advantage of opportunities and to minimise risks through strategic alignment.

360-degree view for all stakeholder interests

With all our awareness of our responsibility towards our customers, business partners and employees, the interests of our shareholders are always a high priority for us. The continued orientation towards sustainability which we announced in the 2019 short fiscal year has taken on a much more concrete form in our day-to-day activities over the past twelve months. Our alignment with the UN SDGs and our commitment to the principles of the UN Global Compact have been given a clear structure and prioritisation based on the materiality analysis that we are developing. Building on this, these principles are increasingly becoming an integral part of our decision-making processes.

Transition to the new normal

Following the first lockdown and the correspondingly cautious demand planning and liquidity management of our customers, and accompanied by massive shifts in demand in industry and in the sports and entertainment sectors, we have seen great efforts on the market to get used to living with the pandemic since summer at the latest. Although industrial customers in particular are still reluctant to place orders, others are once again expanding their planning horizons. The positive development in our order intake, the progress in important customer projects and the increase in project requests with a higher service share margin formed the basis for a strong 2020 financial statement and are also a good basis for the coming fiscal year.

Alignment, focus and action

We are optimistic about 2021. Certainly the pandemic will still limit us. As an organisation we are prepared for it, and as a team we are positioned accordingly, both strategically and in our daily work. Our measures for focussing our group of companies on strategic goals will support our continued positive earnings development. We will consistently expand our growth course based on innovative value-added services in our five growth pillars consisting of the component, sub-system and project business, extended by innovative software solutions and continued internationalisation.

Dear Shareholders,
A difficult year which has demanded a great deal of us lies behind us. All in all, we are able to present you today with an annual report that demonstrates our prudent and solid business management. At the same time, it shows that we have consistently aligned the company to the changed but no less positive business outlook. We continue to move forward as a reliable partner at the side of our customers, suppliers, business partners, shareholders and employees, with a clear focus on value growth. We would like to take this opportunity to thank you for the trust you have placed in us, and we would be delighted if you continued to accompany us on our journey.

Puchheim, 19 March 2021

Arne Dehn
CEO

Uwe Kemm
COO

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The year 2020 has presented us all with unprecedented challenges. As the Supervisory Board of the Company, we would like to express our thanks and appreciation to the Executive Board and the employees of STEMMER IMAGING for their outstanding performance in dealing with the pandemic and its effects. We would also like to thank you, dear shareholders, for your trust and your ability to adapt, which you demonstrated in the past fiscal year, among other things, when you took part in the Company's first virtual Annual General Meeting.

The opportunities presented by digitalisation and automation for companies like STEMMER IMAGING are promising. The coronavirus crisis hit the entire economy hard in 2020, but the pandemic has also acted as a digitalisation accelerator. STEMMER IMAGING is well positioned despite a market environment that continues to be challenging and allows the company to be optimistic about its own targeted growth. In the past fiscal year, the company took important steps towards further development in value-added services and was able to successfully expand its activities in strategic areas with concrete customer orders that will last beyond the 2020 fiscal year.

In view of the uncertainties and risks posed by the ongoing coronavirus pandemic, the Executive Board acted decisively and prudently to ensure the safety and health of employees at all times. A whole lot of measures were taken to ensure business operations at all times. At the same time, intelligent cost management was used to cushion the temporary decline in business. A dedicated programme to focus the organisation on further future goals was decided on and implemented in the second half of the year. The Supervisory Board was informed by the Executive Board about the corresponding plans for the dedicated measures and kept up to date about the progress.

Against the background of the business development in the reporting period and the continuing coronavirus-related challenges, the Supervisory Board discussed the appropriation of the company's profits. After the company suspended the distribution of a dividend last year in order to strengthen the equity capital for the continuation of the growth strategy, it was decided by the administration to propose the distribution of a dividend in the amount of EUR 0.50 per no-par value share entitled to a dividend to the Annual General Meeting.

During the reporting period, the Supervisory Board performed the tasks and duties incumbent upon it according to the law, the Articles of Association and the Rules of Procedure. It advised the Executive Board on the management of the company and accompanied and monitored the management and development of the company. As part of the close cooperation, the Executive Board reported to the Supervisory Board regularly, promptly and comprehensively in writing, by telephone and in person on the situation and prospects, the principles of business policy, the profitability of the company and the main business transactions of the company. The Executive Board was also in regular personal communication with the Chairman of the Supervisory Board outside the set meetings.

In addition, the entire Supervisory Board was informed by the Executive Board in the Supervisory Board meetings about relevant developments and transactions requiring approval. The Supervisory Board was directly involved in a timely manner in all decisions of fundamental importance to the company or in which it was required to be involved by law, the Articles of Association or the Rules of Procedure. In urgent cases, the board had the option of passing resolutions by written circular if necessary. Due to the regular, timely and detailed information provided by the Executive Board, the Supervisory Board was always able to fulfil its monitoring and advisory function. The Supervisory Board is therefore of the opinion that the Executive Board has acted lawfully, properly and efficiently in every respect.

MEETINGS AND KEY TOPICS

In view of increasing digitalisation, automation and connectivity in all areas of life and business, companies are facing numerous challenges. At the same time, this also creates a wide range of opportunities for the industrial machine vision industry, where STEMMER IMAGING is one of the leading companies in Europe.

The global spread of the coronavirus and its classification as a pandemic in March 2020 had an unprecedented impact and led to great uncertainty at all levels and in all sectors. These developments were the subject of regular and intensive exchange between the Executive Board and the Supervisory Board in the 2020 fiscal year. These included, in particular, the analysis of relevant market topics and the derivation of trends for the expansion of STEMMER IMAGING's business segments. Likewise, the risks of the coronavirus pandemic and correspondingly initiated measures to protect the company were discussed in detail at an early stage.

In order to nurture the strategic orientation for a further dynamic delopment of STEMMER IMAGING, the Executive Board and Supervisory Board conferred on the approriate structures and equipment.

The potential for inorganic growth through targeted M&A activities, which arises due to the fragmented market environment, was also the subject of discussions. During the reporting period, seven meetings of the Supervisory Board were held, on 14 February 2020, 26 March 2020, 2 April 2020, 22 June 2020, 14 July 2020, 8 September 2020 and 7 December 2020. All acting members of the Supervisory Board participated in the meetings of the Supervisory Board during the reporting period.

At the meetings, the Supervisory Board regularly received and discussed in detail the reports of the Executive Board pursuant to section 90 (1) sentence 1 no. 1–3 of the German Stock Corporation Act (AktG) on the intended business policy, profitability and the course of business including the market and competitive situation. In addition, the Executive Board reported pursuant to section 90 (1) sentence 1 no. 4 on transactions that may be of material importance for the profitability or liquidity of the company and/or the Group, in particular on planned acquisitions and divestments.

The following material topics and resolutions from the activities of the Supervisory Board in the reporting period are of note:

- At the Supervisory Board meeting held by conference call on 26 March 2020, the Supervisory Board received the auditor's report on the annual financial statements of STEMMER IMAGING AG and the consolidated financial statements of STEMMER IMAGING Group as at 31 December 2019, together with the management report for the Company and the Group. Reasons for the postponement of the publication of the annual report were presented by the Executive Board and discussed by the Supervisory Board. Other important topics concerned Executive Board matters as well as the current development and countermeasures in connection with the coronavirus crisis. In particular, the Supervisory Board approved the mutually agreed resignation of Mr Martin Kersting as Executive Board member of the company as of 31 March 2020 and appointed Mr Uwe Kemm as Executive Board member (Chief Operating Officer) as of 1 April 2020.

- At the Supervisory Board meeting held by conference call on 2 April 2020, the Supervisory Board approved the annual financial statements of STEMMER IMAGING AG and the consolidated financial statements of STEMMER IMAGING Group as at 31 December 2019, together with the management report for the Company and the Group, following detailed discussion. The annual financial statements were thus adopted. The Supervisory Board also dealt with the report of the Supervisory Board and the recommendations of the German Corporate Governance Code. Furthermore, at its meeting on 2 April 2020, the Supervisory Board examined the report of the Executive Board of STEMMER IMAGING AG pursuant to section 312 AktG on relations with affiliated companies for the short fiscal year 2019 (dependent company report). The report prepared by the Executive Board on relationships with affiliated companies in accordance with section 312 (1) AktG was also audited by the auditor.

- The Supervisory Board meetings on 22 June 2020 and 8 September 2020 dealt with topics related to corporate governance. In this context, the Supervisory Board members dealt with the self-assessment on the effectiveness for the fulfilment of the tasks of the Supervisory Board (efficiency review). Furthermore, the succession planning concept presented by the Executive Board was discussed and measures were determined. Furthermore, potential acquisitions, divestments, restructuring and structural measures were intensively discussed and, if necessary, decided upon.

- At the Supervisory Board meeting on 7 December 2020, the Supervisory Board approved the business plan for the 2021 fiscal year submitted by the Executive Board.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

The current members of the Executive Board of STEMMER IMAGING AG are Arne Dehn as Chief Executive Officer and Uwe Kemm (Chief Operating Officer since 1 April 2020). There was one change in the Executive Board during the reporting period: Martin Kersting (Chief Technology Officer) left the Executive Board at his own request on 31 March 2020.

There were no personnel changes on the Supervisory Board during the reporting period. The members of the Supervisory Board of STEMMER IMAGING AG continue to be Klaus Weinmann (Chairman), Stefan Kober (Deputy Chairman) and Markus Saller. With Markus Saller, among others, the Company has a member of the Supervisory Board with expertise in the areas of accounting or auditing in accordance with section 100 (5) first half-sentence AktG.

In the 2020 fiscal year, the three-member Supervisory Board of the company refrained from forming committees and dealt with all pending topics in the full body.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The work of the Supervisory Board is guided by the provisions of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code (DCGK). The Executive Board and the Supervisory Board identify with the objectives of the Code to promote responsible and transparent corporate management and control aimed at sustainably increasing the value of the company.

On 22 June 2020, the Executive Board and Supervisory Board declared that STEMMER IMAGING AG largely complies and will continue to comply with the recommendations of the Code and has issued a declaration of compliance in accordance with section 161 AktG, which is permanently available to the public on the Company's website.

The Supervisory Board did not identify any potential conflicts of interest in relation to a Supervisory Board member during the reporting period.

A detailed presentation of the company's corporate governance 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, each for the 2020 fiscal year, were audited by Ebner Stolz GmbH & Co KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, responsibly represented by Ms Martina Schaaf and Ms Linda Ruoß, has acted as the individual and consolidated financial statement auditor of STEMMER IMAGING AG, Puchheim, since the 2018/2019 fiscal year. Ms Martina Schaaf is in her third year as a left-hand signatory and Ms Linda Ruoß is in her second year as lead auditor and right-hand 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 statutory accounting requirements. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as in accordance with the supplementary German regulations pursuant to section 315a (1) of the German Commercial Code (HGB). The auditor conducted the audit of the individual and consolidated financial statements as at 31 December 2020 as well as the combined management report of the Company and the Group in accordance with section 317 HGB and the 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 auditor's audit revealed that the Executive Board of STEMMER IMAGING AG has taken the measures required under section 91 (2) AktG to set up an early risk detection system and that the early risk detection system is fundamentally suitable for identifying at an early stage developments that could jeopardise the Company as a going concern. The annual financial statements, the consolidated financial statements, the combined management report of the Company and the Group, the auditor's report on the audit and the Executive Board's proposal for the appropriation of net profit were made available to all members of the Supervisory Board in good time before the resolution and approval by the Supervisory Board on 22 March 2021. The auditor reported to the Supervisory Board on the course and main results of its audits and was available to answer questions, discuss them and provide additional information. He participated in the Supervisory Board's deliberations on the annual financial statements and consolidated financial statements and in the Supervisory Board's meeting to adopt the annual financial statements and approve the consolidated financial statements on 22 March 2021.

At this meeting, the Supervisory Board dealt with the financial statements and the combined management report for STEMMER IMAGING AG and the Group, focusing in particular on the key audit matters described in the respective auditor's report. The Supervisory Board also submitted its proposal to the Annual General Meeting for the election of the auditor. Prior to this, the Supervisory Board obtained a written declaration of independence from the auditor and, in the course of an independent monitoring process, dutifully assured itself of the auditor's independence. The Board also examined the dependent company report prepared by the Executive Board, the accounting process and the company's risk management system, as well as compliance with integrity in financial reporting.

After detailed discussion of the audit reports on the separate and consolidated financial statements as at 31 December 2020 and the combined management report of the Company and the Group, 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 2020 fiscal year prepared by the Executive Board. The annual financial statements were thus adopted.

DEPENDENT COMPANY REPORT

Furthermore, at its meeting on 22 March 2021, the Supervisory Board examined the report of the Executive Board of STEMMER IMAGING AG in accordance with section 312 of the German Stock Corporation Act (AktG) on relations with affiliated companies for the 2020 fiscal year (dependent company report).

The report prepared by the Executive Board on relations with affiliated companies pursuant to section 312 (1) AktG was also audited by the auditor. The auditor issued the following unqualified audit opinion pursuant to section 313 (3) AktG:

"We have audited in accordance with our professional duties and confirm that
– The statements in the report are accurate
– The consideration given by the companies for the transactions specified in the report were not unreasonably high."

The auditor presented the auditor's report to the Supervisory Board. The dependent company report and the relevant auditor's report were submitted to the Supervisory Board in due time. The auditor attended the meeting of the Supervisory Board on 22 March 2021 and provided information on the main results of the audit of the dependent company report.

The Supervisory Board examined the dependent company report of the Executive Board and the auditor's report of the auditor.

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

Dear shareholders, STEMMER IMAGING is well positioned for the future. In an extraordinary year like 2020, we found that trust, flexibility and courageous commitment are more important than ever. The Supervisory Board continues to count on a strong team and will continue to advise and support STEMMER IMAGING responsibly.

Puchheim, March 2021

For the Supervisory Board

Klaus Weinmann
Chairman of the Supervisory Board

2020 REVIEW

The coronavirus wasn't everything. 2020 in retrospect. It was an extraordinary year with many new challenges. However, STEMMER IMAGING was also able to celebrate outstanding successes in 2020 and especially to learn lessons and add value from the new challenges to emerge from this year stronger as a team. STEMMER IMAGING looks to the future with confidence as it uses the insights and changes from 2020 and continues to develop on top of them. **What 2020 brought for STEMMER IMAGING ...**

1. MORE DIGITALISATION

IT infrastructure

With a modernised IT infrastructure that is future proof and enables continued digitalisation measures, STEMMER IMAGING began 2020 well equipped in January. The entire hybrid IT infrastructure meets the highest quality and security standards. STEMMER IMAGING works with the latest Microsoft server technology, MS Teams and Office 365. The company benefits from the fact that, even before the pandemic, it had a defined process of technical and organizational requirements for home office solutions, so that it could easily switch to appropriate working methods for employees.

Virtual European Imaging Academy

Since June, STEMMER IMAGING customers have had the opportunity to continue their training virtually with various e-learning courses in the field of machine vision. In addition to standard training courses on all aspects of machine vision, the Academy also offers individual training courses specially tailored to customer needs. Since October, STEMMER IMAGING has also been offering weekly webinars in either German or English, each lasting 45 minutes. With more than 900 participants in two months, the webinar programme has quickly become the central learning platform for machine vision in Europe.

2. NEW STRUCTURES

Changes in the Executive Board

The Supervisory Board of STEMMER IMAGING has appointed Uwe Kemm to the company's Executive Board with effect from 1 April 2020. As Chief Operating Officer (COO), he is responsible for the further development and implementation of important initiatives within the framework of the corporate strategy, particularly in the areas of sales and technology, in addition to operational organisational units. Uwe Kemm has more than 30 years of experience as an executive in international and national companies in the technology industry.

Martin Kersting (CTO) is leaving the company at his own request. However, he will remain associated with STEMMER IMAGING in an active advisory capacity.

Site consolidation in Pertuis

In order to combine forces, optimise costs and further streamline the organisation and processes, STEMMER IMAGING consolidated the branch in Pertuis (France) in the third quarter of 2020. In the process, the warehouse was moved to Puchheim, so that customers in France will also benefit from the warehouse capacities of the company headquarters in the future. Prototyping and engineering for France were consolidated at the Lyon site. A central contact point ensures that customers always receive the usual quality and STEMMER IMAGING standards for their solutions.

3. STRATEGIES AND SOLUTIONS FOR THE FUTURE

Further strategic development

STEMMER IMAGING's strategic development was driven forward particularly strongly in the 2020 crisis year. The strategic goal of expanding the share of revenue with end customers was increased to 15 per cent compared to 13 per cent in the previous year. The share of non-industrial customers, i.e. for artificial vision, also increased, from 37 per cent to almost 40 per cent of total turnover. Strategic positioning in sectors such as logistics, food, pharma and life science, and sports and entertainment has proven to be the right decision and has situated the company well for further growth potential.

Expansion of the software portfolio

Software is a key strategic building block for STEMMER IMAGING's business success. The new CVB 2020 version of the proprietary software library Common Vision Blox (CVB), introduced in October 2020, offers innovative and extremely flexible new possibilities for image acquisition, image display and machine vision, especially for colour, infrared and 3D cameras. Work on a proprietary algorithm for position and attitude recognition of three-dimensional objects was intensified, and a patent application was filed for the procedure. Concepts for a flexible software platform for vision sub-systems were further developed into a combined hardware and cloud based software platform.

4. SOLIDARITY AND COHESION

Social engagement

Sustainability is an essential element of STEMMER IMAGING's corporate strategy and at the same time a benchmark for corporate success. In 2020, great progress was made in this area. STEMMER IMAGING covers its electricity demands at the Puchheim site entirely with green electricity from renewable sources. The company was awarded the PUCHHEIMS PULS prize by the town of Puchheim for its social commitment. STEMMER IMAGING donated the prize money to the Puchheim Neighbourhood Association in October.

Common corporate values

STEMMER IMAGING is convinced that its ambitious future goals can only be achieved with the right corporate culture. That is why the company recommitted itself to its shared values in 2020. STEMMER IMAGING wants to create long-term value – for its customers and suppliers, its employees, its shareholders and the business environment. The company is guided by its three central building blocks of vision, mission and corporate values. These govern employees' interaction with each other as well as the decision-making process. The results for 2020 show that teams around the world are committed to this corporate culture and that they practice it in their daily work.

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

STEMMER IMAGING ON THE CAPITAL MARKET

CAPITAL MARKET ENVIRONMENT

The development of the capital markets in the past stock market year 2020 was characterised overall by the challenges of the coronavirus pandemic. The outbreak of the pandemic and the introduction of lockdowns in the first quarter of 2020 led to significant share price losses on the global stock markets. As the year progressed, improved economic data, extensive government aid and a flood of central bank liquidity contributed to the unexpectedly rapid recovery of the stock markets as a result of relaxed containment measures.[1]

The German Stock Index (DAX) opened the 2020 stock market year on 2 January at 13,233 points. Starting from the interim high of 13,795 points on 17 February, the index recorded a slump due to the Covid-19 pandemic to the low for the year on 16 March at 8,256 points. The drop in the first quarter of 2020 came to a total of 25 per cent. In the second quarter, improved economic data, extensive government aid and high central bank liquidity supported the strong recovery of the leading index. From the third quarter onwards, however, the rise slowed down again due to the impact of the second wave of the coronavirus on the service sector. However, the monetary support programmes and the prospect of a Covid-19 vaccine once again caused quotations to rise during the fourth quarter of 2020. On 30 December 2020, the DAX closed at 13,719 points, up 3.5 per cent compared to the 2019 closing level. One day earlier, on 29 December 2020, the leading index reached a new all-time high with a quotation of 13,903 points.[2] The TecDAX technology index rose by 6.6 per cent in the course of 2020 and closed trading on 30 December 2020 at 3,212 points.[3]

SHARE INFORMATION

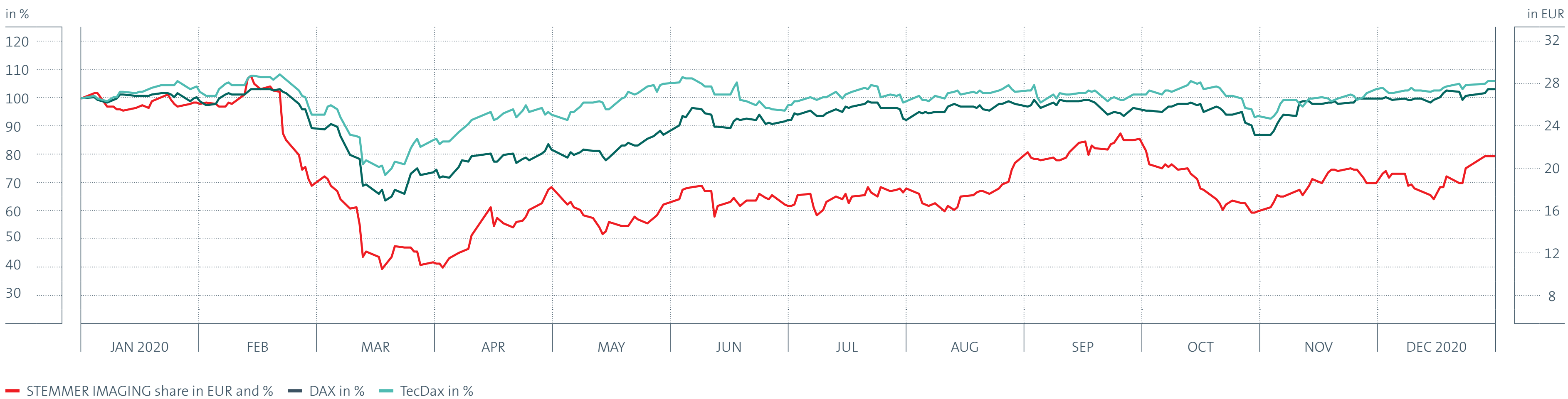
Stock exchange	Xetra, Frankfurt, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart, Tradegate
Symbol	S9I
Total number of shares	6,500,000
Amount of share capital	EUR 6,500,000
ISIN	DE000A2G9MZ9
WKN	A2G9MZ
Market segment	Regulated Market
Transparency level	Prime Standard
Designated sponsor	Hauck & Aufhäuser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

On 2 January 2020, the STEMMER IMAGING AG shares opened trading at EUR 26.60 and marked their high of the reporting period on 11 February at EUR 29.20. Uncertainties about the impact of the coronavirus pandemic on the German export industry also weighed on the performance of the STEMMER IMAGING share from the middle of the first quarter and led to a decline in the share price to its low for the year of EUR 9.96 on 19 March 2020. Starting from this level, the STEMMER IMAGING AG share was able to reduce its losses over the rest of the year. For the year as a whole, the share price was down 20.5 per cent on the closing price on 30 December 2019. Based on the year-end share price of EUR 21.08, the market capitalisation of STEMMER IMAGING AG as of 30 December 2020 was EUR 137.0 million, with a total of 6,500,000 shares issued. As of 30 December 2019, the market capitalisation was EUR 172.3 million with the same number of shares and a share price of EUR 26.50 (all figures based on Xetra prices).[3]

1 Metzler: Outlook for 2020
2 https://www.boerse-frankfurt.de/index/dax
3 https://www.boerse-frankfurt.de/index/tecdax

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

SHARE PRICE PERFORMANCE FROM JANUARY 2020 TO THE END OF DECEMBER 2020



In the reporting period, the average daily trading volume increased to 8,290 shares compared to the previous year's figure of 4,551 shares.

SHARE PRICE DEVELOPMENT

Opening price	2 January 2020	EUR 26.60
Low	19 March 2020	EUR 9.96
High	11 February 2020	EUR 29.20
Closing price	30 December 2020	EUR 21.08
Market capitalisation	As of 30 December 2020	EUR 137.0 million

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company was held for the first time as a virtual Annual General Meeting without the physical presence of the shareholders and their proxies (other than the proxies appointed by the Company) pursuant to section 1(2) of the Act on Measures in the Law of Companies, Cooperatives, Associations, Foundations and Condominiums to Combat the Effects of the Covid-19 pandemic of 27 March 2020 ("Covid-19 Act").

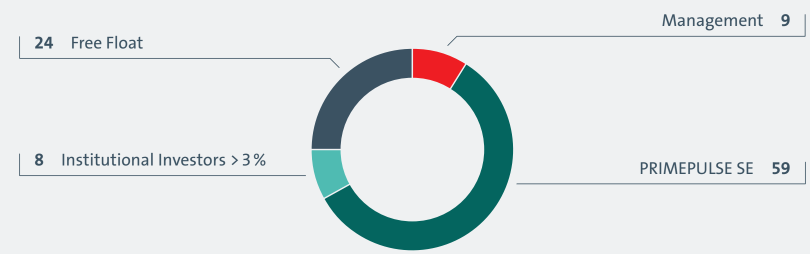
On 22 June 2020, the Executive Board of STEMMER IMAGING AG informed the shareholders at the first virtual Annual General Meeting about the course of the short fiscal year 2019 and answered their questions. At the time of the vote, 82.9 per cent of the share capital was represented. The shareholders were satisfied with the development of the company and approved all the resolutions proposed by the administration with large majorities. This also included the resolution on the appropriation of retained profit.

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 balanced ratio of free float and the majority shareholding of a strategic anchor investor. In the past fiscal year, the previous majority shareholder SI Holding was merged into PRIMEPULSE SE; the entire shareholding in STEMMER IMAGING AG held at the time of the conclusion of the merger agreement by SI Holding GmbH was transferred to PRIMEPULSE SE. The direct shareholding of PRIMEPULSE SE amounts to 59 per cent as at 31 December 2020. The management held 9.0 per cent of the shares on the same date. As of 31 December 2020, 24.0 per cent of the shares were in free float.

SHAREHOLDER STRUCTUR
in %



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 at Hauck & Aufhäuser Privatbankiers, Warburg Research and Berenberg Bank. All three analysts see medium and long-term potential for STEMMER IMAGING AG, with an average target price of EUR 29.43, as shown by the current analyst recommendations for the STEMMER IMAGING share as of 31 December 2020.

ANALYST EVALUATIONS

Publisher	Date	Recommendation	Course target
Hauck & Aufhäuser Research	17 December 2020	Buy	EUR 34.00
Warburg Research	17 December 2020	Buy	EUR 33.00
Berenberg Research	18 November 2020	Hold	EUR 21.30

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

INVESTOR RELATIONS ACTIVITIES

STEMMER IMAGING's investor relations activities aim to provide existing and potential investors, analysts and the financial and business press with open, transparent, comprehensive and timely information about the strategy, business performance, business prospects and the company itself. In 2020, the Executive Board maintained a continuous and constructive dialogue with all of the aforementioned stakeholders. The Executive Board intensified contact with capital market participants at numerous virtual roadshows and virtual investor conferences in the 2020 fiscal year.

ACTIVITIES

28–29 April 2020	Munich Capital Market Conference, virtual
12 May 2020	Interim statement for the first quarter 2020
22 June 2020	Virtual Annual General Meeting
30 June–2 July 2020	Spring Conference, virtual
12 August 2020	Interim statement for the second quarter 2020 and half-year report 2020
21 September 2020	Berenberg and Goldman Sachs German Corporate Conference, virtual
12 November 2020	Interim statement for the third quarter 2020
16 November 2020	German Equity Forum, virtual

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 again acted as designated sponsor in the past fiscal year and continuously supported the appropriate tradability of the STEMMER IMAGING shares through binding bid and ask prices.

The **financial calendar** with all dates can be found on page 164.

FOOD & AGRICULTURE
Seal seam inspection for food packaging based on hyperspectral imaging

02 COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

GENERAL INFORMATION

STEMMER IMAGING can look back on more than 30 years of tradition in machine vision. Today, the company is a leading provider of machine vision solutions with an extensive range of hardware and software in the industry. Value-added services around these products complement the range.

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL

STEMMER IMAGING's business model is designed to enable the company to offer customers of different sizes, types and industries a full range of machine vision products and services from a single source. These include components that can be pre-configured on request, subsystems that reduce the time and effort involved in integrating vertical applications, and customised solutions that give OEMs in particular a decisive competitive advantage. Some of these solutions are based on software tools such as the Common Vision Blox (CVB) machine vision software, which STEMMER IMAGING developed itself. The company has subsidiaries in all major European countries and also in Mexico and Brazil. Further representative offices and sales partners exist in Belgium and Ireland.

Service differentiation based on customer needs

The business model distinguishes between a graduated range of products and services. The company offers a combination of products adapted to the customer's needs. This ranges from the distribution business with components, to solution-oriented modifications and the development and manufacture of own products, to pure services.

1. Components distribution business

For the distribution business of components, the company carries a comprehensive portfolio of machine vision components, which it keeps ready for customers, trains and advises them on, and puts together combinations of components to meet specific customer needs. Customers and manufacturers benefit from both the company's extensive technical experience and the high availability of services, such as fast response times and delivery times.

2. Solution-oriented modification business

In addition, components and combinations thereof are adapted to the needs of customers, modified and technically interfaced with each other so that they fit exactly to the specific requirements of the respective applications. To this end, STEMMER IMAGING has the appropriate technical and organisational resources to process and deliver hardware and software following detailed customer consultations. Customers receive ready-to-use solutions that are precisely tailored to their needs.

3. Development and production of own products

STEMMER IMAGING produces customised complete solutions and systems in the field of machine vision. In doing so, the company counts on many years of manufacturing and engineering expertise. This is not only limited to the manufacturing of own products, solutions and sub-systems, but also contract manufacturing of complex machine vision solutions for renowned customers. In some cases, STEMMER IMAGING guarantees a specific functionality, such as a certain quality of image capture.

4. Services

The hardware and software portfolio is supplemented by stand-alone services such as training at the European Imaging Academy (EIA) or feasibility studies. These services are not necessarily connected with the delivery of hardware or software, but support their development.

MANAGEMENT OF THE GROUP

STEMMER IMAGING has various planning and control systems. Based on the corporate strategy and assessments of future external conditions, the company regularly draws up targets for the company, typically in the strategic and operational planning process. Within the framework of an integrated target system, these are defined for the various departments and employees, including concrete target agreements, and their progress is continuously monitored on the basis of key performance indicators.

Key performance indicators

The key figures revenue and EBITDA[1] are the most important performance indicators for the planning, management and control of business activities and the evaluation of business development. As part of the ongoing controlling processes, such as monthly internal reporting and regular meetings of the Executive Board with the management team and local management, key business transactions are discussed, decisions are made and risks for the company are discussed, as well as consequences for corporate management are derived. In addition, the development of the market and competitive environment is constantly monitored.

Relevant qualitative key figures

In addition to the important indicators for assessing financial business developments, qualitative key figures also play a role in business success. From the company's point of view, next to quality standards the succession planning for filling critical positions is particularly important.

Quality standards

STEMMER IMAGING has implemented a quality management system (ISO certification according to DIN EN ISO 9001:2015) to ensure the high quality of the products manufactured and the processes used in the company. The company's processes are continuously monitored as part of the continuous improvement process (CIP). The quality management system is also audited and certified once a year by DEKRA.

Leadership and sustainable staff development

STEMMER IMAGING is led by an experienced management team. In the composition of the management team and the selection of managers, emphasis is placed on the active promotion of different backgrounds of experience and diversity. The aim is to create an inclusive culture that reflects the company's values and gives the company a forward-looking management structure so that the full potential of the employees can be developed and excellent results be achieved.

In order to ensure sustainable staff development, structured staff appraisals are conducted on a regular basis, which, in addition to professional and business content, also identify the staff's further development potential and derive appropriate development measures from this. These in turn are geared towards both professional and personal development. Succession planning is in place for all key functions in the company and is regularly discussed and updated. In addition, there is an overview of talents who are further developed for future professional and management tasks with the help of appropriate measures.

Explanation of the alternative used Performance Measures (APM) in accordance with the APM Guidelines of the European Securities and Markets Authority (ESMA):

1 EBITDA = profit for the period + taxes + financial result + depreciation on tangible and intangible assets

f. l. t. r.: Michael Bülter, Mark Williamson, Uwe Kemm, Arne Dehn, Peter Keppler, Johannes Hiltner

Management Team

The Management Team supports the Executive Board in the operational implementation of the Group strategy and other cross-company issues.

In addition to the two members of the Board of Directors, this consists of the Director Corporate Sales Enablement, the Director Industry & Regional Liaison, the Director Product Management and the Director Finance.

Executive Board
- **Arne Dehn,** CEO
- **Uwe Kemm,** COO

Management Team
- **Peter Keppler**, Director Corporate Sales Enablement
- **Mark Williamson**, Director Industry & Regional Liaison
- **Johannes Hiltner,** Director Product Management
- **Michael Bülter,** Director Finance

Regional Management Board

STEMMER IMAGING's strength lies in its Group-wide strategic orientation and simultaneous understanding of regional requirements. To ensure Group-wide strategy definition and implementation, the Regional Management Board is made up of the Executive Board, the management team and the managing directors of the various subsidiaries:

- **Peter Trollsas,** Managing Director – Sweden, Finland
- **Mark Williamson,** Managing Director – UK, Ireland
- **Baptiste Guldner,** General Manager – France
- **Arnoud de Kuijper,** General Manager – Benelux, Denmark
- **Claudio Sager,** Managing Director – Switzerland, Italy
- **Salvador Giró,** CEO INFAIMON S. L. U. – Iberica, Latam

OBJECTIVES AND STRATEGY

Vision. Right. Now. stands for STEMMER IMAGING's claim to make machine vision simple and easily accessible for all users, as well as to be a trusted advisor for its customers and a loyal partner for suppliers and shareholders. Vision. Right. Now. also means being an attractive employer whose employees are enthusiastic about their work, place the greatest value on quality, are passionate about the company and always put the customer at the centre of their actions.

For the operational management, the company pursues a sustainable business strategy that places integrity and compliance at the centre of its actions and aims for profitable, steady growth. Key elements of the strategy are focused on the efficient use of capital and on a corporate structure with clear processes, which at the same time allow the flexibility to consistently focus on the customer. The main focus is on the customer's needs and requirements. Meeting customers' quality expectations while increasing the Group's productivity is the top priority. At the same time, STEMMER IMAGING sees it as a central part of its corporate responsibility to harmonise the effects of its business activities with the expectations and needs of its social environment and to always focus on people and the conservation of natural resources. The Executive Board therefore sees STEMMER IMAGING's responsibility towards people and the environment as an integral part of the corporate strategy.

To achieve its goals, STEMMER IMAGING focuses on providing employees with an environment geared towards continuous improvement, thereby strengthening its position as an employer of choice. With a corporate culture that puts the employee at the centre, creates space for creative ideas and strengthens the company's innovative power, STEMMER IMAGING is consistently committed to employee satisfaction as its primary goal.

The corporate strategy was developed with a view to the strengths of the company and the comprehensive utilisation of business opportunities arising from the observed trends in the machine vision industry. The aim is to continue to achieve profitable growth in the coming years and to further expand its market position in the machine vision industry both nationally and internationally. In the medium term, STEMMER IMAGING is aiming to increase its revenue to more than EUR 200 million with an EBITDA margin of more than 10 per cent. To this end, five strategic growth pillars have been defined, which can be described as follows:

Further expansion of the components business

Machine vision is further developed through the advancement of innovative products in the hardware and software sector and open up opportunities for growth. STEMMER IMAGING uses its access to a worldwide network of manufacturers, in order to include these new products and the combination of these products in the portfolio and to offer them to customers through constantly updated know-how with the help of training and advisory services. Digital marketing platforms are playing an increasingly important role.

Scaling of value-added packages with subsystems

STEMMER IMAGING's growth is increasingly accelerated by pre-configured so-called subsystems. These pre-configured machine vision solutions are developed by experts at STEMMER IMAGING specifically for certain tasks and assembled into systems from a variety of different hardware and software components using in-house production resources. The robot-assisted bin-picking solutions and the innovative solutions in the field of hyperspectral applications form the current and future basis for the scaling of STEMMER IMAGING's higher-quality solutions.

Value enhancement in projects

As part of its project business, STEMMER IMAGING supports customers holistically with regard to machine vision technology in the realisation of their systems and facilities. To this end, the company has methodological and process know-how such as agile Co-development to enable the cooperation between the company and its customers efficiently and by means of modern IT infrastructure. Through structured project management, the focus in expanding these activities is on acquiring new and securing long-standing customers.

Using the software portfolio as a value driver

The right choice of software plays a decisive role in a vision system. Regardless of how well the other components work, the right software is always decisive for the functionality of a system. In particular, the area of in-house software development has an important strategic value, which is being structurally expanded by means of machine learning and artificial intelligence tools.

Strengthening and international expansion of market presence

STEMMER IMAGING's goal is to maintain its market position in existing markets and to further expand it in new regional markets. STEMMER IMAGING's current presence in all major European countries offers advantages in international competition, opens up new growth opportunities and thus makes a significant long-term contribution to the company's success. The company plans to further expand its international strength both by strengthening its market presence and developing new target markets in the countries at its existing locations and by expanding into new regions.

FOCUSED GROWTH THROUGH CLEAR POSITIONING

In order to achieve sustainable profitable growth, STEMMER IMAGING is shaping its future on the basis of clear positioning based on strategic priorities in terms of target markets and application fields.

Strategic target markets

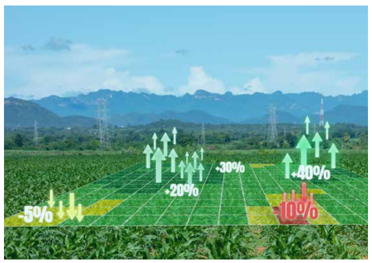
The possible applications of digital machine vision are versatile and are therefore the focus of many different industries. Traditionally, the main area of application has been in industrial production plants, especially for machine control and quality assurance tasks. In recent years, the industry has undergone a profound change towards further digitalisation and processual integration, which STEMMER IMAGING aims to actively shape.

Furthermore, machine vision technology is increasingly being used in non-industrial environments. Here, machine vision supports a variety of new applications that are much more visible to consumers than industrial applications, such as in the areas of transport and infrastructure or the sports & entertainment segment. The challenges of applications outside of industrial applications are solved by means of artificial intelligence and innovative machine learning algorithms.

STEMMER IMAGING focuses its activities on markets with long-term profitability and growth potential and addresses both industrial and non-industrial target markets. The non-industrial sector is increasingly accounting for a larger share of the company's overall business due to its above-average growth potential. In 2020, the area of non-industrial applications increased from 37 per cent in the previous year to almost 40 per cent.

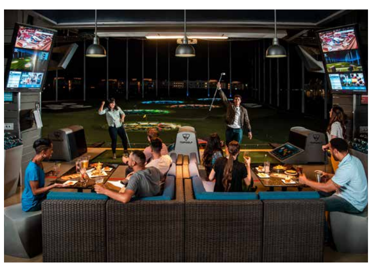
In order to further exploit the above-average growth potential in certain target markets, the company is focusing on expansion in the following areas in particular:

Food & agriculture



Intelligent machine vision is indispensable in the food industry and continues to grow in importance. Products must arrive at the customer's premises free of defects, complete and undamaged. In particular, STEMMER IMAGING's solutions for quality assurance by means of 3D inspection systems and for checking the safety of goods and increasing hygiene requirements will be of particular importance. The benefits of using hyperspectral machine vision systems give manufacturers decisive advantages. In agriculture, product classification and thus selective harvesting improves yields and reduces laborious manual harvesting while ensuring that optimal yields are achieved through optimised weed control, fertilisation and irrigation.

Sports & entertainment



When athletes compete in sports, machine vision is often involved to verify referee decisions, to create statistics or to make the training of athletes more effective. Machine vision is no longer only used by professional associations, but also increasingly by amateur clubs, be it to count the points in tennis or track the trajectory of a golf ball. In the process, brand new companies are emerging that are developing innovative image-based business models around these applications. Sports applications and real competitions are increasingly developing into realistic games with a predominant character of entertainment and are gaining a broad consumer base.

Transport & logistics

The expectation of customers to receive their goods ordered on the internet immediately has increased immensely and creates enormous time pressure. Robots are therefore finding their way into more and more logistics centres to drive further automation. They are used to pick up parcels of various kinds and position them on conveyor belts to the individual dispatch centres. Based on 3D data, machine vision can be used to ensure the correct forwarding and tracking of parcels. This requires partners who can not only select the appropriate machine vision components, but also supply and understand the associated software.

Printing & Packaging

Printing speeds have long since overtaken the recognition speed of the human eye. High-performance machine vision reliably monitors printing processes, avoids production waste and ensures print quality. Machine vision is also used to meet the increased demands for traceability and product integrity, and to ensure the quality of the printed product. The aim is to ensure that batch codes, expiry dates and security seals on a wide range of packaging are correct and that contamination is minimised. This area is growing in particular due to changes in shopping behaviour towards e-commerce with corresponding individual packaging.

Raw materials and bulk goods

Due to the nature of raw materials and bulk goods, 100 per cent human control is impossible. As these are often natural products, there are natural deviations. Thanks to new sensor technologies, ever higher processing speeds and the use of deep learning technologies, machine vision makes it possible to solve previously impossible inspection tasks, such as sorting and classifying large quantities of raw materials. It also helps to avoid defects in products that are due to inferior materials. One example is the recycling market.

Factory automation

Factory automation has historically been one of the largest markets for the machine vision industry and is still developing. In particular, the networking of data points with higher-level control and quality assurance tasks creates new types of production processes with increased flexibility and stability. Automated production is always one step ahead and monitors every detail. Continuous process control ensures that deviations in the manufacturing process are detected at an early stage before defective products are produced. Machine vision provides completely new sensor technology and evaluation software for this purpose, which is increasingly integrated into location-independent cloud-based networks.

Metrology

Optical metrology with machine vision is used for the contactless inspection and measurement of workpieces and critical parts. A nanometre can make all the difference to the competitiveness of a product. Increasing manufacturing technologies and 3D printing technology are creating completely new requirements and fields of application for 2D or 3D machine vision components to ensure calibrated, repeatable measurements of high quality and speed down to the submicron range, and to ensure that objects conform perfectly to specified tolerances.

Focus on dedicated application fields

In addition to the defined target markets, the company sees high growth potential for certain machine vision applications. STEMMER IMAGING aims to generate further growth from the following application fields:

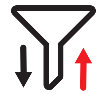
Vision-guided robotics

The demand for continuously increasing production efficiency can only be met by increasing flexibility of automation tasks in manufacturing and material flow. Robots are already the mainstay of automation. The combination of machine vision with robots is now expanding the possibilities with flexible use – applications for machine vision-guided robots in the picking of containers, palletising or the alignment of tools for flexible product inspection. Robots are increasingly being used on autonomous self-propelled platforms that require optical sensors to determine their location.

Track & trace

Object detection has always required complex and accurate pattern matching with the added challenge of frequently changing environmental conditions. Continuous advancements in cameras and the use of AI software now make it possible to recognise objects in different outdoor conditions in real time at a reasonable cost. Wide area networks and 5G technology also enable large-scale tracking of goods or objects using a new generation of code and text recognition solutions supported by machine vision technology.

Sort & classify



Industrially manufactured objects are always checked for their quality in relation to the defined specifications. Optical sorting systems with machine vision enable the identification and sorting of materials and ensure that poor quality is recognised and materials are classified before they are further processed. The challenge with natural products is that there are innumerable shapes and sizes that do not directly indicate the quality. Today's machine vision systems can map this complexity using innovative sensor technology and software with corresponding algorithms.

Material analysis

Detecting the detailed structure of a material is essential in many areas of research and development, but also increasingly in manufacturing processes. In-line inspection systems offer the advantage of increased process speed and quality assurance, because constant control is possible instead of time-consuming random sample monitoring. In the field of life sciences and for medical examinations, completely new areas of application are opening up, which are becoming widespread due to attractive cost-performance combinations. Scientific instruments equipped with imaging technology enable fast, reliable and continuous results.

Customer structure

STEMMER IMAGING serves a broad customer base in all regions where the company is present. In addition, individual markets are served via export models, so that both national and multinational and global customers benefit from the advantages of the Group's comprehensive positioning. Increasingly, modern marketing tools are being used for acquisition purposes in addition to the company's own sales force.

Customers include OEM customers who integrate machine vision components into their own systems and devices, plant manufacturers and end customers. STEMMER IMAGING has long-standing and stable business relationships with its customers. Growth is targeted in all customer segments, with business with end customers growing disproportionately. To this end, emphasis is placed on both the expansion of business with existing customers and the acquisition of new customers. Critical dependence on individual customers or customer segments is to be avoided.

STEMMER IMAGING's business model is based on a structured value creation model, which ensures that the different customer segments can be served with specific portfolio offerings according to their needs. The strategic approach to expanding the higher-value service packages consisting of hardware and software as well as services within the framework of the subsystems and project business supports this, in particular in order to accelerate the share of business with end customers and new customers.

Processes and methods

Today's customer requirements go far beyond technical advice and the supply of technical solutions. In particular, modern methods of collaboration and networked communication structures for the secure and efficient exchange of data are increasingly required. STEMMER IMAGING is therefore committed to the continuous improvement of its own methods and processes and the tools that underpin them. This includes the development and expansion of project management and agile methods of cooperation, the digitalisation and networking of analogue information by means of increasingly used software and the securing of data communication on the basis of high IT security requirements. With an understanding of horizontal work and communication structures, organisational structures are networked to the value creation process between suppliers, the company's own business activities and the customer. In doing so, the company relies on processes and methods that are geared towards future-oriented industry standards and thus also offer a certain amount of investment security. In addition, the company strives to constantly improve its own cost efficiency and sets itself contiuous improvement targets in order to optimise productivity, capital expenditure and cost effectiveness.

RESEARCH AND DEVELOPMENT ACTIVITIES

Software is an integral part of the growth pillars of components, subsystems and projects. It is therefore only logical that the software portfolio has been identified as one of the strategic building blocks for the sustainable success of STEMMER IMAGING AG and that the development goals of the in-house software Common Vision Blox in particular are geared towards making the best possible contribution to the success of the growth pillars.

In the area of 3D data acquisition and processing, the machine vision market has developed very dynamically in the recent past, which is manifested both in promising new components introduced to the market and in the increased orientation of project enquiries towards the topic of 3D. The new version of Common Vision Blox, released in October 2020, takes this trend into account with native support for MultiPart and MultiStream image capture, which were included in the GenICam standard with a view to 3D image capture and are required by a growing number of 3D cameras. In addition, the newly introduced FlowSets allow data to be recorded in dedicated computer hardware memories (e.g. GPUs) – another feature that 3D applications in particular can benefit from due to the large amounts of data generated.

In addition to 3D data collection, development time was also invested in the growth topic of 3D on the processing side. For example, work on a proprietary algorithm for position and spatial recognition of three-dimensional objects was intensified at the German location with the aim of being able to offer this algorithm as part of Common Vision Blox in the second half of 2021. The approach used and for which a patent application has been filed is characterised by the fact that the search delivers usable results faster than other common approaches, even in large point clouds. This is achieved through an optimised procedure that combines 2D and 3D approaches. Due to its properties, the process is particularly suitable for depalletising and will be optimised for use in bin-picking solutions such as InPicker in order to address the widest possible range of applications.

Another current development project is concerned with an improved approach to the intrinsic calibration of laser triangulation systems for 3D data collection. These systems offer high achievable measurement accuracy at comparatively moderate prices – provided they are calibrated. The intrinsic calibration of these systems in particular is complex and often difficult to implement in practice in the field. The new approach – for which a patent application has also been filed – reduces this effort considerably and simplifies the calibration of both integrated triangulation systems and self-designed systems to such an extent that technically experienced personnel are able to carry it out after only a short briefing. This procedure was successfully used in a pilot project in 2020 and is to be made available to customers in a suitable form in the course of 2021.

In addition to these projects, which are already in the implementation phase, the concept for a flexible software platform for vision subsystems, which was started at the end of 2019, was further developed into a combined hardware and software platform with cloud integration, the benefits of which extend beyond the aspect of vision subsystems and which will be particularly attractive for the customer segment of small to medium-sized integrators and OEMs. The designed concept potentially offers added value for users in every phase of a vision project, especially in projects with a high volume of data and devices, and in the final stage creates an additional bridge between the growth pillars of components, subsystems and projects. Furthermore, it opens up new opportunities for sales and marketing beyond the pure licensing business and promotes closer customer ties. This concept will continue to be promoted in 2021.

In addition, the development activities in the field of hyperspectral imaging aim to replace established technology that is in use in hundreds of devices worldwide with this innovative technology and to open up new application markets. Applications can be found, for example, in sorting of plastics material. Specifically, work was done in the past fiscal year on the development of a Smart Sensor Device (SSD). This device should make it possible to reduce the costs for the necessary hardware and software to such an extent that more favourable system prices are made possible and thus greater market penetration with HSI technology can be achieved. The smart sensor device to be developed will be a component of the subsystem portfolio. The development of the necessary hardware and software is part of the current R&D work.

In order to best position the development team for all these initiatives and to support them in their implementation, the development environment and the processes in software development at STEMMER IMAGING AG were modernised in the first half of 2020. The code repository, dependency management and the project management tool were moved to the cloud.

In addition, project work using the agile Scrum framework was implemented in the development team at STEMMER IMAGING in summer 2020. Working with the Scrum method is intended in particular to ensure shorter development cycles, better (cross-functional) team control and increased reaction speed with regard to changes in customer needs.

The Group employed an average of 27 developers in 2020. These cover the roles of core developer, algorithm developer, UI/UX designer, DevOps developer, release manager, Scrum master and product owner, which are required to implement the projects.

Title	File reference	Status
Method for calibrating an optical measuring system, optical measuring system and calibration object for an optical measuring system	19200257.4	Patent in application (27/09/2019)
Depth machine vision method, machine vision apparatus and depth camera	19200256.6	Patent in application (27/09/2019)
Method for displaying images of a line-based image capture device	10321497.6 2007-02-22	Patent granted (22/02/2007)
Photometric stereo system and method for inspecting objects with a one-shot camera and computer program	EP17380020A 2017-09-21	Patent granted (21/09/2017)

Total development expenses in the fiscal year amounted to EUR 1.37 million (short fiscal year 2019: EUR 0.72 million).

ECONOMIC REPORT

GENERAL ECONOMIC DEVELOPMENT

According to the International Monetary Fund (IMF), the global economy shrank by 3.5 per cent in 2020 as a result of the pandemic. At the beginning of the year, the IMF had still forecast global GDP growth of 3.3 per cent.

Economic performance was affected by the pandemic to varying degrees in different regions. Among the industrialised countries, the USA recorded the relatively smallest decline of 3.4 per cent, while in the Eurozone it was minus 7.2 per cent. In the Eurozone, Spain was particularly weak with a decline of 11.1 per cent and the UK with a decline of 10 per cent. France and Italy were also hit hard by the pandemic, with declines of 9 per cent and 9.2 per cent respectively. In emerging and developing countries, economic output shrank half as strongly as in the advanced economies at 2.4 per cent. Here, Latin America and the Caribbean were the hardest hit with a decline of 7.4 per cent, with Brazil down 4.5 per cent and Mexico down 8.5 per cent. In China, where the outbreak of the Covid-19 pandemic began, economic activity normalised particularly quickly as a result of effective pandemic response and supportive economic policies, resulting in it being the only G20 country to see an increase in GDP, which was at 2.3 per cent.

Exchange rates were volatile in the recessionary environment. The exchange rate of the US dollar against the euro moved by −9 per cent over the course of the year. Against the Brazilian real, the euro rose by around 40 per cent and against the Mexican peso by 15 per cent.

COUNTRY/REGION GDP DEVELOPMENT
in %

	2020	2019
World	**−3.5**	**2.8**
Developed economies	−4.9	1.6
Eurozone	−7.2	1.3
Germany	−5.4	0.6
France	−9.0	1.5
Italy	−9.2	0.3
Spain	−11.1	2.0
UK	−10.0	1.4
USA	−3.4	2.2
Japan	−5.1	0.3
Emerging markets and developing countries	−2.4	3.6
Brazil	−4.5	1.4
Mexico	−8.5	−0.1
China	2.3	6.0
India	−8.0	4.2
Russia	−3.6	1.3

Source: IMF World Economic Outlook Update January 2021

According to the German Federal Statistical Office, the outbreak of the Covid-19 pandemic in Germany in 2020 interrupted the ten-year economic growth phase with a price-adjusted decline in GDP of 5 per cent. The economic slump was as severe as in the financial and economic crisis of 2008/2009 and left clear traces in all economic sectors. Production was massively curtailed both in the service sectors and in the manufacturing industry. Especially in the first half of 2020, the industry was affected by the temporary disruption of global supply chains. Unlike the financial and economic crisis, the coronavirus pandemic had a massive impact on both domestic and foreign demand. Private consumer spending, previously a pillar of the economy, fell by 6 per cent in 2020, the sharpest decline since statistical surveys began. Government consumption expenditure had a stabilising effect with an increase of 3.4 per cent. Gross fixed capital formation recorded the most significant decline since the financial and economic crisis of 2008/2009 at minus 3.5 per cent. Investment in machinery and equipment and vehicles fell by 12.5 per cent.

Foreign trade in goods and services also declined for the first time since 2009. Exports fell by 9.9 per cent, imports by 8.6 per cent. The coronavirus pandemic also ended a 14-year upward trend in the labour market with a 1.1 per cent decline in employment.

SECTOR DEVELOPMENT

Global machine production fell sharply in the second quarter of 2020 due to the Covid-19 pandemic. The recovery of global machinery production from the deep slumps in spring 2020 was better than expected for the most part in the first half of the past fiscal year, but with varying dynamics. From autumn 2020 onwards, the Covid-19 pandemic had an increasingly tighter grip on the world and thus also on the capital goods industry, even if the containment measures were less drastic than in the first half of the year, especially in industry.

In its international economic bulletin of March 2021, the German Mechanical Engineering Industry Association (VDMA) states that instead of a decline in production of 14 per cent in 2020, the decline was slightly lower at 12.1 per cent. Order intake and sales were respectively 11 per cent and 12 per cent below the comparable figures for 2019. In view of a better-than-expected third and fourth quarter, the VDMA revised its expectations for the past fiscal year slightly upwards. Production and services were maintained and staff reductions were kept within narrow limits. In November and December 2020, order intake in the mechanical engineering sector and domestic and foreign orders exceeded the comparatively low level of the previous year.

According to the VDMA, the robotics and automation sector saw an 11 per cent drop in order intake and a 19 per cent drop in revenue. According to the industry association, the industrial machine vision components subsegment, which is caracterizing for STEMMER IMAGING, recorded a global decline of 10 per cent in order intake and 7 per cent in revenue.

EMPLOYEES

STEMMER IMAGING's employees are crucial to the company's success. In more than 20 countries, around 360 employees contribute to improving and developing the business with their know-how and commitment. The basis for this is the promotion of a corporate culture with a shared vision, mission and corporate values that are lived out every day.

EMPLOYEE QUALIFICATION AND FURTHER EDUCATION

A central concern for STEMMER IMAGING is the qualification and development of its employees. To ensure a high level of qualification, STEMMER IMAGING continuously invests in training and further education at all locations. In addition to training courses for new colleagues, regular product and technology training courses are held for employees in the technology and sales departments. These measures are flanked by demand-oriented training in the areas of both professional development and personal development. In addition, STEMMER IMAGING supports employees who would like to continue their education, for example to become a technician or business administrator, part-time.
The dual study courses on offer are aimed primarily at young employees who have been trained in the company and then want to continue their studies and work for the company at the same time. In the reporting year, digital learning formats have become an integral part of training. At least once a year, employees complete e-learning sessions on topics such as “Code of Conduct” and “Data Protection” and are regularly informed about IT security and occupational safety standards. In the past fiscal year, special attention was paid to the implementation of health measures for the protection of employees.

PROMOTION OF YOUNG TALENTS

At STEMMER IMAGING's headquarters, vocational training is a high priority – on the one hand, to be able to meet the future demand for qualified employees and, at the same time, to fulfil its social responsibility. The company trains IT specialists in the fields of system integration and application development, IT system electronics technicians, electronics technicians for devices and systems as well as industrial clerks. In order to prevent a shortage of suitable trainees, STEMMER IMAGING continuously organises student internships and taster days for schools in the surrounding area and participates in career information fairs at nearby schools. Academic staff are introduced to the company at an early stage during their studies by awarding bachelor's and master's theses as well as working student jobs. Due to coronavirus, activities in connection with schools (internships, trial days, Girls' Day and career information fairs) could not take place. These measures will be resumed as soon as possible.

SUCCESSION PLANNING

STEMMER IMAGING would like to promote career development with regard to structured succession planning and thus strengthen and secure competences for the company in the future. The succession planning concept aims to identify vacancies for essential and critical functions in the company at an early stage. Aspects such as company seniority and area of responsibility are taken into account. From this, the concrete need for action for successor appointments is derived. In addition, a group of junior managers and talented employees in the organisation is identified for all key locations and opportunities for the transfer of additional responsibility are determined and appropriate measures are taken.

DIVERSITY

STEMMER IMAGING's success is based on respectful and appreciative interaction with one another. This is also firmly anchored in the company's values and principles of action. STEMMER IMAGING offers a anti-discriminatory working environment, regardless of age, gender, nationality, disability or ideology.

Supporting employees in different phases of their lives is part of STEMMER IMAGING's self-image as an employer. This includes, among others, supporting employees in balancing work and family life through flexible working time models such as part-time work. Corporate integration management helps employees to maintain and promote their employability and, if necessary, to overcome their inability to work.

Since 2020, STEMMER IMAGING has set quantitative targets for increasing the proportion of women in the company. The Executive Board has set targets for the proportion of women in the first management level below the Executive Board of 10 per cent and in the second management level below the Executive Board of 20 per cent with a deadline of 2024. In 2020, the proportion of women in the first management level was 0 per cent and in the second management level 21 per cent.

MOTIVATED EMPLOYEES

STEMMER IMAGING's employees make a significant contribution to the company's success through their know-how and commitment. Ulitmately, customers also benefit from this. For this reason, great importance is attached to retaining employees in the company. STEMMER IMAGING uses regular staff appraisals and individual training to provide targeted support. In addition, regular informational events are held, and the exchange of information between employees is promoted across departments, for example through a "Lunch & Network" format.

In 2020, a revised target and salary model was introduced, which takes into account the company goals and the tasks of the employees. Variable remuneration is linked to the company's performance and to personal performance. The target model was further developed during the reporting year and an integrated target system was set up. Going forward, this will integrate every employee in the company through clear targets and responsibilities that support the company's goals and strategy. Due to the coronavirus pandemic, the performance indicators were adjusted in 2020.

DEVELOPMENT OF EMPLOYEE NUMBERS

Overall, the number of employees in the company decreased compared to the previous year. The main reason for this was structural adjustments. The average number of employees in the Group in the 2020 fiscal year was 357. In addition, 13 trainees were employed at the main company location as at 31 December 2020.

CORPORATE CO-DETERMINATION

The trusting cooperation with the works council employee representatives is an essential component of STEMMER IMAGING's corporate culture. The works council represents the interests of the employees and exercises the statutory rights of participation, information and co-determination. It meets weekly and regularly invites a representative of the HR department as a guest. The Executive Board usually attends works council meetings on a monthly basis. Twice a year, the works council meets with all employees in a works assembly and submits a report on its activities. The works council currently consists of nine members.

HUMAN RESOURCES MANAGEMENT – STANDARDISING AND DIGITALISING PROCESSES

STEMMER IMAGING wants to continuously improve its personnel management processes and make them more efficient. In 2020, it was decided to introduce a company-wide software solution, which will be rolled out at the beginning of 2021.

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

NET ASSETS

As at 31 December 2020, the balance sheet total of STEMMER IMAGING Group amounts to EUR 96.68 million (31 December 2019: EUR 100.94 million).

The reduction is due in particular to the development of non-current assets. These decreased to EUR 34.26 million (31 December 2019: EUR 42.84 million). The decrease is mainly due to the amortisation of intangible assets from purchase price allocations and the non-cash impairment of the goodwill of INFAIMON S. L. U., Barcelona, Spain, by EUR 4.35 million.

Current assets increased to EUR 62.43 million (31 December 2019: EUR 58.10 million). This is mainly due to the increase in cash and cash equivalents, which amounted to EUR 34.72 million at the end of the fiscal year (31 December 2019: EUR 27.97 million). This was offset by a slight decrease in trade receivables as at the reporting date. Trade receivables decreased to EUR 15.11 million (31 December 2019: EUR 16.61 million) as a result of the adjusted sales volumes at most Group companies due to the coronavirus pandemic. On the other hand, STEMMER IMAGING AB recorded an increase in revenues in Sweden; its trade receivables were EUR 1.94 million above the level as at 31 December 2019. This very positive development is due to the successful expansion of business with a major customer in the second half of the year.

The reduction in tax refund claims results mainly from the cash receipt of tax refund claims of STEMMER IMAGING AG.

The Group's inventories amounted to EUR 11.05 million as at 31 December 2020 (31 December 2019: EUR 11.16 million). The majority of this amount, EUR 9.18 million (31 December 2019: EUR 9,22 million), is accounted for by inventories of SIS STEMMER IMAGING Services GmbH. SIS STEMMER IMAGING Services GmbH organises purchasing, production, order processing and logistics for the STEMMER IMAGING Group. The company correspondingly invoices the services to the other Group companies.

In addition, it provides services in the area of manufacturing products and systems. At EUR 1.48 million (31 December 2019: EUR 1.47 million), the INFAIMON Group contributed a constant value to inventories compared to the previous year. Recoverability risks in the inventories were taken into account through appropriate devaluations or marketability discounts.

The equity of the STEMMER IMAGING Group as at 31 December 2020 amounts to EUR 64.08 million (31 December 2019: EUR 67.21 million). This reflects in particular the negative consolidated net result of EUR −3.32 million (short fiscal year 2019: EUR −1.40 million). The equity ratio amounts to 66.3 per cent (31 December 2019: 66.6 per cent).

Non-current liabilities decreased from EUR 13.63 million as at 31 December 2019 to EUR 10.01 million as at 31 December 2020, mainly due to the scheduled repayment of the bank loan of STEMMER IMAGING AG and the change of EUR 1.13 million in the non-current portion of liabilities from lease agreements. Furthermore, deferred tax liabilities on intangible assets decreased in line with the amortisation of these assets.

Current liabilities increased to EUR 22.60 million (31 December 2019: EUR 20.09 million). This was due in particular to the increase in advance payments received of EUR 2.22 million (31 December 2019: EUR 0.48 million) and the increase in trade payables of EUR 9.64 million as at the reporting date (31 December 2019: EUR 9.10 million). The increase in advance payments received is fully attributable to STEMMER IMAGING AB and reflects the successful business development of the Swedish subsidiary in the second half of 2020.

Furthermore, income tax liabilities increased from EUR 0.77 million in the previous year to EUR 1.29 million as of 31 December 2020. This is mainly due to STEMMER IMAGING AG, which has a tax provision of EUR 1.06 million due to its positive annual result, whereas refund claims were recognised as at 31 December 2019. This includes EUR 0.27 million as a result of the now completed audit and the corresponding consequential effect.

FINANCIAL POSITION

In its financial management, the Group pursues the goal of mitigating significant financial risks. Supplier invoices are settled by taking advantage of discounts wherever possible. The company's solvency was assured at all times.

The cash and cash equivalents reported in the consolidated cash flow statement increased from EUR 27.97 million as at 31 December 2019 to EUR 34.72 million as at 31 December 2020.

Cash flow from operating activities increased in the 2020 fiscal year to EUR 10.88 million (short fiscal year 2019: EUR 1.95 million). The positive development totalling EUR 8.93 million is due on the one hand to the change in non-cash depreciation and amortisation, which had a negative impact of EUR 6.09 million on the consolidated net income for the year. On the other hand, no significant tax amounts were paid in the 2020 fiscal year, while EUR 1.45 million had burdened the operating cash flow in the short fiscal year 2019. The reduction in the working capital commitment further strengthened the effect.

The Group reports a small negative cash flow from investing activities of EUR – 0.35 million in the 2020 fiscal year (short fiscal year 2019: EUR – 25.64 million). The previous year's amount included payments of EUR – 23.70 million in connection with the acquisition of the INFAIMON Group. Cash flow from investing activities adjusted for this effect amounted to EUR 1.94 million in the short fiscal year 2019. The low investment activity is mainly due to strict spending discipline during the coronavirus pandemic.

The cash flow from financing activities in the 2020 fiscal year shows a cash outflow of EUR 2.05 million for the repayment of bank loans and for the repayment of liabilities from finance leases in the amount of EUR 1.93 million. Grants of EUR 0.58 million (short fiscal year: EUR 0.03 million) received by the STEMMER IMAGING Group had a positive effect in 2020.

As at the balance sheet date, the Group had no net financial liabilities (bank liabilities less cash and cash equivalents).

RESULTS OF OPERATIONS

STEMMER IMAGING generated consolidated revenue of EUR 105.18 million in the 2020 fiscal year (short fiscal year 2019: EUR 62.34 million). Revenue development was significantly influenced by the coronavirus pandemic, which led to declines in revenue in most of the key markets and sectors.

In view of the higher sales volume, the cost of materials amounted to EUR 66.50 million. The cost of materials ratio improved slightly to 63.2 per cent (short fiscal year 2019: 64.1 per cent).

The STEMMER IMAGING Group's personnel expenses in the 2020 fiscal year amounted to EUR 23.44 million (short fiscal year 2019: EUR 12.83 million). The average number of employees fell to 357 (short fiscal year 2019: 394). The personnel expense ratio was 22.3 per cent (short fiscal year 2019: 20.6 per cent). To adjust personnel expenses to the changed market conditions caused by the pandemic, the instrument of short-time labour was used temporarily in the 2020 fiscal year. In addition, the number of employees was reduced in the course of a focusing programme and natural fluctuation. At the same time, new positions were created and filled in strategic business areas.

The other operating expenses of the 2020 fiscal year amounted to EUR 9.65 million, following EUR 8.15 million in the short fiscal year 2019. The item includes, among other things, administrative costs (EUR 3.29 million; short fiscal year 2019: EUR 2.43 million), distribution costs (EUR 1.52 million; short fiscal year 2019: EUR 2.15 million) and other operating expenses (EUR 1.23 million, short fiscal year 2019: EUR 1.06 million). In addition, other operating expenses include miscellaneous costs of EUR 3.61 million (previous year: EUR 2.51 million).

The reduction in other operating expenses in a full-year comparison is mainly due to savings in the wake of the coronavirus pandemic. The main influencing factors in the 2020 fiscal year were the reduction of travel activities due to regional lockdowns and social distancing rules (2020: EUR 0.42 million, short fiscal year 2019: EUR 0.61 million) as well as a generally lower cost level due to the implementation of cost-saving measures.

Group EBITDA amounts to EUR 7.21 million (short fiscal year 2019: EUR 1.95 million). The EBITDA ratio thus improved from 3.1 per cent to 6.9 per cent in 2020.

Depreciation of property, plant and equipment and amortisation of intangible assets totalled EUR 8.76 million in the 2020 fiscal year (short fiscal year 2019: EUR 2.52 million), of which EUR 2.84 million was for property, plant and equipment (short fiscal year 2019: EUR 1.42 million). With regard to the effects of IFRS 16, please refer to the explanations in the notes to the consolidated financial statements. The significant increase in amortisation of intangible assets results from the impairment of goodwill of the INFAIMON subgroup by EUR 4.35 million as at 30 June 2020.

The consolidated operating result (EBIT) amounted to EUR −1.55 million (short fiscal year 2019: EUR −0.58 million).

The financial result amounted to EUR −0.68 million (short fiscal year 2019: EUR −0.84 million). The main effect in both periods is the value adjustment and the current share of losses of the investment in Perception Park GmbH, Graz, Austria (EUR −0.6 million).

Taking into account the income tax expense of EUR 1.09 million (short fiscal year 2019: income of EUR 0.02 million), the 2020 fiscal year closed with a consolidated result of EUR −3.32 million (short fiscal year 2019: EUR −1.40 million).

In the combined management report 2019, the company set the expected revenue range at EUR 105–120 million and forecast EBITDA at EUR 3–7 million. In the Q3 report, the revenue range was specified at EUR 100–105 million and the EBITDA expectation at EUR 3–5 million. In December 2020, the revenue forecast was narrowed down further to EUR 104–105 million and the EBITDA forecast to EUR 5.5–6.5 million.

With a turnover of EUR 105.18 million, the sales expectation was slightly exceeded, and the EBITDA of EUR 7.2 million clearly exceeded the forecasted value. Due to the late renewed lockdown in the company's key sales markets and the simultaneous easing of Covid-19 restrictions in other important regions in Europe, customers were able to complete their projects at the end of the year, which resulted in project call-offs with a higher proportion above average margin of services for STEMMER IMAGING.

TAKEOVER DISCLOSURES

The following disclosures are made in accordance with section 289a (1) HGB and section 315a (1) HGB. For individual relevant disclosures, please refer to our comments in the notes to the financial statements and the consolidated financial statements of STEMMER IMAGING AG.

AMOUNT AND CLASSIFICATION OF SHARE CAPITAL

As at 31 December 2020, the share capital of STEMMER IMAGING AG amounted to EUR 6.50 million (31 December 2019: EUR 6.50 million) in accordance with the Articles of Association and was divided into 6,500,000 no-par value bearer shares (ordinary shares). The proportionate amount of the share capital is EUR 1.00 per share. All shares are fully paid in. The shares carry full dividend rights from 1 July 2018. Each share grants one vote at the Annual General Meeting of the Company. They are securitised in global certificates. Each shareholder of STEMMER IMAGING AG is generally entitled to a statutory subscription right, which means that in the event of a capital increase, a portion of the new shares corresponding to their share of the previous share capital must be allocated to them at their request.

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

SI Holding was merged into PRIMEPULSE SE with retroactive effect as at 1 January 2020 by way of a merger agreement dated 12 May 2020; the entire shareholding in STEMMER IMAGING AG held by SI Holding GmbH at the time of the conclusion of the merger agreement was transferred to PRIMEPULSE SE. The Company became aware of this by way of a voting rights notification on 19 May 2020. PRIMEPULSE SE now holds a direct (previously indirect) stake in STEMMER IMAGING AG. The direct shareholding of PRIMEPULSE SE amounts to 59 per cent as at 31 December 2020.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD

The provisions of the German Stock Corporation Act (sections 84 and 85 AktG) apply to the appointment and dismissal of members of the Executive Board. The Supervisory Board determines the number of members of the Executive Board. When appointing the Executive Board, STEMMER IMAGING observes the recommendations of the German Corporate Governance Code, taking into account the company's specific situation.

By resolution on 26 March 2020, the Supervisory Board of STEMMER IMAGING AG approved the mutually agreed resignation of the Chief Technology Officer, Mr. Martin Kersting, on 31 March 2020. By resolution of 26 March 2020, the Supervisory Board of STEMMER IMAGING AG also approved the appointment of Mr Uwe Kemm to the Executive Board of the Company from 1 April 2020 for a period of three years.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

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

In addition, the Articles of Association may only be amended by a resolution of the Annual General Meeting pursuant to section 179 AktG. Amendments to the articles of association become effective upon entry in the commercial register pursuant to section 181 (3) AktG.

REMUNERATION REPORT

The remuneration report presents the main elements of the remuneration system for the members of the Executive Board and explains the structure and amount of the income of the Executive Board and the remuneration of the Supervisory Board. The report is based on the recommendations of the German Corporate Governance Code and contains information in accordance with the requirements of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). The following remuneration report is part of the combined management report.

REMUNERATION OF THE EXECUTIVE BOARD

The Supervisory Board is responsible for determining and reviewing the remuneration of the Executive Board and the remuneration system. The Supervisory Board determines the amount of the target total remuneration for each member of the Executive Board for the upcoming fiscal year in accordance with the remuneration system. In doing so, it takes into account the economic situation as well as the success and future prospects of the company in addition to an appropriate relationship to the tasks and performance of the Executive Board member. The size of the group and the remuneration at comparable companies are also used to assess whether the remuneration is in line with the market.

In order to assess the internal appropriateness, the Supervisory Board compares the ratio of the Executive Board's remuneration to that of the senior management, which consists of the managing directors of the respective national companies and the second management level at the parent company.

The assumption of Supervisory Board positions by the Executive Board must be approved by the Supervisory Board. It is irrelevant whether the Supervisory Board positions are internal or external to the group. In the course of the approval process, the Supervisory Board can decide on any offsetting of the remuneration against the remuneration of the Executive Board.

COMPONENTS OF EXECUTIVE BOARD REMUNERATION

The Executive Board contract of Mr Uwe Kemm was concluded with effect from 1 April 2020. In the course of this, the contract of Mr Arne Dehn was also revised with regard to the remuneration of the Executive Board.

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

Variable remuneration is calculated on the basis of the Group EBIT (graduated target achievement levels in relation to the planned EBIT; required target achievement of at least 75 per cent) and is limited to 125 per cent (Arne Dehn) or 100 per cent (Uwe Kemm) of the fixed salary. The assessment is based on the approved consolidated financial statements, whereby extraordinary effects such as acquisitions are not taken into account. After the end of the fiscal year, the Supervisory Board determines the extent to which the targets have been achieved.

49 per cent of the variable remuneration consists of a short-term component and 51 per cent of a long-term component. Both components relate to the achievement of the Group's EBIT targets in accordance with the economic plan approved by the Supervisory Board. Both components are paid out in cash. A subsequent adjustment of the target values is not foreseen.

While the short-term component only takes into account the completed fiscal year, the long-term component refers to a three-year period. In the event of a deterioration of the EBIT results in the accounting period of three fiscal years compared to the respective target figures as a reference value, a full or partial repayment of long-term bonus payments received results (malus regulation). The repayment obligation is described as follows:

"If the three-year average EBIT falls below 70 per cent of the average plan value for this period, the Executive Board must repay the bonus payments received in the accounting period of the three years in the amount of 51 per cent of the long-term bonus payments received. For the settlement in 2023, the plan values for the years 2020 to 2022 apply, for the settlement in 2024, the planned values for the years 2021 to 2023 apply, and for the settlement in 2025, the planned values for the years 2022 to 2024 apply."

In addition, the Supervisory Board may grant both members of the Executive Board special remuneration for extraordinary performance. The Supervisory Board shall decide on this special remuneration at its reasonable discretion. Special remuneration may amount to a maximum of 50 per cent of the sum of the annual fixed remuneration of the respective Executive Board member.

In the 2020 fiscal year, the Executive Board members did not receive any variable remuneration components due to the coronavirus-related plan shortfall. However, the Supervisory Board approved the following special remuneration due to the special efforts of the Executive Board members in the 2020 fiscal year:

- Arne Dehn: The amount of the special remuneration is EUR 92,370.
- Uwe Kemm: The amount of the special remuneration is EUR 38,970 (amount for 9 months).

In addition, in the event of temporary incapacity to work, the remuneration shall continue to be paid in the same amount for a period of six months, at the longest until the end of the employment contract. For a further six months of temporary incapacity to work, at the longest until the end of the employment contract, the Executive Board member receives 80 per cent of the fixed salary.

In the event of termination of the employment contract by notice of termination or expiry, a severance payment provision is stipulated in the Executive Board contracts of Mr Arne Dehn and Mr Uwe Kemm.

In the event of premature termination of Executive Board membership by mutual consent without good cause, the Executive Board contracts provide for a compensation payment, the amount of which is limited to a maximum of two years' remuneration. If the remaining term is less than two years, the severance payment shall be calculated pro rata temporis. The amount of the annual remuneration for calculating the severance payment is determined by the total remuneration of the last full fiscal year before the end of the contract.

In addition, compensation due to a non-competition clause is regulated for a period of one year after termination of the contract. For the duration of the non-competition clause, the company shall pay the Executive Board compensation in the amount of 75 per cent of the last annual remuneration paid to it, including fringe benefits.

There are no change-of-control clauses in the Executive Board contracts.

Fixed remuneration is paid out as a monthly salary.

The Executive Board mandate of Martin Kersting was terminated at his request as of 31 March 2020. A termination agreement was concluded with effect from 30 March 2020. The termination agreement included compensation for the fixed salary until 30 March 2020. There is no entitlement to a bonus payment for the 2020 fiscal year. The total remuneration for the 2020 fiscal year amounts to EUR 56,000.

OVERVIEW OF EXECUTIVE BOARD REMUNERATION

Based on the aforementioned determination of the Supervisory Board, total remuneration of the Executive Board of KEUR 590 (previous year short fiscal year 2019: KEUR 325) has been recognised as an expense in the calendar year 2020 (individualised figures, rounded):

EXPENSES in EUR	Arne Dehn		Uwe Kemm	
	2020	2019	2020[3]	2019
Fixed remuneration	240,000	120,000	162,000	0
Salary sacrifice[1]	−21,000	0	−16,200	0
Additional benefits[2]	25,948	6,419	12,623	0
Total fixed remuneration components	**244,948**	**126,419**	**158,423**	**0**
Short-term variable remuneration	92,370	0	38,970	0
Total variable remuneration components	**92,370**	**0**	**38,970**	**0**
Total remuneration	**337,318**	**126,419**	**197,393**	**0**

1 As a contribution to coping with the effects of the Corona pandemic, not only the employees but also the Executive Board waived salary on a pro rata basis in 2020.
2 Fringe benefits include the costs for or the non-cash benefit of fringe benefits such as the provision of company cars, subsidies for insurance, etc.
3 Uwe Kemm Board of Directors as of 1 April 2020

Fixed remuneration recognised as an expense for the former Executive Board member Martin Kersting up to the time of his departure amounted to KEUR 51 with fringe benefits of KEUR 5. There were no variable remuneration components. In the short fiscal year 2019, fixed remuneration of KEUR 108 and fringe benefits of KEUR 3 were recognised as expenses for Mr Martin Kersting.

The following remuneration was paid to the individual members of the Executive Board in the 2020 fiscal year (individualised figures, rounded):

AMOUNT RECEIVED
in EUR

	Arne Dehn		Uwe Kemm	
	2020	**2019**	**2020[2]**	**2019**
Fixed remuneration	210,000	120,000	137,700	0
Additional benefits[1]	25,948	6,419	12,623	0
Total fixed remuneration components	**235,948**	**126,419**	**150,323**	**0**
Short-term variable remuneration	0	0	0	0
Total variable remuneration components	**0**	**0**	**0**	**0**
Total remuneration	**235,948**	**126,419**	**150,323**	**0**

1 Fringe benefits include the costs for or the non-cash benefit of fringe benefits such as the provision of company cars, subsidies for insurance, etc.
2 Uwe Kemm Board of Directors as of 1 April 2020

The remuneration received by the former Executive Board member Martin Kersting up to the time of his departure amounted to KEUR 56, of which KEUR 51 related to fixed remuneration and KEUR 5 to fringe benefits. In the short fiscal year 2019, Mr Martin Kersting received KEUR 111 in fixed remuneration and KEUR 47 in variable remuneration.

As at 31 December 2020, there are obligations from a pension commitment to a former member of the Executive Board in the amount of EUR 114,868 (31 December 2019: EUR 111,716), which are covered by a corresponding reinsurance policy. For further information, please refer to the notes to the consolidated financial statements on pension obligations.

REMUNERATION OF THE SUPERVISORY BOARD

The Supervisory Board remuneration is structured as a purely fixed remuneration. The Deputy Chairman and the Chairman of the Supervisory Board are taken into account 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 a fixed annual remuneration for his or her activities. Currently, an amount of EUR 20,000 p. a. is granted. The Deputy Chairman receives one and a half times and the Chairman twice the fixed annual remuneration. In addition, an attendance fee of EUR 1,000 per Supervisory Board member is paid for meetings held in person. The Deputy Chairman receives one and a half times and the Chairman twice the attendance fee. This remuneration arrangement was resolved at the company's Annual General Meeting on 15 November 2017.

OVERVIEW OF SUPERVISORY BOARD REMUNERATION

SUPERVISORY BOARD REMUNERATION
in EUR

	Fixed remuneration	Attendance fee	Total in 2020	Total in 2019
Klaus Weinmann	40,000	12,000	52,000	26,000
Stefan Kober	30,000	9,000	39,000	19,500
Markus Saller	20,000	6,000	26,000	13,000

In the year under review, the members of the Supervisory Board did not receive any further remuneration or benefits for services rendered personally, in particular advisory or mediation services. No loans or advances were granted to the members of the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

D & O INSURANCE

STEMMER IMAGING AG has taken out directors' and officers' 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 insurance policy does not provide for a deductible for the members of the Supervisory Board.

(GROUP) CORPORATE GOVERNANCE DECLARATION

The (Group) corporate governance declaration pursuant to section 289 f and 315 d of the German Commercial Code (HGB), including the declaration on the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG), has been published by the company on its website **www.stemmer-imaging.com** in the Investors section.

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

NET ASSETS AND FINANCIAL POSITION

STEMMER IMAGING AG's total assets of EUR 79.06 million are above the previous year's level (31 December 2019: EUR 77.26 million).

At EUR 39.42 million (31 December 2020: EUR 46.39 million), financial assets are the largest balance sheet item in its category. The reason for the reduction is, on the one hand, write-downs on shares in affiliated companies (UK and Spain) and on the investment in Perception Park GmbH. On the other hand, loans were partially repaid. The investment in Stemmer Imaging Ltd., UK, was reduced to EUR 2.50 million (31 December 2019: EUR 3.88 million) due to distributions and lower earnings expectations as a result of Brexit. In addition, the investment in INFAIMON S. L. U., Spain, was written down to EUR 23.70 million (31 December 2019: EUR 25.20 million). The reduction in loans to affiliated companies by EUR 3.47 million to EUR 6.38 million results from repayments of Group loans by the French (EUR 1.92 million), Dutch (EUR 1.51 million) and Danish subsidiaries (EUR 0.05 million). Due to reduced expectations, the investment in Perception Park GmbH was written down by EUR 0.60 million to a notional value.

Trade receivables amounted to EUR 2.50 million as at 31 December 2020, a significant reduction of EUR 1.79 million compared to 31 December 2019 due to the economic situation and the balance sheet date.

In addition to trade receivables, the intercompany receivables also include the working capital line vis-à-vis SIS STEMMER IMAGING Services GmbH. Trade receivables from subsidiaries increased significantly due to changes in transfer pricing principles as a result of the tax audit in the last quarter of 2020. In addition, the dividend receivable from INFAIMON S. L. U. had an increasing effect of EUR 0.75 million.

Other assets decreased to EUR 0.39 million (31 December 2019: EUR 1.49 million). This development is mainly due to the reimbursement of the tax refund claims capitalised as at 31 December 2019.

As a result of the aforementioned changes in the individual balance sheet items, restrained investment activities in connection with the coronavirus pandemic and the positive earnings situation, cash and cash equivalents increased to EUR 17.79 million (31 December 2019: EUR 10.84 million).

The reduction in other provisions to EUR 1.75 million (31 December 2019: EUR 2.05 million) was more than offset by the recognition of tax provisions of EUR 1.06 million (31 December 2019: EUR 0.00 million) as a result of the positive earnings situation (EUR 1.27 million).

Liabilities to banks have decreased due to regular repayments on the bank loan taken out in 2019. Liabilities to banks amount to EUR 7.5 million as at 31 December 2020 (31 December 2019: EUR 9.5 million).

The significant increase in intercompany liabilities is due to two short-term loans granted by the Swedish subsidiary to STEMMER IMAGING AG in June 2020.

The other liability items are essentially unchanged from the previous year.

RESULTS OF OPERATIONS

STEMMER IMAGING AG achieved revenue of EUR 51.48 million in the 2020 fiscal year, compared to EUR 26.99 million in the short fiscal year 2019. This includes intra-group allocations of EUR 13.32 million (short fiscal year 2019: EUR 2.90 million). Revenue with external customers fell by a good 20 per cent in the wake of the pandemic and thus slightly more than expected in the previous year's forecast. The significant increase in intra-group allocations, which also contributed significantly to the rise in earnings at STEMMER IMAGING AG, resulted from an update of the accounting model. The cost of sales ratio of 62.7 per cent is significantly below the previous year's value of 64.6 per cent. This development was significantly influenced by the aforementioned adjustment of the transfer prices.

As a result of personnel measures introduced in the wake of the coronavirus crisis, the average number of employees at STEMMER IMAGING AG fell (2020: 200 employees; short fiscal year 2019: 216 employees). Personnel expenses fell to EUR 11.57 million (short fiscal year 2019: EUR 6.82 million), partly as a result of the use of short-time labour as a means of coping with the crisis.

The other operating expenses totalling EUR 5.54 million (short fiscal year 2019: EUR 4.36 million) mainly include selling expenses (EUR 0.64 million, short fiscal year 2019: EUR 0.99 million), operating expenses (EUR 0.85 million, short fiscal year 2019: EUR 0.87 million) and administrative expenses (EUR 4.05 million, short fiscal year 2019: EUR 2.50 million). Significant savings were achieved in particular in distribution costs due to the omission of trade fairs and travel as a result of coronavirus.

Overall, EBITDA was positive in the amount of EUR 2.44 million (short fiscal year 2019: EUR −1.44 million). This significantly exceeded the expectation for 2020, according to which a clearly negative EBITDA had been assumed. Adjusted for the influence of the updated intra-group allocations, EBITDA would have been EUR −1.84 million and thus in line with expectations.

The financial and investment result of STEMMER IMAGING AG was positively influenced in the fiscal year by income from investments (EUR 3.87 million, short fiscal year 2019: 0.36 million) on the one hand and by interest and similar income on the other (EUR 0.57 million, short fiscal year 2019: 0.37 million). Write-downs on financial assets in the amount of EUR 3.65 million (short fiscal year 2019: 0.89 million) had a negative impact on the investment result.

After taking into account tax expenses (EUR 0.97 million; short fiscal year 2019: EUR −0.36 million), the 2020 fiscal year closed with a positive annual result of EUR 1.27 million (short fiscal year 2019: EUR −1.72 million).

RISK REPORT

STEMMER IMAGING's risk policy is geared towards the corporate goals of sustainable growth and an increase in the company's result in order to contribute to an increase in the value of the company. Opportunity and risk management is essentially characterised by the risk matrix implemented throughout the Group, which is used for risk identification, analysis and assessment. The analysis, control and communication of identified risks is an integral part of the Group wide risk management system and the risk matrix. This involves identifying and initiating measures to minimise risks and deriving possible opportunities from them.

The introduction of suitable measures is intended to limit possible negative effects in order to identify potential threats to the company's existence at an early stage. Currently, the company does not see any risks that could threaten its existence. The maximum amount of damage from identified risks is to be minimised through proactive implementation of the defined measures and active utilisation of the opportunities facing the risks.

RISK IDENTIFICATION, ANALYSIS AND DOCUMENTATION

Internal control system and risk management system

STEMMER IMAGING has an appropriate risk management system. With regard to accounting, it is designed to identify, assess and communicate risks of incorrect bookkeeping, accounting and reporting in a timely manner. In addition, there are financial planning instruments for monitoring and controlling the current and future liquidity situation.

The risk management system and the internal control system deal, among other things, with the monitoring of accounting processes. In addition to the identification and assessment of risks, this system includes measures to ensure the complete, correct and timely transmission and presentation of information relevant for financial statements that comply with regulations.

The most important prerequisites for proper accounting include, in addition to an adequate enterprise resource planning system, the thorough training of employees, the definition of responsibilities and the separation of functions in accounting, as well as controlled access at the IT system level.

STEMMER IMAGING has an ERP system (S4) that is used throughout the Group and supports and documents the main operational processes.

Proper accounting is supported and ensured by local accounting systems (especially DATEV).

In addition, STEMMER IMAGING has a certified consolidation programme (LUCANET) to ensure transparent, reliable and timely consolidated accounting and integrated multi-year planning for the Group. Newly founded or acquired companies are integrated into the existing systems as quickly as possible. STEMMER IMAGING also handles some of the accounting centrally as a service provider for the subsidiaries in Austria and Italy. For key accounting processes and functions, there are deputisation rules, a dual control principle, separation of functions and approval processes. When preparing the financial statements, the figures are analysed and changes are reviewed.

The relationships between the companies are documented through service agreements, which control and regulate the cooperation and mutual charging of services within the Group.

In order to ensure the ongoing operation of the company's IT, STEMMER IMAGING has taken preventive measures and is striving to further develop these measures and implement additional ones. In addition to regular updates and, if necessary, extensions, these also include compliance with internal security and data protection guidelines by employees. The risk of unauthorised access, modification and withdrawal of company data is countered, among other things, by a security system to protect against unwanted network access and by access controls at the operating system and application level. The design of the IT system contributes to the timely and proper collection of all relevant information for the accounting process.

Strategic corporate planning, internal reporting and internal controlling are incorporated into STEMMER IMAGING's risk management system. One aim of strategic corporate planning is to identify and exploit future opportunities while weighing up the identified risks. The internal reporting system functions as an information system that provides information on current financial developments for risk analysis. It includes, among other things, STEMMER IMAGING's accounting process. Controlling is responsible for analysing the accounting process. Regular and timely reporting on the accounting process is made to the Executive Board.

RISK IDENTIFICATION, ANALYSIS AND ASSESSMENT

The weighted individual risks are classified into the categories low (up to EUR 0.15 million), medium (up to EUR 0.5 million) and massive (> EUR 0.5 million). The probability of occurrence in per cent is multiplied by the maximum monetary loss in order to evaluate the risk for the organisation. This assessment results in an assessed total risk for the past fiscal year of EUR 12.7 million (of which STEMMER IMAGING AG: EUR 7.8 million). The following scheme is used for weighting the individual risks:

MAXIMUM MONETARY DAMAGE
in EUR

Classification	Potential amount of damage
Insignificant	5,000
Low	50,000
Medium	150,000
Serious	500,000
Fundamental	5,000,000

PROBABILITY OF OCCURRENCE
in %

Classification	Probability of occurrence
Almost impossible	5
Unlikely	10
Possible	35
Probable	60
Highly probable	90

Identified risks that could currently have a material adverse effect on the business, net assets, financial position or results of operations of STEMMER IMAGING are described below. Risk clusters with a monetary risk of more than EUR 0.2 million are described. EUR 11.0 million of the total risk assessed is explained below. The monetary valuation with regard to the weighted individual risks is presented separately according to the overall risk position for the Group and the share of STEMMER IMAGING AG.

Additional risks that are currently unknown or risks that STEMMER IMAGING currently considers to be immaterial could also have a negative impact on business activities.

COVID-19 PANDEMIC

The 2020 fiscal year was dominated by the Covid-19 pandemic that spread across Europe from February onwards. For STEMMER IMAGING, this resulted in economic risks due to the collapse of the global economy in the wake of the prevailing uncertainty in customer markets, particularly at the beginning of the pandemic. In addition, risks materialised in certain markets with regard to the ability of important suppliers to deliver due to the closure of borders in the course of national lockdowns. The pandemic year, with its accompanying restrictions on output, required a rapid response in terms of hygiene concepts at the workplace and the implementation of new working options. STEMMER IMAGING continues to be affected by the economic impact of the pandemic but has been able to reduce or minimise the impact of significant risks by acting promptly and proactively initiating measures.

Specific measures to minimise risks
- Preventive purchasing to avoid delivery problems
- Active sales strategy to improve forecast accuracy
- Continuous monitoring of the crisis situation and taking communication measures
- Implementation of technical infrastructure and suitable processes to avoid efficiency losses for employees working from home
- Use of governmental support and short-time labour
- Implementation of hygiene concepts to minimise the risk of infection
- Initiation of a Coronavirus Task Force

Additional measures planned in 2021
- Continuous monitoring of the pandemic situation and initiation of appropriate measures

Risk trend
reduced

Assessed total risk
Group EUR 7.2 million
(of which STEMMER IMAGING AG
EUR 4.5 million

MARKET- AND INDUSTRY-SPECIFIC RISKS

Dependence on the economic situation

STEMMER IMAGING's order situation is influenced by the global economy and geopolitical developments. Risks to the Group's growth prospects currently arise primarily from trade barriers due to Brexit and the coronavirus pandemic with the associated national lockdowns. Additional burdens could result in a sustained downturn in economic growth after the pandemic has subsided. The ongoing uncertainty could lead to a reduction, postponement or cancellation of orders, especially in STEMMER IMAGING's customer industries.

Specific measures to minimise risks
- Diversification into further regional markets
- Penetration of further potential user industries
- Active sales initiatives for proactive sales management
- Short-term cost efficiency programmes to limit the negative financial impact of economic downturns

Additional measures planned in 2021
- Strengthening activities with existing and new customers in dedicated growth segments through portfolio and sales measures

Risk trend
rising

Assessed total risk
Group EUR 0.5 million
(of which STEMMER IMAGING AG:
EUR 0.2 million)

Competitive intensity

Acquisitions and concentration trends are shaping STEMMER IMAGING's competitive environment. The Group finds itself increasingly in competition with medium-sized and large manufacturers of machine vision components as well as regional and international system providers. A significant risk is that price pressure and competitive pressure will grow beyond the current level, which could be accompanied by a loss of market share and a reduction in margins. Another risk is that internal processes are not designed to meet customer needs, which could lead to delays in the submission of offers or a focus on activities that do not add sufficient value.

Specific measures to minimise risks
- Driving innovation for the areas of digitalisation & smart data as future markets
- Solution expertise for both industrial and non-industrial applications
- Focus on cross-selling, own IP and subsystems
- Cost and process efficiency to reduce costs
- Optimisation of internal processes to improve the customer approach and accelerate order processing
- M&A to gain size and influence in the market

Additional measures planned in 2021
- Sales initiatives (cross-selling, active sales, focus on project business)
- Further detailing in cost monitoring and process optimisation
- Examination of acquisitions to complement and strengthen the market position
- Advancing the portfolio offering, especially in the area of value-added services
- Expansion of customer care with the help of sales plans and support through marketing platforms

Risk trend
rising

Assessed total risk
Group EUR 1.0 million
(of which STEMMER IMAGING AG:
EUR 0.2 million)

Technological change

The machine vision industry is subject to rapid technological change and a shift in customer markets. New technologies can result in the use of machine vision products or services being reduced or made redundant. In addition, new developments can be overlooked and sales can be lost.

Specific measures to minimise risks	Additional measures planned in 2021
– Expansion of the portfolio of value-added services – Scalable platforms for the efficient provision of services – Strengthening the software portfolio, especially through in-house developments – Strengthening the technology base through high-performance components and subsystems	– Structuring and implementing a catalogue of services to increase the positioning of the company's added value – Advancing technological innovations in the field of software **Risk trend** constant **Assessed total risk** Group EUR 0.2 million (of which STEMMER IMAGING AG: EUR 0.2 million)

BUSINESS RISKS

Mergers & acquisitions

The integration of newly acquired companies and the appropriate selection of acquisition targets are significant risks in the area of mergers and acquisitions, in addition to the payment of excessive purchase prices. If a planned acquisition is made on the basis of false assumptions, this transaction could pose a risk to the group's financial situation.

There is also a risk that key employees or key persons of the acquired companies may leave the company as a result of the takeover, so that the goals that were to be achieved with the acquisition can no longer be achieved.

Specific measures to minimise risks	Additional measures planned in 2021
– Carrying out due diligence reviews with regard to business, financial, legal and tax aspects – Examination and incorporation of necessary guarantees. In individual cases, this can also include measures such as the agreement of retention clauses for employees in key positions in the takeover contracts. – Integration of the newly acquired units into the technical and process infrastructure of the Group	– Continuous assessment of potential M&A targets – Achieving synergy effects through streamlining and centralisation of processes **Risk trend** constant **Assessed total risk** Group EUR 0.7 million (of which STEMMER IMAGING AG: EUR 0.7 million)

Supplier dependency & product risks

STEMMER IMAGING is dependent on important suppliers. There are no exclusivity agreements between suppliers and STEMMER IMAGING. STEMMER IMAGING imports some of its products and is subject to the general risk of international trade relations such as delivery delays, exchange rate fluctuations, changes in safety regulations or changes in the general, economic or political situation in the supplier's country.

Disruptions at key suppliers can have a negative impact on STEMMER IMAGING's ability to deliver and on its earnings.

There is also a risk that suppliers may change their product portfolios and in future no longer be able to supply STEMMER IMAGING to the extent required or may no longer be able to supply individual components at all.

Specific measures to minimise risks
- Risk minimisation through alternative sources of supply for important components
- Conclusion of framework agreements that ensure long-term availability
- Forecast planning and adjusted warehousing

Additional measures planned in 2021
- Regular supplier audits to agree on collaboration targets and KPIs

Risk trend
rising

Assessed total risk
Group EUR 0.9 million
(of which STEMMER IMAGING AG: EUR 0.8 million)

Risks from IT operations and IT security

Smooth business operations are essential for STEMMER IMAGING. In order to guarantee this, the company is dependent on the functionality and security of the IT systems. Specific risks with regard to functionality arise from:

- System failure risks that can jeopardise the smooth running of business operations (external or internal risks)
- Security risks that could lead to the manipulation or improper use of sensitive data
- Inadequate IT infrastructure due to lack of or misallocated investments

Specific measures to minimise risks
- Continuation of permanent monitoring of IT operations and IT security by qualified employees
- Continuous training of the IT department staff in the areas of cybersecurity and continuity management
- Maintenance and further development of the IT hardware and software environment in order to always have state-of-the-art technology
- Further develop and monitor clear regulations on the use of the IT infrastructure

Additional measures planned in 2021
- Continuous further development of IT systems and processes
- Audit of internal and external IT security by an external authority

Risk trend
constant

Assessed total risk
Group EUR 0.2 million
(of which STEMMER IMAGING AG: EUR 0.2 million)

Risks from skills shortage

STEMMER IMAGING's success depends on attracting, developing and retaining sufficiently qualified staff over the long term, as well as keeping know-how within the company.

Specific measures to minimise risks	Additional measures planned in 2021
– Avoid skills shortage through internal training – Continue with and expand existing cooperations with associations in order to spark the interest of potential new employees early on – Ensuring qualified young talent through the awarding of Bachelor's and Master's theses and through student traineeships	– Management and specialist staff training – Structured succession planning **Risk trend** rising **Assessed total risk** Group EUR 0.2 million (of which STEMMER IMAGING AG: EUR 0.2 million)

Tax risks

STEMMER IMAGING is exposed to tax risks in that tax assessments and external audits may lead to additional payments or there may be adverse changes as a result of tax legislation. It cannot be ruled out that future assessments and external audits will lead to additional payments. Tax risks also arise from the internal charging of services between the Group companies. In the course of tax audits, tax authorities may arrive at different opinions that lead to subsequent taxation.

Risks also arise with newly acquired companies, on the one hand due to operational audits for prior-year periods, and on the other hand for future assessments.

Specific measures to minimise risks	Additional measures planned in 2021
– Incorporation of tax exemptions and guarantee clauses in share purchase agreements for previous fiscal years – Identification of tax risks in acquisitions in the course of a red flag due diligence – Regular adjustment of the intercompany settlements to applicable tax law	– Ongoing development of the transfer pricing model across the group **Risk trend** constant **Assessed total risk** Group EUR 0.2 million (of which STEMMER IMAGING AG: EUR 0.2 million)

The Executive Board of STEMMER IMAGING AG has a corresponding overview of the risks through the risk management system. These have not changed significantly compared to the previous year. In its overall assessment of the risks, the Executive Board is not currently aware of any risks that could jeopardise the continued existence of the Group or STEMMER IMAGING AG or have a material adverse effect on the net assets, financial position or results of operations.

REPORT ON OPPORTUNITIES

Opportunity management at STEMMER IMAGING is based on the company's risk management. As part of risk identification and analysis, STEMMER IMAGING also derives opportunities that arise internally and externally. The aim is to identify opportunities at an early stage and to make the best possible use of them for the company by taking appropriate measures. Significant opportunities arise for STEMMER IMAGING in connection with the Covid-19 pandemic, in the areas of products & markets, mergers & acquisitions, processes & technology and compliance.

The presentation of opportunities reflects the current assessment of the company but is expressly not to be regarded as comprehensive and conclusive. The assessments of the opportunities are subject to continuous change, as both the company and the business environment are subject to ongoing change processes. Opportunities that have not yet been identified may become more important in a short period of time, or the potential from opportunities that have already been identified may not be fully realised. Regular identification and evaluation is therefore a key element in exploiting the opportunities presented.

OPPORTUNITIES IN THE CONTEXT OF THE COVID-19 PANDEMIC

The serious upheavals caused by the global Covid-19 pandemic were associated with a multitude of challenges in the past fiscal year. In the course of the necessary conversion of the working circumstances to a "new normal" through the implementation of new IT systems, there is an opportunity to achieve improved process and cost efficiency. Possible interruptions in supply chains offer the opportunity to be faster than the competition through active sourcing and a responsive warehouse and logistics concept.

OPPORTUNITIES FROM PRODUCTS & MARKETS

Appropriate initiatives aimed at developing and expanding the product portfolio and growth potential offered provide the opportunity to leverage growth potential and strengthen the competitive position. STEMMER IMAGING sees opportunities here in particular in the:

- Expansion of market presence, especially in European markets
- Development of new market segments identified as high-growth and promising, especially in the non-industrial sector
- Identification of new customer groups
- Focus on value-added services
- Internal organisational structure for optimised market development

The goals from measures with regard to these opportunities are primarily geared towards gaining market share, increasing the company's profit and improving customer service.

OPPORTUNITIES FROM MERGERS & ACQUISITIONS

Through continuous market observation, potential takeover targets are to be identified promptly and possible opportunities exploited. Activities in this area support strategic corporate growth through the integration of companies in established or new markets or product and customer categories. Opportunities can also arise from synergies that improve STEMMER IMAGING's cost position.

OPPORTUNITIES FROM PROCESSES & TECHNOLOGY

Process efficiency is one of the main drivers of the Group's success. Identified inefficiencies therefore offer the opportunity to positively influence the cost position and process quality in a sustainable way within the framework of projects. Opportunities are to be exploited, among other things, through investments in digital purchase-to-pay management and CRM tools, which shorten communication channels and reduce susceptibility to errors. Another important field of opportunity is in the area of order costing. Increasing automation and more precise cost allocation are seen as an opportunity to be able to give product-specific and market-oriented prices to potential customers and to avoid uncertainties.

OPPORTUNITIES IN COMPLIANCE

In the course of revising customer (framework) contracts and general terms and conditions, STEMMER IMAGING has the opportunity to establish contractual conditions that provide additional transparency and security in customer relationships. Defined regulations ensure clarity and avoid the need for lengthy coordination. In addition, this is intended to create a component for long-term customer loyalty and satisfaction that is based on clear rules of cooperation.

SUMMARY OF THE OPPORTUNITY SITUATION

The long-term positive development of STEMMER IMAGING is dependent on the exploitation of potential opportunities. The Group has identified the key drivers and is pushing ahead with the corresponding measures to exploit potential opportunities. On the one hand, a combination of organic and inorganic growth and the identification of new markets, customers and products remains essential for sustainable growth. On the other hand, the internal focus on efficient and forward-looking processes and technologies is of particular importance. This should serve to maintain a competitive cost position and to be able to identify customer needs promptly and respond efficiently within the framework of order processing.

CORPORATE SOCIAL RESPONSIBILITY 2020

With the 2020 reporting year, STEMMER IMAGING is providing information on the economic, environmental and social impact of its business activities for the second time.

Industrial machine vision and optical measurement and inspection technology play a key role in optimising manufacturing processes, increasing production results and reducing the environmental impact. The use of machine vision technologies and solutions from STEMMER IMAGING helps to achieve a valuable improvement in energy and resource efficiency for innovative and future-oriented production processes.

The Group is on its way to integrating sustainability into all of its corporate divisions as a cross-sectional task. For STEMMER IMAGING, entrepreneurial action is closely linked to social responsibility. The company is committed to training and development and wants to create a working environment in which employees can develop their full potential. As a medium-sized company, STEMMER IMAGING and its subsidiaries are also clearly committed to their respective economic regions. For example, STEMMER IMAGING AG has been committed for many years to getting young people excited about technology and promoting their talents.

The efficient use of energy and resources is an important concern for the company in order to reduce the environmental impact of its business activities. For example, there are initiatives to replace packaging materials with sustainable raw materials and to use green electricity from renewable sources.

Stakeholder interest in the company's progress in the area of sustainability has steadily increased and serves as motivation for the company to further expand its commitment. STEMMER IMAGING pursues the goal of creating long-term value – for customers and suppliers, employees, shareholders and the social and industrial environment.

The compass for this is formed by the three building blocks:

VISION – MISSION – CORPORATE VALUES.

STEMMER IMAGING has anchored sustainability as a central component of its corporate culture in its **corporate vision**.

"As machine vision specialists we enable businesses to improve the world we live in."

This is complemented by the aspiration that STEMMER IMAGING has defined as a central building block in its corporate values:

"Our engagement also in training and further education makes us a valuable part in our community. By actively shaping the machine vision industry, we strive to contribute to making this world a safer and better place to live while conserving the earth's valuable resources. We are convinced that a business policy that complies with laws and ethical principles is socially responsible and best serves the long-term interests of our company and all its stakeholders."

STEMMER IMAGING is firmly convinced that it can thus positively influence activities within the company and create a direct or indirect impact on its environment – for a successful, sustainable development.

INTERNATIONAL STANDARDS

UN Sustainable Development Goals

In this reporting year, the Sustainable Development Goals once again serve as our guide for sustainable development. With its “2030 Agenda for Sustainable Development”, adopted in 2015, the United Nations has created the basis for shaping global economic progress in harmony with social justice and within the Earth’s ecological limits, thereby addressing a number of urgent global challenges. The Sustainable Development Goals are intended to provide the impetus for a better and more sustainable future. STEMMER IMAGING fully supports the SDGs and wants to contribute to achieving them.

In the year under review, greater consideration was given to how the company’s commitment can contribute to the implementation of the development goals and how it can take measures in the future that will make a contribution.

UN Global Compact

Since 2020, STEMMER IMAGING has been shaping its activities in the area of sustainability along internationally recognised sustainability standards and has made its declaration of commitment to the UN Global Compact. The **UN Global Compact** is the world’s largest and most important initiative for responsible corporate governance. Based on ten universal principles, it pursues the vision of an inclusive and sustainable global economy for the benefit of all people, communities and markets. STEMMER IMAGING supports and is committed to the 10 sustainability principles of the Global Compact in the areas of human rights, labour environment and anti-corruption.

	SDG Goals	Our contribution
4 QUALITY EDUCATION	4.3 and 4.4	• Continuous training of staff • Training opportunities for customers and suppliers • Cooperations with schools and universities, special discounts for educational and research institutions
7 AFFORDABLE AND CLEAN ENERGY	7.2 and 7.3	• Goal: 100 per cent green energy for all locations • The Puchheim site switched to 100 per cent green electricity from renewable energies in 2018 • Promote the use of sustainable transport among employees
8 DECENT WORK AND ECONOMIC GROWTH	8.7 and 8.2	• Compliance with labour standards and respect for human rights • E-learning sessions on topics such as the Code of Conduct and Data Protection as well as the Code of Supply are proof of this commitment. • Offer of health services • Flexible working hours models to ensure the compatibility of work and family life
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.5 and 12.6	• Goal: Provide solutions/products for customers with better sustainability performance, less waste and pollution • Ensure responsible sourcing of materials through strict compliance with international laws.
13 CLIMATE ACTION	13.1, 13.2 and 13.3	• Taking proactive measures with the aim of reducing greenhouse gas emissions by 2030 • Proper waste management • Continuous conversion and introduction of sustainable packaging materials

MATERIALITY ANALYSIS

In 2020, STEMMER IMAGING conducted a materiality analysis to identify and prioritise the most relevant sustainability issues, taking into account the impact on the organisation and stakeholders.

This involved examining the economic, environmental and social impacts of the company's activities and the relevance of these issues for the company's stakeholders.

Based on the results for the two factors impact and relevance, the following focus areas were identified:

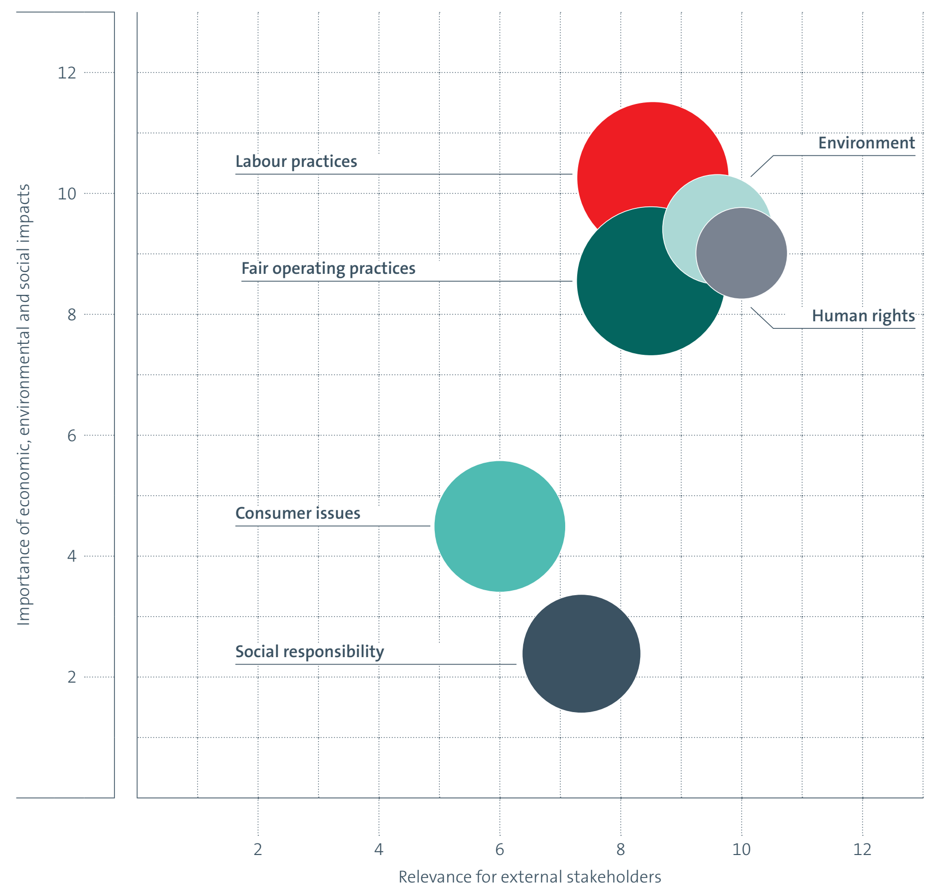
Motivating working environment

Sustainable locations

Climate protection and energy efficiency

STEMMER IMAGING concentrates its sustainable actions and the measures it takes on these three focus areas.

MATERIALITY ANALYSIS
0 = unimportant, 12 = very important, size of circles = impact of own measures



STEMMER IMAGING CSR GOALS

In the year under review, STEMMER IMAGING set up a CSR working group. This working group, consisting of employees from various departments, met monthly to discuss and agree on all overarching topics and activities.

The Executive Board is involved in the ongoing development of the sustainability strategy. The exchange with the global STEMMER IMAGING subsidiaries was also intensified in the year under review and the topic of sustainability was included in the reporting of the subsidiaries as a fixed component.

SDG	CSR Goals	Issues	Criteria	KPI	Status quo 2020
4 QUALITY EDUCATION	**Motivating working environment**	Employee development	Personnel appraisals and target agreement meetings for each employee	At least two staff appraisals per year	One staff appraisal per year
		Internal suggestion scheme	Number of proposals received and their implementation	Innovative proposals process-related product-related application-related	31 proposals received in 2020
7 AFFORDABLE AND CLEAN ENERGY	**Climate protection and energy efficiency**	Electricity is purchased from local suppliers as green electricity	Continuous increase in the share of green electricity at all locations worldwide	Purchase of 90 per cent green electricity at all locations by 2022	Green electricity implemented at the main company site
8 DECENT WORK AND ECONOMIC GROWTH	**Sustainable locations**	Compliance with the Code of Conduct	Number of breaches of the Code of Conduct	0 breaches	0 breaches in 2020
		Code of Supply	Proportion of suppliers with signed Code of Supply	100 per cent of suppliers with signed Code of Supply by the end of 2021	Code of Supply updated to current requirements and an integral part of every purchase order
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Sustainable locations**	Reduce packaging material or adapt material use to environmentally friendly products	Continuous reduction of the use of packaging materials	Material and resource consumption will be continuously measured and reduced from 2021 onwards	Do without bubble wrap; use of environmentally friendly parcel tapes already implemented
		Resource conservation and efficiency (e.g. reduction of printer paper and toner)	A process for recording and evaluating performance in terms of resource economy and efficiency has been established throughout the Group	Continuously identify savings potential to reduce material and resource consumption from 2021 onwards	Printing on thermal paper was discontinued, introduction of digital document management system with potential for avoiding 70,000 pages of paper/year decided (implementation Q1 2021)
13 CLIMATE ACTION	**Climate protection and energy efficiency**	Promoting the use of environmentally friendly transport	Continuous increase in the use of environmentally friendly means of transport	Evaluation of possible mobility concepts	Job bike offer established at main company location; use in 2020 56 per cent above previous year

Norbert Seidl, mayor of the town of Puchheim

STEMMER IMAGING donates the prize money of PUCHHEIMS PULS to the social service

"The contribution of small and medium-sized enterprises on the road to sustainable development is very crucial."

Interview with the mayor of the town of Puchheim, Mr Norbert Seidl

STEMMER IMAGING has supported the town of Puchheim in recent years, for example by taking part in the town cycling event or by being a member of the secondary school's support association. Is there an action that has particularly stuck in your memory?
Norbert Seidl: A special highlight for the city and for me personally is the annual city cycling event. It's not just about kilometres, it's really very much about sustainable mobility behaviour. STEMMER IMAGING is cycling along and collecting donations in the process. 2019 was a complete success for the whole of Puchheim: 5th place nationwide, district winner and financial support for social institutions thanks to the high amount of donations.

Last year, STEMMER IMAGING was awarded the PUCHHEIMS PULS prize by the town of Puchheim. What were the decisive criteria for the award?
Norbert Seidl: PUCHHEIMS PULS wants to recognise outstanding commitment. In the "Work & Company" category, the jury praised STEMMER IMAGING's high level of responsibility towards its employees, its corporate culture geared towards the common good and the company's involvement in the Puchheim location. This can be seen in a variety of projects such as school sponsorships, participating in cluster events or helping to organise the training fair.

The town of Puchheim – like STEMMER IMAGING – is committed to the United Nations' sustainability goals. How important do you consider the contribution made by STEMMER IMAGING as a medium-sized company in Puchheim?
Norbert Seidl: The contribution of small and medium-sized enterprises on the path to sustainable development is very decisive. They bring people from all over the world together professionally, they develop innovative technologies that can help meet the global challenge, they organise training places and professional qualifications. STEMMER IMAGING's role model function, which began with the company founder Wilhelm Stemmer and his social commitment, is changing things locally and globally."

REPORT ON EXPECTED DEVELOPMENTS

FORECAST ASSUMPTIONS

The forecast report reflects the expected development of STEMMER IMAGING AG and the STEMMER IMAGING Group in the 2021 fiscal year from the perspective of the Executive Board. The forecast report contains forward-looking statements that are based on expectations and estimates of the Executive Board and could be influenced by unforeseen events. As a result, the actual course of business may deviate either positively or negatively from the assumptions presented below, among other things due to changing political and economic conditions.

The following forecast takes into account all information available at the time of its preparation that could have an impact on the business development of STEMMER IMAGING AG and the STEMMER IMAGING Group. The basis and key assumptions of the forecast for the 2021 fiscal year are presented below.

ECONOMIC OUTLOOK

The economy is still subject to coronavirus-related market volatility, which makes it difficult to make an accurate forecast of business development in 2021.

So far, the start of the year remains affected by tighter coronavirus restrictions in large parts of the euro area, before further easing can be implemented in the wake of higher vaccination rates, which will lead to an overall economic recovery. After the sharp decline in the past year, the OECD now expects global gross domestic product (GDP) to increase by 5.6 per cent in 2021. According to OECD sources, a gradual recovery of the global economy is expected by 2022. The use of vaccines and government stimulus programmes – especially in the USA – are expected to boost economic activity considerably.

The European Central Bank (ECB) expects gross domestic product in the euro area to increase by 4.4 per cent in 2021, after forecasting a recovery of 5.3 per cent in October 2020. The production level recorded before the pandemic is not expected to be reached again until after 2022.

The projections are based on the assumption that new coronavirus outbreaks will remain limited and that vaccines will be available in many parts of the world by the end of the current year. For 2021, countries and regions with effective pandemic containment will perform comparatively well, according to the OECD, but will still suffer from overall weak global demand.

The forecasts of the German Mechanical Engineering Industry Association (VDMA) for economic development in the mechanical engineering sector serve STEMMER IMAGING AG and the Group as an important indicator for the further course of business in key sales markets. The VDMA economists expect the mechanical engineering sector to benefit from a recovery in the global economy in 2021, and they forecast an increase in real production of 4.0 per cent. This forecast is subject to greater uncertainty than usual, as upcoming period holds still unclear developments. The recent lockdowns in many countries, especially the travel and residence restrictions, are also burdening the manufacturing sector, the main customer of the mechanical engineering industry. The VDMA economists do not expect the machinery industry in Germany to be able to reach its already modest production level of 2019 again as early as 2021. The decline in 2020 was too high for this, and the start to 2021 was not sufficiently unencumbered. In addition, the structural change, in particular in vehicle construction, will continue to pose challenges.

FORECAST FOR THE STEMMER IMAGING GROUP

The Executive Board continues to foresee a wider range in the possible business development in its full-year forecast in order to take into account the pandemic-related uncertainties. However, growth compared to the 2020 fiscal year is considered realistic, at least in the mid single-digit range up to 15 per cent. This results in a revenue forecast for the 2021 fiscal year of between EUR 111 and 121 million. Building on the measures taken in 2020 to further improve costs, this revenue figure leads to an EBITDA range of EUR 7.8 – 10.2 million.

The continuing uncertainty in connection with the further course of the pandemic, in particular due to the spread of virus mutations, as well as delays in the vaccination process in individual countries, especially in Germany, could result in the economic environment in individual countries and regions deviating significantly from the expected trends and developments. This could have a significant impact on the business performance of STEMMER IMAGING AG and the Group as a whole.

In addition, the business performance of STEMMER IMAGING AG and the Group may also deviate as a result of the risks and opportunities listed in the risk and opportunity report.

FORECAST FOR STEMMER IMAGING AG

The parent company of the Group generates revenue from the sale of machine vision technology in Germany as well as from allocations and services to its subsidiaries. All of the general conditions mentioned for the Group with regard to economic development in 2021 also apply to STEMMER IMAGING AG. For the 2021 fiscal year, the Executive Board expects revenue growth in the mid single-digit range up to 12 per cent. EBITDA is forecast to be in the low single-digit million-euro range.

OTHER DISCLOSURES

CONCLUDING STATEMENT ON DEPENDENT COMPANY REPORT

The Company has prepared a dependent company report for the 2020 fiscal year, which concludes with the following final statement:

“As the Executive Board of STEMMER IMAGING AG, we hereby declare that STEMMER IMAGING AG received appropriate consideration for the legal transactions listed in the above report on relationships with affiliated companies according to the circumstances known to us at the time at which the legal transaction was carried out.

No reportable measures within the meaning of section 312 (1) sentence 2 AktG were taken or omitted in the fiscal year from 1 January to 31 December 2020.”

SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

For the supplementary report, please refer to the notes to the consolidated financial statements.

Puchheim, 19 March 2021

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

TRAFFIC & INFRASTRUCTURE
Use of high-resolution matrix cameras and machine learning for vehicle detection and speed monitoring in traffic engineering

03 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020

ASSETS
in KEUR

	Notes	31/12/2020	31/12/2019
Non-current assets			
Property, plant and equipment	2	5,894	7,973
Goodwill	1	19,418	23,850
Other intangible assets	1	8,543	10,086
Investments accounted for using the equity method	3	0	600
Other investment securities	13	36	34
Other financial assets	13	43	0
Deferred tax assets	25	325	293
Total non-current assets		**34,259**	**42,836**
Current assets			
Inventories	4	11,048	11,156
Trade receivables	5	15,114	16,610
Contract assets	6	95	180
Other financial assets	13	195	200
Income tax receivables	7	385	1,157
Other assets and prepaid expenses	8	870	823
Cash and cash equivalents	9	34,718	27,974
Total current assets		**62,425**	**58,100**
Total assets		**96,684**	**100,936**

EQUITY AND LIABILITIES
in KEUR

	Anhang	31/12/2020	31/12/2019
Capital and reserves			
Subscribed capital	10	6,500	6,500
Capital reserves	10	47,495	47,495
Revenue reserves	10	10,084	13,218
Total equity		**64,079**	**67,213**
Non-current liabilities			
Non-current loans	13	5,503	7,508
Provision for pensions and similar obligations	11	42	58
Other financial liabilities	13	2,354	3,527
Other liabilities	16	250	251
Other provisions	12	193	206
Deferred tax liabilities	25	1,667	2,084
Total non-current liabilities		**10,009**	**13,634**
Current liabilities			
Current loans	13	2,002	2,048
Other provisions	12	230	32
Trade payables	13, 14	9,635	9,102
Contract liabilities and advance payments received on orders	15	2,222	482
Liabilities to affiliated companies	13	35	0
Liabilities to associated companies	3, 13	50	0
Other financial liabilities	13	2,159	2,452
Income tax liabilities		1,288	768
Other liabilities	16	4,975	5,205
Total current liabilities		**22,596**	**20,089**
Total liabilities		**32,605**	**33,723**
Total equity and liabilities		**96,684**	**100,936**

CONSOLIDATED INCOME STATEMENT

DEVELOPMENT FROM 1 JANUARY 2020 TO 31 DECEMBER 2020
in KEUR

	Notes	2020	2019[1]
Revenue	18	105,181	62,337
Cost of materials	20	−66,500	−39,956
Gross profit		**38,681**	**22,381**
Other operating income	19	1,621	544
Personnel expenses	21	−23,438	−12,834
Other operating expenses	23	−9,650	−8,146
EBITDA		**7,214**	**1,945**
Depreciation and impairment of property, plant and equipment	22	−2,835	−1,417
EBITA		**4,379**	**528**
Amortisation of intangible assets	22	−5,929	−1,108
Operating earnings (EBIT)		**−1,550**	**−580**
Loss from investments accounted for using the equity method	24	−600	−749
Finance income	24	39	12
Finance costs	24	−122	−104
Profit before income taxes		**−2,233**	**−1,421**
Taxes on income	25	−1,090	20
Consolidated net income		**−3,323**	**−1,401**
Of which:			
Shareholders of the parent company		−3,323	−1,401
Numbers of shares (weighted average)		6,500,000	6,500,000
Earnings per share in EUR (diluted and basic)	26	−0.51	−0.22

1 Short fiscal year 2019: 1 July 2019 to 31 December 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DEVELOPMENT FROM 1 JANUARY 2020 TO 31 DECEMBER 2020
in KEUR

	2020	2019[1]
Consolidated net income	**−3,323**	**−1,401**
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	191	254
Items that will not be reclassified to profit or loss in future		
Change in actuarial gains/losses	−3	−8
Deferred taxes from change in actuarial gains/losses	1	2
	−2	−6
Other comprehensive income after income taxes	189	248
Total comprehensive income	**−3,134**	**−1,153**
Of which:		
Shareholders of the parent company	−3,134	−1,153

1 Short fiscal year 2019: 1 July 2019 to 31 December 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY 2020 TO 31 DECEMBER 2020[1]
in KEUR

	2020	2019[2]
Cash flows from operating activities		
Consolidated net income	−3,323	−1,401
Income tax income/expense recognised in profit or loss	1,090	−20
Finance costs/income recognised in profit or loss	83	92
Amortisation and depreciation of intangible assets, property, plant and equipment, and investment securities	9,364	3,274
Increase (+)/decrease (–) in provisions	198	−87
Other non-cash expenses/income	−636	5
Gain/loss on disposal of property, plant and equipment and intangible assets	3	4
Decrease (+) in inventories, trade receivables and other assets	1,651	3,180
Decrease (–)/increase (+) in liabilities and other liabilities	2,648	−1,656
Interest received	39	12
Cash flows from operating activities	**11,117**	**3,403**
Income taxes paid	−234	−1,453
Net cash flows from operating activities	**10,883**	**1,950**
Cash flows from investing activities		
Proceeds from disposals of intangible assets	0	11
Payments for intangible assets	−37	−1,378
Proceeds from disposals of property, plant and equipment	73	56
Payments for investments in property, plant and equipment	−388	−627
Proceeds from disposal of fiancial assets	12	0
Payments for investments in financial assets	−13	0
Payments for additions to the consolidated group less cash acquired	0	−23,702
Net cash flows used in investing activities	**−353**	**−25,640**

FROM 1 JANUARY 2020 TO 31 DECEMBER 2020[1]
in KEUR

	2020	2019[2]
Cash flows from financing activities		
Proceeds from loans	0	10,000
Repayment of loans[3]	−3,979	−1,467
Proceeds from grants received	579	33
Dividends paid to shareholders of the parent company	0	−1,755
Dividends paid on free float shares	0	−1,495
Interest paid	−122	−98
Net cash flows used in/(from) financing activities	**−3,522**	**5,218**
Net decrease/increase in cash and cash equivalents	**7,008**	**−18,472**
Cash and cash equivalents at the beginning of the fiscal year	**27,974**	**46,257**
Changes in cash due to exchange rate movements and remeasurement	−264	189
Cash and cash equivalents at the end of the fiscal year	**34,718**	**27,974**
Of which cash in hand and bank balances	34,718	27,974

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 Short fiscal year 2019: 1 July 2019 to 31 December 2019
3 An explanation on the repayment of lease liabilities can be found in the notes on the statement of cash flows.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JULY 2019 TO 31 DECEMBER 2019
in KEUR

	Subscribed capital	Capital reserves	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Currency translation reserve	Revenue reserves: Other revenue reserve	Revenue reserves: 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 to shares in free float	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**

FROM 1 JANUARY 2020 TO 31 DECEMBER 2020
in KEUR

	Subscribed capital	Capital reserves	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Currency translation reserve	Revenue reserves: Other revenue reserve	Revenue reserves: Total	Total
As of 1 January 2020	**6,500**	**47,495**	**10**	**−81**	**13,289**	**13,218**	**67,213**
Consolidated net income	0	0	0	0	−3,323	−3,323	−3,323
Adjustment of reserves (OCI)	0	0	−2	0	0	−2	−2
Currency adjustments	0	0	0	191	0	191	191
As of 31 December 2020	**6,500**	**47,495**	**8**	**110**	**9,966**	**10,084**	**64,079**

03
CONSOLIDATED FINANCIAL STATEMENTS
NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2020 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 IMAGING", "STEMMER IMAGING Group" or "the Group") were prepared for the 2020 fiscal year in accordance with International Financial Reporting Standards (IFRS, as adopted by the EU) and the additional requirements of commercial law. The fiscal year covers the period from 1 January 2020 to 31 December 2020.

STEMMER IMAGING is a leading machine vision technology provider with experienced specialists in Europe, Latin America and Asia. The Group offers innovative machine vision solutions, extensive knowledge and customer service for various industrial and non-industrial markets and applications. These include components that can be pre-configured where needed, 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 renowned knowledge and leading software tools including the company's machine vision library "Common Vision Blox".

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 the previous reporting period, STEMMER IMAGING had a short fiscal year from 1 July to 31 December. There is only limited comparability with the fiscal year (calendar year) presented in this report.

The registered office of STEMMER IMAGING is Gutenbergstr. 9–13, 82178 Puchheim, Germany. STEMMER IMAGING AG is registered with the Local Court of Munich under HRB 237247.

In the past fiscal year, the previous majority shareholder SI Holding was merged into PRIMEPULSE SE with retroactive effect as at 1 January 2020 by way of a merger agreement dated 12 May 2020; the entire shareholding in STEMMER IMAGING AG held at the time of the conclusion of the merger agreement by SI Holding GmbH was transferred to PRIMEPULSE SE. This was communicated in a voting rights announcement on 19 May 2020. PRIMEPULSE SE holds 59 per cent of the shares in STEMMER IMAGING AG as at 31 December 2020.

As the parent company of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the smallest group of companies for the 2020 fiscal year in accordance with International Financial Reporting Standards (IFRS, as adopted by the EU) and the additional requirements of German commercial law. The consolidated financial statements will be published in the electronic German Federal Gazette (Bundesanzeiger).

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 at 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 is required to apply all standards and interpretations that are mandatory at the end of the reporting period (31 December 2020) uniformly for all periods presented. In addition, there is the option of early voluntary application of standards and interpretations already published and recognised by the EU that were not yet mandatory in the reporting period.

The first-time application of the IFRS that was mandatory as of 1 January 2020 – amendments to IFRS 9, IAS 39 and IFRS 7 ("IBOR reform"), amendments to IAS 1 and IAS 8 ("Materiality"), amendments to IFRS 3 ("Definition of a business operation") and the updating of references to the framework – did not have any material impact on the net assets, financial position and results of operations in the 2020 fiscal year.

The amendments to IFRS 16 in connection with the Covid-19 pandemic, which were issued retroactively as of 1 January 2020, resulted in changes in the accounting for leases. As a result of the simplified accounting, contract modifications from rent reductions or deferrals that are directly related to the Covid-19 pandemic are no longer measured as a modification. This did not have a significant impact on the asset, financial and income situation in the 2020 fiscal year.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET MANDATORY

The following new standards and interpretations, which have been adopted by the International Accounting Standards Board (IASB) and are mandatory for fiscal years beginning after 1 January 2021, have not been applied in the preparation of these consolidated financial statements:

Standard or interpretation	Contents and significance for financial statements	Mandatory date of first-time adoption
Amendment to IFRS 4	Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform (Phase 2)	01/01/2021

The first-time application of the regulations is not expected to have any significant impact on the consolidated financial statements.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET TO BE APPLIED

The following standards and interpretations or amendments to existing standards and interpretations have been adopted by the IASB. However, as these have not yet been endorsed by the EU, they have not yet been taken into account in the preparation of these consolidated financial statements:

Standard or interpretation	Contents and significance for financial statements	Mandatory date of first-time adoption
IFRS 17 and amendment to IFRS 17	The standard governs the accounting and valuation of insurance contracts at the company that issues these contracts. It is not relevant to the consolidated financial statements of STEMMER IMAGING AG.	01/01/2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	01/01/2023
Amendments to IFRS 3	References to the Conceptual Framework	01/01/2022
Amendments to IAS 16	Property, Plant and Equipment – Proceeds Before Intended Use	01/01/2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	01/01/2022

The Group has not yet conclusively assessed the extent to which these new but not yet applicable standards and interpretations will impact the financial position and performance. At present, no material impact is expected.

3. CONSOLIDATED GROUP

As in the previous year, the consolidated financial statements as at 31 December 2020 include the parent company, i.e. STEMMER IMAGING AG, as well as one additional domestic and fourteen foreign subsidiaries, which are fully consolidated in the consolidated financial statements.

A subsidiary is an entity that is controlled by STEMMER IMAGING AG. Control exists when STEMMER IMAGING AG is exposed to or has the 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 scope of consolidation as at 31 December 2020:

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

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 is 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 foreign companies are translated into euro at the respective closing rates at the beginning and end of the year. All changes during the fiscal year, expenses and income and cash flows are translated at the average rate for the year.

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

Differences arising from translation at closing rates are reported separately in equity as currency translation reserve of foreign subsidiaries or as currency changes. Currency translation differences recognised in equity during the period of affiliation with the Group are reversed to profit or loss when Group companies are removed from the scope of consolidation or when the net investment in a foreign operation is reduced.

Changes to exchange rates of major currencies against the Euro were as follows:

EUR 1/		Closing rate on 31/12/2020	Closing rate on 31/12/2019	Average rate 2020	Average rate 2019
CHF	Switzerland	1.0802	1.0854	1.0703	1.0959
GBP	United Kingdom	0.8990	0.8508	0.8892	0.8810
SEK	Sweden	10.0343	10.4468	10.4881	10.6546
DKK	Denmark	7.4409	7.4715	7.4544	7.4671
MXN	Mexico	24.4160	21.2202	24.5118	21.5573
BRL	Brazil	6.3735	4.5157	5.8900	4.4135
PLN	Poland	4.5597	4.2568	4.4432	4.3031

FOREIGN CURRENCY VALUATION

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

4. ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. The methods described have been applied consistently to the reporting periods presented, unless otherwise indicated.

Standards that are not to be applied until after the reporting date were not applied early. Therefore, there were no effects from the early application of standards on the net assets, financial position or results of operations of the Group in the 2020 fiscal year.

The consolidated financial statements for the 2020 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 at 31 December 2020.

The financial statements of the domestic and foreign companies included in the consolidated financial statements were prepared as at the reporting date of STEMMER IMAGING AG, i. e. 31 December 2020.

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

All material intragroup profits, losses, revenues, expenses and income as well as intragroup receivables and liabilities are eliminated.

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

The income statement contains the Group's share of the associated company's net income for the period. This is reported in a separate item including the associated income taxes. Changes in the other comprehensive income of these associated companies are recognised in the Group's other comprehensive income.

After applying the equity method, the Group determines whether it is necessary to recognise an impairment loss for its investment in an associate. It determines at each reporting date whether there is objective evidence that the investment in an associate may be impaired. If any such indication exists, the amount of the impairment loss is measured as the difference between the asset's recoverable amount and the carrying amount of the investment in the associate, and the loss is recognised in the income statement under "Associates' share of profit or loss".

When the Group obtains significant influence over an associate, it measures all of the shares it holds in the associate at fair value. Differences between the carrying amount of the investment in the associate at the time significant influence is obtained and the fair value of the shares already held are recognised in the income statement or in other comprehensive income, depending on the classification according to IFRS 9.

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

4.2. REVENUE RECOGNITION

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

STEMMER IMAGING applies IFRS 15 when recognising revenue. The Group uses the five-step model of IFRS 15 to assess whether the specified performance commitments represent separate performance obligations that are distinct from each other, and whether each contract contains other promises that represent separate performance obligations to which a portion of the transaction price must be allocated (e. g. financing components, warranties, equipment (customer-specific parts), right- of-use assets).

The model consists of the following steps:
(1) Determination of contracts with customers
(2) Identification of the individual performance obligations in the contract
(3) Determination of the transaction price
(4) Allocation of the transaction price to the performance obligations
(5) Revenue recognition (at a point in time or over a period of time)

The Group recognises revenue based on the consideration specified in a contract with a customer. Amounts collected on behalf of third parties are excluded from revenue recognition. Revenue is recognised when control is transferred to the customer. In the Group, this is mainly done at the point in time when the customer takes ownership of the products. Amounts attributable to rebates, bonuses and discounts are not included in revenue recognition. Warranties and guarantees are within the standard levels for the industry.

When determining the transaction price for the sale of imaging technologies, the Group considers the impact of variable consideration, the existence of significant financing components or consideration payable to a customer, for example. For each performance obligation that is separately identifiable in the contractual context of IFRS 15, an assessment is carried out as to whether revenue should 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 share of profit after tax of the shareholders of the parent company by the weighted average number of shares outstanding during the fiscal year.

4.4. INTANGIBLE ASSETS

Purchased intangible assets are capitalised at cost.

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

In accordance with IAS 36, goodwill is subject to an impairment test at least once a year. 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 IMAGING cannot currently be capitalised and are recognised directly as an expense in the consolidated income statement.

4.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are valued at their historical acquisition or production costs less depreciation in accordance with IAS 16. Amortisation and depreciation are recognised using the straight-line method over the economic useful life.

Borrowing costs that are directly attributable to qualifying assets are generally capitalised as part of the cost of the asset in accordance with IAS 23. Repair costs that do not serve to enhance or substantially improve the respective asset are recognised as an expense.

4.7. LEASES

STEMMER IMAGING AG applies IFRS 16 to its leases. IFRS 16 contains a comprehensive model for identifying leasing arrangements and for accounting by the lessor and lessee. The core aspect is to generally recognise all leases and the associated contractual rights and obligations in the lessee's statement of financial position. For leases with a term of more than 12 months and of no small value, lessees are required to recognise right-of-use assets and lease liabilities. For the lessor, leases shall be classified as either finance leases or operating leases.

The initial measurement of the right-of-use asset and the corresponding lease liability is based on the present value of the lease payments plus initial direct costs, less incentives received. Discounting is performed using the interest rate underlying the lease or, if this cannot be readily determined, the Group's incremental borrowing rate. Within the STEMMER IMAGING Group, interest rates of between 0 per cent and 9.52 per cent were applied to the respective Group companies, depending on the respective asset class, the term of the contract and the start of the contract. Lease payments usually consist of fixed and variable payments which may be linked to an index. If the lease includes a renewal or purchase option that is deemed to be exercised with reasonable certainty, the cost of the option is included in the lease payments. The options available in IFRS 16 regarding the simplified treatment of leases with a term of no more than 12 months and leases of low-value assets are exercised by the STEMMER IMAGING Group.

The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The payment obligations resulting from the leases are recognised as liabilities under other financial liabilities and subsequently measured at amortised cost using the effective interest method.

Due to the coronavirus pandemic, lease agreements were adjusted or renegotiated to cushion the burden of the government-imposed lockdowns. The agreed lease concessions could include rent reductions or deferrals.

IFRS 16 previously considered subsequent contract adjustments to be a modification. However, these would entail a not inconsiderable need for adjustment. The IASB also recognised this and published the Amendment to IFRS 16, "Covid-19-Related Rent Concessions", in May 2020, to provide temporary relief for the accounting treatment of rent concessions. Accordingly, a lessee has the option not to account for Covid-19-related rent concessions as a modification and links the application to the following criteria, which must be met cumulatively (IFRS 16.46B):

(1) The change in the lease is a direct result of the coronavirus pandemic.
(2) The rental concessions include changes to the interest and redemption schedule.
(3) The reduced rental payments are due before or on 30 June 2021.
(4) The rental concessions do not include any other changes to the terms of the contract.
(5) The total lease payments are not increased by the amendment.

The application of the relief provision had different accounting consequences for rent waivers/reductions and for rent deferrals. Consistent application to similarly structured contracts was required.

The waiver or reduction of the lease payments was shown as a (negative) variable lease payment and thus as other operating income in accordance with IFRS 16.38. The waiver or reduction of the lease payments was based on the derecognition of the specified part of the liability (IFRS 9.3.3.1). The lease waiver or reduction was based on the derecognition of the specified portion of the liability as an offsetting entry (IFRS 9.3.3.1). When applying the relief provision, there was no adjustment of the right of use and no new determination of an interest rate, as would have to be done when applying the provision for presentation as a modification.

The company generally made use of the relief provision in the 2020 fiscal year for all tenancy concessions that meet the requirements. Changes in rental payments recognised in profit or loss are shown in section B.

4.8. DEPRECIATION AND AMORTISATION

The amortisation of intangible assets and depreciation of property, plant and equipment are essentially determined on the basis of the following useful lives, which are uniform throughout the Group:

in years	31/12/2020	31/12/2019
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

Intangible assets and property, plant and equipment are written down if the recoverable amount of the asset is less than the carrying amount. A separate case applies if the asset is part of a cash-generating unit. If an intangible 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, the goodwill is first written down by the difference. Any need for impairment in excess of this is taken into account by reducing the carrying amounts of the other assets of the cash-generating unit on a pro rata basis. If the reason for an earlier impairment loss no longer exists, the intangible assets are written up. However, the increased carrying amount resulting from the reversal of the write-down may not exceed the depreciated cost. Impairment on goodwill is not reserved.

4.10. INVENTORIES

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

Appropriate deductions are made for storage and utilisation risks. The valuation takes into account lower net realisable values on the reporting date. If the reasons for an earlier write-down no longer apply, the write-ups are recognised as reductions in the cost of materials.

4.11. FINANCIAL INSTRUMENTS

Basic information

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

Financial instruments are recognised on the settlement date when STEMMER IMAGING becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are initially measured 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 with changes in value recognised in profit or loss.

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

Classification is determined when the financial asset is first recognised, i. e. when the entity becomes a counterparty to the contractual provisions of the instrument. In certain cases, however, a subsequent reclassification of financial assets may be necessary.

Financial assets

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

– The objective of the company's business model is to hold the financial assets in order to collect the contractual cash flows and to dispose of these financial assets, as well as to sell them to third parties.

– The contractual terms of the financial asset give rise to cash flows at specified dates that are only repayments of parts of the principal amount and interest on the portions of the principal amount that have not yet been repaid.

A debt instrument held that meets the following two conditions must be measured at amortised cost (using the effective interest method, if applicable):

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

– The contractual terms of the financial asset give rise to cash flows at specified dates that are only repayments of the principal and interest on the portions of the principal amount that have not yet been repaid.

All other debt instruments that do not meet the above conditions 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 allocating interest income to the relevant periods.

For all financial instruments that are not classified as purchased or originated impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including any fees that form part of the effective interest rate, transaction costs and other premiums and discounts) through the expected term of the debt instrument or, when appropriate, a shorter period to the net carrying amount at initial recognition.

In the case of financial assets that already show objective indications of impairment upon addition, the interest income is determined by applying an adjusted interest rate to the amortised cost. This adjusted interest rate is the interest rate at which the expected cash flows (explicitly taking into account the expected payment defaults as well as the contractual provisions) are discounted to the carrying amount at acquisition.

Interest income on debt instruments measured at amortised cost or FVTOCI is calculated using the effective interest method. For all financial assets that do not already show objective indications of impairment upon recognition, the interest income is determined using the effective interest method on the gross carrying amount.

In the case of financial assets that do not have objective evidence of impairment upon recognition but do show this later, interest income is determined by applying the effective interest rate to the amortised cost. If, in subsequent periods, the credit risk of the financial asset that led to the designation improves such that the objective evidence of impairment no longer exists, the interest income is calculated using the effective interest rate based on the gross carrying amount.

In the case of financial assets that already show objective indications of impairment upon addition, the valuation – even after improvement of the credit risk – is not based on the gross carrying amount.

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

Equity instruments classified as FVTOCI

At initial recognition, the company may make the irrevocable election to measure equity instruments held at fair value through other comprehensive income (FVTOCI), with only dividend income recognised in net income unless it represents a return of capital. In contrast to debt instruments held in the FVTOCI category, there is no reclassification of the cumulative gains or losses to profit or loss upon disposal of the equity instrument. This classification is only possible if these equity instruments are not held for trading purposes.

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

- was acquired principally for the purpose of selling it in the short term, or
- on initial recognition, is part of a portfolio of clearly identified financial instruments that are jointly controlled by the Group and for which there is evidence of a recent pattern of short-term profit-taking, or
- is a derivative that has not been designated as a hedging instrument, is effective as such and is also 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 and any resulting gains and losses are recognised directly in the income statement, unless they form part of a hedging relationship.

Foreign currency gains and losses

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

– assets that are recognised at amortised cost and are not part of a hedging relationship, corresponding gains and losses are recognised in the income statement.

– debt instruments recognised as FVTOCI that are not part of a hedging relationship, the currency translation differences are recognised in the income statement on an amortised cost basis. Other currency differences are recognised in other comprehensive income.

– financial assets recognised as FVTPL, the currency translation differences are recognised in the income statement unless they are part of a hedging relationship.

– equity instruments recognised as FVTOCI, currency translation differences are recognised in other comprehensive income in the foreign currency translation reserve.

Impairment of financial assets

The company recognises impairment losses on debt instruments measured at amortised cost or FVTOCI for the expected loss model. No impairment is recognised on equity instruments. The amount of expected losses is updated at the end of a reporting period to reflect changes in the credit risk since initial recognition.

For trade receivables and contractual assets, the company applies the simplified method. Accordingly, impairments are recognised for these financial instruments on the basis of the expected defaults over their entire term. For this purpose, the company creates corresponding value adjustments on the basis of past experience using a value adjustment table.

Cash and cash equivalents are deposited with banks and financial institutions and are due in the short term. These are analysed at regular intervals by external rating agencies approved by the Eurosystem and assigned to credit ratings according to their creditworthiness. According to the credit ratings determined by the external rating agencies and the assessments of the Deutsche Bundesbank, the probability of default of cash and cash equivalents is low. The Group uses the assessments of the external rating agencies and the Deutsche Bundesbank as a basis for evaluating default risks as at the reporting date.

Significant increase in default risk

The company defines default risk as the risk that a business partner fails to meet its contractual obligations, resulting in a financial loss for the Group. The Group is exposed to default risks (including trade receivables) or other financial instruments in the course of its operating activities.

In assessing whether there has been a significant increase in default risk since initial recognition, the company considers both qualitative and quantitative information that is available and relevant to decision-making to support such an assessment. This includes both historical and future information. The country-specific default rates of the past are used to determine the probability of default for each country.

Future information includes information regarding the development of the industry in which the debtor operates. This information is obtained from industry experts, financial analysts or public institutions.

The following factors are taken into account when classifying the default risk:

- Nature of the financial instrument
- Credit risk rating
- Nature of the security (if applicable)
- Date of initial recognition
- Remaining term
- Sector

The company monitors at regular intervals whether the aforementioned criteria continue to be appropriate in assessing default risk and adjusts them accordingly if they are no longer applicable.

Financial assets that are already impaired upon recognition

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

- The issuer or the debtor are in significant financial difficulties

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

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

- There is an increased probability that the borrower will enter insolvency or other restructuring proceedings

- An active market for this financial asset has disappeared due to financial difficulties

- A financial asset is acquired or issued at a large discount that reflects incurred credit losses

Derecognition of financial assets

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

Where the Group neither transfers nor retains all the risks and opportunities of ownership of the transferred asset, but retains control of the transferred asset, the Group recognises its retained interest in the asset and a corresponding liability for the amounts that may be payable.

In the event that the Group retains all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and a secured loan for the consideration received.

When a financial asset is derecognised in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable is recognised in the income statement. For debt instruments recognised as FVTOCI, the cumulative gains or losses that were recognised in other comprehensive income are reclassified to the income statement. In contrast, for equity instruments recognised as FVTOCI, these cumulative gains or losses are not transferred to the income statement but to retained earnings.

Financial liabilities

Debt and equity instruments are classified as financial liabilities or equity according to the substance of the contractual arrangement and the definitions.

Equity instruments
An equity instrument is a contract that evidences a residual interest in the assets of a company after deducting all of its liabilities. Equity instruments are recognised at the proceeds received less directly attributable issue costs. Issuing costs 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 are not recognised in profit or loss.

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

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

Financial liabilities classified as FVTPL are recognised at fair value. Changes in fair value are recognised in the income statement unless they are part of a hedging relationship. Interest payments on the financial liability are also taken into account.

If the change in fair value is due to a change in the default risk of the liability, the resulting gains and losses are recognised in other comprehensive income. Future changes do not lead to recognition in the income statement; instead, they are transferred to retained earnings when the financial liability is derecognised.

Derecognition of financial liabilities
Derecognition of a liability or part of a liability occurs at the time of its settlement, repurchase or debt relief. The difference between the carrying amount of the financial liability and the consideration paid and payable is recognised in the income statement.

4.12. GOVERNMENT GRANTS

Government grants are recognised at fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants that compensate the Group for expenses incurred are recognised as other income or expense in the periods in which the expenses are recognised.

4.13. INCOME TAXES

Current income taxes for current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax laws applicable at the reporting date in the countries in which the STEMMER IMAGING Group operates.

Deferred taxes are calculated according to the liability method. Accordingly, deferred income taxes reflect the net tax expense/income of temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred taxes are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The measurement of deferred taxes takes into account the tax consequences that result from the manner in which an asset is realised or a liability is settled.

Deferred tax assets and liabilities are recognised regardless of when the temporary valuation 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 probable that taxable profits will be available against which the temporary difference can be utilised. This assessment is made again at the end of each reporting period.

Current and deferred tax is charged or credited directly to equity if the tax relates to items credited or charged directly to equity in the same or a different period.

To the extent that undistributed profits of investments are intended to remain invested in that company for an indefinite period of time, no deferred tax liabilities arise. A deferred tax liability is recognised for all taxable temporary differences to the extent that it does not result from goodwill for which amortisation for tax purposes is not possible.

4.14. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations relate to obligations of the company for defined benefit plans.

In the case of defined benefit pension schemes, the pension obligations are determined according to the projected unit credit method. The valuation of the pension obligation is based on actuarial reports. Future salary increases and pension increases are taken into account to increase the amount. The mortality and retirement probabilities are determined in Germany according to the Heubeck 2018 G mortality tables. Outside Germany, these are determined according to comparable foreign mortality tables.

If pension obligations are covered by plan assets with completely congruent reinsurance, they are reported on a net basis. The defined benefit obligation is used as a basis for the valuation of pension provisions and the calculation of pension costs. Actuarial gains and losses of the plan are recognised directly in equity, taking deferred taxes into account. Past service cost is recognised immediately in equity. The service cost is reported under personnel expenses, while the net interest from additions to provisions and income from plan assets are reported under finance costs.

4.15. OTHER PROVISIONS

Other provisions are recognised for present, legal or constructive obligations arising from past events that are likely to result in a future economic burden and where the amount can be reliably estimated.

The measurement is based on the settlement amount with the highest probability of occurrence or, if the probabilities of occurrence are equally distributed, on the expected value of the settlement amount. Provisions are only made for obligations to third parties.

The valuation is based on a full cost approach, taking into account future cost increases.

Non-current provisions with a term of more than one year are recognised at the discounted settlement amount at the end of the reporting period on the basis of corresponding interest rates if the interest effect is material. The interest rates used depend on the term of the obligations.

4.16. 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 the control of STEMMER IMAGING. In addition, contingent liabilities are present obligations arising from past events that are not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed and described in the notes to the consolidated financial statements.

4.17. SEGMENT REPORTING

The consolidated financial statements as at 31 December 2020 do not contain separate segment reporting, as the activities of the STEMMER IMAGING Group are limited to one reportable business segment within the meaning of IFRS 8. All business activities are focused on machine vision technologies and are accordingly monitored and managed internally on a uniform basis. There is no other operating segment that would be subject to reporting requirements under IFRS 8.11. Regardless of this, the disclosures at the company level according to IFRS 8.31–34 are provided in connection with the presentation of revenues in note 18.

4.18. ESTIMATES AND ASSUMPTIONS

Discretionary decisions must be made when applying the accounting and valuation methods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

- The determination of the fair values of assets and liabilities as well as the useful lives of assets is based on management's assessments and planning calculations. This also applies to the determination of impairments of property, plant and equipment, intangible assets and financial assets.

- Impairment losses are recognised for doubtful debts to account for estimated losses from customers' inability or unwillingness to pay. In the context of determining possible value adjustments, forward-looking information is used in deriving assumptions regarding the probability of default and in determining the expected loss.

- Assumptions must also be made when calculating actual and deferred taxes. In particular, the possibility of generating corresponding taxable income plays a significant role in assessing whether deferred tax assets can be used.

- When accounting for and measuring other provisions, especially in connection with variable purchase price components, the estimation of income to be generated in the future plays a significant role.

- Furthermore, discount factors, expected salary and pension trends, fluctuation and mortality probabilities are material estimation parameters in the accounting and valuation of provisions for pensions.

- When carrying out impairment tests, assumptions are made on the basis of the recoverable amount calculated.

- With regard to revenue recognition, assumptions are required at various points in the contract assessment. This applies to the determination of the amounts not included in the recognition due to returns, and also to the assumption of utilisation rates for discounts or the achievement of certain levels for volume-based rebates. Moreover, when determining the stage of completion, period-based revenue recognition on the basis of input-based methods such as the cost-to-cost method is inherently dependent on a certain amount of discretion.

In the case of these valuation uncertainties, the best possible information is used based on the circumstances on the reporting date. The actual amounts may differ from the estimates. The carrying amounts recognised in the financial statements and subject to these uncertainties can be seen in the statement of financial position or in the related 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 as at the reporting date is composed as follows:

in KEUR	31/12/2020	31/12/2019
Goodwill	19,418	23,850
Concessions, property rights and patents	1,252	1,520
Customer base	5,341	6,195
Order backlog	55	175
Brand	1,137	1,221
Technology	758	896
Advance payments	0	79
Total	**27,961**	**33,936**

The development of intangible assets is shown below:

in KEUR	Goodwill	Concessions, property rights and patents	Customer base	Order backlog	Brand	Technology	Advance payments	Total
Cost								
As of 01/01/2020	**25,139**	**3,456**	**6,828**	**641**	**1,263**	**965**	**79**	**38,371**
Additions	0	37	0	0	0	0	0	37
Change in the consolidated group	0	0	0	0	0	0	0	0
Reclassification	0	79	0	0	0	0	−79	0
Disposal	0	−30	0	0	0	0	0	−30
Net exchange rate differences	−83	0	0	0	0	0	0	−83
As of 31/12/2020	**25,056**	**3,543**	**6,828**	**641**	**1,263**	**965**	**0**	**38,296**
Cumulative depreciation, amortisation and impairment								
As of 01/01/2020	**−1,289**	**−1,936**	**−634**	**−466**	**−42**	**−69**	**0**	**−4,436**
Depreciation and amortisation	−4,349	−385	−853	−120	−84	−138	0	−5,929
Disposal	0	30	0	0	0	0	0	30
Net exchange rate differences	0	0	0	0	0	0	0	0
As of 31/12/2020	**−5,638**	**−2,291**	**−1,487**	**−586**	**−126**	**−207**	**0**	**−10,335**
As of 31/12/2020	**19,418**	**1,252**	**5,341**	**55**	**1,137**	**758**	**0**	**27,961**

In detail, the intangible assets developed as follows in the previous period:

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**

Allocation of the cash-generating units

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

in KEUR	31/12/2020	31/12/2019
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	2,026	2,109
INFAIMON S. L. U., Barcelona/Spainn	12,202	16,551
Total	**19,418**	**23,850**

The recoverable amount of each of the five cash-generating units was derived from a value-in-use calculation using discounted cash flow projections based on the financial budget approved by the Board of Directors for a detailed planning period of five years and an individual discount rate for each cash-generating unit. These models use several key assumptions, including estimates of future revenue growth rates, gross profit rates, costs of operations, sustainable growth rates and weighted average cost of capital (discount rate).

As at 30 June 2020, STEMMER IMAGING carried out an additional impairment test in deviation from the usual procedure. The Covid-19 pandemic had an impact on the earnings forecasts of the cash-generating units. The revenue and earnings developments assumed on the previous year's impairment date could no longer be realised under the changed demand conditions. An impairment of KEUR 4,349 was determined for INFAIMON S. L. U. and written down accordingly.

The following pre-tax discount rates were used in the individual cash-generating units as at 30 June 2020:

- STEMMER IMAGING B.V., Zutphen/Netherlands: 9.98 per cent
- STEMMER IMAGING A/S, Copenhagen/Denmark: 9.57 per cent
- STEMMER IMGAING S. A. S., Suresnes/France: 10.57 per cent
- STEMMER IMAGING AB, Stockholm/Sweden: 10.71 per cent
- INFAIMON S. L. U., Barcelona/Spain: 10.14 per cent

The cash flow projections are based on the same expected gross margins and the same estimated rate of increase in commodity prices throughout the budgeted period. The cash flow series has been extrapolated for a period beyond the fifth year based on a constant annual growth rate of 1 per cent.

The following pre-tax discount rates were applied to the individual cash-generating units as at 30 November 2020 (previous year: 30 November 2019):

- STEMMER IMAGING B.V., Zutphen/Netherland: 9.30 per cent (previous year: 13.73 per cent)
- STEMMER IMAGING A/S, Copenhagen/Denmark: 9.42 per cent (previous year:13.02 per cent)
- STEMMER IMGAING S. A. S., Suresnes/France: 10.10 per cent (previous year: 13.73 per cent)
- STEMMER IMAGING AB, Stockholm/Sweden: 10.21 per cent (previous year: 14.18 per cent)
- INFAIMON S. L. U., Barcelona/Spain: 9.74 per cent (previous year: 14.13 per cent)

Based on the coronavirus-related uncertainties, it was assumed for the planning period that the revenue level of 2019 can only be reached again in 2022. For the subsequent years from 2023 onwards, average revenue growth rates of between 3 and 9 per cent were assumed depending on the country, which result from the current expectations for market and strategic corporate development. With constant EBITDA ratios in relation to revenue, improvements in the EBIT ratio are assumed in the planning period due to reduced PPA amortisation. The cost development in the detailed planning period is based on the expected price increases. For medium-term planning, estimates are made on the basis of empirical values which may be subject to a corresponding range of fluctuation. Exchange rate fluctuations are not taken into account in the planning.

On the basis of the basic assumptions on which the determination of the recoverable amount is based, there are no impairments for all cash-generating units as at 30 November 2020.

As part of a sensitivity analysis for the cash-generating units to which significant goodwill has been allocated, the expected EBIT was reduced by 10 per cent and the after-tax interest rates were increased by 2 per cent. Based on the changed parameters, the goodwill for INFAIMON S. L. U. would have to be written down by KEUR 5,491 and for STEMMER IMAGING S. A. S. an amortisation of KEUR 1,920 would have to be recognised. If the criteria only included a 0.5 per cent increase in the after-tax interest rate and no simultaneous reduction in the forecast EBIT, no impairment would be necessary in the sensitivity analysis of INFAIMON S. L. U. either. In the analysis of STEMMER IMAGING S. A. S., the 1 per cent increase in the after-tax interest rates would not have led to any devaluation with unchanged EBIT.

Total expenses for research and development in the reporting year amounted to EUR 1.37 million (previous year: EUR 0.72 million).

2. PROPERTY, PLANT AND EQUIPMENT

The carrying amounts of property, plant and equipment as at the balance sheet date are as follows:

in KEUR	31/12/2020	31/12/2019
Buildings (leasehold improvements)	1,097	1,330
Right-of-use assets for land and buildings	2,574	3,740
Technical equipment and machinery	22	11
Right-of-use assets for technical equipment and machinery	0	10
Other equipment, operating and office equipment	1,411	1,807
Right-of-use assets for operating and office equipment	783	1,075
Advance payments and assets under construction	7	0
Total	**5,894**	**7,973**

In detail, the fixed assets developed as follows in the business 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 01/01/2020	**3,609**	**4,431**	**11**	**13**	**5,695**	**1,326**	**0**	**15,086**
Additions	41	264	21	0	319	288	7	940
Reclassifications	15	0	0	0	−58	0	0	−43
Disposals	−45	−99	0	−13	−222	−173	0	−552
Revaluation	0	2	0	0	0	21	0	23
Net exchange rate differences	−25	−10	0	0	−39	−3	0	−77
As of 31/12/2020	**3,595**	**4,588**	**32**	**0**	**5,695**	**1,459**	**7**	**15,377**
Cumulative depreciation, amortisation and impairment								
As of 01/01/2020	**−2,279**	**−691**	**0**	**−3**	**−3,888**	**−251**	**0**	**−7,112**
Depreciation and amortisation	−268	−1,423	−10	6	−578	−562	0	−2,835
Reclassifications	1	0	0	0	−1	0	0	0
Disposals	31	99	0	−3	166	137	0	430
Net exchange rate differences	17	1	0	0	17	0	0	34
As of 31/12/2020	**−2,498**	**−2,014**	**−10**	**0**	**−4,284**	**−676**	**0**	**−9,483**
As of 31/12/2020	**1,097**	**2,574**	**22**	**0**	**1,411**	**783**	**7**	**5,894**

In detail, fixed assets developed as follows in the previous period:

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	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	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**

3. EQUITY INVESTMENTS IN ASSOCIATES

The shareholding in the associated company and its development are shown in the following table:

in %	31/12/2020	31/12/2019
Perception Park GmbH, Graz/Austria	42.0 %	42.0 %

The company is accounted for using the equity method.

The carrying amount is KEUR 0 (previous year: KEUR 600). The summarised financial information regarding the share of loss and other comprehensive income, adjusted to the percentage of equity held by STEMMER IMAGING, is presented below:

in KEUR	2020	2019
Loss from continuing operations	–600	–749
Total comprehensive income	**–600**	**–749**

KEUR 62 of the loss in the 2020 fiscal year is attributable to the pro rata current result for the fiscal year and KEUR 538 to the unscheduled write-down which was made on 30 June 2020. The realisability of the future results planned so far at STEMMER IMAGING AG from the cooperation with Perception Park GmbH was estimated to be very low, which results in a full devaluation of the carrying amount.

The company achieved a revenue of KEUR 169 (previous year: KEUR 51) and a net loss of KEUR 239 (previous year: net loss of KEUR 209) in the fiscal year. The balance sheet total as at 31 December 2020 is KEUR 562 (previous year: KEUR 746). The deficit not covered by equity amounts to KEUR –220 as at 31 December 2020 (equity previous year: KEUR 1)

As at the balance sheet date of 31 December 2020, STEMMER IMAGING has a liability of KEUR 50 (previous year: KEUR 0) to the associated company Perception Park GmbH.

4. INVENTORIES

Inventories are composed as follows:

in KEUR	31/12/2020	31/12/2019
Raw materials and supplies	203	257
Merchandise	10,552	10,387
Advance payments	293	512
Total	**11,048**	**11,156**

In connection with inventories, KEUR 66,500 (previous year: KEUR 39,956) were recognised as cost of materials during the 2020 fiscal year.

The total cost of inventories recognised as an expense in the cost of materials includes write-downs to the net realisable value of KEUR 784 (previous year: KEUR 479) due to excess reach, obsolescence, reduced marketability or subsequent costs.

The realisation of the inventories is expected to take place within 12 months.

5. TRADE RECEIVABLES

in KEUR	31/12/2020	31/12/2019
Trade receivables	15,831	17,024
Impairment losses	–717	–414
Summe	**15,114**	**16,610**

The Group companies – with the exception of the INFAIMON Group – generally grant payment terms of between 30 and 45 days. For this period, the Group does not charge the customer any interest. Thereafter, in individual cases and depending on typical national circumstances, interest on arrears is charged on the outstanding amount.

For trade receivables, allowances are made using the expected loss method in accordance with IFRS 9.

Impairments of trade receivables are explained in note 13.

The carrying amount of trade receivables is predominantly to be assumed as a reasonable estimate of fair value.

Trade receivables are due within one year.

6. CONTRACT ASSETS

The contract assets are composed as follows:

in KEUR	31/12/2020	31/12/2019
Project order	95	180
of which current	95	180

The contract assets arise in connection with the progress-based revenue recognition of a project order in connection with the delivery of a related bundle of hardware and software components of a subsidiary by offsetting the advance payments received from customers.

A value adjustment using the expected loss method in accordance with IFRS 9 was made, but not reported separately due to the insignificant amount.

7. INCOME TAX RECEIVABLES

Income tax receivables amount to KEUR 385 (previous year: KEUR 1,157) at the end of the fiscal year. The majority of them legally arise after the balance sheet date.

8. OTHER ASSETS AND PREPAID EXPENSES

The other assets are composed as follows:

in KEUR	31/12/2020	31/12/2019
Other tax assets	396	382
Receivables from employees	5	59
Prepaid expenses and other assets	469	382
Total	**870**	**823**

As in the previous year, no amounts have a remaining term of more than one year.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and bank balances; their carrying amount is considered a reasonable estimate of fair value. Cash balances are held exclusively for short-term liquidity management. With regard to the foreign currency balances included in cash and cash equivalents, please see the sensitivity analysis in Note 13.

Impairment losses are recognised for cash and cash equivalents using the expected loss method in accordance with IFRS 9. The impairments are explained in note 13.

10. EQUITY

Subscribed capital

The share capital of STEMMER IMAGING AG amounts to KEUR 6,500 (previous year: KEUR 6,500) and is fully paid up. As at 31 December 2020, there are 6,500,000 no-par value bearer shares (ordinary shares). The pro rata amount of share capital is EUR 1.00 per share.

The Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the Company once or several times until 31 October 2022 by a total of KEUR 2,500 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 share capital of the Company was conditionally increased by resolution of the Annual General Meeting on 7 December 2018 by KEUR 200 and serves to grant up to 200,000 share options with subscription rights to members of the Management Board and employees of the Company as well as members of the management and employees of affiliated companies within the meaning of Sections 15, 17 of the German Stock Corporation Act (AktG) on shares of the Company with a term of up to ten years (Conditional Capital 2018/I).

Capital reserve

The capital reserve amounts to KEUR 47,495 (previous year: KEUR 47,495).

Revenue reserves

The other revenue reserves amount to KEUR 9,966 (previous year: KEUR 13,289) at the end of the fiscal year. They contain profit carried forward from the past and the current result of the companies included in the consolidated financial statements.

The reserve from foreign currency translation increased by KEUR 191 to KEUR 110 in the 2020 fiscal year. Translation differences from the translation of the functional currency of foreign business operations into the Group’s reporting currency are recognised directly in other comprehensive income in the consolidated financial statements and accumulated in the reserve from foreign currency translation.

The reserve for actuarial gains/losses decreased by KEUR 2 to KEUR 8 in the 2020 fiscal year. Remeasurements of the net liability from defined benefit plans are recognised directly in other comprehensive income and accumulated in the reserve for actuarial gains/losses.

Important resolutions of the Annual General Meeting on 22 June 2020:

It was decided to use the net profit for the short fiscal year 2019 in the amount of EUR 8,775,751.05 as follows:

Carried forward to new account: EUR 8,775,751.05.

11. EMPLOYEE BENEFITS

Pensions

The provisions for defined benefit plans are calculated in accordance with IAS 19 using the projected unit credit method. The pension obligations are calculated at the present value of the benefits earned on the valuation date.

Pension entitlements are recognised taking into account probable future increases in pensions and salaries. The obligation for active employees increases annually by the compounding of interest and by the present value of the pension entitlements earned in the fiscal year. Actuarial gains or losses result from changes in the portfolio and deviations of actual trends (e. g. increases in income and pensions, changes in interest rates) from the accounting assumptions.

Provisions for pensions and similar obligations are formed on the basis of pension plans for retirement, disability and survivors’ benefits. The pension benefits are generally based on the length of service, the remuneration received and the degree of employment of the beneficiary employees. The direct and indirect obligations include those from current pensions as well as vested rights for pensions and retirement benefits to be paid in the future.

As at 31 December 2020, as in the previous year, there is a benefit obligation to a former member of the Executive Board. In addition, there are benefit obligations to employees of the French subsidiary.

Actuarial assumptions:

Pension obligations are calculated using actuarial methods. This includes assumptions on future wage and salary developments as well as pension trends.

The valuation is based on the following actuarial assumption ranges for the companies:

	31/12/2020	31/12/2019
Interest rate	0.60 %	0.75 %
Pension/salary trend Germany	n/a	n/a
Pension/salary trend France	2.00 %	2.00 %

Development of the present value for pensions and similar obligations:

in KEUR	2020	2019
As of 01/01	**170**	**141**
Service cost	–16	21
Interest expense	1	1
Actuarial gains (–) and losses (+)	2	7
As of 31/12	**157**	**170**

The main developments in the plan assets are shown below:

in KEUR	2020	2019
As of 01/01	**112**	**103**
Income/expenses from plan assets	3	9
As of 31/12	**115**	**112**

The following contributions have been recognised in the comprehensive income with regard to the defined benefit plans:

in KEUR	2020	2019
Cost of pension claims earned in the reporting year	–16	21
Actuarial gains (–)/and losses (+) from the change in financial assumptions	2	7
Net interest expenses	1	1
Components of defined benefit costs recognised in the income statement	**–13**	**29**

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

The amount recognised in the balance sheet due to the company's obligation from defined benefit plans is as follows:

in KEUR	31/12/2020	31/12/2019
Present value of covered defined benefit obligations	157	170
Fair value of plan assets	115	112
Excess liability (–)/plan surplus (+)	–42	–58

The main actuarial assumptions used to determine the defined benefit obligation are the discount rate and the pension trends. Potential changes in the respective assumptions as at the balance sheet date do not have any material impact on a possible change in the defined benefit obligation.

The expected term of the defined benefit obligation as at 31 December 2020 was 11.6 years (previous year: 12.6 years).

The plan assets consist of a reinsurance policy corresponding to the defined benefit obligation, which represents a qualifying insurance contract.

No further contributions to the plan assets are expected. STEMMER IMAGING does not expect any pension payments in the fiscal year from 1 January to 31 December 2021, as in 2020.

The methods and types of assumptions used to prepare the sensitivity analysis have not changed compared to the previous year. The following sensitivity analysis was carried out by means of a procedure that extrapolates the impact of realistic changes in the key assumption, i. e. the discount rate, at the end of the reporting period to the obligation. The sensitivity analysis is based on a change in the of a key assumption, while all other assumptions remain unchanged. According to this, a change in the discount rate by

- +1.0 per cent results in a reduction of the benefit obligation to KEUR 12
- −1.0 per cent results in an increase in the benefit obligation to KEUR 14

12. OTHER PROVISIONS

The other provisions formed according to the best estimate of the Executive Board are made up as follows and have the correspondingly listed maturities:

in KEUR	31/12/2020		31/12/2019	
	Current	Non-current	Current	Non-current
Retention obligations	0	82	0	82
Long-term incentive programme	0	111	0	124
Warranty	189	0	0	0
Other	41	0	32	0
Total	**230**	**193**	**32**	**206**

in KEUR	As of 01/01/2020	Utilisation	Unused amounts reversed	Addition	As of 31/12/2020
Retention obligations	82	0	0	0	82
Long-term incentive programme	124	−15	0	2	111
Warranty	0	0	0	189	189
Other	32	−7	0	16	41
Total	**238**	**−22**	**0**	**207**	**423**

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 joining this programme, employees participate in the economic development of STEMMER IMAGING on a pro rata basis. The programme began at the end of the 2010/11 fiscal year and is updated on an ongoing basis. The committed amounts are available to the beneficiaries upon termination of their employment with STEMMER IMAGING AG.

The provisions for the incentive programme are measured at the present value of the existing entitlements in accordance with IAS 19. The calculation of the present value is based on an interest rate of 0.6 per cent (previous year: 0.75 per cent).

Development of the present value for obligations from the incentive programme:

in KEUR	2020	2019
As of 01/01	124	117
Additions	2	7
Consumption	−15	0
As of 31/12	**111**	**124**

Potential changes in the respective assumptions (discount rate) as at the balance sheet date do not have a material impact on a possible change in the obligation.

The expected term of the obligation as at 31 December 2020 was 8.3 years (previous year: 10.5 years). STEMMER IMAGING expects payments of KEUR 0 from this programme in the fiscal year from 1 January to 31 December 2021 (previous year: KEUR 15).

13. FINANCIAL INSTRUMENTS

Classification and fair value

The following table reconciles the balance sheet items as at 31 December 2020 of financial instruments to classes and measurement categories of IFRS 9. It also shows the aggregated carrying amounts per measurement category and the fair values for each class.

in KEUR			Measurement in accordance with IFRS 9					
	Category under IFRS 9	Carrying amount 31/12/2020	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 31/12/2020
Assets								
Trade receivables	Amortised cost	15,114	15,114	0	0	15,114	0	15,114
Other investment securities	FVTPL	36	0	0	36	36	0	36
Other financial assets	Amortised cost	238	238	0	0	238	0	238
Cash and cash equivalents	Amortised cost	34,718	34,718	0	0	34,718	0	34,718
Equity and liabilities								
Current and non-current loans	Amortised cost	7,505	7,505	0	0	7,505	0	7,505
Trade payables	Amortised cost	9,635	9,635	0	0	9,635	0	9,635
Liabilities to associated companies	Amortised cost	50	50	0	0	50	0	50
Liabilities to affiliated companies	Amortised cost	35	35	0	0	35	0	35
Other financial obligations	Amortised cost	1,158	1,158	0	0	1,158	0	1,158
Liabilities from leases	n. a.	3,355	0	0	0	0	3,355	3,355

The following table reconciles the balance sheet items as at 31 December 2019 of financial instruments to classes and measurement categories of IFRS 9. It also shows the aggregated carrying amounts per 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

IFRS 13 regulates the determination of fair value and the associated disclosures in the notes. The standard does not explicitly define in which cases the fair value is to be used. Fair value is defined as the price that independent market participants would receive to sell an asset or pay to transfer a liability at standard market conditions as at the measurement date. The assets and liabilities measured at fair value are allocated 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 in 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 assets and liabilities measured at fair value in the statement of financial position.

in KEUR	31/12/2020			31/12/2019		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Other investment securities			36			34

The fair value in Level 1 is calculated using quoted prices (unadjusted) in an active market for identical assets or liabilities to which STEMMER IMAGING has access on the reporting date.

For Level 2, the fair value is determined using a discounted cash flow model based on input data that are not quoted prices included in Level 1 and that are directly or indirectly observable. The fair values of Level 3 are calculated using valuation techniques that include factors that are not observable in the active market.

The assessment of whether there has been a transfer between the levels of the fair value hierarchy for financial assets and liabilities recognised at fair value is made at the end of each reporting period. No reclassifications were made in the reporting period.

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

Other current financial assets break down as follows:

in KEUR	31/12/2020	31/12/2019
Other	195	200
Total	**195**	**200**

Other current financial assets include creditors with debit balances of KEUR 57 (previous year: KEUR 90).

The non-current other financial liabilities are as follows:

in KEUR	31/12/2020	31/12/2019
Other financial liabilities	562	609
Liabilities from leases	1,792	2,918
Total	**2,354**	**3,527**

The other financial liabilities include research loans received by INFAIMON S. L. U.

Other current financial liabilities break down as follows:

in KEUR	31/12/2020	31/12/2019
Other financial liabilities	596	560
Liabilities from leases	1,563	1,892
Total	**2,159**	**2,452**

Other financial liabilities include debtors with credit balances of KEUR 264 (previous year: KEUR 38), short-term research loans (KEUR 127) received by INFAIMON S. L. U. (previous year: KEUR 310) and KEUR 135 (previous year: KEUR 114) from Supervisory Board remuneration.

Financial risk management

Principles of risk management
STEMMER IMAGING's risk policy aims to identify at an early stage any risks that could threaten the company's continued existence or are significant, and to deal with them responsibly.

Risks are regularly assessed at STEMMER IMAGING as part of a risk analysis.

Liquidity risks
Due to the capitalisation following the IPO in February 2018, STEMMER IMAGING considers the liquidity risk to be low.

In order to ensure the solvency of the parent company and the subsidiaries at all times, the group regularly monitors the liquidity development of the group and the subsidiaries.

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

The liquidity risk mainly concerns trade payables. There are fixed payment terms with the suppliers. Therefore, there is no risk that payments have to be made earlier.

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

31/12/2020 in KEUR	Cash Flows 2021	Cash Flows 2022–2025	Cash Flows 2026 onwards
Loan liabilities	2,035	5,527	0
Trade payables	9,635	0	0
Liabilities to associated companies	50	0	0
Other financial liabilities	596	0	562
Liabilities from leases	1,577	1,557	255
Total	**13,893**	**7,084**	**817**

31/12/2019 in KEUR	Cash Flows 2020	Cash Flows 2021–2024	Cash Flows 2025 onwards
Loan liabilities	2,048	7,509	0
Trade payables	9,102	0	0
Other financial liabilities	560	0	609
Liabilities from leases	1,884	2,648	296
Total	**13,594**	**10,157**	**905**

All financial instruments are included that were held on the balance sheet dates and for which payments had already been agreed. Foreign currencies are translated at the spot rate on the reporting date. The variable interest payments from the financial instruments were determined on the basis of the last fixed interest rates before the respective reporting date. Financial liabilities repayable at any time are always assigned to the earliest time period.

Currency risks

Certain business transactions within the Group are conducted in foreign currencies. Therefore, risks arise from exchange rate fluctuations.

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

31/12/2020 in KEUR	Current			Non-current		
	GBP	BRL	USD	GBP	BRL	USD
Financial assets	1,710	494	7,103	0	0	0
Financial liabilities	–119	–34	–1,790	0	0	0
Total	**1,591**	**460**	**5,313**	**0**	**0**	**0**

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

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

Foreign currency sensitivity analysis

The following table shows the sensitivity of profit and equity in relation to the Group's financial assets and financial liabilities and the BRL/EUR, GBP/EUR and USD/EUR exchange rates – all other parameters are unchanged. The BRL/EUR, GBP/EUR and USD/EUR are assumed to change by +/–10 per cent as at 31 December 2020. This percentage was determined on the basis of the average market volatility of the exchange rates in the last 12 months.

If the EUR had appreciated by 10 per cent against the USD for 2020, this would have had the following effects:

USD in KEUR	Profit	Equity
31/12/2020	–483	–483
31/12/2019	–386	–386

If the EUR had weakened by 10 per cent against the USD for 2020, this would have had the following effects:

USD in KEUR	Profit	Equity
31/12/2020	590	590
31/12/2019	472	472

If the EUR had appreciated by 10 per cent against the GBP for 2020, this would have had the following effects:

GBP in KEUR	Profit	Equity
31/12/2020	–51	–74
31/12/2019	–60	–293

If the EUR had weakened by 10 per cent against the GBP for 2020, this would have had the following effects:

GBP in KEUR	Profit	Equity
31/12/2020	51	74
31/12/2019	60	293

If the EUR had appreciated by 10 per cent against the BRL for 2020, this would have had the following effects:

BRL in KEUR	Profit	Equity
31/12/2020	–175	298
31/12/2019	–184	275

If the EUR had weakened by 10 per cent against the BRL for 2020, this would have had the following effects:

BRL in KEUR	Profit	Equity
31/12/2020	175	–298
31/12/2019	184	–275

Exchange rate risks vary throughout the year depending on the volume of transactions. Nevertheless, the above analysis is considered representative of the Group's currency exposure.

Risk of default

Risk of default is the risk of financial loss if a counterparty fails to meet an obligation to the Group. The Group is exposed to this risk for various financial instruments, in particular for existing trade receivables, other financial assets measured at amortised cost and the investment of cash and cash equivalents.

An event of default occurs for the Group if the contracting party is unable to meet its obligations towards the Group. Events of default can be disruptions in the contracting party's business operations and the associated delays in payment or insolvency. The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

in KEUR

		Carrying amounts	
		31/12/2020	31/12/2019
Financial assets – carrying amounts			
Trade receivables	gross	15,831	17,024
Trade receivables	Value adjustment	–717	–414
Trade receivables	net	15,114	16,610
Other financial assets	net	238	200
Cash and cash equivalents	gross	34,746	27,974
Cash and cash equivalents	Value adjustment	–28	0
Cash and cash equivalents	net	34,718	27,974
Total	**net**	**50,070**	**44,784**

At STEMMER IMAGING, the procedure for determining risk provisions is as follows:

in KEUR

			Carrying amounts	
	Procedure Risk provisioning	Risk provisioning	31/12/2020	31/12/2019
Trade receivables	Lifetime-expected-credit loss	n/a	15,114	16,610
Cash and cash equivalents	12-month expected credit loss	Level 1	34,718	27,974

The Group continuously monitors the payment behaviour of customers and other contracting parties, either individually or in groups, and incorporates this information into its credit risk control. Where available at reasonable cost, external ratings and/or reports on customers and other counterparties are obtained and analysed. The Group's policy is to deal only with creditworthy counterparties.

Appropriate impairments are made for all receivables on the basis of information on the current economic situation of the counterparty and historical empirical values with regard to payment behaviour. Value adjustments are thus made if the expected future cash flows are lower than the carrying amount of the receivables.

Before entering into a business relationship with new clients, the Group uses internal and external credit assessments to evaluate the creditworthiness of potential clients and set their credit limits. The customer assessment and credit limits are reviewed regularly.

There is no collateral or other credit enhancement measures to reduce the default risk.

In accordance with IFRS 9, the STEMMER IMAGING Group uses the expected loss model to determine impairment losses. The threshold for recognising losses includes losses that are already expected and not only losses that have already occurred.

The following tables provide information on the estimated default risk and expected credit losses for trade receivables as at 31 December 2020 and 31 December 2019 respectively:

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
Not overdue	2.47 %	10,276	–254	No
1–30 days overdue	0.93 %	3,665	–34	No
31–60 days overdue	0.54 %	1,002	–5	No
61–90 days overdue	1.99 %	122	–2	No
91–180 days overdue	23.14 %	220	–51	No
181–270 days overdue	43.40 %	160	–69	Yes
271–360 days overdue	66.99 %	99	–66	Yes
More than 360 days overdue	82.18 %	287	–236	Yes
Total as of 31/12/2020		**15,831**	**–717**	

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
Not overdue	0.59 %	13,106	–77	No
1–30 days overdue	0.40 %	2,723	–11	No
31–60 days overdue	0.51 %	389	–2	No
61–90 days overdue	0.52 %	191	–1	No
91–180 days overdue	21.93 %	301	–66	No
181–270 days overdue	78.57 %	14	–11	Yes
271–360 days overdue	52.63 %	19	–10	Yes
More than 360 days overdue	83.99 %	281	–236	Yes
Total as of 31/12/2019		**17,024**	**–414**	

In the 2020 fiscal year, the risk provision was increased due to the impact of the Covid-19 pandemic by increasing the percentage of the allowance in the maturity bracket. ”271–360 days overdue“ was changed from 50 per cent to 75 per cent.

Furthermore, additional risk provisions were made in the ”not overdue“ to ”61–90 days overdue“ stages in view of increased payment periods for trade receivables at individual Group companies.

The determination of the expected credit losses for trade receivables which have not already been adjusted by means of a case-by-case analysis (e. g. due to insolvency of the customer), is carried out using a simplified method is applied by means of a value adjustment. The value adjustment table provides for fixed value adjustment quotas depending on the length of time trade receivables are overdue. The value adjustments based on the value adjustment table amount to KEUR –557 (previous year: KEUR –377). The value adjustments which were recorded according to an individual case assessment amount to KEUR –160 (previous year: KEUR –37) and are also shown in the previously presented value adjustment table according to their overdue amounts.

As a result of the application of the expected loss model, STEMMER IMAGING’s allowances for trade receivables developed as follows:

in KEUR	2020	2019
As of the beginning of the fiscal year	–414	–398
Additions	–548	–173
Addition to consolidated group	0	– 23
Utilisation	42	18
Reversals	197	162
Currency adjustments, other changes	6	0
Total	**–717**	**–414**

The Group is exposed to credit risk with respect to trade and other receivables from individual customers. However, during the period under review, the Group did not have any sales to individual customers that accounted for more than 10 per cent of the Group's annual sales. Therefore, there was no concentration risk during the period under review. Based on past experience, management considers the credit quality of trade receivables that are not overdue or impaired to be good.

The credit risk on other financial assets and contract assets is negligible due to the low volume as at 31 December 2020.

The credit risk for cash and cash equivalents is determined on the basis of external ratings. As a valuation allowance for bank balances was created for the first time in the 2020 fiscal year, no historical data is available. Due to the good creditworthiness of the credit institutions, the risk is low due to a low probability of default and thus the value adjustment expense is low at KEUR −28.

The following table shows the development of the value adjustments for cash and cash equivalents:

in KEUR	2020	2019
As of the beginning of the fiscal year	0	0
Additions	−28	0
Addition to consolidated group	0	0
Utilisation	0	0
Reversals	0	0
Currency adjustments, other changes	0	0
Total	**−28**	**0**

Interest rate risk
As of 31 December 2020, there are bank liabilities of KEUR 7,505. KEUR 7,500 is a bank liability of STEMMER IMAGING AG which was taken out with UniCredit Bank AG, Munich, to finance the acquisition of INFAIMON Group. Interest is charged at 0.65 per cent p.a. until the end of the fixed-interest period on 30 September 2024. The loan is repaid quarterly in the amount of KEUR 500. The loan was taken out under special conditions (compliance with financial covenants, change of control, negative declaration, cross default clause). STEMMER IMAGING assumes that the covenants will not be breached in subsequent years, which is why it has not calculated the sensitivities of a possible change in interest rates.

The item cash and cash equivalents includes cash on hand, bank balances and short-term deposits with a maturity of less than three months that are subject to an insignificant risk of changes in value.

Disproportionately high concentration of risk
The Group aims for a balanced customer portfolio and long-term customer relationships as well as risk diversification with regard to industry-related end markets and regional sales regions. Irrespective of this, the Group's business model entails certain risks that manifest themselves mainly in market- and industry-related risks (e.g. customer budgets, changes in the competitive situation, economic risks, sales risks in connection with the direct sales of manufacturers) and business-related risks (e.g. from company acquisitions, inventory risks, supplier dependencies, price increases, currency risks). In the opinion of the Executive Board, there is no disproportionately high concentration of risk.

14. TRADE PAYABLES

The trade payables all have a remaining term of less than one year. Furthermore, simple reservations of title exist for liabilities until their final settlement.

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

15. CONTRACT LIABILITIES AND ADVANCE PAYMENTS RECEIVED ON ORDERS

As at 31 December 2020, the contractual liabilities were as follows:

in KEUR	31/12/2020	31/12/2019
Contract liabilities and advance payments received on orders	2,222	482

Contractual liabilities in connection with construction contracts arise to the extent that the advance payments received exceed the revenue realised in the period according to the cost-to-cost method. As at 31 December 2020, the item exclusively contains advance payments received on orders. The amounts reported on the reporting dates become revenue in the respective subsequent year.

16. OTHER LIABILITIES

31/12/2020 in KEUR	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Personnel liabilities	2,442	0	250	2,692
Tax liabilities	1,726	0	0	1,726
Other liabilities	716	0	0	716
Deferred income	91	0	0	91
Total	**4,975**	**0**	**250**	**5,225**

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**

The personnel liabilities are composed as follow:

in KEUR	31/12/2020	31/12/2019
Liabilities for bonuses	1,360	501
Holiday, flexitime credit	373	975
Severance payments	118	454
Other social security liabilities	246	292
Liabilities for contributions to occupational health and safety agency	46	43
Anniversary obligations	250	251
Miscellaneous other personnel liabilities	299	203
Total	**2,692**	**2,719**

17. CAPITAL RISK MANAGEMENT

The group manages its capital with the aim of ensuring that all companies in the group can operate on a going concern basis and at the same time maximise shareholder returns by optimising the ratio of equity to debt.

The capital structure of the Group consists of debts, cash and cash equivalents and the equity attributable to the equity investors of the parent company. For the purposes of capital management, equity includes subscribed capital and retained earnings.

The Group's capital structure is managed and adjusted in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, repay capital to shareholders or issue new shares.

The management monitors the capital structure of the company at regular intervals. In addition to the equity of the subsidiaries, the existing forms of financing are also reported. In the past, the company had a high equity ratio with little use of borrowed capital due to its structure and financial resources.

The Group monitors its capital structure using the debt ratio.

As at the reporting date, the equity ratio was approx. 66 per cent (previous year: 67 per cent) and the net debt ratio was approx. −3 per cent (previous year: 9 per cent). In the future, the company plans to further optimise the capital structure by taking into account profit and risk-oriented aspects.

in KEUR	31/12/2020	31/12/2019
Liabilities	32,605	33,723
Cash and bank balances	−34,718	−27,974
Net debt	**−2,113**	**5,749**
Equity	64,079	67,213
Net debt to equity	−3.30 %	8.55 %

The Group's capital structure is regularly reviewed as part of the risk management process.

The Group is subject to externally imposed industry standard capital requirements (EBITDA to net financial debt) under the loan agreement with UniCredit Bank AG.

As at 31 December 2020, no changes were made to the objectives and procedures of capital risk management.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

18. REVENUE

in KEUR	2020	2019
Machine vision technology	105,181	62,337

STEMMER IMAGING AG analyses revenue with customers not only by region for the customers with the highest revenue, but also by industry.

For the 2020 business year, there was no sector focus but rather a very heterogeneous distribution of revenue. However, the sectors of industrial automation, mechanical engineering, medical and life science and sports and entertainment stand out with disproportionately high shares. In relation to the total revenue, however, the revenue to be allocated in this way accounts for less than 25 per cent of the total revenue. With the exception of an increase in sales in the sports entertainment sector, there were no other significant changes compared to the previous year.

Furthermore, a breakdown of sales revenue by region is provided below:

in KEUR	2020	2019
Germany	35,990	22,734
Europe	65,456	36,482
Rest of world	3,735	3,121
Total	**105,181**	**62,337**

The breakdown of revenue by region is based on the location of the customer, i.e. the place of delivery. Neither in the 2020 fiscal year nor in the short fiscal year 2019 did STEMMER IMAGING generate more than 10 per cent of total revenue with any one customer.

19. OTHER OPERATING INCOME

Other operating income is made up as follows:

in KEUR	2020	2019
Income from exchange rate gains	692	83
Government grants	257	33
Remuneration in kind offset	167	92
Income unrelated to the accounting period	13	0
Reversal of value adjustments on receivables	197	104
Income from reversal of provision	32	17
Income from compensation	144	20
Income from the disposal of fixed assets	15	0
Miscellaneous operating income	104	195
Total	**1,621**	**544**

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

in KEUR	2020	2019
Income from exchange rate gains	692	80
Reversal of value adjustments on receivables	197	104
Result of financial instruments carried as assets at amortised cost	**889**	**184**

The government grants mainly include payments of KEUR 188 for research and development measures (previous year: KEUR 33). In addition, the Group received KEUR 67 as part of the measures to compensate for economic losses caused by the Covid-19 pandemic.

20. COST OF MATERIALS

The cost of materials is made up as follows:

in KEUR	2020	2019
Cost of raw materials, consumables and supplies, and of purchased merchandise	66,500	39,956

21. PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

Personnel expenses developed as follows:

in KEUR	2020	2019
Wages and salaries	19,212	10,683
Other social security contributions and employee benefit costs	4,226	2,151
Total	**23,438**	**12,834**

Wages and salaries include a net amount of KEUR 106 in government grants as part of the support measures to combat the consequences of the Covid-19 pandemic, and social security contributions and support expenses include KEUR 216 in reimbursement of social security contributions as part of short-time labour allowances.

The Group employed an average of 357 employees in the reporting year (previous year: 394). The reduction is mainly due to adjustment measures in the context of the Covid-19 pandemic.

22. DEPRECIATION AND AMORTISATION

Depreciation of KEUR 2,835 (previous year: KEUR 1,417) relate to property, plant and equipment and impairments of KEUR 5,929 (previous year: KEUR 1,108) to intangible assets. An impairment loss of KEUR 4,349 was recognised on the goodwill of INFAIMON S. L. U. as at 30 June in the 2020 fiscal year. Further details can be found in Note 1 Intangible assets.

23. OTHER OPERATING EXPENSES

Other operating expenses are made up as follows:

in KEUR	2020	2019
Selling expenses	1,516	2,153
General and administrative expenses	3,289	2,429
Rent and leases	213	201
Operating expenses	1,232	1,057
Value adjustments on financial assets	576	135
Foreign currency losses	1,949	223
Expenses to affiliated companies	482	246
Other miscellaneous operating expenses	393	1,702
Total	**9,650**	**8,146**

Rental and leasing expenses of KEUR 213 include KEUR 71 in income from tenant relief in connection with Covid-19, KEUR 3 in expenses from leases of low-value assets, KEUR 271 in other expenses from leases (incidental costs) and KEUR 10 in other expenses from usage fees that are not within the scope of IFRS 16.

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

in KEUR	2020	2019
Value adjustments on financial assets	576	135
Foreign currency losses	1,949	220
Result of financial instruments carried as assets at amortised cost	**2,525**	**355**

24. NET FINANCE COSTS

The financial result is composed as follows:

in KEUR	2020	2019
Loss from investments accounted for using the equity method	–600	–749
Finance income	39	12
Finance costs	–122	–104
Total	**–683**	**–841**

Finance costs are broken down as follows:

in KEUR	2020	2019
Interest and similar expenses to third parties	113	54
Interest and similar expenses for leasing	9	6
Other interest and similar expenses	0	44
Total	**122**	**104**

The financial result includes the following income (+) and expenses (–) from financial instruments:

in KEUR	2020	2019
Result of financial instruments carried as assets at amortised cost	36	12
Result of financial instruments carried as liabilities at amortised cost	–113	–98

25. INCOME TAXES

Income taxes are made up as follows:

in KEUR	2020	2019
Taxes on income	1,538	405
Deferred taxes	–448	–425
Total	**1,090**	**–20**

The tax expense for the 2020 fiscal year and the short fiscal year 2019 can be reconciled to the result for the period as follows:

in KEUR	2020	2019
Profit before income taxes	−2,233	−1,421
Income tax income (previous year: income tax expense) at a tax rate of 28.08 %	627	400
Impact of differing tax rates at subsidiaries in other legal jurisdictions	−52	101
Taxes for previous years	−192	−91
Permanent differences in the statement of financial position	−1,230	−455
Tax rate changes	−4	99
Impact of non-deductible and deductible income taxes	125	105
Impact of tax-free income/non-deductible expenses	−153	−215
Impact of first-time consideration or non-consideration of DTA	−239	77
Other effects	28	0
Total	**−1,090**	**20**
Income tax income (+), income tax expense (–) recognised in profit or loss	**−1,090**	**20**

The tax rate used for the reconciliation corresponds to the corporate tax rate payable by the company in Germany on taxable profits in accordance with German tax law.

This results in the following actual tax rate:

in KEUR	31/12/2020	31/12/2019
Taxes on income	−1,538	−405
Deferred taxes	448	425
Income taxes	−1,090	20
Earnings before tax	−2,233	−1,423
Actual tax expense ratio	48.81 %	1.48 %

No deferred taxes were recognised for foreign loss carryforwards in the amount of KEUR 1,158 (previous year: KEUR 434).

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

in KEUR	31/12/2020	31/12/2019
Goodwill	79	66
Property, plant and equipment	30	11
Investments accounted for using the equity method	0	11
Inventories	83	107
Trade receivables	177	78
Provisions for pensions	11	16
Personnel liabilities and other provisions	66	76
Loss carryforwards	1	41
Sonstige Verbindlichkeiten	102	[1]
Other	23	7
Deferred tax assets	**572**	**413**
Offsetting	−247	−120
Deferred tax assets	**325**	**292**

1 Reported under other effects in the previous year

The differences for deferred tax liabilities can be traced back to corresponding causes:

in KEUR	31/12/2020	31/12/2019
Intangible assets	1,836	2,137
Property, plant and equipment	10	33
Trade receivables	0	28
Personnel liabilities and other provisions	46	0
Other	22	6
Deferred tax liabilities	**1,914**	**2,204**
Offsetting	−247	−120
Deferred tax liabilities	**1,667**	**2,084**

26. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

In calculating diluted earnings per share, the earnings attributable to the holders of ordinary shares in the parent company (after deduction of interest on the convertible preference shares) are divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would result from the conversion of all potential ordinary shares with dilutive effect into ordinary shares. There were no dilutive effects for STEMMER IMAGING AG in the 2020 fiscal year.

The result of the calculation of basic earnings per share for the 2020 fiscal year and the short fiscal year 2019 is shown below:

	2020	2019
Result attributable to ordinary shareholders of the parent entity (in KEUR)	−3,323	−1,401
Average weighted number of ordinary shares	6,500,000	6,500,000
Earnings per share (cents per share)	−0.51	−0.22

NOTES ON THE STATEMENT OF CASH FLOWS

The consolidated cash flow statement shows how the cash and cash equivalents of the STEMMER IMAGING Group changed during the year under review as a result of cash inflows and outflows. The cash flows are broken down by operating, investing and financing activities in accordance with IAS 7.

The changes in balance sheet items shown in the consolidated cash flow statement cannot be derived directly from the consolidated statement of financial position, as non-cash effects are eliminated.

Cash flow from operating activities is calculated from profit after tax adjusted for income taxes and net interest, and adjusted for depreciation, amortisation, impairment and other non-cash items. Cash flows from interest received and paid and from taxes paid are also recognised. Taking into account changes in working capital and the utilisation of provisions, the cash flow from operating activities is calculated.

Cash flows from the acquisition or sale of intangible assets, property, plant and equipment and financial assets are reported in the cash flow from investing activities. If the acquisition or sale of subsidiaries or other business units is involved (acquisition or loss of control), the effects on the cash flow statement are presented in separate items.

The cash flow from financing activities is characterised by changes in capital as well as dividends paid. The cash flow from financing activities includes repayments for leasing liabilities of KEUR 1,931 (previous year: KEUR 932).

Cash and cash equivalents (KEUR 34,718, previous year: KEUR 27,974) include cash and cash equivalents of KEUR 34,718 (previous year: KEUR 27,974).

C. OTHER DISCLOSURE

1. RELATED PARTIES

Related parties are shareholders with a significant influence on the STEMMER IMAGING 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 include all persons in key positions and their close relatives. Within the Group, this applies 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.

With effect from 1 January 2020, SI Holding GmbH was merged with PRIMEPULSE SE, which has since been the direct majority shareholder of STEMMER IMAGING AG.

Transactions with PRIMEPULSE SE, Munich

PRIMEPULSE SE, Munich, directly held a total of 59 per cent of the shares in the company as at 31 December 2020. In the previous year, PRIMEPULSE SE indirectly held 54 per cent of the shares in STEMMER IMAGING AG.

Transactions with PRIMEPULSE SE, Munich, and its subsidiaries

According to the 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). PRIMEPULSE SE, Munich, will receive daily rates of EUR 1,000 to EUR 1,500 (plus expenses, VAT and travel expenses) for providing the services.

In the fiscal year from 1 January to 31 December 2020, a total of KEUR 632 gross (KEUR 535 net) was charged for services purchased and costs passed on, of which KEUR 480 was expensed in 2020. Up to 31 December 2020, a total of KEUR 632 was paid to PRIMEPULSE SE, Munich. As of 31 December 2020, STEMMER IMAGING AG therefore has no liability to PRIMEPULSE SE, Munich, for purchased services.

Furthermore, there were licence cost charged by AL-KO KOBER SE, Kötz, (KEUR 7) and invoiced services for information technology by GAB ExactlyIT Solutions GmbH (KEUR 198) and ExactlyIT Inc. (KEUR 65). On 31 December 2020, KEUR 30 of this amount was still outstanding.

DISCLOSURES ON MANAGEMENT IN KEY POSITIONS

The members of the Executive Board received total remuneration of KEUR 590 (previous year: KEUR 325) for their activities in the Group in the fiscal year. Remuneration is recognised as short-term benefits.

In the previous year, remuneration in accordance with Section 285 No. 9b HGB was recognised in the amount of KEUR 218.

For post-employment obligations to a former executive, KEUR 115 (previous year: KEUR 112) were recognised as at 31 December 2020. In the reporting year, KEUR 3 (previous year: KEUR 8) was recognised as an expense for this.

Before his appointment to the Executive Board, Mr Uwe Kemm acted as a business consultant for STEMMER IMAGING AG in the period from January to March 2020. During this period, he received total remuneration of KEUR 62.

2. COMPANY BODIES

Members of the Executive Board in the 2020 fiscal year were:

Dipl.-Kfm. Arne Dehn, Chairman of the Executive Board, Munich
Dipl.-Kfm. Uwe Kemm, Executive Board/COO, Munich, from 1 April 2020
Dipl.-Phys. Ing. Martin Kersting, Chief Technology Officer, Gröbenzell, until 31 March 2020

In the 2020 fiscal year, the Supervisory Board activities were performed by the following persons:

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 Administrative Board of PRIMEPULSE SE, Munich, Chairman of the Advisory Board of Mindcurv GmbH, Essen, Chairman of the Supervisory Board of KATEK SE, Munich, Deputy Chairman of the Supervisory Board of glueckkanja-gab AG, Offenbach, Member of the Board of Directors of ExactlyIT Inc, Delaware (USA)
Stefan Kober	Entrepreneur	Deputy Chairman	Chairman of the Supervisory Board of AL-KO KOBER SE, Kötz; Chairman of the Supervisory Board of CANCOM SE, Munich, Deputy Chairman of the Supervisory Board of KATEK SE, Munich
Markus Saller	Director Mergers & Acquisitions of PRIMEPULSE SE, Munich	Member	Member of the Supervisory Board of AL-KO KOBER SE, Kötz

The total remuneration of the Supervisory Board amounted to KEUR 117 in the 2020 fiscal year (previous year: KEUR 59).

3. SHAREHOLDINGS HELD BY MEMBERS OF COMPANY BODIES

SHAREHOLDINGS HELD BY MEMBERS OF THE EXECUTIVE BOARD:

As at 31 December 2020, 59 per cent (previous year: 0 per cent) of the shares in STEMMER IMAGING AG are held by PRIMEPULSE SE, Munich. In the previous year, 54 per cent of the shares were held by SI Holding GmbH, Munich, which was merged into PRIMEPULSE SE with retroactive effect from 1 January 2020 by way of a merger agreement dated 12 May 2020.

As at 31 December 2020, Mr Arne Dehn and Mr Uwe Kemm held 0.67 per cent and 0.20 per cent respectively in STEMMER IMAGING AG.

SHAREHOLDINGS HELD BY MEMBERS OF THE SUPERVISORY BOARD:

As at the reporting date, Mr Stefan Kober held an indirect interest of 18.50 per cent and Mr Klaus Weinmann held an indirect interest of 17.93 per cent in STEMMER IMAGING AG. Mr Markus Saller holds an indirect interest of 0.03 per cent.

4. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As at the reporting date, guarantees exist in the amount of KEUR 165 (previous year: KEUR 15). The risk of utilisation is classified as low to medium.

There are other financial obligations from purchase commitments that are within the ordinary course of business. There were no significant rental and leasing obligations in the 2020 fiscal year (previous year: KEUR 1,019).

The Group does not expect any significant future rental payments from subleases.

5. AUDITOR'S FEE

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

in KEUR	31/12/2020	31/12/2019
Audits of financial statements	225	210
Other services	5	0
Total	**230**	**210**

Other services include expenses for individual auditing issues.

LIST OF SHAREHOLDINGS

No.	Name and registered office of the company	Share of capital in %	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

k = 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, made use of the exemption option in Section 264 (3) of the German Commercial Code (HGB) in the 2020 fiscal year.

7. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 28 January 2021, a loan agreement in the amount of EUR 20 million was concluded with PRIMEPULSE SE. So far, amounts of EUR 15 million and USD 5 million have been disbursed.

The loan is initially limited until 31 December 2021. The end of the term is extended by a further 12 months in each case if neither of the contracting parties submits a notice of termination in due time. The loan can be terminated by either party with three months' notice to the end of the month. An expected interest income cannot be reliably estimated at present, as a repayment during the year cannot be ruled out due to the notice period on both sides. Interest on the loan is charged at a credit margin of 1.5 per cent above the 6-month EURIBOR (if this is less than 0 for an interest period, the EURIBOR is calculated at 0 per cent). For the part disbursed in USD, interest is charged at 1.86 per cent p. a. until 30 September 2021. From 1 October 2021 onwards, 1.5 per cent p. a. will be charged on the basis of the 12-month USD LIBOR.

In March, the Executive Board of STEMMER IMAGING AG became aware that funds of up to EUR 1.0 million had been misdirected at the Dutch subsidiary with unknown destination. At the present time, it cannot be reliably estimated whether and to what extent the funds will flow back into the Group's assets. In this context, the impact on the annual result cannot yet be quantified.

In addition, the ongoing lockdown, whose further impact on the economy cannot be estimated with sufficient reliability at this point in time, is another event of particular importance after the close of the fiscal year.

8. DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

The declaration of compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and the Supervisory Board of STEMMER IMAGING AG and has been made permanently available to shareholders in the Investors section of the company's website **(www.stemmer-imaging.com)**.

9. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Executive Board on 19 March 2021.

Puchheim, 19 March 2021

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group 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 oppportunities and risks associated with the expected development of the Group.

Puchheim, 19 March 2021

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

The independent auditor's report reproduced below also includes a "Report on the audit of the electronic reproductions of the financial statements and management report prepared for disclosure purposes in accordance with Sec. 317 (3b) HGB ["Handelsgesetzbuch": German Commercial Code]" (hereinafter referred to as the "ESEF Report"). The audited subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

INDEPENDENT AUDITORS' 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 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of STEMMER IMAGING AG, Puchheim, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the (consolidated) declaration on corporate governance 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 section titled "CSR activities 2020".

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 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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 components of the combined management report whose content 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 Group 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 financial year from 1 January to 31 December 2020. 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 summarize what in our view is the key audit matter below:

Impairment testing of goodwill

a) The risk for the financial reporting

Goodwill of EUR 19.4 million is carried in the consolidated financial statements of STEMMER IMAGING AG, Puchheim, under the line item "Goodwill". This corresponds to 20.1 % of the Group's total assets. Goodwill is subject to an impairment test as at 30 November of each respective financial year. Goodwill originating from the business combination with the Infaimon Group of EUR 4.3 million carried as at 30 June 2020 was written off due to adjusted earnings projections arising from the corona pandemic. No further impairment losses were needed as at 30 November 2020.

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 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 units with material carrying amounts of goodwill. These revealed that a 10 % shortfall in projected EBIT and a 2-percentage point change in interest rates would result in a need to record an impairment loss of EUR 7.4 million.

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 notes A.4.9 and B.1 of the notes to the consolidated financial statements and in the section on "net assets" in the combined management report.

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 five-year plan approved by the Supervisory Board for the year 2021 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.

Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

OTHER INFORMATION

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises:

– the (Group) Declaration on Corporate Governance 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 section "Corporate Social Responsibility 2020" in the combined management report,
– the report of the Supervisory Board,
– the remaining parts of the annual report, with the exception of the annual financial statements and consolidated financial statements, the audited components of the combined management report and our respective auditor's reports
– the responsibility statement attached to the notes to the consolidated financial statements in accordance with Sec. 297 (2) sentence 4 HGB to the consolidated financial statements and in accordance with Sec. 289 (1) sentence 5 HGB and Sec. 315 (1) sentence 5 HGB to 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 Compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] contained in the (Group) Declaration on Corporate Governance published on the Company's website. 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 whose content 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 GROUP 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 users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism 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 controls.

- 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

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT PREPARED FOR DISCLOSURE PURPOSES IN ACCORDANCE WITH SEC. 317 (3B) HGB

AUDIT OPINION

In accordance with Sec. 317 (3b) HGB, we have performed a reasonable assurance review to determine whether the reproductions of the consolidated financial statements and the combined management report contained in the attached file "ESEF documents KA Stemmer 2020.zip" (hereinafter also referred to as "ESEF documents") and prepared for disclosure purposes comply in all material respects with the electronic reporting format requirements of Sec. 328 (1) HGB ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Sec. 328 (1) HGB. Other than this opinion and our opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 included in the "Independent Auditor's Report on the Audit of the Consolidated Financial Statements and Combined Management Report" above, we do not express any opinion on the information included in these reproductions or on any of the other information included in the above mentioned file.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned attached file in accordance with Sec. 317 (3b) HGB and in compliance with the draft exposure of IDW EPS 410. Our responsibility is described in more detail in the section "Auditor's Responsibility for the Audit of ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of IDW QS 1.

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors are responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB and for tagging the consolidated financial statements in accordance with Sec. 328 (1) sentence 4 No. 2 HGB.

Furthermore, the executive directors are responsible for such internal control as they determine necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Sec. 328 (1) HGB.

The executive directors are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents within the framework of the accounting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of Sec. 328 (1) HGB, 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 opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 this system of controls.
- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applying on the reporting date regarding the technical specification for this file.
- Assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited consolidated financial statements and the audited combined management report.
- Assess whether the tagging of the ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor of the consolidated financial statements by the annual general meeting on 22 June 2020. We were engaged by the Chairman of the Supervisory Board on 22 June 2020. 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).

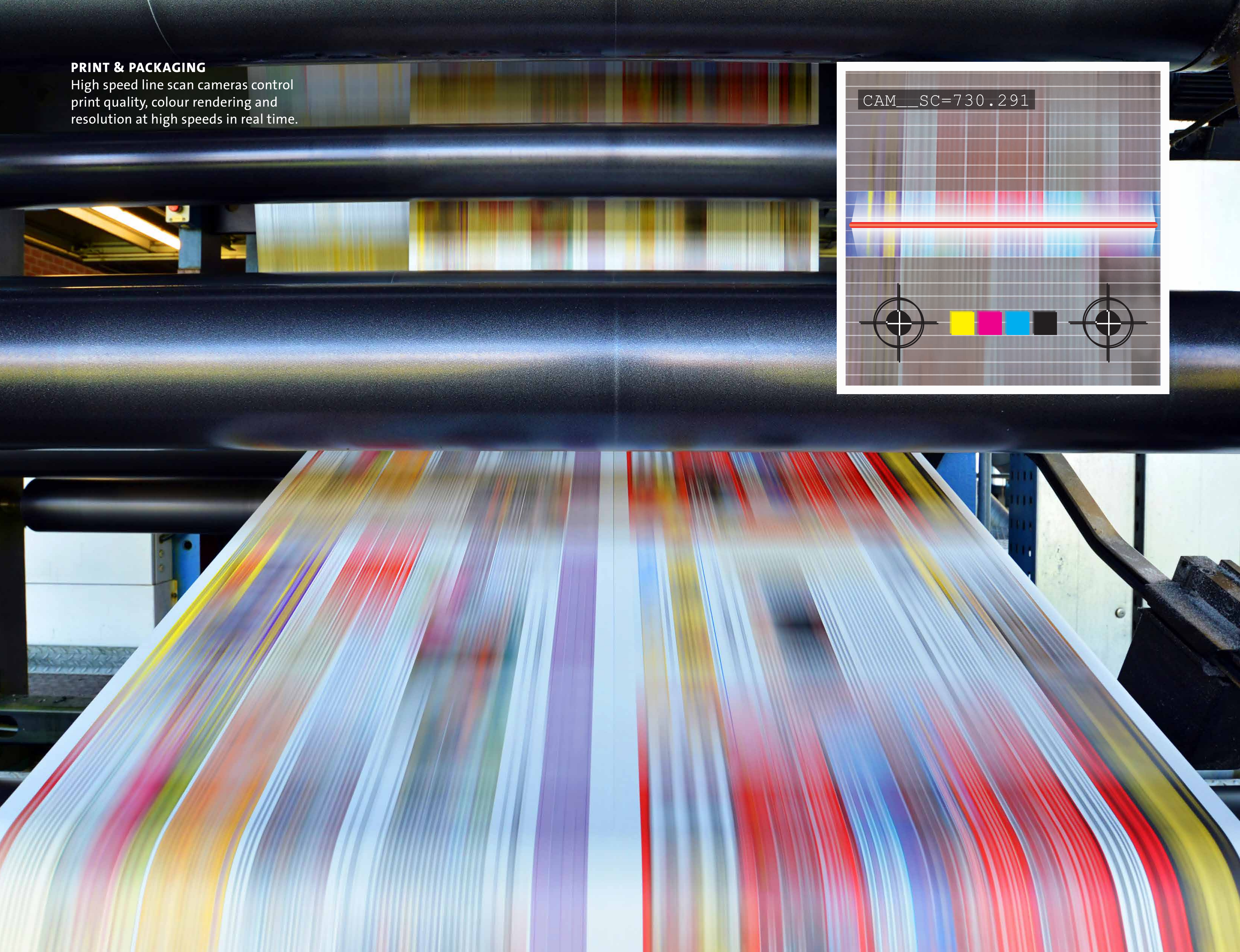
GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Stuttgart, 19 March 2021

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf	**Linda Ruoß**
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)



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04
SINGLE-ENTITY FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS
in KEUR

	31/12/2020	31/12/2019
Fixed assets	**42,195**	**49,846**
Intangible assets		
Purchased industrial and similar rights and assets	1,241	1,489
Advance payments	0	80
	1,241	**1,569**
Tangible assets		
Land, land rights and buildings, including buidings on third-party land	892	1,098
Other equipment, operating and office equipment	640	785
	1,532	**1,883**
Investment securities		
Shares in affiliated companies	33,046	35,945
Loans to afflilіates companies	6,375	9,849
Investments	0	600
	39,421	**46,394**
Current assets	**36,670**	**27,329**
Inventories		
Goods	61	201
Receivables and other assets		
Trade receivables	2,504	4,294
Receivables due from affiliated companies	15,920	10,502
Other assets	391	1,488
	18,815	**16,284**
Cash-in-hand and bank balances	17,793	10,844
Prepaid expenses	**193**	**87**
	79,057	**77,262**

EQUITY AND LIABILITIES
in KEUR

	31/12/2020	31/12/2019
Equity	**66,043**	**64,776**
Subscribed capital (contingent capital KEUR 200; previous year: KEUR 200)	6,500	6,500
Capital reserves	49,500	49,500
Net retained profits	10,043	8,776
Provisions	**2,803**	**2,053**
Provisions for taxes	1,058	0
Other provisions	1,745	2,053
Liabilities	**10,211**	**10,433**
Liabilities to banks	7,500	9,500
Advance payments received on orders	190	80
Trade payables	176	392
Liabilities to affiliated companies	2,008	59
Liabilities to companies in which an equity investment is held	50	0
Other liabilities	287	402
	79,057	**77,262**

INCOME STATEMENT

in KEUR

	2020	2019[1]
Revenue	51,478	26,990
Other operating income	356	177
Cost of materials		
Cost of raw materials, consumables and supplies, and of purchased merchandise	−26,517	−16,158
Cost of purchased services	−5,770	−1,270
	−32,287	**−17,428**
Personnal expenses		
Wages and salaries	−9,778	−5,852
Social security and post-employment costs	−1,789	−971
	−11,567	**−6,823**
Amortisation and depreciation of intangible assets, property, plant and equipment	−872	−462
Other operating expenses	−5,542	−4,361
	1,566	**−1,907**
Income from investments	3,870	364
Profits received on the basis of a profit transfer agreement	20	20
Income from other securities and long-term loans	167	169
Other interest and similar income	401	202
Depreciation and impairment of investment securities	−3,649	−893
Interest and similar expenses	−138	−39
Taxes on income	−971	363
Earnings after tax = net income for the year (previous year: net loss)	**1,267**	**−1,721**
Retained profits brought forward before profit appropriation	8,776	13,747
Distribution	–	−3,250
Net retained profits	**10,043**	**8,776**

1 Short fiscal year 2019: 1 July 2019 to 31 December 2019

NOTES

1. ACCOUNTING POLICIES

STEMMER IMAGING AG (hereinafter also referred to as “the Company”) is registered in the Commercial Register of 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 by including all 6,500,000 shares and simultaneously into the subsegment of the Regulated Market with additional follow-up obligations (Prime Standard).

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 regulations for large corporations pursuant to section 267 HGB apply.

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

In the previous reporting period, STEMMER IMAGING AG had a short fiscal year from July 1 to December 31. The comparability of the period-related information with the fiscal year (calendar year) presented in this report is limited.

The income statement has been prepared using the nature of expense method.

The valuation was based on the going concern assumption. The following accounting and valuation methods were used to prepare the annual financial statements.

Acquired **intangible assets** and **property, plant and equipment** are recognised at acquisition or production cost less depreciation and amortisation. Depreciation is carried out using the straight-line method over the respective useful life. The useful lives are predominantly three to ten years.

The tax regulations on immediate depreciation are applied to additions of **low-value tangible fixed assets**. Movable fixed assets with a value of up to EUR 800.00 are fully depreciated in the year of acquisition.

Financial assets are recognised at acquisition cost, provided that no impairment is required due to a probable permanent reduction in value. The fair values of shares in affiliated companies and investments are determined on the basis of a multi-year plan using the capitalised earnings value 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 impairment. If it turns out in a later fiscal year that the reasons for the impairment have ceased to exist, the amount of the impairment is written up to the extent of the increase in value, taking into account the depreciation that would have had to be made in the meantime.

Goods are valued at acquisition cost; the lower of cost or market principle was observed. Inventories essentially comprise loan and test equipment, with appropriate deductions being made for storage and utilisation risks.

Receivables and **other assets** are generally recognised at nominal value or at fair value as at the balance sheet date. The recognisable risks in the receivables portfolio are adequately taken into account through the formation of individual value adjustments. The general default and credit risk is taken into account by a general bad debt allowance of 0.5 per cent (previous year: 0.9 per cent) on the net receivables.

Advance payments made are reported net.

Prepaid expenses relate to expenditure before the balance sheet date that represents expenses for a certain period after that date. The items are reversed on a straight-line basis in accordance with the passage of time or the economic affiliation.

Deferred tax assets and liabilities are calculated for temporary differences between the commercial and tax valuations of assets and liabilities. A total resulting tax burden would be recognised in the balance sheet as a deferred tax liability if a total tax burden is to be expected in future fiscal years. In the event of a surplus of deferred tax assets, no capitalisation would take place in exercise of the option according to section 274 (1) sentence 2 HGB. In the fiscal year – as in the previous year – there was an unrecognised surplus of deferred tax assets.

The **asset-side difference from the offsetting of assets** is recognised in accordance with section 246 (2) HGB. Assets that are not accessible to all other creditors, are unencumbered and insolvency-proof, and serve exclusively to fulfil debts from pension obligations (**cover assets**) are directly offset against the corresponding debts in accordance with section 246 (2) sentence 2 HGB. Pursuant to section 253 (1) sentence 3 HGB, pension provisions, insofar as the amount of pension obligations is determined exclusively by the fair value of securities held as fixed assets, are to be recognised at the fair value of these securities insofar as it exceeds a guaranteed minimum amount. Since the **pension obligation is a pension** commitment linked to reinsurance, the book value of the pension obligation is recognised analogously with the fair value of the corresponding reinsurance policy and offset against it in accordance with section 253 (1) sentence 3 HGB.

The **anniversary provision** is measured as the present value of future anniversary bonuses, whereby the bonuses are accrued pro rata over the years of service. Discounting is carried out at an interest rate of 1.61 per cent (previous year: 1.97 per cent) for an average remaining term of 15 years; an annual fluctuation rate of 3 per cent is assumed.

The measurement of the obligations from a long-term incentive programme is carried out as a cash value and is calculated with an interest rate of 1.61 per cent.

The other **provisions** were set at the amount that is necessary according to reasonable commercial judgement. They take into account all recognisable risks and uncertain liabilities. Future price and cost increases are taken into account if there are sufficient objective indications that they 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 for the remaining term on the balance sheet date.

Advance payments received on orders are reported net after deduction of VAT.

Liabilities were recognised at the repayment amount.

Assets and liabilities denominated in foreign currencies with a remaining term of up to one year were translated at the average spot exchange rate on the balance sheet date in accordance with section 256a HGB. This may result in unrealised gains and losses from currency translation, which are included in these financial statements. In the case of a remaining term of more than one year, the translation is carried out at the exchange rate at the time of occurrence. In the case of exchange rate changes up to the balance sheet date, the valuation is always carried out at the exchange rate on the balance sheet date, taking into account the lower of cost or market principle on the assets side and the higher of cost or market principle on the liabilities side.

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

2. NOTES ON THE BALANCE SHEET

2.1. FIXED ASSETS

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

2.2. RECEIVABLES AND OTHER ASSETS

All receivables and other assets are due within one year.

Receivables from affiliated companies amount to KEUR 4,133 (previous year: KEUR 278) and relate to current trade transactions. An amount of KEUR 750 relates to the dividend receivable from a subsidiary, which will be paid in the first quarter of 2021. The remaining amount of KEUR 11,037 (previous year: KEUR 10,224) relates to short-term working capital lines to subsidiaries. Other assets do not include tax refund claims of KEUR 0 (previous year: KEUR 1,151), which legally arise after the balance sheet date.

2.3. DEFERRED TAXES

As a result of valuation differences between the commercial and tax balance sheets, there are individual temporary differences resulting from different valuations in relation to personnel provisions (holiday, overtime, incentive and anniversary provisions). Overall, with an applicable tax rate of around 28 per cent (previous year: 28 per cent), there is an excess of deferred tax assets of KEUR 113 (previous year: KEUR 83), which is not recognised in exercise of the option pursuant to section 274 (1) sentence 2 HGB.

2.4. EQUITY

The **subscribed capital** (share capital) amounts to EUR 6,500,000 (previous year: EUR 6,500,000) as at 31 December 2020 and is fully paid up. As at 31 December 2020, there are 6,500,000 no-par value bearer shares (ordinary shares). The proportionate amount of the share capital is EUR 1.00 per share. The shares carry full dividend rights from 1 July 2018. Each share grants one vote at the Annual General Meeting of the company. They are evidenced by global certificates. Each shareholder of STEMMER IMAGING AG is generally entitled to a statutory subscription right, which means that in the event of a capital increase, he or she must be allotted a portion of the new shares corresponding to his or her share of the previous share capital at his or her request.

The Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the Company on one or more occasions until 31 October 2022 by a total of KEUR 2,500 against cash and/or in-kind contributions by issuing up to 2,500,000 new no-par value bearer shares (**Authorised Capital 2017/I**).

The share capital of the Company was conditionally increased by KEUR 200 by resolution of the Annual General Meeting of 7 December 2018 and serves to grant up to 200,000 share options with subscription rights to members of the Executive Board and employees of the Company as well as members of the management and employees of affiliated companies within the meaning of sections 15 and 17 of the German Stock Corporation Act (AktG) on shares of the Company with a term of up to ten years (**Conditional Capital 2018/I**).

The **capital reserve** according to section 272 (2) no. 1 HGB amounts to EUR 49,500,000, so that no legal reserve needs to be allocated, as one-tenth of the share capital has already been reached.

Net retained profits are as follows:

in KEUR	31/12/2020	31/12/2019
Retained profits brought forward 01/01 and 01/07	8,776	13,747
Dividend distribution	0	−3,250
Net profit for the year (previous year: net loss)	1,267	−1,721
Net retained profits 31/12	**10,043**	**8,776**

Net retained profits are available in full for distribution purposes.

2.5. PROVISIONS

The asset difference from the offsetting of assets reported in accordance with section 246 (2) HGB results from the coverage of pension obligations (original obligation KEUR 100; fulfilment amount of the obligation on the reporting date KEUR 109 (previous year: KEUR 107) by assets (fair value: KEUR 109, previous year: KEUR 107; acquisition costs: KEUR 100), which are withdrawn from the access of all other creditors with the exception of the entitled former member of the executive body and serve exclusively to fulfil debts from these obligations (so-called cover assets).

The fair value of the offset assets is based on an actuarially determined reinsurance policy as at the balance sheet date (actuarial reserve including allocated surpluses).

in KEUR	31/12/2020
Pension obligation	109
Plan assets (fair value)	109
Excess of plan assets/pension provision	0
Plan assets (cost)	100

The **other provisions** of KEUR 1,745 (previous year: KEUR 2,053) mainly include personnel provisions (especially for holidays, flexitime, bonuses, anniversaries and severance payments) of KEUR 870 (previous year: KEUR 1,357), amounts for auditing, tax consultancy and the Annual General Meeting (KEUR 443; previous year: KEUR 398) and for outstanding invoices (KEUR 200; previous year: KEUR 174). For a term of up to 12 months, no discounting of the provision amounts was carried out.

2.6. LIABILITIES

Liabilities to banks include an LfA capital market loan of EUR 10.0 million, which was taken out on 24 July 2019. EUR 2.5 million was repaid by 31 December 2020. EUR 2.0 million of the loan has a remaining term of up to 1 year; EUR 5.5 million 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.

For **trade payables**, there are customary retentions of title to the delivered items.

KEUR 1,947 (previous year: KEUR 0) of the **liabilities to affiliated companies** relate to current joint loan extensions. As in the previous year, the remaining amounts are accounted for by trade payables.

The other liabilities are composed as follows:

in KEUR	31/12/2020	31/12/2019
Tax liabilities	189	186
Social security liabilities	29	24
Remaining other liabilities	69	192
Total	**287**	**402**

3. NOTES ON THE INCOME STATEMENT

3.1. REVENUE

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

By area of activity:

in KEUR	2020	2019
Machine Vision	38,156	24,085
Intra-group allocations and services	13,322	2,905
Total	**51,479**	**26,990**

In addition to the full-year effect, the increase in Group allocations and services results from an update of the settlement modalities with the subsidiaries.

By region:

in KEUR	2020	2019
Germany	50,236	26,142
EU	338	536
Other	904	312
Total	**51,478**	**26,990**

3.2. OTHER OPERATING INCOME

Other operating income includes **income unrelated to the accounting period** of KEUR 51 (previous year: KEUR 62). This is mainly income from the reversal of provisions and individual value adjustments.

Other operating income includes **income from currency translation** of KEUR 88 (previous year: KEUR 9).

3.3. PERSONNEL EXPENSE

The item "Social security contributions and pension expenses" includes **pension expenses** of KEUR 5 (previous year: KEUR 1), which are entirely attributable to pension expenses for former board members.

Personnel expenses include reimbursements in connection with short-time labour in the amount of KEUR 391.

3.4. OTHER OPERATING EXPENSES

Other operating expenses include **expenses unrelated to the accounting period** of KEUR 0 (previous year: KEUR 59).

Other operating expenses include **expenses from currency translation** of KEUR 517 (previous year: KEUR 15). Unrealised expenses account for KEUR 81 of this amount (previous year: KEUR 15).

3.5. NET INCOME FROM INVESTMENTS

Net income from participations relates to profit distributions from **affiliated companies** of KEUR 3,870 (previous year: KEUR 364).

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

3.6. FINANCIAL RESULT

in KEUR	2020	2019
Income from long-term loans	167	169
Other interest and similar income	401	202
Interest and similar expenses	−138	−39
Total	**430**	**332**

As in the previous year, the income from loans of financial assets relates entirely to interest from affiliated companies.

As in the previous year, other interest and similar income relates entirely to interest from affiliated companies.

Interest and similar expenses include KEUR 36 (previous year: KEUR 0) in interest expenses to affiliated companies. Of the interest and similar expenses, KEUR 26 are unrelated to the accounting period.

The interest expense from the pension obligation (KEUR 7) was netted with the income from the plan assets (KEUR 1).

3.7. DEPRECIATION AND IMPAIRMENT OF INVESTMENT SECURITIES

Of the depreciation on financial assets amounting to KEUR 3,649 (previous year: KEUR 893), KEUR 3,049 (KEUR 62) was attributable to affiliated companies, KEUR 0 (previous year: KEUR 31) to loans to affiliated companies and KEUR 600 (previous year: KEUR 800) to investments.

3.8. TAXES ON INCOME

Taxes on income include expenses unrelated to the accounting period in the amount of KEUR 253 (previous year: KEUR 363).

3.9. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income

The distribution of dividends resulted in income of KEUR 3,870. This amount qualifies as extraordinary due to its size.

The implementation of short-time labour in the months of March to September 2020 resulted in a reduction of personnel expenses of KEUR 391. This amount qualifies as extraordinary due to its size and its non-recurring nature.

Extraordinary expenses

Personnel expenses include expenses for severance payments (KEUR 388; previous year: KEUR 381). This amount qualifies as extraordinary due to its size and its non-recurring nature.

In the reporting year, a depreciation of KEUR 600 (previous year: KEUR 800) was made on the investment in Austria as well as depreciations of KEUR 3,049 on shares in affiliated companies. These transactions qualify as extraordinary due to their size.

4. OTHER DISCLOSURES

4.1. DISCLOSURES ON SHAREHOLDINGS

As at 31 December 2020, the Company holds interests in the following domestic and foreign companies:

Company name	Share of capital (%)	Currency 2020	Net income 2020	Equity as of 31/12/2020
Germany				
SIS STEMMER IMAGING Services GmbH, Puchheim/D[1]	100 %	KEUR	20	107
Outside Germany				
STEMMER IMAGING S.A.S., Suresnes/F	100 %	KEUR	42	2,665
STEMMER IMAGING Ltd., Tongham/UK	100 %	KEUR	–3	1,347
STEMMER IMAGING AG, Pfäffikon/CH	100 %	KEUR	313	595
STEMMER IMAGING B.V., Zutphen/NL	100 %	KEUR	382	2,511
STEMMER IMAGING AB, Stockholm/SE	100 %	KEUR	168	2,507
STEMMER IMAGING A/S, Copenhagen/DK	100 %	KEUR	–49	299
STEMMER IMAGING Oy, Espoo/FI	100 %	KEUR	49	92
STEMMER IMAGING Sp. z o.o., Lowicz/PL	100 %	KEUR	–25	–68
STEMMER IMAGING Ges.m.b.H, Graz/AT	100 %	KEUR	27	612
STEMMER IMAGING S.R.L., Bologna/IT	100 %	KEUR	–97	–60
INFAIMON S.L.U., Barcelona/ES	100 %	KEUR	–838	3,142
INFAIMON UNIPESSOAL, LDA., Aveiro/PT	100 %[2]	KEUR	14	300
INFAIMON MEXICO SA DE CV., Querétaro/MX	100 %[2]	KEUR	–128	–640
INFAIMON DO BRASIL VISÃO ARTIFICIAL LTDA, São Bernardo do Campo/BR	100 %[2]	KEUR	–601	–1,203
Perception Park GmbH, Graz/AT	42 %	KEUR	–221	–220

1 Before profit/loss transfer 2 Indirectly via INFAIMON S.L.U., Barcelona/ES

Equity amounts in foreign currency are translated at the official mean exchange rate, and annual results in foreign currency are translated at the mean spot exchange rate.

4.2. CONSOLIDATED FINANCIAL STATEMENTS

As the parent company of the STEMMER IMAGING Group, the Company prepares consolidated financial statements for the fiscal year from 1 January to 31 December 2020 in accordance with International Financial Reporting Standards (IFRSs as adopted by the EU) and the additional requirements of German commercial law. The consolidated financial statements will be published in the electronic Federal Gazette.

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 at 31 December of the calendar year. The consolidated financial statements of PRIMEPULSE SE are published in the electronic Federal Gazette.

4.3. OTHER FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

Future payment obligations (other financial obligations) exist as of the balance sheet date from rental agreements (KEUR 978) and from car leasing (KEUR 177). Of these, KEUR 779 are due within one year and KEUR 375 within the next one to five years.

Furthermore, there is a guarantee obligation in the amount of KEUR 150 from a composite framework line for Perception Park GmbH. The risk of a claim is classified as low to medium.

As the controlling company, STEMMER IMAGING AG is also the tax debtor for the company affiliated with it through a profit and loss transfer agreement.

4.4. COMPANY BODIES

Executive Board

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

Uwe Kemm, Munich, Dipl.-Kfm., Chief Operating Officer, from 1 April 2020

Martin Kersting, Gröbenzell, Dipl.-Phys. Ing., Chief Technology Officer, until 31 March 2020

The total remuneration of the Executive Board in the fiscal year pursuant to section 285 no. 9a HGB amounted to KEUR 590 (previous year: KEUR 325).

In the short fiscal year 2019, remuneration in accordance with section 285 no. 9b HGB was recognised in the amount of KEUR 218.

A more detailed explanation of the main features of the Executive Board’s remuneration system and the disclosures pursuant to section 285 no. 9a sentences 5 to 8 of the German Commercial Code (HGB) can be found in the remuneration report as part 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 Mergers & Acquisitions of PRIMEPULSE SE

Mr Klaus Weinmann is also Chairman of the Advisory Board of Mindcurv GmbH, Essen, and Chairman of the Supervisory Board of KATEK SE, Munich. Mr Klaus Weinmann is also Deputy Chairman of the Supervisory Board of glueckkanja-gab AG, Offenbach, and a member of the Board of Directors of ExactlyIT Inc, Delaware (USA).

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

The total remuneration of the supervisory board amounted to KEUR 117 (previous year: KEUR 59) in the 2020 fiscal year. The remuneration is divided into a fixed component of KEUR 90 (previous year: KEUR 45) and an attendance fee of KEUR 27 (previous year: KEUR 14).

4.5. EMPLOYEES

The average number of employees during the fiscal year was 200 (previous year: 216). These are divided among the following areas:

Number	2020
Organisation	21
Sales	31
Technology	101
Order processing	47
Summe	**200**

4.6. AUDITOR'S FEE

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

in KEUR	31/12/2020	31/12/2019
Audits of financial statements	225	210
Other services	5	0
Total	**230**	**210**

Other services include expenses for individual auditing issues.

4.7. RELATED PARTY TRANSACTIONS

In accordance with section 312 of the German Stock Corporation Act (AktG), STEMMER IMAGING AG has prepared a report on relations with affiliated companies and issued the following concluding declaration:

"As the Executive Board of STEMMER IMAGING AG, we hereby declare that STEMMER IMAGING AG received appropriate consideration for each of the legal transactions listed in the above report on relationships with affiliated companies according to the circumstances known to us at the time at which the legal transaction was carried out.

No reportable measures within the meaning of section 312 para. 1 sentence 2 AktG were taken or omitted in the fiscal year from 1 January to 31 December 2020."

4.8. APPROPRIATION OF NET PROFIT AND RESTRICTION ON DISTRIBUTION

The Executive Board plans to propose the distribution of a dividend of EUR 0.50 per dividend-bearing share at the Annual General Meeting.

4.9. DISCLOSURES ON VOTING RIGHTS ANNOUNCEMENTS IN ACCORDANCE WITH SECTION 160 (1) NO. 8 AKTG

In November 2018, the following announcements were published in accordance with section 20 (6) AktG:

– SI HOLDING GmbH, Kötz, has notified us pursuant to section 20 (1) AktG that SI HOLDING GmbH, Kötz, holds more than one-fourth of the shares in STEMMER IMAGING AG, Puchheim. (Puchheim, November 2018)
– SI HOLDING GmbH, Kötz, has notified us pursuant to section 20 (4) in conjunction with section 16 (1) AktG that SI HOLDING GmbH, Kötz, owns a majority stake in STEMMER IMAGING AG, Puchheim. (Puchheim, November 2018)

With effect from 1 January 2020, the previous main shareholder, SI Holding GmbH, Munich, was merged with PRIMEPULSE SE, Munich. As a result, the entire shareholding in STEMMER IMAGING AG was transferred to PRIMEPULSE SE. This was announced in a voting rights announcement on 19 May 2020.

In the 2020 fiscal year, the following announcements were also published pursuant to section 40 (1) WpHG:

Party subject to notification requirement	Shareholder	Date on which threshold was met	Voting share as %	Absolute
Universal-Investment GmbH, Frankfurt/Main, Germany	Universal-Investment GmbH	18 December 2020	2.97	193,016
Universal-Investment GmbH, Frankfurt/Main, Germany	Universal-Investment GmbH	22 October 2020	3.17	205,975
Allianz Global Investors GmbH, Frankfurt/Main, Germany	Allianz Global Investors GmbH, Frankfurt/Main, Germany	20 July 2020	4.94	321,059
PRIMEPULSE SE, Munich, Germany	PRIMEPULSE SE	6 July 2020	50.09	3,255,641
Universal-Investment GmbH, Frankfurt/Main, Germany	Universal-Investment GmbH	4 June 2020	3.47	225,355
Universal-Investment GmbH, Frankfurt/Main, Germany	Universal-Investment GmbH	26 May 2020	3.22	209,273
PRIMEPULSE SE, Munich, Germany	PRIMEPULSE SE	14 May 2020	48.09	3,125,573
Allianz Institutional Investors Series SICAV, Senningerberg, Luxembourg	Allianz Institutional Investors Series SICAV	6 April 2020	2.78	180,882
PRIMEPULSE SE, Munich, Germany	SI HOLDING GmbH	1 April 2020	56.49	3,672,071
Schroders plc, London, United Kingdom	Schroders plc	20 February 2020	2.95	191,443
Schroders plc, London, United Kingdom	Schroders plc	21 October 2019	4.98	323,386
Schroders plc, London, United Kingdom	Schroders plc	9 May 2019	5.69	369,647
Universal-Investment GmbH, Frankfurt/Main, Germany	Universal-Investment GmbH	20 February 2020	3.65	237,394

4.10. SUPPLEMENTARY REPORT

On 28 January 2021, a loan agreement in the amount of EUR 20 million was concluded with PRIMEPULSE SE. So far, amounts of EUR 15 million and USD 5 million have been disbursed. The loan is initially limited until 31 December 2021. The end of the term is extended by a further 12 months in each case if neither of the contracting parties submits a notice of termination in due time. The loan can be terminated by either party with three months' notice to the end of the month. An expected interest income cannot be reliably estimated at present, as a repayment during the year cannot be ruled out due to the notice period on both sides. Interest on the loan is charged at a credit margin of 1.5 per cent above the 6-month EURIBOR (if this is less than 0 for an interest period, the EURIBOR is calculated at 0 per cent). For the part disbursed in USD, interest is charged at 1.86 per cent p. a. until 30 September 2021. From 1 October 2021 onwards, 1.5 per cent p. a. will be charged on the basis of the 12-month USD LIBOR.

In addition, the ongoing lockdown, whose further impact on the economy cannot be estimated with sufficient reliability at this point in time, is another event of particular importance after the close of the fiscal year.

4.11. GERMAN CORPORATE GOVERNANCE CODE

The declaration of compliance with the German Corporate Governance Code required by section 161 of the German Stock Corporation Act (Aktiengesetz) was issued by the Executive Board and Supervisory Board of STEMMER IMAGING AG and has been made permanently available to shareholders in the Investor Relations section of the Company's website **(www.stemmer-imaging.com)**.

Puchheim, 19 March 2021

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report of STEMMER IMAGING AG, which is combined with the Group management report, includes a true and fair presentation of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Puchheim, 19 March 2021

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

STATEMENT OF CHANGES IN FIXED ASSETS

for the fiscal year from 1 January to 31 December 2020
in KEUR

	Cost				
	As of 01/01/2020	Additions	Reclassifications	Disposals	As of 31/12/2020
Intangible assets					
Purchased industrial and similar rights and assets	3,075	36	79	0	3,190
Advance payments	79	0	–79	0	0
	3,154	**36**	**0**	**0**	**3,190**
Tangible assets					
Land, land rights and buildings, including buildings on third-party land	2,895	0	0	0	2,895
Other equipment, operating and office equipment	3,291	158	0	0	3,449
	6,186	**158**	**0**	**0**	**6,344**
Investment securities					
Shares in affiliated companies	36,007	150	0	0	36,157
Loans to affiliated companies	9,880	0	0	3,474	6,406
Investments	1,400	0	0	0	1,400
	47,287	**150**	**0**	**3,474**	**43,963**
Total	**56,627**	**344**	**0**	**3,474**	**53,497**

Cumulative depreciation and armotisation				Carrying amounts	
As of 01/01/2020	Additions	Disposals	As of 31/12/2020	As of 31/12/2020	As of 31/12/2019
1,585	364	0	1,949	1,241	1,489
0	0	0	0	0	79
1,585	**364**	**0**	**1,949**	**1,241**	**1,569**
1,797	206	0	2,003	892	1,098
2,506	303	0	2,809	640	785
4,303	**508**	**0**	**4,812**	**1,532**	**1,883**
62	3,049	0	3,111	33,046	35,945
31	0	0	31	6,375	9,849
800	600	0	1,400	0	600
893	**3,649**	**0**	**4,541**	**39,422**	**46,394**
6,781	**4,521**	**0**	**11,302**	**42,195**	**49,846**

The independent auditor's report reproduced below also includes a "Report on the audit of the electronic reproductions of the financial statements and management report prepared for disclosure purposes in accordance with Sec. 317 (3b) HGB ["Handelsgesetzbuch": German Commercial Code]" (hereinafter referred to as the "ESEF Report"). The audited subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

INDEPENDENT AUDITOR'S REPORT

TO STEMMER IMAGING AG, PUCHHEIM

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

AUDIT OPINIONS

We have audited the financial statements of **STEMMER IMAGING AG, Puchheim**, which comprise the balance sheet as at 31 December 2020 and the statement of profit or loss for the financial year from 1 January to 31 December 2020 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 financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the (consolidated) declaration on corporate governance 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 section titled "CSR activities 2020".

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 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 whose content 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 Consolidated 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 financial year from 1 January to 31 December 2020. 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 summarize what in our view are the key audit matters below:

Impairment of the financial assets

a) The risk for the financial reporting

Shares in affiliated companies, loans and equity investments are carried under "financial assets" at a value of EUR 39,422k (49.9 % of total assets) in the separate financial statements of STEMMER IMAGING AG, Puchheim. In the financial year, impairment losses of EUR 1,500k were recorded on the shares held in the Infaimon Group, EUR 1,379k on the shares in STEMMER IMAGING Ltd., Tongham, UK, and EUR 170k on the shares in STEMMER IMAGING S. R. L., Bologna, Italy. In addition, the equity investment carried in Perception Park GmbH, Graz, Austria, was written down by EUR 600k to EUR 1. The shares in affiliated companies and loans and equity investments are measured at the lower of cost or net realizable value. Notes 1 and 3.7 of the notes to the financial statements, as well as the section on assets, liabilities, financial position and financial performance in the combined management report contain comments on the accounting of financial assets.

When measuring fair value, the perspective of the entity holding the shares in the affiliated company should be taken. The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the executive directors. These also consider expectations of future market developments. The net present values are determined using the capitalized earnings method. Discounting is performed using the respective cost of capital. The conclusion of these valuations are highly dependent on the estimates of future cash flows made by the executive directors and the discount rates used. The valuation is 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.

b) Auditor’s response and conclusions

During our audit of the fair value of the shares in affiliated companies, loans and equity investments, we assessed the valuation method used and the calculation of the costs of capital. We also satisfied ourselves that the future income underlying the valuations and the costs of capital together constitute a proper basis for the impairment test of the respective shares in affiliated companies, considering any loans extended, where applicable. During our assessment of the conclusions of the valuations as at 31 December 2020 we relied, among other things, on a comparison of the general market expectations and the expectations for the industry as well as the explanations of the executive directors on the key value drivers underlying the expected cash flows. We also assessed the Company’s calculations and considerations. In view of the fact that even small changes in the discount rates used can have a material impact on the enterprise value calculated in this way, we assessed the parameters used to determine the discount rates applied and verified the calculation method.

Based on the information available, the valuation parameters and assumptions applied by the executive directors appear suitable to us to properly value the shares in affiliated companies, loans and equity investments. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

OTHER INFORMATION

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises:

– the (Group) Declaration on Corporate Governance 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 section “Corporate Social Responsibility 2020” in the combined management report,
– the report of the Supervisory Board,
– the remaining parts of the annual report, with the exception of the financial statements and the consolidated financial statements, the audited components of the combined management report and our respective auditor’s reports
– 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 Compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG [“Aktiengesetz”: German Stock Corporation Act] contained in the (Group) Declaration on Corporate Governance published on the Company’s website. 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 whose content 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 consolidated 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism 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 financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the 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

REPORT ON THE AUDIT OF THE ELECTRONIC REPRODUCTIONS OF THE FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT PREPARED FOR DISCLOSURE PURPOSES IN ACCORDANCE WITH SEC. 317 (3B) HGB

AUDIT OPINION

In accordance with Sec. 317 (3b) HGB, we have performed a reasonable assurance review to determine whether the reproductions of the annual financial statements and the combined management report contained in the attached file "ESEF documents JA Stemmer 2020.xhtml" (hereinafter also referred to as "ESEF documents") and prepared for disclosure purposes comply in all material respects with the electronic reporting format requirements of Sec. 328 (1) HGB("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the reproductions of the financial statements and the combined management report contained in the above-mentioned attached file and prepared for disclosure purposes comply, in all material respects, with the electronic reporting format requirements of Sec. 328 (1) HGB. Other than this opinion and our opinions on the accompanying financial statements and on the accompanying combined management report for the financial year from 1 January to 31 December 2020 included in the "Independent Auditor's Report on the Audit of the Financial Statements and Combined Management Report" above, we do not express any opinion on the information included in these reproductions or on any of the other information included in the above mentioned file.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the reproductions of the annual financial statements and the combined management report contained in the above-mentioned attached file in accordance with Sec. 317 (3b) HGB and in compliance with the draft exposure of IDW EPS 410 (translator's note: IDW EPS 410 is not yet available in English. The title translates as IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Disclosure Purposes in Accordance with Sec. 317 (3b) HGB). Our responsibility is described in more detail in the section "Auditor's Responsibility for the Audit of ESEF Documents". Our auditing practice has complied with the quality assurance system requirements of IDW QS 1 (translator's note: IDW QS 1 is not yet available in English. The title translates as IDW Quality Assurance Standard: Requirements for Quality Assurance in the Professional Practice of German Public Auditors).

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors are responsible for the preparation of the ESEF documents containing the electronic reproductions of the annual financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB.

Furthermore, the executive directors are responsible for such internal control as they determine necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of Sec. 328 (1) HGB.

The executive directors are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited combined management report as well as other documents to be disclosed to the operator of the Federal Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents within the framework of the accounting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material non-compliance, whether due to fraud or error, with the requirements of Sec. 328 (1) HGB, 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 opinion.

– Obtain an understanding of internal control relevant to the audit of the ESEF documents 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 this system of controls.

– Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Commission Delegated Regulation (EU) 2019/815 in the version applying on the reporting date regarding the technical specification for this file.

– Assess whether the ESEF documentation provides a content equivalent XHTML reproduction of the audited financial statements and the audited combined management report.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as the independent auditor by the annual general meeting on 22 June 2020. We were engaged by the Chairman of the Supervisory Board on 22 June 2020. 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, 19 March 2021

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf	**Linda Ruoß**
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

ENERGY & UTILITIES
Artificial intelligence and high-speed cameras prevent birds from being hit by wind turbines and at the same time minimise expensive downtime.

05
ADDITIONAL INFORMATION

FINANCIAL CALENDAR [1]

Tuesday
11/05
2021

PUBLICATION OF Q1/3M 2021 INTERIM REPORT

Monday – Wednesday
17/ – 19/05
2021

SPRING CONFERENCE, FRANKFURT AM MAIN

Wednesday
09/06
2021

ANNUAL GENERAL MEETING, MUNICH

Wednesday
11/08
2021

PUBLICATION OF Q2/6M 2021 INTERIM REPORT

Monday – Wednesday
20/ – 22/09
2021

BERENBERG & GOLDMAN SACHS GERMAN CORPORATE CONFERENCE, MUNICH

Wednesday
10/11
2021

PUBLICATION OF Q3/9M 2021 INTERIM REPORT

Monday – Wednesday
22/ – 24/11
2021

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
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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

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CEO

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

Credits:
MAD Werbeagentur GmbH & Co.KG (Title)
Michaela Handrek-Rehle (Executive Board & Management Team)
Ralph Larmann (page 5 top right)
Leuthold Mechanik AG (page 5 bottom right)
Thermoplan GmbH (page 7)
neogramm GmbH & Co. KG (page 7)
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Thomas Dashuber (page 68)
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STEMMER IMAGING is an active member of:

UN GLOBAL COMPACT

emva european machine vision association

VDMA