

HALF-YEAR FINANCIAL REPORT **2017/2018**



**VISION.
RIGHT.
NOW.**

*Interim Group management report and
condensed consolidated half-year financial statements
for the period from 1 July to 31 December 2017*



47.37 M €

Revenue



36.7%

Gross profit



4.55 M €

EBITDA



30.96 M €

Total assets



55.2%

Equity ratio



2.20 M €

Operating cash flow
after income taxes



255

Employees

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Lars Böhrnsen (CFO),
Christof Zollitsch (CEO),
Martin Kersting (CTO), l. to r.

LETTER TO THE SHAREHOLDERS

Dear shareholders, customers,
business partners and employees,

The first half of our 2017/2018 financial year was a momentous and extraordinary half-year for STEMMER IMAGING AG – as were the first few months of 2018. You have probably already realised that there has been a significant change thanks to the new suffix to our corporate name. More importantly, STEMMER IMAGING AG has been listed in Deutsche Börse's Scale segment since 27 February 2018. This will give us numerous opportunities that we are determined to embrace in a spirit of optimism. At the same time, this half-year financial report is a first for the company's new legal form. We aim to inform you comprehensively, transparently and in a timely manner about developments at our, your STEMMER IMAGING AG in line with and of course over and above our reporting obligations. In this report, we intend to do just that.

Tradition meets innovation: STEMMER IMAGING AG

The development of our company is akin to a journey. The initial public offering in February 2018 marked an important milestone. Our journey began over 40 years ago, when our company was founded by Wilhelm Stemmer. In the 44 years of work thereafter, he built a corporation that will now continue its successful journey through the German and international industrial landscape as a hidden champion with robust finances. At the end of the 2016/2017 financial year, Wilhelm Stemmer handed over responsibility for the family business and sold his shares to SI HOLDING GmbH, a company of the PRIMEPULSE SE Group (formerly AL-KO AG). In addition to the PRIMEPULSE Group, which holds a majority share in SI HOLDING and thus indirectly in STEMMER IMAGING AG, the management team, then as now comprising Chairman of the Management Board Christof Zollitsch, Chief Technical Officer Martin Kersting and Chief Financial Officer Lars Böhrnsen, also acquired a share in the company. With PRIMEPULSE, our company has a strong partner with profound knowledge of STEMMER IMAGING AG's market, business model and opportunities. For company founder Wilhelm Stemmer and the present management team, this was an eminently important point in the Group's succession planning and future vision. We want to combine a clear vision and ambitious growth momentum with continuity in order to continue being successful and are convinced that we have achieved this with the new set-up. So on 15 November 2017 STEMMER IMAGING GmbH became STEMMER IMAGING AG through a change of legal form, which laid the legal foundation for the initial public offering.

Machine vision: a key technology for Industry 4.0

Our company has grown very successfully and sustainably in recent years. In terms of revenue, the average rate of growth was 12 per cent. As a provider of industrial machine vision systems and components, such as cameras, optics, illumination, cabling and especially our proprietary software, we are well positioned in a dynamically growing market. We can therefore boast a higher growth rate than the market as a whole, which is growing by around 10 per cent per year. The increasing digitalisation in the global industrial landscape and the trend toward greater automation in nearly every area of production will strengthen our business model in the years to come. Optoelectronic components, machine vision and imaging solutions are key technologies for Industry 4.0 and smart factories. We are confident that our high-quality products and solutions will allow us not only to successfully follow these trends but also to decisively influence them. To this end, it is necessary to expand the foundation on which STEMMER IMAGING AG is built. In the years to come, we want to further promote our growth through strategic international expansion, chiefly through targeted acquisitions, and targetedly improve profitability with innovative concepts and products.

Strong stock market debut in the SCALE growth segment

We at STEMMER IMAGING AG see the stock exchange as a marketplace for promising future ideas and business models. The aim is to convince potential investors of our idea, our business model and our vision and to fill them with enthusiasm for the company. As we want to keep growing strongly in a dynamic market, going public was the best solution for us to achieve our aims. On 27 February 2018, STEMMER IMAGING AG made its stock market debut in the Scale segment of the Frankfurt Stock Exchange. We deliberately chose this segment of the Frankfurt Stock Exchange as it is an excellent fit for our Group. We look forward to being listed with renowned and innovative companies in a segment that is appreciated by investors and the media alike. This will give us the opportunity to present the STEMMER IMAGING AG share to a broader group of investors and to raise awareness of the share and the company.

On the basis of the issue price of EUR 34, we achieved a total valuation of around EUR 221 million, while the offering was considerably oversubscribed. Indeed, the share closed its first trading day at a price of EUR 37.70. This equates to a gain of more than 10 per cent on the issue price. The placement volume including the greenshoe option amounted to around EUR 101.8 million. We thus had a successful stock market debut and a stirring start for an ambitious growth strategy. We now want to use the proceeds from the IPO of around EUR 51 million to put our growth plans into practice. In particular, we want to strengthen our competitive position in the European market and make use of growth potential. However, there are also opportunities that we would like to take in the emerging Asian countries, as they have a lot of catch-up potential with regard to industrial applications, especially automation solutions. At the same time, we want to strengthen and expand our capacity for innovation. In this context, the focus is on enhancing our own imaging software "Common Vision Blox" and concluding cooperations and acquisitions in this area. All in all, we have succeeded in convincing investors of our idea.

A new start and acquisition

We were able to proceed with our expansion policy shortly before our IPO. For example, we acquired the Dutch Data Vision in an asset deal as of 31 January 2018, after the reporting period. The company is a highly specialised provider of machine vision solutions and components. The significant overlap between products offered by Data Vision and STEMMER IMAGING provides major synergies. At the same time, the highly qualified Data Vision sales team gave a considerable boost to our selling power.

The issue proceeds have now put us in a position to make further acquisitions, to accelerate our growth and to improve our market position. We are seeking sustainable growth both through acquisitions and organically. In order to stabilise the basis for further organic growth, we will reinforce our sales team, expand our product portfolio and improve our capabilities in the field of new applications and application areas.

Record results in the first half of 2017/2018

As described above, STEMMER IMAGING AG is operating in a dynamically growing market for industrial applications. As an innovative specialist in machine vision, we are currently benefiting greatly from our customers' desire for greater automation in their processes. This development is reflected in our current business figures.

In the first half of 2017/2018, STEMMER IMAGING AG generated the best six-month results in the company's history. Revenue climbed by 12.6 per cent to EUR 47.37 million after EUR 42.07 million in the first half of 2016/2017. Gross profit increased by a considerable 17.7 per cent to EUR 17.38 million (same period of the previous year: EUR 14.77 million). This positive development was driven both by a persistently dynamic market environment in the machine vision industry and by our broad customer base in numerous application areas and industries. EBITDA also rose by double digits in the half-year under review and, at 36.2 per cent, grew at a faster rate than revenue from EUR 3.34 million in same period of the previous year to EUR 4.55 million. The EBITDA margin improved slightly to 9.6 per cent. The equity ratio was 55.2 per cent as of 31st December 2017. Operating cash flow increased from EUR 1.21 million in the previous year to EUR 2.20 million.

Outlook: ambitious targets in a disruptive environment

By 2020, the International Federation of Robotics (IFR) expects there to be more than three million industrial robots in the world. This would mean an extra 1.2 million compared to 2016. In the period from 2009 to 2017, the revenue of the German robotics and automation sector more than doubled from EUR 6.2 billion to EUR 13.7 billion according to the industry association VDMA. In Germany alone, revenue with machine vision components more than doubled from EUR 1 billion to EUR 2.4 billion between 2009 and 2017. We believe that the growth momentum will keep rising.

The global machine vision market continues to develop in our favour and is seeing annual growth rates in double digits. The countless applications of industrial camera technology and machine vision solutions provide STEMMER IMAGING AG with significant opportunities for growth. Given our excellent order basis, we are confident of continuing on our growth trajectory with increasing profitability and significantly expanding on our market position.

We are encouraged by the continuously high demand for our innovative products. Among other things, we offer the Intel® RealSense™D-400 series, a camera option that sets new standards in 3D imaging. It easily solves the problem of processing raw image streams reliably, quickly and in high resolution without a graphics processor or host processor. It offers a wider field of view and higher resolution. We believe that our customers with high requirements for 3D depth maps will be especially satisfied.

In summary, we assume that we can grow sustainably in a future market based on our extremely competitive product portfolio and our high capacity for innovation. Specifically, we expect revenue of between EUR 97 and 100 million and a double-digit EBITDA margin in the current 2017/2018 financial year.

In order to adjust the reporting to the increasing internationalisation of the Group, STEMMER IMAGING AG, which currently still reports according to the German Commercial Code (HGB), plans to switch to financial reporting according to International Financial Reporting Standards (IFRS). Another advantage of IFRS reporting is the harmonisation with the accounting of the PRIMEPULSE Group. In addition, future accounting on an IFRS basis is likely to result in greater transparency and better comparative figures, especially as STEMMER IMAGING AG currently has to write down goodwill in accordance with HGB, which reduces EBIT by around EUR 0.7 to 1.0 million per year.

Our employees are of course an essential pillar for our success. We would like to take this opportunity to thank all our employees for their outstanding achievements last year and in the first months of 2018. We also thank our business partners, customers and shareholders for their trust in us. We now look forward to continuing our growth story as a public company.



CHRISTOF ZOLLITSCH
CHIEF EXECUTIVE OFFICER



MARTIN KERSTING
CHIEF TECHNICAL OFFICER



LARS BÖHRNSEN
CHIEF FINANCIAL OFFICER

“ The application possibilities of our machine vision solutions are numerous and open up great growth opportunities. ”



STEMMER IMAGING AT THE CAPITAL MARKET

On 22 January 2018, the Management Board of STEMMER IMAGING AG announced the placement of new and existing ordinary shares as part of an initial public offering in the Scale segment of the Frankfurt Stock Exchange's Open Market, with the intention of using the issue proceeds to implement the company's ambitious plans for expansion and innovation. In particular, it plans to strengthen its competitive position in the European market, to make targeted use of growth potential in Asia and to develop innovative products, solutions and services in the field of machine vision.

Publication of the securities prospectus and announcement of the price range

On publication of the approved securities prospectus on 9 February 2018, STEMMER IMAGING AG set the price range for the placement of new and existing ordinary shares at EUR 32.00 to EUR 36.00 per share. The offer comprised a total of 2,990,000 shares, of which 1,500,000 shares from a capital increase, 1,100,000 shares from the sole shareholder's holding and 390,000 shares from the over-allotment ("greenshoe") option, likewise from the placement of existing shares. In the event of a full placement of all shares offered (including exercise of the greenshoe option), the Management Board of STEMMER IMAGING AG expected a placement volume of between EUR 96 million and EUR 108 million and gross issue proceeds of EUR 48 million to EUR 54 million. The offer period began on 12 February 2018 and ended on 22 February 2018.

IPO significantly oversubscribed – issue price EUR 34.00 per share

On 22 February 2018, STEMMER IMAGING AG set the issue price at EUR 34.00 per share. The price was therefore set in the middle of the price range of EUR 32.00 to EUR 36.00 per share. At the placement price, the STEMMER IMAGING AG IPO was significantly oversubscribed. All 2,990,000 shares offered were placed. The high demand from investors in Germany and abroad demonstrated great confidence in STEMMER IMAGING's future potential. Around half of the shares offered were placed in Great Britain. The rest were spread around Germany, Switzerland and the rest of Europe.

STEMMER IMAGING AG makes successful stock market debut

On 27 February 2018, STEMMER IMAGING AG successfully went public. The share was admitted to trading in the Scale segment of the Frankfurter Stock Exchange under the ticker symbol S9I, the international securities identification number (ISIN) DE000A2G9MZ9 and the German securities identification number (WKN) A2G9MZ with an initial price of EUR 36.00 per share, EUR 2.00 above the issue price. At the end of the first trading day, the share was listed at EUR 37.70. This equated to a gain of more than 10 per cent on the issue price of EUR 34.00. The market capitalisation of STEMMER IMAGING AG amounted to EUR 245.1 million at this time (including the greenshoe shares) with a free float of around 46 per cent.

The IPO was supervised by Hauck & Aufhäuser Privatbankiers AG as sole global coordinator and sole book runner.

SHARE INFORMATION

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

Capital market environment

The stock markets made an optimistic start to the 2018 trading year. Economic data and leading indicators confirmed the picture of a dynamically growing global economy at the same time as low inflation. At the end of the first quarter of 2018, however, uncertainty about global growth prospects increased. This was due to concerns over an escalation of simmering trade conflicts with negative ramifications for the global economy, financing stress on the US bond market and US foreign policy that is increasingly dominated by hardliners. The DAX, the leading German index, opened at 12,897.69 points on 2 January 2018. After an interim high of 13,596.89 points on 23 January 2018, the benchmark index of the German economy registered a decline in prices to 11,726.62 points on 26th March 2018. The DAX ceased trading in the first quarter of 2018 with a closing level of 12,096.73 points on 29 March 2018 and a price loss of 6.4 per cent. The Scale All Share Index, which also lists the STEMMER IMAGING AG share, dropped 1.9 per cent in the first quarter of 2018.

Share: price performance and trading volume

After a successful IPO, the STEMMER IMAGING share was unable to avoid the generally weak capital market environment and closed the first quarter of the 2018 trading year at a closing price of EUR 35.44 on 29 March 2018. This equates to growth of 4.24 per cent on the issue price of EUR 34.00 and a moderate decline of 1.6 per cent compared to the initial listing of EUR 36.00 on 27 February 2018. The high was EUR 40.61 on 9 March 2018. The STEMMER IMAGING share marked its lowest point on 26 March 2018 at EUR 35.42.

STEMMER IMAGING AG's market capitalisation amounted to EUR 230.36 million as of 29 March 2018 on the basis of 6,500,000 shares in circulation. Since the IPO, an average of 23,781 STEMMER IMAGING shares per day have been traded on all German stock exchanges.

2018 FINANCIAL CALENDAR

| | |
|-------------|---|
| 18 OCTOBER | PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 TH JUNE 2018 |
| 18 NOVEMBER | GERMAN EQUITY FORUM, FRANKFURT AM MAIN |
| 18 DECEMBER | ANNUAL GENERAL MEETING |



“ Our customers benefit from a comprehensive range of state-of-the-art products. ”



INTERIM GROUP MANAGEMENT REPORT

Basic information on the Group

Business model

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

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

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

STEMMER IMAGING AG maintains subsidiaries in many European countries (Switzerland, Sweden, Denmark, Finland, Poland, UK, Netherlands, France). The subsidiaries were included in the consolidated financial statements according to the principles of full consolidation. There are further branch offices/sales partners in Belgium and Ireland. The foreign subsidiaries and branch offices primarily provide sales and other services.

Objectives and strategy

STEMMER IMAGING pursues a long-term growth strategy in order to build continuously on its good market position in machine vision. The prime objective is to increase the enterprise value sustainably through greater business volume with increased profitability. The planned acquisitions will make a material contribution to the pursued growth targets.

By 2020, the International Federation of Robotics (IFR) expects there to be more than three million industrial robots in the world. This would mean an extra 1.2 million compared to 2016. In the period from 2009 to 2017, the revenue of the German robotics and automation sector more than doubled from EUR 6.2 billion to EUR 13.7 billion according to the industry association VDMA. In Germany alone, revenue with machine vision components more than doubled from EUR 1 billion to EUR 2.4 billion between 2009 and 2017. We believe that the growth momentum will keep rising.

Management of the Group

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

Results of operations, net assets and financial position

Results of operations

STEMMER IMAGING increased its consolidated revenue by 12.6 per cent to EUR 47.37 million in the first half of 2017/2018 (previous year: EUR 42.07 million). The revenue increase is due in particular to the sales markets of Germany and the Benelux region.

While material costs rose from EUR 27.31 million to EUR 29.99 million, the materials ratio was reduced to 63.3 per cent (previous year: 64.9 per cent). The STEMMER IMAGING Group thus reports a gross margin (compared to revenue) of 36.7 per cent (previous year: 35.1 per cent). The improved gross margin is also due to the rise in the proportion of proprietary, higher-margin products (especially software and services) to 11.1 per cent (previous year: 10.7 per cent).

Due to wage and salary adjustments and an increase in the number of employees personnel expenses rose from EUR 7.92 million to EUR 8.87 million year on year, so the personnel expenses ratio remained largely constant at 18.7 per cent (previous year: 18.8 per cent). Other operating expenses climbed at a lower rate of 11.2 per cent to EUR 4.31 million (previous year: EUR 3.87 million).

Operating earnings (EBITDA) rose from EUR 3.34 million in the first half of the previous year to EUR 4.55 million in the first half of 2017/2018. The EBITDA margin therefore also increased from 7.9 per cent to 9.6 per cent. This was due in particular to the increase in the gross margin described above.

Depreciation and amortisation amounted to EUR 0.89 million (previous year: EUR 0.81 million), of which EUR 0.34 million (previous year: EUR 0.33 million) is attributable to amortisation of goodwill.

Consolidated operating earnings (EBIT) amounted to EUR 3.66 million (previous year: EUR 2.53 million). The EBIT margin therefore increased from 6.0 per cent in the previous year to 7.7 per cent. Including income tax expenses of EUR 1.12 million (previous year: EUR 0.75 million), the first half of 2017/2018 ended with consolidated net income of EUR 2.53 million (previous year: EUR 1.70 million).

Net assets and financial position

As of 31 December 2017, the total assets in the STEMMER IMAGING Group amounted to EUR 30.96 million (31 December 2016: EUR 34.70 million).

Compared to the previous year, intangible assets fell from EUR 1.90 million to EUR 1.00 million. A portion of the decline of EUR 0.85 million is attributable to the amortisation of goodwill. Meanwhile, tangible assets increased from EUR 2.31 million to EUR 2.99 million due to leasehold improvements and operating and office equipment. In total, fixed assets therefore fell from EUR 4.21 million to EUR 3.99 million.

In light of the increased revenue volume and to ensure delivery readiness, inventories also increased to EUR 7.10 million (31 December 2016: EUR 6.92 million).

Trade receivables increased by EUR 2.86 million compared to the same period of the previous year to EUR 11.98 million, due in particular to the increase revenue volume. Impairment risks were appropriately accounted for by recognising specific and global valuation allowances. The other assets of EUR 0.49 million (31 December 2016: EUR 0.44 million) primarily include recoverable taxes and VAT balances.

Cash and cash equivalents (bank balances, cash-in-hand and securities classified as current assets) fell from a total of EUR 13.70 million to EUR 7.09 million year on year. The decline is attributable in particular to the profit distributions (EUR 8.12 million) and the acquisition of non-controlling interests in the subsidiaries (EUR 4.35 million) in connection with the sale of the Group to PRIMEPULSE SE in June 2017.

Cash flow from operating activities increased from EUR 1.21 million in the previous year to EUR 2.20 million as a result of the positive business performance. Cash flow from investing activities amounted to EUR -0.56 million (previous year: EUR -0.35 million), while cash flow from financing activities came to EUR -0.02 million (previous year: EUR -0.44 million). All investments were made from current cash flow. As in the previous year, there was no bank financing as of the balance sheet date.

Equity totalled EUR 17.08 million (31 December 2016: EUR 26.29 million). The reduction in equity is also due to the profit distributions mentioned above. The positive net income for the year of EUR 2.53 million (previous year: EUR 1.70 million) had the opposite effect. Accordingly, the equity ratio also fell from 75.8 per cent to 55.2 per cent, primarily as a result of distributions.

Provisions increased from EUR 3.05 million to EUR 3.42 million and primarily include personnel provisions and provisions for outstanding invoices. Liabilities totalled EUR 10.40 million as of the reporting date (31 December 2016: EUR 5.29 million). Trade payables rose from EUR 3.41 million to EUR 6.47 million in line with the increased revenue, while other liabilities (31 December 2017: EUR 3.68 million; 31 December 2016: EUR 1.80 million) include a liability from a holding bonus of EUR 1.16 million.

Risks and opportunities

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

The STEMMER IMAGING Group is one of the largest technology suppliers for the machine vision industry. This is associated with a high profile on the market and strong customer confidence in the products and services offered. In addition, the company has a very strong capital base and intends to continue expanding into new European markets. Growth will also be targeted purposefully in Asia. The integration of the companies acquired in previous years is currently being advanced and, in the management's view, is proceeding as planned and without major risks. The domestic market also continues to offer opportunities, which are being invested in. Most notable here are the expansion of the product and service range and the investment in sectors and markets that have not previously been served.

Potential risks result from the political and economic conditions in conjunction with the unstable political situation in the Arab region and the current crises (especially international terrorism/North Korea).

Other risks essentially include the dependence on management staff and the recruitment of qualified young talent. Besides the large number of apprenticeship places, these risks are sufficiently countered with hierarchical structures in line with the size of the company and its increased attractiveness as market leader with potential for internationalisation.

The company and the Group's relationships as a supplier and service provider can result in warranty or other claims. Sufficient provisions were recognised for potential claims as of the balance sheet date. Due to the good and intensive customer and supplier relationships, the potential risks are generally at a very low level.

In summary, the Management Board finds that the company is well equipped to deal with future risks given its financial stability and service range. There are currently no identifiable risks that could jeopardise the company as a going concern. Thanks in particular to the cash generated by the IPO, there are numerous opportunities to accelerate growth through acquisitions.

Report on expected developments

Future economic and industry development

The International Monetary Fund (IMF) expects the global economy to grow even faster in 2018 and 2019. Driven by the current upturn in Europe and Asia and the tax reform in the USA, global growth is likely to come to 3.9 per cent in both 2018 and 2019. For Germany, the IMF expects economic growth of 2.3 per cent in 2018 and 2.0 per cent in 2019.

The German Mechanical Engineering Industry Association (Verband Deutscher Maschinen- und Anlagenbau – VDMA) expects production in the German mechanical engineering industry to increase by 3.0 per cent in 2018. VDMA also estimates that the very positive development of the machine vision sector relevant for STEMMER IMAGING will continue. Several trends – market trends and technological advances – will contribute to a continued rapid rise in market volume for machine vision solutions.

Future development of the STEMMER IMAGING Group – forecast for the 2017/2018 financial year

STEMMER IMAGING is seeing strong business development this year. The Group's incoming orders rose by EUR 7.62 million or 16.8 per cent to a total of EUR 52.88 million.

In view of the high order basis, STEMMER IMAGING is optimistic for its further business performance. Accordingly, consolidated revenue is expected to rise to EUR 97 – 100 million in the 2017/2018 financial year after the Group generated revenue of EUR 88.30 million in the previous year. After adjusted EBITDA of EUR 7.58 million (EBITDA margin 8.6 per cent) was generated in the previous year, a double-digit EBITDA margin is expected for the first time for the 2017/2018 financial year.

The comprehensive income for 2017/2018 is also likely to improve year on year despite the expected increase in depreciation and amortisation. Financially, the Group is in a good position with an improved operating cash flow and a stable equity ratio. Due to the IPO in February 2018, cash and cash equivalents and the equity ratio have increased substantially.

In the short term, predominantly inorganic growth potential is expected to be realised in order to strengthen the competitive position in the European market. Growth will also be targeted purposefully in Asia. In addition the proceeds from the IPO are to be used to develop innovative products, solutions and services in the field of machine vision. The focus here is firstly on enhancing the Group's own imaging software "Common Vision Blox" and concluding cooperations and acquisitions in this area. Secondly, new developments are aimed at the increasing use of embedded vision solutions and the connection of machine vision systems to IT systems and processes.

Overall, STEMMER IMAGING is in a good position and in the Management Board's view will be able to continue building on its international market position, thanks in particular to the cash provided by the IPO. The good performance in the first half of 2017/2018 validates the current strategy and is a good basis for the Group's future growth.



“ Building on many years of experience, we provide valuable support to our customers in solving their imaging tasks. ”

CONSOLIDATED BALANCE SHEET


| ASSETS | 31 DEC 2017 | 31 DEC 2016 |
|--|--------------------|--------------------|
| | KEUR | KEUR |
| A. FIXED ASSETS | 3,995 | 4,210 |
| I. INTANGIBLE ASSETS | | |
| 1. PURCHASED INDUSTRIAL AND SIMILAR RIGHTS AND ASSETS AND LICENCES IN SUCH RIGHTS AND ASSETS | 148 | 318 |
| 2. GOODWILL | 853 | 1,586 |
| | 1,001 | 1,904 |
| II. TANGIBLE ASSETS | | |
| 1. LAND, LAND RIGHTS AND BUILDINGS, INCLUDING BUILDINGS ON THIRD-PARTY LAND | 1,460 | 1,087 |
| 2. OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT | 1,534 | 1,219 |
| | 2,994 | 2,306 |
| B. CURRENT ASSETS | 26,600 | 30,224 |
| I. INVENTORIES | | |
| FINISHED GOODS AND MERCHANDISE | 7,100 | 6,917 |
| | 7,100 | 6,917 |
| II. RECEIVABLES AND OTHER ASSETS | | |
| 1. TRADE RECEIVABLES | 11,978 | 9,114 |
| 2. OTHER ASSETS | 435 | 490 |
| | 12,413 | 9,604 |
| III. SECURITIES | | |
| OTHER SECURITIES | 0 | 4,019 |
| | 0 | 4,019 |
| IV. CASH-IN-HAND, BANK BALANCES AND CHEQUES | 7,087 | 9,684 |
| C. PREPAID EXPENSES | 317 | 219 |
| D. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES | 45 | 51 |
| | 30,957 | 34,704 |
| EQUITY AND LIABILITIES | 31 DEC 2017 | 31 DEC 2016 |
| | KEUR | KEUR |
| A. EQUITY | 17,084 | 26,291 |
| I. SUBSCRIBED CAPITAL | 5,000 | 250 |
| II. CONSOLIDATED NET RETAINED PROFITS | 12,351 | 24,573 |
| III. CURRENCY TRANSLATION ADJUSTMENTS | -267 | -67 |
| IV. NON-CONTROLLING INTERESTS | 0 | 1,535 |
| B. PROVISIONS | 3,420 | 3,047 |
| 1. TAX PROVISIONS | 609 | 739 |
| 2. OTHER PROVISIONS | 2,811 | 2,308 |
| C. LIABILITIES | 10,400 | 5,290 |
| 1. PAYMENTS RECEIVED ON ACCOUNT OF ORDERS | 245 | 80 |
| 2. TRADE PAYABLES | 6,470 | 3,409 |
| 3. OTHER LIABILITIES | 3,685 | 1,801 |
| D. DEFERRED INCOME | 40 | 65 |
| E. DEFERRED TAX LIABILITIES | 13 | 11 |
| | 30,957 | 34,704 |

“ Our experts provide competent, independent and individual advice. ”



CONSOLIDATED INCOME STATEMENT

| | 1 JUL – 31 DEC 2017 | 1 JUL – 31 DEC 2016 |
|---|---------------------|---------------------|
| REVENUE | 47,370 | 42,074 |
| OTHER OPERATING INCOME | 358 | 361 |
| COST OF MATERIALS | | |
| COST OF RAW MATERIALS, CONSUMABLES AND SUPPLIES, AND OF PURCHASED MERCHANDISE | -29,992 | -27,305 |
| PERSONNEL EXPENSES | | |
| A) WAGES AND SALARIES | -7,508 | -6,628 |
| B) SOCIAL SECURITY, POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFIT COSTS | -1,366 | -1,291 |
| | -8,874 | -7,919 |
| OTHER OPERATING EXPENSES | -4,307 | -3,873 |
| EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA) | 4,555 | 3,338 |
| AMORTISATION AND WRITE-DOWNS OF INTANGIBLE FIXED ASSETS AND DEPRECIATION AND WRITE-DOWNS OF TANGIBLE FIXED ASSETS | -895 | -805 |
| OPERATING RESULT (EBIT) | 3,660 | 2,533 |
| INCOME FROM OTHER SECURITIES AND LONG-TERM LOANS | 3 | 11 |
| OTHER INTEREST AND SIMILAR INCOME | 3 | 11 |
| INTEREST AND SIMILAR EXPENSES | -18 | -19 |
| EARNINGS BEFORE TAX (EBT) | 3,648 | 2,536 |
| TAXES ON INCOME | -1,119 | -746 |
| CONSOLIDATED NET INCOME INCL. NON-CONTROLLING INTERESTS | 2,529 | 1,790 |
| NON-CONTROLLING INTERESTS IN CONSOLIDATED NET INCOME | - | -94 |
| CONSOLIDATED NET INCOME FOR THE YEAR | 2,529 | 1,696 |
| RETAINED PROFITS BROUGHT FORWARD FROM THE PREVIOUS YEAR | 9,822 | 22,877 |
| NET RETAINED PROFITS | 12,351 | 24,573 |

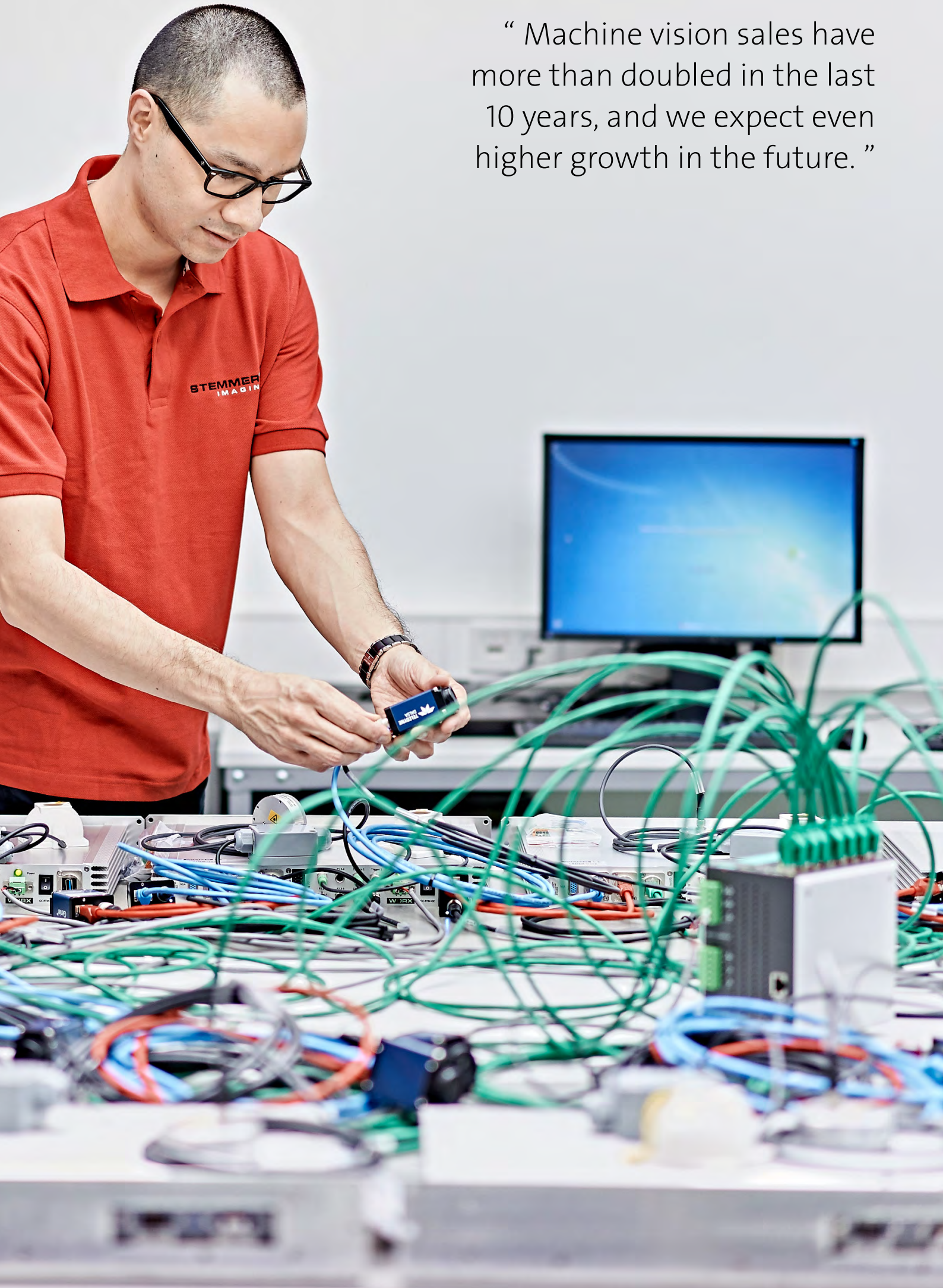
A man in a black shirt is shown in profile, pointing his right index finger towards a small blue device held in his left hand. The device has the word 'VISTA' printed on it. He is wearing a brown leather watch on his left wrist. In the background, several other people are seated at desks in a classroom or lab, looking towards the man. The room has large windows with blue curtains and overhead fluorescent lighting.

“ Machine vision enables
100% quality control and secures
competitive advantage. ”

CONSOLIDATED CASH FLOW STATEMENT

| | 1 JUL – 31 DEC 2017 | 1 JUL – 31 DEC 2016 |
|---|---------------------|---------------------|
| | KEUR | KEUR |
| COMPREHENSIVE INCOME (INCL. NON-CONTROLLING INTERESTS) | 2,529 | 1,790 |
| + AMORTISATION/DEPRECIATION AND WRITE-DOWNS OF INTANGIBLE/TANGIBLE FIXED ASSETS | 895 | 805 |
| - NON-CASH ITEMS | -13 | 41 |
| ± INCREASE/DECREASE IN OTHER PROVISIONS | 538 | 134 |
| ± INCREASE/DECREASE IN INVENTORIES, TRADE RECEIVABLES AND OTHER ASSETS | -1,276 | -451 |
| ± INCREASE/DECREASE IN TRADE PAYABLES AND OTHER LIABILITIES | -914 | -1,124 |
| ± NET INTEREST INCOME | 12 | -3 |
| ± TAX REFUNDS/TAXES PAID | -691 | -730 |
| ± INCOME TAX EXPENSES/INCOME | 1,119 | 746 |
| CASH FROM OPERATING ACTIVITIES | 2,199 | 1,208 |
| - PURCHASE OF | | |
| INTANGIBLE ASSETS | -55 | -129 |
| TANGIBLE ASSETS | -536 | -465 |
| + INTEREST RECEIVED | 6 | 22 |
| + PROCEEDS FROM THE DISPOSAL OF FIXED ASSETS | 24 | 226 |
| CASH USED FOR INVESTING ACTIVITIES | -561 | -346 |
| - INTEREST PAID | -18 | -19 |
| - PAYMENTS FOR PROFIT DISTRIBUTIONS TO NON-CONTROLLING INTERESTS | 0 | -351 |
| ± PROCEEDS FROM/PAYMENTS FOR SHAREHOLDER LOANS | 0 | -71 |
| CASH USED BY FINANCING ACTIVITIES | -18 | -441 |
| NET CHANGE IN CASH FUNDS | 1,620 | 421 |
| CHANGES IN CASH FUNDS FROM EXCHANGE RATE MOVEMENTS, REMEASUREMENT AND OTHER REASONS | -41 | -69 |
| CASH FUNDS AT BEGINNING OF FINANCIAL YEAR | 5,508 | 13,351 |
| CASH FUNDS AT END OF FINANCIAL YEAR | 7,087 | 13,703 |
| NET CHANGE IN CASH FUNDS | 1,579 | 352 |

“ Machine vision sales have more than doubled in the last 10 years, and we expect even higher growth in the future. ”



CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

STEMMER IMAGING AG is headquartered in Puchheim and is entered in the commercial register at the Local Court of Munich under number HRB 237247. STEMMER IMAGING AG was created through a change of legal form of STEMMER IMAGING GmbH, which was entered into the commercial register on 28 November 2017.

STEMMER IMAGING AG is the Group's parent company and, as a parent company, is required by section 290 of the German Commercial Code (HGB) to prepare consolidated financial statements every year. These consolidated interim financial statements as of 31 December 2017 were prepared for the purpose of voluntary disclosure to the company's shareholders. The figures are unaudited.

Since 27 February 2018, the shares have been traded in the Open Market (Scale segment) of the Frankfurt Stock Exchange. In connection with this, a capital increase of 1,500,000 shares was carried out at EUR 34/share, generating gross issue proceeds (before IPO costs) of EUR 51 million.

The consolidated interim financial statements as of 31 December 2017 were prepared according to the accounting provisions of the HGB in the version of the Accounting Directive Implementation Act (BilRUG). The consolidated income statement was prepared using the nature of expense method. The consolidated financial statements relate to the period from 1 July 2017 to 31 December 2017 (six-month period). The comparative figures relate to the period from 1 July 2016 to 31 December 2016 (six-month period).

Accounting and consolidation policies

Unless stated otherwise, the same accounting policies were used to prepare the consolidated interim financial statements and calculate the comparative figures for the previous year as for the 2016/2017 consolidated financial statements. A detailed description of these policies is published in the notes to the 2016/2017 consolidated financial statements.

The consolidated financial statements still comprise the parent company, i.e. STEMMER IMAGING AG, as well as one domestic and eight foreign subsidiaries, which are included in the consolidated financial statements by way of full consolidation. STEMMER IMAGING Denmark ApS, Copenhagen/DK, was already deconsolidated as of 30 June 2017 due to its completed liquidation.

By agreement dated 28 August 2017, the company acquired the shares of the subsidiaries STEMMER IMAGING A/S (Denmark), STEMMER IMAGING Oy (Finland) and STEMMER IMAGING Sp. z o.o (Poland) from the Swedish subsidiary, i.e. STEMMER IMAGING AB, Stockholm/Sweden. The shares were sold within the Group at the carrying amount of SEK 832,950.87.

Notes to the consolidated balance sheet and consolidated income statement

Goodwill

The goodwill reported in the consolidated financial statements amounted to EUR 0.85 million as of 31 December 2017 (31 December 2016: EUR 1.59 million), which is primarily attributable to the acquisition of the Swedish subsidiary.

Receivables and other assets

All receivables and other assets have a remaining term of less than one year.

Equity

The subscribed capital of EUR 5.00 million (31 December 2016: EUR 0.25 million) equals the amount stated by the parent company and is fully paid up. The capital increase was performed on the basis of the resolution of 15 November 2017, according to which the company's then share capital of EUR 250,000.00 was increased by EUR 4,750,000.00 to EUR 5,000,000.00 through conversion of the revenue reserves.

By resolution of the Extraordinary General Meeting of 5 February 2018, the company's share capital was increased by another EUR 1,500,000 to EUR 6,500,000. The new shares were issued for EUR 1.00 per share and have full profit entitlement from 1 July 2017.

The Management Board was previously authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or more occasions until 31 October 2022 by a total of up to EUR 2,500,000.00 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 new

shares are entitled to a profit share from the beginning of the financial year for which, at the time the new shares are issued, the Annual General Meeting has not yet resolved on the appropriation of net retained profits. The shareholders must in principle be granted a subscription right; the statutory subscription right can also be granted by way of a bank or equivalent institution according to section 186 (5) sentence 1 of the German Stock Corporation Act (AktG) acquiring the new shares with the obligation to offer them to the company's shareholders for subscription. However, the Management Board is authorised, with the approval of the Supervisory Board, to disapply the shareholders' statutory subscription right as far as is necessary to eliminate fractional amounts; if the shares are issued against non-cash contributions for the purpose of acquiring entities or interests in entities or parts of entities or for the purpose of acquiring receivables from the company; if a capital increase against cash contributions does not exceed 10 per cent of the share capital and the issue price of the new shares is not substantially lower than the stock market price (section 186 (3) sentence 4 AktG); when utilising this authorisation with the subscription right disapplied according to section 186 (3) sentence 4 AktG, the disapplication of the subscription right due to other authorisations according to section 186 (3) sentence 4 AktG must be taken into account. The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board is authorised to adjust the wording of the Articles of Association according to the amount of the capital increase from authorised capital.

Other provisions

The other provisions primarily include provisions for personnel costs (especially holiday, anniversaries, bonuses/incentives), legal and consulting costs and outstanding invoices.

Liabilities

All liabilities have a remaining term of up to one year.

Other operating expenses

Other operating expenses particularly include premises expenses, marketing costs and legal and consulting costs. The carrying amount of other operating expenses does not contain any material prior-period amounts.

Scientific research expenses

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

Other disclosures

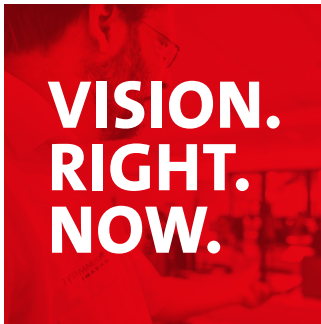
Supplementary report/events after 31 December 2017

The Data Vision business of Batenburg Mechatronica B.V., Rotterdam/Netherlands, was acquired by way of an asset purchase agreement (asset deal) with the latter dated 31 January 2018. The acquirer was the STEMMER IMAGING Group's Dutch subsidiary, i.e. STEMMER IMAGING B.V., Gorssel/Netherlands.

Other than as described above, no other significant events occurred after 31 December 2017.

Employees

In the first half of 2017/2018, the STEMMER IMAGING Group employed an average of 255 employees (previous year: 249).



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Chairman of the Supervisory Board: Klaus Weinmann
Register Court: Munich HR B 237247
VAT: DE 128 245 559

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