STEMMER® IMAGING

VISION.
RIGHT.
NOW.

FINANCIAL REPORT 2018/2019

AT A GLANCE

CONSOLIDATED KEY FIGURES

in KEUR	2018/19	2017/18
Revenue	108,966	100,634
Gross profit	38,787	36,483
Gross margin	35.6 %	36.3 %
EBITDA adjusted	9,955	10,578
EBIT adjusted	8,498	9,125
Comprehensive income adjusted	7,348	7,218
	30/06/2019	**30/06/2018**
Total assets	87,454	85,072
Equity	71,616	70,475
Equity ratio	81.9 %	82.8 %
Cash	46,257	46,730
Cashflow from operating activities	4,938	3,115
Employees	295	246

STEMMER IMAGING IN FIGURES

+ 8.3 per cent revenues
compared to previous year

EUR 112.9 m incoming orders

EUR 0.67 Earnings per share
(Adjusted EUR 1.13)

81.9 per cent equity ratio

> 5,000 customers

> 300 employees, of which 70 per cent with technical background
(as of 30/06/2019)

11 subsidiaries and represented in 19 countries
(as of 30/06/2019)

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

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

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

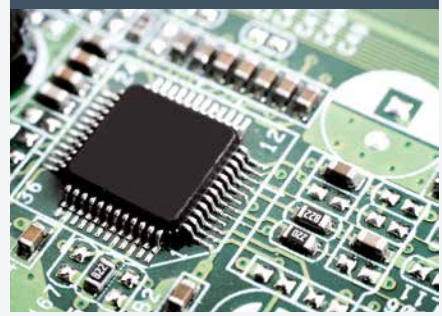
VISION.RIGHT.NOW. symbolises our mission to make machine vision easy and accessible, empowering customers to deliver world-class solutions.

OUR MARKETS –
WE SUPPLY A KEY TECHNOLOGY FOR YOUR DIGITALIZATION

AUTOMOTIVE AND SUPPLIER INDUSTRY

PRINTING AND PACKAGING INDUSTRY

ELECTRONICS, SEMICONDUCTORS AND SOLAR



RESEARCH AND DEVELOPMENT

INDUSTRIAL AUTOMATION INDUSTRY

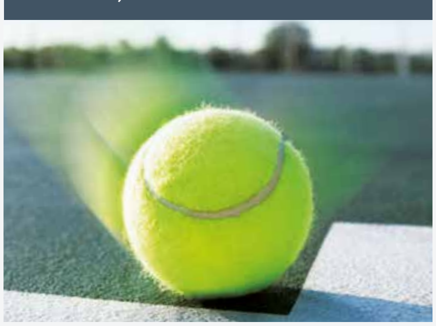
FOOD AND BEVERAGE INDUSTRY

MEDICAL IMAGING

PHARMACEUTICAL INDUSTRY

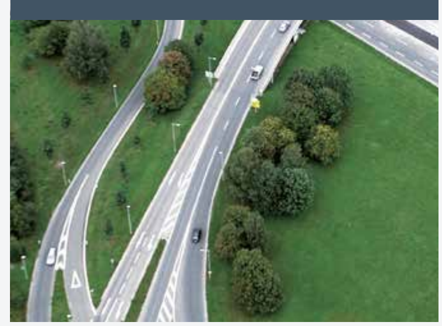
SAFETY, AVIATION AND ASTRONAUTICS

SPORTS, MEDIA AND ENTERTAINMENT



TEST AND MEASUREMENT TECHNOLOGY

TRANSPORT AND LOGISTICS



More about our markets on stemmer-imaging.com/en-gb/markets

CONTENTS

An image processing system, for example, enables the reliable evaluation of surfaces to be bonded, coated or otherwise treated in subsequent process steps.

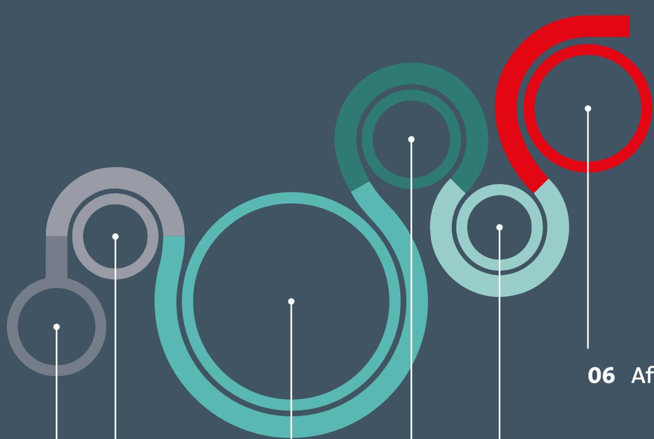
You will find these and more exciting application examples on stemmer-imaging.com.

SINGLE-ENTITY AND CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT FOR THE PERIOD FROM 1 JULY 2018 TO 30 JUNE 2019

Our Mission

We offer our customers simple and easy access to the world's leading image processing technology, detailed expert knowledge and professional service. To achieve this, we work with passion and the highest quality standards.

Perfect customer service in six steps



06 After Sales Services

05 Delivery

04 Realisation

03 System Design

01 Customer Inquiry

02 Pre Sales Services
- Manual
- Feasibility studies
- Application consulting
- Trainings
- Rental positions
- Development-related consulting
- System optimization

01
TO THE SHAREHOLDERS

The Executive Board of STEMMER IMAGING AG:
Martin Kersting (Chief Technology Officer), Lars Böhrnsen (Chief Financial Officer), Arne Dehn (Chief Executive Officer) ring the opening bell for the switch to the Prime Standard on 10 May 2019.

Values, growth and vision – these are the elements of orientation on our entrepreneurial compass. In the 2018/2019 financial year, we achieved important milestones on our path. Among them is the switch from the open market segment Scale to the Prime Standard of the Frankfurt Stock Exchange. Consequently, we meet the highest transparency requirements for listed companies in Germany and are reaching out to a broader group of investors. All these measures and numerous others that have been successfully implemented ensure the success of the company and contribute to its sustained growth. Join us on the path to a successful future.

DEAR SHAREHOLDERS,

We started the 2018/2019 financial year with the objective of continuing our solid growth and to make the Group fit for the future with additional suitable acquisitions. With revenue increasing by 8.3 per cent to EUR 109.0 million in the reporting year (previous year: EUR 100.6 million) we successfully achieved our objective. In terms of adjusted operating earnings (EBITDA) at EUR 10.0 million, we also achieved our forecast. Adjusted earnings before interest and taxes (EBIT) amounted to EUR 8.5 million in the reporting period compared to EUR 9.1 million in the 2017/2018 financial year. With a total of three transactions, we also moved forward our international expansion in the reporting period.

With incoming orders again being higher, we still grew faster than the market. In the 2018/2019 financial year, incoming orders increased 5.6 per cent year on year to EUR 112.9 million. The trend to higher levels of automation is ongoing in many sectors of industry, so that demand for our products and services continues to remain dynamic. What is more, machine vision solutions are being integrated into an increasing number of application sectors. This includes not only industrial production, but also health care, the entertainment sector, logistics and e-commerce, as well as the recycling industry. With over 5,000 customers from 20 sectors in nine European countries, our company is broadly and robustly positioned to continue with sustained growth.

Value-adding acquisitions successfully integrated

In the reporting period, we also actively pursued a future-driven alignment of STEMMER IMAGING AG with acquisitions. Directly after the start of the 2018/2019 financial year, we acquired the French-based ELVITEC S.A.S. The company from Pertuis, near Aix-en-Provence, is an established provider of camera solutions for machine vision, monitoring and imaging. As a result of the acquisition, we not only achieved an important milestone with respect to expanding our product portfolio, but at the same time advanced our international expansion. What was particularly pleasing was the smooth integration of ELVITEC into the STEMMER IMAGING Group which was successfully concluded early as May 2019. Synergy effects such as purchasing advantages and the elimination of duplicate structures – as indicated with the publication of the six-month figures – have already had a positive impact on the figures enhancing value.

With Perception Park we acquired a software provider, in this case a specialist for hyperspectral imaging (HSI). The software technology of the Graz-based company offers a whole spectrum for each pixel instead of one monochrome or colour value. In this way, highly precise colour coordinates, chemical properties, or layer thickness information can be derived from the image data. In this area, we see great potential to further expand our service portfolio. Moreover, as a result of this participation, we were able to further strengthen the location of our Austrian subsidiary in Graz founded in June 2018.

The third transaction was announced in May 2019 – the acquisition of the Spanish INFAIMON S.L. Group, which we successfully concluded after the reporting date at the beginning of July 2019. With its headquarters in Barcelona and further subsidiaries in Portugal, Mexico and Brazil, INFAIMON is a leading supplier for machine vision and image analysis processes and their application in popular sub-systems. With this acquisition, we not only gained a company generating high margins, but at the same time also significantly expanded our sales network as well as our product and service range with innovative technologies. In particular, the company has many years of experience in bin-picking applications. Important customers for this come from the logistics (material handling) and e-commerce areas.

In the middle of June 2019, we founded another subsidiary, in Bologna, right in the centre of the industrial heart of Italy. Our new Italian subsidiary rounds off our expansion activities in the 2018/2019 financial year. We are now represented with our own offices and specialist staff on all key European markets. As a result of the INFAIMON acquisition, we not only supplemented our product portfolio with a further important application, but from a geographic perspective also created a very good strategic option to expand further. The INFAIMON locations in Mexico and Brazil allow us to move into other attractive markets, such as North America.

Professional structures and transparent dialogue

There was also a change of personnel on the Management Board during the reporting period. The previous Chairman, Mr Christof Zollitsch, asked the Supervisory Board to terminate his contract prematurely. Under his management, the company developed very successfully and tangibly increased its competitive position. In addition, as CEO of STEMMER IMAGING, Mr Zollitsch successfully took the company public in February 2018. We would like to thank him very warmly for his passionate commitment and his contribution to the development of the company. At the same time, we greatly appreciate that Mr Zollitsch will remain available to STEMMER IMAGING in an advisory capacity. On 1 January 2019, Mr Arne Dehn joined the Management Board and after a two-month transitional phase, Mr Dehn assumed the chairmanship of the Management Board from 1 March 2019. With more than 20 years of international management experience in listed technology companies in the communication and smart sensor industry, including Honeywell Automation Controls, Arne Dehn is an experienced industry expert. Since 2011, he has was a member of the Management Board of the listed mid-cap technology company, TKH Group NV, headquartered in the Netherlands. There he managed a globally operating business segment, which also developed and sold machine vision systems and solutions.

Sustainable growth is not feasible without the continuous development of professional structures. This is why we have continued to invest in this area and since 10 May 2019 we have been listed in the Prime Standard of the Frankfurt Stock Exchange. On the one hand, in doing so, we have taken due account of the dynamic growth since the IPO and on the other hand, want to accompany the further development of the company at a higher level of transparency in communication. In addition to the highest level of transparency obligations for listed companies in Germany, it also provides access for STEMMER IMAGING AG to a broader group of investors and the possibility of greater media interest. We are convinced that this move will allow us to have a better positioning, also to international investors.

Flawless market trends ensure excellent medium to long-term prospects

The cooling of the international markets in recent months, particularly in the electronics and automotive industries, with impacts on the entire automation industry, has of course been a very close focus for us and we are convinced that we can come out of this phase stronger than before. Thanks to our broad positioning across many market segments we serve and the international alignment of our organization, we see clear opportunities to profitably exploit the high dynamics of change in the course of ongoing digitization to expand our activities. The ongoing trend to automate industrial production will continue to sustain high demand for state-of-the-art solutions and technologies. Machine vision plays a key role in the context of Industry 4.0, Smart-Factory applications as well as human/machine collaborations, it is the basis for efficiently functioning systems.

In order to ensure that reporting processes between the parent entity, the PRIMEPULSE Group and STEMMER IMAGING AG are more efficient, together with the Supervisory Board, we resolved to propose to the Annual General Meeting on 19 November 2019 to change the previous STEMMER IMAGING financial year to the calender year. At the same time, in terms of reporting the change would simplify integration of the acquired companies in the STEMMER IMAGING Group. Previously the financial year of the company was from 1 July to 30 June of the following year. If the Annual General Meeting approves the change, then the ongoing second half of 2019 will be a short financial year. After the annual financial statements of the 2018/2019 financial year as of 30 June 2019, this would relate to the period from 1 July 2019 to 31 December 2019. 2020 would thus be the first STEMMER IMAGING financial year corresponding to the calender year.

We intend to achieve a great deal and are looking forward with confidence to the planned short 2019 financial year. On the basis of the structures already created and their further development, we are firmly convinced that we will further expand our position. With cash and cash equivalents of EUR 46.26 million as of the 2018/2019 reporting date, we are also in a position to react flexibly to changing market conditions and finance the further growth of the company. In addition to organic expansion, acquisitions will continue to play a role here. We are observing and analysing the market for suitable opportunities on an ongoing basis and when opportunities arise, we will take them, but with all due circumspection.

For the planned short 2019 financial year, the Management Board anticipates revenue between EUR 59.0 million and EUR 65.0 million and EBITDA between EUR 5.5 million and EUR 7.1 million. This forecast includes an anticipated revenue contribution of EUR 8.5 million to EUR 9.5 million and a planned EBITDA contribution of EUR 1.1 million to EUR 1.3 million from the subsidiary INFAIMON S.L. which was consolidated from 1 July 2019.

Values, growth and vision are the elements on the compass of our entrepreneurial activities. As a team together we are able to implement these orientation points in an optimum manner. On this occasion, the Management Board would like to thank the entire STEMMER IMAGING team for its passionate commitment in the last financial year. We are happy to be part of this team and to be able to address all further tasks and challenges together.

We thank you, dear shareholders, for the trust you have placed in us. Stay closely connected with STEMMER IMAGING AG and advance with us together on the path into a successful future.

Puchheim, 26 September 2019

Arne Dehn	**Lars Böhrnsen**	**Martin Kersting**
CEO	CFO	CTO

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

STEMMER IMAGING AG looks back on an exciting 2018/2019 financial year. The Supervisory Board would like to thank the Management Board and the employees of the STEMMER IMAGING Group for their commendable achievement. At the same time, the Supervisory Board would like to thank them for good and open cooperation. Thanks also go to the shareholders for their trust.

The STEMMER IMAGING Group is well positioned for further dynamic growth in the machine vision market. For suppliers such as STEMMER IMAGING the opportunities resulting from digitalisation are very promising. In light of the successful financial year and the company's positive growth prospects, the management has decided to propose to the Annual General Meeting the distribution of a dividend.

In the 2018/2019 financial year, the Supervisory Board performed its duties and obligations according to the law, the articles of association and the rules of procedure. It advised the Management Board on the management of the company while supervising and monitoring the management and development of the company's business. As part of the customary close cooperation, the Management Board regularly, promptly and comprehensively reported to the Supervisory Board in writing, by telephone and in person about the company's situation and prospects, the principles of the business policy, the company's profitability and material transactions for the company. The Management Board also regularly communicated personally with the Supervisory Board members outside the set meetings. In addition, the Management Board kept the entire Supervisory Board continuously informed about relevant developments and transactions requiring approval. The Supervisory Board was included in a direct and timely manner in all decisions of fundamental importance for the company and in decisions in which it had to be included according to the law, articles of association or rules of procedure. In urgent cases, the Board also had the option to pass resolutions by written circular. Due to the regular, prompt and detailed information from the Management Board, the Supervisory Board was always able to perform its monitoring and advisory function. The Supervisory Board therefore believes that the Management Board acted legally, properly and efficiently in every respect.

MEETINGS AND KEY TOPICS

In light of increasing digitalisation and connectivity in all areas of life and business, companies continue to face numerous challenges. At the same time, this also presents diverse opportunities for the machine vision industry, where the STEMMER IMAGING Group is one of the leading providers of machine vision technologies in Europe. Therefore, throughout the 2018/2019 financial year, these developments were the subject of a regular and intensive exchange of opinions between the Management Board and the Supervisory Board on market topics and the development or expansion of business areas and of talks and discussions about the strategic direction and the suitable structures and resources to do justice to the Group's momentum.

The Supervisory Board met five times in the reporting year, namely on 8 October 2018, 7 December 2018, 22 March 2019, 10 may 2019 and 4 June 2019. All meetings of the Supervisory Board in the 2018/2019 financial year were attended by all sitting Supervisory Board members.

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

The following relevant topics and resolutions from the Supervisory Board's work in the 2018/2019 financial year are also worthy of note:

– On the basis of a circular resolution, on 9 July 2018 the Supervisory Board approved the acquisition of 100 per cent of the shares in ELVITEC S.A.S., Pertuis/France.
– In its meeting on 8 October 2018, the Supervisory Board received the report of the auditor on the financial statements of STEMMER IMAGING AG and the STEMMER IMAGING Group for the 2017/2018 financial year. After extensive discussion, the Supervisory Board approved the annual and consolidated financial statements and the combined management report of STEMMER IMAGING AG and the Group for the 2017/2018 financial year. The annual financial statements have been adopted. The Supervisory Board also considered the report of the Supervisory Board for the 2017/2018 financial year. In addition, after detailed information and discussion, the Supervisory Board approved the acquisition of a 42 per cent stake in Perception Park GmbH, Graz/Austria. In another item of the agenda, the Management Board extensively informed the Supervisory Board about the objective of completing the switch to the stock exchange segment into the Prime Standard, a segment of Deutsche Börse's Regulated Market.
– On 28 November 2018, on the basis of a circular resolution, the Supervisory Board appointed Arne Dehn as member of the Management Board with effect on 1 January 2019 and from 1 March 2019 as Chairman of the Management Board of STEMMER IMAGING AG.
– The focus of the Supervisory Board meeting on 7 December 2018 was the presentation on and discussion of potential acquisitions.
– In the Supervisory Board meeting on 22 March 2019, the Supervisory Board approved founding a subsidiary in Italy.
– By circular resolution dated 21 May 2019, the Supervisory Board approved the acquisition of a 100 per cent stake in the Spanish Alea Rubicon S.L., Barcelona/Spain and its subsidiaries (Infaimon Group).
– The subject of the Supervisory Board meeting on 4 June 2019 was the examination of the business plan for the 2019/2020 financial year presented by the Management Board and approval of the planning for the period from 1 July to 31 December 2019.

COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board of STEMMER IMAGING AG currently comprises Arne Dehn as Chairman, Martin Kersting (Chief Technical Officer) and Lars Böhrnsen (Chief Financial Officer).

In the reporting year, there was a change in the Management Board. At his own request, Christof Zollitsch the previous CEO, resigned from the Management Board with effect from 28 February 2019. As of 1 March 2019, the office of the Chairman of the Management Board was assumed by Arne

Dehn, who had been appointed as a member of the STEMMER IMAGING AG Management Board as of 1 January 2019.

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

In the 2018/2019 financial year, the three-member Supervisory Board of the company did not establish any committees and treated all pending topics in the Supervisory Board as a whole.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

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

Thus in its Supervisory Board meeting on 4 June 2019, the Supervisory Board discussed the existing Code recommendations in the version dated 7 February 2017 and examined the extent of current and future conformity.

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

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

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

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements prepared by the Management Board and the combined management report for STEMMER IMAGING AG and the Group for the 2018/2019 financial year were audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart. Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, represented by Martina Schaaf and Philipp Schütte, has been the auditor of the annual and consolidated financial statements of STEMMER IMAGING AG, Puchheim, since the 2018/2019 financial year. Martina Schaaf as left-signatory of the audit opinion is working for the first year for STEMMER IMAGING AG, and Philipp Schütte as lead auditor and right-signatory of the audit opinion is also for working in the first year on the audit. The annual financial statements of STEMMER IMAGING AG and the combined management report for STEMMER IMAGING AG and the Group were prepared in accordance with German accounting principles. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable within the European Union and in accordance with the supplementary German regulations to be applied as specified in section 315a (1) of the German Commercial Code. The auditor conducted the audit of the separate and consolidated financial statements as of 30 June 2019 and the combined management report of the company and the Group in accordance with section 317 German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) and issued an unqualified auditor's report in each case.

The audit by the auditor found that the Management Board of STEMMER IMAGING AG had implemented the measures required to establish a risk early warning system in accordance with section 91 (2) of the German Stock Corporation Act and that the risk warning system is generally suitable of detecting developments that could jeopardise the company as a going concern at an early stage. In coordination with the auditor, suitable measures were defined to develop risk management on a targeted basis (analysis and assessment).

The consolidated financial statements, the combined management report of the company and the Group, the report by the auditor on the audit and the Management Board's proposal for the appropriation of net retained profits were made available to all Supervisory Board members in due time before the resolution and approval by the Supervisory Board on 23 September 2019. The auditor reported to the Supervisory Board on the progress and the material events of the audits and was available to answer and discuss questions and to provide supplementary information. He participated in the Supervisory Board's discussions regarding the annual and consolidated financial statements and attended the Supervisory Board's meeting for the adoption of the annual financial statements and the approval of the consolidated financial statements on 23 September 2019.

In this meeting, the Supervisory Board considered the financial statements and the combined management report for STEMMER IMAGING AG and the Group with a particular focus on the key audit matters described in the respective audit opinion. In addition, the Supervisory Board examined the Management Board proposal on the appropriation of net retained profits and the payment of a dividend of 50 cents per share. In addition, the Supervisory Board submitted its proposal to the Annual General Meeting for the election of the auditor. Previously, the Supervisory Board had obtained a written declaration of independence from the auditor. The Board also discussed the dependent company report prepared by the Management Board, the company's accounting process and risk management system and the maintenance of integrity in financial reporting.

After discussing the audit reports on the separate and consolidated financial statements as of 30 June 2019 and the combined management report of the company and the Group in detail, the Supervisory Board raised no objections and deemed the proposal for the appropriation of net profits appropriate. 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 financial year 2018/2019 prepared by the Management Board. The annual financial statements have thus been adopted. The Management Board proposal for the appropriation of net retained profits was approved.

DEPENDENT COMPANY REPORT

In addition, in its meeting on 23 September 2019, the Supervisory Board examined the dependent company report of the STEMMER IMAGING AG Management Board for the 2018/2019 financial year.

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

"We have audited in accordance with our professional duties and confirm that
– the statements in the report are accurate,
– the consideration given by the company for the transactions specified in the report was not unreasonably high and any disadvantages incurred have been compensated".

The auditor presented the audit report to the Supervisory Board. The dependent company report and the relevant audit report were communicated in due time to the Supervisory Board. The auditor participated in the Supervisory Board meeting on 23 September 2019 and provided information on the main findings of his audit of the dependent company report.

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

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

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

Puchheim, September 2019

On behalf of the Supervisory Board

Klaus Weinmann
(Chairman of the Supervisory Board)

HIGHLIGHTS 2018/19

JULY 2018

STEMMER IMAGING AG acquires ELVITEC S.A.S.
STEMMER IMAGING S.A.S., a wholly-owned subsidiary of the publicly traded STEMMER IMAGING AG, signs a contract to acquire 100 per cent of the shares in the French ELVITEC S.A.S. in a share deal (initial consolidation with closing as of October 2018).

OCTOBER 2018

STEMMER IMAGING acquires stake in Perception Park GmbH, an innovative Hyperspectral Imaging (HSI) software provider
With the Austrian Perception Park GmbH, the provider of the data processing platform Perception System & Studio, STEMMER IMAGING acquires a stake in a software specialist for the first time and expands its portfolio by adding future-oriented technologies (first-time consolidation with closing as of February 2019).

NOVEMBER 2018

Changes in the Managing Board: Arne Dehn appointed as new CEO
The Supervisory Board of STEMMER IMAGING AG appointed Mr Arne Dehn as Executive Board member of STEMMER IMAGING AG effective from 1 January 2019. With effect from 1 March 2019, Mr Dehn assumed the function of Chairman of the Executive Board.

DECEMBER 2018

Robust revenue growth and healthy incoming orders provide the basis for a strong second half of the year
STEMMER IMAGING generates revenues of EUR 50.7 million in the period from 1 July 2018 to 31 December 2018 (previous year: EUR 47.4 million) and adjusted EBITDA of EUR 4.0 million compared to EUR 4.4 million in the previous year.

MAY 2019

STEMMER IMAGING AG switches to the Prime Standard on 10 May 2019
STEMMER IMAGING AG will be listed in the Prime Standard of the Frankfurt Stock Exchange for the first time on 10 May 2019 and will therefore comply with the most exacting transparency requirements for listed companies in Germany, following the transition of accounting to IFRS.

STEMMER IMAGING expands international presence with acquisition of Spanish INFAIMON S.L.
STEMMER IMAGING has signed an agreement to acquire 100 per cent of the Spanish company INFAIMON S.L. with its subsidiaries in Portugal, Brazil and Mexico, laying the foundation for expansion outside the European markets.

JUNE 2019

STEMMER IMAGING founds a subsidiary in Italy
With the foundation of its subsidiary in Bologna, Italy's industrial heartland, STEMMER IMAGING is represented in all major European markets with its own locations and specialist staff.

Stay up to date! Our newsletter keeps you regularly informed about economic developments at STEMMER IMAGING AG:
www.stemmer-imaging.com/en-gb/subscribe-to-ir-newsletter/

STEMMER IMAGING ON THE CAPITAL MARKET

CAPITAL MARKET ENVIRONMENT

The economy slowed palpably in the second half of 2018 in particular, leading to greater uncertainty among capital market participants and declining index values. Triggers included the continual downward revisions of DAX companies' profit forecasts. While initially a profit increase of around 10.0 per cent was expected for 2018, profits ultimately decreased in comparison with the previous year, 2017.[1] As 2018 became 2019, significant stock indices recovered palpably. Negative news, such as a further slowdown in economic momentum, an escalation of the trade dispute between China and the USA and uncertainty over Great Britain's possible exit from the EU without a deal had barely any influence on the stock markets.[2]

The German Stock Index (DAX) opened the second half of the trading year on 2 July 2018 at 12,147.94 points. As the year progressed, the sentiment barometer of the German economy gradually moved downwards. Despite weak economic data and a further escalation of the above-mentioned trade dispute, the DAX recovered at the turn of the year 2018/2019 and in the first half of 2019. The leading index closed on 28 June 2019 at 12,398.80 points. This was potentially caused by the prospect of an interest rate cut by the US Federal Reserve Bank (Fed) as a possible reaction to the weak economic data.[3] Compared to the closing level on 29 June 2018, the DAX generated a performance of 0.8 per cent in the reporting period. The technology stock index TecDAX went up by 6.8 per cent in the reporting period. The Scale All Share Index, which also listed the STEMMER IMAGING AG share up to and including 9 May 2019, dropped 12.2 per cent in the reporting period.

SHARE INFORMATION

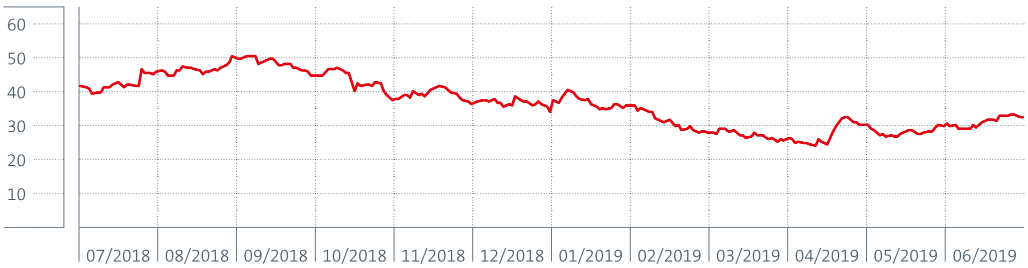
Exchange market	Xetra, Frankfurt, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart, Tradegate
Symbol	S9I
Total number of shares	6,500,000
Share capital	EUR 6,500,000
ISIN	DE000A2G9MZ9
WKN	A2G9MZ
Market segment	Regulated Market
Transparency level	Prime Standard
Designated sponsor	Hauck & Aufhäuser Privatbankiers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

STEMMER IMAGING AG opened trading at EUR 41.51 on 2 July 2018 and closed at EUR 32.50 on 28 June 2019. The share marked its annual high on 31 August 2018 at EUR 52.10; it reached its low in the reporting period on 5 April 2019 at EUR 23.50. On the basis of the closing price of EUR 32.50, STEMMER IMAGING AG's market capitalisation amounted to EUR 211.3 million as of 28 June 2019 with a total of 6,500,000 shares in circulation. At the beginning of the reporting period on 2 July 2018, the market capitalisation with the same number of shares and a starting price of EUR 41.51 amounted to EUR 269.8 million (all information based on Xetra prices).

1 M.M. Warburg (2018): Capital market perspectives January 2019
2 Metzler Capital Market Outlook: Global equity markets: Scope for higher valuation
3 Metzler Capital Market Outlook: Global equity markets: Scope for higher valuation

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

SHARE PRICE DEVELOPMENT FROM THE END OF JUNE 2018 TO THE END OF JUNE 2019
in EUR



In the entire reporting period, the average daily trading volume was 3,578 shares. At the same time, attention on the STEMMER IMAGING share remained high throughout the entire 2018/2019 financial year. At the end of the first half of the financial year, the average daily trading volume on all German exchange markets was 3,618 shares.

PRICE PERFORMANCE

Opening price	2 July 2018	EUR 41.51
Low	5 April 2019	EUR 23.50
High	31 August 2018	EUR 52.10
Closing price	28 June 2019	EUR 32.50
Market capitalisation	As of 28 June 2019	EUR 211.3 million

DIVIDEND DISTRIBUTION AND ANNUAL GENERAL MEETING

STEMMER IMAGING AG pursues the goal of a shareholder-friendly dividend policy based on continuity without neglecting securing and expanding its market position or implementing its strategic goals in the process.

On 7 December 2018, the Management Board of STEMMER IMAGING AG informed the shareholders at the Annual General Meeting in Munich about the course of the 2017/2018 financial year and responded to their questions. When the vote was taken, 86.14 per cent of the share capital was represented. The shareholders expressed their satisfaction with the company's development and approved the actions of the Management Board and Supervisory Board. The management's recommendations for all agenda items were adopted by a large majority. In particular, this included the resolution of a dividend distribution for the first time in the amount of EUR 0.50 per share. The distribution volume totalled around EUR 3.3 million.

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

SHAREHOLDER STRUCTURE

The company has a balance between free float and the majority holding of a strategic anchor investor. As of 30 June 2019, 46.0 per cent of the shares were in free float. The largest shareholder of STEMMER IMAGING AG is SI HOLDING GmbH, a majority holding of the PRIMEPULSE SE Group, with 54.0 per cent of the voting rights.

MOVE TO THE PRIME STANDARD

On 10 May 2019, STEMMER IMAGING AG moved from the Scale segment of Frankfurt Stock Exchange's Open Market to the Regulated Market of the Frankfurt Stock Exchange and simultaneously to the subsegment of the Regulated Market with additional admission follow-up duties (Prime Standard) by including all 6,500,000 shares. With the change in segment, STEMMER IMAGING meets the highest transparency standards for listed companies in Germany and opens itself up to a larger group of investors.

ANALYST RESEARCH

The STEMMER IMAGING AG share is regularly evaluated by qualified securities analysts, namely Hauck & Aufhäuser Privatbankiers, Warburg Research and Berenberg Bank. The analysts centred their latest evaluations on the acquisition and growth strategy. In his study published on 23 May 2019, analyst Henning Breiter from Hauck & Aufhäuser confirmed his Buy recommendation for the STEMMER IMAGING share. The analyst left the price target at EUR 47.00. He assesses the takeover of the Spanish Infaimon S. L. as an excellent strategic acquisition with value-enhancing character for the entire Group. Warburg Research analyst Robert-Jan van der Horst likewise wrote about the acquisition of Infaimon S. L. in his study dated 23 May 2019, coming to the conclusion that the takeover supplements the company portfolio with additional areas of expertise and offers considerable opportunities for cross-selling. Berenberg Bank began covering the STEMMER IMAGING share on 26 June 2019. In the initial study, Berenberg analyst Gerhard Orgonas subjects the share to a comprehensive analysis and issues a Buy recommendation. His price target is EUR 39.00. Orgonas sees STEMMER IMAGING as a diversified provider in an attractive machine vision market.

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

INVESTOR RELATIONS ACTIVITIES

Investor Relations activities pivot on STEMMER IMAGING AG's catalogue of values. The corporate ideal is the communication of key financial figures and other facts relevant to valuation. Investor Relations aspires to provide all material information in a convincing, comprehensive and transparent manner. Together with the Management Board, Investor Relations is in regular and intensive dialogue with capital market participants at roadshows and investor conferences, in telephone conferences to mark the publication of interim and annual reports, and on an ad hoc basis. The company immediately informs its shareholders and capital market participants of any important business events or incidents of significance for price-performance via ad hoc notification or Corporate News.

In the wake of the increasing internationalisation of the Group, important projects have been implemented for more efficient and transparent communication. These include the switch to reporting in accordance with International Financial Reporting Standards (IFRS). STEMMER IMAGING reported on the basis of IFRS for the first time for the first half of the 2018/2019 financial year.

After the change of segment in May 2019, the STEMMER IMAGING AG share was listed in the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) at the time of reporting.

The Management Board of STEMMER IMAGING AG presented the company, its business model and its performance in the reporting period at numerous roadshows and conferences at international financial centres.

25 October 2018	Berenberg Pan European Discovery Conference, New York (USA)
26/27 November 2018	German Equity Forum, Frankfurt am Main
4 December 2018	CF&B – MidCap Event, Geneva (Switzerland)
16/17 April 2019	CF&B 14th SmallCap Event, Paris (France)
14 May 2019	Spring Conference, Frankfurt am Main

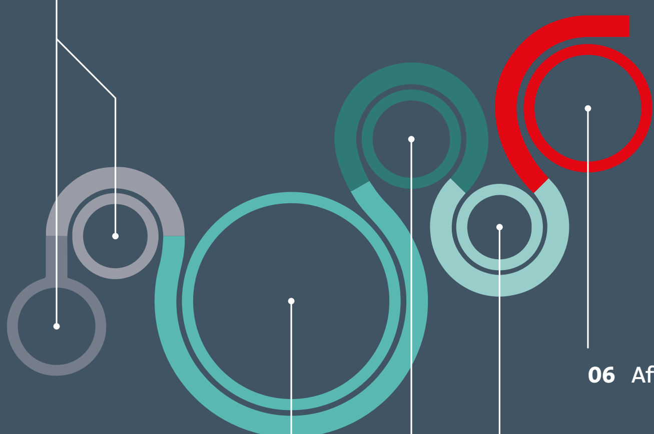
In addition, the Management Board of STEMMER IMAGING AG maintains continuous and constructive dialogue with investors, analysts and the financial and business press. All dates and locations, presentations and latest developments in the Group can be found on the Investor Relations website at **stemmer-imaging.com/en-gb/investor-relations/**

Hauck & Aufhäuser Privatbankiers AG acted as designated sponsor in the past 2018/2019 financial year, continuously supporting the appropriate tradability of the STEMMER IMAGING share through binding bid and ask prices.

Perfect customer service in six steps

01 Customer Inquiry

02 Pre Sales Services



06 After Sales Services

05 Delivery

04 Realisation

03 System Design

- Close cooperation with leading manufacturers
- Recommendation of integration partners
- Software evaluation
- Customer-specific developments
- Application consulting
- Customer-specific product modifications
- In-house cable manufacture

02 CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT

GENERAL INFORMATION

Since changing its legal form (resolution of 15 November 2017), STEMMER IMAGING AG (hereinafter also referred to as “the company”) has traded as a stock corporation (formerly “STEMMER IMAGING GmbH”). On 10 May 2019, the company moved from the Scale segment of Frankfurt Stock Exchange’s Open Market to the Regulated Market of the Frankfurt Stock Exchange and simultaneously to the subsegment of the Regulated Market with additional admission follow-up duties (Prime Standard) by including all 6,500,000 shares.

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL

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

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

The customers of the STEMMER IMAGING Group benefit from a diverse range of state-of-the-art machine vision products from leading manufacturers. As developer of the globally successful imaging software “Common Vision Blox” (CVB) and manufacturer of customised products – such as specialist cables and protective housing for industrial cameras – the Group also has the expertise and experience to give its customers optimum support for the solution of their machine vision problem.

STEMMER IMAGING AG maintains subsidiaries in many European countries (Austria, UK, France, Italy, Switzerland, Netherlands, Sweden, Denmark, Finland and Poland). The subsidiaries were included in the 2018/2019 consolidated financial statements according to the principles of full consolidation. There are further branch offices/sales partners in Belgium and Ireland. The foreign subsidiaries and branch offices primarily provide sales and other services.

MANAGEMENT OF THE GROUP

The management of the Group is based on an annual budgeting and strategy process that defines the Group’s direction and targets. The outcomes of the process include the definition of the service range, sales planning, key financial figures and budgeting for the following financial year. In relation to the transition to IFRS accounting and the change in the Management Board, the key financial performance indicators have been redefined: key indicators are now revenue and EBITDA[1] (previously: revenue, gross margin[2] and EBITDA margin).

Note on alternative performance measures (APM) used in accordance with the APM guidelines issued by the European Securities and Markets Authority (ESMA):

1 EBITDA = profit/loss for the period + taxes + at equity share of profit/loss + income from investments + net finance costs + depreciation of property plant and equipment and amortisation of intangible assets

1 Gross profit = total operating performance (revenue + other operating income + other work capitalised) less cost of materials/purchased services

Continuous management is ensured with monthly reporting and regular management meetings with local managers. Potential deviations from targets are thus identified at an early stage and corrected with suitable countermeasures.

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

The reporting below summarises the above key figures for the Group as a whole. This likewise reflects the circumstances of the one-segment company.

OBJECTIVES AND STRATEGY

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

DEVELOPMENT ACTIVITIES

Development activities are focusing on our CVB machine vision software and on customer-related projects. Particularly notable is the palpable trend for machine vision in embedded systems. Instead of using PC systems based on the Windows operating system as before, customers are increasingly asking for support for ARM processors under the Linux operating system. We expect this trend to continue in the next financial year.

In connection with this, we have turned our attention in this financial year to collaboration in the new relevant international standardisation committees of “Verband Deutscher Maschinen- und Anlagenbau” (VDMA) and OPC UA. OPC UA is the logical consequence of the interconnection of various components in the industrial manufacturing process and thus a direct implementation of Industry 4.0.

Total development expenses amounted to EUR 0.65 million in the year under review (previous year: EUR 0.71 million).

ECONOMIC REPORT

GENERAL ECONOMIC DEVELOPMENT

According to the International Monetary Fund (IMF), the world economy slowed considerably in the second half of last year – after strong growth in 2017 and at the beginning of 2018. Although global growth remained strong at 3.8 per cent in the first half of 2018, it weakened due in particular to the trade dispute between China and the USA. Declining business confidence and difficult refinancing conditions were also a negative factor. Global GDP growth therefore came to just 3.2 per cent in the second half of 2018, amounting to 3.6 per cent for the year as a whole. In their forecast of April 2019, the economists of the IMF expect the growth rate to slow further to 3.3 per cent for 2019.

In the eurozone, growth slowed more sharply than expected after consumer and business confidence weakened. This was due to the introduction of new fuel emissions standards for diesel vehicles in Germany, fiscal policy uncertainty in Italy and protests in France that had a negative impact on retail. Additional uncertainty resulted from the discussions about a no-deal Brexit. The growth rate in terms of GDP therefore declined in the EU. In both the third and fourth quarters of 2018, growth amounted to 1.2 per cent compared with the respective quarter of the previous year. Private consumer spending had a positive influence on GDP growth in both the EU and the eurozone. While the US Federal Reserve Bank tightened monetary policy – but left the door open to relaxation on account of the trade dispute with China – the European Central Bank (ECB) stuck to its expansionary monetary policy, due partly to the lack of inflationary pressure.

In Germany GDP grew by 1.5 per cent year-on-year. According to Destatis, positive stimuli mainly came from within Germany. Both government and private spending increased. With regard to foreign trade, there has been no significant change in dynamics. Both exports and imports increased to the same extent. However, economic momentum in Germany slowed in the second half of 2018. The fourth quarter of 2018 saw stagnation compared with the previous quarter.

The German economy made a modestly positive start to 2019. According to Destatis, GDP grew in the first quarter of 2019 by 0.4 per cent quarter on quarter and 0.7 per cent year on year. In the second quarter of 2019, a decline of 0.1 per cent was recorded first.

SECTOR DEVELOPMENT

According to the German Mechanical Engineering Industry Association (Verband Deutscher Maschinen- und Anlagenbau – VDMA), the German robotics and automation sector had a positive year in 2018 and achieved sector revenue of EUR 15 billion for the first time, equating to growth of 4 per cent. Development in the subsectors varied. After record growth of 17 per cent to EUR 2.6 billion in 2017, STEMMER IMAGING AG's key sector, the machine vision sector, only recorded a flat development in 2018. The industry grew by 4.2 per cent to EUR 2.7 billion.

"Embedded vision" and its potential are of material importance for machine vision. This concerns small, integrated machine vision systems that allow machines to see and understand. Artificial intelligence is used to make the machine vision systems even more powerful.

EMPLOYEES

The number of employees in the STEMMER IMAGING Group amounted to 305 as of June 30, 2019; the average number of employees during the fiscal year was 295 (average for the same period of the previous year: 246). The number of employees increased in particular in engineering and order processing.

STEMMER IMAGING invests in vocational training in order to cover the future demand for qualified staff: After 12 in the previous year, 9 trainees were employed in the Group as of the end of the financial year. The STEMMER IMAGING Group is currently training IT specialists in the fields of system integration and application development, IT systems technicians and electronics engineers for devices and systems. In September 2019, the STEMMER IMAGING Group will also start providing commercial training for the occupation of industrial management assistant. In order to prevent a shortage of suitable trainees, STEMMER IMAGING continuously hosts student internships and open days for schools in the local area and participates in careers fairs at nearby schools. Graduate employees are recruited by providing bachelor's and master's dissertation topics and by employing them as working students early in their studies. For this purpose, STEMMER IMAGING AG also maintains a close partnership with the Faculty for Computer Science and Mathematics at Munich University of Applied Sciences.

To guarantee a high qualification level among its employees, STEMMER IMAGING also invests continuously in training and further education. Besides training for new employees, there is also regular product and technology training for Technology and Sales employees, for example. These measures are supported by demand-based training in both professional development (e.g. project management, current customs rules) and personal development (e.g. employee management, trainer qualification, integration of refugees in the company). In addition, STEMMER IMAGING supports employees who want to qualify as a technician or business administrator, for example, in their free time. The offer of dual study programmes is aimed primarily at successful trainees who want to continue studying after their traineeship and to continue working for the company at the same time.

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

NET ASSETS

The total assets of the STEMMER IMAGING Group amounted to EUR 87.45 million as at 30 June 2019 (30 June 2018: EUR 85.07 million).

The increase is due in particular to the growth in non-current assets, which climbed to EUR 13.57 million on account of growth trajectory (30 June 2018: EUR 9.05 million). The increase is essentially due to goodwill arising from the acquisition of ELVITEC S.A.S. (EUR 2.10 million) and the customer base of ELVITEC S.A.S. (EUR 1.01 million) reported under other intangible assets. It also includes the equity investment in Perception Park GmbH (42 per cent) in the amount of EUR 1.35 million.

Current assets decreased to EUR 73.88 million (30 June 2018: EUR 76.02 million), essentially as a result of the sale of the securities portfolio at the beginning of January 2019, which amounted to EUR 5.07 million as at 30 June 2018 and was reported under other financial assets. In light of the increased revenue volume, this was countered by the growth in inventories to EUR 10.72 million (30 June 2018: EUR 8.55 million), EUR 1.36 million of which relates to SIS STEMMER IMAGING Services GmbH and EUR 0.81 million of which to the other companies.

SIS STEMMER IMAGING Services GmbH organises procurement, production, order processing and logistics for the entire STEMMER IMAGING Group. The company charges the services to the other companies of the Group accordingly. It also provides cable manufacturing services. Impairment risks were appropriately accounted for with write-downs for reduced marketability.

Trade receivables increased to EUR 15.80 million (30 June 2018: EUR 14.18 million) as a result of ongoing internationalisation. Cash funds – in spite of the investments, the payment of special bonuses and the distribution of profits – thanks to the positive operating performance of the cash flow and sale of securities portfolio only slightly decreased to EUR 46.26 million (30 June 2018: EUR 46.73 million).

The equity of the STEMMER IMAGING Group amounts to EUR 71.62 million as at 30 June 2019 (30 June 2018: EUR 70.48 million), reflecting in particular the distribution of EUR 3.25 million to shareholders in December 2018 and the positive consolidated net income of EUR 4.38 million (previous year: EUR 5.57 million). The equity ratio is 81.9 per cent (previous year: 82.8 per cent).

Non-current liabilities increased slightly from EUR 0.66 million to EUR 0.97 million and essentially relate to deferred tax liabilities of EUR 0.50 million (30 June 2018: EUR 0.24 million) recognised, among other things, for the customer bases from the acquisition of Data Vision and ELVITEC S.A.S.

Current liabilities amounted to EUR 14.87 million (30 June 2018: EUR 13.94 million). Within current liabilities, trade payables in particular increased by EUR 1.87 million, essentially in line with the growth in inventories. Current liabilities also include other financial liabilities that predominantly result from the acquisition of ELVITEC S.A.S. (EUR 0.9 million) and that are expected to be paid in October 2019. By contrast, other liabilities declined from EUR 6.70 million as at 30 June 2018 to EUR 4.30 million as at 30 June 2019, mainly on account of the reduction in staff liabilities

(EUR – 2.54 million). This reflects the payment of bonuses (EUR 2.22 million), which also included the EBITDA bonus (EUR 1.50 million) and the IPO bonus (EUR 0.36 million). Owing to the earnings situation, performance-related bonuses of just EUR 0.30 million were recognised as liabilities as at 30 June 2019.

FINANCIAL POSITION

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

The cash and cash equivalents reported in the consolidated statement of cash flows decreased only slightly year-on-year to EUR 46.30 million (30 June 2018: EUR 46.73 million).

The Group's cash flow from operating activities (30 June 2019: EUR 6.10 million; 30 June 2018: EUR 4.55 million) increased despite the lower net profit for the year, as the additional working capital commitment decreased significantly compared to the 2017/18 financial year on account of lower growth (in particular inventories, trade receivables, trade payables).

The Group has reported negative cash flow from investing activities of EUR – 2.09 million (previous year: EUR – 7.95 million). This was due in particular to the acquisition of ELVITEC S.A.S. and the payments for the equity investments in Perception Park GmbH (EUR 1.40 million). This was offset by proceeds of EUR 5.07 million from the sale of securities portfolios acquired in the 2017/18 financial year (previous year: net amount of EUR – 3.32 million).

Net cash used in financing activities amounted to EUR 3.33 million in the 2018/19 financial year, mainly as a result of the payment of dividends. The high cash inflow in the 2017/18 financial year (EUR 47.84 million) resulted from the proceeds from the capital increase (less transaction costs) of EUR 47.85 million generated by the IPO.

As in the previous year, the Group has no significant bank financing as at the balance sheet date.

RESULTS OF OPERATIONS

STEMMER IMAGING increased its consolidated revenue by 8.3 per cent to EUR 108.97 million in the 2018/2019 financial year (previous year: EUR 100.63 million). This was mainly thanks to the successful acquisition of ELVITEC S.A.S., which contributed EUR 5.6 million to revenue. Furthermore, the Swedish subsidiary STEMMER IMAGING AB in particular made a significant contribution to organic revenue growth, while the parent company fell short of expectations.

In light of the higher business volume, the cost of materials increased from EUR 64.15 million to EUR 70.18 million, with the cost of materials ratio climbing to 64.4 per cent (previous year: 63.4 per cent).

STEMMER IMAGING's staff costs were virtually unchanged at EUR 19.96 million (previous year: EUR 19.92 million). The higher average headcount (2018/2019: 295; previous year: 250) was offset by significantly lower variable salary payments as the 2017/18 financial year had included EUR 1.84

million in non-recurring special remuneration. The staff costs ratio fell significantly to 18.3 per cent (previous year: 19.8 per cent).

Other operating expenses climbed by EUR 8.83 million to EUR 12.89 million, and include administrative expenses (EUR 3.74 million; previous year: EUR 2.22 million), selling expenses (EUR 3.18 million; previous year: EUR 3.09 million), rental and leasing expenses (EUR 1.81 million; previous year: EUR 1.60 million) and other operating expenses (EUR 2.65 million; previous year: EUR 0.73 million). The increase essentially results from the following non-recurring expenses that were incurred in the 2018/19 financial year:

– purchase price payments for the acquisition of ELVITEC S.A.S. (EUR 0.99 million), which are recognised in profit or loss pro rata in accordance with IFRS;

– consulting costs and incidental costs of acquisition for M&A transactions (EUR 0.68 million), EUR 0.45 million of which relates to the acquisition of Alea Rubicon S.L. and its subsidiaries (“INFAIMON Group”).;

– non-recurring costs for the change of segment and the transition to IFRS (EUR 0.56 million).

Consolidated EBITDA declined to EUR 6.98 million (previous year: EUR 8.90 million). STEMMER IMAGING AG’s growth strategy is reducing its earnings margin in the short term, but will allow the company to further improve its competitive standing.

Depreciation on property, plant and equipment and amortisation and intangible assets amounted to EUR 1.46 million in total (previous year: EUR 1.45 million), with depreciation on property, plant and equipment accounting for EUR 0.94 million (previous year: EUR 0.94 million). Please refer to the notes to the consolidated financial statements for information on the effects of the transition to IFRS 16.

Consolidated EBIT declined to EUR 5.52 million (previous year: EUR 7.45 million), with the EBIT margin decreasing from 7.4 per cent in the previous year to 5.1 per cent.

Net financial income improved significantly year-on-year to EUR 0.43 million (previous year: EUR 0.12 million).

Taking into account income tax expenses of EUR 1.56 million (previous year: EUR 2.0 million), the 2018/2019 financial year ended with consolidated net income of EUR 4.38 million (previous year: EUR 5.57 million).

The forecast (HGB) stated in the 2017/18 Group management report for the 2018/19 financial year was not met. In the context of the change of segment as at 27 March 2019, the STEMMER IMAGING Group released an updated forecast (IFRS) for revenue of between EUR 108 million and EUR 114 million and EBITDA of between EUR 8.0 million and EUR 10.2 million. The EBITDA target was reduced by EUR 2.0 million on account of extraordinary effects. The sales forecast was narrowed down on 13 May 2019 (between EUR 108 million and EUR 111 million). The revenue forecast was achieved at EUR 108.97 million, though EBITDA fell short of its target at EUR 6.98 million. This is due in part to additional extraordinary effects in connection with the acquisition of the Infaimon Group (EUR 0.45 million), which were not included in the forecast in this amount.

TAKEOVER DISCLOSURES

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

AMOUNT AND CLASSIFICATION OF SHARE CAPITAL

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

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

In the 2018/2019 financial year, STEMMER IMAGING AG was aware of the following direct shareholding in its capital exceeding 10 per cent of the voting rights:
SI HOLDING GmbH: 54 per cent

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD

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

On 28 November 2018, the Supervisory Board of STEMMER IMAGING AG appointed Mr Arne Dehn to the Management Board of STEMMER IMAGING AG effective 1 January 2019. After a two-month transition period, he succeeded Mr Christof Zollitsch as the Chairman of the Management Board after Mr Zollitsch retired from the Management Board on 28 February 2019.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

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

REMUNERATION REPORT

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

REMUNERATION OF THE MANAGEMENT BOARD

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

COMPONENTS OF MANAGEMENT BOARD REMUNERATION

Management Board remuneration is performance-based. For Martin Kersting and Lars Böhrnsen, it consists of fixed (basic) remuneration and a variable bonus for the 2018/19 financial year. For Arne Dehn and Christof Zollitsch, it only consists of fixed remuneration (basic remuneration).

Martin Kersting
The amount of the bonus is 2.3 per cent of adjusted consolidated EBIT.

Lars Böhrnsen
The amount of the bonus is limited to 75 per cent of the annual remuneration. Furthermore, the Supervisory Board may grant the Managemeent Board member special remuneration for extraordinary performance. The Supervisory Board decides on this special remuneration at reasonable discretion.

Christof Zollitsch
Christof Zollitsch stepped down from the Management Board as at 28 February 2019. Owing to the earnings situation, he did not receive a bonus for the period from 1 July to 28 February 2019. Christof Zollitsch has worked as consultant paid on the basis of daily rates since 1 March 2019.

Arne Dehn
Arne Dehn has been a member of the Management Board since 1 January 2019. In general, no variable remuneration is provided for on a regular basis. However, the Supervisory Board may grant the Management Board memeber special remuneration for extraordinary performance. The Supervisory Board decides on this special remuneration at reasonable discretion. Special remuneration may amount to a maximum of 50 per cewnt of the sum of the annual fixed remuneration. No variable compensation is provided for the period from 1 January to 30 June 2019.

A multi-year variable remuneration is currently not in force; however the Management Board contract of Mr Lars Böhrnsen provides for a repayment obligation (malus regulation), according to which the Management Board member must redeem 55 per cent of the bonus payments received if they fall below 70 per cent of the average planned value of a three-year average. The first settlement will take place in 2021.

Mr Zollitsch has had a pension commitment (EUR 103 thousand) since 2015, which is reinsured via a corresponding reinsurance policy.

Contracts with members of the Management Board, Mr Arne Dehn and Mr Lars Böhrnsen, contain a severance agreement in the event of their termination or expiry. There is no severance agreement in place for Martin Kersting. In addition, compensation for the duration of one year after the contract ends is regulated on account of a non-compete clause. In the event of members of the Management Board early stepping down by mutual arrangement without cause, their contracts provide for compensation capped at a maximum of two years' annual remuneration.This amount is calculated pro rata temporis if the remaining term is less than two years. The amount of annual remuneration for calculating severance pay is determined by the total remuneration for the last full financial year before the end of the contract.

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

Fixed remuneration is paid as a monthly salary. The amount of the variable bonus depends on the extent to which the STEMMER IMAGING Group achieves its planned targets.

The basis for determining variable remuneration is the approved consolidated financial statements. Extraordinary effects such as acquisitions are not taken into account. The amount of remuneration and of the variable remuneration components is capped in the Management Board contracts.

OVERVIEW OF MANAGEMENT BOARD REMUNERATION

Based on the above determination by the Supervisory Board, the total remuneration of the Management Board of EUR 758 thousand (previous year: EUR 1,633 thousand) was recognized as an expense in the 2018/19 financial year (individualised information, rounded):

EXPENSE 2018/19
in EUR

	Arne Dehn	Christof Zollitsch	Martin Kersting	Lars Böhrnsen
Fixed remuneration	120,000	138,800	208,200	174,500
Additional benefits [1]	6,419	5,628	6,893	18,931
Total fixed remuneration components	**126,419**	**144,428**	**215,093**	**193,431**
Short-term variable remuneration	0	0	47,380	31,743
Total fixed and variable remuneration components	**0**	**0**	**47,380**	**31,743**
Total remuneration	**126,419**	**144,428**	**262,473**	**225,174**

1 the fringe benefits include the costs for or the non-cash benefit of fringe benefits such as the provision of company cars, insurance contributions, kindergarten subsidies, etc.

The following remuneration was received by the individual members of the Management Board in the 2018/19 financial year (individualised data, rounded):

AMOUNT RECEIVED 2018/19
in EUR

	Arne Dehn	Christof Zollitsch	Martin Kersting	Lars Böhrnsen
Fixed remuneration	120,000	138,800	208,200	174,500
Additional benefits [1]	6,419	5,628	6,893	18,931
Total fixed remuneration components	**126,419**	**144,428**	**215,093**	**193,431**
Special bonus	0	375,000	375,000	107,143
Short-term variable remuneration	0	148,200	110,660	57,133
Total fixed and variable remuneration components	**0**	**523,300**	**485,660**	**164,276**
Total remuneration	**126,419**	**667,628**	**700,753**	**357,707**

1 the fringe benefits include the costs for or the non-cash benefit of fringe benefits such as the provision of company cars, insurance contributions, kindergarten subsidies, etc.

REMUNERATION OF THE SUPERVISORY BOARD

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

COMPONENTS OF SUPERVISORY BOARD REMUNERATION

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

OVERVIEW OF SUPERVISORY BOARD REMUNERATION

SUPERVISORY BOARD REMUNERATION
in EUR

	Fixed remuneration	Attendance fee	Total in 2018/19	Total in 2017/18
Klaus Weinmann	40,000	8,000	48,000	29,000
Stefan Kober	30,000	6,000	36,000	21,750
Markus Saller	20,000	4,000	24,000	14,500

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

D&O INSURANCE

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

(GROUP) CORPORATE GOVERNANCE DECLARATION

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

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

NET ASSETS AND FINANCIAL POSITION

At EUR 73.03 million, STEMMER IMAGING AG’s total assets are only slightly lower than the previous year’s level (30 June 2018: EUR 76.85 million).

Cash and cash equivalents are again the largest item on the assets side at EUR 33.71 million (30 June 2018: EUR 42.64 million). There was investment in financial assets in particular in the 2018/19 financial year. The largest single amount is a loan (EUR 5.2 million) to the French subsidiary, which it received as a long-term loan for the acquisition of ELVITEC S.A.S. Furthermore, an investment in Perception Park GmbH was acquired (EUR 1.40 million) and preparations were made for the acquisition of the Spanish INFAIMON (EUR 0.45 million). With the exception of the decline in other provisions due to the payment of (special) bonuses granted in 2017/18, STEMMER IMAGING AG’s equity and liabilities are essentially unchanged from the previous year.

RESULTS OF OPERATIONS

STEMMER IMAGING AG generated sales of EUR 59.37 million in the 2018/19 financial year, as against EUR 66.23 million in the previous year, including intra-group allocations of EUR 5.81 million (previous year: EUR 6.37 million). Sales and incoming orders fell significantly short of expectations in the second half of 2018. The cost of goods sold ratio was down on the previous year’s figure of 65.8 per cent at 65.3 per cent thanks to favourable purchasing conditions, synergies within the Group and changes in the product mix.

Despite the higher average headcount at STEMMER IMAGING AG (2018/2019: 209; previous year: 164), personnel expenses were reduced from EUR 13.42 million to EUR 12.28 million. Personnel expenses in the previous year were affected by special remuneration of EUR 1.84 million.

Other operating expenses of EUR 7.34 million (previous year: EUR 7.80 million) essentially include selling expenses (EUR 1.80 million; previous year: EUR 1.33 million), operating expenses (EUR 1.47 million; previous year: EUR 1.06 million) and administrative expenses (EUR 4.07 million; previous year: EUR 5.41 million). The above expenses include costs in connection with the change of segment in May 2019 and the IPO in February 2018 (EUR 0.56 million; previous year: EUR 3.16 million). EBITDA amounted to EUR 1.83 million (previous year: EUR 2.16 million).

STEMMER IMAGING AG's financial result included income from distributions in the previous year (EUR 0.75 million). In particular, earnings in the 2018/19 financial year were improved by interest and similar income and by income from long-term loans (EUR 1.07 million; previous year: EUR 0.35 million) from the investment of cash funds from the IPO.

After deducting income taxes (EUR 0.62 million; previous year: EUR 0.46 million), the 2018/2019 financial year ended with net income of EUR 1.39 million (previous year: EUR 1.88 million).

RISK IDENTIFICATION, ANALYSIS AND DOCUMENTATION

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

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

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

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

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

The transfer pricing documentation for the Group will be further updated for the 2018/2019 financial year. There are also service agreements that direct and govern cooperation and mutual allocation of services within the Group. The compliance system is currently being adapted to current requirements and the growth of the Group.

In order to ensure the ongoing operation of the company through the IT systems and to minimise the risk to data, the company respectively the Group has taken preventive measures and is endeavouring to further develop these measures as well as to implement additional ones. In addition to regular updates and, if necessary, extensions, this also includes compliance with internal security and data protection guidelines by employees. Protection against unauthorized access, destruction and misuse is largely ensured among others by access control systems, a security system to protect against unwanted network access and access controls at operating system and application level. The design of the IT system contributes to the prompt and proper recording of all relevant information for the accounting process.

STEMMER IMAGING AG's risk management system incorporates strategic corporate planning, internal reporting and the internal control system. The aim of strategic corporate planning is the identification and use of future opportunities giving due consideration to the resulting risks. Internal reporting functions as an information system, which provides information on current developments and existing risks. Among other things, it covers the accounting process of the entire STEMMER IMAGING Group. Controlling is responsible for the analysis of the accounting process. Regular and timely reports on accounting are made to the Management Board.

RISK REPORT

The risk policy of STEMMER IMAGING AG and the Group is guided by the corporate objectives of sustainable growth and improvement in business performance in order to contribute to an increase in the enterprise value. Business opportunities are usually countered by risks that must be identified as early as possible. The initiation of suitable measures is intended to limit potential negative consequences in order to identify a potential threat to the continued existence of the company as early as possible. There are currently no risks that could impair the continued existence of the company.

Risks that, as things stand, could materially influence the business and the net assets, financial position or results of operations of the STEMMER IMAGING Group are described below. Please note that the STEMMER IMAGING Group classifies the probability of occurrence of the risks cited below as medium. Additional risks of which we are currently not yet aware or risks that we currently classify as immaterial could likewise have a negative impact on our business activities.

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

MARKET- AND INDUSTRY-SPECIFIC RISKS

Dependence on the economic situation

STEMMER IMAGING AG is bound to the general trend of the global economy due to the potential adjustment of customers' budgets.

Potential economic risks result from the political and economic conditions relating to the possibility of Brexit, the unstable political conditions in many countries and the introduction of tariffs and trade restrictions. This, together with the associated below-average performance of the European markets, makes a negative impact on the growth situation.

When issuing orders for machine vision services and products, the STEMMER IMAGING Group's customers are bound to specified internal budgets. Experience shows that the size of the budgets depends on the economic situation of the company, the deterioration of which usually heralds a decline in the company's willingness to invest. If budgets for machine vision spending are cut or the corresponding resources are used for other purposes, this can result in orders to the STEMMER IMAGING Group being reduced, postponed or cancelled entirely.

Competitive intensity

The market in which the STEMMER IMAGING Group operates is fiercely competitive and characterised by rapid change. Furthermore, the market is very fragmented. In addition to a few major competitors, the market in Germany and Europe comprises a large number of small and medium-sized system suppliers/distributors. In the company's view, the intensity of the competition will continue to increase. Firstly, the STEMMER IMAGING Group is in competition with some large but also with medium-sized manufacturers of machine vision components such cameras, optical components, illuminators, sensors, software, etc., here. Secondly, international system providers are increasingly trying to gain market share in the STEMMER IMAGING Group's business segments and among its customers.

In addition, the concentration process in the market has accelerated in recent years due to takeovers but also due to insolvencies of systems houses of various sizes. If this process continues, the existing price and competitive pressure could further intensify. Current and potential rivals to the company also have greater financial, technical, marketing, purchasing and other resources than the company itself.

More intense competition could lead to price cuts, reduced margins and losses in market share.

Technological change

The company and the Group are particularly dependent on the further positive development of markets for machine vision.

With regard to the markets relevant to the machine vision sector, especially the automotive and manufacturing industries, emergent new technologies could render the machine vision sector and thus the market for machine vision products and services obsolete or superfluous. In contrast, the risk diversification across the customers' various industries has a positive effect here.

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

BUSINESS RISKS

Mergers and acquisitions

There is a risk that the STEMMER IMAGING Group may be unable to continue implementing its current market strategy and building on its market position through further acquisitions.

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

Planned acquisitions could fail or the targeted companies could decide to sell to a different company that also operates in the machine vision sector. If the STEMMER IMAGING Group is unable to continue successfully implementing its market strategy, this could have a negative effect on the STEMMER IMAGING Group's current market position.

There is also a risk in the selection of suitable acquisition targets. If a planned acquisition is made on the basis of false assumptions or an excessive purchase price is paid, this transaction could constitute a risk for the Group's financial situation.

There is also a risk that newly acquired companies or parts of companies cannot be effectively integrated into the STEMMER IMAGING Group.

As a rule, due diligence is performed regarding business, financial, legal and tax aspects in this context. In addition, the company endeavours to obtain appropriate guarantees from the respective sellers within the purchase agreements. The acquisition of companies and equity investments is nevertheless a not inconsiderable risk. It cannot be ruled out that risks associated with the acquisition that were not identified or were incorrectly assessed in the prior review or that are not covered by the guarantees granted will occur or materialise at a later date. In such cases, the corresponding warranty period may also be expired or recourse to the sellers may be impossible for other reasons. Furthermore, important employees or key personnel from the acquired company could leave the company following the acquisition by the STEMMER IMAGING Group, so that objectives that were supposed to be achieved via the acquisition can no longer be achieved due to the loss of these important employees or key personnel.

In addition, the organisational integration of additional companies into the STEMMER IMAGING Group can be considerably time-consuming and expensive. Potentially, targeted synergies may also not be realised to the extent expected.

The materialisation of one or more such integration risks could have a significantly adverse effect on the Group's net assets, financial position and results of operations.

Dependence on suppliers

The STEMMER IMAGING Group is dependent on major suppliers.

There are no exclusivity agreements between the suppliers and the STEMMER IMAGING Group. Furthermore, the STEMMER IMAGING Group imports some of its components. These sources of supplies are subject to the general risk inherent in international trade relations. This includes, for example, delivery delays, exchange rate fluctuations, increases in taxes and customs duties, export and import restrictions, changes in security requirements and changes in the general, economic or political situation in the country of the supplier. Supply disruptions, supply shortages or defective deliveries from major suppliers could bring the STEMMER IMAGING Group into considerable difficulty, because, in the case of some hardware products, the switch to an alternative supplier would take a very long time or in the worst case be impossible, in some cases requiring extensive development and changes. In addition, it could be difficult to negotiate attractive purchasing conditions and ensure steady material availability with alternative suppliers.

There is also a risk that suppliers could change their product portfolio and no longer supply machine vision components in the necessary volume for the STEMMER IMAGING Group or at all.

In order to minimise these risks, there are alternative sources of supply for important components.

Price risks

There is a risk that the STEMMER IMAGING Group may be unable to avoid price increases for certain purchased goods or to pass on these price increases to customers.

Some of the components used in the system solutions are supplied by just a few manufacturers worldwide, or a dedicated manufacturer solution has been contractually defined. Unless the components are supplied on the basis of individual contracts, the STEMMER IMAGING Group has concluded master agreements with each supplier, which are intended to secure the long-term supply of the components. In its business operations, the STEMMER IMAGING Group is reliant on purchasing its components at prices that allow it to generate sufficient profit margins. This is a challenge for the STEMMER IMAGING Group in light of component price increases due to rising raw material prices on the one hand and the cost pressure in the industry on the other. It can therefore not be ruled out that the STEMMER IMAGING Group has to purchase the components at prices that could result in a lower profit margin or possibly even a loss.

Risks from sales channels

While manufacturers have so far predominantly organised their sales via intermediaries such as the STEMMER IMAGING Group, there is a growing trend of manufacturers selling their products to end customers and users directly. This results in additional price and competitive pressure for the STEMMER IMAGING Group. If manufacturers of hardware and software products succeed in establishing their direct sales more firmly and providing significant customised integration services, this could make it necessary for the STEMMER IMAGING Group to separate its own sales channels from the manufacturers. This may result in the STEMMER IMAGING Group no longer being able to cooperate with manufacturers to the necessary degree on the processing of customer orders.

Risks from IT operations and IT security

The STEMMER IMAGING Group is reliant on important information technology both for the development of machine vision software and for the manufacture of customised products such as specialist cables and protective housing for industrial cameras. There is a risk that external influences, such as fire, lightning strikes, malfunctions, blackouts, computer viruses, hacker attacks and similar events, and internal influences, such as improper use of the system, could result in the loss of data or operating malfunctions or interruptions due to partial or complete failures of the STEMMER IMAGING Group's computer and data processing systems. This could impair or in the worst-case scenario, due to the lack of necessary digital records for certain delivery processes, eliminate the STEMMER IMAGING Group's ability to efficiently maintain its delivery processes. Particularly with regard to the central function of SIS STEMMER IMAGING Service GmbH, which bundles the customer orders of all STEMMER IMAGING Group's subsidiaries throughout Europe in one central system, malfunctions of the central administration system (ERP system) could mean firstly that SIS is no longer able to properly register and assign the relevant customer orders and secondly that foreign subsidiaries are no longer able to coordinate their sales processes on their part.

The loss of data from the STEMMER IMAGING Group's database or a general impairment of the computer-based management of production processes can result in considerable operating constraints and in delays in the STEMMER IMAGING Group's development and technological processes.

Risks from skills shortage

The company and the Group are trying to counter the skills shortage through the responsible training of employees, especially IT specialists, IT systems technicians and electronics engineers for devices and systems. State-of-the-art technology, knowledge transfer and the advancement of innovations are key goals for the STEMMER IMAGING AG. In this respect, the company is involved in an array of cooperations with universities and associations and actively contributes to important technology committees. By offering trainee programs within the company and setting up modern workstations in university labs, STEMMER IMAGING is making an essential contribution to the practical education of students and the future acquisition of qualified young staff.

Tax risks

A tax audit is under way at the time of reporting, the final results of which are not yet available at the time of reporting. No material findings are currently expected. According to the Management Board's current assessment, there are no material tax risks.

Compliance risks

It can also not be ruled out that the STEMMER IMAGING Group's compliance system proves to be inadequate.

Despite appropriate training and checks, employees of the STEMMER IMAGING Group could infringe legal requirements, internal guidelines, organisational requirements, or domestic or foreign laws.

A violation of statutory provisions can have legal consequences, such as monetary penalties and fines for the STEMMER Group and its executives or employees, additional tax payments or damages claims against the STEMMER IMAGING Group by third parties. In addition, the reputation of the STEMMER IMAGING Group could suffer if offences are revealed to the public.

The Management Board endeavours to continuously adapt the compliance and risk management system to new requirements and laws.

In summary, there are currently no identifiable risks to the existence of the company as a going concern.

REPORT ON OPPORTUNITIES

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

The Group has one of the most extensive warehouses for machine vision components in Europe and procures the whole gamut of products (illumination, optics, cameras, cabling, image acquisition, computer systems, accessories) from leading international manufacturers. It also has the internally developed COMMON VISION BLOX (CVB) software. This gives the Group a competitive edge and a unique selling proposition versus its rivals.

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

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

The integration of the acquired companiesis currently being advanced and, in the Management Board's view, is proceeding as planned. The existing international organisation/structure, the management team with many years of experience, market/industry development, the long-standing and in some cases unique range of products, software, services and expertise, and the good customer relationships offer an ideal basis to implement STEMMER IMAGING AG's objectives and strategies in a targeted manner.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE ECONOMIC AND INDUSTRY DEVELOPMENT

At the beginning of 2018, the IMF forecast an increase in global gross domestic product (GDP) of 3.9 per cent for 2019. After the global economic slowdown in connection with geopolitical matters and negative factors such as the trade conflict between the USA and China as well as UK's threatened no-deal exit from the EU, the IMF adjusted its estimates. In their April issue of the World Economic Outlook (WEO), the IMF economists anticipated global year-on-year GDP growth of 3.3 per cent. The experts assume that after what was a rather weak start to 2019, momentum will increase in the second half of the year. This is driven primarily by the ongoing accommodative monetary policy of the central banks in key industrial countries. This includes the European Central Bank (ECB), the Bank of England (BoE), the Bank of Japan (BoJ) and the American Federal Reserve Bank (Fed) which indicated a looser monetary policy.

The USA is an interesting market for STEMMER IMAGING, particularly due to its new subsidiary in Mexico. The economists at Privatbank M.M. Warburg & Co. forecast that GDP in the United States will increase by 2.4 per cent in 2019. It is true that as a result of the US tax reform, corporations have high levels of liquid funds. However, they could remain restrained in their investment behaviour if prices increase as a result of higher duties due to the trade dispute with China.

In its economic forecast dated the middle of April 2019, the German Economic Institute anticipates weak growth for GDP in 2019, estimating an upturn of 0.7 per cent. According to the economists at the German Economic Institute, the protectionist tendencies across the world are negatively impacting Germany as an exporting country. In conjunction with geopolitical topics, German export expectations remain moderate.

Based on 2018 revenue for the machine vision sector of EUR 2.71 billion, the German Mechanical Engineering Industry Association is expecting a trend to a negative development for 2019. The contraction is expected to be in the range between 0 per cent and 5 per cent. The forecast primarily reflects worsening global economic momentum, geopolitical topics and a trend to protectionism in western industrial nations. However, the German Mechanical Engineering Industry Association does note that without the machine vision sector it would be difficult to implement the transformation of world-wide production As a result, according to the Association the industry would enjoy increasing demand in the medium to long term.

PREMISES FOR THE FORECAST

The forecasts for the STEMMER IMAGING Group and STEMMER IMAGING AG include all information known to the Management Board at the time this report was prepared which could have an impact on the business performance of the STEMMER IMAGING Group. In particular, the outlook is based on the expectations described above on the economic trend and the development of the machine vision market. In addition – with the exception of the INFAIMON Group acquired on 11 July 2019 – it relates entirely to the organic development of business. In respect to the entire STEMMER IMAGING Group and STEMMER IMAGING AG, unforeseen events would impact the development of the company as anticipated today. Naturally enough such events are not included in the forecast.

FORECAST FOR THE STEMMER IMAGING GROUP

In the second half of the year, the company plans to change its financial year to the calendar year. For the short financial year from 1 July 2019 to 31 December 2019 and for the 2020 calendar year, the STEMMER IMAGING AG Management Board anticipates a generally positive development of the STEMMER IMAGING Group. Thus the Management Board anticipates that the ongoing growth trend of the past few years will continue.

This assessment is based primarily on the following factors:

– Initial consolidation of the INFAIMON Group as at 1 July 2019.

– Whole-year recognition of ELVITEC S.A.S. which was consolidated pro rata in 2018/19 for the first time from 1 October 2018.

In view of the changed general conditions and premises, the Management Board anticipates Group revenue in the planned short financial year from 1 July 2019 to 31 December 2019 (6 months) in a range of EUR 59.0 – 65.0 million (i.e. annualized EUR 118 – 130 million) and an EBITDA between EUR 5.5 and 7.1 million (i.e. annualized EUR 11.0 – 14.2 million). For 2020, the Management Board is anticipating a considerable revenue upturn at Group level and a considerable year-on-year rise in Group EBITDA in comparison to the 2019 calendar year.

FORECAST FOR STEMMER IMAGING AG

The Group parent company generates revenue from selling machine vision technology in Germany and allocations for services and financing provided. For the planned 2019 short financial year (from 1 July to 31 December 2019), the Management Board anticipates a considerable downturn in revenue and EBITDA as comparison to prior-year period. For 2020, the Management Board anticipates another moderate rise in revenue and EBITDA in comparison to the 2019 calendar year.

OTHER DISCLOSURES

CONCLUDING STATEMENT ON DEPENDENT COMPANY REPORT

The company has compiled a dependent company report for the 2018/2019 financial year, which ends with the following concluding statement:

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

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

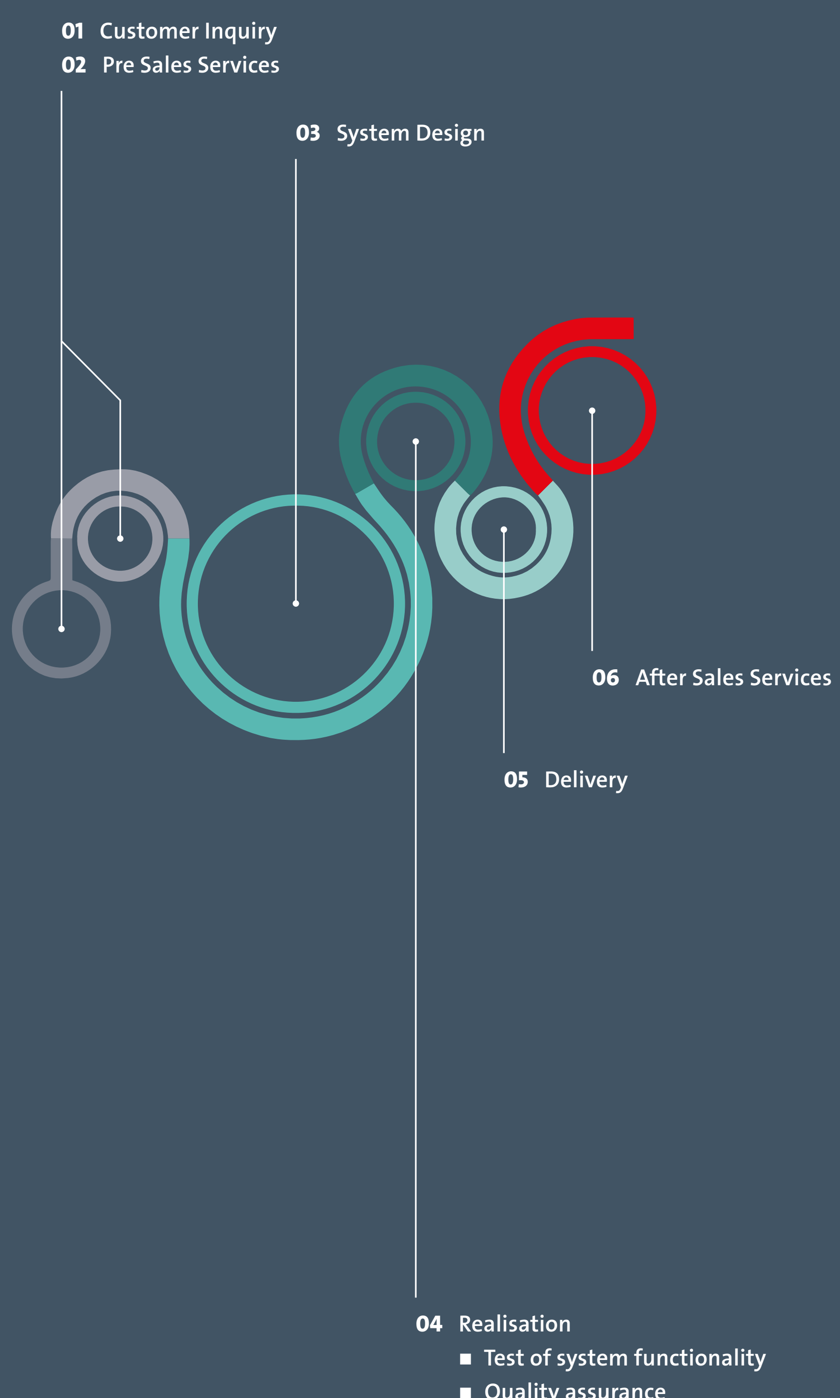
Please refer to the notes.

Puchheim, 20 September 2019

STEMMER IMAGING AG
Management Board

Arne Dehn **Lars Böhrnsen** **Martin Kersting**

Perfect customer service in six steps



03 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2019

ASSETS
in KEUR

	Notes	30/06/2019	30/06/2018
Non-current assets			
Property, plant and equipment	2	2,834	2,822
Goodwill	1	7,299	5,202
Other intangible assets	1	1,902	843
Investment securities accounted for using the equity method	3	1,349	0
Other investment securities	12	17	0
Employee benefits	10	0	29
Deferred tax assets	24	170	95
Other assets	7	0	60
Total non-current assets		**13,571**	**9,051**
Current assets			
Inventories	4	10,724	8,554
Trade receivables	5	15,799	14,178
Contract assets	6	36	0
Other financial assets	12	189	5,505
Income tax receivables		289	547
Other assets and prepaid expenses	7	589	507
Cash and cash equivalents	8	46,257	46,730
Total current assets		**73,883**	**76,021**
Total assets		**87,454**	**85,072**

EQUITY AND LIABILITIES
in KEUR

	Notes	30/06/2019	30/06/2018
Capital and reserves			
Subscribed capital	9	6,500	6,500
Capital reserves	9	47,495	47,495
Revenue reserves	9	17,621	16,480
Total equity		**71,616**	**70,475**
Non-current liabilities			
Provisions for pensions and similar obligations	10	38	0
Other liabilities	15	236	327
Other provisions	11	198	92
Deferred tax liabilities	24	498	241
Total non-current liabilities		**970**	**660**
Current liabilities			
Current loans	12	78	0
Other provisions	11	69	144
Trade payables	13	8,460	6,588
Advance payments received on orders		0	117
Contract liabilities	14	98	0
Other financial liabilities	12	1,084	0
Income tax liabilities		778	391
Other liabilities	15	4,301	6,697
Total current liabilities		**14,868**	**13,937**
Total liabilities		**15,838**	**14,597**
Total equity and liabilities		**87,454**	**85,072**

CONSOLIDATED INCOME STATEMENT

DEVELOPMENT FROM 1 JULY 2018 TO 30 JUNE 2019
in KEUR

	Notes	2018/19	2017/18
Revenue	17	108,966	100,634
Cost of materials	19	−70,179	−64,151
Gross profit		**38,787**	**36,483**
Other operating income	18	1,034	1,169
Personnel expenses	20	−19,958	−19,924
Other operating expenses	22	−12,888	−8,827
EBITDA		**6,975**	**8,901**
Depreciation and impairment of property, plant and equipment	21	−936	−938
EBITA		**6,039**	**7,963**
Amortisation of intangible assets	21	−521	−516
EBIT		**5,517**	**7,447**
Associates´ share of profit or loss	23	−51	0
Finance income	23	506	133
Finance costs	23	−27	−16
Profit before income taxes		**5,945**	**7,564**
Taxes on income	24	−1,563	−1,997
Consolidated net income		**4,382**	**5,567**
Of which:			
Shareholders of the parent company		4,382	5,567
Number of shares (weighted average)		6,500,000	6,500,000
Earnings per share in EUR (diluted and basic)	25	0,67	0,86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DEVELOPMENT FROM 1 JULY 2018 TO 30 JUNE 2019
in KEUR

	2018/19	2017/18
Consolidated net income	**4,382**	**5,567**
Other comprehensive income		
Items that will be reclassified to profit or loss in the future under certain conditions		
Exchange differences from the translation of foreign operations		
Exchange differences that arose during the financial year	−40	69
Items not reclassified to profit or loss in future		
Change in actuarial gains/losses	86	7
Deferred taxes from change in actuarial gains/losses	−37	−8
	49	−1
Other comprehensive income after income taxes	9	68
Total comprehensive income	**4,391**	**5,635**
Of which:		
Shareholders of the parent company	4,391	5,635

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JULY 2018 TO 30 JUNE 2019
in KEUR

	2018/19	2017/18
Cash flow from operating activities		
Consolidated net income	4,382	5,567
Income tax expense recognised in profit or loss	1,563	1,997
Financing expenses/income recognised in profit or loss	−407	−117
Amortisation and depreciation of intangible assets, property, plant and equipment, and investment securities	1,457	1,453
Increase/(decrease) in provisions	178	41
Other non-cash expenses/income	1,187	1,805
(Increase)/decrease in inventories, trade receivables and other assets	−1,316	−5,655
Increase/(decrease) in liabilities and other liabilities	−1,431	−633
Other income from loans, investments and securities	−21	0
Interest received	506	87
Cash flow from operating activities	6,098	4,545
Income taxes paid	−1,160	−1,430
Net cash flow from operating activities	**4,938**	**3,115**
Cash flow from investing activities		
Payments for intangible assets	−343	−404
Proceeds from the disposal of property, plant and equipment	12	0
Payments for property, plant and equipment	−958	−856
Payments for investments in financial assets	−1,400	0
Payments for additions to the consolidated group less cash acquired	−4,477	−3,365
Proceeds from financial investments as part of short-term treasury management	5,074	1,752
Payments for financial investments as part of short-term treasury management	0	−5,074
Net cash outflow for investing activities	**−2,092**	**−7,947**
Cash flow from financing activities		
Proceeds from capital increases minus transaction costs	0	48,212
Payments to former shareholders	0	−354
Repayment of loan	−55	0
Dividends paid to shareholders of the parent company	−1,755	0
Dividends paid to non-controlling interests	−1,495	0
Interest paid	−27	−17
Net cash outflow for financing activities	**−3,332**	**47,841**
Net decrease/increase in cash and cash equivalents	**−486**	**43,009**
Cash and cash equivalents at the beginning of the financial year	**46,730**	**3,756**
Changes in cash due to exchange rate movements and remeasurement	13	−35
Cash and cash equivalents at the end of the financial year	**46,257**	**46,730**
of which: bank balances	46,257	46,730

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JULY 2018 TO 30 JUNE 2019
in KEUR

			Revenue reserves				
	Subscribed capital	Capital reserves	Reserve for actuarial gains/losses	Currency translation reserve	Miscellaneous	Total	Total
As of 30/06/2017	**250**	**0**	**−34**	**−226**	**15,919**	**15,659**	**15,909**
Consolidated net income	0	0	0	0	5,567	5,567	5,567
Capital increase	6,250	47,495	0	0	−4,750	−4,750	48,995
Adjustment of reserves (OCI)	0	0	1	0	0	1	1
Currency translation	0	0	0	−69	0	−69	−69
Other changes	0	0	0	0	72	72	72
As of 30/06/2018	**6,500**	**47,495**	**−33**	**−295**	**16,808**	**16,480**	**70,475**
Consolidated net income	0	0	0	0	4,382	4,382	4,382
Distributions to shareholders of the parent company	0	0	0	0	−1,755	−1,755	−1,755
Distributions paid to non-controlling interests	0	0	0	0	−1,495	−1,495	−1,495
Adjustment of reserves (OCI)	0	0	49	0	0	49	49
Currency adjustments	0	0	0	−40	0	−40	−40
As of 30/06/2019	**6,500**	**47,495**	**16**	**−335**	**17,940**	**17,621**	**71,616**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2018/19 FINANCIAL YEAR

A. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The consolidated financial statements of STEMMER IMAGING AG, Puchheim,) and its subsidiaries (hereinafter: “STEMMER Group”, “STEMMER” or “the Group”) for the 2018/19 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law.

The STEMMER Group is one of Europe’s leading providers of machine vision technologies for use in industry and science. It is headquartered in Puchheim, near Munich, and has subsidiaries/branch offices in numerous European countries (Denmark, Finland, France, Netherlands, Poland, Sweden, Switzerland, United Kingdom, Italy, Austria). 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.

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 balance sheet 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.

The financial year is the period from 1 July 2018 to 30 June 2019. STEMMER’s registered office is located at Gutenbergstrasse 9 – 13, 82178 Puchheim, Germany. STEMMER IMAGING AG is registered at the Local Court of Munich under HRB 237247.

PRIMEPULSE SE, based in Munich and the parent company of an international Group, acquired a total of 75.04 per cent of shares in STEMMER IMAGING AG effective 30 June 2017. The current and former STEMMER management initially had a 24.96 per cent interest in the company (30 June 2019: 25.63 per cent). The interests are held via an intermediate holding company – SI HOLDING GmbH (previously: STEMMER Holding GmbH), Munich. As of 30 June, SI Holding GmbH holds 54 % of the shares in STEMMER IMAGING AG.

As the parent company of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the smallest group of companies for the 2018/19 financial year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

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

2. APPLICATION OF NEW ACCOUNTING STANDARDS

As an IFRS user, the Group must uniformly apply all mandatory standards and interpretations as of the end of the reporting period (30 June 2019) for all periods presented. Voluntary early adoption of standards and interpretations that have already been published and approved by the EU but that were not yet mandatory in the reporting period is also possible. The Group exercised this option in the 2017/18 financial year with regard to IFRS 9 “Financial Instruments”.

IFRS 15 “Revenue from Contracts with Customers” was mandatorily applied in the 2018/19 financial year. In particular, IFRS 15 regulates the recognition of revenues, the identification of performance obligations, principal/agent considerations and licenses. Transition relief is also granted for modified and concluded contracts.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET MANDATORY

The following standards and interpretations, which have been passed by the International Accounting Standards Board (IASB) and mandatorily assumed by the EU for financial years beginning after 1 January 2019, were not applied when preparing these consolidated financial statements:

Standard or interpretation	Contents and significance for financial statements	Mandatory date of first-time adoption
IFRS 16	The standard amends previous accounting by lessees. All rental agreements and leases are to be recognised by capitalising a right-of-use asset and carrying a lease liability as a liability. In exceptional cases, the standard provides for practical expedients for short-term or low-value leases and additional disclosures in the notes. There are no material changes to lessor accounting. See below for information on the impact on the consolidated financial statements.	01/01/2019
Amendment to IFRS 9	The amendment specifies the classification of financial assets in cases where the lender would have to pay compensation in the event of termination by the borrower. The first-time adoption of the regulation is not expected to have any effect on the consolidated financial statements.	01/01/2019
IFRIC 23	Clarifications on exercising discretion with regard to certain individual income tax issues relating to the interdependency of matters, knowledge of the tax authorities, the need to examine valuations and expectations regarding the approval of income tax treatments by tax authorities. The first-time adoption of the regulation is not expected to have any effect on the consolidated financial statements.	01/01/2019
Amendment to IAS 19	Clarification that if a defined benefit plan is amended, curtailed or settled, the current service costs and net interest for the rest of the financial year must be recalculated using the current actuarial assumptions, plus clarifications on asset ceilings. The first-time adoption of the regulation is not expected to have any effect on the consolidated financial statements.	01/01/2019
Amendment to IAS 28 and IFRS 10	Clarification on application of IFRS 9 including impairment requirements for non-current interests in an associate or joint venture that are part of the net investment in this associate or joint venture but that are not accounted for using the equity method. The first-time adoption of the regulation is not expected to have any effect on the consolidated financial statements.	01/01/2019
Annual improvement project 2015–2017 cycle	Clarification in IFRS 3 that a company does not have to remeasure its previously held interests in a business when it obtains joint control of a business that is considered a joint operation. Clarification to IFRS 11 that a company does not have to remeasure its previously held interests in a business when it obtains joint control of a business that is considered a joint operation. The first-time adoption of the regulations is not expected to have any effect on the consolidated financial statements.	01/01/2019
Annual improvement project 2015–2017 cycle	Clarification that all tax effects of dividends (i.e. distribution of profits) are to be recognised in operating earnings, regardless of how these taxes were incurred. The first-time adoption of the regulations is not expected to have any effect on the consolidated financial statements.	01/01/2019
Annual improvement project 2015–2017 cycle	Clarification that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, an entity must treat this borrowing as part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The first-time adoption of the regulations is not expected to have any effect on the consolidated financial statements.	01/01/2019

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (FIRST-TIME ADOPTION IN THE 2018/19 FINANCIAL YEAR):

The new standard regulates when and in what amount an entity reporting in accordance with IFRS must recognise revenue. Entities preparing the financial statements are also required to provide users of financial statements with more informative, relevant disclosures.

The new standard provides a principles based five-step model to be applied to all contracts with customers. Under this five-step model, step 1 involves defining the contract with the customer. In step 2, the separate performance obligations in the contract are to be identified. Following this (step 3), the transaction price must be determined. There are explicit provisions in place regarding variable consideration, financing components, payments to customers and exchanges. After determining the transaction price, this is to be allocated to individual performance obligations (step 4). This is based on the standalone selling prices of the individual performance obligations. Revenue is recognised in step 5, provided that the company has met the performance obligation. This requires control of the goods or services being passed to the customer.

In accordance with IFRS 15, when entering into a contract, it must be determined whether the revenue arising from the contract is to be recognised over time or at a point in time. It is first determined on the basis of certain criteria whether control of the performance obligation is transferred over time. If this is not the case, the revenue is recognised at the point in time when control transfers to the customer.

Applying the new provisions of IFRS 15 for the first time in the 2018/19 financial year, at STEMMER revenue from the sale of machine vision and other products and the provision of services (e. g. training, development and integration services, system design, live cycle management) continues to be recognised at a point in time when control of the goods in question is transferred (depending on the agreement, this is met when goods are sent or delivered to customers or when services are rendered). This is in line with the previous practice of recognising revenue under IAS 18. The time at which the performance obligations are met influences the contractual liabilities to the extent that these are recognised as revenue upon being met. Contrary to this general approach, revenue was recognised over time for only one order from a subsidiary in the reporting year.

The only change as of 1 July 2018 is that payments received on account of orders are recognised as contract liabilities (EUR 117 thousand). The related revenue of EUR 117 thousand was recognised in the 2018/19 financial year. This is because the advance payments received constitute consideration paid by the customer before goods or services are passed to the customer. Contract liabilities amounted to EUR 98 thousand as of 30 June 2019. Payment terms are usually between 30 and 45 days and do not contain any financing components. There is also no variable consideration.

IFRS 16 LEASES (EFFECTIVE DATE ACCORDING TO EU: 1 JANUARY 2019):

The new standard replaces the provisions of IAS 17 Leases and the interpretations IFRIC 4, SIC-15 and SIC-27 relating to this standard, but does not replace IFRIC 12.

In accordance with IFRS 16, the lessee is obliged to account for rights and obligations from leases for all leases. In future, lessees will account for a right-of-use asset in fixed assets and a corresponding lease liability. Leases with a term of 12 months or less or with a low volume are exempt from the recognition requirement. The lease liability is measured at the present value of the lease payments payable over the lease term. The cost of the right-of-use asset comprises the initial amount of the lease liability and any other costs incurred in connection with the lease. In subsequent periods, the lease liability is discounted and reduced by the lease payments made. The right-of-use asset is written down over the term of the lease. The new standard will result in an increase in fixed assets in the consolidated balance sheet, as well as a rise in financial liabilities. Under the current provisions of IAS 17, expenses from operating leases are recognised as other operating expenses in the income statement. Future minimum lease payments (not discounted) are listed in the notes under other financial obligations. In accordance with IFRS 16, expenses will be shown in depreciation and interest expenses. In the statement of cash flows, payments for operating leases are currently recognised in cash flows from operating activities. In future, these payments will be divided into interest payments and payments of principal. While interest payments will continue to be recognised under cash flows from operating activities, payments of principal will be assigned to cash flows from financing activities.

In light of this, STEMMER anticipates changes to some key performance indicators. In particular, it expects an increase in total assets and liabilities, a lower equity ratio and higher EBITDA, EBIT, cash outflow from financing activities and cash inflow from operating activities. The Group intends to apply the modified retrospective approach, making use of practical expedients for the transition.

The Group will apply this standard to contracts that were previously classified as leases in accordance with IAS 17 and IFRIC 4. The standard will thus not apply to contracts not previously considered leases within the meaning of IAS 17 and IFRIC 4. The Group will apply the exemptions set out in this standard for leases with a term that ends within 12 months of the date of initial application and for leases where the underlying asset has a low value. The Group has leased certain office equipment/has leased the items on a pay-by-use basis (e.g. PCs, printers and photocopiers) that are classified as low value. The Group assessed and evaluated the impact of IFRS 16 in detail in the 2018/19 financial year. Individual leases are calculated on the basis of a matched-term interest rate.

In summary, the first-time application of IFRS 16 is expected to have the following effects:

– Impact on the statement of financial position as of 30 June 2019/1 July 2019: property, plant and equipment will increase by around EUR 4.0 million as a result of the right-of-use assets previously recognised as operating leases. At the same time, lease liabilities will increase by around EUR 4.0 million. No other material effects are expected for the statement of financial position.

– Expected impact on the 2019 income statement for the planned 2019 short financial year (from 1 July to 31 December 2019): due to the first-time application of IFRS 16 EBITDA will improve by around EUR 0.8 million, although interest expenses will also rise by around EUR 0.01 million. This reflects the change to the accounting of expenses from leases that were classified as operating leases under IAS 17. In addition, other items of the income statement such as depreciation and amortisation (approx. EUR 0.8 million) are restated accordingly.

– Applying IFRS 16 will result in operating cash flow improving by the amount of the lease payments, as these payments are considered payments for interest and loan repayments.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET TO BE APPLIED

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

Standard	Contents and significance for financial statements	Mandatory date of first-time adoption
IFRS 17	The standard regulates the accounting of insurance contracts at the company that issues these contracts. It is not relevant to the consolidated financial statements of STEMMER IMAGING AG.	01/01/2021
Amendments to the references to the 2018 framework concept	Updating references in individual standards and interpretations to the revised 2018 framework concept	01/01/2020
Amendments to IFRS 3	Definition of a business	01/01/2020
Amendments to IAS 1 and IAS 8	Definition of material	01/01/2020

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

3. CONSOLIDATED GROUP

As in the previous year, the consolidated financial statements as of 30 June 2019 comprise the parent company, i. e. STEMMER IMAGING AG, as well as one domestic and ten foreign subsidiaries, which are included in the consolidated financial statements by way of full consolidation.

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

The following subsidiaries were included in the consolidated group in 2018/19:

Germany: SIS STEMMER IMAGING Services GmbH, Puchheim

Outside Germany:
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 (since 1 July 2018)
STEMMER IMAGING S.R.L, Bologna/Italy (since 1 June 2019)

Subsidiaries whose influence on the net assets, financial position and results of operations is immaterial, both individually and as a whole, are recognised at cost less impairment. In the 2017/18 financial year, this related to the nine newly established subsidiaries in Graz/Austria that had not commenced operations by the reporting dated of 30 June 2018. The Austrian subsidiary was fully consolidated for the first time when it began operations on 1 July 2018.

By establishing a subsidiary in Bologna/Italy (STEMMER IMAGING S.R.L.), the Group is continuing its international expansion. The Italian subsidiary was included in consolidation for the first time as of 1 June 2019. All shares are held by the parent company.

ELVITEC S.A.S. has been included in consolidation since 1 October 2018, but is no longer an independent subsidiary following the merger with STEMMER IMAGING S.A.S. in December 2018.

By way of investment and share transfer agreements dated 11 October 2018, STEMMER IMAGING AG acquired a total of 42 per cent of the shares in Perception Park GmbH, Graz, Austria, an innovative software provider for the trending technology hyperspectral imaging (HSI). The company is carried at equity; please see the notes on associates.

There were no other changes to the consolidated group in the 2018/19 financial year in comparison to the previous year. Please see the supplementary report for more information on the acquisition made after 30 June 2019.

The subsidiaries are held directly by STEMMER IMAGING AG.

BUSINESS ACQUISITIONS AND NEW COMPANIES

Acquisition of ELVITEC S.A.S., Pertuis Cedex/France, as of 1 October 2018, and merger with STEMMER IMAGING S.A.S

The wholly owned subsidiary of STEMMER IMAGING AG, STEMMER IMAGING S.A.S., Suresnes, France, acquired 100 per cent of shares in the French company ELVITEC S.A.S. in the context of a share deal by way of contract dated 10 July 2018. The company from Pertuis, near Aix-en-Provence, is an established provider of camera solutions for machine vision, monitoring and imaging. The Management Board anticipates that the acquisition will enable STEMMER IMAGING AG to improve its market position in France.

In accordance with the share purchase agreement of 10 July 2018 amended 12 October 2018, the purchase price for the shares is EUR 3.04 million plus 100 per cent of the working capital of the acquired company. The purchase price of EUR 3.04 million and the compensation for the working capital of EUR 2.18 million were paid in the second half of 2018 (total: EUR 5.22 million). Furthermore, payments of EUR 2.02 million in 2019 and 2020 were agreed. These qualify as other payments and are recognised in other operating expenses pro rata from 1 October 2018. Furthermore, bonus payments of EUR 0.3 million for employees of ELVITEC S.A.S. dependent on remaining with the company are recognised as personnel expenses over a period of three years from 1 October 2018.

For the purposes of first-time inclusion in the STEMMER IMAGING AG consolidated group as of 1 October 2018, the assets, liabilities and contingent liabilities of ELVITEC S.A.S. were remeasured in the context of a purchase price allocation. On the basis of the purchase price allocation, there was a difference of EUR 2.10 million.

Incidental acquisition costs not eligible for capitalisation of EUR 0.16 million were incurred and reported under other operating expenses in the current reporting period.

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

in KEUR	**Fair value as of 01/10/2018**
Cash and cash equivalents	5,221
Purchase price adjustments	−143
Total consideration transferred	**5,078**
Fair values of acquired assets and liabilities	
Intangible assets	1,224
of which identified in purchase price allocation	1,179
Fixed assets	26
Inventories	529
Trade receivables	1,600
Other assets	188
Cash funds	854
Liabilities to banks	133
Trade payables	494
Other liabilities	393
Deferred tax liabilities	420
Fair values of acquired net assets 100 per cent	**2,981**
Goodwill	**2,097**

The gross amount of the acquired contractual receivables is EUR 1.74 million, EUR 0.14 million was presumably not recoverable as of the acquisition date.

In the period between 1 October 2018 and 30 June 2019, ELVITEC S.A.S. generated revenue of EUR 5.6 million and net income of EUR 0.13 million.

If the acquisition had already taken place on 1 July 2018, for the financial year as of 30 June 2019 consolidated revenue of EUR 110.8 million and consolidated net income of EUR 4.1 million would have been reported. These amounts were calculated from the results of the subsidiary. In addition, account is taken of the depreciation and amortisation (together with the corresponding tax adjustments) which would have been made if the adjustments of property, plant and equipment and intangible assets on their carrying amounts had been made from 1 July 2018.

ELVITEC S.A.S. was merged with STEMMER IMAGING S.A.S. in December 2018.

Initial consolidation of STEMMER IMAGING Ges.m.b.H., Graz/Austria, established in the 2017/18 financial year, as of 1 July 2018

The wholly owned subsidiary founded in the 2017/18 financial year, STEMMER IMAGING Ges.m.b.H., Graz, Austria, which did not commence operations until 30 June 2018 and was therefore accounted for at cost as an investee, has been included in consolidation from July 2018. The initial consolidation did not result in any differences. Austrian customers will be able to obtain all STEMMER IMAGING products and services through the subsidiary in Graz.

Initial consolidation of STEMMER IMAGING S.R.L., Bologna/Italy, established in the 2018/19 financial year, as of 1 June 2019

The wholly owned subsidiary IMAGING S.R.L. Bologna/Italy, established in the 2018/19 financial year, was fully included in consolidation as of 30 June 2019. The initial consolidation did not result in any differences. Italian customers will be able to obtain all STEMMER IMAGING products and services through the subsidiary in Bologna.

INVESTMENTS IN ASSOCIATES

Acquisition of 42 per cent of shares in Perception Park GmbH, Graz/Austria, on 11 October 2018

By way of investment and share transfer agreements dated 11 October 2018, STEMMER IMAGING AG acquired a total of 42 per cent of the shares in Perception Park GmbH, Graz, Austria, an innovative software provider for trending technology hyperspectral imaging (HSI). The Perception System & Studio data processing platform developed by the company renders complex hyperspectral data at the molecular level usable for machine vision. There are application examples for this technology in the food-processing industry, mining, healthcare and the recycling sector. With this investment, STEMMER IMAGING is adding a pioneering future technology with high growth potential to its product portfolio.

All conditions of the investment and share transfer agreements were satisfied as of 1 February 2019 (acquisition date) and the share transfers thus became effective.

Taking into account the purchase price to be paid to the seller of EUR 475 thousand, the shareholder contribution of EUR 800 thousand that STEMMER IMAGING AG is contractually required to pay into the capital reserves of Perception Park GmbH, Graz, Austria, and incidental acquisition costs of EUR 125 thousand, STEMMER IMAGING AG's total expenses for the acquisition amount to EUR 1,400 thousand.

The shares in Perception Park GmbH, Graz, Austria, are carried at amortised cost as an investment in an associate using the equity method from 1 February 2019. The following table shows the summarised financial information:

in KEUR	30/06/2019
Current assets	840
Non-current assets	49
Current liabilities	53
Non-current liabilities	707
Equity	129
Group's share in equity	42.0 %
Goodwill	1,272
Carrying amount of Group's share	54

The income statement of Perception Park GmbH, Graz/Austria, includes the following:

in KEUR	01/02/2019–30/06/2019
Revenue	134
Operating earnings	–114
Earnings before tax	–115
Income taxes	–1
Net loss for the year	–116
Group's share of profit or loss	42.0 %
Pro rata loss from local profit or loss	–49
Net income from hidden reserves	–2
Net income at equity	–51

FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

EUR 1/		Closing rate 30/06/2019	Closing rate 30/06/2018	Average rate 2018/19	Average rate 2017/18
CHF	Switzerland	1.11050	1.15690	1.13474	1.15819
GBP	UK	0.89655	0.88605	0.88167	0.88598
SEK	Sweden	10.56330	10.45300	10.44014	9.91513
DKK	Denmark	7.46360	7.45250	7.46191	7.44404
PLN	Poland	4.24960	4.37320	4.29653	4.23210

FOREIGN CURRENCY VALUATION

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

4. ACCOUNTING POLICIES

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

Standards that are not to be applied until after the reporting date were not adopted early. IFRS 9 “Financial Instruments” was adopted early in 2017/18. Early adoption of standards thus had no effect on the net assets, financial position or results of operations of the Group in the 2018/19 financial year.

The consolidated financial statements for the 2018/19 financial year were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, United Kingdom, as applicable in the European Union as of 30 June 2019.

The financial statements of the German and foreign companies included in the consolidated financial statements were prepared as of the reporting date of STEMMER IMAGING AG, i. e. 30 June 2019.

4.1. PRINCIPLES OF CONSOLIDATION

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

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

Acquisitions of further shares in subsidiaries which are already controlled are accounted for as equity transactions. This means that neither adjustments to the fair value of assets and liabilities nor gains or losses are recognised. Any differences between the cost of the additional interest and the carrying amount of the net assets as of the time of recognition is offset directly against the capital attributable to the shareholders.

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

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

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

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

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

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

4.2. REVENUE RECOGNITION

The Group operates across Europe as a provider of machine vision technology for use in industry and science. The range of services provided by the STEMMER IMAGING Group covers the sale of products (components and systems) as an international manufacturer in the area of industrial machine vision, the development and configuration of customised products and solutions and the development and sale of own industrial machine vision software and services before and after selling its products.

STEMMER is applying IFRS 15 when recognising revenue for the first time in the 2018/19 financial year (previous year: IAS 18). Using the five-step model set out under IFRS 15, the Group examines whether the performance commitments listed represent performance obligations and whether each contract contains additional obligations that represent separate performance obligations to which a portion of the transaction price must be allocated (e. g. financing components, warranties, equipment (customised parts), rights-of-use assets). When determining the transaction price for the sale of machine vision technology, the Group takes into account the impact of variable consideration, the existence of significant financing components or, for example, consideration payable to a customer. An assessment is carried out for all performance obligations that are distinct in the contract within the meaning of IFRS 15 as to whether the revenue is to be recognised at a point in time or over a period of time.

The first-time adoption of the IFRS did not affect revenue recognition at the Group. The Group recognises revenue on the basis of the consideration established in a contract with a customer. Revenue recognition excludes amounts recognised on behalf of third parties. Revenue is recognised in accordance with the transfer of control to the customer.

A provider of digital machine vision technology, the Group markets a diverse range of state-of-the-art machine vision products from leading manufacturers using internally generated software. As 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 – the STEMMER IMAGING Group also has the expertise and experience to give its customers optimum support for the solution of their machine vision problems.

Revenue from sales of machine vision technology is generally recognised at a point in time, usually when the equipment is passed to the customer. Amounts attributable to trade discounts and rebates are not included in revenue recognition. Guarantees and warranties are within the standard levels for the industry.

4.3. EARNINGS PER SHARE

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

4.4. INTANGIBLE ASSETS

Purchased intangible assets are capitalised at cost.

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

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

4.5. RESEARCH AND DEVELOPMENT COSTS

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

4.6. PROPERTY, PLANT AND EQUIPMENT

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

Borrowing costs that can be assigned directly to qualifying assets are capitalised as part of cost in line with IAS 23.

Repair costs that do not serve to enhance or significantly improve the asset in question are recognised as an expense.

4.7. LEASES

Leases are classified as finance leases if the lease agreement essentially transfers all opportunities and risks associated with ownership to the lessee. All other leases are classified as operating leases.

Lease payments for operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease, unless another systematic basis tends to be representative of the time pattern of STEMMER's benefit.

The STEMMER Group regularly checks all leases to assess whether the original classification as of the reporting date is still correct.

Please see the notes under section 2 for information on the transition to IFRS 16 for leases as of 1 July 2019.

4.8. DEPRECIATION AND AMORTISATION

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

in years	30/06/2019	30/06/2018
Purchased intangible assets	3–8	3–8
Buildings (leasehold improvements)	3–10	3–8
Other equipment, operating and office equipment	3–8	3–8

4.9. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

4.10. INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Valuations are generally determined on the basis of the average cost method.

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

4.11. FINANCIAL INSTRUMENTS

Basic information

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

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

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

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

Financial assets

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

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

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

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

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

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

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

Effective interest method

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

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

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

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

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

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

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

Equity instruments classified as FVTOCI

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

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

- was acquired primarily with the intention of selling it in the near future, or

- at the time of initial recognition, is part of a portfolio of identified financial instruments managed jointly by the Group for which there are indications of recent short-term profit-taking, or

- is a derivative not designated as a hedging instrument, is effective as such and is not a financial guarantee.

Financial assets classified as FVTPL

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

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

Foreign currency gains and losses

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

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

- debt instruments recognised at FVTOCI that are not part of a hedge, currency translation differences are recognised in the income statement on the basis of amortised cost. Additional currency differences are recognised in Other comprehensive income.

- financial assets recognised at FVTPL, currency translation differences are recognised in the income statement, provided these are not part of a hedge.

- equity instruments recognised as FVTOCI, currency translation differences are recognised in Other comprehensive income in the currency translation reserve.

Impairment of financial assets

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

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

Significant increase in default risk

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

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

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

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

- Nature of the financial instrument
- Risk of default rating
- Nature of the security
- Date of initial recognition
- Remaining term
- Sector

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

Financial assets that are already impaired upon recognition

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

- The issuer or the debtor is in serious financial difficulties.
- A breach of contract such as a default or delay on payments of interest or principal
- Concessions made by the lender to the borrower for financial or contractual reasons in connection to the borrower's financial difficulties, that would not otherwise be granted
- Increased probability that the borrower will declare insolvency or undergo another restructuring process
- The disappearance of an active market for this financial asset on account of financial difficulties
- A financial asset is acquired or issued at a significant discount, reflecting credit losses incurred

Derecognition of financial assets

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

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

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

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

Financial liabilities

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

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

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

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

Financial liabilities as FVTPL
Financial liabilities are classified as FVTPL if the financial liability relates to

- Liabilities for which the fair value option was exercised,
- Liabilities held for trading
- Other contingent claims by an acquirer as part of a business combination within the meaning of IFRS 3

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

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

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

4.12. INCOME TAXES

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

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

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

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

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

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

Deferred taxes are calculated on the basis of the tax rates applicable or anticipated in the relevant countries at the time of realisation in accordance with the current legal situation.

4.13. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

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

In the case of defined benefit plans, the pension obligations are calculated using the projected unit credit method. The measurement of pension obligations is based on actuarial reports. This takes into account future salary and pension increases by increasing the amount. Mortality and termination probability is calculated in Germany in accordance with the 2018 G Heubeck mortality tables (previous year: 2005 G). Outside Germany, these are determined using comparable foreign mortality tables.

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

4.14. OTHER PROVISIONS

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

They are measured either at the most likely settlement amount or, if probabilities are equal, at the expected settlement amount. Provisions are recognised only for obligations to third parties. These are measured using the full cost approach, taking into account future cost increases.

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

4.15. CONTINGENT LIABILITIES

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

4.16. SEGMENT REPORTING

The consolidated financial statements as of 30 June 2019 do not include separate segment reporting as the activities of the STEMMER Group are limited to one reportable segment within the meaning of IFRS 8. All business operations focus on machine vision technology and are monitored and managed internally accordingly. There are no other operating segments that would subject to reporting requirements under IFRS 8.11. Regardless of this, company-wide disclosures in accordance with IFRS 8.31–34 are provided in connection with the presentation of revenue in section 16.

4.17. ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

No material changes to the assumptions underlying the accounting policies are expected at the time of preparing the consolidated financial statements. Accordingly, no notable adjustments to assumptions and estimates or the carrying amounts of the assets and liabilities in question are expected in the planned 2019 short financial year from 1 July to 31 December 2019.

B. NOTES ON ITEMS IN THE FINANCIAL STATEMENTS

NOTES ON THE STATEMENT OF FINANCIAL POSITION

1. INTANGIBLE ASSETS

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

in KEUR	30/06/2019	30/06/2018
Goodwill	7,299	5,202
Concessions, property rights and patents	385	234
Customer base	1,485	546
Order backlog	16	15
Advances	16	48
Total	**9,201**	**6,045**

Changes in intangible assets are shown below:

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

Intangible assets developed as follows in the previous period:

in KEUR	Goodwill	Concessions, property rights and patents	Customer base	Order backlog	Advance payments	Total
Cost						
As of 01/07/2017	**3,936**	**1,627**	**0**	**0**	**0**	**5,563**
Additions	0	356	0	0	48	404
Acquisition through business combinations	2,749	0	576	26	0	3,351
As of 30/06/2018	**6,685**	**1,983**	**576**	**26**	**48**	**9,318**
Cumulative depreciation, amortisation and impairment						
As of 01/07/2017	**−1,354**	**−1,402**	**0**	**0**	**0**	**−2,756**
Depreciation and amortisation	0	−347	−30	−11	0	−388
Impairment losses recognised in the income statement	−129	0	0	0	0	−129
As of 30/06/2018	**−1,483**	**−1,749**	**−30**	**−11**	**0**	**−3,273**
As of 30/06/2018	**5,202**	**234**	**546**	**15**	**48**	**6,045**

Allocation to cash-generating units

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

in KEUR	30/06/2019	30/06/2018
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	0
STEMMER IMAGING AB, Stockholm/Sweden	2,109	2,109
Total	**7,299**	**5,202**

Effective 1 October 2018, STEMMER IMAGING S.A.S., Suresnes/France – a subsidiary of STEMMER IMAGING AG, Puchheim – assumed 100 per cent of shares in the French company ELVITEC S.A.S., Pertuis/France. The initial consolidation resulted in goodwill of EUR 2,097 thousand. The acquired company was merged with STEMMER IMAGING S.A.S., Suresnes/France, in December 2018.

Effective 31 January 2018, the business of Data Vision, a segment of Batenburg Mechatronica B.V., Netherlands, was acquired by STEMMER IMAGING B.V., Zutphen, Netherlands, in an asset deal. The initial consolidation of the Data Vision business resulted in goodwill of EUR 2,749 thousand.

Goodwill of STEMMER IMAGING A/S in the 2014/15 financial year (as of 1 April 2015) relates to the acquisition of Image House A/S, Copenhagen/Denmark (subsequently: STEMMER IMAGING Denmark ApS). The business operations of Image House A/S, Copenhagen/Denmark, were transferred in their entirety to STEMMER IMAGING A/S, Copenhagen/Denmark, as of 1 October 2015.

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

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

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

- STEMMER IMAGING B.V., Zutphen/Netherlands: 13.04 per cent (previous year: 11.40 per cent)
- STEMMER IMAGING A/S, Copenhagen/Denmark: 12.62 per cent (previous year: 11.12 per cent)
- STEMMER IMAGING S.A.S., Suresnes/France: 14.76 per cent
- STEMMER IMAGING AB, Stockholm/Sweden: 13.31 per cent (previous year: 11.17 per cent)

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

As part of a sensitivity analysis for the cash-generating units for which goodwill was allocated, expected EBIT was simultaneously reduced by 10 per cent and after-tax interest rates increased by 2 per cent. Even with the changed parameters, the recoverable amount was significantly higher than the carrying amount of the individual cash-generating units.

An impairment loss was reported in the previous year for the cash-generating unit STEMMER IMAGING A/S, Copenhagen/Denmark. The carrying amount of this cash-generating unit was higher than the recoverable amount based on the value in use and so an impairment loss of EUR 0.13 million was recognised. This can be attributed to the restructuring of the merged Danish subsidiaries STEMMER IMAGING Denmark ApS and STEMMER IMAGING A/S in light of current competitive conditions on the Danish domestic market and expected long-term market developments. In connection with this assessment, the Group also reviewed its depreciation policies for property, plant and equipment in Denmark but concluded that estimated useful lives are not affected. There were no impairment losses for other asset classes. The impairment loss was thus allocated in full to goodwill and recognised under amortisation of intangible assets. Following the impairment loss, the recoverable amount was equal to the carrying amount. Accordingly, any adverse development of a material assumption would result in an additional impairment loss.

Total expenses for scientific research amounted to EUR 0.65 million in the reporting year (previous year: EUR 0.71 million).

2. PROPERTY, PLANT AND EQUIPMENT

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

in KEUR	30/06/2019	30/06/2018
Buildings (leasehold improvements)	1,350	1,346
Other equipment, operating and office equipment	1,439	1,464
Advance payments and assets under construction	45	12
Total	**2,834**	**2,822**

Im Detail entwickelte sich das Anlagevermögen im Geschäftsjahr wie folgt:

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

Fixed assets developed as follows in the previous period:

in KEUR	Buildings (leasehold improvements)	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
Cost				
As of 01/07/2017	**3,013**	**4,509**	**0**	**7,522**
Additions	151	639	66	856
Reclassifications	24	30	−54	0
Disposals	−5	−32	0	−37
Net exchange rate differences	−3	−26	0	−29
As of 30/06/2018	**3,180**	**5,120**	**12**	**8,312**
Cumulative depreciation, amortisation and impairment				
As of 01/07/2017	**−1,558**	**−3,055**	**0**	**−4,613**
Depreciation and amortisation	−283	−655	0	−938
Reclassifications	0	0	0	0
Disposals	5	32	0	37
Net exchange rate differences	2	22	0	24
As of 30/06/2018	**−1,834**	**−3,656**	**0**	**−5,490**
As of 30/06/2018	**1,346**	**1,464**	**12**	**2,822**

3. EQUITY INVESTMENTS IN ASSOCIATES

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

in %	30/06/2019	30/06/2018
Perception Park GmbH, Graz/Austria	42.0 %	0 %

The company is accounted for using the equity method.

The carrying amount is EUR 1,349 thousand (previous year: EUR 0). The summarised financial information with regard to the share of the profit and other income, adjusted for STEMMER's shareholding, is shown below:

in KEUR	2018/19	2017/18
Profit/loss from continuing operations	−51	0

4. INVENTORIES

Inventories are composed as follows:

in KEUR	30/06/2019	30/06/2018
Raw materials and supplies	349	352
Finished goods and merchandise	10,375	8,195
Advance payments	0	7
Total	**10,724**	**8,554**

EUR 70,179 thousand was recognised as an expense in the financial year in connection with inventories (2017/18: EUR 64,151 thousand).

The total cost of inventories recognised as an expense under cost of materials comprises write-downs on the net selling price of EUR 204 thousand (2017/18: EUR 161 thousand) due to excess reach, obsolescence, reduced marketability or subsequent costs.

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

5. TRADE RECEIVABLES

in KEUR	30/06/2019	30/06/2018
Trade receivables	16,196	14,360
Impairment losses	−398	−182
Total	**15,799**	**14,178**

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

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

Impairment losses for trade receivables are explained in note 12.

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

Trade receivables are due within one year.

6. CONTRACT ASSETS

Contract assets are composed as follows:

in KEUR	30/06/2019	30/06/2018
Project order	36	0
of which current	36	0

Contract assets arise in connection with the recognition of revenue (based on the percentage of completion method and recognised for a period of time) for a project order in conjunction with the supply of a subsidiary's related bundle of hardware and software components, offset against advance payments received from customers. There were no such project orders in the previous period.

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

7. OTHER ASSETS

Other assets break down as follows:

in KEUR	30/06/2019	30/06/2018
Other tax assets	113	198
Receivables from employees	8	5
Prepaid expenses and other assets	468	304
Total	**589**	**507**

Other assets of EUR 0 (previous year: EUR 0) have a remaining term of more than one year.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and bank balances. The carrying amount is to be considered as a suitable estimate of fair value. Bank balances are held exclusively for short-term cash management purposes.

9. EQUITY

Subscribed capital

STEMMER IMAGING AG's share capital is EUR 6,500 thousand (previous year: EUR 6,500 thousand) and is fully paid in. As of 30 June 2019, there were 6,500,000 no-par-value bearer shares (ordinary shares). Each share grants a pro rata portion of the share capital of EUR 1.00.

Capital reserves

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

Revenue reserves

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

The currency translation reserve declined by EUR 40 thousand to EUR −335 thousand in the 2018/19 financial year. Translation differences from translating the foreign currency of foreign operations into the Group's reporting currency are recognised in the consolidated financial statements directly in other comprehensive income and cumulated in the currency translation reserve.

The reserve for actuarial gains/losses income increased by EUR 49 thousand to EUR +16 thousand in the 2018/19 financial year. Remeasurements of the net liability for defined benefit plans are recognised directly in other comprehensive income and cumulated in the reserve for actuarial gains/losses.

Key resolutions by the Annual General Meeting of 7 December 2018:

It was resolved to use the German Commercial Code (HGB) unappropriated surplus for the 2017/18 financial year of EUR 15,609,469.32 as follows: a) distribution of a dividend of EUR 0.50 per participating share: EUR 3,250,000.00 b) carryforward to new account: EUR 12,359,469.32. In accordance with section 58(4) sentence 2 of the Aktiengesetz (AktG – German Stock Corporation Act), the claim to the dividend became due on the third business day after the Annual General Meeting, i. e. on 12 December 2018.

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

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

10. EMPLOYEE BENEFITS

Pensions

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

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

As in the previous year, there was a performance obligation to a related party/former member of the Management Board as of 30 June 2019. There are also performance obligations to employees of a French subsidiary.

Actuarial assumptions:

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

Measurement is based on the following ranges of actuarial assumptions:

	30/06/2019	30/06/2018
Interest rate	1.25 %	1.95 %
Pension/salary trend	N/A	N/A

Change in present value for pensions and similar obligations:

in KEUR	2018/19	2017/18
As of 1 July	**74**	**68**
Service cost	39	1
Interest expense	1	2
Actuarial gains (–) and losses (+)	27	3
As of 30 June	**141**	**74**

Material changes in plan assets are shown below:

in KEUR	2018/19	2017/18
As of 1 July	**103**	**101**
Income/expenses from plan assets	0	2
As of 30 June	**103**	**103**

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

in KEUR	2018/19	2017/18
Cost of pension claims earned in the reporting year	1	1
Actuarial gains (–)/losses (+) from the change in financial assumptions	6	3
Net interest expenses	1	1
Components of defined benefit costs recognised in the income statement	**8**	**5**

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

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

in KEUR	30/06/2019	30/06/2018
Present value of covered defined benefit obligations	141	74
Fair value of plan assets	103	103
Excess liability (–)/plan surplus (+)	**–38**	**29**

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

The expected term of the defined benefit obligation as of 30 June 2019 was 13.5 years.

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

No further contributions to plan assets are expected. STEMMER does not expect any pension payments in the planned 2019 short financial year from 1 July to 31 December 2019 (previous year: EUR 0).

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

– +1.0 per cent results in an increase in the performance obligation to EUR 156 thousand, and

– –1.0 per cent results in a decrease in the performance obligation to EUR 129 thousand

11. SONSTIGE RÜCKSTELLUNGEN

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

in KEUR	30/06/2019		30/06/2018	
	Current	Non-current	Current	Non-current
Customs	0	0	128	0
Other	69	198	16	92
Summe	**69**	**198**	**144**	**92**

Non-current other provisions include a provision for retention obligations of EUR 82 thousand and the incentive programme.

in KEUR	As of 01/07/2018	Utilisation	Unused amounts reversed	Addition	As of 30/06/2019
Customs	128	0	–128	0	0
Other	108	–16	0	175	267
Summe	**236**	**–16**	**–128**	**175**	**267**

Incentive programme

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

Provisions for the incentive programme are measured at the present value of existing claims in accordance with IAS 19. The calculation of the present value is based on an actuarial interest rate of 1.25 per cent (previous year: 1.73 per cent).

Change in present value for obligations from the incentive programme:

in KEUR	2018/19	2017/18
Balance as of the beginning of the financial year	92	44
Additions	25	48
Total	**117**	**92**

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

The expected term of the obligation as of 30 June 2019 was 11 years. STEMMER does not expect any payments from this programme in the planned 2019 short financial year from 1 July to 31 December 2019 (previous year: EUR 0).

12. FINANCIAL INSTRUMENTS

Classification and fair value

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

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

The following table provides a reconciliation of the statement of financial position items as of 30 June 2018 relating to financial instruments to classes and measurement categories in accordance with IFRS 9. It also shows aggregated carrying amounts for each measurement category and the fair values for each class.

in KEUR			Measurement in accordance with IFRS 9				
	Category under IFRS 9	Carrying amount 30/06/2018	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement in accordance with IFRS 9	Fair value 30/06/2018
Assets							
Trade receivables	Amortised cost	14,178	14,178	0	0	14,178	14,178
Other financial assets	FVTPL	5,505	0	0	5,505	5,505	5,505
Cash and cash equivalents	Amortised cost	46,730	46,730	0	0	46,730	46,730
Equity and liabilities							
Trade payables	Amortised cost	6,588	6,588	0	0	6,588	6,588

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

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

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

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

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

in KEUR	30/06/2019			30/06/2018		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Other investment securities	17			0		
Other financial assets	0			5,505		

The following table shows the fair value hierarchies of the assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed.

in KEUR	30/06/2019			30/06/2018		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Trade receivables	15,799			14,178		
Other financial assets	189			0		
Cash and cash equivalents	46,257			46,730		
Equity and liabilities						
Current loans	78			0		
Trade payables	8,460			6,588		
Other financial obligations	1,084			0		

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

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

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

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

Current other financial assets break down as follows:

in KEUR	30/06/2019	30/06/2018
Securities	0	5,074
Other	189	431
Total	**189**	**5,505**

Current other financial assets include debtors with credit balances in the amount of EUR 31 thousand (previous year: EUR 45 thousand).

There were no non-current other financial assets in the reporting year or in the previous year.

Current other financial liabilities break down as follows:

in KEUR	30/06/2019	30/06/2018
Other financial liabilities	1,084	0

This relates primarily to obligations from another transaction from the acquisition of ELVITEC S.A.S.

There were no non-current other financial liabilities in the reporting year or in the previous year.

Financial risk management

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

STEMMER regularly assesses risks by way of a risk analysis.

Liquidity risks
In view of the capital resources following the IPO in February 2018, STEMMER considers the liquidity risk low.

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

Due to the Group's good liquidity position additional financial instruments were used only to a limited extent in 2018/19. The liquidity risk essentially relates to trade payables. Fixed payment terms are in place with suppliers. There is thus no risk of earlier payments.

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

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

30/06/2018 in KEUR	Cash flows 2018/19	Cash flows 2019/20	Cash flows 2020/21–2022/23	Cash flows 2023/24 onwards
Trade payables	6,588	0	0	0
Other financial liabilities	0	0	0	0
Total	**6,588**	**0**	**0**	**0**

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

Currency risks

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

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

30/06/2019	Current		Non-current	
	GBP	USD	GBP	USD
Financial assets	1,850,919.16	1,018,923.14	0.00	0.00
Financial liabilities	−1,110,299.10	−1,909,472.39	0.00	0.00
Total	**740,620.06**	**−890,549.25**	**0.00**	**0.00**

30/06/2018	Current		Non-current	
	GBP	USD	GBP	USD
Financial assets	981,588.17	0.00	0.00	0.00
Financial liabilities	80,928.68	1,849,610.66	0.00	0.00
Total	**900,659.49**	**−1,849,610.66**	**0.00**	**0.00**

The European monetary system means that there have been close links between Denmark and the eurozone since 1999. The Danish krone is regulated by the Exchange Rate Mechanism II, which sets maximum limits within which the Danish krone can fluctuate from the euro. It may not fluctuate by more than ± 2.25 per cent of the fixed central rate of EUR 1 = DKK 7.46038. This means that the Danish krone is pegged closely to the euro and so exchange rate risks are negligible.

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

Foreign currency sensitivity analysis

The following table shows the sensitivity of profit and equity in relation to the Group's financial assets and financial liabilities and of the GBP/EUR and USD/EUR exchange rates. All other parameters are unchanged. A change in the GBP/EUR and USD/EUR exchange rates of +/−5 per cent as of 30 June 2019 and 30 June 2018 is assumed. This percentage was calculated on the basis of average market volatility of the exchange rates over the last 12 months.

If the EUR had appreciated against the USD by 5 per cent in 2018/19 and 5 per cent in 2017/18, this would have had the following effect:

USD in KEUR	Profit	Equity
30/06/2019	51	51
30/06/2018	76	76

If the EUR had depreciated against the USD by 5 per cent in 2018/19 and 5 per cent in 2017/18, this would have had the following effect:

USD in KEUR	Profit	Equity
30/06/2019	−51	−51
30/06/2018	−83	−83

If the EUR had appreciated against the GBP by 5 per cent in 2018/19 and 5 per cent in 2017/18, this would have had the following effect:

GBP in KEUR	Profit	Equity
30/06/2019	−10	−32
30/06/2018	−48	−163

If the EUR had depreciated against the GBP by 5 per cent in 2018/19 and 5 per cent in 2017/18, this would have had the following effect:

GBP in KEUR	Profit	Equity
30/06/2019	10	32
30/06/2018	53	180

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

Risk of default

The risk of default is the risk of financial losses in the event that a counterparty does not fulfil its obligations towards the Group. The Group is exposed to this risk through various financial instruments, such as the granting of loans and advances to customers, placing deposits, investing in bonds, etc. The maximum default risk to which the Group is exposed is limited to the carrying amount of financial assets recognised as of the end of the reporting period, as summarised below:

in KEUR	30/06/2019	30/06/2018
Financial assets – carrying amounts		
Cash and cash equivalents	46,257	46,730
Trade receivables	15,799	14,178
Other financial assets	189	5,505
Total	**62,245**	**66,413**

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

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

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

Since the first-time adoption of IFRS 9, the STEMMER Group has used a new method to determine impairment losses – the expected loss model. Under this method, the threshold for loss recognition includes expected losses, as opposed to only losses that have already occurred.

The tables below provide information on the estimated default risk and expected credit losses for trade receivables as of 30 June 2019 and 30 June 2018:

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

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
Not past due	1.12 %	11,245	−126	No
Past due <3 months	0.10 %	2,858	−3	No
Past due >3 months	10.13 %	227	−23	No
Past due >6 months	100.00 %	28	−28	Yes
Past due >12 months	100.00 %	2	−2	Yes
Total as of 30/06/2018		**14,360**	**−182**	

In the context of the use of the expected loss model, impairment losses at STEMMER developed as follows:

in KEUR	2018/19	2017/18
Balance as of the beginning of the financial year	182	154
Additions	312	69
Utilisation	−4	−12
Reversals	−148	−24
Currency adjustments, other changes	56	−5
Total	**398**	**182**

Impairment losses in the amount of EUR 249 thousand (previous year: EUR 91 thousand) were calculated using the expected loss method in accordance with IFRS 9 on the basis of an impairment matrix. This impairment matrix contains the expected loss ratios per maturity range.

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

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

Interest rate risk
As of 30 June 2018, the Group was not exposed to any change in market interest rates through floating rate bank loans. There were no current or non-current liabilities to banks as of the end of this reporting date.

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

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

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

13. TRADE PAYABLES

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

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

14. CONTRACT LIABILITIES

Contract liabilities represent the obligation to transfer to a customer goods or services for which it has already received consideration from the customer. In the context of restating previous year figures as of 1 July 2018 due to the first-time adoption of IFRS 15, advance payments received were reclassified to contract liabilities in the amount of EUR 117 thousand.

As of 30 June 2019, contract liabilities were as follows:

in KEUR	30/06/2019	01/07/2018
Contract liabilities	98	117

15. OTHER LIABILITIES

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

30/06/2018 in KEUR	Up to 1 year	Between 1 and 5 years	More than 5 years	Total
Personnel liabilities	4,150	0	327	4,477
Tax liabilities	2,152	0	0	2,152
Other liabilities	393	0	0	393
Deferred income	2	0	0	2
Total	**6,697**	**0**	**327**	**7,024**

Personnel liabilities break down as follows:

in KEUR	30/06/2019	30/06/2018
Liabilities for bonuses	304	2,216
Holiday, flexitime credit	946	1,086
Liabilities for payments of holding bonuses	0	242
Other liabilities for social security contributions	156	179
Liabilities for contributions to occupational health and safety agency	39	94
Anniversary obligations	236	327
Miscellaneous other personnel liabilities	261	333
Total	**1,942**	**4,477**

Special bonus

In accordance with a shareholder agreement dated 30 June 2017, a commitment was made to members of the Management Board and other management partners to pay an annual special bonus depending on adjusted EBITDA growth (“EBITDA bonus”) from 1 July 2017 for a period of 4.5 years (i. e. to the end of the 2021 calendar year). The total amount was capped at EUR 1.5 million. The maximum amount determined for the 4.5 year period was already completely reached in the 2017/18 financial year and recognised under liabilities for bonuses. The special bonus was paid to the entitled group of persons in the 2018/19 financial year.

16. CAPITAL RISK MANAGEMENT

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

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

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

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

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

As of the end of the reporting period, the equity ratio was around 82 per cent (previous year: 83 per cent) and the net debt ratio was around −42 per cent (previous year: −46 per cent). Moving ahead, the company plans to continue optimising the capital structure, taking into account risk and return aspects.

in KEUR	30/06/2019	30/06/2018
Liabilities	15,838	14,597
Cash and bank balances	−46,257	−46,730
Net debt	**−30,419**	**−32,133**
Equity	71,616	70,475
Net debt to equity	**−42.48 %**	**−45.59 %**

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

The Group is not subject to any externally regulated capital requirements.

As of 30 June 2019 and 2018, no changes were made to the risk management targets or processes.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

17. REVENUE

in KEUR	2018/19	2017/18
Machine vision technology	108,966	100,634

Revenue breaks down by region as follows:

in KEUR	2018/19	2017/18
Germany	48,987	53,452
Europe	58,273	40,062
Rest of world	1,706	7,120
Total	**108,966**	**100,634**

Revenue is distributed by region in line with the headquarters of the customer/place of delivery. Neither in the 2018/19 financial year nor in the 2017/18 financial year did STEMMER generate more than 10 per cent of overall revenue with one customer.

18. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in KEUR	2018/19	2017/18
Currency gains	217	480
Allocation of IPO costs to SI HOLDING GmbH, Munich	17	269
Offset non-cash benefits	166	150
Prior-period income	1	73
Reversal of valuation allowances on receivables	206	24
Income from reversal of provisions	128	0
Income from reversal of provisions	1	10
Income from the disposal of fixed assets	298	163
Total	**1,034**	**1,169**

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

in KEUR	2018/19	2017/18
Result of financial instruments carried as assets at amortised cost	423	504

19. COST OF MATERIALS

Cost of materials is composed as follows:

in KEUR	2018/19	2017/18
Cost of raw materials, consumables and supplies, and of purchased merchandise	70,179	64,151

20. PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

Personnel expenses developed as follows:

in KEUR	2018/19	2017/18
Wages and salaries	16,474	16,997
Other social security and employee benefit costs	3,484	2,927
Total	**19,958**	**19,924**

In the 2018/2019 financial year, personnel expenses did not include any special bonus payments. In previous year there were special bonus payments of EUR 1.84 million.

In the reporting year, the Group employed an average of 295 staff (previous year: 246) across the following functional areas:

Employees: annual average per functional area	2018/19
Organisation	34
Sales	84
Engineering	120
Order processing	57
Total	**295**

21. DEPRECIATION AND AMORTISATION

EUR 936 thousand (previous year: EUR 938 thousand) of depreciation and amortisation related to property, plant and equipment and EUR 521 thousand (previous year: EUR 516 thousand) to intangible assets. This includes extraordinary write-downs on goodwill of EUR 0 thousand (previous year: EUR 129 thousand).

22. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in KEUR	2018/19	2017/18
Selling expenses	3,176	3,087
General and administrative expenses	3,744	2,215
Rent and leases	1,811	1,596
Operating expenses	1,503	1,198
Other operating expenses	2,654	731
Total	**12,888**	**8,827**

Other operating expenses include EUR 427 thousand foreign exchange losses (previous year: EUR 330 thousand), EUR 450 thousand incidental acquisition costs for the acquisition of the Infaimon Group, EUR 971 thousand for expenses in connection with the acquisition of ELVITEC, recognised as other transaction and EUR 161 thousand incidental acquisition costs for the acquisition of ELVITEC.

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

in KEUR	2018/19	2017/18
Result of financial instruments carried as assets at amortised cost	678	127

23. NET FINANCE COSTS

Net finance costs break down as follows:

in KEUR	2018/19	2017/18
Associates' share of profit or loss	−51	0
Finance income	506	133
Finance costs	−27	−16
Total	**428**	**117**

Finance income is composed as follows:

in KEUR	2018/19	2017/18
Income from other securities	72	47
Other interest and similar income	434	86
Total	**506**	**133**

Interest income from affiliated companies amounted to EUR 413 thousand (previous year: EUR 78 thousand).

Finance expenses are composed as follows:

in KEUR	2018/19	2017/18
Other interest and similar expenses	27	16

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

in KEUR	2018/19	2017/18
Result of financial instruments carried as assets at amortised cost	434	86
Result from financial instruments at fair value through profit and loss	72	47
Result of financial instruments carried as liabilities at amortised cost	−27	−16

24. INCOME TAXES

Income taxes are broken down as follows:

in KEUR	2018/19	2017/18
Taxes on income	1,805	2,005
Deferred taxes	−242	−8
Total	**1,563**	**1,997**

Tax expense for the financial year can be reconciled to the period result as follows:

in KEUR	2018/19	2017/18
Profit before income taxes	5,945	7,564
Income tax expense at a tax rate of 28.08 per cent	−1,669	−2,124
Impact of differing tax rates at subsidiaries in other legal jurisdictions	343	215
Taxes for previous years	−64	0
Impact of tax-free income/non-deductible expenses	−238	−10
Other effects	65	−78
Total	**−1,563**	**−1,997**
Income tax expense recognised in profit or loss	**−1,563**	**−1,997**

The tax rate used for the above reconciliation of the 2018/19 and 2017/18 financial corresponds to the corporate tax rate to be paid by the company in Germany on taxable earnings in line with German tax law.

The actual tax rate is as follows:

in KEUR	30/06/2019	30/06/2018
Taxes on income	1,805	2,005
Deferred taxes	−242	−8
Income taxes	1,563	1,997
Earnings before tax	5,945	7,564
Actual tax expense ratio	**26.29 %**	**26.40 %**

No deferred tax was recognised for foreign interest carryforwards of EUR 93 thousand (foreign loss carryforwards in the previous year: EUR 32 thousand).

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

in KEUR	30/06/2019	30/06/2018
Goodwill	48	0
Property, plant and equipment	9	0
Inventories	33	0
Trade receivables	19	0
Provisions for pensions	13	11
Personnel liabilities	62	81
Loss carryforwards	6	0
Other	11	3
Deferred tax assets	**201**	**95**
Offsetting	−31	0
Deferred tax assets	**170**	**95**

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

in KEUR	30/06/2019	30/06/2018
Goodwill	45	0
Intangible assets	447	215
Property, plant and equipment	25	0
Other	12	26
Deferred tax liabilities	**529**	**241**
Offsetting	−31	0
Deferred tax liabilities	**498**	**241**

25. EARNINGS PER SHARE

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

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

The result of calculating basic earnings per share for the 2018/19 financial year and the previous year is given below:

	2018/19	2017/18
Result attributable to ordinary shareholders of the parent entity (in EUR thousand)	4,382	5,567
Average weighted number of ordinary shares	6,500,000	6,500,000
Earnings per share (cents per share)	0.67	0.86

NOTES ON THE STATEMENT OF CASH FLOWS

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

The changes in statement of financial position items shown in the consolidated statement of cash flows cannot be derived directly from the consolidated balance sheet as the effects of currency translation do not affect cash and have therefore been eliminated.

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

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

Key elements in cash flow from investing activities are changes in capital and dividends paid.

Cash funds (EUR 46,257 thousand, previous year: EUR 46,730 thousand) contain cash and cash equivalents of EUR 46,257 thousand (previous year: EUR 46,730 thousand).

C. OTHER DISCLOSURES

1. RELATED PARTIES

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

DISCLOSURES ON AFFILIATED COMPANIES

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

Transactions with SI HOLDING GmbH, Munich

The share ownership of SI HOLDING GmbH, Munich, in the company was 54 per cent on the 30 June 2019 reporting date. Thus the shareholding of SI HOLDING GmbH, Munich, is unchanged against the previous year. As major shareholder of the parent company, in December 2018 SI HOLDING GmbH, Munich, thus received 54 per cent of the resolved distribution of EUR 0.50 per share for the 2017/2018 financial year, i.e. EUR 1,755,000.00 (54 per cent of the dividend totalling 3,250,000.00).

In the 2017/18 financial year IPO costs of EUR 269 thousand and in the 2018/19 financial year a further EUR 17 thousand IPO costs were charged on to SI HOLDING GmbH, Munich. The non-interest bearing receivable from this cost allocation totalling EUR 286 thousand was paid in full in November and December 2018.

Transactions with PRIMEPULSE SE, Munich, and its subsidiaries

In line with the loan agreement dated 4 May 2018, STEMMER IMAGING AG granted PRIMEPULSE SE, Munich, a loan of EUR 40.0 million. The loan is earmarked and bears annual interest of 1.5 percent at the amount utilised. According to the loan agreement, the loan has an indefinite term. The loan can be terminated at any time by both the borrower and the lender with notice of four weeks to the end of a calendar month. At the end of September 2018, the loan was completely paid back by PRIMEPULSE SE, Munich, and at the beginning of October 2018 again utilised at a level of EUR 37.0 million. After a partial repayment of EUR 17.0 million of the loan amount in December 2018, full repayment of the remaining loan amount of EUR 20.0 million plus interest was made at the end of June 2019. In the 2018/19 financial year, from granting the loan to PRIMEPULSE SE, Munich, STEMMER IMAGING AG received interest income totalling EUR 413 thousand.

According to a service agreement dated 1 April 2018, various commercial and organisational tasks can be outsourced to PRIMEPULSE SE, Munich, (e.g. Operations & Controlling, Tax, M&A Support, Marketing, PR, IR). For providing the services, PRIMEPULSE SE, Munich, in each case receives daily rates between EUR 1,000 and EUR 1,500 (plus expenses, value added tax and travel costs). In the 2018/19 financial year, a total of EUR 48 thousand was charged for services received. Of this amount a total of EUR 21 thousand was paid to PRIMEPULSE SE, Munich, by 30 June 2019. As of 30 June 2019, STEMMER IMAGING AG reports a liability of EUR 27 thousand to PRIMEPULSE SE, Munich for services received.

There were also deliveries of goods to Katek GmbH, Grassau, (EUR 3 thousand) and oncharging license costs by AL-KO KOBER SE, Kötz (EUR 2 thousand).

Transactions with CANCOM SE

In the 2018/19 financial year, in the period from 1 July to 30 September 2018, the STEMMER IMAGING Group obtained goods and services transactions from CANCOM SE in a volume of EUR 102 thousand. Services and goods related primarily to IT hardware and software. The trade relationships are based on individual agreements.

DISCLOSURES ON MANAGEMENT IN KEY POSITIONS

In the financial year, the members of the Management Board were granted remuneration of EUR 758 thousand (previous year: EUR 1,633 thousand) for their activities in the company group. Remuneration is recognised as short-term benefits.

For post-employment obligations in the form of a pension commitment to a former executive, EUR 103 thousand was recognised as of 30 June 2019 (previous year: EUR 74 thousand). In the reporting year, EUR 2 thousand (previous year: EUR 2 thousand) was recognised as expense.

2. COMPANY BODIES

The members of the Management Board in the 2018/19 financial year were:

Dipl.-Inf. Christof Zollitsch, Kaufering, Chairman, until 28 February 2019

Dipl.-Kfm. Arne Dehn, Munich, since 1 January 2019; Chairman since 1 March 2019

Dipl.-Kfm. Lars Böhrnsen, Breitbrunn a. Ammersee, CFO

Dipl. Phys. Ing. Martin Kersting, Gröbenzell, CTO

In the 2018/19 financial year, Supervisory Board activities were carried out by the following people:

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

The total remuneration of the Supervisory Board amounted to EUR 108 thousand in the 2018/19 financial year (previous year: EUR 65 thousand).

3. SHAREHOLDINGS HELD BY MEMBERS OF COMPANY BODIES

SHAREHOLDINGS HELD BY MEMBERS OF THE MANAGEMENT BOARD

As of 30 June 2019, 54 per cent (previous year; 54 per cent) of the shares in STEMMER IMAGING AG are held by SI HOLDING GmbH, Munich.

As of the reporting date, Arne Dehn held 1.34 per cent in SI HOLDING GmbH, Munich, Martin Kersting 7.64 per cent and Lars Böhrnsen 2.00 per cent. As of the reporting date, the former member of the Management Board Christof Zollitsch still held a 6.61 per cent stake (previous year: Christof Zollitsch and Martin Kersting each held 7.64 per cent and Lars Böhrnsen 2.00 per cent).

SHAREHOLDINGS HELD BY MEMBERS OF THE SUPERVISORY BOARD

As of the reporting date, Stefan Kober indirectly held 12.98 per cent in STEMMER IMAGING AG and Klaus Weinmann 12.97 per cent. Markus Saller holds an indirect stake of 0.29 per cent.

4. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

As of the reporting data, there were guarantees of EUR 15 thousand (previous year: EUR 0).

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

There are also rental agreements and leases (for land, offices, office buildings as well as operating and office equipment such as vehicles and office machines) that qualify as operating leases due to their economic substance.

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

in KEUR	30/06/2019	30/06/2018
Rental and lease obligations	4,051	2,717
Other financial obligations	77	0
Total	**4,128**	**2,717**

In the underlying contracts, the standard extension and purchase options are agreed. In the reporting year, there were expenses from ongoing rental and leasing agreement of EUR 1,811 thousand (previous year: EUR 1,596 thousand).

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

Leasing instalments from the operating leases in place on the reporting date are due as follows:

in KEUR	30/06/2019	30/06/2018
Remaining term up to 1 year	1,515	1,524
Remaining term between 1 and 5 years	2,436	1,193
Remaining term of more than 5 years	100	0
Total	**4,051**	**2,717**

5. AUDITOR'S FEE

In the 2017/18 financial year, the auditor was S&P GmbH, Munich. In the 2018/19 financial year, there was a change in auditor to Ebner Stolz GmbH & Co. KG, Stuttgart. The following fees were recognised for the auditor in the individual years:

in KEUR	30/06/2019	30/06/2018
Audits of financial statements	286	52
Other assurance services	182	0
Tax advisory services	0	33
Other services	0	115
Total	**468**	**200**

Other assurance services include the voluntary audit of the consolidated financial statements of STEMMER IMAGING AG, Puchheim, in line with IFRS for the 2016/2017 and 2017/18 financial years and services in connection with the company's change of stock exchange segment.

LIST OF SHAREHOLDINGS

No.	Name and registered office of the company	Share of capital in per cent	How consolidated	Held by No.
1.	STEMMER IMAGING AG, Puchheim			
2.	SIS STEMMER IMAGING Services GmbH, Puchheim	100	k	1
3.	STEMMER IMAGING S.A.S., Suresnes/France	100	k	1
4.	STEMMER IMAGING Ltd., Tongham/United Kingdom	100	k	1
5.	STEMMER IMAGING AG, Pfäffikon/Switzerland	100	k	1
6.	STEMMER IMAGING B.V., Zutphen/Netherlands	100	k	1
7.	STEMMER IMAGING AB, Stockholm/Sweden	100	k	1
8.	STEMMER IMAGING A/S, Copenhagen/Denmark	100	k	1
9.	STEMMER IMAGING Oy, Espoo/Finland	100	k	1
10.	STEMMER IMAGING Sp. z o.o., Lowicz/Poland	100	k	1
11.	STEMMER IMAGING Ges.m.b.H., Graz/Austria	100	k	1
12.	STEMMER IMAGING S.R.L., Bologna/Italy	100	k	1
13.	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

As German subsidiary, SIS STEMMER IMAGING Services GmbH, Puchheim, utilised the exemption option provided for in section 264 (3) HGB in the 2018/2019 financial year.

7. EVENTS AFTER THE END OF THE REPORTING PERIOD

BUSINESS ACQUISITIONS

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

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

The provisional difference before the purchase price allocation is approximately EUR 22,027 thousand.

Incidental acquisition costs not eligible for capitalisation of EUR 450 thousand were incurred and reported under other operating expenses in the current financial year.

The following statement of financial position items (before purchase price allocation) were assumed as a result of the business combination:

in KEUR	Fair value as of 11/07/2019
Cash and cash equivalents	24,700
Total consideration transferred	**24,700**
Fair values of acquired assets and liabilities	
Intangible assets	18
of which identified in purchase price allocation	0
Fixed assets	233
Inventories	1,786
Trade receivables	2,232
Other assets	1,340
Cash funds	2,277
Provisions	94
Liabilities to banks	153
Trade payables	1,399
Other liabilities	3,568
Deferred tax liabilities	0
Fair values of acquired net assets 100 per cent	**2,673**
Provisional difference	**22,027**

The gross amount of the acquired contractual receivables is EUR 2.25 million, EUR 0.02 million was presumably not recoverable as of the acquisition date.

OTHER EVENTS

In connection with the acquisition of the Infaimon Group, on 24 July 2019 an LfA capital market loan of EUR 10 million was raised from UniCredit Bank AG, Munich. Interest of 0.65 per cent per annum is due at the end of the fixed-interest period on 30 September 2024. The loan is to be repaid in 20 quarterly instalments of EUR 500 thousand. The loan was extended on the basis of special conditions (compliance with key financial ratios, change of control, negative pledge, cross-default clause) as well as with the provision of standard collateral.

8. DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

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

9. APPROVAL OF FINANCIAL STATEMENTS

The Management Board approved the financial statements on 20 September 2019.

Puchheim, 20 September 2019

STEMMER IMAGING AG
Management Board

Arne Dehn **Lars Böhrnsen** **Martin Kersting**

RESPONSIBILITY STATEMENT

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

Puchheim, 20 September 2019

STEMMER IMAGING AG
Management Board

Arne Dehn **Lars Böhrnsen** **Martin Kersting**

INDEPENDENT AUDITOR'S REPORT
TO STEMMER IMAGING AG, PUCHHEIM

AUDITOR'S 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 balance sheet as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 July 2018 to 30 June 2019, and the notes to the consolidated financial statements, including the presentation of the recognition and measurement 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 July 2018 to 30 June 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance published (in German) on the website of the Company, which is referred to in the section of the combined management report subtitled "(Konzern-) Erklärung zur Unternehmensführung" ["(Group) corporate governance declaration"].

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 requirements of IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2019 and of its financial performance for the financial year from 1 July 2018 to 30 June 2019 and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the component 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 Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 July 2018 to 30 June 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We present the matters that we consider key audit matters below:

1. Goodwill impairment test

2. Acquisition of ELVITEC S.A.S., Pertuis, France ("ELVITEC")

On 1. Goodwill impairment test

a) Risk for the financial reporting

In the consolidated financial statements of STEMMER IMAGING AG, goodwill totalling EUR 7.3 million is recognised under the financial position item "Goodwill". This is equivalent to approximately 8.3 per cent of the consolidated assets. As of 30 November of the respective financial year, goodwill is subjected to an impairment test.

A valuation is made on the basis of a valuation model using the discounted cash flow method. The result of this valuation depends to a large extent on the estimation of the future cash flows by the executive directors, the planned operating margins and the discount rate used, and is thus subject to considerable uncertainty. Given this, as well as the highly complex nature of the measurement, this matter was particularly significant for our audit.

The company's disclosures on goodwill are included in section "B. Notes on the financial statements items", "B.1. Intangible assets of the notes to the consolidated financial statements" and "A.3. Consolidated group and foundations".

b) Auditor's response and conclusions

On the basis of the historical and current development, we verified the appropriateness of the future cash flows used in the calculation, derived from the three-year planning approved by the executive directors and adopted by the Supervisory Board and aligned them with general and industry-specific market expectations.

In view of the fact that even relatively small changes to the discount rates used can have a material impact on the enterprise value calculated in this way, we also examined in particular the parameters used, including the weighted average cost of capital ("WACC"), in determining the discount rate used and the calculation method.

Due to the material importance of goodwill and due to the fact that the valuation of the same also depends on general economic conditions which cannot be influenced by the company, we also carried out sensitivity analyses for the cash-generating units to which goodwill is assigned and verified that the respective goodwill is sufficiently covered by the discounted future cash flow surpluses. As a whole, the measurement parameters and assumptions applied by the executive directors match our expectations.

On 2. Acquisition of ELVITEC S.A.S., Pertuis, France ("ELVITEC")

a) Risk for the financial statements

By agreement dated 10 July 2018, STEMMER IMAGING S.A.S., Suresnes, France, acquired a 100 per cent stake in ELVITEC for a purchase price of EUR 5.1 million. From 1 October 2018, ELVITEC was fully consolidated as a subsidiary for the first time in the consolidated financial statements as of 30 June 2019. In the consolidated financial statements, goodwill of EUR 2.1 million was capitalised in connection with the purchase price allocation. From a quantitative perspective the business combination is of material importance for the consolidated financial statements and is subject to complex accounting principles. Furthermore, the measurement of the fair values of the acquired assets and liabilities and purchase price allocation are based on a range of material assumptions and discretionary judgements by the executive directors which are subject to a high level of assessment uncertainty so that accounting for the business combination represented a particularly important audit topic in the context of our audit. The STEMMER IMAGING AG Management Board mandated an independent valuer for the requisite business valuation and purchase price allocation.

With regard to the accounting principles used in respect to the acquisition of ELVITEC, please refer to the information in the notes to the consolidated financial statements contained in section "A.3. Consolidated group and foundations". The information on the exercise of discretion by the Management Board and assessment uncertainties in connection with the acquisition of ELVITEC are also presented in this section of the notes to the consolidated financial statements.

b) Auditor's response and conclusions

In the context of our audit of the accounting of the business combination, we assessed the purchase agreement and examined the purchase price paid to the seller. In addition, we examined the valuation model used to calculate the fair values of identifiable assets and liabilities assumed in respect to their methodology used and mathematical correctness. Another focus of our audit procedures was examining the completeness and measurement of the identified and acquired assets and liabilities assumed. Taking account of our knowledge of the business of ELVITEC and the explanations and plans of the executive directors, we verified the identification of the assets and liabilities assumed on the basis of the expertise prepared by the independent valuer. We interviewed the executive directors regarding the material assumptions used for the measurement of the fair values and examined these on the basis of plausibility checks taking into account available industry and market information. Our examination of the assumptions used covered in particular the derivation of the cost of capital and the underlying discount rate.

On the basis of the audit procedures described above and other audit procedures conducted within the framework of our audit, we are satisfied that the material assumptions and parameters were appropriate and the business combination was presented properly, taking into account the information available to us.

OTHER INFORMATION

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

– the statement on corporate governance published (in German) on the website of the Company, which is referred to in the section of the combined management report subtitled "(Konzern-) Erklärung zur Unternehmensführung" ["(Group) corporate governance declaration"],

– the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report,

– the confirmation pursuant to Sec. 297 (2) Sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to Sec. 315 (1) Sentence 5 HGB regarding the combined management report.

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, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the elements of the combined management report whose content we audited, or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

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

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

The executive directors are responsible for the preparation of the consolidated, financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, 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 of the Company and the Group 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 of the Company and the Group.

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 of the Company and the Group, 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 of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

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

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

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

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

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

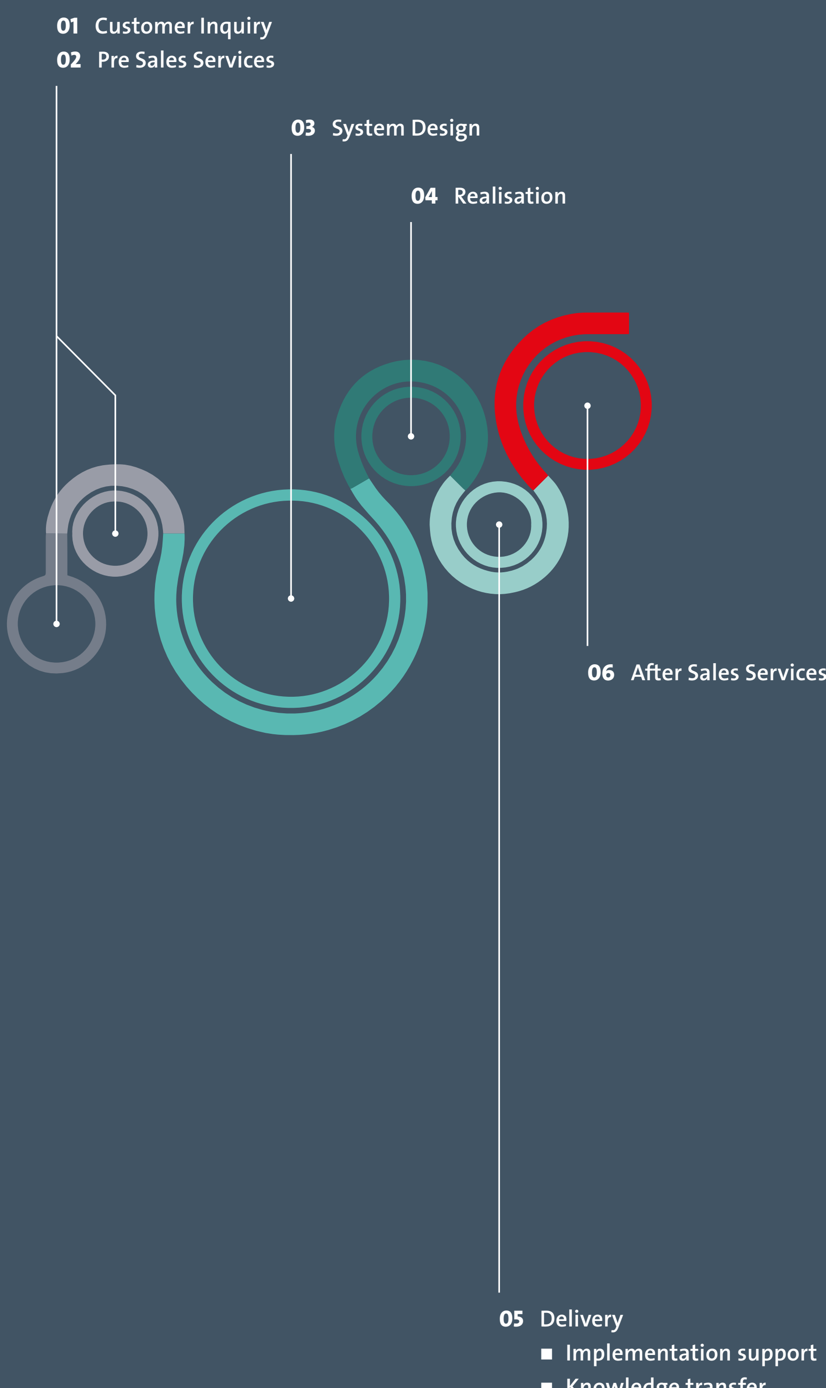
We were elected as the independent auditor by the annual general meeting on 7 December 2018. According to Sec. 318 (2) HGB, we qualify as the independent auditors of the consolidated financial statements, as no other auditor has been appointed. We were engaged by the Chairman of the Supervisory Board on 7 July 2019. We have been the independent auditor of the consolidated financial statements of STEMMER IMAGING AG, Puchheim, since the financial year 2018/2019.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the audit engagement is Mr Philipp Schütte.

Perfect customer service in six steps



04
ANNUAL FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS
in KEUR

	30/06/2019	30/06/2018
Fixed assets	**22,878**	**16,582**
Intangible assets		
Purchased industrial and similar rights and assets and licences in such rights and assets	340	234
Prepayments on intangible assets	15	48
	355	282
Tangible assets		
Land, land rights and buildings, including buildings on third-party land	1,134	1,085
Other equipment, operating and office equipment	713	766
Prepayments on tangible assets and construction in progress	0	12
	1,847	1,863
Financial assets		
Shares in affiliated companies	11,258	10,788
Loans to affiliated companies	8,018	3,618
Shares in associated companies	1,400	31
	20,676	14,437
Current assets	**49,953**	**60,103**
Inventories		
Goods	593	111
Receivables and other assets		
Trade receivables	6,306	6,123
Receivables from affiliated companies	8,999	5,585
Other assets	343	620
	15,648	12,328
Securities		
Other securities	0	5,027
Cash-in-hand, bank balances and cheques	33,712	42,637
Prepaid expenses	**198**	**124**
Excess of plan assets over pension liabilities	**0**	**41**
	73,029	**76,850**

EQUITY AND LIABILITIES
in KEUR

	30/06/2019	30/06/2018
Equity	**69,746**	**71,609**
Subscribed capital (contingent capital KEUR 200; previous year KEUR 0)	6,500	6,500
Capital reserve	49,500	49,500
Net retained profits	13,746	15,609
Provisions	**1,701**	**3,566**
Other provisions	1,701	3,566
Liabilities	**1,582**	**1,675**
Payments received on account of orders	36	76
Trade payables	858	529
Liabilities to affiliated companies	99	28
Other liabilities	589	1,042
	73,029	**76,850**

INCOME STATEMENT

in KEUR

	2018/19	2017/18
Revenue	59,371	66,235
Other operating income	840	733
Cost of materials		
Cost of raw materials, consumables and supplies, and of purchased merchandise	−36,286	−41,003
Cost of purchased service	−2,469	−2,586
	−38,755	−43,589
Personnel expenses		
Wages and salaries	−10,489	−11,812
Social security, post-employment and other employee benefit costs	−1,795	−1,605
	−12,284	−13,417
Amortisation of intangible fixed assets and depreciation of tangible fixed assets	−905	−965
Other operating expenses	−7,343	−7,798
	924	**1,199**
Income from other participations	0	745
Income from profit pools and loss assumption	41	74
Income from other securities and long-term loans	298	58
Other interest and similar income	771	294
Interest and similar expenses	−29	−40
Taxes on income	−618	−455
	463	**675**
Earnings after taxes = net income for the year	**1,387**	**1,875**
Retained profits brought forward from the previous year	15,609	13,734
Profit distributions	−3,250	0
Net retained profits	**13,746**	**15,609**

NOTES

1. ACCOUNTING POLICIES

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

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

The presentation, classification, recognition and measurement of the annual financial statements are in line with the previous year’s principles, with the exception of the change in how financial assets are recognised. In the previous year, incidental purchase costs for the equity investment in Perception Park GmbH, Graz/Austria (EUR 31,248.73) were recognised under shares in affiliated companies, although the investment amounted to only 42 per cent. Previous year figures for shares in affiliated companies and the equity investments were restated accordingly.

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

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

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

For additions of **low-value tangible assets,** the tax requirements for immediate depreciation are applied. Movable fixed assets of EUR 800.00 are written off in full in the year of acquisition.

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

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

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

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

Securities classified as current assets are carried at cost or in accordance with the strict principle of lower of cost or market. In the previous year, the item comprised money market fund units.

Advance payments are recognised on a net basis.

Cash-in-hand and bank balances are carried at nominal amount.

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

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

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

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

Liabilities are reported at settlement amount.

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

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

2. NOTES ON THE BALANCE SHEET

2.1. FIXED ASSETS

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

2.2. RECEIVABLES AND OTHER ASSETS

All receivables and other assets are due within one year.

Receivables from affiliated companies relate to short-term operating lines of credit to subsidiaries in the amount of EUR 8,664 thousand (previous year: EUR 3,861 thousand). The remaining EUR 335 thousand (previous year: EUR 1,724 thousand) is attributable to current trade receivables.

2.3. DEFERRED TAXES

As a result of measurement differences between the financial and tax accounts, there are individual temporary differences resulting from deviating measurements of personnel provisions (holiday, overtime, anniversaries and incentives provisions). Overall, an applicable tax rate of around 28 per cent (previous year: 28 per cent) gives a surplus of deferred tax assets of EUR 68 thousand (previous year: EUR 90 thousand), which were not recognised in exercise of the option according to section 274 (1) sentence 2 HGB.

2.4. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES

The excess of plan assets over pension liabilities recognised in accordance with section 246 (2) HGB results from the coverage of pension liabilities (original obligation EUR 100 thousand; settlement amount of the obligation as of the balance sheet date EUR 105 thousand (previous year: EUR 63 thousand)) with assets (fair value EUR 105 thousand, cost EUR 100 thousand; previous year: EUR 103 thousand) that are inaccessible to all other creditors except the entitled former board member and are used solely to satisfy liabilities from these obligations (called plan assets).

The fair value of the offset assets is based on actuarially determined pension liability insurance as of the balance sheet date (cover funds including allotted surpluses).

in KEUR	30/06/2019
Pension obligation	105
Plan assets (fair value)	105
Pension provision	0
Plan assets (cost)	100

2.5. EQUITY

The **subscribed capital** (share capital) totalled EUR 6,500,000 as of 30 June 2019 (previous year: EUR 6,500) and is fully paid up. As of 30 June 2019, there were 6,500,000 no-par-value bearer shares (ordinary shares). Each share represents EUR 1.00 of the share capital. The shares grant the holder full dividend entitlement from 1 July 2018. Each share grants one vote at the company's Annual General Meeting. They are represented by global certificates. All STEMMER IMAGING AG shareholders are entitled to statutory pre-emption rights which state that, in the event of capital increases, shareholders must be allocated a portion of the new shares that corresponds to their interest in the existing share capital at their request.

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

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

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

Net retained profits are as follows:

in KEUR	2018/19	2017/18
Retained profits brought forward 1 July	15,609	13,734
Dividend distribution	–3,250	0
Net income for the year	1,387	1,875
Net retained profits 30 June	**13,746**	**15,609**

Net retained profits are available for distribution in full.

2.6. PROVISIONS

Other provisions of EUR 1,702 thousand (previous year: EUR 3,566 thousand) essentially include personnel provisions (in particular for holiday, flexitime, bonuses and anniversaries), provisions for audits and tax consulting and for outstanding invoices. Provision amounts with a term of less than twelve months were not discounted.

2.7. LIABILITIES

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

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

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

Other liabilities are as follows:

in KEUR	30/06/2019	30/06/2018
Tax liabilities	309	660
Social security liabilities	21	18
Remaining other liabilities	259	364
Total	**589**	**1,042**

3. NOTES ON THE INCOME STATEMENT

3.1. REVENUE

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

By area of activity:

in KEUR	2018/19	2017/18
Machine vision	53,562	59,864
Intra-group allocations and services	5,809	6,371
Total	**59,371**	**66,235**

By region:

in KEUR	2018/19	2017/18
Germany	55,743	60,788
EU	1,640	3,241
Other	1,988	2,206
Total	**59,371**	**66,235**

3.2. OTHER OPERATING INCOME

Prior-period income of EUR 320 thousand (previous year: EUR 188 thousand) is recognised under other operating income. This primarily relates to income from the reversal of provisions and specific valuation allowances.

Other operating income includes **income from currency translation** of EUR 119 thousand (previous year: EUR 69 thousand).

3.3. PERSONNEL EXPENSES

The item “social security, post-employment and other employee benefit costs” includes **pension expenses** of EUR 38 thousand (previous year: EUR 13 thousand), attributable in full to pension expenses for former executives. EUR 23 thousand of this relates to a prior period.

3.4. OTHER OPERATING EXPENSES

Other operating expenses include **prior-period expenses** of EUR 33 thousand (previous year: EUR 1 thousand).

Other operating expenses include **expenses from currency translation** of EUR 88 thousand (previous year: EUR 88 thousand). EUR 16 thousand (previous year: EUR 0) of this relates to unrealised expenses.

3.5. NET INCOME FROM INVESTMENTS

Net income from investments amounts to EUR 0 thousand (previous year: EUR 745 thousand) and relates to profit distributions from **affiliated companies.**

In addition, EUR 41 thousand (previous year: EUR 74 thousand) is attributable to income from the profit transfer agreement with SIS STEMMER IMAGING Services GmbH.

3.6. FINANCIAL RESULT

in KEUR	30/06/2019	30/06/2018
Income from other securities and long-term loans	298	58
Other interest and similar income	771	294
Interest and similar expenses	−29	−40
Total	**1,040**	**312**

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

Other interest and similar income relates to interest from affiliated companies in the amount of EUR 770 thousand (previous year: EUR 294 thousand).

3.7. TAXES ON INCOME

Taxes on income include prior-period expenses of EUR 63 million.

3.8. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income

The disposal of securities resulted in income of EUR 197 thousand (previous year; EUR 29 thousand). Income of EUR 246 thousand (EUR 0 thousand) was generated from the reversal of provisions. The previous year also reported income from the passing on of IPO costs (EUR 269 thousand). These costs are to be classified as extraordinary on account of the amount.

Extraordinary expenses

Personnel expenses include expenses for severance payments (EUR 226 thousand; previous year: EUR 0 thousand). In the previous year this also included expenses of EUR 1,836 thousand for special bonus payments. These costs are to be classified as extraordinary on account of the amount and the non-recurring nature.

Other operating expenses include expenses of EUR 559 thousand in connection with the company's change of segment. The previous year resulted in expenses of EUR 3,155 thousand resulting from the company's IPO. These expenses are to be classified as extraordinary on account of their amount and non-recurring nature.

4. OTHER DISCLOSURES

4.1. DISCLOSURES ON SHAREHOLDINGS

As of 30 June 2019, the company held interests in the following domestic and foreign companies:

Company name	Share of capital (%)	Currency 2018/19	Closing rate 2018/19	Average rate 2018/19	Net income 2018/19	Equity as at 30/06/2019
Germany						
SIS STEMMER IMAGING Services GmbH, Puchheim/D[1]	100 %	KEUR			41	107
Outside Germany						
STEMMER IMAGING S.A.S., Suresnes/F	100 %	KEUR	–	–	678	2,478
STEMMER IMAGING Ltd., Tongham/UK	100 %	KEUR	0.89655	0.88167	1,009	3,377
STEMMER IMAGING AG, Pfäffikon/CH	100 %	KEUR	1.1105	1.13474	547	1,274
STEMMER IMAGING B.V., Zutphen/NL	100 %	KEUR	–	–	606	1,898
STEMMER IMAGING AB, Stockholm/SE	100 %	KEUR	10.5633	10.44014	809	1,632
STEMMER IMAGING A/S, Copenhagen/DK	100 %	KEUR	7.4636	7.46191	235	400
STEMMER IMAGING Oy, Espoo/FI	100 %	KEUR	–	–	280	410
STEMMER IMAGING Sp. z o.o., Lowicz/PL	100 %	KEUR	4.2496	4.29653	25	−2
STEMMER IMAGING Ges.m.b.H, Graz/AT	100 %	KEUR	–	–	267	264
STEMMER IMAGING S.R.L., Bologna/IT	100 %	KEUR	–	–	0	10
Perception Park GmbH, Graz/AT	42 %	KEUR	–	–	−517	129

1 before profit/loss transfer

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

4.2. CONSOLIDATED FINANCIAL STATEMENTS

As the parent of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the 2018/2019 financial year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and also with the requirements of commercial law. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

The STEMMER IMAGING Group is included in the consolidated financial statements of PRIMEPULSE SE, Munich, which prepares consolidated financial statements as of 31 December of each calendar year for the largest group of companies. The consolidated financial statements of PRIMEPULSE SE are published in the electronic German Federal Gazette (Bundesanzeiger).

4.3. OTHER FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

As of the balance sheet date, there are future payment obligations (other financial commitments) from leases (EUR 1,659 thousand) and from car leasing (EUR 597 thousand). EUR 819 thousand of these are due within one year and EUR 1,437 within the next one to five years.

4.4. COMPANY BODIES

Management Board

Christof Zollitsch, Kaufering, graduate in computer sciences (Univ. of Applied Sciences), Chief Sales Officer and Chairman of the Management Board (until 28 February 2019)

Arne Dehn, Munich, graduate in business studies, Chairman of the Management Board (member of the Management Board from 1 January 2019; Chairman from 1 March 2019)

Lars Böhrnsen, Breitbrunn am Ammersee, graduate in business studies, Chief Financial Officer

Martin Kersting, Gröbenzell, graduate in physics engineering, Chief Technology Officer

The total remuneration of the Management Board amounted to EUR 758 thousand in the financial year (previous year: EUR 1,633 thousand). A more detailed explanation of the Management Board's remuneration system and the disclosures in accordance with section 285 no. 9a) sentence 5 to 8 HGB can be found in the remuneration report section of the combined management report.

Supervisory Board

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

Stefan Kober, Jettingen-Scheppach, businessman, Deputy Chairman

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

All three members of the Supervisory Board remain members of the Supervisory Board and Mr Stefan Kober is Chairman of the Supervisory Board for AL-KO KOBER SE, Kötz. Mr Stefan Kober is also Deputy Chairman of the Supervisory Board of CANCOM SE, Munich. They are not a member of any further supervisory boards or committees within the meaning of section 125 (1) sentence 5 AktG.

The total remuneration of the Supervisory Board amounted to EUR 108 thousand in the 2018/2019 financial year (previous year: EUR 65 thousand). Remuneration is divided into fixed remuneration of EUR 90 thousand (previous year: EUR 56 thousand) and attendance pay of EUR 18 thousand (previous year: EUR 9 thousand).

4.5. EMPLOYEES

The average number of employees in the financial year was 209 (previous year: 164).

Number	2018/19
Organisation	23
Sales	33
Technology	102
Order processing	51
Total	**209**

4.6. AUDITOR'S FEE

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

Other assurance services include the voluntary audit of the consolidated financial statements of STEMMER IMAGING AG, Puchheim, in accordance with IFRS for the 2016/2017 and 2017/2018 financial years and services related to the company's change of segment.

4.7. RELATED PARTY TRANSACTIONS

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

"As the Management Board of STEMMER IMAGING AG, we hereby state that, under the circumstances known to it at the date on which the transactions listed in this report on relations to affiliated companies were conducted, STEMMER IMAGING AG received adequate consideration for each transaction. No reportable measures within the meaning of section 312 (1) sentence 2 AktG were taken or omitted in the financial year from 1 July 2018 to 30 June 2019."

4.8. APPROPRIATION OF NET PROFIT AND RESTRICTION ON DISTRIBUTION

The Management Board proposes using the net retained profits of EUR 13,746 thousand as follows:

Distribution of a dividend of EUR 3,250 thousand

Carry forward of EUR 10,496 thousand to new account

4.9. DISCLOSURES ON VOTING RIGHTS ANNOUNCEMENTS IN ACCORDANCE WITH SECTION 160 (1) NO. 8 AKTG

The following notifications in accordance with section 20 (6) AktG were published in the financial year:

– SI HOLDING GmbH, Kötz, notified us in accordance with section 20 (1) AktG that SI HOLDING GmbH, Kötz, holds more than a quarter of the shares of STEMMER IMAGING AG, Puchheim. (Puchheim, in November 2018)

– SI HOLDING GmbH, Kötz, notified us in accordance with section 20 (4) in conjunction with section 16 (1) AktG that SI HOLDING GmbH, Kötz, holds a majority interest in STEMMER IMAGING AG, Puchheim. (Puchheim, in November 2018)

The following notifications in accordance with section 40 (1) Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) were also published in the financial year:

Party subject to notification requirement	Date on which threshold was met	Voting share as %	Absolute
Allianz Institutional Investors Series SICAV, Senningerberg/Luxembourg	22 July 2019	2.42	157,168
ELEVA UCITS FUND, Luxembourg/Luxembourg	9 May 2019	3.80	246,750
Eric Bendahan, 6 February 1976	9 May 2019	3.80	246,750
Allianz Institutional Investors Series SICAV, Senninigerberg/Luxembourg	9 May 2019	3.06	198,833
Universal-Investment-Gesellschaft mit beschränkter Haftung, Frankfurt am Main	9 May 2019	3.81	247,658
Allianz SE, Munich	9 May 2019	6.04	392,468
Allianz Global Investors GmbH, Frankfurt am Main	9 May 2019	4.21	273,421
PRIMEPULSE SE, Munich	9. Mai 2019	54.00	3,510,000

4.10. SUPPLEMENTARY REPORT

Effective 11 July 2019, STEMMER IMAGING AG, Puchheim, acquired 100 per cent of the shares in Alea Rubicon S.L., Barcelona/Spain, and its subsidiary Infaimon S.L., Barcelona/Spain, and its subsidiaries in Portugal, Brazil and Mexico (“Infaimon Group”).
The Infaimon Group is a provider of software and hardware for the areas of industrial image processing and robotics.

A capital market loan of EUR 10.0 million was also taken out on 24 July 2019.

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

4.11. GERMAN CORPORATE GOVERNANCE CODE

The declaration on the German Corporate Governance Code required under section 161 AktG (known as the “declaration of compliance”) was issued by the Management Board and the Supervisory Board of STEMMER IMAGING AG and is to be made permanently available to shareholders on the company’s website **(www.stemmer-imaging.com)** under Investor Relations.

Puchheim, 20 September 2019

STEMMER IMAGING AG
Management Board

Arne Dehn **Lars Böhrnsen** **Martin Kersting**

RESPONSIBILITY STATEMENT

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

Puchheim, 20 September 2019

STEMMER IMAGING AG
Management Board

Arne Dehn **Lars Böhrnsen** **Martin Kersting**

STATEMENT OF CHANGES

in fixed assets in financial year 2018/19
in EUR

	Cost				
	As of 01/07/2018	Additions	Reclassifica-tions	Disposals	As of 30/06/2019
Intangible assets					
Purchased industrial and similar rights and assets	1,394,976	302,115	70,929	0	1,768,020
Advance payments	47,600	38,982	−70,929	0	15,653
	1,442,576	341,097	0	0	1,783,674
Tangible assets					
Land, land rights and buildings, including buildings on third-party land	2,533,537	117,837	167,502	0	2,818,876
Other equipment, operating and office equipment	2,860,670	343,615	6,011	129,439	3,080,858
Advance payments and assets under construction	12,026	161,487	−173,514	0	0
	5,406,234	622,939	0	129,439	5,899,734
Investment securities					
Shares in affiliated companies	10,787,700	470,254	0	0	11,257,954
Loans to affiliated companies	3,617,898	5,221,061	0	820,937	8,018,022
Investments	31,249	1,368,347	0	0	1,399,596
	14,436,847	7,059,662	0	820,937	20,675,572
Total	**21,285,657**	**8,023,699**	**0**	**950,376**	**28,358,979**

Cumulative depreciation and amortisation				Carrying amounts	
As of 01/07/2018	**Additions**	**Disposals**	**As of 30/06/2019**	**As of 30/06/2019**	**As of 30/06/2018**
1,160,669	267,505	0	1,428,174	339,846	234,307
0	0	0	0	15,653	47,600
1,160,669	267,505	0	1,428,174	355,499	281,907
1,448,210	236,656	0	1,684,866	1,134,010	1,085,327
2,094,938	400,916	127,619	2,368,236	712,622	765,732
0	0	0	0	0	12,026
3,543,148	637,572	127,619	4,053,102	1,846,632	1,863,085
0	0	0	0	11,257,954	10,787,700
0	0	0	0	8,018,022	3,617,898
0	0	0	0	1,399,596	31,249
0	0	0	0	20,675,572	14,436,847
4,703,818	**905,077**	**127,619**	**5,481,276**	**22,877,703**	**16,581,839**

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 annual financial statements of STEMMER IMAGING AG, Puchheim, which comprise the balance sheet as at 30 June 2019 and the income statement for the financial year from 1 July 2018 to 30 June 2019 and notes to the financial statements, including the presentation of the recognition and measurement 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 July 2018 to 30 June 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance published (in German) on the website of the Company, which is referred to in the section of the combined management report subtitled "(Konzern-) Erklärung zur Unternehmensführung" ["(Group) corporate governance declaration"].

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 business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2019 and of its financial performance for the financial year from 1 July 2018 to 30 June 2019 in compliance with German Legally Required Accounting Principles, and

– the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the component 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 Annual 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) lit. (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 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 July 2018 to 30 June 2019. These matters were addressed in the context of our audit of the 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:

Recoverability of financial assets

a) The risk for the financial reporting

In the financial statements of STEMMER IMAGING AG, Puchheim, shares in affiliated companies of EUR 11,258 thousand (15 % of total assets), loans to affiliated companies of EUR 8,018 thousand (2 %) are recognised under “Financial assets”. Financial assets are measured at the lower of cost or net realizable value. Section 1 of the notes “Accounting policies” includes notes on the accounting of financial assets.

The perspective of the company holding the financial assets must be used to determine fair value. The measurements are based on the present value of future cash flows, which are derived from the planning calculations prepared by the executive directors. Expectations regarding future market developments are also taken into account here. Present values are calculated using the German income approach (Ertragswertverfahren). They are discounted using risk-adequate discount rates. The result of these measurements is highly dependent on how the executive directors assess future cash flows and on the discount rates used. The measurement is therefore subject to material uncertainty. Given this, as well as the highly complex nature of the measurement, this issue was particularly significant for our audit.

b) Auditor’s response and conclusions

In our audit of the fair value of financial assets, we verified the measurement methods used and the calculation of risk-adequate discount rates. We also satisfied ourselves that the future cash flows underlying the valuations and the weighted costs of capital together constitute a proper basis for the impairment test of the respective shares in affiliated companies, loans to affiiliated companies and the equtiy investment. When assessing the results of the valuations as of 30 June 2019 we compared general and industry-specific market expectations and made use of information from the executive directors on the key value drivers underlying the expected cash flows. 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 took a very close look at the parameters used to determine the discount rates applied and verified the calculation method.

Taking into account the information available, we consider the measurement parameters and assumptions employed by the executive directors to be generally suitable for properly measuring shares in affiliated companies, loans to affiliated companies and the equity investment. As a whole, the measurement parameters and assumptions applied by the executive directors match our expectations.

OTHER INFORMATION

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

– the statement on corporate governance published (in German) on the website of the Company, which is referred to in the section of the combined management report subtitled "(Konzern-) Erklärung zur Unternehmensführung" ["(Group) corporate governance declaration"]

– the remaining parts of the annual report, with the exception of the audited financial statements and the components of the combined management report that we audited and our auditor's report, and

– the confirmation pursuant to Sec. 264 (2) sentence 3 HGB regarding the annual financial statements and the confirmation pursuant to Sec. 289 (1) sentence 5 HGB regarding the combined management report.

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 other information and, in so doing, to consider whether the other information

– is materially inconsistent with the annual financial statements, the components of the combined management report whose content we 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 stock 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 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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

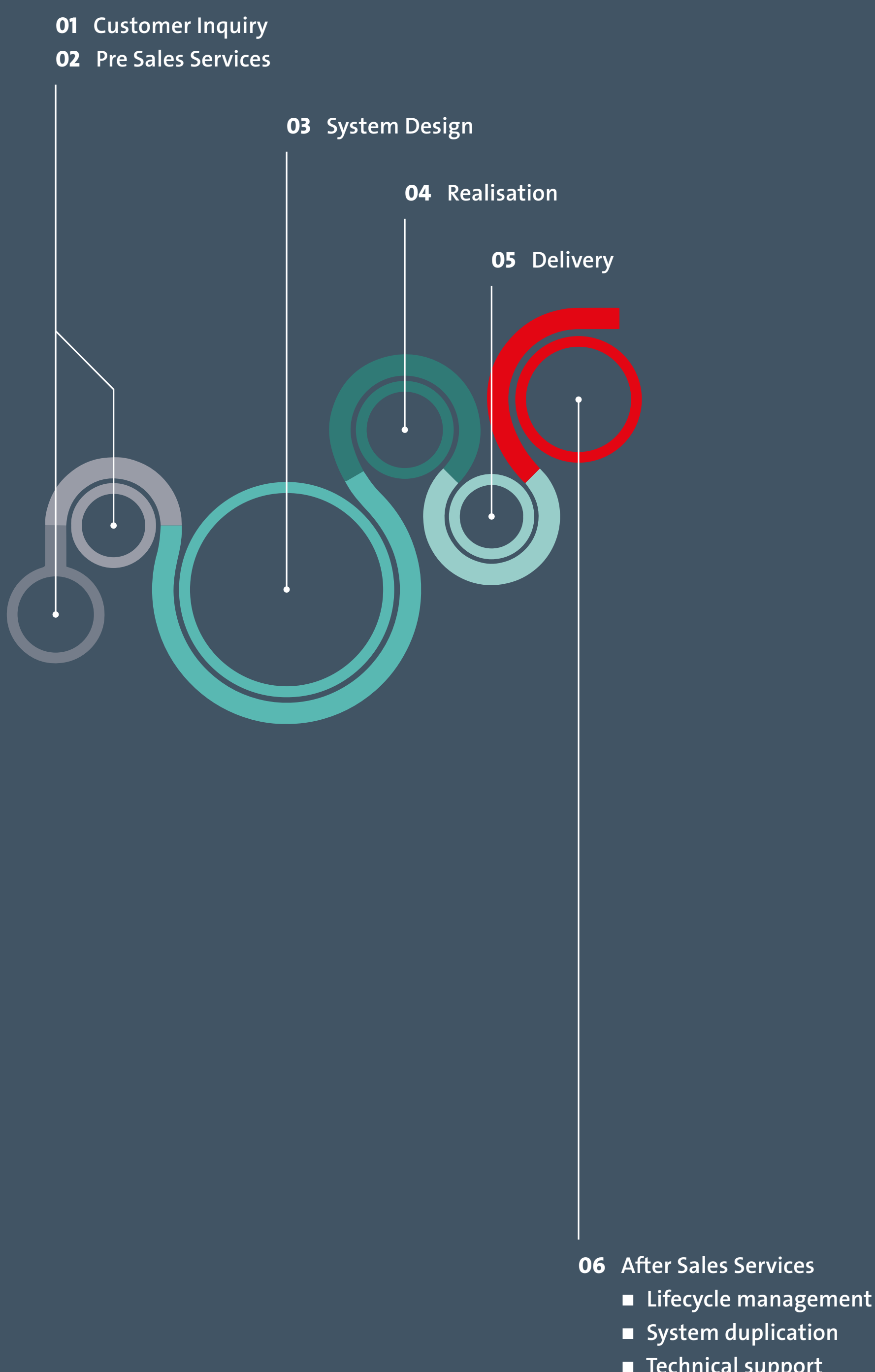
We were elected as the independent auditor by the annual general meeting on 7 December 2018. We were engaged by the Chairman of the Supervisory Board on 7 July t2019. We have been the independent auditor of the consolidated financial statements of STEMMER IMAGING AG, Puchheim, since the financial year 2018/2019.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the audit engagement is Mr Philipp Schütte.

Perfect customer service in six steps



05
ADDITIONAL INFORMATION

FINANCIAL CALENDAR

Thursday
24/10/
2019

CAPITAL MARKETS DAY (CMD), PUCHHEIM NEAR MUNICH

Wednesday
13/11/
2019

PUBLICATION OF INTERIM REPORT ON THE FIRST QUARTER 2019/20

Tuesday
19/11/
2019

ANNUAL GENERAL MEETING, MUNICH

Tuesday – Wednesday
26/–27/11/
2019

GERMAN EQUITY FORUM, FRANKFURT AM MAIN

Monday – Thursday
02/–05/12/
2019

BERENBERG EUROPEAN CONFERENCE, PENNYHILL PARK, LONDON

IMPRINT

STEMMER IMAGING AG
Gutenbergstrasse 9 – 13
82178 Puchheim
Germany

Telefon: +49 89 80902-0
Fax: +49 89 80902-116
info@stemmer-imaging.de

Management Board: Arne Dehn (CEO), Martin Kersting (CTO), Lars Böhrnsen (CFO)
Chairman of the Supervisory Board: Klaus Weinmann
Register Court: Munich HRB 237247
VAT: DE 128 245 559
Responsible: STEMMER IMAGING AG
Editing: STEMMER IMAGING AG/CROSS ALLIANCE communication GmbH
Concept and design: Anzinger und Rasp Kommunikation GmbH

CONTACT

Lars Böhrnsen
Chief Financial Officer

ir@stemmer-imaging.de
www.stemmer-imaging.com/investor-relations

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