STEMMER® IMAGING

ANNUAL REPORT
2021

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CONTENTS

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

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.

For the sake of easier reading, we use the generic masculine form for personal names and personal nouns throughout this annual report. In the interest of equal treatment, the corresponding terms apply to all genders. The abbreviated form is for editorial reasons only and does not imply any judgement.

AT A GLANCE

GROUP KEY FIGURES FISCAL YEAR 2021

in KEUR

	2021	2020
Revenue	130,115	103,145
Gross profit	50,415	38,681
Gross profit margin	38.7 %	37.5 %
EBITDA	17,360	7,214
EBIT	13,426	– 1,550
Consolidated net income	10,450	– 3,323
Operating cashflow after income taxes	7,969	10,883
Employees (average)	333	357

	31/12/2021	31/12/2020
Total assets	103,576	96,684
Equity	71,368	64,079
Equity ratio	68.9 %	66.3 %
Cash and cash equivalents	36,022	34,718

STEMMER IMAGING IN FIGURES FISCAL YEAR 2021

**Order intake:
EUR 162.1 million**

**EUR 1.61
earnings per share**

68.9 per cent Equity ratio

>5,000 customers

333 employees

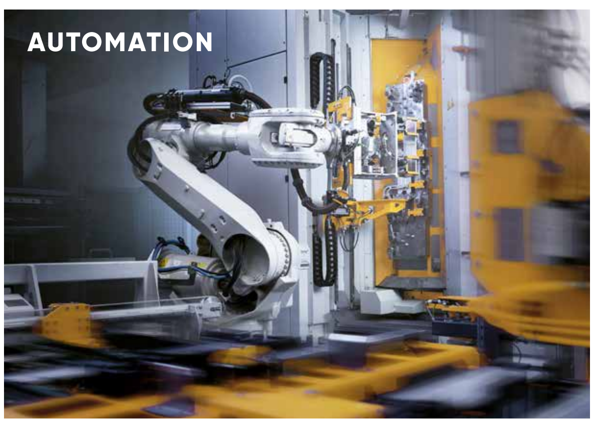
**15 subsidiaries
and represented
in >20 countries**

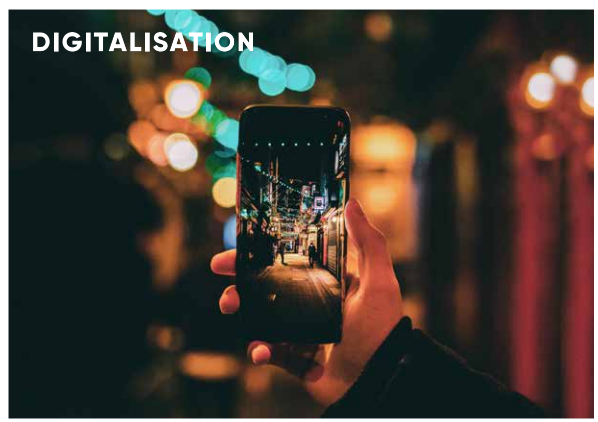
This report and results from previous fiscal years in English language versions are available for you to download at www.stemmer-imaging.com

GLOBAL MEGATRENDS AS GROWTH DRIVERS

Digitalisation, automation and sustainability are forward-looking megatrends that are part of daily life and are present in many companies, markets and industries. By means of consistent digitalisation and the resulting automation, it is now possible to design many processes more efficiently and to radically optimise value chains, work processes and corporate structures. At the same time, the demand for sustainable management is increasing in all sectors.

The challenge therefore lies in making use of all the advantages of digitalisation and automation while acting as sustainably as possible. Machine vision technology can take on an important role with this task.





AUTOMATION AS A GAME-CHANGER FOR INCREASED COMPETITIVENESS

Intelligent automation enables production in Europe at competitive prices.

In focus for three decades – and still fully on trend. Even nearly 30 years after the introduction of robotics in industrial production, automation is still one of the top technology trends and continues to gain momentum. Significant drivers of this development include the current trend towards reshoring and the unabated growth of e-mobility, which are leading many companies to expand their production capacities in Europe. Intelligent automation technologies now make it possible to achieve maximum quality and flexibility while offering competitive production costs.

AUTOMATION MAKES RESHORING PROFITABLE

Until recently, the number of companies that relocated their production abroad seemed to be continuously increasing. The labour cost savings of 50 per cent or more were so immense that "offshoring" led to greater profits despite higher transport costs. However, rising labour costs in low-wage countries, higher transport and storage costs, progressively fragile international supply chains and increasing demands for flexibility have led to a reversal of the trend. More and more European companies are moving production back to their home countries.

Yet this reshoring will only be possible if companies adopt intelligent automation technologies. Highly automated production processes increase productivity and add value, thus reducing production costs in this country to a competitive level as well. At the same time, product quality can be improved, delivery times are noticeably reduced and even customised mass production is in many cases cost-effective. Not only the companies themselves, but also customers and the environment benefit from this.

THE FUTURE WILL BE DRIVEN BY ELECTRICITY – AND PRODUCTION WILL BE AUTOMATED

The continuing rapid growth of e-mobility is also driving a massive expansion of production capacities in Europe. European automotive manufacturers no longer want to be dependent on technological expertise from the Far East, especially with regard to lithium-ion batteries. Supported by generous EU subsidies, they are investing heavily in their own battery factories – ideally close to where vehicles are manufactured, in order to reduce transport and storage costs.

The result of this is state-of-the-art production plants that apply flexible and efficient automation solutions to ensure maximum productivity. The new battery factories mostly score points with much better carbon footprints than their foreign competition. Thanks to cutting-edge machine vision solutions, they can also raise their production quality to a new level.

"Each step of battery production has its own challenges – and we can deliver successful optimisation solutions for every one of them."

Faster, more efficient, more reliable ... and with the highest degree of quality

The boom in e-mobility is driving widespread new construction of state-of-the-art production plants throughout Europe. **Baptiste Guldner**, Managing Director France, explains in an interview why STEMMER IMAGING can particularly profit from this as a supplier of customised inspection systems.

Mr Guldner, why does e-mobility need automated machine vision?
The current requirements for battery systems are enormous. In order for the mobility transition to succeed, uncompromising operational safety and high performance are both necessary. And the price must be competitive. Though the technology has progressed significantly in the last few years, there is plenty of optimisation potential. This ranges from the energy yield to process reliability and manufacturing costs to reduction of the carbon footprint. Machine vision provides reliable ways to monitor each step of the process completely, making battery production more efficient and resource-friendly.

Why is the battery market so interesting for STEMMER IMAGING?
STEMMER IMAGING can look back on nearly 35 years of experience in machine vision for industrial automation. The process steps involved in battery production are almost completely automated and have many parallels with other classic automated manufacturing systems. This allows us to optimally use the expertise we have developed in this market over many years for the benefit of our customers.

What can STEMMER IMAGING provide in detail?
We offer a comprehensive range of products from leading manufacturers so that we always assemble the best possible components for our customers' systems. Upon request, we can supplement this with a wide range of value-added services – from distribution to project deliverables in solution development. We also offer pre-assembled subsystems, which allow our customers to significantly reduce effort and costs.

In one sentence: why should an e-mobility customer choose STEMMER IMAGING?
Our experts find the best possible customised solutions for improving product quality, reducing the error rate and increasing the automation efficiency of even the most demanding machine vision tasks.

Machine vision as the key to efficient automation. Those who want to successfully automate battery production can no longer forgo machine vision. State-of-the-art machine vision solutions can be used in every step of the process to improve product quality, reduce the error rate and significantly increase automation efficiency – at full production speed.

100 PER CENT QUALITY CONTROL

STEMMER IMAGING offers a comprehensive machine vision service package for the realisation of inline inspection systems – from hardware and software from all well-known manufacturers to planning support. Smart cameras, intelligent machine vision algorithms and innovative lighting ensure maximum precision in inspection as well as reliable synchronisation of all automation components.

State-of-the-art components and multiple inspection stations enable 100 per cent quality control – from product identification to complex measurement tasks for quality assurance. Cutting-edge machine vision systems perform all inspection processes inline and at full production speed, enabling higher fault-free output.

FULL TRACEABILITY

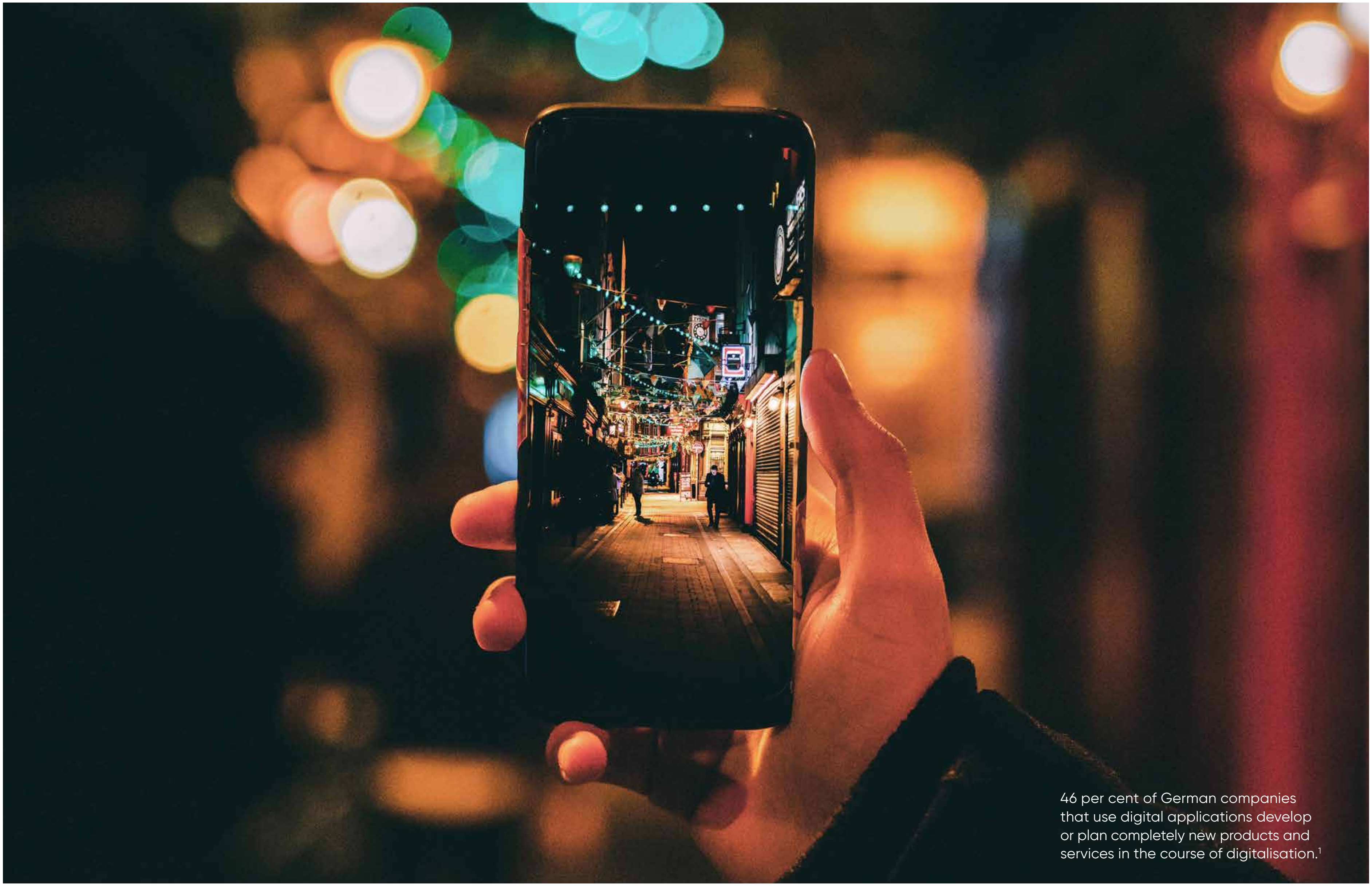
Traceability technologies based on machine vision guarantee full traceability of components and process steps up to the end product. The collected data is the key to continuous optimisation of all production phases during operation.

STEMMER IMAGING provides reliable end-to-end optimisation of all production stages to give its customers a considerable competitive advantage in a fast-growing market.

OPTIMISED PRODUCTION PROCESSES THROUGH BIG DATA AND AI

Complex relationships between material composition and production steps can be analysed with the aid of artificial intelligence since all measurement data is stored seamlessly and combined with the production parameters. This data can then be used to derive approaches for new, optimised production processes.

DIGITALISATION AS AN INNOVATION DRIVER FOR NEW BUSINESS MODELS



46 per cent of German companies that use digital applications develop or plan completely new products and services in the course of digitalisation.[1]

1 Source: Survey Bitkom e.V., 2019

Many challenges – but an infinite number of opportunities and possibilities. The digitalisation of our world is continually progressing and has now become an integral part of daily life. The digital transformation is increasingly picking up speed and will have a marked impact on society and the economy in the next few years, whether it involves smartphones, autonomous driving or automated production processes in Industry 4.0. This poses a number of challenges to companies in particular, but at the same time it opens up a variety of business opportunities.

DIGITALISATION IS PART OF OUR DAILY LIFE

At the workplace or in our free time, digitalisation is now a daily presence in most people's lives and makes almost everything easier, more efficient and more flexible. Shopping, entertainment, communication, banking and even sports – everything is convenient and possible around the clock thanks to digital solutions. Even daily working life is going through a digital upheaval, not least due to the Covid-19 pandemic. It has become normal to work entirely or partly from home using smartphones, email and video conferences.

DIGITAL CHANGE AS A DRIVER OF ECONOMIC GROWTH

Digitalisation is now also part and parcel of everyday business life. Companies must speed up their digital transformation to remain competitive. They are therefore relying on Industry 4.0, artificial intelligence (AI) or machine vision to structure processes more efficiently, lower costs, and reduce the size of their environmental footprint. And they have met with success. Through digital transformation, global markets can be reached more quickly and products can be tailored more efficiently to customer requirements. In many sectors, completely new business models, market participants and value networks are even developing.

NEW BUSINESS AREAS AND MARKETS IN THE SPORTS & ENTERTAINMENT SECTOR

Many new, digitally-driven business models have developed in the sports & entertainment sector, for example through the use of state-of-the-art machine vision technologies. Digital camera systems and powerful machine vision software are used for things such as speed measurement, interactive multimedia displays, autonomous sports broadcasts and virtual sports events. Football stadiums and tennis courts are now equipped with high-speed cameras for line monitoring. Tracking or analysis systems are used in training programmes or to review referee decisions, and in e-sports arenas, augmented reality melds actual movements and digital sports events into game worlds.

“Artificial vision now accounts for nearly 40 per cent of our business and is showing double-digit growth.”

Use in sports – how machine vision becomes artificial vision

When machine vision is used in sports or in other non-industrial areas, it is referred to as artificial vision. This is a classic example of how digitalisation leads to the development of new business areas. Managing Director UK **Mark Williamson** explains why STEMMER IMAGING is taking on a leading role.

Mr Williamson, which trends characterise digitalisation in the growing sports & entertainment market?
Based on the initial use of machine vision solutions for the analysis and evaluation of gaming situations, the focus is now on creating experiences in which real physical activities meld into virtual worlds. With machine vision and virtual reality, individual players or groups can immerse themselves in a game world, independent of their real location.

What are the challenges for the application of machine vision?
In order to synchronise cameras over a greater distance, you need either a complex trigger system or cameras that synchronise time stamps and the capture via long cables using technologies such as the Precision Time Protocol. To achieve optimal triangulation results, every camera lens needs to be set identically. Possible deviations are calibrated by the software to avoid errors.

Why is STEMMER IMAGING so successful in this area?
STEMMER IMAGING is one of the pioneers in artificial vision and has extensive experience with these applications. Several of our camera manufacturers offer a Precision Time Protocol that is integrated into the cameras. Our CVB software suite enables synchronisation of the cameras over particularly long cables. Our subsystem integration service comprises the setup of the camera, lens and housing combinations, while an advanced automated calibration process provides intrinsic calibration parameters for every camera-lens combination that we offer.

In one sentence: why should someone choose STEMMER IMAGING in the area of artificial vision?
We have many years of experience in artificial vision, leading machine vision expertise, and an extensive product range of highly-specialised industrial cameras that meet all requirements.

Advantage machine vision: STEMMER IMAGING solutions enhance sporting experiences, and not only on the tennis court. High-performance systems are used at all levels of machine vision. It's no wonder that these solutions have long been used beyond industry and wherever high performance counts – such as in sports.

STEMMER IMAGING SCORES POINTS IN MANY DIFFERENT SPORTS

Regardless of whether there are one, two, ten or 22 players, sports are a vast field in which highly-developed machine vision systems are used. Players and sports equipment are tracked in professional football, basketball, American football, cricket, and many other sports matches. This enables calculation of every player's total running performance including their average and maximum speed, the number and intensity of their sprints and their mileage run. Tracking solutions that incorporate STEMMER IMAGING's expertise are also being found more frequently on the pitch.

OPTIMAL INTERPLAY OF CAMERAS AND MACHINE VISION SOFTWARE

The experts at STEMMER IMAGING are among the pioneers in machine vision in sports and are familiar with every detail of the challenges. They select the best possible device for every application from their extensive product range of leading camera manufacturers and combine it with the individually appropriate lenses and data transmission standards. The results are precise, powerful systems that can handle tennis balls travelling at 200 km/h as well as changing light conditions.

THE BEST OF BOTH WORLDS – VIRTUAL REALITY APPLICATIONS

Even when sport turns into entertainment, STEMMER IMAGING's machine vision expertise comes into play – for example, in the innovative high-tech virtual reality installations that have already been developed for several types of sports. Players and sports equipment are tracked in the real world with state-of-the-art 3D machine vision systems which transmit all movements 1:1 in real time to avatars in a virtual game world. This allows the real and virtual worlds to meld without the need for VR headsets.

UNCHARTED TERRITORY AS FAMILIAR TERRAIN

The place where machine vision meets online games is uncharted territory for everyone involved. Some customers have merely an idea of what they would like to achieve with their solution. Others already have concrete ideas about all the systems including machine vision, but are looking for support in scaling and series production. The experts at STEMMER IMAGING find ideal solutions under any circumstances. The company's many years of experience, leading expertise and passion for the development of innovative solutions make it the best solution partner for every customer.

SUSTAINABILITY – RESPONSIBILITY BECOMES AN OPPORTUNITY FOR SUCCESS

More than two-thirds of Germans want companies to operate in an environmentally conscious manner.[1]

1 Source: Industry Analysis DZ Bank, 2021

From consumer trend to economic factor. Sustainability and environmental protection have not been mere niche issues for a long time, and the sustainability megatrend has become no less important during the coronavirus pandemic. Consumers not only expect companies to conserve resources but are increasingly calling for this. Politicians are continuously setting stricter requirements. And companies themselves are benefiting from the fact that sustainable management has become a competitive advantage.

INDUSTRY AND BUSINESS ARE UNDER PRESSURE

The realisation that sustainable action is essential in view of climate change has arrived in mainstream society. The majority of citizens are concerned about environmental pollution and nearly half of consumers pay attention to whether vendors act with social and ecological responsibility when shopping. More than two-thirds of people want companies to be environmentally aware, and an increasing number of consumers are actively demanding this from companies. Politicians are also putting increasing pressure on business. Environmental levies, stricter climate targets, lower thresholds and legal requirements are resulting in increasingly tighter conditions.

SUSTAINABLE COMPANIES ARE MORE SUCCESSFUL

An increasing number of companies have recognised this need and have seen the opportunities that a social and environmental orientation opens up – including a promotional boost to the company's image, employee satisfaction and recruitment advantages, and increased efficiency as a result of optimised processes.

MORE SUSTAINABILITY THROUGH DIGITALISATION AND MACHINE VISION

It is becoming clearer as society moves towards a more sustainable economy that efficiency is the success factor which brings sustainability and economic stability together. The path to that goal lies in the digitalisation of processes in order to reduce resource consumption. This is possible through new technologies such as AI, robotics and machine vision. For example, by using AI-based machine vision at all production stages of agriculture, processes can be automated to significantly increase efficiency.

"Sustainability means producing smarter, not less. That's why we make processes more sustainable and efficient with machine vision systems."

Cross-company sustainability

Sustainability is far more than the solution to ecological problems. Rather, environmental, economic and social aspects need to be harmonised. Board Assistant and ESG responsible **Sabine Hertel** explains in an interview how STEMMER IMAGING thinks about and implements sustainability on a cross-company basis.

Ms Hertel, how does the sustainability megatrend express itself in your industry?
As a global player in the machine vision industry, we supply one of the key technologies for the digitalisation of production processes. Accordingly, we deal with digitalising processes to reduce resource consumption nearly every day.

And how do you specifically put this into practice at STEMMER IMAGING?
Sustainability is one of our corporate targets. We think about sustainability on a company-wide basis and implement it that way. The company intends to achieve climate neutrality by 2027 and we are initially setting our carbon footprint with 2022 as a basis Group-wide.

And of course, our expertise, our products and our systems contribute to other companies becoming more sustainable day after day. Almost any use of machine vision technologies and solutions from STEMMER IMAGING can make a positive contribution to increasing energy efficiency, conserving resources and reducing CO_2 emissions.

Can you give us a specific example of this?
Agriculture would be a typical example. With the realisation of AI-based machine vision systems, we make a significant contribution to the automation of many agricultural processes. This includes fully-automated seed control, the monitoring of farmland and grain growth, and harvesting by autonomous robots in plantations and greenhouses. This conserves natural resources and reduces the use of fertilisers and pesticides.

In one sentence: why should someone decide on machine vision technology from STEMMER IMAGING as a sustainably-oriented company?
We have many years of industry experience in our customers' key markets and can therefore put together the best possible solution for any application from our product portfolio – independent of specific manufacturers. This makes our customers' processes more efficient and more sustainable.

Producing more food even more sustainably – machine vision makes it possible. Agriculture is faced with the challenge of making more and more food available for the world's growing population while continuously reducing its use of fresh water, fertilisers and pesticides, and also considering animal welfare. With AI-based machine vision, STEMMER IMAGING makes it possible to optimise agricultural processes in all areas of application.

MACHINE VISION, BIG DATA AND ARTIFICIAL INTELLIGENCE AS SUCCESS FACTORS

In agriculture, AI-based inspection systems can identify organic products of different colours and shapes much more reliably than classic methods. Different varieties of vegetables and fruits can be classified quickly and easily, and damaged products with dents or colour deviations are automatically identified.

Intelligent machine vision technologies have been standard in the sorting, qualification, production and packaging of foods for a long time. Due to the development of increasingly powerful cameras, processors and data transmission via mobile phone technology and 5G, these automated systems can now also be used outdoors. They already record important data on the field about the condition of the soil, possible infestations, the optimum harvesting time and the need for cutting work, and they automatically initiate appropriate measures by interacting with big data and AI.

AUTOMATED ANALYSIS OF THE RIPENESS OF FRUITS AND VEGETABLES

With intelligent machine vision systems, STEMMER IMAGING makes it possible to determine the ripeness of a fruit or vegetable. This identification can take place on the field, to determine the optimal harvesting time, or later in the warehouse, to determine where the product should be stored.

AUTOMATED DETECTION AND REMOVAL OF WEEDS

Machine vision systems are excellent for the optimisation of weed management. Invasive plants can be identified almost in real time and the application of herbicides can be monitored continuously. The effectiveness of the herbicides used is determined and resistant weeds are reliably detected.

AUTOMATED PEST AND DISEASE CONTROL

High-precision, robust machine vision systems identify and categorise possible disease and pest infestation in real time, directly on the field or in the greenhouse. Colour changes such as physical damage caused by insects or pests are reliably detected at the same time.

SYSTEM DESIGN

The experts at STEMMER IMAGING can select from a wide range of technologies to design the right ready-to-deploy package of camera, processor, software and PLC integration. With its well-matched product portfolio, STEMMER IMAGING can offer the optimum vision system for every application.

01
SHAREHOLDER INFORMATION

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

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

2021 was a record year for STEMMER IMAGING. With this annual report, we are pleased to share with you a successful review of a year marked by extraordinary challenges.

As we looked towards 2021, we prepared ourselves for a year of transformation and had expected that in the first half of the year, the pandemic circumstances would still restrain our upward business trend. However, economic recovery came to our industry more quickly. The pressure on industry to increasingly invest in further regionalised automation, which has been additionally reinforced by the drivers of digitalisation and sustainability, has led to high demand for machine vision technology in our core markets. At the same time, non-industrial fields of application, notably the sports & entertainment sector, have developed into high-volume sales markets.

Strong key figures

Impressive key figures show that we have been able to profit from these developments. These figures include EUR 162 million in order intake and more than 26 per cent in realised revenue growth, to EUR 130.1 million. We have been able to support long-standing customers in their transformations and to develop new strategically important customer segments such as e-mobility with battery manufacturers.

The pillars of this success are our strategic market positioning and our increasing focus on target growth markets, our proven and constantly refined business model, and our processes, which we systematically review through ongoing digitalisation. Yet the most important pillar of success are our employees, whose expertise, strong commitment and customer orientation make the crucial difference every day. In this way, we were able to manage significant global supply bottlenecks.

Our revenue development over the course of the year – but mainly the strong development of our gross margin to 38.7 per cent for the 2021 fiscal year – provides impressive evidence that our range of services is valued, from the innovative machine vision components and solutions we offer to our value-added services. Considering the cost increases within the supply chains, we have managed to successfully lead STEMMER IMAGING through this market situation in fair cooperation with our business partners.

On balance, this has resulted in an impressive EBITDA result of EUR 17.4 million with return on revenue of 13.3 per cent. Taking into account all the challenges in 2021, we are proud and grateful for what we have achieved and persue the further expansion of our business.

Though we must still anticipate challenges due to the effects of the pandemic and supply chain bottlenecks in 2022, we are confident that the strong market demand in the industrial and non-industrial sectors will continue.

Focus on our customers

The changes of the last two years have presented us with new challenges. We have realigned our position externally as well as internally and have defined our agenda for the next few years. We have very clearly geared our portfolio towards the component distribution business as well as the market-specific solutions business for our focus markets. Important new developments have evolved – such as in embedded solutions, an area for which we have high expectations.

At the same time, we have promoted the further digitalisation of our processes along a defined roadmap. We are convinced that not only personal contact, which we intend to strengthen further, but commercial web-based platforms play an important role in our future interaction with customers. This reaches from the pure exchange of information to order processing. Here too, we intend to not only consolidate our leading position in Europe but to expand it strategically. Ultimately, the automation of standardised processes will also give us more time for customers.

Our company also optimised many internal processes in 2021. Regulations for working from home, the requirements posed by risk and control systems, and our commitment to sustainability were also on the agenda. They are being successfully implemented, demonstrating that we are positioned for the future in 2022 and beyond.

Joining forces for success

We thank our customers, suppliers and business partners for their loyalty and trust in the past fiscal year. In 2021, we all experienced how strongly global supply chains are interconnected. We can confirm that, in this reporting year, we did our best to find the optimal solution for specific challenges through collaboration based on partnership.

We would like to thank our employees again for their excellent work, their passion, and their stamina – particularly in view of the challenges that the pandemic imposed on all our private environments, which cannot be underestimated. We were glad that we were able to thank all employees with a special bonus at the end of the year, which no doubt meets with your approval.

Dear shareholders, thank you for your trust in our company. We are pleased with the positive development of the share price in 2021, which is also the result of our commitment to create value within the company. We are firmly convinced that our chosen course will enable us to further develop our company's value in the future. Based on the company's positive earnings performance – which we consider to be further expandable in the upcoming periods – we propose to raise the dividend by EUR 0.25 per participating share, to EUR 0.75. We put our trust on your approval at this year's Annual General Meeting.

The Executive Board, along with our entire management and our employees, looks forward to the future with optimism!

Puchheim, 23 March 2022

Arne Dehn
CEO

Uwe Kemm
COO

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

The 2021 fiscal year was challenging for STEMMER IMAGING as well as for many other companies worldwide. Important steps were taken in the direction of normalisation – the vaccination campaigns led to easing of restrictions in several parts of the economy and supported the economic recovery. At the same time, the outbreak of a new coronavirus variant brought significant restrictions with it. The tense supply situation on the global market also continued in 2021 and counteracted even stronger growth. STEMMER IMAGING took impressive and successful measures in procurement, warehousing and order processing, which partly compensated for these effects. Cost rises due to the supply situation were cushioned successfully in the past fiscal year or met with price increases.

We would like to thank all employees for their dedication during the past year. In spite of the ongoing Covid-19 pandemic, STEMMER IMAGING generated record revenue of EUR 130.1 million and was thus able to continue its growth trend of the last few years.

For 2022, STEMMER IMAGING expects continued successes in the industrial and non-industrial environment despite the ongoing uncertainties.

In the 2021 fiscal year, the Supervisory Board performed its duties and obligations according to the law, the German Corporate Governance Code, the Articles of Association and the rules of procedure. It monitored the Executive Board of the company and dealt in detail with the economic development, the financial situation, the prospects and further strategy of the company and advised the Executive Board on these topics.

The Executive Board regularly, promptly and comprehensively reported to the Supervisory Board in writing, by telephone and in person about the business situation and development, the current earnings situation, risk positions, risk management, short- and long-term planning, investments and organisational measures in the 2021 fiscal year. The Chairman of the Supervisory Board was in close contact with the Executive Board and was informed on a regular basis about the development of the business situation and the material business transactions. The Supervisory Board was involved in all important decisions and passed required resolutions in accordance with law, German Corporate Governance Code, articles of association and rules of procedure. The decisions of the Supervisory Board were based on the reports and proposed resolutions of the Executive Board, which the Supervisory Board examined in detail. Due to the regular, prompt and detailed information from the Executive Board, the Supervisory Board was always able to perform its monitoring and advisory function. The Supervisory Board therefore believes that the Executive Board acted legally, properly and efficiently in every respect. The Executive Board and Supervisory Board work together for the constructive further development of STEMMER IMAGING.

MEETINGS AND KEY TOPICS

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

The global spread of the coronavirus and the classification as a pandemic at the beginning of 2020 led to unprecedented consequences and great uncertainty at all levels and in all areas. These developments also continued to be the subject of a regular and intensive exchange of opinions between the Executive Board and the Supervisory Board in the 2021 fiscal year. In particular, this included the analysis of relevant market information and the derivation of trends to aid the expansion of STEMMER IMAGING's business areas. The risks of the coronavirus pandemic and the measures that were accordingly implemented to protect the company were also discussed in detail at an early stage.

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

During the reporting period, four regular meetings of the Supervisory Board were held, either as in-person meetings or video/conference call meetings or in a hybrid form, on 22 March 2021, 9 June 2021, 16 September 2021 and 6 December 2021. All Supervisory Board Members took part in the respective meetings. Furthermore, there were additional meetings on 28 January 2021, 21 April 2021 and 13 October 2021. At the meetings, the Supervisory Board regularly accepted the Executive Board's reports in accordance with section 90 (1) sentence 1 no. 1 – 3 of the German Stock Corporation Act on intended business policy profitability and the state of business, including the market and competitive situation, and discussed them in detail. In addition, the Executive Board reported in accordance with section 90 (1) sentence 1 no. 4 of the German Stock Corporation Act on transactions that may have a material impact on the profitability or liquidity of the company and/or the Group, especially on planned acquisitions and disinvestments.

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

– In the telephone Supervisory Board Meeting on 22 March 2021, following a detailed discussion, the Supervisory Board approved the annual financial statements of STEMMER IMAGING AG and the consolidated financial statements of the STEMMER IMAGING Group as at 31 December 2020, as well as the management report of the company and the Group. The annual financial statements were thus adopted. In view of the background to the business development in the reporting period, the appropriation of the company's profit was discussed and the Executive Board passed the resolution to propose to the Annual General Meeting, the distribution of a dividend of EUR 0.50 per participating share. The Board also dealt with the recommendations of the German Corporate Governance Code regarding new Executive Board contracts. The Supervisory Board consented to the reappointment of Chief Executive Officer Arne Dehn for a period of five years effective 1 January 2022.

– The Supervisory Board meeting on 9 June 2021 dealt with topics in connection with corporate governance. Members of the Supervisory Board worked on self-assessments dealing with their effectiveness in fulfilling their Supervisory Board duties (efficiency review). Furthermore, in view of the guidelines set by the FISG (Financial Market Integrity Strengthening Act), the requirement to train members of the Supervisory Board was discussed. The Executive Board also presented the concept for a possible succession planning; this was discussed, and measures were established. The Supervisory Board also dealt with the planned investments within the context of the digitalisation strategy.

– In the Supervisory Board meeting on 16 September 2021, Uwe Kemm was again appointed as a Member of the Executive Board from 16 September 2021 to 31 May 2026. On the basis of the new remuneration system, resolutions were passed by the Supervisory Board on adapted contracts for Members of the Executive Board.

- In the Supervisory Board meeting on 6 December 2021, the Supervisory Board approved the planning for the 2022 fiscal year presented by the Executive Board. The Supervisory Board also approved the planned substantiation of the risk management system (RMS). Furthermore, the sale of Perception Park GmbH planned by the Executive Board was also approved.

- The Supervisory Board discussed additional important topics including:

- The review of the existing remuneration system for the Executive Board based on the legal requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II) including the recommendations of the German Corporate Governance Code. The result of these consultations was the restructuring of the remuneration system for the Executive Board, which was presented to the Annual General Meeting on 9 June 2021 for approval.

- The resolution on the tender for the annual financial statement audit for the Group and the separate financial statements for the fiscal year starting on 1 January 2022; a corresponding nomination proposal will be submitted by the Supervisory Board to the 2022 Annual General Meeting.

- The potential for inorganic growth through targeted M&A activities which result from the fragmented market environment.

- The topic of sustainability, which became increasingly important in 2021 and has been a fixed component of the agenda since the middle of 2021.

COMPOSITION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

I. CHANGES IN THE EXECUTIVE BOARD

The Executive Board of STEMMER IMAGING AG is currently composed of Arne Dehn as Chief Executive Officer and Uwe Kemm (COO). In the reporting period, there was no personnel change in the Executive Board.

II. CHANGES IN THE SUPERVISORY BOARD

There were no changes to the composition of the Supervisory Board in the reporting period. The Members of the Supervisory Board of STEMMER IMAGING AG were Klaus Weinmann (Chairman), Stefan Kober (Deputy Chairman) and Markus Saller.

Stefan Kober left the Supervisory Board effective 31 December 2021. Prof. Dr Constanze Chwallek is a member of the Supervisory Board beginning on 3 January 2022 as the successor of Stefan Kober. Prof. Dr Constanze Chwallek was appointed as a Member of the Supervisory Board by the court effective 3 January 2022. The replacement will be submitted to the Annual General Meeting of 18 May 2022 for resolution.

The Members of the Supervisory Board and the Executive Board expressed their sincere thanks to Stefan Kober for his long-standing and constructive collaboration. At its meeting on 20 January 2022, the Supervisory Board of STEMMER IMAGING AG elected Markus Saller, previously a member of the Supervisory Board, as Deputy Chairman.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

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

On 9 June 2021, the Executive Board and Supervisory Board declared that STEMMER IMAGING AG largely complied with the recommendations of the Code and will also do so in future, and issued a declaration of compliance pursuant to section 161 of the German Stock Corporation Act, which is permanently available on the company's website.

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

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

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements prepared by the Executive Board and the combined management report for STEMMER IMAGING AG and the Group for the 2021 fiscal year were audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

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

The annual financial statements of STEMMER IMAGING AG and the combined management report for STEMMER IMAGING AG and the Group were prepared in accordance with German accounting principles. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable within the European Union, and in accordance with the supplementary German regulations to be applied as specified in section 315a (1) of the German Commercial Code (HGB). The auditor conducted the audit of the separate and consolidated financial statements as at 31 December 2021 and the combined management report of the company and the Group in accordance with section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW) and issued an unqualified auditor's report in each case. The Supervisory Board has noted and approved the result of these audits.

The annual financial statements, the consolidated financial statements, the combined management report of the company and the Group, the report by the auditor on the audit and the Executive Board's proposal for the appropriation of net retained profits were made available to all Members of the Supervisory Board in due time before the resolution and approval by the Supervisory Board on 29 March 2022. The auditor reported to the Supervisory Board on the progress and the material events of the audits and was available to answer and discuss questions and to provide supplementary information. The auditor participated in the Supervisory Board's discussions regarding the annual and consolidated financial statements and attended the Supervisory Board's meeting for the adoption of the annual financial statements and the approval of the consolidated financial statements on 29 March 2022.

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. Furthermore, the Supervisory Board obtained a written declaration of independence from the auditor and verified the independence of the auditor in the course of an independent monitoring process. The Board also discussed the dependent company report prepared by the Executive Board, the company's accounting process and risk management system and the maintenance of integrity in financial reporting.

After discussing the audit reports on the separate and consolidated financial statements as of 31 December 2021 and the combined management report of the company and the Group in detail, the Supervisory Board raised no objections. It approved the annual financial statements of STEMMER IMAGING AG, the consolidated financial statements and the combined management report of STEMMER IMAGING AG and the Group for the 2021 fiscal year prepared by the Executive Board. The annual financial statements were thus approved.

DEPENDENT COMPANY REPORT

In addition, in its meeting on 29 March 2022, the Supervisory Board examined the dependent company report of the STEMMER IMAGING AG Executive Board for the 2021 fiscal year in accordance with section 312 of the German Stock Corporation Act.

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

"We have audited in accordance with our professional duties and confirm that
- the statements in the report are accurate,
- the consideration given by the company for the transactions specified in the report was not unreasonably high or disadvantages were 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 29 March 2022 and provided information on the main findings of his audit of the dependent company report.

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

The Supervisory Board concurred with the results of the audit performed by the auditor and, after the final result of its own review, approved the report. Based on the final result of its own review, the Supervisory Board has no objections to the statement made by the Executive Board at the end of the dependent company report. Following the presentation of the audited results, the Supervisory Board discussed the proposal of the Executive Board to increase the dividend per share by EUR 0.25 compared to the previous year to EUR 0.75, taking into account the good earnings development and the positive outlook. Accordingly, it was agreed to submit this proposal to the shareholders at the Annual General Meeting.

In the face of continuing difficult conditions, the management and employees of STEMMER IMAGING drove the Group forward with a great deal of commitment, dedication and passion in 2021.

On behalf of the Supervisory Board, I sincerely thank you again for this!

Puchheim, March 2022

For the Supervisory Board

Klaus Weinmann
Chairman of the Supervisory Board

2021 REVIEW

2021 – The success story continues. The second coronavirus year now lies behind us. The global pandemic has turned many things upside down. Yet every change holds an opportunity to restructure. STEMMER IMAGING took advantage of this opportunity in 2021 to make ground-breaking decisions and implement numerous strategically valuable projects. **A look back on an eventful year:**

REVENUE TARGET SET AND STRATEGY SUBSTANTIATED UNTIL 2024

On Capital Markets Day in October 2021, STEMMER IMAGING announced the revenue target of EUR 200 million by 2024, as well as an EBITDA margin of 12 – 14 per cent over the medium-term period. Accordingly, the company presented its substantiated strategy for the period up to 2024 for the first time. With a view to the extensive use of business opportunities resulting from global megatrends such as automation, digitalisation and sustainability issues, the company is relying more consistently on growth through the structured development of the solution business, with innovative services in clearly specified end markets such as mobility, sports & entertainment, and food & agriculture. At the same time, the company is accelerating the changeover to digital offerings in its distribution business.

REORGANISATION OF SPECIALIST DEPARTMENTS

The “OneOperations” and “Technik21” projects continued in tandem with substantiation of the strategy: core segments of the company were combined organisationally and provided with clear responsibilities and new structures. All manufacturing and production activities are now bundled in a central unit. Roles, processes and technical support interfaces have been redefined. This will provide customers with solutions that are tailored to their interests even more efficiently.

CONTINUITY IN THE MANAGEMENT OF THE COMPANY

In 2021, both Arne Dehn as Chief Executive Officer and Uwe Kemm as a member of the Executive Board were reappointed. The Supervisory Board has thus sent a clear signal about the stability and continuity of the company's management. Arne Dehn has been Chief Executive Officer since March 2019 and Uwe Kemm has been Chief Operating Officer at STEMMER IMAGING since April 2020.

SUSTAINABILITY REMAINS A STRATEGIC FOCUS

STEMMER IMAGING has consistently continued its efforts to achieve its sustainability targets, and even toughened them in 2021 with new commitments and targets. The targets are ambitious: by no later than 2027, the company intends to be climate neutral. Furthermore, the focus on sustainable customer projects will be strengthened once more. The aim is for 100 per cent of the revenue of STEMMER IMAGING to support the 17 Sustainable Development Goals of the United Nations by the end of 2024.

INVOLVEMENT IN ASSOCIATIONS

Supporting state-of-the-art technology and know-how transfer, and promoting innovations, are all important goals that STEMMER IMAGING actively pursues as a member of industry associations. At the members' meeting of the VDMA Robotics + Automation Association in September, the newly elected Executive Board of the VDMA Machine Vision sector group appointed Mark Williamson, Managing Director of STEMMER IMAGING Ltd. and member of the management team, as its new Chairman.

f. l. t. r.: Donato Montanari (Deevio), Martin Klenke (Teledyne Imaging), Mark Williamson (STEMMER IMAGING), Uwe Wiedermann (ISRA VISION), Olaf Munkelt (MVTec Software), Horst-Heinol Heikkinen (Asentics), Heiko Frohn (VITRONIC), not in the picture: Hardy Mehl (Basler)

STEMMER IMAGING ON THE CAPITAL MARKET

CAPITAL MARKET ENVIRONMENT

The global coronavirus pandemic also influenced the capital markets in 2021. Worldwide delivery bottlenecks and rising inflation rates slowed down the recovery of the global economy. Furthermore, the rise of various coronavirus mutations such as the Omicron variant led to an increase in economic risks at the end of the year. Despite the stress factors, international stock markets were robust throughout 2021 and continued with the recovery in 2020.[1]

The German Stock Index (DAX) started the 2021 trading year on 4 January at 13,890 points. In March 2021, the DAX passed the 15,000-point mark for the first time. In autumn, full order books in the industrial sector contributed to growing optimism and ultimately allowed the DAX to rise to a new all-time high of 16,290 points in mid-November. The German benchmark index ended the month of December 2021 at a level of 15,884 points. The DAX ended the year with a gain of around 16 per cent year-on-year, which was the ninth annual profit in ten years.[2]

The TecDAX technology stock index gained 22 per cent over the course of 2021 and closed trading on 30 December 2021 at 3,920 points.[3]

SHARE INFORMATION

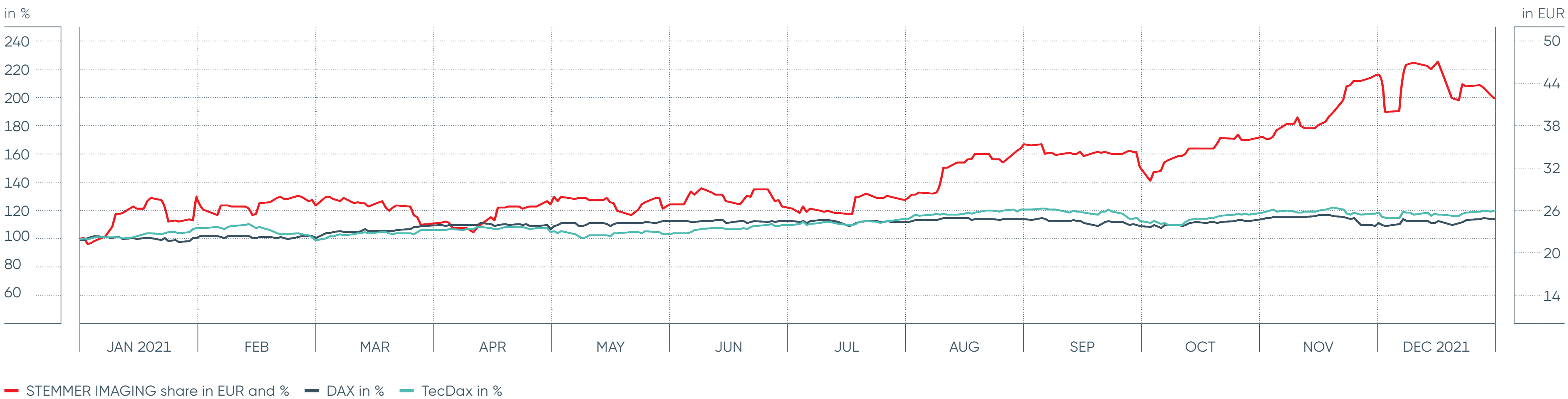
Exchange market	Xetra, Frankfurt, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart, Tradegate
Symbol	S9I
Total number of shares	6,500,000
Share capital	EUR 6,500,000
ISIN	DE000A2G9MZ9
WKN	A2G9MZ
Market segment	Regulated Market
Transparency level	Prime Standard
Designated sponsor	Hauck & Aufhäuser Privatbankiers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

STEMMER IMAGING AG shares opened trading at EUR 20.50 on 4 January 2021. Share certificates reached the low for the year on 7 January 2021 at EUR 19.50. Driven by strong business development, the price of the STEMMER IMAGING share more than doubled (+101.6 per cent) over the course of 2021 compared with the closing price on 30 December 2020. On 16 December, the STEMMER IMAGING share reached its high for the year at EUR 49.00, in line with the second forecast increase in the reporting year. On the basis of the closing price of EUR 42.50, STEMMER IMAGING AG's market capitalisation was EUR 276.3 million as at 30 December 2021 with a total of 6,500,000 shares issued. As at 30 December 2020, with the same number of shares and a price of EUR 21.08, market capitalisation was EUR 137.0 million (all information based on Xetra prices)[4].

1 Hauck & Aufhäuser look back on 2021
2 https://www.boerse-frankfurt.de/index/dax
3 https://www.boerse-frankfurt.de/index/tecdax
4 STEMMER IMAGING AG INH ON Share | A2G9MZ | DE000A2G9MZ9 | Share Price (boerse-frankfurt.de)

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

SHARE PRICE FROM JANUARY 2021 TO END OF DECEMBER 2021



During the reporting period, the average daily trading volume on the German stock markets (including Tradegate) was 5,229 shares compared with 8,290 shares in the same period of the previous year. Measured in euro, STEMMER IMAGING shares with an average of EUR 162,546 were traded per day in 2021, which corresponds to an increase of 4.65 per cent compared to the previous year (EUR 155,326).

SHARE PRICE DEVELOPMENT

Opening price	4 January 2021	EUR 20.50
Low	7 January 2021	EUR 19.50
High	16 December 2021	EUR 49.00
Closing price	30 December 2021	EUR 42.50
Market capitalisation	as at 30 December 2021	EUR 276.25 million

ANNUAL GENERAL MEETING

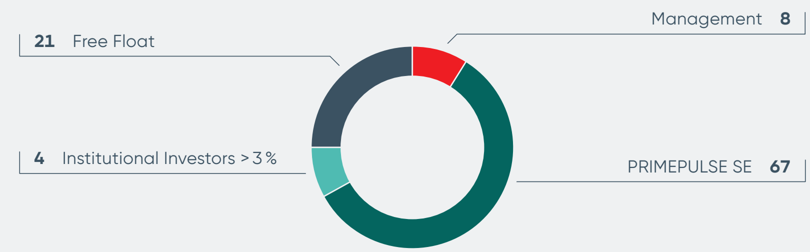
The company's Annual General Meeting was held virtually for the second time in view of the Covid-19 pandemic, without the physical presence of shareholders and their authorised representatives (excepting voting proxies appointed by the company). On 9 June 2021, the STEMMER IMAGING AG Executive Board informed shareholders about the course of the 2020 fiscal year. The shareholders had submitted the questions electronically in advance. Shareholder voting rights were exercised electronically prior to and during the Annual General Meeting via postal voting or through the authorisation of company voting proxies. When the vote was taken, 83.4 per cent of the share capital was represented. The shareholders expressed their satisfaction with the company's development and adopted the proposed resolutions of the Executive Board and Supervisory Board by a large majority. The new remuneration system for the Executive Board in accordance with ARUG II and the German Corporate Governance Code was approved with 82.0 per cent. The dividends proposed by the shareholders in the amount of EUR 0.50 per participating share for the 2020 fiscal year found broad support among the shareholders. With this, a total of EUR 3,250,000.00 was distributed from the net retained profits of STEMMER IMAGING AG.

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

SHAREHOLDER STRUCTURE

The company has a balance between free float and the majority holding of a strategic anchor investor. PRIMEPULSE SE held 67 per cent of the voting rights as of 31 December 2021. The Management held 8 per cent of the shares as at the same date. As at 31 December 2021, 21 per cent of the shares were in free float.

SHAREHOLDER STRUCTUR
in %



ANALYST RESEARCH

The shares of STEMMER IMAGING AG have been listed in the Prime Standard of the Frankfurt Stock Exchange since 10 May 2019. The STEMMER IMAGING AG share is regularly evaluated by qualified securities analysts, namely Hauck & Aufhäuser Privatbankiers, Warburg Research and Berenberg Bank. As at 31 December 2021, the average price target was EUR 51.70. All analysts recommended to buy.

ANALYST EVALUATIONS

Institute	Date	Recommendation	Target price
Hauck & Aufhäuser Research	7 December 2021	Buy	EUR 58.00
Warburg Research	23 February 2022	Buy	EUR 51.00
Berenberg Research	24 February 2022	Buy	EUR 45.00

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

INVESTOR RELATIONS ACTIVITIES

Open, transparent and continuous communication with the capital market are important requirements so that market participants can realistically assess and evaluate the STEMMER IMAGING share and its performance.

The Executive Board held a regular dialogue with capital market participants at numerous roadshows and investor conferences in the 2021 fiscal year. Furthermore, the Executive Board engaged in various individual discussions with investors and analysts and informed them about current developments and specific topics. Due to coronavirus-related issues, the events were predominantly held virtually. In a telephone conference on current business development, STEMMER IMAGING reported in detail on the published figures for the first half of the year and the full year.

The second Capital Market Day was held virtually on 5 October 2021. The management detailed its targeted revenue growth to EUR 200 million by 2024 and raised the average EBITDA margin to 12 – 14 per cent over the medium-term period. The participating analysts and investors were able to get an idea of how the driving forces of digitalisation, automation and sustainability will open up future growth potential. They also learned about how STEMMER IMAGING plans to orient its service portfolio even more consistently and clearly towards solution and distribution business operations in the future, with the goal of supporting the customers even more precisely in their respective needs. Following the event, a press briefing was held for interested representatives of the financial and trade press.

ACTIVITIES

22 February 2021	Publication of the preliminary figures for the 2020 fiscal year
2 March 2021	Berenberg Industrial Technologies Conference, online
24 March 2021	Publication of the annual report for the 2020 fiscal year
11 May 2021	Publication of Q1/3M 2021 interim report
17 – 19 May 2021	Spring Conference, online
9 June 2021	Annual General Meeting, online
11 August 2021	Publication of Q2/6M 2021 interim report
1 – 3 September 2021	HAIB Stockpicker Summit, Stockholm
20 – 22 September 2021	Berenberg & Goldman Sachs German Corporate Conference, online
5 October 2021	Capital Markets Day, online
10 November 2021	Publication of Q3/9M 2021 interim report
22 – 24 November 2021	Equity Forum, online

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

STEMMER IMAGING will continue its open communication with the capital market in 2022. Various conferences are already planned and can be found in the financial calendar on the website of STEMMER IMAGING AG – **stemmer-imaging.com/investors**. Here the company also provides comprehensive information about the business situation as well as current news.

The **financial calendar** with all dates can be found on page 184.

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

SUSTAINABILITY 2021

The 2021 reporting year is now the third time that STEMMER IMAGING is providing information on the economic, ecological and social impact of its business activities. The topic of sustainability took on even greater significance in the year under review and, together with the megatrends of automation and digitalisation, it occupies a key position in STEMMER IMAGING's strategy.

STEMMER IMAGING empowers its customers to drive sustainable growth

Using machine vision technologies and solutions from STEMMER IMAGING helps increase energy efficiency, conserve resources and reduce CO_2 emissions, thereby creating innovative and future-oriented production processes. At least 95 per cent of all STEMMER IMAGING revenues already make a positive contribution to the UN Sustainable Development Goals (SDGs) today. One example of this is the field of e-mobility, where STEMMER IMAGING is making an important contribution to battery production with machine vision solutions. The food and agriculture sector also presents opportunities for innovative uses of STEMMER IMAGING's machine vision solutions, such as camera-based weed detection, rendering the use of pesticides unnecessary. All of this underpins STEMMER IMAGING's corporate vision: "As machine vision specialists we enable businesses to improve the world we live in".

Growing relevance

The significance of sustainability also continues to grow among STEMMER IMAGING's stakeholders. It is becoming increasingly important in its customers eyes to work with companies that pursue a sustainability strategy. At the same time, the demands on suppliers regarding sustainable supply chains are rising. And last but not least, the topics of environment, social issues and good corporate governance are becoming ever more prominent among existing and future employees. The capital market is also increasingly assessing the sustainability performance of companies through ratings and rankings by investors. Efforts at the political and regulatory level to significantly expand sustainability reporting and integrate it with financial reporting are also heading in this direction.

Management and ESG team

An ESG (Environment, Social, Governance) working group was set up in STEMMER IMAGING in 2019 with a view to steering the various sustainability topics in the company. This working group comprises representatives from various central corporate divisions, who regularly exchange information on all cross-divisional topics and activities and report directly to the Executive Board. Sustainability is a cross-sectional responsibility and should therefore be integrated into all areas of the company. Clearly formulated and measurable goals are needed to continuously develop the sustainability agenda, which is why specific actions are defined for all sustainability topics and then regularly reviewed to assess their effectiveness and progress.

INTERNATIONAL STANDARDS

UN Sustainable Development Goals

17 Sustainable Development Goals were defined by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. STEMMER IMAGING supports the Sustainable Development Goals (SDGs) and uses them as a frame of reference. The company makes a particular contribution to SDGs 4, 5, 7, 8, 12, 13 and 16 with its sustainability activities.

SUSTAINABLE DEVELOPMENT GOALS

UN Global Compact

STEMMER IMAGING is committed to the ten Global Compact sustainability principles with regard to human rights, labour, the environment, and anti-corruption. As part of its commitment, the company delivered its first "**Communication on Progress**" report in 2021 **(Stemmer Imaging AG – Communication on Progress STEMMER IMAGING AG | UN Global Compact)**

THE GLOBAL COMPACT UNITED NATIONS GLOBAL COMPACT

Certification

For many years, STEMMER IMAGING has had a quality management system certified in accordance with ISO 9001:2015 at the headquarters in Puchheim as well as all subsidiaries. In 2021, the company started work on preparing for ISO 50001 certification for energy management. External auditing by an approved certification body is planned for 2022. STEMMER IMAGING also supports compliance with both the RoHS and REACH directives, which aim to restrict the use of certain hazardous substances in electrical and electronic equipment.

Sustainability initiatives

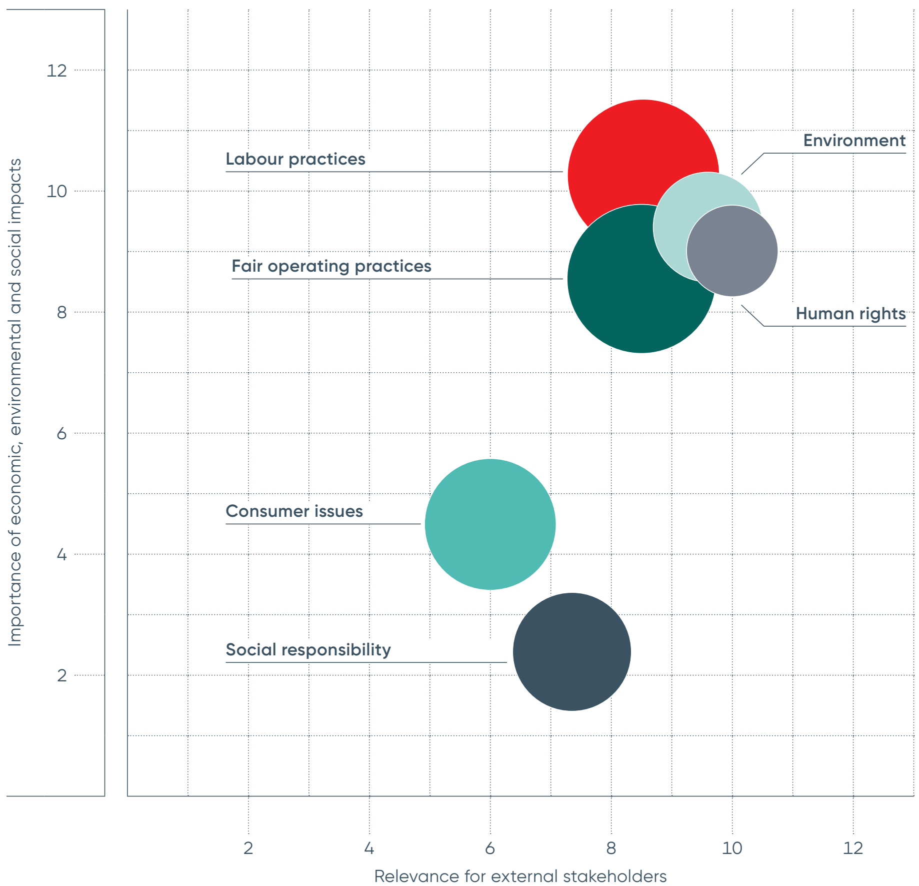
STEMMER IMAGING is a Blue Competence partner, a sustainability initiative of the German Mechanical Engineering Industry Association (VDMA) aimed at promoting sustainability in mechanical and plant engineering as well as at raising awareness in the industry for sustainable solutions. STEMMER IMAGING is committed within the scope of this partnership to complying with the **twelve sustainability principles.**

STEMMER IMAGING also signed the “Diversity Charter”, an initiative of the German Federal Government, at the beginning of 2022, in doing so committing itself to promoting diversity and appreciation within the company.

MATERIALITY ANALYSIS

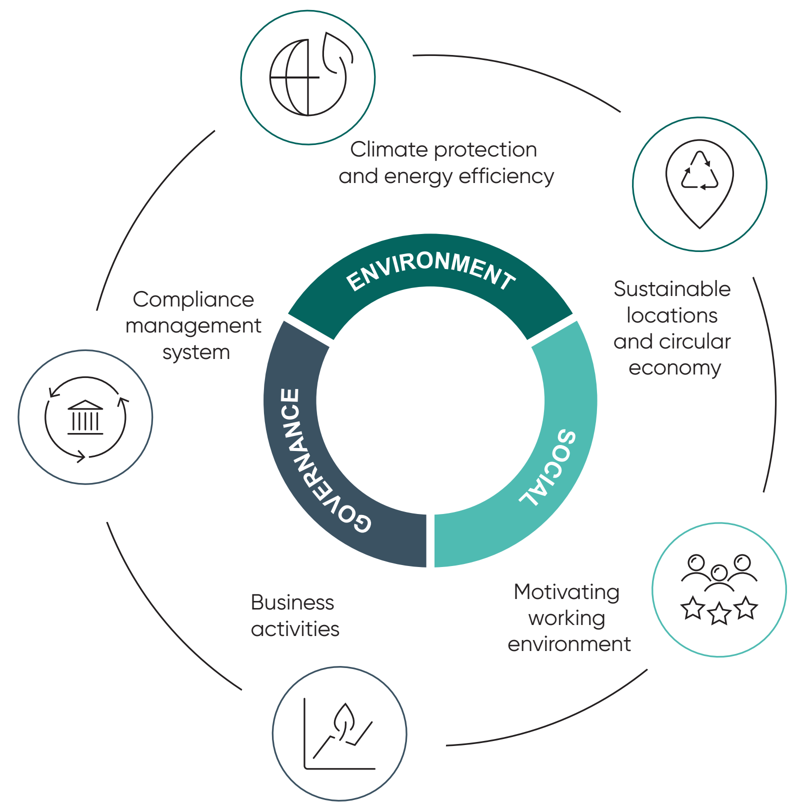
In the 2020 fiscal year, STEMMER IMAGING conducted its first materiality analysis to identify and prioritise the most relevant sustainability issues. The economic, ecological and social effects of the company's activities and the relevance of these issues for the company's stakeholders were examined. The views of internal experts were taken into account when conducting this analysis, as well as benchmarking from databases and indirect sources.

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



FOCUS AREAS IN 2021

Based on the materiality analysis and the results for the two factors "impact" and "relevance", different focus areas were identified. These are the focus of STEMMER IMAGING's objectives and specific action.



STEMMER IMAGING ESG GOALS

In the year under review, STEMMER IMAGING addressed the following specific topics. KPIs are used to measure and regularly review the progress being made in achieving the goals.

SDG contribution	Focus area	Topic	KPI	Status quo	Measures
7, 13	**Climate protection and energy efficiency**	Carbon footprint	Carbon neutral by 2027	CO_2 accounting in preparation	Data for CO_2 emissions collected in the 2021 fiscal year Define and implement measures to reduce CO_2
		Energy consumption	90 per cent green electricity at all locations by the end of 2022	84 per cent green electricity use at all locations	Steady increase in the share of green electricity
		Mobility	Promoting sustainable mobility	New fleet policy, i. e. vehicles in the fleet are hybrid or electric where appropriate Mobility concept in preparation	Introduce a policy on the use of sustainable transport in 2022 Introduce a guide for environmentally friendly business travel
12, 13	**Sustainable locations and circular economy**	Material consumption	Reduce other material consumption or switch to environmentally friendly materials by the end of 2023	Purchasing switched to 100 per cent recyclable packaging materials	Collect data on current material consumption in order to derive measures to make further reductions
		Waste management	Reduce volume of waste and fully recycle all waste at the main location in Puchheim by the end of 2024	Certified waste management at the main location in Puchheim	Collect data on the current recycling rate of all waste in order to define measures to increase the recycling rate.

SDG contribution	Focus area	Topic	KPI	Status quo	Measures
	Motivating working environment	Employer attractiveness	Number of applications per job advertisement Duration needed to fill a position	Internal talent pools set up for key leadership positions Flexible working models (including working from home) Promoting cross-regional cooperation through temporary assignments abroad A fair and consistent performance appraisal process Further education budget Health and safety at work	Introduction of additional occupational safety measures Employer branding programme
		Diversity	Positive perception of an inclusive work environment by the employees	Targets for the share of women at management positions level 1 and 2 by 2024	Internal analysis of diversity in the company Establish recruitment criteria for new staff with a view to promoting diversity Promote women at management positions level 1 and 2
	Compliance management system	Supply chain	100 per cent of the purchasing volume covered through the Code of Supply	87 percent of the purchasing volume covered through the Code of Supply	Supplier audits Adjust portfolio
	Business activities	Code of Sale	100 per cent of all revenue aligned with the UN SDGs, i. e. sustainable impact of all business activities	At least 95 per cent of all revenue already make a positive contribution to the UN SDGs	Define a Code of Sale in 2022 applicable from 2023 for all project decisions

ENVIRONMENT

Climate protection and energy efficiency

Carbon footprint
In the past 2021 fiscal year, STEMMER IMAGING defined the topic of CO_2 accounting as a focus for 2022. The emission sources (Scopes I – II and partly III) that are of most relevance to STEMMER IMAGING were determined together with an external partner. In 2022, the sources of CO_2 emissions will be identified and based on this gradual ways of reduction will be defined. STEMMER IMAGING aims to become climate-neutral by 2027.

Electricity consumption
In the 2021 fiscal year, the company started compiling documentation and collecting data for ISO 50001 certification and introduced systematic energy management. By taking advantage of previously untapped energy efficiency potential, reducing energy costs and cutting greenhouse gas emissions, STEMMER IMAGING can make a contribution to climate protection and energy efficiency efforts. Further energy-saving measures are planned for 2022. Purchasing green electricity at all STEMMER IMAGING locations around the world is one way of improving the company's carbon footprint. The company has set itself the goal of sourcing 90 per cent of its electricity at all locations from renewables by the end of 2022. At the end of 2021, the figure was 84 per cent.

Mobility
Promoting sustainable mobility is another way STEMMER IMAGING wants to help reduce its carbon footprint. STEMMER IMAGING's policy for its fleet of vehicles was reworked in 2021. Since January 2022, any new vehicles added to the Group-wide fleet will be hybrid or all-electric where appropriate and possible. In 2022, the company plans to establish a guideline for optimising business travel with a view to establishing environment-friendly business travel practices. At the same time, a policy to promote the use of sustainable transport by employees at the head office is to be introduced in 2022. A few years ago, STEMMER IMAGING established a JobRad bicycle leasing scheme at its main location.

Sustainable locations and circular economy

Material consumption
STEMMER IMAGING is working to reduce its environmental footprint by using less packaging and switching to the use of sustainable materials. The introduction of a digital document management system in the reporting year also made it possible to avoid the use of 9 per cent of paper. All of the packaging materials purchased now consist of recyclable packaging and fillers. There are plans to collect data on total material consumption and take corresponding action to achieve savings here in 2022.

Waste management
Improved waste management and the circular use of materials can reduce the consumption of natural resources. The environmental relevance of waste depends on the type of waste and the disposal method used. STEMMER IMAGING currently considers the absolute reduction in waste in relation to revenue, which relates to urban waste, paper and cardboard as well as electrical waste. 100 per cent of the waste is handled by a certified waste management company, which provided the above data. The total amount of waste in tonnes produced in a year-on-year comparison remained almost constant (+1.3 per cent), while the KPI (tonnes of waste/revenue) decreased by 19 per cent despite the strong growth in revenue. More efficient production processes and reusing packaging, for example, made it possible to avoid paper and cardboard waste, and reduce the overall volume of waste.

SOCIAL

Motivating working environment

Employer attractiveness
STEMMER IMAGING's employees make a decisive contribution to the company's business success. STEMMER IMAGING wants to be the employer of choice and offer all employees a working environment in which they enjoy respect and appreciation, can contribute their skills, and learn new things. This includes building internal talent pools for key leadership positions, having a fair and consistent performance appraisal process, and ensuring health and safety at work.

Diversity
Promoting diversity within the STEMMER IMAGING Group also has an important part to play here. STEMMER IMAGING has set itself the goal of further increasing the proportion of women in the company. A diversity dimension analysis is planned for 2022 with the aim of defining recruitment criteria for new employees.

Occupational health and safety
Occupational health and safety was significantly affected by the Covid-19 pandemic in the 2021 fiscal year. Comprehensive hygiene measures were implemented to minimise the risk of infection. In some areas, business processes were even carried out in shifts for a while. Employees at all locations worked from home, wherever organisationally feasable, and a new works agreement to this end was implemented in 2021 for the main location in Germany with the involvement of the employees. Group-wide standards for working from home have also been introduced in the regions.

For more information on the focus area "Motivating work environment", please see the chapter "Employees" in the combined management report.

GOVERNANCE

Compliance management system

Code of Conduct
The STEMMER IMAGING Code of Conduct summarises the key principles and fundamentals for how employees of STEMMER IMAGING should act and conduct themselves when interacting with business partners and the general public. This includes ensuring respectful and cooperative collaboration, being acutely aware of their social responsibility, and ensuring compliance with all applicable laws and regulations. Together, they form the basis for long-term corporate success. The Code of Conduct provides all employees, senior executives and management alike with a binding framework of orientation to prevent situations that may call into question the legality and honesty of STEMMER IMAGING and its actions.

The focal points of the Code include acting in accordance with the law, anti-discrimination, data protection, IT, personal conflicts of interest, anti-corruption, and health protection. The Code of Conduct is published on the company's website and is also communicated internally to the workforce once a year. There were no compliance breaches in the 2021 reporting year.

Whistleblower system
A prerequisite for effective compliance is having secure and reliable communication channels for employees and business partners. STEMMER IMAGING attaches importance to clearly defined and communicated reporting channels. STEMMER IMAGING set up a whistleblower system at the end of 2021 and rolled it out company-wide in January 2022 as a way of complementing the prior system of approach the direct supervisor or the compliance contact. The whistleblower system can also be accessed by external whistleblowers via the STEMMER IMAGING website. Employees and third parties such as customers, suppliers and business partners can use this additional reporting channel to report potential compliance violations anonymously via a service provider, if desired. Information will be available in the course of 2022.

Compliance training

Regular training courses on ensuring honest and irreproachable conduct are held in the form of e-learning courses for all employees of the Group. These courses focus on data protection, information security and the Code of Conduct.

Data protection

STEMMER IMAGING attaches great importance to protecting the personal data of its customers, employees, and business partners. As digitalisation becomes more prevalent, the requirements for handling personal data are also growing. Processing personal data in accordance with applicable data protection law, including the General Data Protection Regulation, is therefore an important concern for STEMMER IMAGING. The company's data protection officer publishes a data protection report once a year. STEMMER IMAGING continuously invests in IT security to ensure that data protection and data security measures are always in line with the latest technological standards.

Sustainability integrated into management remuneration

The remuneration system for the Executive Board was comprehensively reviewed in the reporting year and further development to reflect the requirements of the Act Implementing the Second Shareholders' Rights Directive (ARUG II). This was approved by a large majority at the Annual General Meeting in June 2021. For the first time, it also includes sustainability criteria. The Supervisory Board sets specific targets for the upcoming fiscal year based on the corporate planning, which is previously approved by the Supervisory Board.

Supply chain

For STEMMER IMAGING, having long-term partnerships with suppliers is a prerequisite for being able to offer successful customer solutions. This means that suppliers need to be carefully selected. STEMMER IMAGING's Code of Supply sets out the principles and practices that govern STEMMER IMAGING's business activities. The core elements are in particular, compliance with applicable laws and regulations as well as showing responsibility towards people and the environment. At the end of the reporting year, 87 per cent of all suppliers, sorted by their contribution to revenue, had signed the Code of Supply. The target in 2022 is again to have all suppliers sign the code. The global supply situation led to STEMMER IMAGING adding another aspect to how it measures supplier performance in order to improve cooperation with suppliers and to be able to react earlier to bottlenecks. The system is already widely used.

Business activities

STEMMER IMAGING aims to align 100 per cent of its revenues with the UN Sustainable Development Goals in the medium term. At least 95 per cent of all STEMMER IMAGING revenues today already make a positive contribution to the UN Sustainable Development Goals. The company's key target markets include, in particular, food & agriculture, sports & entertainment, transport & logistics, print & packaging, raw materials & bulk materials, factory automation, and measuring technology. The food & agriculture sector as well as the issue of electrification in the automotive sector with regards to factory automation are already important growth areas and will be the focus of even more concerted efforts in the future. To achieve this goal, the company will define a Code of Sale in the course of 2022 and apply it accordingly when making project decisions.

Stakeholder dialogue

STEMMER IMAGING regularly informed its stakeholders about sustainability issues in the past fiscal year.

As part of its commitment and pledge to the UN Global Compact, STEMMER IMAGING published its first Communication on Progress (CoP) report in 2021. This outlines the measures the company implements and will implement in the four areas of human rights, labour, environment and anti-corruption.

In the past fiscal year, STEMMER IMAGING also added a dedicated "Sustainability" section to its website and regularly informed its stakeholders about relevant ESG topics via social media.

FEASIBILITY TESTING
The product specialists at STEMMER IMAGING select the right components for the customer's application by carrying out a feasibility study. Customers provide test objects – good and bad parts – and explain which defects need to be detected.

02
COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

BASIC INFORMATION ON THE GROUP

BUSINESS MODEL

STEMMER IMAGING is one of the leading international value-added distributor of machine vision technology for industrial and non-industrial applications. The company's portfolio covers the entire range of components (Illumination, optics, cameras, cables, image acquisition, software, computers, accessories) from leading international manufacturers. STEMMER IMAGING has one of the most extensive portfolios for machine vision components in Europe and the solutions expertise of highly skilled professionals.

In addition to the distribution business of components, STEMMER IMAGING offers modified components. These are pre-configured subsystems that are especially assembled by experts at STEMMER IMAGING from a variety of different hardware and software components to solve specific tasks.

Additional revenue is generated from the sale of services, such as feasibility studies. Within the scope of its services, STEMMER IMAGING is increasingly aiming to expand the development and design of customised solutions.

The business model of STEMMER IMAGING is designed in such a way that the company can offer customers of different sizes, types and industries the complete range of machine vision products and services from a single source. STEMMER IMAGING's sales activities address both industrial and non-industrial customers.

The company comprises subsidiaries in all major European countries and also in Mexico and Brazil.

MANAGEMENT OF THE GROUP

In the past fiscal year STEMMER IMAGING reviewed and supplemented its various planning and management systems to improve their efficiency. The company uses the corporate strategy and the estimates pertaining to future external conditions as a basis for regularly developing targets for the business, typically in the strategic and operational planning process. As part of a system of targets, they are specified for the different departments and the employees, including the setting of specific objectives and their achievement is reviewed at the end of the year. Furthermore, the company has revised the risk management system (RMS) in light of the new regulations of the Financial Market Integrity Strengthening Act (FISG). Details on the RMS can be found in the corresponding section of the Management Report.

Legal and organisational structure

STEMMER IMAGING AG is a listed German stock corporation. The shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange. The bodies of the company are the Executive Board (2 people) and the Supervisory Board (3 people). The Executive Board defines the Group strategy and is responsible for the management, organisation and monitoring of the company's business procedures in the company's interest, i. e. in consideration of the concerns of the shareholders, its employees and the other groups affiliated with the company, with the goal of achieving sustainable value creation.

The Supervisory Board is the advisory and supervisory body for the Executive Board and is involved in all decisions of fundamental importance. As a Group company, STEMMER IMAGING AG directly or indirectly holds shares in subsidiaries in Germany and abroad. The Managing Directors have operational and economic responsibility in the respective local markets. In the consolidated financial statements, 15 subsidiaries are included in the full consolidation in addition to STEMMER IMAGING AG.

Key management indicators

The revenue and EBITDA[1] indicators are the most significant performance indicators for the planning, management and control of business activities and measurement of business performance. As part of the ongoing controlling processes, such as the monthly internal reporting and regular meetings of the Executive Board with the management team, as well as with the local Managing Directors, significant business transactions are discussed, resolutions passed, risks for the company discussed and consequences for the company management derived. Furthermore, the development of the market and competitive environment is constantly monitored.

Qualitative aspects

For assessing the financial business developments, qualitative aspects also play a role for business success. From a company perspective, the quality standards and sustainable planning are particularly important when it comes to filling of business-critical positions.

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

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

Quality standards
In order to guarantee the high quality of the manufactured products and the methods used in the company, STEMMER IMAGING has implemented a quality management system (ISO certification according to DIN EN ISO 9001:2015). The company's processes are continuously monitored as part of the continuous improvement process (CIP). The quality management system is also audited and certified once a year by DEKRA. Furthermore, during the course of specifying sustainability on the basis of the ESG criteria (Environment, Social, Governance), measures have been implemented, which will enable the company to perform controls for this area in the future.

Senior executives and sustainable employee development
STEMMER IMAGING is led by an experienced management team. When compiling the management team and selecting senior executives, importance is attached to actively promoting the different experience backgrounds and diversity. This is intended to create an integrative culture, which reflects the corporate values and gives the company a forward-looking governance structure, so that the full potential of the employees is developed and excellent results can be achieved.

To ensure sustainable employee development, structured performance reviews are held on a regular basis, which, in addition to focusing on technical and business matters, also identify the development potential of the employees and derive appropriate development measures from this. In turn, these are aimed at technical and personal development. A possible succession planning is created for all key functions in the company, which is discussed and updated on a regular basis. Furthermore, there is an overview of talented staff, who are being given support by way of appropriate measures to prepare them for future specialist and management duties.

Senior Management f. l. t. r.: Arne Dehn, Peter Keppler, Michael Bülter, Uwe Kemm

Management Team

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

In addition to the two members of the Executive Board, the Management Team consists of the Senior Director International Sales Enablement, the Senior Director Finance, the Director Industry & Regional Liaison, the Director Product Management, the Director Operations & Supply Chain, the Director IT and the Director Marketing.

Executive Board

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

Management Team

- **Michael Bülter,** Senior Director Finance
- **Peter Keppler,** Senior Director International Sales Enablement
- **Mark Williamson,** Director Industry & Regional Liaison
- **Johannes Hiltner,** Director Product Management
- **Philipp Stein,** Director Operations & Supply Chain
- **Moritz Maier,** Director IT
- **Andreas Heiland,** Director Marketing

Regional Management Board

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

- **Peter Trollsås,** Managing Director – Sweden, Finland
- **Mark Williamson,** Managing Director – UK
- **Baptiste Guldner,** General Manager – France
- **Arne Dehn,** Managing Director (ad interim) – Benelux, Denmark
- **Toni Ruiz,** Director General INFAIMON, S. L. U. – Iberica, Latam
- **Susana Cano,** Director Finance and Operations INFAIMON, S.L.U. – Iberica, Latam
- **Juanjo Manas,** Director IT and Director Latam INFAIMON, S. L. U. – Iberica, Latam

OBJECTIVES AND STRATEGY

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

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

To achieve its goals, STEMMER IMAGING focuses on providing employees with an environment geared towards continuous improvement, thereby strengthening its position as an employer of choice.

The corporate strategy was developed in line with the strengths of the company and with a view to making full use of business opportunities arising from the observed trends in the machine vision industry. The aim is to continue achieving profitable growth in the coming years and to further expand its market position in the machine vision industry, both nationally and internationally. STEMMER IMAGING is aiming to increase its revenue to more than EUR 200 million by 2024, with the majority of this to be achieved through organic growth. The EBITDA margin target over the medium term ranges from 12 to 14 per cent. To this end, various strategic growth pillars have been defined, which can be described as follows:

Further expansion of the components business

The machine vision market is driven by the advancement of innovative products in the hardware and software sectors. STEMMER IMAGING uses its access to a worldwide network of manufacturers, in order to include these new products and a combination of thereof in the portfolio and to offer them to customers through constantly updated know-how with the help of training and advisory services. Digital marketing platforms have an increasingly important role to play here.

Value-added vision solutions through customised pre-configured packages

The pace of STEMMER IMAGING's growth is being increasingly supported by what are referred to as pre-configured subsystems. These ready-to-use machine vision solutions are assembled by experts at STEMMER IMAGING from a variety of different hardware and software components to provide systems tailored to specific tasks. The robot-assisted bin-picking solutions and the innovative solutions in the field of embedded and hyper-spectral applications form the future basis for the scaling of STEMMER IMAGING's higher-quality solutions.

Solution-oriented offering

As part of its solution-oriented offering, STEMMER IMAGING provides customers with comprehensive support to help them implement their systems and equipment. To this end, the company has methodological and process know-how such as agile co-development and conducts feasibility studies, for example. Modern IT infrastructure enables efficient collaboration with the customer, especially secure data exchange.

Using the software portfolio as a value driver

Choosing the right software plays a crucial role in a machine vision system. Regardless of how well the other components work, the right software is always decisive for the functionality of a system. STEMMER IMAGING's proprietary and distributed software covers all requirements from simple development tools to state-of-the-art algorithms based on machine learning and artificial intelligence. In this context, the development of proprietary software represents an important strategic value in order to respond to market and customer needs.

Strengthening and internal expansion of market presence

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

DRIVING FOCUSED GROWTH THROUGH CLEAR POSITIONING

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

Strategic target markets

The possible applications of digital imaging are versatile and therefore the focus of many different industries. Traditionally, the main area of application has been in industrial production plants, especially for machine control and quality assurance tasks. In recent years, the industry has undergone a profound change towards further digitalisation and networking, which STEMMER IMAGING intends to be actively involved in shaping. Furthermore, strongly growing segments, such as e-mobility are being developed, with a focus on the field of battery manufacturing.

Furthermore, machine vision is increasingly being used in a non-industrial environment. Here, machine vision supports a variety of new applications that are much more visible to consumers than industrial applications, such as in the areas of transport and infrastructure or the sports & entertainment segment.

STEMMER IMAGING focuses its activities on markets with long-term profitability and growth potential and addresses both industrial and non-industrial target markets. The company sees above-average growth potential in non-industrial applications.

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

Food & agriculture

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

Sports & entertainment

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

Transport & logistics

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

Print & packaging

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

Raw materials and bulk goods

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

Factory automation

Factory automation has historically been one of the largest markets for the machine vision industry and is still developing. In particular, the networking of data points with high-level control and quality assurance tasks creates new types of production processes with increased flexibility and stability. Automated production is always a step ahead and monitors every detail. Continuous process control ensures that deviations in the manufacturing process are detected at an early stage before defective goods are produced. Machine vision provides completely new sensor technology and evaluation software for this purpose, which is increasingly integrated into location-independent cloud-based networks. The area of e-mobility is becoming more and more important. Optical inspection systems can be used along the entire production chain of electric batteries.

Measurement

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

Focus on dedicated fields of application

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

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

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

Sorting and classification
Industrially manufactured products are always checked for their quality in relation to the defined specifications. Optical sorting systems with machine vision enable the identification and sorting of materials and ensure that deficient quality is recognised and materials are classified prior to their further processing. The challenge with natural products is that there are innumerable shapes and sizes that do not directly indicate the quality. Today's machine vision systems can map this complexity with innovative sensors and software with corresponding algorithms.

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

Customer structure

STEMMER IMAGING serves a broad customer base in all regions, in which the company has a presence. Individual markets are also served via export models, meaning that national, multinational and global customers benefit from the advantages of the Group's comprehensive positioning. Modern marketing tools are being increasingly used for acquisition purposes, in addition to the company's own sales force.

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

STEMMER IMAGING's business model ensures that the different customer segments can be served with specific portfolio offerings according to their requirements.

A revised sales model, which includes the areas of Business Development, Key Account Management, Account Management and Inside Sales, facilitates the development of efficient sales activities that are aimed at the requirements of the individual customer groups. Software-based tools are also used for this in the area of CRM and CMS, which are prepared for forward-looking processes, such as offering an electronic sales catalogue.

Processes and methods

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

RESEARCH AND DEVELOPMENT ACTIVITIES

Software is an integral part of the business with components, subsystems and projects. As a consequence, the software portfolio has been identified as one of the strategy growth pillars for the sustainable success of STEMMER IMAGING AG and that the development goals, particularly the in-house Common Vision Blox (CVB) software, are geared towards making the best possible contribution to the company's success.

For a long time now, a focus on the further development of CVB has been put on lowering the threshold of functional complexity for users. The object-oriented programming interfaces (APIs) for Python, C++ and C#, which were newly introduced in 2019, play a key role in this. Therefore, the features already integrated in October 2020 were adopted in these three APIs as part of CVB Release 13.4, published in summer 2021 and since then, have been available to all library users, regardless of which of the three supported programming languages are being used.

Furthermore, the new "DNC" (Depth No Colour) module was published for the first time in the form of the CVB Release 13.4. DNC enables the position and location detection of three-dimensional objects, which are described in a CAD file, in point clouds and determines the positions of the detected objects. Only the geometrical depth information of the object is taken into account by the algorithm, its texture and colour are irrelevant. With DNC, approaches from 2D pattern recognition are successfully combined with methods of 3D data processing, in order to achieve such precise recognition of the pose (= position and orientation) of an object with as few mathematical operations as possible, such that this information can be used for gripping the object (e. g. by a robot). The starting point for this pose estimate is comprised of known 3D data of the object to be searched for, as they are filed in conventional CAD files. Due to its properties, DNC is particularly suitable for depalletising and for gripping sufficiently separated objects from conveyor belts. In a further development step, options are being examined for optimising the DNC algorithm for use in bin-picking applications in order to apply it to non-individualised, subordinated objects. This way, DNC could be used in an even wider range of robotic applications. Fields of application exist wherever individual parts are delivered mixed up in tubs, boxes or pallet cages for loading production machinery, e. g. for pick and place or other assembly steps.

The process for intrinsic calibration of laser triangulation systems for 3D data collection, which has been in development since 2020 already and for which a patent application has been filed, was developed further in 2021 by performing a precise analysis of the expected error propagation, among other things. Furthermore, the necessary aids were implemented for practical use by the customer: The CVB Image Manager was enhanced with functions that are necessary for the calibration application. Amongst others, this relates to an application for collecting the required data. At the same time, a web service was implemented to calculate the calibration parameters from the data collected with these applications. The market launch is planned for the first half of 2022 as part of CVB Release 14.0. To evaluate the raw data required for the calibration and to generate the necessary calibration data records for the application of the procedure, a web service was implemented, which enables the customer to upload their raw data for the first time and download and use the result after successfully calibrating the calibration data record. The implementation as a web service opens up the opportunity for STEMMER IMAGING to also make improvements and install further options after the publication of the procedure, which are then immediately available to the users and can also be applied directly to older data records.

The web service will be available at the same time as CVB Release 14.0 and is a first step in opening up the advantages of cloud-based services to customers when using of CVB and other software tools.

The development of own subsystems was also pursued further in 2021. In mid-2021, the final specification of the Smart Sensor Device (SSD) was completed as a subsystem for hyperspectral applications and the concrete implementation was started. The goal of this initiative is to reduce the entry costs for the application of hyperspectral systems in machine vision and in the field of artificial vision, thereby promoting increased market penetration of this technology, which has the potential of generating further growth of the machine vision market overall.

In addition to the SSD project, another development initiative was started, with the goal of continuing to promote the anchoring of embedded systems in the machine vision market. In contrast to the market for PC components, the available components for embedded systems are usually more specialised and often not ideally set up for machine vision applications when it comes to their interfaces. This is where the combination of software and hardware developed by STEMMER IMAGING comes in, which brings together several of the most popular and widely prevalent embedded platforms with the cameras and camera interfaces of interest for embedded systems and enables a bridge to be built, which can be straightforwardly and easily integrated into applications. This product is due for release in mid-2022. In 2021, an average of 14 employees (FTE) worked for the Development department. These cover the roles of Core Developer, Algorithm Developer, UI/UX Designer, DevOps Developer, Release Manager, Scrum Master and Product Owner necessary for implementing the projects.

As done in the past, STEMMER IMAGING also evaluated the patents granted and those applied for according to various criteria during the course of its development activities in the current fiscal year. New developments were also examined regarding their patentability. The criteria of the examination are the necessary technical unique selling points for securing patents, the economic cost-benefit analysis and, with new applications, the chances of success in terms of recognition. With both of the existing patents, the continuation of patent EP17380020A, concerning a photometric stereosystem and method for inspecting objects with a one-shot camera and computer programme, was approved. Patent 10321497.6, as a method for displaying images of a line-based image capture device, will not be continued in the 2022 fiscal year, since the patent now no longer appears to be viable in the cost-benefit analysis after 13 years of use. With both of the methods applied for as a patent pending, it was decided that the patent in application EP19200257 concerning a method for calibrating an optical measuring system, optical measuring system and calibration object for an optical measuring system, would be advanced further into a positive patent notice. In consideration of the first feedback from the Patent Office and the cost-benefit analysis, as well as the technical details to be disclosed for the enforcement of the patent, the application efforts will be discontinued for the additional patent EP000003798969 applied for as a patent pending concerning a method for depth machine vision, machine vision apparatus and depth camera. The method is planned for commercial implementation in the software release planned for the 2022 fiscal year. With the other development activities, there is currently no development in patent application status.

Total development expenses amounted to EUR 1.71 million in the fiscal year (2020 fiscal year: EUR 1.37 million).

ECONOMIC REPORT

GENERAL ECONOMIC ENVIRONMENT

According to the International Monetary Fund (IMF), the global economic performance grew by 5.9 per cent in 2021, thereby showing strong recovery in comparison to the pre-crisis year. This was also evident in the individual economies, although the extent of the recovery varied considerably. Among the industrialised countries, with 7.2 per cent growth in gross domestic product (GDP), the UK showed the highest gain, while the United States posted a gain of 5.6 per cent. In the euro area, there was a rise of 5.2 per cent, with France, with an increase of 6.7 per cent and Italy, with growth of 6.2 per cent, showing the strongest development. In Spain, where the pandemic-related slump in the previous year was the most pronounced, there was only a moderate recovery of 4.9 per cent, as the tourism sector is still significantly below the pre-crisis level.

The recovery also proceeded very differently in emerging and developing countries. Brazil recorded growth of 4.7 per cent and Mexico showed a gain of 5.3 per cent. In China, GDP grew by 8.1 per cent over the previous year.

Supply disruptions, which impeded global production, posed a major challenge in 2021, particularly in Europe and the United States. A resurgence of COVID cases (particularly in Europe) also slowed down a more widespread recovery. In China, disruptions caused by COVID outbreaks contributed to interruptions of industrial production due to energy supply bottlenecks and a faster than expected withdrawal of public investments led to a slowdown in the second half-year. Inflation rose further in the second half-year, which is due to several factors that carried different weight according to regions. The prices for fossil raw materials nearly doubled in the last year, which pushed up energy costs and led to higher inflation, especially in Europe. Meanwhile, continuing supply bottlenecks and the high demand for goods drove up transport costs, as well as the prices of various consumables and industrial goods.

Exchange rates showed different development in view of the various measures of the central banks as a response to the increased inflation. While the US Federal Reserve began to reduce its securities purchases at the end of the year and held out the prospect of interest rate rises, the European Central Bank (ECB) remained faithful to its monetary policy stance of low interest rates. The exchange rate of the euro against the US dollar fell by – 7.7 per cent, against the Swiss franc by – 4.4 per cent and against the Britisch Pound by – 6.5 per cent over the course of the year. Against the Brazilian real, the euro fell by nearly – 1 per cent and against the Mexican peso, by – 5.2 per cent.

COUNTRY / REGION GDP DEVELOPMENT
in %

	2021	2020
World	**5.9**	**– 3.1**
Developed economies	5.0	– 4.5
Eurozone	5.2	– 6.4
Germany	2.7	– 4.6
France	6.7	– 8.0
Italy	6.2	– 8.9
Spain	4.9	– 10.8
UK	7.2	– 9.4
USA	5.6	– 3.4
Japan	1.6	– 4.5
Emerging markets and developing countries	6.5	– 2.0
Brazil	4.7	– 3.9
Mexico	5.3	– 8.2
China	8.1	2.3
India	9.0	– 7.3
Russia	4.5	– 2.7

Source: IMF World Economic Outlook Update January 2022

The GDP in Germany gained by 2.7 per cent on a price-adjusted basis over the previous year. The economic performance recovered in almost all business sectors, but grew more slowly than in most of the other EU countries. Amongst others, this is due to the fact that the GDP in Germany fell less severely in 2020 than in most other large EU countries. In 2021, GDP was 2 per cent below the economic performance of 2019, but was not yet able to reach the pre-crisis level again.

Private consumer spending remained at the low level of the previous year in 2021. In contrast, government consumption expenditure in 2021 grew by 3.4 per cent compared to the previous year and supported the German economy. The government predominantly spent more money to procure the free antigen tests and coronavirus vaccines introduced nationwide in spring 2021, as well as for operating test and vaccination centres.

German exports in the form of goods and services grew by 9.4 per cent over the previous year on a price-adjusted basis, thanks to the strong recovery of foreign trade in 2021. With imports, there was price-adjusted growth by 8.6 per cent. However, the labour market was once again robust in the past year and reported nearly exactly the same number of employed persons as in the previous year, with 44.9 million.

SECTOR DEVELOPMENT

Global machine production recovered in the past fiscal year with mostly double-digit growth rates. Government investments, as well as an increase in consumer demand, contributed to the upturn in demand for industrial goods. Even stronger growth was impeded by a shortage of raw materials and primary products, as well as by bottlenecks with transport capacities. According to estimates by Oxford Economics, global machinery production in the past fiscal year grew by 13 per cent on a price-adjusted basis.

In German mechanical and plant engineering, double-digit growth rates were achieved in some areas during the course of the year, thanks to the high demand. However, the numerous bottlenecks with preliminary products and raw materials as a consequence of the rapidly increasing demand put the supply chains under huge pressure and impeded an even stronger rise. Order intake during the course of the year was 32 per cent above the previous year on a price-adjusted basis. According to estimates of the German Federal Statistical Office, the mechanical engineering sector in Germany exceeded its production compared to the previous year by 6.1 per cent on a price-adjusted basis.

According to the VDMA, the robotics and automation sector experienced 27 per cent growth in order intake and 18 per cent growth in revenue. The machine vision subsegment crucial for STEMMER IMAGING posted a 22 per cent gain in order intake and a 16 per cent increase in revenue.

EMPLOYEES

STEMMER IMAGING is valued by its business partners, particularly its customers and suppliers, as a trustworthy partner. The company relies on qualified and motivated employees who are enthusiastic about their work and have excellent knowledge in their areas. STEMMER IMAGING knows that the wide range of abilities and personal commitment of all employees are crucial to sustainable business success. With the aim of strengthening the loyalty of the employees to the company in the long term, STEMMER IMAGING strives to promote employees' identification with the company and its goals. The basis for this is a corporate culture with a common vision and mission as well as corporate values that are lived daily. STEMMER IMAGING wants to provide its employees with a culture that values cooperation, trust and performance.

QUALIFICATION AND FURTHER EDUCATION

Employees of STEMMER IMAGING have a wide range of qualification measures available to them – from further education on general topics that are relevant to the company to specific training and individual personnel development programmes. One option is to learn from experienced colleagues who pass on their knowledge to others as experts in the European Imaging Academy. Digital formats play an increasing role in the further education offerings: these provide more flexibility through learning that can be carried out anytime and anywhere. Even prior to the coronavirus pandemic, the number of training programmes had been increased to meet the challenges of digital transformation and a modern working world through appropriate learning formats and content. Since 2019, STEMMER IMAGING has been using the service of a well-known external training portal to offer regular online training courses on compliance topics that are relevant to the company. Furthermore, new formats such as video news to provide information and training content were introduced in the past fiscal year.

STEMMER IMAGING promotes cross-regional employee cooperation. Upon request and where the workplace allows it, employees can work abroad at one of the subsidiaries to acquire in-depth expertise and valuable intercultural skills.

PROMOTION OF YOUNG TALENT

The training of young people has traditionally been a priority at STEMMER IMAGING. School leavers are offered various vocational training opportunities in technical and commercial professions. The proportion of trainees hired on a permanent basis in the past four years was at an average of 86 per cent.

To attract young talent, the company takes part in job fairs and offers students and pupils the opportunity to gain work experience through internships.

DIVERSITY

Since STEMMER IMAGING is an international company, diversity is an important foundation for its corporate success. Studies document that, due to the interaction of varying points of view, more successful ideas and solutions are created in mixed teams than in homogeneous ones. At the end of 2021, the company employed staff from 23 nations at all age levels. The Group-wide average age is 41. To give due consideration to this topic, STEMMER IMAGING signed the “Diversity Charter” at the beginning of 2022, the employers’ initiative for the promotion of diversity in companies and institutions.

The proportion of women declined Group-wide from 28 per cent in the previous year to 27 per cent in 2021. STEMMER IMAGING has set itself the goal of increasing the proportion of women in management positions in the company. In 2021, the proportion of women at STEMMER IMAGING AG in the first management level was at 0 per cent and thus below the quota of 10 per cent set for 2024. The proportion of women was at 36 per cent in the second management level at the parent company. Therefore, the company has already exceeded its target for the second management level in the reporting year (2024 target: 20 per cent).

MOTIVATED EMPLOYEES THROUGH AGILE WORKING

We want employees at STEMMER IMAGING to actively participate in the company's development. The Executive Board promotes this through open dialogue and regular communication with all employees by including them in decision-making processes early on, and by establishing agile working methods across all hierarchy levels. With agile working, the company harnesses the individual responsibility of all employees. Highly-motivated teams work together across functions with the common goal of fulfilling customer requirements.

FAIR AND STANDARDISED CONDITIONS

A standardised process for performance appraisal, development and remuneration has been in force since 2020. This pursues multiple goals simultaneously: strengthening the performance culture, increasing transparency, and better recognising and promoting talent. All STEMMER IMAGING employees are involved in this process. In practice, this means that all employees have clear objectives and responsibilities, which support the corporate targets and strategy. The remuneration system at STEMMER IMAGING comprises fixed and variable salary components. The variable remuneration is linked to the company's performance indicators as well as personal performance. Due to the company's very good earnings development in 2021, a special payment was made to all employees in Germany and abroad.

OCCUPATIONAL HEALTH AND SAFETY AND FLEXIBLE WORKING MODELS

As a responsible employer, STEMMER IMAGING attaches great importance to occupational health and safety.

In light of the ongoing Covid-19 pandemic, this topic was also important in 2021. The company needed to protect employees from potential infection in the best way possible, and at the same time maintain operational workflows.

STEMMER IMAGING had already launched a Corona Task Force in 2020, which meets on a regular basis. It ensures that all relevant requirements and employment legislation are being fulfilled and supports the employees in working on site in the company under changed general conditions. Important decisions about coronavirus measures in the company are made at the Executive Board level and are communicated to employees on a regular basis by email, among other methods. Corresponding protective measures and important rules of conduct have also been summarised in an internal guideline which has been made available to all employees.

To create a safe working environment in light of the pandemic, various measures were taken. These include securing that minimum distances are observed between employees, the provision of disinfectants and protective masks, and technical protective measures such as the installation of plexiglass partition walls. During the course of the pandemic, a mask requirement was also introduced on the premises of the company headquarters in Puchheim.

Constant monitoring and improvement of occupational health and safety and the identification of health-promoting or physically harmful working conditions are basic principles at STEMMER IMAGING. The company offers its employees initiatives like the daily provision of fresh fruit and salads at the company's expense, participation in sports initiatives such as city cycling, and the app-based sports team-building challenge B2Mission. Operational integration management helps employees to maintain and promote their employability as well as to overcome their inability to work, if necessary. Various health-promoting measures are available to support this.

Part of STEMMER IMAGING's self-concept as an employer is to help employees reconcile their work and private life. We manage this by providing diverse offers for employees in different phases of life. These include individualised part-time models.

In the course of the Covid-19 pandemic, STEMMER IMAGING introduced a hybrid working concept in the form of a works agreement at the Puchheim location. This was developed with the involvement of the employees and will remain valid after the pandemic is over. For work areas that do not necessarily require presence in the company, the concept envisages a 50 per cent on-site presence per month: on the other days, employees can freely select their work location anywhere in Germany. The company thereby fulfils employees' desire for flexibility in terms of location and time, and makes it easier for families with children to better reconcile their career with their family. Variable working hours, and the opportunity to accumulate time credits so that absences can be easily compensated, facilitate harmony between their private life and their career. This provides all employees with the opportunity to find the best individual solution for themselves and the company.

KNOWLEDGE TRANSFER AND EXCHANGE

STEMMER IMAGING aims to continuously promote employees' identification with the company. Many different communication measures contribute to this and aim to strengthen exchange across all management levels. In addition to internal newsletters, video messages, and quarterly virtual town hall meetings with the entire workforce, there is a regular direct exchange between employees on important subject areas – from new technologies to reference projects to individual colleagues' areas of activity. The monthly "Lunch & Network" format strengthens this exchange and promotes team spirit within the organisation.

DEVELOPMENT OF EMPLOYEE NUMBERS

On average STEMMER IMAGING in 2021 worldwide employed 310 employees (FTE) (previous year: 341). The decline in the number of employees is mainly due to the fact that, due to fluctuation, positions were not refilled, or vacant positions could not be refilled by people with appropriate qualifications in a timely manner. Furthermore, 14 vocational trainees were employed at the company headquarters as at 31 December 2021. In 2021, 31 employees were honoured for their long-standing company service of between 10 and 30 years.

KEY FIGURES
in FTE[1]

	2021	2020
Total number of employees	310	341
Number of male employees	226	246
Number of female employees	84	95
Number of women in management positions	15	14
Number of nationalities	23	21
Average Group affiliation	7.1 years	6.8 years
Average age	41 years	41 years
Vocational training quota in Germany	7.0 %	5.7 %

1 FTE = Full Time Equivalents

CORPORATE CO-DETERMINATION

A trusting cooperation with the works council employee representatives is a key element of STEMMER IMAGING's corporate culture. The works council represents the interests of the employees and exercises their statutory rights of participation as well as their rights to information and co-determination. The council meets weekly and regularly invites a representative of the Human Resources department to attend as a guest. The Executive Board attends works council meetings on a monthly basis. Twice a year, the works council shares information in a meeting with all employees and submits a report on its activities. The works council currently consists of nine members.

HUMAN RESOURCES MANAGEMENT

The Human Resources department follows the specified objectives with regard to content and structure, covering the required processes with the digital human resources management system that was newly introduced in 2021. The Executive Board is informed on a regular basis about the progress of personnel activities and is also involved in all important decisions.

Attracting and retaining the best employees is crucial for the corporate success of STEMMER IMAGING. In view of the strong global competition for specialists and management staff, attractive and persuasive human resources marketing is becoming increasingly important. The filling of vacancies follows a fixed process which begins with an internal job advertisement before external channels such as job markets or personnel agencies are used. To get in contact with potential external applicants, STEMMER IMAGING increasingly uses digital platforms such as country-specific job portals and global and regional social networks. This enables the different target groups to be addressed appropriately.

STEMMER IMAGING provides additional support to new employees who are beginning their daily working life with detailed information such as orientation plans and process descriptions.

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 103.58 million as at 31 December 2021, an increase compared to 31 December 2020 (EUR 96.68 million). This increase is materially influenced on the asset side of the balance sheet by the rise in current assets.

Non-current assets were reduced to EUR 32.87 million in comparison to the previous year (31 December 2020: EUR 34.26 million). At EUR 5.61 million, property, plant and equipment are approximately at the previous year's level (EUR 5.89 million), similarly goodwill at EUR 19.46 million (31 December 2020: EUR 19.42 million). The decline in other intangible fixed assets results from amortisation of intangible fixed assets from purchase price allocations. In addition, the shares in Perception Park GmbH, Austria were sold in December 2021. As these had already been written off to a notional value in the 2020 fiscal year, no further negative effect on earnings occurred from this in the current fiscal year.

The increase in current assets is particularly based on the development of inventories, trade receivables and cash and cash equivalents.

Inventories amounted to EUR 15.59 million as at 31 December 2021 (31 December 2020: EUR 11.05 million) and EUR 13.43 million (31 December 2020: EUR 9.18 million) are attributable to the inventories of SIS STEMMER IMAGING Services GmbH. SIS STEMMER IMAGING Services GmbH organises procurement, order processing, logistics and production for the STEMMER IMAGING Group. Another EUR 1.65 million (31 December 2020: EUR 1.48 million) results from the INFAIMON Group. On the one hand, the significant increase in inventories results from the positive economic development with a high order intake and on the other hand, from the current supply situation, which the STEMMER IMAGING Group reacted to, inter alia, with the increase of the inventories that are reserved for customer orders. Impairment risks in the inventories were appropriately accounted for with write-downs for reduced marketability.

Trade receivables rose to EUR 16.96 million (31 December 2020: EUR 15.11 million) as a result of the increase in revenue.

The rise in current assets of EUR 0.87 million to EUR 1.63 million resulted mainly from increased claims for reimbursement of value added tax.

Cash and cash equivalents increased to EUR 36.02 million (31 December 2020: EUR 34.72 million).

On the equity and liabilities side, the increase in total assets is mainly due to the equity capital of the STEMMER IMAGING Group. This amounted to EUR 71.37 million as at 31 December 2021 (31 December 2020: EUR 64.08 million) and is mainly influenced by the positive consolidated net income of EUR 10.45 million (2020 fiscal year: EUR – 3.32 million), as well as the payment of the dividend by STEMMER IMAGING AG in the amount of EUR 3.25 million (31 December 2020: EUR 0.00 million). The equity ratio comes to 68.9 per cent (31 December 2020: 66.3 per cent).

Non-current liabilities declined from EUR 10.01 million as at 31 December 2020 to EUR 8.77 million as at 31 December 2021, essentially due to the scheduled principal repayment of the STEMMER IMAGING AG bank loan. The increase in other financial liabilities had the opposite effect, particularly the liabilities from finance leases, which grew to EUR 2.10 million (31 December 2020: EUR 1.79 million). The rise in other non-current liabilities is due to increased anniversary obligations (EUR + 0.16 million) and the long-term remuneration component of the Executive Board members (EUR 0.24 million).

The current liabilities increased to EUR 23.44 million (31 December 2020: EUR 22.60 million). This change was significantly influenced by increased trade payables in the amount of EUR 10.75 million (31 December 2020: EUR 9.64 million). Other liabilities increased to EUR 6.15 million (31 December 2020: EUR 4.98 million). Of this, EUR 3.67 million (31 December 2020: EUR 2.44 million) is attributable to personnel liabilities, which are a result of higher provisions for variable salary components of employees, due to the positive business (EUR 2.38 million; 2020 fiscal year: EUR 1.36 million).

Payments received on account for orders showed the opposite trend, with a decline to EUR 1.18 million (31 December 2020: EUR 2.22 million), the majority of which are due to STEMMER IMAGING AB, Sweden.

Tax liabilities of EUR 1.78 million (31 December 2020: EUR 1.73 million) are at around the previous year's level and the majority of these are due to value added tax liabilities.

Income tax liabilities are constant in comparison to the previous year at EUR 1.28 million (31 December 2020: EUR 1.29 million).

Deferred tax assets for the 2021 fiscal year amounted to EUR 0.61 million (31 December 2020: EUR 0.33 million). The increase is mainly due to the first-time activation of deferred taxes on losses carried forward (EUR 0.21 million) and increased personnel liabilities that are measured differently in terms of taxation. Deferred tax liabilities at 31 December 2021 amount to EUR 1.55 million (31 December 2020: EUR 1.68 million), reducing in particular due to the reduction in intangible assets.

FINANCIAL POSITION

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

The cash and cash equivalents reported in the consolidated statement of cash flows increased from EUR 34.72 million as at 31 December 2020 to EUR 36.02 million as at 31 December 2021.

Net cash flows from operating activities reduced in the 2021 fiscal year to EUR 7.97 million (2020 fiscal year: EUR 10.88 million). Income tax payments of EUR 3.55 million (2020 fiscal year: EUR 0.23 million) had a negative effect, as the tax payments in the past fiscal year were made for the 2020 assessment period, as well as corresponding advance payments for the year 2021. The positive business development with rising sales revenues and the difficult supply situation in the fiscal year with increased safety inventories to maintain delivery capacity also led to an increase in working capital of EUR 5.46 million, which reduced the positive operating cash flow. The misdirected funds of the Dutch subsidiary totalling EUR 1.04 million had a negative impact on cash flows in the 2021 fiscal year.

The Group reported a low positive cash flow from investing activities of EUR 0.18 million in the 2021 fiscal year (2020 fiscal year: EUR – 0.35 million). Payments for investments of EUR 0.24 million were made in the 2021 fiscal year (2020 fiscal year: EUR 0.39 million). In February 2021, a current intercompany loan was granted to PRIMEPULSE SE in the amount of EUR 19.53 million, which was fully repaid in December 2021. The positive currency effects realised at the time of the repayment amounts to EUR 0.29 million.

The cash flow from financing activities of EUR – 6.94 million (2020 fiscal year: EUR – 3.52 million) ways mainly influenced by the payment of the dividend to the shareholders in the second quarter of 2021 in the amount of EUR 3.25 million (2020 fiscal year: EUR 0.00 million), through principal repayments of bank loans of EUR 2.00 million (2020 fiscal year: EUR 2.05 million) and the payment of liabilities from finance leases in the amount of EUR 1.80 million (2020 fiscal year: EUR 1.92 million).

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

RESULTS OF OPERATIONS

In the 2021 fiscal year, STEMMER IMAGING Group generated revenue of EUR 130.12 million (2020 fiscal year: EUR 103.15 million). As a consequence of the change in accounting policy for trade in software license from the 2021 fiscal year, revenue was adjusted by EUR 2.22 million and cost of materials analogously by EUR 2.22 million, as only the margin from trading with software licences is now shown in revenue. The following values for the 2021 and 2020 fiscal years were presented on the basis of the new accounting policy. See the explanations in the notes to the consolidated financial statements for more specific details.

With an increase in revenue of 26.1 per cent, the company profited disproportionately from the positive economic trend with a significant recovery in the relevant markets for the STEMMER IMAGING Group.

The STEMMER IMAGING Group recorded an order intake of EUR 162.10 million in the 2021 fiscal year, an increase of 42.4 per cent compared to the previous year. In spite of the considerable increase in revenue, the book-to-bill ratio of 1.2 was above the level of the previous year (2020 fiscal year: 1.1).

The higher revenue volume produced cost of materials of EUR 79.70 million (2020 fiscal year: EUR 64.46 million). The cost of materials ratio improved to 61.3 per cent (2020 fiscal year: 62.5 per cent).

Other operating income mainly includes income from the reversal of provisions and personnel liabilities (EUR 0.35 million; 2020 fiscal year: EUR 0.03 million) as well as foreign currency gains (EUR 1.03 million; 2020 fiscal year: EUR 0.69 million).

The personnel expenses of the STEMMER IMAGING Group in the 2021 fiscal year amounted to EUR 25.54 million (2020 fiscal year: EUR 23.44 million), which corresponds to an increase of 9.0 per cent. This increase mainly resulted from the higher provisions for variable salary components of employees and the Executive Board due to the strong business performance in 2021 as well as special payment in November 2021. In addition, short-time work had a mitigating effect in the 2020 fiscal year. The average headcount reduced to 333 (2020 fiscal year: 357). The staff costs ratio was 19.6 per cent (2020 fiscal year: 22.7 per cent).

Other operating expenses came to EUR 9.51 million in the 2021 fiscal year compared with EUR 9.65 million in the 2020 fiscal year. The item comprised, inter alia, administrative expenses (EUR 3.09 million; 2020 fiscal year: EUR 3.29 million), selling expenses (EUR 1.44 million; 2020 fiscal year: EUR 1.52 million) and other operating expenses (EUR 1.13 million, 2020 fiscal year: EUR 1.23 million). Other operating expenses include expenses of EUR 1.04 million in the 2021 fiscal year, which result from the loss of misdirected funds in March 2021 of the Dutch subsidiary. These were already explained in the supplementary report to the 2020 Annual Report. As these funds were not repayable by the balance sheet date, they were fully recognised in expenses. Furthermore, other operating expenses comprises other costs of EUR 2.85 million (2020 fiscal year: EUR 3.61 million), of which EUR 0.76 million (2020 fiscal year: EUR 1.95 million) are attributable to foreign currency losses. Overall, the company succeeded in reducing other operating expenses in absolute and relative terms despite the significant revenue growth due to ongoing savings in the wake of the coronavirus pandemic. Other key influencing factors in the 2021 fiscal year were the continued low travel activities due to regional lockdowns and infection protection regulations, due to which travel expenses fell to EUR 0.36 million (2020 fiscal year: EUR 0.42 million) as well as overall lower costs through the austerity measures introduced in the 2020 fiscal year.

Consolidated EBITDA totalled EUR 17.36 million (2020 fiscal year: EUR 7.21 million), which improved the EBITDA ratio from 7.0 per cent in 2020 to 13.3 per cent in 2021.

Depreciation and impairment of property, plant and equipment and intangible assets amounted to a total of EUR 3.93 million in the 2021 fiscal year (2020 fiscal year: EUR 8.76 million), of which, EUR 2.49 million (2020 fiscal year: EUR 2.84 million) was attributable to property, plant and equipment. Please refer to the notes to the consolidated financial statements for information on the effects of IFRS 16. In the previous year, amortisation of intangible assets included EUR 4.35 million from the impairment of the goodwill of INFAIMON, S. L. U. applied as of 30 June 2020.

Consolidated EBIT totalled EUR 13.43 million (2020 fiscal year: EUR – 1.55 million).

Net financial income amounted to EUR 0.20 million (2020 fiscal year: EUR – 0.68 million). In the previous year, the item included a valuation allowance and the ongoing share of loss from the investment in Perception Park GmbH, Austria (EUR – 0.6 million). Interest income from a current intercompany loan to PRIMEPULSE SE had a positive impact (EUR 0.27 million).

Taking into account income tax expenses of EUR 3.18 million (2020 fiscal year: EUR 1.09 million), the Group ended the 2021 fiscal year with consolidated net income of EUR 10.45 million (2020 fiscal year: EUR – 3.32 million).

In the combined management report 2020, the company indicated the expected revenue for the 2021 fiscal year as EUR 111 – 121 million and the forecast EBITDA as EUR 7.8 – 10.2 million. With the Q2 reporting, the revenue range was increased to EUR 123 – 131 million and the expected EBITDA to EUR 12.2 – 15.4 million. In December 2021, the expected revenue was narrowed down further to the upper range of the forecast and the expected EBITDA was substantiated to EUR 16.3 – 17.0 million.

The forecast range issued under the previous accounting policy was exceeded with revenue of EUR 132.34 million, the EBITDA margin also exceeded with EUR 17.36 million.

Due to worldwide easing of the COVID-19 restrictions, STEMMER IMAGING was able to benefit from overall economic growth and catch-up effects on revenue in the 2021 fiscal year. Due to a high degression of fixed costs, particularly with personnel expenses and costs of materials, the absolute increase in gross profit predominantly had an impact on EBITDA.

TAKEOVER DISCLOSURES

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

AMOUNT AND CLASSIFICATION OF SHARE CAPITAL

In accordance with the Articles of Association, STEMMER IMAGING AG's share capital amounted to EUR 6.50 million as of 31 December 2021 (31 December 2020: EUR 6.50 million) and was divided into 6,500,000 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 represented by global certificates. All STEMMER IMAGING AG shareholders are entitled to statutory pre-emption rights, which state that, in the event of capital increases, shareholders must be allocated a portion of the new shares that corresponds to their interest in the existing share capital at their request.

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

Following the retroactive merger of SI Holding GmbH into PRIMEPULSE SE with effect from 1 January 2020, PRIMEPULSE SE holds a direct interest in STEMMER IMAGING AG. From 1 January 2021 to 31 December 2021, PRIMEPULSE SE increased its stake of shares in STEMMER IMAGING AG from 59.00 per cent to 67.27 per cent.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD

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

The Executive Board of STEMMER IMAGING AG is currently composed of Arne Dehn as Chief Executive Officer and Uwe Kemm (COO). With the decision of the Supervisory Board from 26 March 2021, Arne Dehn was reappointed as Chief Executive Officer for the five-year period beginning on 1 January 2022. In accordance with the decision of the Supervisory Board from 16 September 2021, Uwe Kemm was reappointed as member of the Executive Board until 31 May 2026.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

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

In addition, the Articles of Association can only be amended through a resolution at the Annual General Meeting in accordance with section 179 of the German Stock Corporation Act. Amendments to the Articles of Association become effective after being entered into the commercial register pursuant to section 181 (3) of the German Stock Corporation Act.

In the 2021 fiscal year, the Annual General Meeting resolved on 9 June 2021 to amend sections 16 and 17 (3) of the Articles of Association (Annual General Meeting – appointment, place, participation).

(GROUP) CORPORATE GOVERNANCE DECLARATION

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

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

NET ASSETS AND FINANCIAL POSITION

At EUR 85.63 million, STEMMER IMAGING AG's total assets are higher than the previous year's level (31 December 2020: EUR 79.06 million).

This mainly arises from the increase in cash and cash equivalents, which grew significantly in the reporting period to EUR 26.66 million (31 December 2020: EUR 17.79 million). This development was mainly attributable to the very positive results situation, as well as the cash pooling established with SIS STEMMER IMAGING Services GmbH during the course of the 2021 fiscal year, and a reduction of the total receivables from affiliated companies.

On the asset side of the balance sheet, financial assets make up the largest item at EUR 40.64 million (31 December 2020: EUR 39.42 million). The increase by EUR 1.22 million is primarily due to the valuation increase in the equity holding of the Spanish subsidiary of EUR 1.50 million, which had been partly devalued as at 30 June 2020 due to the assessment of the long-term impact of the coronavirus pandemic. The revaluation is due to the positive business development in 2021, as well as the outlook in the planning horizon. The loan to the Dutch subsidiary was increased by EUR 0.30 million to EUR 1.00 million during the reporting period. The principal repayments on the loan to the French subsidiary, which reduced by EUR 0.58 million to EUR 5.0 million, had the opposite effect.

In December 2021, the shares in Perception Park GmbH, Austria were sold. As the shares had already been written off to a notional value in the 2020 fiscal year, no further negative effect on earnings occurred from this in the current fiscal year.

Trade receivables as at 31 December 2021 amount to EUR 2.94 million and therefore increased by EUR 0.44 million in comparison to the previous year due to business reasons.

In addition to trade receivables, the affiliated company receivables also comprise the operating line of credit to SIS STEMMER IMAGING Services GmbH. In comparison to the previous year, the affiliated company receivables declined by EUR 3.45 million to EUR 11.73 million (31 December 2020: EUR 15.17 million). The significant reduction of receivables for allocations from SIS STEMMER IMAGING Services GmbH was overcompensated by the receivable from the profit-and-loss transfer agreement of SIS STEMMER IMAGING Services GmbH (EUR 3.97 million; 2020 fiscal year: EUR 0.02 million). As at 31 December 2020, a dividend receivable due from the Spanish subsidiary of EUR 0.75 million was included, which was settled in the first quarter of 2021.

With equity capital of EUR 71.43 million (31 December 2020: EUR 66.04 million), the company reports an equity ratio of 83.4 per cent (31 December 2020: 83.5 per cent).

As at 31 December 2021, other provisions increased in comparison to the previous year, mainly as a consequence of the positive business development and which resulted in increased provisions for variable salary components to EUR 2.93 million (31 December 2020: EUR 1.75 million).

The tax provisions declined slightly in comparison to the previous year to EUR 0.83 million (31 December 2020: EUR 1.06 million), which is mainly due to the tax payments made in 2021 as a consequence of the tax audit.

Liabilities to banks declined due to principal repayments on the bank loan taken up in 2019. Bank loans amount to EUR 5.5 million as at 31 December 2021 (31 December 2020: EUR 7.5 million).

The associated company loans excluding cash pooling increased to EUR 2.43 million (31 December 2020: EUR 2.01 million) due to a current loan granted by the Austrian subsidiary in the amount of EUR 0.50 million. Following the implementation of cash pooling in 2021 between STEMMER IMAGING AG and SIS STEMMER IMAGING Services GmbH, an associated company liability from cash pooling exists for the first time as at 31 December 2021 of EUR 1.87 million (31 December 2020: EUR 0.00 million) towards SIS STEMMER IMAGING Services GmbH.

There were no significant changes year-on-year in the other items on the equity and liabilities side.

RESULTS OF OPERATIONS

In the 2021 fiscal year, STEMMER IMAGING AG generated revenue of EUR 62.48 million compared with EUR 51.48 million in the previous year. This figure includes intra-group allocations of EUR 14.94 million (2020 fiscal year: EUR 13.32 million).

Revenue increased by 21.4 per cent in comparison to the previous year and was therefore significantly above the expectation forecast in the 2020 management report, which assumed revenue growth of up to + 12 per cent.

The higher revenue volume produced cost of materials in the amount of EUR 38.68 million (2020 fiscal year: 32.29 million). The cost of materials ratio improved to 61.9 per cent (2020 fiscal year: 62.7 per cent).

Other operating income in the amount of EUR 2.30 million (2020 fiscal year: EUR 0.36 million) includes revenues from the increase of the equity holding in the Spanish subsidiary (EUR 1.5 million). Furthermore, revenues from currency gains grew by EUR 0.38 million.

Personnel expenses increased to EUR 14.04 million (2020 fiscal year: EUR 11.57 million), particularly due to the higher variable salary components due to the positive business performance, as well as the discontinuation of short-time working allowances.

Other operating expenses of EUR 4.81 million in total (2020 fiscal year: EUR 5.54 million) essentially comprise selling expenses (EUR 0.57 million, 2020 fiscal year: EUR 0.64 million), operating expenses (EUR 1.09 million, 2020 fiscal year: EUR 0.85 million) and administrative expenses (EUR 3.15 million, 2020 fiscal year: EUR 4.05 million).

The adapted cost structure during the course of the coronavirus pandemic continued to have a cost-reducing impact on selling expenses, for example because of the significant reduction in travel.

Various, partly opposing influencing factors have an impact on operating expenses. In the 2021 fiscal year, expenses for third-party services declined significantly, while expenses for recruitment grew considerably.

The reduction of the administrative expenses essentially results from a decline in expenses from currency losses by EUR 0.46 million and a reduction in IT costs by EUR 0.36 million. The remaining cost items only changed negligibly during the reporting period.

Overall, this resulted in a positive EBITDA of EUR 7.26 million (2020 fiscal year: EUR 2.44 million).

In the previous year, income from long-term equity investments of EUR 3.87 million was realised due to various distributions, while in the 2021 fiscal year EUR 0.44 million was realised from a distribution by the Swiss subsidiary.

In 2021, revenues from the profit transfer agreement with SIS STEMMER IMAGING Services GmbH had a positive impact, which grew from EUR 0.02 million in the previous year to EUR 3.97 million. This was caused by the consistent implementation in the year under review of the offsetting price system between Group companies introduced in the previous year.

In the previous year, the result of STEMMER IMAGING AG was impacted negatively by depreciation and impairment of investment securities in the amount of EUR 3.65 million, while only EUR 0.05 million was recorded in 2021.

Taking into account income tax expenses of EUR 2.67 million (2020 fiscal year: expenses of EUR 0.97 million), the Group ended the 2021 fiscal year with a positive annual result of EUR 8.64 million (2020 fiscal year: EUR 1.27 million).

RISK REPORT

PRINCIPLES OF RISK MANAGEMENT

The risk policy of STEMMER IMAGING is guided by the corporate objectives of sustainable growth and improvement in business performance in order to contribute to an increase in the company's value. Opportunity and risk management is significantly shaped by the risk matrix implemented throughout the Group, which is used for risk identification, analysis and assessment. With the aid of the risk matrix and the early risk identification system, risks that threaten the company's existence will be identified at an early stage and countermeasures defined. The analysis, control and communication of the identified risks is an integral part of the Group-wide risk management system and the risk matrix. This process involves identifying and initiating measures to minimise risks and deriving potential opportunities from them.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM

STEMMER IMAGING has an appropriate risk management system, which was revised in the wake of the Financial Market Integrity Strengthening Act (FISG) that entered into force on 1 July 2021. In connection with this, the risk management manual was newly compiled and approved by the Supervisory Board in December 2021. The revised risk management system was not yet implemented in the 2021 fiscal year. With regard to accounting, the revised processes are aimed at identifying, evaluating and communicating the risks of incorrect bookkeeping, accounting and reporting.

Among other things, the early risk detection system and the internal control system are concerned with monitoring accounting processes. In addition to identifying and evaluating risks, this system also encompasses measures aimed at ensuring the complete, correct and timely transmission and presentation of information that is relevant for the preparation of compliant financial statements.

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

In addition, STEMMER IMAGING has a certified consolidation program (LUCANET) to guarantee transparent, reliable and timely Group accounting and integrated, multi-year budgetary accounting for the Group. Newly founded or acquired companies are integrated in the existing systems as quickly as possible.

The relationships between the companies are outlined in service agreements that direct and govern cooperation and mutual allocation of services within the Group.

STEMMER IMAGING regards active IT risk management as essential to safeguard ongoing company operations with relation to the IT systems in use. Various preventative measures are set up for this purpose; these are subject to a continuous improvement process and monitored for necessary enhancement measures on a regular basis. In addition to regular system updates and add-ons, they include ensuring employee compliance with internal security and data protection policies. The risk of unauthorised access, modification and withdrawal of company data is mitigated through means including a security system to 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's early risk detection system incorporates strategic corporate planning and the internal reporting. An aim of strategic corporate planning is to identify and take advantage of future opportunities giving due consideration to the identified risks. Internal reporting functions as an information system, which provides information on current financial developments for risk analysis. Regular and timely reports on accounting are made to the Executive Board.

RISK IDENTIFICATION, ANALYSIS AND ASSESSMENT

The weighted individual risks are classified into the categories of low (up to EUR 0.15 million), medium (up to EUR 0.5 million) and massive (> EUR 0.5 million). The probability of occurrence in per cent is multiplied by the maximum monetary loss in order to evaluate the risk for the organisation. The quantified value describes the net income risk after mitigation measures. The assessment results in an assessed total risk for the past fiscal year of EUR 7.2 million (2020: EUR 12.7 million) (of which STEMMER IMAGING AG EUR 4.4 million; 2020: EUR 7.8 million). The following scheme is used for weighting the individual risks:

MAXIMUM MONETARY DAMAGE
in EUR

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

PROBABILITY OF OCCURRENCE
in %

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

Identified risks that, at the present time, could materially impact the business and the net assets, financial position or results of operations of STEMMER IMAGING are described below. Risk clusters with a monetary risk of more than EUR 0.2 million are described. In total, EUR 6.0 million (83 per cent) of the assessed total risk is therefore explained. The monetary evaluation regarding the weighted individual risks is presented separately according to the overall risk position for the Group and the share of STEMMER IMAGING AG.

At present, the company sees no risks that could jeopardise the future of the company as a going concern. The maximum possible loss will be mitigated by initiating the defined measures and by actively exploiting the opportunities that are opposed to the risks.

Additional risks of which the company is not yet aware, or risks that STEMMER IMAGING currently classifies as immaterial, could likewise have a negative impact on its business activities.

BUSINESS RISKS

Supplier dependency and product risks

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

Disruptions affecting major suppliers may impair STEMMER IMAGING's delivery capacity and thereby impact its earnings. Particularly in fiscal year 2021, the company was affected by ongoing supply bottlenecks.

There is also a risk that suppliers could change their product portfolio and no longer be able to supply individual components in the volume required by STEMMER IMAGING, or to supply any components.

Specific measures taken to minimise risk

- Early disposition in connection with proactive customer communication regarding order submission
- Evaluation of alternative procurement sources
- Forecast planning and adapted warehouse management
- Active escalation management
- Monitoring and reporting of the supply situation
- Evaluation of the supplier quality, particularly regarding product quality and delivery reliability

Additional planned measures for 2022

- Continued increase of efficiency through further optimisation of internal processes

Risk trend

constant

Assessed total risk

Group EUR 1.6 million (2020: EUR 0.9 million)
(of which STEMMER IMAGING AG
EUR 1.1 million, 2020: EUR 0.8 million)

Human resources risks

STEMMER IMAGING's success depends on its ability to attract sufficiently qualified staff, build up its workforce and retain employees at the company over the long term, and keep expertise within the company. STEMMER IMAGING therefore aims to ensure the best possible support of the employees over their entire career and in all their development phases (employee lifecycle). Concrete risks arise from the current economic situation in combination with demographic change, which makes it more difficult to fill vacant positions and can potentially lead to sales risks and process risks. Furthermore there is the possibility of emerging bottlenecks if fluctuation increases and vacant positions cannot be re-staffed in a timely manner. Ultimately, a cost risk exists with the refilling of vacant positions. Refilling positions can potentially lead to higher costs with a corresponding negative influence on income.

Specific measures taken to minimise risk
- Strengthening of human resources management in the area of talent acquisition
- Prevention of a shortage of skilled workers through vocational training and dual university studies
- Continuation and expansion of existing partnerships with associations to attract the interest of prospective new employees early on
- Guarantee of qualified junior staff with specialist and management training courses
- Maintenance and expansion of expertise through further education of employees
- Performance-related remuneration system on the basis of regular feedback discussions
- Possible succession planning for critical positions in the company
- Participation in career information trade fairs for the recruitment of potential vocational trainees

Additional planned measures for 2022
- Employer branding programme
- Incentivisation of employee recruitment
- Further expansion of processes along the employee lifecycle

Risk trend
constant

Assessed total risk
Group EUR 1.4 million (2020: EUR 0.2 million) (of which STEMMER IMAGING AG EUR 1.2 million, 2020: EUR 0.2 million)

Mergers and acquisitions

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

Furthermore, there is a risk that important employees or key personnel from the acquired company could leave the company following the acquisition, and that objectives that were planned based on the acquisition can no longer be achieved.

Specific measures taken to minimise risk
- Performance of due diligence regarding business, financial, legal and tax aspects
- Examination and incorporation of necessary guarantees. In individual cases, these may also include measures such as the inclusion of retention clauses in acquisition contracts for employees in key positions
- Integration of the newly acquired units into the technical and procedural infrastructure of the Group
- Examination of the individual business plans and introduction of measures, culminating in possible disinvestment

Additional planned measures for 2022
- Continuous assessment of potential M&A targets
- Achievement of synergy effects through streamlining and centralisation of processes

Risk trend
constant

Assessed total risk
Group EUR 0.3 million (2020: EUR 0.7 million) (of which STEMMER IMAGING AG EUR 0.3 million, 2020: EUR 0.7 million)

Risks from IT operations and IT security

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

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

Specific measures taken to minimise risk	Additional planned measures for 2022
– Ongoing adaptation of security precautions – Monitoring of the software and hardware infrastructure – Ongoing investment in IT infrastructure to safeguard the systems and maintain high server availability – External firewall review – Development and monitoring of clear regulations on the use of IT infrastructure – Audit of internal and external IT security by an external authority – Continuous further training of employees in the IT department in cyber security and continuity management – Regular training courses and continued sensitisation of all employees in the Group to cyber security risks	– Continuous further development of IT systems and processes – Planning and implementation of ERP preliminary project **Risk trend** increasing **Assessed total risk** Group EUR 0.3 million (2020: EUR 0.2 million) (of which STEMMER IMAGING AG EUR 0.3 million, 2020: EUR 0.2 million)

Compliance

The principle of the STEMMER IMAGING compliance management system is complete conformity with laws and norms. Nevertheless, STEMMER IMAGING sees itself as being exposed to various compliance risks, for example, bad actors may spy out business secrets or commit data protection breaches by phishing, with the aim of causing (financial) damage to the company. Furthermore, the risk exists that infringements of patents or intellectual property could occur in the course of entering customer relationships.

Specific measures taken to minimise risk	Additional planned measures for 2022
– Regular compliance training of all employees in the Group – Increase of security guidelines regarding banking processes (e.g. payment limits, change of approval process medium, awareness training) – Request for dual use certificates – Implementation of the Code of Conduct and Code of Supply – Establishment of a whistle-blower system with a roll-out in early 2022 – Revision of approval processes (limits of authority)	– Continuing further development of the compliance management system and training and sensitisation of all employees **Risk trend** constant **Assessed total risk** Group EUR 0.3 million (2020: EUR 0.1 million) (of which STEMMER IMAGING AG EUR 0.3 million, 2020: EUR 0.1 million)

MARKET AND INDUSTRY-SPECIFIC RISKS

Competitive intensity

Acquisitions and consolidation trends are shaping the competitive environment of STEMMER IMAGING. The Group finds itself increasingly in competition with medium-sized and large manufacturers of machine vision components, as well as with regional and international system providers. A significant risk is that price pressure and competitive pressure will increase beyond the current level, which could go hand in hand with a loss of market share and a reduction in margins.

Specific measures taken to minimise risk	Additional planned measures for 2022
– Development of the solution and service business to increase unique selling points in comparison to competitors – Reorganisation of sales with a clear differentiation between customer groups and targeted sales approaches (business development, key account management, account management, inside sales) – Increased efficiency through further digitalisation in sales and preparation of e-commerce channels – Optimisation of the value chain and early sourcing, particularly in a market environment that is currently shaped by supply bottlenecks – Intensified M&A to acquire expertise, competence and access to the market	– Continuation of the sales initiatives (cross-selling, active sales, focus on project business) – Further detailing of cost monitoring and process optimisation – Evaluation of acquisitions to supplement and strengthen the market position in both the distribution and solution business – Further expansion of the portfolio offering, particularly in the area of value-added services and other services – Further optimisation of the sales and marketing approach by addressing customers in a targeted manner and digitalising sales channels **Risk trend** increasing **Assessed total risk** Group EUR 0.8 million (2020: EUR 1.0 million) (of which STEMMER IMAGING AG EUR 0.4 million, 2020: EUR 0.2 million)

Strategy

Rapid technological change, as well as the shift of the competitive situation in particular and also of buyer markets, characterise the strategic environment of STEMMER IMAGING. The development and implementation of the corporate strategy is a key aspect of company management. The company sees particular risks in developing non-sustainable strategies that correlate to the loss of market shares, and in jeopardising existing customer relationships through the misallocation of resources and inaccurate assessment of market trends. Specific measures are intended to ensure that the right strategies are defined and implemented by the organisation.

Specific measures taken to minimise risk	Additional planned measures for 2022
– Strategy workshops in the management team and the extended management group (group leaders and regional managing directors) to develop strategy and elaborate on measures for putting strategies into operation – Systematic exchange and monitoring in the management team and business units regarding various strategy dimensions – Expansion of scalable platforms and strengthening of the technology base to increase the reaction speed regarding changes in the business environment – Ongoing exchange with market participants in order to anticipate changes at an early stage and react accordingly with adapted strategies	– Further sharpening of the service portfolio with a focus on the distribution and solution business fields – Intensified communication of strategic initiatives within the company – Continuation and expansion of consistent strategy monitoring **Risk trend** constant **Assessed total risk** Group EUR 0.7 million (2020: EUR 0.2 million) (of which STEMMER IMAGING AG EUR 0.5 million, 2020: EUR 0.2 million)

COVID-19 PANDEMIC

The assessment of the Covid-19 pandemic represents a material change to the risk position for STEMMER IMAGING. The availability of vaccines and associated fewer hospitalisations not only contributed to a certain routine effect but had a positive influence on market stability and thus on the risk assessment. The measures initiated in the previous year also resulted in a further reduction of the risk assessment associated with the Covid-19 pandemic. STEMMER IMAGING has adapted internal processes to appropriate hygiene requirements, redesigned the technical infrastructure to reflect the "new normal" and reacted proactively to delivery difficulties. The measures already taken in fiscal year 2020 in connection with the Covid-19 pandemic will continue and will be adapted to the infection situation on an ongoing basis. Possible mutations of the virus, which can continue to influence the pandemic's momentum, still cause uncertainty. However, this risk cannot be reliably assessed at present and is therefore not taken into further account in the risk assessment.

Specific measures taken to minimise risk
- Preventive purchasing to avoid supplier and procurement market risks
- Adapted contact with stakeholders (e.g. remote events such as the Annual General Meeting and Capital Markets Day, reduction of business trips and switch to alternative contact methods such as video conferences)
- Active communication of the relevant measures
- Constant adaptation of hygiene concepts
- Increased flexibility of the organisation
- Implementation of rules for working at home to make attendance requirements more flexible and ensure business continuity

Additional planned measures for 2022
- In particular, the intention in 2022 is to continue monitoring the pandemic situation and to continue and adapt the measures already taken.

Risk trend
declining

Assessed total risk
Group EUR 0.6 million (2020: EUR 7.2 million) (of which STEMMER IMAGING AG EUR 0.5 million; 2020: EUR 4.5 million)

REPORT ON OPPORTUNITIES

Opportunity management at STEMMER IMAGING is based on the company's risk management. Within the scope of risk identification and analysis, STEMMER IMAGING also derives opportunities that arise internally and externally. The aim is to identify opportunities at an early stage and to make optimal use of them for the company by taking appropriate measures. In line with the risk report, this report on opportunities focuses on key opportunities in connection with the material risks as outlined by the company. Significant opportunities thereby arise for STEMMER IMAGING in connection with the business-related areas of supplier dependence and product risks, human resources, mergers and acquisitions, IT and compliance, the market-related and industry-related areas of competition and strategy and in connection with the Covid-19 pandemic.

The presentation of the opportunities reflects the current assessment of the company, but is expressly not to be regarded as comprehensive and conclusive. Assessments of the opportunities are subject to continuous change since both the company and the business environment are subject to ongoing change processes. Opportunities that have not yet been identified may become more important in a short period of time, or the potential of previously identified opportunities may not be fully realised. This makes the regular identification and evaluation of opportunities key to taking advantage of them.

OPPORTUNITIES WITH RELATION TO THE COVID-19 PANDEMIC

New variants of the coronavirus continued to have an effect on the past fiscal year. In 2020, the transition to a "new normal" at STEMMER IMAGING resulted in a digitalisation hub which was continued in 2021. In the wake of the Covid-19 pandemic, the company sees opportunities in the increased volatility of the supplier and buyer markets, which require fast and flexible reactions to the changing conditions. The company sees opportunities to expand market shares through the creation of efficient, digitalised processes, active sourcing to maintain delivery capacity in times of supply bottlenecks, and proactive customer management for early anticipation of customer requirements. The supply bottlenecks related to the coronavirus offer new growth opportunities for STEMMER IMAGING due to the relocation of outsourced production capacities (reshoring) back to Europe.

OPPORTUNITIES IN CORPORATE STRATEGY

The risks in the area of strategy development, communication, cascading and implementation stand opposed to corresponding opportunities. STEMMER IMAGING sees significant opportunities in clear strategic orientation from both a marketing and a corporate perspective. From a marketing perspective, the defined strategy enables clear positioning of the company in the competitive environment and with relation to customers. On the other hand, it also enables the company to react to market changes and product trends according to the situation, in order to generate additional or new revenue and market shares. Within the company, the cascaded strategy devised provides a clear orientation towards activities with added value: by setting individualised objectives, it supports understanding among all employees about their contribution to the company's success. These factors contribute in particular to cost optimisation and employee motivation.

OPPORTUNITIES WITH REGARD TO COMPETITIVE INTENSITY

Suitable initiatives that aim at developing and expanding the potential of the product portfolio and of growth provide the opportunity to leverage growth potential and strengthen the company's competitive position. STEMMER IMAGING particularly sees opportunities in

- Expansion of the market presence, especially in European markets
- Development of the solution and service business to create additional unique selling points
- Increased efficiency through further process structuring and digitalisation of the organisation for optimal market development
- Development of new market segments which have been identified as high-growth and promising, particularly in the non-industrial sector
- Identification of new customer groups

Measures regarding these opportunities aim in particular at gaining market shares, increasing company profit and improving customer support.

OPPORTUNITIES IN MERGERS AND ACQUISITIONS

Through continuous market observation, potential acquisition targets will be identified promptly and potential opportunities exploited. Activities in this area support the company's strategic growth by integrating companies in traditional or new markets or product and customer categories. Opportunities can also arise from synergies which improve the cost position of STEMMER IMAGING.

OPPORTUNITIES IN PROCESSES AND TECHNOLOGY

Identified inefficiencies can have a long-term positive influence on the cost position and process quality in the context of projects. Among other things, opportunities will be taken by means of investments in the digitalisation of business processes. This includes revision and digitalisation of the CRM process. An additional important field of opportunity is in price determination for services. Increasing automation and more precise cost allocation can be seen as an opportunity to provide potential customers with product-oriented and market-appropriate prices and thereby increase revenue and earnings potential.

OPPORTUNITIES IN HUMAN RESOURCES

The success of STEMMER IMAGING is significantly influenced by the commitment, expertise and satisfaction of its employees. The measures taken to mitigate specific risks should therefore increase potential opportunities. These measures include increasing employee satisfaction and promoting the positive public image of the company through employer branding programmes, application of the Code of Conduct and clearly defined human resources procedures. STEMMER IMAGING also relies on the beneficial effect of the talent management programme to retain young talent and thereby limit the cost of refilling vacancies. Overall, the company regards a certain fluctuation as desirable. It generates new impulses as vacancies are refilled, which can have a positive impact on the corporate culture and company growth.

SUMMARISED PRESENTATION OF THE OPPORTUNITY SITUATION

The success of STEMMER IMAGING's future business performance is predicated on taking full advantage of potential opportunities. The Group has identified the most important fields and is pushing ahead with the corresponding measures for the exploitation of potential opportunities. On the one hand, a combination of organic and inorganic growth remains essential for sustainable growth as well as the identification of new markets, customers and products. On the other hand, the internal focus on efficient and forward-looking processes and technologies, is of particular importance. This is intended to maintain a competitive cost position, to identify customer requirements promptly and to enable STEMMER IMAGING to process orders efficiently.

REPORT ON EXPECTED DEVELOPMENTS

FORECAST ASSUMPTIONS

The forecast report reflects the expected development of STEMMER IMAGING AG and the STEMMER IMAGING Group in the 2022 fiscal year from the perspective of the Executive Board. The forecast report contains forward-looking statements that are based on expectations and estimates of the Executive Board and could be influenced by unforeseen events. As a result, the actual course of business may deviate either positively or negatively from the assumptions presented below, among other things, due to changing political and economic conditions. The following forecast takes into account all information available at the time of its preparation that could have an impact on the economic development of STEMMER IMAGING AG and the STEMMER IMAGING Group.

The basis and key assumptions of the forecast for the 2022 fiscal year are presented below.

ECONOMIC OUTLOOK

For 2022, the International Monetary Fund (IMF) forecasts an increase in global gross domestic product of 4.4 per cent. This increase is below the growth for 2021 (5.9 per cent), but exceeds the growth rate prior to the pandemic (2019: 2.8 per cent).

The forecasts with respect to economic development for 2022 are subject to a high degree of uncertainty due to many influencing factors.

The ongoing war in Ukraine, the massive rise in energy prices, the consequences of mutual sanctions with Russia and general insecurity of companies and customers can be cited as the main reasons for the forecasting uncertainty. Furthermore, there is currently no end in sight to the pandemic. Travel and movement restrictions in many countries remain problematic and new lockdowns cannot be ruled out, particularly with new virus mutations. Economic recovery is also highly dependent on the duration of the supply bottlenecks, which are currently difficult to assess.

Forecasts assume that high inflation will also continue in 2022. The European Commission forecasts inflation in the Euro area in the first quarter of 2022 at a maximum of 4.8 per cent and assumes that it will remain at over 3.0 per cent until the third quarter. The annual average inflation value in the Euro area is forecast to be 3.5 per cent, compared to 2.9 per cent in the previous year. The tighter monetary policy in the USA with rising key interest rates and the property crisis in China are additionally restricting growth prospects for 2022 and the skills shortage in many countries is counteracting a stronger rise in economic performance.

Growth of 4.0 per cent is expected for the US economy, with the economy in the Euro zone expected to grow by 3.9 per cent. The outlook for Latin America is subdued at 2.4 per cent, due to the anticipated virtual stagnation in Brazil. For the German economy, growth of 3.8 per cent is expected.

The forecasts of the German Mechanical Engineering Industry Association (VDMA) for economic development serve STEMMER IMAGING AG and the Group as an important indicator for the further course of business in key sales markets.

VDMA has adapted its last forecast issued in December 2021 for economic development in mechanical engineering of 7 per cent to 4 per cent in March 2022, in view of the current developments.

According to the VDMA forecast from December 2021, the German robotics and automation sector is expecting a strong order situation and a positive investment climate for 2022, with sector growth of 10.0 per cent. For the European machine vision industry, the VDMA anticipates growth of 7.0 per cent in its recently issued forecast from December 2021. Whether and to what extent the VDMA will also make an adjustment downwards in the short term cannot be assessed at present.

The fundamentally positive impulses for German and European mechanical engineers from the extensive infrastructure measures in the USA and the EU Reconstruction Fund, together with various national economic stimulus measures programmes are seen alongside risks from the aforementioned negative environment.

STEMMER IMAGING assumes that the continuing supply chain situation will lead to call-offs of materials and components in spite of the aforementioned uncertainties, in order to reduce the high backlog of stock orders. That is why the company continues to assume above-average minimum growth of 10 per cent at the lower edge of the forecast. Due to the high order backlog, growth of up to 20 per cent is still considered to be possible.

FORECAST FOR THE STEMMER IMAGING GROUP

The revenue and earnings forecast is based on current corporate planning and the assumption that the supply chain situation will ease at the earliest by the second half of 2022 and possible cost increases can be met with price rises. In 2021, the average book-to-bill ratio was at 1.2. The order backlog as of 31 December 2021 was significantly above the previous year and therefore forms a solid basis for the coming fiscal year.

In spite of this positive trend, the Executive Board is envisaging a wider range in possible business development in its full-year forecast in order to take account of the current risks. Revenue growth in comparison to the previous year 2021 is seen between 10 per cent to 20 per cent. For 2022, consolidated revenue is expected within a range of EUR 143 – 156 million and an EBITDA of EUR 19 – 24 million.

The uncertainties described in connection with the economic prospects could have a significant impact on the business performance of the Group as a whole. In addition, the business performance of STEMMER IMAGING AG and the Group may also deviate as a result of the risks and opportunities listed in the risk and opportunity report.

FORECAST FOR STEMMER IMAGING AG

The Group's parent company generates revenue from selling machine vision technology in Germany and from allocations for services and financing provided to its subsidiaries. All of the conditions referred to for the Group with respect to the economic development in 2022 equally apply to STEMMER IMAGING AG. For the 2022 fiscal year, the Executive Board expects revenue growth in the upper-single-digit range up to 14 per cent. EBITDA is forecast to be in the low single-digit-million-Euro range.

OTHER DISCLOSURES

CONCLUDING STATEMENT ON DEPENDENT COMPANY REPORT

The company has compiled a dependent company report for the 2021 fiscal year, which ends with the following concluding statement:

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

No reportable measures within the meaning of section 312 (1) sentence 2 AktG were taken or omitted in the fiscal year from 1 January 2021 to 31 December 2021."

SIGNIFICANT EVENTS AFTER THE END OF THE FISCAL YEAR

With regard to the supplementary report please refer to the Notes to the consolidated financial statements.

Puchheim, 23 March 2022

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

CUSTOM CABLES

The experts at STEMMER IMAGING's in-house cable manufacture can create bespoke cable harnesses, modify standard products and develop or customise accessories to facilitate system design. They ensure the very highest quality of both standard and specialist cables.

03 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

ASSETS
in KEUR

	Consolidated notes	31/12/2021	31/12/2020
Non-current assets			
Property, plant and equipment	2,14	5,608	5,894
Goodwill	1	19,462	19,418
Other intangible assets	1	7,111	8,543
Other investment securities	13	27	36
Other financial assets	13	55	43
Deferred tax assets	26	607	325
Total Non-current assets		**32,870**	**34,259**
Current assets			
Inventories	4	15,587	11,048
Trade receivables	5	16,956	15,114
Contract assets	6	22	95
Other financial assets	13	126	195
Income tax receivables	7	362	385
Other assets and prepaid expenses	8	1,631	870
Cash and cash equivalents	9	36,022	34,718
Total current assets		**70,706**	**62,425**
Total assets		**103,576**	**96,684**

EQUITY AND LIABILITIES
in KEUR

	Consolidated notes	31/12/2021	31/12/2020
Capital and reserves			
Subscribed capital	10	6,500	6,500
Capital reserves	10	47,495	47,495
Revenue reserves	10	17,373	10,084
Total equity		**71,368**	**64,079**
Non-current liabilities			
Non-current loans	13	3,500	5,503
Provisions for pensions and similar obligations	11	47	42
Other financial liabilities	13,14	2,790	2,354
Other liabilities	17	641	250
Other provisions	12	225	193
Deferred tax liabilities	26	1,563	1,667
Total non-current liabilities		**8,766**	**10,009**
Current liabilities			
Current loans	13	2,003	2,002
Other provisions	12	180	230
Trade payables	13,15	10,749	9,635
Contract liabilities and advance payments received on orders	16	1,185	2,222
Liabilities to affiliated companies	13	16	35
Liabilities to associated companies	3,13	0	50
Other financial liabilities	13,14	1,876	2,159
Income tax liabilities		1,283	1,288
Other liabilities	17	6,150	4,975
Total current liabilities		**23,442**	**22,596**
Total liabilities		**32,208**	**32,605**
Total equity and liabilities		**103,576**	**96,684**

CONSOLIDATED INCOME STATEMENT

DEVELOPMENT FROM 1 JANUARY 2021 TO 31 DECEMBER 2021
in KEUR

	Consolidated notes	2021	2020
Revenue	19	130,115	103,145[1]
Cost of materials	21	– 79,700	– 64,464[1]
Gross profit		**50,415**	**38,681**
Other operating income	20	1,994	1,621
Personnel expenses	22	– 25,539	– 23,438
Other operating expenses	24	– 9,510	– 9,650
EBITDA		**17,360**	**7,214**
Depreciation and impairment of property, plant and equipment	23	– 2,492	– 2,835
EBITA		**14,868**	**4,379**
Amortisation of intangible assets	23	– 1,442	– 5,929
Operating earnings (EBIT)		**13,426**	**– 1,550**
Loss from investments accounted for using the equity method	25	0	– 600
Finance income	25	271	39
Finance costs	25	– 67	– 122
Profit before income taxes		**13,630**	**– 2,233**
Taxes on income	26	– 3,180	– 1,090
Consolidated net income		**10,450**	**– 3,323**
Of which:			
Shareholders of the parent company		10,450	– 3,323
Number of shares (weighted average)		6,500,000	6,500,000
Earnings per share in EUR (diluted and basic)	27	1.61	– 0.51

1 The explanations of the adjustments to revenue and cost of materials can be found in the notes to the consolidated financial statements, section B, under items 19 and 21.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DEVELOPMENT FROM 1 JANUARY 2021 TO 31 DECEMBER 2021
in KEUR

	2021	2020
Consolidated net income	**10,450**	**– 3,323**
Other comprehensive income		
Items that will be reclassified to profit or loss in future under certain conditions		
Exchange differences that arose during the reporting period	86	191
Items that will not be reclassified to profit or loss in future		
Change in actuarial gains/losses	4	– 3
Deferred taxes from change in actuarial gains/losses	– 1	1
	3	– 2
Other comprehensive income after income taxes	89	189
Total comprehensive income	**10,539**	**– 3,134**
Of which:		
Shareholders of the parent company	10,539	– 3,134

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY 2021 TO 31 DECEMBER 2021[1]
in KEUR

	2021	2020
Cash flow from operating activities		
Consolidated net income	10,450	– 3,323
Income tax expense recognised in profit or loss	3,180	1,090
Finance costs/income recognised in profit or loss	– 204	83
Amortisation and depreciation of intangible assets, property, plant and equipment and investment securities	3,934	9,364
Increase (+)/decrease (–) in provisions	126	198
Other non-cash expenses/income	– 799	– 636
Gain/loss on disposal of property, plant and equipment and intangible assets	18	3
Increase (–)/decrease (+) in inventories, trade receivables and other assets	– 6,907	1,651
Increase (+)/decrease (–) in liabilities and other liabilities	1,452	2,648
Interest received	271	39
Cash flow from operating activities	**11,521**	**11,117**
Income taxes paid	– 3,552	– 234
Net cash flow from operating activities	**7,969**	**10,883**
Cash flow from investing activities		
Payments for intangible assets	– 10	– 37
Proceeds from disposals of property, plant and equipment	134	73
Payments for investments in property, plant and equipment	– 239	– 388
Proceeds from disposal of financial assets	55	12
Payments for investments in financial assets	– 58	– 13
Payments for financial investments as part of short-term treasury management	– 19,531	0
Repayments of financial investments as part of short-term treasury management	19,825	0
Net cash flow from/used in investing activities	**176**	**– 353**

FROM 1 JANUARY 2021 TO 31 DECEMBER 2021[1]
in KEUR

	2021	2020
Cash flow from financing activities		
Repayment of loans[2]	– 3,806	– 3,979
Proceeds from grants received	186	579
Dividends paid to shareholders of the parent conpany	– 1,950	0
Dividends paid on free floar shares	– 1,300	0
Interest paid	– 68	– 122
Net cash flow used in financing activities	**– 6,938**	**– 3,522**
Net increase in cash and cash equivalents	**1,207**	**7,008**
Cash and cash equivalents at the beginning of the reporting period	**34,718**	**27,974**
Changes in cash due to exchange rate movements and remeasurement	97	– 264
Cash and cash equivalents at the end of the reporting period	**36,022**	**34,718**
Of which cash in hand and bank balances	36,022	34,718

1 For other information on the consolidated statements of cash flows, see "NOTES ON THE STATEMENT OF CASH FLOWS" in the notes to the consoldated financial statements.
2 An explanation on the repayment of leases can be found in the notes on the statement of cash flows.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY 2020 TO 31 DECEMBER 2020
in KEUR

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

FROM 1 JANUARY 2021 TO 31 DECEMBER 2021
in KEUR

			Revenue reserves				
	Subscribed capital	Capital reserves	Reserve for actuarial gains/losses	Currency translation reserve	Other revenue reserve	Total	Total
As at 1 January 2021	**6,500**	**47,495**	**8**	**110**	**9,966**	**10,084**	**64,079**
Consolidated net income	0	0	0	0	10,450	10,450	10,450
Distributions to shareholders of the parent company	0	0	0	0	– 1,950	– 1,950	– 1,950
Distributions to shares in free float	0	0	0	0	– 1,300	– 1,300	– 1,300
Adjustments to reserves (OCI)	0	0	3	0	0	3	3
Currency adjustments	0	0	0	86	0	86	86
As at 31 December 2021	**6,500**	**47,495**	**11**	**196**	**17,166**	**17,373**	**71,368**

03 CONSOLIDATED FINANCIAL STATEMENTS NOTES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2021 FISCAL YEAR

A. BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The consolidated financial statements of STEMMER IMAGING AG, Puchheim, and its subsidiaries (hereinafter: “STEMMER IMAGING”, “STEMMER IMAGING Group” or “Group”) were prepared for the 2021 fiscal year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law. The fiscal year covers the period from 1 January 2021 to 31 December 2021.

STEMMER IMAGING is a leading international value-added distributor of machine vision technology for industrial and non-industrial applications. The Group distributes components as well as modified components and offers comprehensive know-how and customer service for machine vision solutions for various industrial and non-industrial markets and applications in its service portfolio. The consolidated financial statements were prepared in euro. Unless specified otherwise, all amounts are given in thousands of euro (EUR thousand or KEUR). Rounding may mean that individual figures given in this report do not add up exactly to the given total and that percentages are not the exact result of the figures presented. Certain consolidated income statement and consolidated statement of financial position items have been combined to improve the clarity of presentation. A breakdown of these items is presented in the notes to the consolidated financial statements. The consolidated income statement has been prepared in line with the nature of expense method.

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

From 1 January 2021 to 31 December 2021, PRIMEPULSE SE increased its stake of shares in STEMMER IMAGING AG from 59,00 per cent to 67,27 per cent.

As the parent company of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the smallest group of companies for the 2021 fiscal year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

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

2. APPLICATION OF NEW ACCOUNTING STANDARDS

As an IFRS user, the Group must uniformly apply all mandatory standards and interpretations as of the end of the reporting period (31 December 2021) 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 amendment to IFRS 4 ("Insurance Contracts"), which provides for an extended temporary exemption from the application of IFRS 9 until 1 January 2023 and the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Reform of reference interest rates (Phase 2)"), which relate, among other things, to the modification of financial assets, financial liabilities and lease liabilities, did not have any material impact on the net assets, financial position and results of operations in the 2021 fiscal.

The temporary exemption from IFRS 16 lease accounting for rental concessions introduced in 2020 in connection with the coronavirus pandemic was extended in 2021 by one year to 30 June 2022. This extension will not have any material impact on the net assets, financial position and results of operations in fiscal 2021.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET BINDINGLY APPLICABLE

The following new standards and interpretations, which have been approved by the International Accounting Standards Board (IASB) and mandatorily assumed by the EU for fiscal years beginning after 1 January 2022, 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 17 and amendment to IFRS 17	The standard governs the accounting and valuation of insurance contracts with the company that issues these contracts. It is not relevant to the consolidated financial statements of STEMMER IMAGING AG	01/01/2023
Amendments to IFRS 3	References to the updated Framework	01/01/2022
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use are not allowed to be deducted from acquisition or production costs of a property, plant or equipment item	01/01/2022
Amendments to IAS 37	Onerous contracts – Costs of fulfilling a contract	01/01/2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements – 2018 – 2020 cycle	01/01/2022

With regard to the above-mentioned new standards and interpretations not yet requiring mandatory application, the Group has not yet conclusively assessed whether and, if so, what effects these amendments will have on the net assets, financial position and results of operations. At present, no significant effects are expected.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET APPLICABLE

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

Standard or interpretation	Contents and significance for financial statements	Mandatory date of first-time adoption
Amendments to IAS 1	Classification of liabilities as current or non-current.	01/01/2023
Amendments to IAS 1	Presentation of the financial statements and IFRS Practice Statement 2: Disclosure of financial reporting principles	01/01/2023
Amendment to IAS 8	Accounting policies, changes to estimates and errors: Definition of accounting estimates	01/01/2023
Amendment to IAS 12	Income taxes: Deferred taxes in relation to assets and liabilities from a business transaction	01/01/2023
Amendment to IFRS 17	First-time adoption of IFRS 17 and IFRS 9 – comparative information	01/01/2023

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 at 31 December 2021 comprise the parent company, i. e. STEMMER IMAGING AG as well as one domestic and fourteen foreign subsidiaries, which are included in the consolidated financial statements by way of full consolidation.

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

The following subsidiaries were included in the consolidated group as at 31 December 2021:

Germany: SIS STEMMER IMAGING Services GmbH, Puchheim

Outside Germany: **Direct investments**

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

Indirect investments

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

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

FOREIGN CURRENCY TRANSLATION

The financial statements included in the consolidated financial statements are prepared in their functional currency. The functional currency is the currency in which the majority of cash 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 fiscal year, expenses and income and cash flows are translated into euro at the average rate for the year.

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

Differences arising from translation at closing rates are shown separately in equity, as a reserve from foreign currency translation of foreign subsidiaries or as currency changes, respectively. Currency translation differences recognized in equity in the context of the Group's translation differences recognized in equity are reversed through profit or loss when Group companies are deconsolidated or the net investment in a foreign operation are reversed through profit or loss.

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

EUR 1/		Closing rate 31/12/2021	Closing rate 31/12/2020	Average rate 2021	Average rate 2020
CHF	Switzerland	1.0331	1.0802	1.0814	1.0703
GBP	United Kingdom	0.8403	0.8990	0.8600	0.8892
SEK	Sweden	10.2503	10.0343	10.1449	10.4881
DKK	Denmark	7.4364	7.4409	7.4371	7.4544
MXN	Mexico	23.1438	24.4160	23.9903	24.5118
BRL	Brazil	6.3101	6.3735	6.3813	5.8900
PLN	Poland	4.5969	4.5597	4.5640	4.4432
USD	USA	1.1326	1.2271	1.1835	1.1413

FOREIGN CURRENCY VALUATION

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

4. ACCOUNTING POLICIES

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

Standards that are not to be applied until after the reporting date were not adopted early. Early adoption of standards thus had no effect on the net assets, financial position or results of operations of the Group in the 2021 fiscal year.

The consolidated financial statements for the 2021 fiscal year were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London/United Kingdom, as applicable in the European Union as at 31 December 2021.

The financial statements of the German and foreign companies included in the consolidated financial statements were prepared as of the reporting date of STEMMER IMAGING AG, i. e. 31 December 2021.

4.1. CONSOLIDATION METHODS

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

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

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

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

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

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

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

In the fiscal year 2021, the investment in associated companies held until then in Perception Park GmbH was sold at a purchase price of 1 euro. For further details, please refer to Part B 3.

4.2. REVENUE RECOGNITION

As a specialist dealer of digital machine vision technology, the Group markets a diverse range of state-of-the-art machine vision products from leading manufacturers using internally developed and purchased software.

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

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

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

When determining the transaction price for the sale of machine vision technology, the Group takes into account the impact of variable consideration, the existence of significant financing components or, for example, consideration payable to a customer. An assessment is carried out for all performance obligations that are distinct in the contract within the meaning of IFRS 15 as to whether the revenue is to be recognised at a point in time or over a period of time.

To identify whether STEMMER IMAGING is acting as a principal or agent for the provision of a service or delivery, the contracts are examined according to the following criteria:

(1) Identification of the type of performance promise
(2) Civil-law ownership during the course of the sale – does STEMMER IMAGING have authority of disposal?
(3) Identification of the inventory risk
(4) Pricing scope of STEMMER IMAGING

When selling hardware, the STEMMER IMAGING Group records the revenue as the principal, as it has the authority of disposal over the relevant goods, before they are delivered to the customer.

At software sales, STEMMER IMAGING differentiates between sales of internally programmed CVB software and externally purchased software. In the case of internally programmed software, STEMMER IMAGING acts as the principal, as the STEMMER IMAGING Group has the power of disposition and pricing and is free to set its own prices. In this case, the Group recognizes gross revenues.

In the case of purchased licenses, it must be determined whether STEMMER IMAGING is merely acting as an intermediary or whether additional hardware and services are sold in combination with the software.

In the majority of cases, STEMMER IMAGING brokers standard software products between the manufacturer and the customer. No additional services or modifications are sold within this transaction. With regard to the accounting treatment of revenue from the sale of standard software licenses, there has recently been further discussion in the IT industry as to whether this revenue should generally be reported as an agent and therefore net in accordance with IFRS 15.36. A corresponding inquiry and response to the IFRS Interpretation Committee reveals a clear tendency towards net presentation as an agent for the sale of standard software licenses. STEMMER IMAGING has adopted this view and adjusted the revenue recognition accordingly from fiscal year 2021 onwards. Prior-year figures have been adjusted in analogous application and are detailed in Part B of the consolidated disclosures on revenues.

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 fiscal year.

4.4. INTANGIBLE ASSETS

Purchased intangible assets are capitalised at cost.

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

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

4.5. RESEARCH AND DEVELOPMENT COSTS

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

4.6. PROPERTY, PLANT AND EQUIPMENT

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

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

4.7. LEASES

STEMMER IMAGING AG applies IFRS 16 to its leases. IFRS 16 provides a comprehensive model for identifying leases and accounting by lessors and lessees. The core aspect is that, in general, all leases and the associated contractual rights and obligations must be reflected in the lessee's statement of financial position. For leases with a term of more than 12 months and that do not have a low value, assets are required to be recognised for the right of use and leasing liabilities. With lessors, the leases are either classified as financing and operating leases.

Initial measurement of the right-of-use asset for the lease object and the corresponding leasing liability is based on the present value of the lease payments plus initial direct costs, less any incentives received. The discounting takes place at the underlying interest rate of the lease or, if this cannot be readily determined, at the Group's incremental borrowing rate. Within the STEMMER IMAGING Group, interest rates of between 0 per cent and 8.3 per cent were applied with the respective Group companies on the basis of the respective asset classes, the contract term or the start of the contract. Lease payments normally comprise fixed and variable payments that may depend on an index. If the lease comprises an extension or purchase option, which is considered likely to be exercised to a reasonably certain extent, the costs for the option are reflected in the lease payments. The STEMMER IMAGING Group exercises the option provided for in IFRS 16 with respect to the treatment of leases with a term not exceeding 12 months and leases for low-value assets.

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

Due to the coronavirus pandemic, leases were adapted or renegotiated in order to cushion the burden from the government-imposed lockdowns. The agreed rent concessions comprised rent reductions and deferrals.

The adaptation of IFRS 16 in connection with the coronavirus pandemic in 2020 was extended on 31 March 2021 beyond 30 June 2021. Accordingly, a lessee continues to have the option to refrain from recognising Covid-19-related rent concessions as a modification and links it to the application of the following criteria, which must be fulfilled cumulatively (IFRS 16.46B):

(1) The change to the lease is a direct consequence of the coronavirus pandemic.
(2) The rent concessions comprise changes to the interest and principal repayment schedule.
(3) The reduced rent payments are due on or before 1 January 2022.
(4) The rent concessions do not comprise any other changes to the contractual terms and conditions.
(5) The total lease payments are not increased as a result of the change.

For the application of the exempting provision, different accounting consequences occurred for rent waivers/reductions and for rent deferrals. Consistent application to similarly structured contracts was required.

The waiver or reduction of the rent payments was recognised according to IFRS 16.38 as (negative) variable lease payments and thus as other operating income when granted. The rent waiver or rent reduction was the basis of the derecognition of the specified part of the liability as an opposing entry (IFRS 9.3.3.1). For the application of the exempting provision, no adaptation of the right of use took place and no new calculation of an interest rate took place, as would be required when applying the regulation for recognition as a modification.

In the 2021 fiscal year the company did not exercise the extension of the relief provision, which would have been available after 30 June 2021.

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 year	31/12/2021	31/12/2020
Intangible assets acquired for consideration	3 – 8	3 – 8
Buildings (tenant installations)	3 – 10	3 – 10
Other equipment, operating and office equipment	3 – 8	3 – 8

4.9. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

4.10. INVENTORIES

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

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

4.11. FINANCIAL INSTRUMENTS

Basic information

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

Financial instruments are recognised as of the settlement date when STEMMER IMAGING 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 credit 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.

In the case of financial assets that already have an impaired credit rating upon addition, the interest income is determined by applying an adjusted interest rate to the amortized cost. This adjusted interest rate is the interest rate at which the cash flows expected upon initial recognition (explicitly taking into account expected payment defaults as well as contractual provisions) are discounted to the carrying amount upon initial recognition.

Interest income on debt instruments measured at amortized cost or FVTOCI is determined using the effective interest method. For all financial assets that do not have an impaired credit rating upon initial recognition, interest income is calculated using the effective interest method on the gross carrying amount.

Interest income on financial assets that do not have an impaired credit rating on initial recognition but subsequently is determined by applying the effective interest rate to the amortized cost. If, in subsequent periods, the credit risk of the financial asset that has given rise to the designation improves such that the credit rating is no longer impaired, the interest income is calculated using the effective interest rate based on the gross carrying amount.

In the case of financial assets that already have an impaired credit rating upon initial recognition, the measurement is not based on the gross carrying amount, even after the credit risk has improved.

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

- the 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 and future expectations using a valuation allowance table.

In the case of trade receivables with an insolvent counterparty, the Group does not expect any significant inflows from the impaired receivables. Impaired receivables may nevertheless be subject to enforcement measures to collect overdue receivables.

Cash and cash equivalents are deposited with banks and financial institutions and are due in the short term. These are analysed on regular intervals by approved external rating agencies in the Eurosystem and classified in creditworthiness levels according to their creditworthiness. According to the creditworthiness levels determined by the external rating agencies and the assessments of the Deutsche Bundesbank, the probability of default of cash and cash equivalents is classified as being low. For the evaluation of the default risks as of the end of the reporting period, the Group uses the assessments of the external rating agencies and the Deutsche Bundesbank as a basis.

Significant increase in default risk or assessment of 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, cash and cash equivalents 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 (e. g. external ratings) 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 defaults 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
- Default risk rating
- Nature of the security (if available)
- 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 of the following events have occurred:

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

Derecognition of financial assets

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

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

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

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

Financial liabilities

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

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

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

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

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

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

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

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

4.12. GOVERNMENT GRANTS

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

4.13. INCOME TAXES

Current income taxes for 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 IMAGING 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. To the extent that undistributed profits of investments are expected to remain invested in that entity for an indefinite period of time, no deferred tax liabilities arise.

A deferred tax liability is recognized for all taxable temporary differences, unless they arise from goodwill for which amortization for tax purposes is not possible.

Deferred tax assets also include tax reduction claims arising from the expected utilization of unused tax losses and tax credits in the following five years, the realization of which is reasonably assured.

Deferred taxes are calculated on the basis of the tax rates that apply or are expected to apply under current legislation in the individual countries at the time of realization.

4.14. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

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

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

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

4.15. 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.

4.16. CONTINGENT LIABILITIES

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

4.17. SEGMENT REPORTING

The consolidated financial statements as at 31 December 2021 do not include separate segment reporting as the activities of the STEMMER IMAGING Group are limited to one reportable segment within the meaning of IFRS 8. All business operations focus on trading of machine vision technology and are monitored and managed internally. There are no other operating segments that would be subject to reporting requirements under IFRS 8.11. Regardless of this, company-wide disclosures in accordance with IFRS 8.31 – 34 are provided in connection with the presentation of revenue in section 19.

4.18. SHARE-BASED REMUNERATION

Accounting for share-based remuneration or remuneration programmes is based on IFRS 2. The standard differentiates between equity-settled share-based payment transactions and cash-settled share-based payment transactions.

With effect from 1 January 2021, the Executive Board contracts at STEMMER IMAGING AG were adapted to the remuneration system adopted by the Annual General Meeting 2021 and provided with a component for long-term incentivisation. The programme is recognised according to "IFRS 2 "share-based payment transaction" as cash-settled share-based payment transaction. Accordingly, the fair value of the work performed by the Executive Board members is recognised in profit and loss as consideration for the cash settlement as of each reporting date and on the settlement date as expense and as a liability. In the absence of an independently determined fair value of the services, the services are determined with the fair value on the grant date, applying option price models. The calculation is based on a dividend yield of 1.5 per cent. The programme envisages that annual tranches are valued at a time 10 trading days after the publication of the results of the previous year with the current share price, in order to form performance shares. These performance shares are then disbursed 4 years later on the basis of the share price that is then valid and an EBITA valuation, which is calculated for the individual tranche in relation to the EBITA achievement in the last budget year, based on the EBITA specified annually by the Supervisory Board for the budget year at the time of granting the tranche. A cap exists per tranche of 200 per cent, which is disbursed as a maximum through a combination of share price and EBITA achievement. If the cash compensation depends on the completion of a specific period of service by the Executive Board members, it is assumed that the services to be provided by the Executive Board members as consideration will be obtained in the future, during the course of the vesting period. Therefore, the remuneration expense is recognised over the vesting period, within which the beneficiaries will acquire an unlimited claim to the promised instruments.

4.19. ESTIMATES AND ASSUMPTIONS

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

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

- Impairment losses are recognised for expected losses on financial instruments in order to account for estimated losses from customers' inability or unwillingness to pay. As part of calculating potential impairment losses, historical and 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.

- 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.

- The company has approved a Performance Share Programme for the Executive Board members of STEMMER IMAGING AG. Details about the estimated valuation parameters (term, expected volatility, risk-free interest rate) used in the Black Scholes valuation model to determine the resulting expenses can be found in the Group notes under Part B 17.

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

B. NOTES ON ITEMS IN THE FINANCIAL STATEMENTS

NOTES ON THE BALANCE SHEET

1. INTANGIBLE ASSETS

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

in KEUR	31/12/2021	31/12/2020
Goodwill	19,462	19,418
Concessions, property rights and patents	951	1,252
Customer base	4,488	5,341
Order backlog	0	55
Brand	1,052	1,137
Technology	620	758
Total	**26,573**	**27,961**

Changes in intangible assets are shown below:

in KEUR	Goodwill	Concessions, property rights and patents	Customer base	Order backlog	Brand	Technology	Total
Acquisition and production costs							
As at 01/01/2021	**25,056**	**3,543**	**6,828**	**641**	**1,263**	**965**	**38,296**
Additions	0	10	0	0	0	0	0
Changes in the consolidated group	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Net exchange rate differences	44	0	0	0	0	0	44
As at 31/12/2021	**25,100**	**3,553**	**6,828**	**641**	**1,263**	**965**	**38,350**
Cumulative depreciation, amortisation and impairment							
As at 01/01/2021	**– 5,638**	**– 2,291**	**– 1,487**	**– 586**	**– 126**	**– 207**	**– 10,335**
Depreciation and amortisation	0	– 311	– 853	– 55	– 85	– 138	– 1,442
Disposals	0	0	0	0	0	0	0
Net exchange rate differences	0	0	0	0	0	0	0
As at 31/12/2021	**– 5,638**	**– 2,602**	**– 2,340**	**– 641**	**– 211**	**– 345**	**– 11,777**
As at 31/12/2021	**19,462**	**951**	**4,488**	**0**	**1,052**	**620**	**26,573**

Intangible assets developed as follows in the previous period:

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

Allocation to cash-generating units

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

in KEUR	31/12/2021	31/12/2020
STEMMER IMAGING B.V., Zutphen/Netherlands	2,953	2,953
STEMMER IMAGING A/S, Copenhagen/Denmark	141	140
STEMMER IMAGING S.A.S., Suresnes/France	2,097	2,097
STEMMER IMAGING AB, Stockholm/Sweden	2,069	2,026
INFAIMON, S.L.U., Barcelona/Spainn	12,202	12,202
Total	**19,462**	**19,418**

The recoverable amount of the five cash-generating units was derived by applying discounted cash flow forecasts to calculate a respective value in use. These discounted cash flow forecasts are based on the financial budget approved by the Executive Board for a detailed planning horizon of five years and on a discount rate specific to each cash-generating unit. These models make use of numerous material assumptions, including estimates of future revenue growth rates, the gross profit ratios, the costs of operating activities, sustainable growth rates and average weighted capital costs (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 to periods after the fifth year assuming a constant annual growth rate of 1 per cent.

The following discount rates before taxes were applied in the individual cash-generating units as of 30 November 2021 (previous year: 30 November 2020):

- STEMMER IMAGING B. V., Zutphen/Netherlands: 6.82 per cent (previous year: 9.30 per cent)
- STEMMER IMAGING A/S, Copenhagen/Denmark: 7.02 per cent (previous year: 9.42 per cent)
- STEMMER IMAGING S. A. S., Suresnes/France: 6.81 per cent (previous year: 10.10 per cent)
- STEMMER IMAGING AB, Stockholm/Sweden: 7.75 per cent (previous year: 10.21 per cent)
- INFAIMON, S. L. U., Barcelona/Spain: 6.82 per cent (previous year: 9.74 per cent)

In the previous year, as at 30 June 2020, in contrast to the standard approach, an additional impairment test was carried out at STEMMER IMAGING. The Covid-19 pandemic had an influence on the earnings forecasts of the cash-generating units. The revenue and earnings performance assumed on the prior-year impairment test date could no longer be realised under the changed demand conditions. An impairment requirement of EUR 4,349 thousand was determined for INFAIMON, S. L. U. and written off accordingly.

The following discount rates before taxes were applied in the individual cash-generating units as at 30 June 2020:

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

For the 2022 planning period, a market increase of 7 per cent is assumed by VDMA. Based on the strong order backlog of EUR 56.6 million, STEMMER IMAGING expects revenue growth of between 10 per cent and 20 per cent. For the subsequent years from 2023 onwards, depending on the country, average revenue growth rates of 10 per cent were assumed, which result from the current expectation of market and strategic business performance. Based on a stable margin situation with costs rising at a lower rate than revenue, STEMMER IMAGING anticipates improved EBITDA ratios at the upper end of the target range of 12 per cent – 14 per cent. The improvement in the EBIT ratio will also be supported by declining PPA amortization over the planning period. Cost planning for 2022 is based on a detailed analysis of the planned and expected development of individual cost items. The detailed planning in particular takes into account the development of sales, strategic and operational measures, special items, and external developments (e. g. expected price increases, specific market developments). For medium-term plan, estimates are used based on experience, which can be subject to corresponding variability. Furthermore, anticipated cost items are also included for the medium-term period if required. Exchange rate fluctuations are not taken into account in the plan.

On the basis of the underlying assumptions for the determination of the recoverable value, there is no impairment of any of the cash-generating units as at 30 November 2021.

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. No impairment requirement arising from changed parameters was determined.

Total expenses for research and development amounted to EUR 1.71 million in the reporting year (previous year: EUR 1.37 million).

2. PROPERTY, PLANT AND EQUIPMENT

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

in KEUR	31/12/2021	31/12/2020
Buildings (leasehold improvements)	846	1,097
Right-of-use assets for land and buildings	2,993	2,574
Technical equipment and machinery	15	22
Other equipment, operating and office equipment	1,084	1,411
Right-of-use assets for operating and office equipment	670	783
Advance payments and assets under construction	0	7
Total	**5,608**	**5,894**

Fixed assets developed as follows in the fiscal year:

in KEUR	Buildings (leasehold improvements)	Right-of-use assets for land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets for operating and office equipment	Advance payments and assets under construction	Total
Acquisition and production costs							
As at 01/01/2021	**3,595**	**4,588**	**32**	**5,695**	**1,459**	**7**	**15,377**
Additions	6	44	0	233	304	0	587
Reclassifications	0	0	0	7	0	– 7	0
Disposals	– 34	– 251	0	– 297	– 208	0	– 790
Revaluations	0	1,702	0	0	47	0	1,749
Net exchange rate differences	31	27	0	44	8	0	110
As at 31/12/2021	**3,598**	**6,110**	**32**	**5,682**	**1,610**	**0**	**17,033**
Cumulative depreciation, amortisation and impairments							
As at 01/01/2021	**– 2,498**	**– 2,014**	**– 10**	**– 4,284**	**– 676**	**0**	**– 9,483**
Depreciation and amortisation	– 230	– 1,334	– 7	– 454	– 467	0	– 2, 492
Reclassifications	0	0	0	0	0	0	0
Disposals	0	251	0	168	208	0	627
Net exchange rate differences	– 24	– 20	0	– 28	– 5	0	– 77
As at 31/12/2021	**– 2,752**	**– 3,117**	**– 17**	**– 4,598**	**– 940**	**0**	**– 11,425**
As at 31/12/2021	**846**	**2,993**	**15**	**1,084**	**670**	**0**	**5,608**

Fixed assets developed as follows in the previous period:

in KEUR	Buildings (leasehold improvements)	Right-of-use assets for land and buildings	Technical equipment and machinery	Right-of-use assets for technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets for operating and office equipment	Advance payments and assets under construction	Total
Acquisition and production costs								
As at 01/01/2020	**3,609**	**4,431**	**11**	**13**	**5,695**	**1,326**	**0**	**15,086**
Additions	41	264	21	0	319	288	7	940
Reclassifications	15	0	0	0	– 58	0	0	– 43
Disposals	– 45	– 99	0	– 13	– 222	– 173	0	– 552
Revaluations	0	2	0	0	0	21	0	23
Net exchange rate differences	– 25	– 10	0	0	– 39	– 3	0	– 77
As at 31/12/2020	**3,595**	**4,588**	**32**	**0**	**5,695**	**1,459**	**7**	**15,377**
Cumulative depreciation, amortisation and impairments								
As at 01/01/2020	**– 2,279**	**– 691**	**0**	**– 3**	**– 3,888**	**– 251**	**0**	**– 7,112**
Depreciation and amortisation	– 268	– 1,423	– 10	6	– 578	– 562	0	– 2,835
Reclassifications	1	0	0	0	– 1	0	0	0
Disposals	31	99	0	– 3	166	137	0	430
Net exchange rate differences	17	1	0	0	17	0	0	34
As at 31/12/2020	**– 2,498**	**– 2,014**	**– 10**	**0**	**– 4,284**	**– 676**	**0**	**– 9,483**
As at 31/12/2020	**1,097**	**2,574**	**22**	**0**	**1,411**	**783**	**7**	**5,894**

3. EQUITY INVESTMENTS IN ASSOCIATES

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

in %	31/12/2021	31/12/2020
Perception Park GmbH, Graz/Austria	–	42.0 %

The company is accounted for using the equity method. The equity investment was sold effective 22 December 2021 for a purchase price of EUR 1.00. As at 31 December 2020, the carrying amount was EUR 1.00. The summarised financial information with regard to the share of the loss and other income, adjusted for STEMMER IMAGING's shareholding, is shown below:

in KEUR	2021	2020
Loss from continuing operations	0	– 600
Total comprehensive income	**0**	**– 600**

Of the loss in the 2020 fiscal year, EUR 62 thousand can be attributed to the pro rata income for the fiscal year and EUR 538 thousand to the write-down that was made on 30 June 2020. As at the 31 December 2020 reporting date, STEMMER IMAGING had a liability in the amount of EUR 50 thousand towards the associate, Perception Park GmbH.

In the 2020 fiscal year, the company generated revenue of EUR 169 thousand and a loss for the year of EUR 239 thousand. Total assets amounted to EUR 562 thousand as of 31 December 2020. For the 2021 fiscal year, figures are only available as at 30 September 2021. Accordingly, in the period from 1 January to 30 September 2021, the company generated revenues of EUR 195 thousand and a net loss of EUR – 202 thousand.

As at the 31 December 2021 reporting date, STEMMER IMAGING reported current receivables of EUR 32 thousand and non-current receivables of EUR 39 thousand from Perception Park GmbH. The receivables are to be repaid by 31 March 2024 by a monthly instalment of EUR 3 thousand.

4. INVENTORIES

Inventories are composed as follows:

in KEUR	31/12/2021	31/12/2020
Raw materials and supplies	177	203
Merchandise	14,444	10,552
Advance payments	966	293
Total	**15,587**	**11,048**

In the 2021 fiscal year, inventories of EUR 79,700 thousand (previous year: EUR 64,464 thousand) were recognised as an expense under cost of materials – the prior-year value was adjusted. Please refer to the explanations to the revenue adjustments in note B 19.

The total cost of inventories recognised as expenses in the cost of materials includes write-downs to the net realisable value of EUR 398 thousand (previous year: EUR 784 thousand) due to excess stock, obsolescence, reduced marketability or subsequent costs.

The inventories are expected to be used within twelve months.

5. TRADE RECEIVABLES

in KEUR	31/12/2021	31/12/2020
Trade receivables	18,222	15,831
Impairment losses	– 1,266	– 717
Total	**16,956**	**15,114**

The Group companies – with the exception of the INFAIMON subsidiaries – generally give payment terms of between 30 and 45 days. The Group does not charge interest to customers for this period of time. Late payment interest will be charged on outstanding amounts after this period on a case by case basis in accordance with customary business practices in the respective country.

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

Impairment losses for trade receivables are explained in note B 13.

The carrying amount of trade receivables is largely considered a suitable estimate of their fair value.

Trade receivables are due within one year.

6. CONTRACT ASSETS

Contract assets are composed as follows:

in KEUR	31/12/2021	31/12/2020
Project order	22	95
of which current	22	95

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 delivery of a subsidiary's bundle of hardware and software components, offset against advanced payments received from customers.

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

7. INCOME TAX RECEIVABLES

Income tax receivables amounted to EUR 362 thousand (previous year: EUR 385 thousand) at the end of the fiscal year. The majority only arises legally after the end of the reporting period.

8. OTHER ASSETS AND DEFERRED INCOME

Other assets break down as follows:

in KEUR	31/12/2021	31/12/2020
Other tax refund claims	1,072	396
Receivables from employees	7	5
Prepaid expenses and other assets	552	469
Total	**1,631**	**870**

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

9. CASH AND CASH EQUIVALENTS

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

For cash and cash equivalents, valuation allowances are made in note B 13 using the expected loss method in accordance with IFRS 9. The impairments are explained in note B 13.

10. EQUITY

Subscribed capital

STEMMER IMAGING AG's share capital is EUR 6,500 thousand (previous year: EUR 6,500 thousand) and is fully paid up. As at 31 December 2021, there were 6,500,000 no- par-value bearer shares (ordinary shares). Each share represents EUR 1.00 of the share capital.

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

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

Capital reserves

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

Revenue reserves

Other revenue reserves amounted to EUR 17,166 thousand (previous year: EUR 9,966 thousand) at the end of the fiscal year. They include earnings carried forward that were generated in the past by companies included in the consolidated financial statements.

The currency translation reserve increased by EUR 86 thousand to EUR 196 thousand in the 2021 fiscal year. Translation differences from translating the foreign currency of foreign operations into the Group's reporting currency are recognised in the consolidated financial statements directly in other comprehensive income and cumulated in the currency translation reserve.

The reserve for actuarial gains/losses increased by EUR 3 thousand to EUR 11 thousand in the 2021 fiscal year. Remeasurements of the net liability for defined benefit plans are recognised directly in other comprehensive income and cumulated in the reserve for actuarial gains/losses.

Key resolutions by the Annual General Meeting of 9 June 2021:

It was resolved to use the German Commercial Code (HGB) unappropriated surplus for the 2020 fiscal year of EUR 10,042,232.95 as follows:

Distribution of a dividend of EUR 0.50 per participating share: a total of EUR 3,250,000.00

Carryforward of EUR 6,792,232.95 to new account

11. EMPLOYEE BENEFITS

Pensions

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

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

As in the previous year, there was a performance obligation to a former member of the Executive Board as of 31 December 2021. 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.

The measurement is based on the following ranges of actuarial assumptions:

	31/12/2021	31/12/2020
Interest rate	0.91 %	0.60 %
Pension/salary trend Germany	n/a	n/a
Pension/salary trend France	2.00 %	2.00 %

Change in present value for pensions and similar obligations:

in KEUR	2021	2020
As at 01/01	**157**	**170**
Service cost	5	– 16
Interest expense	1	1
Actuarial gains (–) and losses (+)	– 4	2
As at 31/12	**159**	**157**

Material changes in plan assets are shown below:

in KEUR	2021	2020
As at 01/01	**115**	**112**
Income/expenses from plan assets	– 3	3
As at 31/12	**112**	**115**

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

in KEUR	2021	2020
Cost of pension claims earned in the reporting year	5	– 16
Actuarial gains (–)/losses (+) from the change in financial assumptions	– 4	2
Net interest expenses	1	1
Components of defined benefit expenses recognised in the income statement	**2**	**– 13**

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

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

in KEUR	31/12/2021	31/12/2020
Present value of covered defined benefit obligations	159	157
Fair value of plan assets	112	115
Excess liability (–)/plan surplus (+)	– 47	– 42

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 obligation.

The expected term of the defined benefit obligation as at 31 December 2021 was 10.6 years (previous year: 11.6 years).

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

No further contributions to plan assets are expected. As in 2021, STEMMER IMAGING does not expect any pension payments in the fiscal year from 1 January to 31 December 2022.

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

- + 1,0 per cent results in an decrease in the performance obligation by EUR 11 thousand
- – 1,0 per cent results in an increase in the performance obligation by EUR 13 thousand

12. OTHER PROVISIONS

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

in KEUR	31/12/2021		31/12/2020	
	Current	Non-current	Current	Non-current
Retention obligations	0	82	0	82
Long-term incentive programme	0	143	0	111
Warranties	131	0	189	0
Other	49	0	41	0
Total	**180**	**225**	**230**	**193**

in KEUR	As at 01/01/2021	Utilisation	Reversed	Additions	Currency	As at 31/12/2021
Retention obligations	82	0	0	0	0	82
Long-term incentive programme	111	0	0	32	0	143
Warranties	189	– 40	– 116	99	– 1	131
Other	41	– 7	– 21	36	0	49
Total	**423**	**– 47**	**– 137**	**167**	**– 1**	**405**

in KEUR	As at 01/01/2020	Utilisation	Reversed	Additions	As at 31/12/2020
Retention obligations	82	0	0	0	82
Long-term incentive programme	124	– 15	0	2	111
Warranties	0	0	0	189	189
Other	32	– 7	0	16	41
Total	**238**	**– 22**	**0**	**207**	**423**

Incentive programme

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

Provisions for the incentive programme are measured at the present value of existing claims in accordance with IAS 19. The calculation of the present value is based on an discount rate of 0.91 per cent (previous year: 0.60 per cent).

Change in present value for obligations from the incentive programme:

in KEUR	2021	2020
As at 01/01	111	124
Additions	32	2
Utilisation	0	– 15
As at 31/12	**143**	**111**

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

The expected term of the defined benefit obligation as at 31 December 2021 was 8.4 years (previous year: 8.3 years). STEMMER IMAGING does not expect any payments from this programme (previous year: EUR 0) in the fiscal year from 1 January to 31 December 2022.

13. FINANCIAL INSTRUMENTS

Classification and fair value

The following table provides a reconciliation of the statement of financial position items as of 31 December 2021 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 according to IFRS 9					
	Category according to IFRS 9	Carrying amount 31/12/2021	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement according to IFRS 9	Of which assets and liabilities under IFRS 16	Fair value 31/12/2021
Assets								
Trade receivables	Amortised cost	16,956	16,956	0	0	16,956	0	16,956
Contract assets	Amortised cost	22	22	0	0	22	0	22
Other investment securities	FVTPL	27	0	0	27	27	0	27
Other financial assets	Amortised cost	181	181	0	0	181	0	181
Cash and cash equivalents	Amortised cost	36,022	36,022	0	0	36,022	0	36,022
Equity and liabilities								
Current and non-current loans	Amortised cost	5,503	5,503	0	0	5,503	0	5,503
Trade payables	Amortised cost	10,749	10,749	0	0	10,749	0	10,749
Contract liabilities and advance payments received on orders	Amortised cost	1,185	1,185	0	0	1,185	0	1,185
Liabilities to affiliated companies	Amortised cost	16	16	0	0	16	0	16
Remaining other financial liabilities	Amortised cost	993	993	0	0	993	0	993
Liabilities from leases	n/a	3,673	0	0	0	0	3,673	3,673

The following table provides a reconciliation of the statement of financial position items as at 31 December 2020 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 according to IFRS 9					
	Category according to IFRS 9	Carrying amount 31/12/2020	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement according to IFRS 9	Of which assets and liabilities under IFRS 16	Fair value 31/12/2020
Assets								
Trade receivables	Amortised cost	15,114	15,114	0	0	15,114	0	15,114
Contract assets	Amortised cost	95	95	0	0	95	0	95
Other investment securities	FVTPL	36	0	0	36	36	0	36
Other financial assets	Amortised cost	238	238	0	0	238	0	238
Cash and cash equivalents	Amortised cost	34,718	34,718	0	0	34,718	0	34,718
Equity and liabilities								
Current and non-current loans	Amortised cost	7,505	7,505	0	0	7,505	0	7,505
Trade payables	Amortised cost	9,635	9,635	0	0	9,635	0	9,635
Liabilities to associated companies	Amortised cost	50	50	0	0	50	0	50
Contract liabilities and advance payments received on orders	Amortised cost	2,222	2,222	0	0	2,222	0	2,222
Liabilities to affiliated companies	Amortised cost	35	35	0	0	35	0	35
Remaining other financial liabilities	Amortised cost	1,158	1,158	0	0	1,158	0	1,158
Liabilities from leases	n/a	3,355	0	0	0	0	3,355	3,355

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 in active markets for identical assets or liabilities

Level 2:
Inputs other than quoted market prices that are observable, either directly or indirectly

Level 3:
Unobservable inputs for the asset or liability

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

in KEUR	31/12/2021			31/12/2020		
Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Other investment securities			27			36

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

For Level 2, fair value is determined using a discounted cash flow model based on inputs other than quoted prices included within Level 1 that are either directly or indirectly observable. Level 3 fair values are calculated using valuation techniques that incorporate inputs that are not observable in the active market.

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

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

The non-current other financial assets of EUR 55 thousand (previous year: EUR 43 thousand) as at 31 December 2021 mainly comprise the non-current portion of the receivable due from Perception Park GmbH.

Current other financial assets are broken down as follows:

in KEUR	31/12/2021	31/12/2020
Other	126	195
Total	**126**	**195**

Current other financial assets include creditors with debit balances in the amount of EUR 10 thousand (previous year: EUR 57 thousand).

Non-current other financial liabilities are composed as follows:

in KEUR	31/12/2021	31/12/2020
Other financial liabilities	689	562
Liabilities from leases	2,101	1,792
Total	**2,790**	**2,354**

Other financial liabilities include research loans that INFAIMON, S. L. U. has received.

Current other financial liabilities are broken down as follows:

in KEUR	31/12/2021	31/12/2020
Other financial liabilities	304	596
Liabilities from leases	1,572	1,563
Total	**1,876**	**2,159**

Other financial liabilities include debtors with credit balances in the amount of EUR 203 thousand (previous year: EUR 264 thousand) and current research loans (EUR 96 thousand), which INFAIMON, S. L. U. received (previous year: EUR 127 thousand). In the previous year, liabilities from Supervisory Board remuneration was still recognised under this item in the amount of EUR 135 thousand, these amounts were fully settled in the 2021 fiscal year.

Financial risk management

Risk management principles

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

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

Liquidity risks

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

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

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

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

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

31/12/2021 in KEUR	**Cash flows 2022**	**Cash Flows 2023 – 2026**	**Cash Flows 2027 onwards**
Loan liabilities	2,035	3,523	0
Trade payables	10,749	0	0
Contract liabilities and advance payments received on orders	1,185	0	0
Liabilities to affiliated companies	16	0	0
Other financial liabilities	304	425	264
Liabilities from leases	1,578	1,939	168
Total	**15,867**	**5,887**	**432**

31/12/2020 in KEUR	**Cash Flows 2021**	**Cash Flows 2022 – 2025**	**Cash Flows 2026 onwards**
Loan liabilities	2,035	5,527	0
Trade payables	9,635	0	0
Contract liabilities and advance payments received on orders	2,222	0	0
Liabilities to affilliated companies	35	0	0
Liabilities to associated companies	50	0	0
Remaining other financial liabilities	596	0	562
Liabilities from leases	1,577	1,557	255
Total	**16,150**	**7,084**	**817**

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:

31/12/2021 in KEUR	**current**				**non-current**			
	GBP	**BRL**	**USD**	**CHF**	**GBP**	**BRL**	**USD**	**CHF**
Financial assets	1,583	371	5,599	1,766	0	0	0	0
Financial liabilities	– 236	– 41	– 2,095	– 204	– 22	0	0	– 105
Total	**1,346**	**330**	**3,504**	**1,562**	**– 22**	**0**	**0**	**– 105**

31/12/2020 in KEUR	**current**				**non-current**			
	GBP	**BRL**	**USD**	**CHF**	**GBP**	**BRL**	**USD**	**CHF**
Financial assets	1,710	494	7,103	1,449	0	0	0	0
Financial liabilities	– 103	– 31	– 1,790	– 395	– 15	– 3	0	– 42
Total	**1,607**	**463**	**5,313**	**1,054**	**– 15**	**– 3**	**0**	**– 42**

The amounts held in all other currencies in the Group, such as Danish krona, Swedish krona, Mexican peso and Polish zloty are immaterial.

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

Foreign currency sensitivity analysis:

The following tables show the sensitivity of profit and equity in relation to the Group's financial assets and financial liabilities and of the BRL/EUR, GBP/EUR and USD/EUR exchange rates. All other parameters are unchanged. A change in the BRL/EUR, GBP/EUR and USD/EUR exchange rates of +/– 10 per cent as at 31 December 2021 is assumed. This percentage was calculated on the basis of the average market volatility of the exchange rates over the last 12 months.

If the EUR had appreciated against the USD by 10 per cent in 2021, this would have had the following effect:

USD in KEUR	**Profit**	**Equity**
31/12/2021	– 319	– 319
31/12/2020	– 483	– 483

If the EUR had weakened against the USD by 10 per cent in 2021, this would have had the following effect:

USD in KEUR	**Profit**	**Equity**
31/12/2021	389	389
31/12/2020	590	590

If the EUR had appreciated against the GBP by 10 per cent in 2021, this would have had the following effect:

GBP in KEUR	**Profit**	**Equity**
31/12/2021	– 11	– 122
31/12/2020	– 51	– 74

If the EUR had weakened against the GBP by 10 per cent in 2021, this would have had the following effect:

GBP in KEUR	**Profit**	**Equity**
31/12/2021	11	122
31/12/2020	51	74

If the EUR had appreciated against the BRL by 10 per cent in 2021, this would have had the following effect:

BRL in KEUR	**Profit**	**Equity**
31/12/2021	– 29	1
31/12/2020	– 175	298

If the EUR had weakened against the BRL by 10 per cent in 2021, this would have had the following effect:

BRL in KEUR	**Profit**	**Equity**
31/12/2021	29	– 1
31/12/2020	175	– 298

If the EUR had appreciated against the CHF by 10 per cent in 2021, this would have had the following effect:

CHF in KEUR	Profit	Equity
31/12/2021	– 110	45
31/12/2020	– 48	– 11

If the EUR had weakened against the CHF by 10 per cent in 2021, this would have had the following effect:

CHF in KEUR	Profit	Equity
31/12/2021	110	– 45
31/12/2020	48	11

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

Risk of default

The risk of default is the risk of financial losses in the event that a counter party does not fulfil its obligations towards the Group. The Group is exposed to this risk through various financial instruments, particularly through existing trade receivables, other financial assets measured at amortised cost and investment of cash and cash equivalents. The risk of default occurs if the counter party does not fulfil its obligations towards the Group. Events of default may be disruptions in the contracting party’s business procedure and associated payment delays, inability to pay, respectively insolveny. 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		Carrying amounts	
		31/12/2021	31/12/2020
Financial assets			
Trade receivables	gross	18,222	15,831
Trade receivables	Impairment loss	– 1,266	– 717
Trade receivables	net	16,956	15,114
Other financial assets	net	181	238
Cash and cash equivalents	gross	36,058	34,746
Cash and cash equivalents	Impairment loss	– 36	– 28
Cash and cash equivalents	net	36,022	34,718
Total	**net**	**53,159**	**50,070**

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

in KEUR	Risk provision procedure	Level of risk provision	Carrying amounts 31/12/2021	Carrying amounts 31/12/2020
Trade receivables	Lifetime-expected-credit loss	n/a	16,956	15,114
Cash and cash equivalents	12-month expected credit loss	Level 1	36,022	34,718

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

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

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

Collateral or other credit improvement measures do not exist for reducing the credit risk.

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

The tables below provide information on the estimated default risk and expected credit losses for trade receivables as at 31 December 2021 and 31 December 2020:

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
not past due	2.99%	12,612	– 377	No
1 – 30 days past due	2.12%	2,607	– 55	No
31 – 60 days past due	10.86%	980	– 106	No
61 – 90 days past due	0.68%	613	– 4	No
91 – 180 days past due	22.28%	543	– 121	No
181 – 270 days past due	41.01%	228	– 94	Yes
271 – 360 days past due	63.99%	206	– 132	Yes
More than 360 days past due	86.98%	433	– 377	Yes
Total as at 31/12/2021		**18,222**	**– 1,266**	

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

The increase in value adjustments results in particular from the increased gross book value of the receivables, from higher value adjustments, which were recorded after an individual case assessment, as well as from increased overdues.

Expected credit losses for trade receivables that were not already impaired on a case-by-case basis (e. g. due to a customer's insolvency) are determined using the practical expedient of a provision matrix, which specifies fixed provision rates depending on the length of time that trade receivables are past due. In addition, in the "not past due" to "61 – 90 days past due" levels, additional risk provisions were formed in view of increased payment deadlines for INFAIMON subsidiaries. Impairment allowances based on the provision matrix amount to EUR – 614 thousand (previous year: EUR – 337 thousand). The impairments that were recognised on a case-by-case basis amount to EUR – 652 thousand (previous year: EUR – 380 thousand) and are also shown in the provision matrix according to the past due dates.

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

in KEUR	2021	2020
As at the beginning of the fiscal year	– 717	– 414
Additions	– 614	– 548
Utilisation	34	42
Reversals	34	197
Currency adjustments, other changes	– 3	6
Total	**– 1,266**	**– 717**

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 of other financial assets and contract assets is negligible due to the low volume as at 31 December 2021.

The credit risk for cash and cash equivalents is determined on the basis of external ratings. As an impairment loss was formed for bank balances for the first time in the 2020 fiscal year, the historical data is not yet informative. Due to the good credit quality of the of the banks, the risk is low due to a low probability of default and accordingly the valuation allowance of EUR 8 thousand is low in the 2021 fiscal year.

The following table shows the development of the valuation allowance for cash and cash equivalents:

in KEUR	2021	2020
As at the beginning of the fiscal year	– 28	0
Additions	– 8	– 28
Total	**– 36**	**– 28**

Interest rate risk
As at 31 December 2021, there were bank liabilities of EUR 5,503 thousand. An amount of EUR 5,500 thousand relates to a bank liability of STEMMER IMAGING AG, which was raised from UniCredit Bank AG, Munich, to finance the acquisition of the INFAIMON Group. Interest of 0.65 per cent p. a. is due at the end of the fixed-interest period on 30 September 2024. The loan is being repaid in quarterly instalments of EUR 500 thousand. The loan was taken up on the basis of special conditions (compliance with key financial ratios, change of control, negative pledge, cross-default clause). STEMMER IMAGING is assuming that the covenants will not be breached in subsequent years, which is why no sensitivities were determined for a potential change in the interest rate.

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

Disproportionately high concentration of risk
The Group is careful to ensure a balanced customer portfolio, long-standing customer relations and risk diversification with regard to industry-specific end markets and regional sales markets. Nevertheless, the Group's business model entails certain risks, which primarily constitute market- and industry-specific risks (e. g. customer budgets, changes to competition, economic risks, sales risks in connection with direct sales by manufacturers) and business risks (e. g. from company acquisitions, storage risks, dependence on suppliers, price increases, currency risks). In the case of trade accounts receivable, the company regularly monitors whether it generates more than 10 per cent of total revenue with any one customer. This did not occur either in fiscal year 2021 or in fiscal year 2020.

Bank balances are held exclusively with regional or renowned banks and financial institutions. They are held for short-term liquidity management purposes. The company monitors the creditworthiness of these counterparties on an ongoing basis using the credit ratings of external rating agencies and the assessments of the German Bundesbank. The default risks are considered to be very low due to the good credit ratings (up to A-3); in the opinion of the Executive Board, there are no disproportionately high risk concentrations.

14. LEASING

The leases concluded by STEMMER IMAGING relate to the leasing of right-of-use assets to licences, properties, particularly office premises, as well as other property, plant and equipment, above all, operating and office equipment and motor vehicles. The leases fulfil a support function for the Group's business operation.

The development of the carrying amount of the leased property, plant and equipment is as follows:

in KEUR	2021	2020
Initial balance as at 01/01	3,357	4,825
Additions	348	552
Disposals	–	– 52
Revaluations	1,749	23
Currency	10	– 12
Depreciation and amortisation	– 1,801	– 1,979
Final balance as at 31/12	**3,663**	**3,357**

The revaluations of EUR 1,749 thousand mainly relate to contract adaptations and contract extensions with the “finance leasing of land and buildings”. The additions mainly relate to the “Finance leasing of operating and office equipment” within the property, plant and equipment and are due to the replacement of expired leasing vehicles.

The split of discounted and undiscounted leasing liabilities by maturities is shown in the following tables:

31/12/2021 in KEUR	**Discounted leasing liabilities**	**Undiscounted leasing liabilities**
Liabilities from leases up to 1 year	1,572	1,578
Liabilities from leases 1 to 5 years	1,933	1,939
Liabilities from leases of more than 5 years	167	168

31/12/2020 in KEUR	**Discounted leasing liabilities**	**Undiscounted leasing liabilities**
Liabilities from leases up to 1 year	1,563	1,577
Liabilities from leases 1 to 5 years	1,539	1,557
Liabilities from leases of more than 5 years	253	255

Furthermore, future payments exist for leases for low-value assets (low-value leases). Overall, these are of minor significance.

The amounts in the income statement, which apply to leases in which STEMMER IMAGING appears as the lessee are as follows:

in KEUR	**31/12/2021**	**31/12/2020**
Depreciation and amortisation	1,801	1,979
Interest expenses	6	10
Leases for low-value assets	7	3
Total leasing expenses	**1,814**	**1,993**

The amounts in the cash flow statement, which apply to leases in which STEMMER IMAGING appears as the lessee are as follows:

in KEUR	**31/12/2021**	**31/12/2020**
Payments from leases for low-value assets	7	3
Payments from leases	1,809	1,941
of which from principal repayment	1,803	1,931
of which from interest	6	10
Total leasing payments	**1,816**	**1,944**

The payments from current/low-value leases relate to operating cashflow, principal and interest payments relate to cashflows from financing activities.

15. 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 considered as a suitable estimate of fair value.

16. CONTRACT LIABILITIES AND ADVANCE PAYMENTS RECEIVED ON ORDERS

As at 31 December 2021, contract liabilities were as follows:

in KEUR	31/12/2021	31/12/2020
Contract liabilities and advance payments received on orders	1,180	2,222
Other contract liabilities	5	0
Total	**1,185**	**2,222**

Contract liabilities in connection with construction contracts arise to the extent that advance payments exceed revenue generated for the period on the basis of the cost-to-cost method. As at 31 December 2021, EUR 5 thousand of this item relates the time-period-related revenue recognition for a project order in connection with the delivery of a related bundle of hardware and software components. At EUR 1,180 thousand, the majority relates to advance payments received on orders. The amount reported at the reporting dates become revenue in the respective subsequent year.

17. OTHER LIABILITIES

31/12/2021 in KEUR	up to 1 year	between 1 and 5 years	more than 5 years	Total
Personnel liabilities	3,674	235	406	4,315
Tax liabilities	1,779	0	0	1,779
Other liabilities	629	0	0	629
Deferred income	68	0	0	68
Total	**6,150**	**235**	**406**	**6,791**

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

Personnel liabilities are composed as follows:

in KEUR	31/12/2021	31/12/2020
Liabilities for bonuses	2,381	1,360
Holiday, flexitime credit	490	373
Severance payments	102	118
Other social security liabilities	301	246
Liabilities for contributions to occupational health and safety agency	43	46
Anniversary obligations	406	250
Miscellaneous other personnel liabilities	592	299
Total	**4,315**	**2,692**

Miscellaneous other personnel liabilities include share-based remuneration in the amount of EUR 235 thousand (previous year: EUR 0 thousand).

The fair value of the Performance Share Plan was determined as at 31 December 2021 on the basis of the following parameters:

in EUR	Tranche 1 2021 fiscal year
Date of issue	**12/04/2021**
Average share price on date of issue	24.34

in years	Tranche 1 2021 fiscal year
Term	
Total term	4
Remaining term on 31/12/2021	3.28

in EUR	Tranche 1 2021 fiscal year
Share price on valuation date	**42.50**
Expected volatility	45.00 %
Risk-free interest rate p. a.	– 0.534 %
Fair value on date of issue	23.97
Fair value on 31/12/2021	37.17

Development of the number of units of the Performance Share Plan

in units	As at 01/01/2021	Granted	As at 31/12/2021
Tranche 2021	0	6,322	6,322

The total expense recognised in the fiscal year from the share-based remuneration was EUR 235 thousand (previous year: EUR 0) and was formed into a non-current liability in the same amount.

18. 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 by means of the debt ratio.

As at the end of the reporting period, the equity ratio was around 69 per cent (previous year: 66 per cent) and the net debt ratio was around – 5 per cent (previous year: – 3 per cent). Moving ahead, the company plans to continue optimising the capital structure, taking risk and return aspects into account.

in KEUR	31/12/2021	31/12/2020
Liabilities	32,208	32,605
Cash and bank balances	– 36,022	– 34,718
Net debt	**– 3,814**	**– 2,113**
Equity	71,368	64,079
Net debt to equity	– 5.34 %	– 3.30 %

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

The Group is subject to externally determined standard capital requirements (EBITDA to net financial debt) as part of the loan agreement with UniCredit Bank AG.

As at 31 December 2021, no changes were made to the risk management targets or processes.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

19. REVENUE

in KEUR	2021	2020
Revenue from components and modified components sales	127,622	101,323[1]
Revenue from service	2,492	1,822[1]
Revenue	**130,115**	**103,145[1]**

1 Prior-year values adjusted

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

For the 2021 fiscal year, the company was able to continue to serve a wide range of industries without having any particular industry focus. The sports & entertainment sector now accounts for a disproportionately large share after the industrial automation and the mechanical engineering sectors. In relation to total revenues, however, revenues allocated in this way account for less than 30 per cent.

For the fiscal year 2021, STEMMER IMAGING AG changed its accounting policy for trading with software licenses, due to a substantiation of the International Financial Reporting Standards (IFRS), which has now taken place. For purchased software products that are sold on without additional services, STEMMER IMAGING reports the net revenue generated from the mediation service. To take account of the comparability of the figures, the revenue from the 2020 fiscal year was calculated using the same accounting policy.

in KEUR	2021		2020	
	Principal classification	Agent classification (reported)	Principal classification (reported)	Agent classification
Presentation of gross/net				
Revenue	132,342	130,115	105,181	103,145
Cost of materials	– 81,927	– 79,700	– 66,500	–64,464
Gross profit	50,415	50,415	38,681	38,681
EBITDA	17,360	17,360	7,214	7,214
EBITA	14,867	14,867	4,379	4,379
EBITDA margin	13.1 %	13.3 %	6.9 %	7.0 %

A breakdown of revenue by region is also provided below:

in KEUR	2021	2020
Germany	43,969	35,801[1]
Europe (excluding Germany)	81,621	63,609[1]
Rest of world	4,525	3,735[1]
Total	**130,115**	**103,145[1]**

1 Prior-year values adjusted

The breakdown of revenue by region is based on the location of the customer, i. e. the place of delivery. Neither in the 2021 fiscal year nor in the 2020 fiscal year did STEMMER IMAGING generate more than 10 per cent of its total revenue with any one customer.

20. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in KEUR	2021	2020
Income from currency gains	1,034	692
Government subsidies	240	257
Offset non-cash benefits	169	167
Prior-period income	1	13
Reversal of valuation allowances on receivables	34	197
Income from provision releases and other liabilities	348	32
Income from compensation	48	144
Income from the disposal of fixed assets	20	15
Miscellaneous other operating income	100	104
Total	**1,994**	**1,621**

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

in KEUR	2021	2020
Income from currency gains	1,034	692
Reversal of valuation allowances on receivables	34	197
Result of financial instruments carried as assets at amortised cost	**1,068**	**889**

The government subsidies include payments for research and development measures of EUR 223 thousand (previous year: EUR 188 thousand).

21. COST OF MATERIALS

Costs of materials are composed as follows:

in KEUR	2021	2020
Cost of raw materials and supplies	78,546	63,764[1]
Cost of purchased services	1,154	700[1]
Cost of materials	**79,700**	**64,464[1]**

1 Prior-year values adjusted – we refer to the explanations in note B 19 Revenue for the adjustments of the prior year values.

22. PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

Personnel expenses developed as follows:

in KEUR	2021	2020
Wages and salaries	21,102	19,212
Other social security contributions and employee benefit costs	4,437	4,226
Total	**25,539**	**23,438**

In the reporting year, the Group employed an average of 333 staff (previous year: 357). The increase in personnel expenses mainly results from above-budget target achievement with the variable salary components in the amount of EUR 1.244 thousand and a special payment during the year to the employees in the amount of EUR 400 thousand.

In the previous year, wages and salaries included a net amount of EUR 106 thousand in government grants as part of the support measures to combat the consequences of the Covid 19 pandemic, and social security contributions and support expenses included EUR 216 thousand in reimbursements of social security contributions in connection with short-time working allowances.

23. DEPRECIATION AND AMORTISATION

EUR 2,492 thousand (previous year: EUR 2,835 thousand) of depreciation and amortisation related to property, plant and equipment and EUR 1,442 thousand (previous year: EUR 5,929 thousand) to intangible assets. In the previous year, a write-down was made on goodwill of INFAIMON, S. L. U. in the amount of EUR 4,349 thousand as at 30 June.

24. OTHER OPERATING EXPENSES

Other operating expenses break down as follows:

in KEUR	2021	2020
Selling expenses	1,440	1,516
General and administrative expenses	3,093	3,289
Rent, leases	273	213
Operating expenses	1,126	1,232
Impairments on financial assets	622	576
Foreign currency losses	758	1,949
Expenses related to affiliated companies	487	482
One-off expenses misdirected payments	1,044	0
Miscellaneous other operating expenses	667	393
Total	**9,510**	**9,650**

Rent and lease expenses of EUR 273 thousand include expenses for leases for low-value assets of EUR 7 thousand, other expenses from leases (incidental costs) of EUR 232 thousand and other expenses from usage fees not within the scope of IFRS 16 of EUR 34 thousand.

Other operating expenses include a one-off expense due to a misdirected payment of the Dutch subsidiary in the 2021 fiscal year in the amount of EUR 1,044 thousand.

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

in KEUR	2021	2020
Impairments on financial assets	622	576
Foreign currency losses	758	1,949
Result of financial instruments carried as assets at amortised cost	**1,380**	**2,525**

25. NET FINANCE INCOME

Net finance income is composed as follows:

in KEUR	2021	2020
Loss from investments accounted for using the equity method	0	– 600
Finance income	271	39
Finance costs	– 67	– 122
Total	**204**	**– 683**

Finance income mainly results from interest on the loan granted during the year to PRIMEPULSE SE.

Finance costs are composed as follows:

in KEUR	2021	2020
Interest and similar expenses to third parties	61	113
Interest and similar expenses for leasing	6	9
Total	**67**	**122**

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

in KEUR	2021	2020
Result of financial instruments carried as assets at amortised cost	271	36
Result from financial instruments at fair value through profit and loss	– 62	– 113

26. INCOME TAXES

Income taxes are composed as follows:

in KEUR	2021	2020
Taxes on income	3,565	1,538
Deferred taxes	– 385	– 448
Total	**3,180**	**1,090**

Tax expense for the 2021 fiscal year and the 2020 fiscal year can be reconciled to the net income for the period as follows:

in KEUR	2021	2020
Profit before income taxes	13,630	– 2,233
Income tax income (+), income tax expense (–) at a tax rate of 28.08 %	– 3,827	627
Impact of differing tax rates at subsidiaries in other legal jurisdictions	141	– 52
Taxes for previous years	89	– 192
Permanent differences in the statement of financial position	385	– 1,230
Tax rate changes	2	– 4
Impact of tax-free income/non-deductible expenses	– 25	– 28
Impact of first-time consideration/non-consideration of DTA	60	– 239
Other effects	– 6	28
Total	**– 3,180**	**– 1,090**
Income tax income (+) and income tax expense (–) recognised in profit or loss	**– 3,180**	**– 1,090**

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

The actual tax rate is as follows:

in KEUR	31/12/2021	31/12/2020
Taxes on income	– 3,565	– 1,538
Deferred taxes	385	448
Income taxes	– 3,180	– 1,090
Earnings before tax	13,630	– 2,233
Actual tax expense ratio	23.33 %	48.81 %

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

in KEUR	31/12/2021	31/12/2020
Goodwill	66	79
Property, plant and equipment	17	30
Inventories	35	83
Trade receivables	163	177
Provisions for pensions	17	11
Personal liabilities and other provisions	132	66
Loss carryforwards	207	1
Trade payables	19	102
Other liabilities	8	0
Other	34	23
Deferred tax assets	**698**	**572**
Offsetting	– 91	– 247
Deferred tax assets	**607**	**325**

As at 31 December 2021, deferred taxes on loss carryforwards of the Brazilian subsidiary were recognized for the first time, as the company recorded a positive development in the 2021 fiscal year and it is assumed that this will also be the case in the long term. The recognition of deferred tax assets is based on the expected taxable results of the next three years.

No deferred tax was recognised for foreign losses carried forward of EUR 562 thousand (previous year: EUR 1,158 thousand).

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

in KEUR	31/12/2021	31/12/2020
Intangible assets	1,551	1,836
Property, plant and equipment	43	10
Trade receivables	2	0
Other provisions and personnel liabilities	57	46
Other	1	22
Deferred tax liabilities	**1,654**	**1,914**
Offsetting	– 91	– 247
Deferred tax liabilities	**1,563**	**1,667**

27. EARNINGS PER SHARE

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

In calculating diluted earnings per share, the earnings attributable to ordinary shareholders of the parent entity (less interest on the convertible preference shares) are divided by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares which would result from the conversion of all potential ordinary shares with dilutive effect in ordinary shares. For STEMMER IMAGING AG, there was no dilutive effect in the 2021 fiscal year.

The result of calculating basic earnings per share for the 2021 fiscal year and the 2020 fiscal year is given below:

	2021	2020
Result attributable to ordinary shareholders of the parent entity (in EUR thousand)	10,450	– 3,323
Average weighted number of ordinary shares	6,500,000	6,500,000
Earnings per share (cents per share)	1.61	– 0.51

NOTES ON THE STATEMENT OF CASH FLOWS

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

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

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

Cash flow from investing activities recognises cash flows from the acquisition or disposal of intangible assets as well as property, plant and equipment. 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. In the 2021 fiscal year, a loan of EUR 19,531 thousand was granted to PRIMEPULSE SE, within the scope of short-term treasury management. Since a partial amount was issued in US dollars, a currency gain of EUR 294 thousand was realised, resulting in a repayment of EUR 19,825 thousand.

Key elements in cash flow from financing activities are changes in capital and dividends paid. Cash flow from financing activities includes repayments for lease liabilities of EUR 1,803 thousand (previous year: EUR 1,931 thousand).

Cash funds (EUR 36,022 thousand, previous year: EUR 34,718 thousand) contain cash and cash equivalents of EUR 36,022 thousand (previous year: EUR 34,718 thousand).

C. OTHER DISCLOSURES

1. RELATED PARTIES

Related parties are shareholders with significant influence on the STEMMER IMAGING Group, associates, joint ventures, non-consolidated subsidiaries and persons with a significant influence on STEMMER IMAGING AG and the financial and operating policies of the Group. Persons with significant influence on the financial and operating policies of the Group 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 PRIMEPULSE SE, Munich

The direct share ownership of PRIMEPULSE SE, Munich, in the company was 67.27 per cent on the 31 December 2021 reporting date. In the previous year, PRIMEPULSE SE directly held 59.00 per cent of the shares in STEMMER IMAGING AG.

Transactions with PRIMEPULSE SE, Munich, and its subsidiaries

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 fiscal year from 1 January to 31 December 2021, a gross amount of EUR 570 thousand (EUR 479 thousand net) was charged for services received and allocated costs, of which EUR 479 thousand was recognised as an expense in 2021. Of this amount, a total of EUR 570 thousand was paid to PRIMEPULSE SE, Munich, by 31 December 2021. As at 31 December 2021, STEMMER IMAGING AG therefore reports no liability to PRIMEPULSE SE, Munich, for services received.

On 28 January 2021, a loan agreement totalling EUR 20 million was concluded with PRIMEPULSE SE. The loan was granted unsecured. In the fiscal year, amounts totalling EUR 15.5 million and USD 5.5 million were disbursed. The loan was limited until 31 December 2021 and was fully repaid by the end of the year. Interest was charged on the loan at a credit margin of 1.5 per cent above the 6-month EURIBOR. For the portion disbursed in USD, interest was charged at 1.86 per cent per annum until 30 September 2021 and from 1 October 2021 interest was calculated using 12-month USD LIBOR plus 1.5 per cent per annum. The Company received interest income of EUR 268 thousand in the 2021 fiscal year.

Furthermore, invoiced services existed for information technology from glueckkanja-gab AG, Offenbach am Main (EUR 204 thousand). Of this, EUR 12 thousand was still outstanding on 31 December 2021.

DISCLOSURES ON MANAGEMENT IN KEY POSITIONS

In the fiscal year, the members of the Executive Board were granted remuneration of EUR 1.114 thousand (previous year: EUR 590 thousand) for their activities in the Group. Remuneration is recognised as short-term benefits and a long-term remuneration component granted in the 2021 fiscal year.

The fair value of the Performance Share Plan was determined as at 31 December 2021 on the basis of the following parameters:

in EUR	Tranche 1 2021 fiscal year
Date of issue	**12/04/2021**
Average share price on date of issue	24.34

in years	Tranche 1 2021 fiscal year
Term	
Total term	4
Remaining term on 31/12/2021	3.28

in EUR	Tranche 1 2021 fiscal year
Share price on valuation date	**42.50**
Expected volatility	45.00 %
Risk-free interest rate p. a.	– 0.534 %
Fair value on date of issue	23.97
Fair value on 31/12/2021	37.17

Development of the number of units of the Performance Share Plan

in units	As at 01/01/2021	Granted	As at 31/12/2021
Tranche 2021	0	6,322	6,322

The total expense recognised in the fiscal year from the share-based remuneration was EUR 235 thousand (previous year: EUR 0) and was formed into a non-current liability in the same amount.

For post-employment obligations in the form of a pension commitment to a former executive, EUR 112 thousand was recognised as of 31 December 2021 (previous year: EUR 115 thousand). EUR 3 thousand (previous year: EUR 3 thousand) was recognised as income in the reporting year.

2. COMPANY BODIES

The members of the Executive Board in the 2021 fiscal year were:

Arne Dehn, Munich, Dipl.-Kfm., Chief Executive Officer
Uwe Kemm, Munich, Member of the Executive Board (COO)

In the 2021 fiscal year, Supervisory Board activities were carried out by the following people:

Supervisory Board member, name	Profession, town	Function in the STEMMER IMAGING AG Supervisory Board	Member of other statutory supervisory boards
Klaus Weinmann	Managing Director of PRIMEPULSE SE, Munich	Chairman	Chairman of the Advisory Board of PRIMEPULSE SE, Munich, Chairman of the Supervisory Board of KATEK SE, Munich, Deputy Chairman of the Supervisory Board of glueckkanja-gab AG, Offenbach am Main
Stefan Kober	Entrepreneur	Deputy Chairman (resignation from his office as Vice-Chairman as of 31/12/2021)	Chairman of the Supervisory Board of AL-KO SE (formerly: AL-KO KOBER SE), Kötz, Chairman of the Supervisory Board of CANCOM SE, Munich, Deputy Chairman of the Supervisory Board of KATEK SE, Munich (Resignation from his office as member of the Supervisory Board of KATEK SE as of 31/12/2021)
Markus Saller	Director Mergers & Acquisitions of PRIMEPULSE SE, Munich	Member	Member of the Supervisory Board of AL-KO SE (formerly: AL-KO KOBER SE), Kötz (Resignation from his office as member of the Supervisory Board of AL-KO SE as at 22/12/2021). Markus Saller was appointed as a member of the Supervisory Board of KATEK SE by court appointment dated 18/01/2022. Markus Saller was elected Deputy Chairman of the Supervisory Board of KATEK SE by way of a resolution by circulation dated 21/02/2022.

The total remuneration of the Supervisory Board amounted to EUR 117 thousand in the 2021 fiscal year (previous year: EUR 117 thousand).

3. SHAREHOLDINGS HELD BY MEMBERS OF THE COMPANY BODIES

SHAREHOLDINGS HELD BY MEMBERS OF THE EXECUTIVE BOARD:

As at 31 December 2021, 67.27 per cent (previous year: 59.00 per cent) of the shares in STEMMER IMAGING AG are held by PRIMEPULSE SE, Munich.

As at 31 December 2021, Arne Dehn held 0.67 per cent and Uwe Kemm held 0.21 per cent of STEMMER IMAGING AG. Former Executive board member Christof Zollitsch held 2.22 per cent as of the reporting date and former Executive Board member Martin Kersting held 2.64 per cent of the shares.

SHAREHOLDINGS HELD BY MEMBERS OF THE SUPERVISORY BOARD:

As of the reporting date, Stefan Kober indirectly held 20.99 per cent and Klaus Weinmann 20.34 per cent in STEMMER IMAGING AG. Markus Saller holds an indirect stake of 0.03 per cent.

4. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

There are no guarantees as at the balance sheet date (previous year: EUR 165 thousand).

There are other financial obligations from purchase commitments in the ordinary course of business. There are no significant rental and leasing obligations in the 2021 fiscal year.

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

5. AUDITOR'S FEE

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

in KEUR	31/12/2021	31/12/2020
Audits of financial statements	272	225
Other services	0	5
Total	**272**	**230**

Other services include expenses for individual audit questions.

LIST OF SHAREHOLDINGS

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

c = fully consolidated companies

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

The German subsidiary, SIS STEMMER IMAGING Services GmbH, Puchheim, utilised the exemption option provided for in section 264 (3) HGB in the 2021 fiscal year.

7. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 24 February 2022, the Russian government launched a large-scale military operation against the neighbouring country of Ukraine. Apart from the humanitarian catastrophes caused by the use of weapons in Ukraine, the further economic consequences are not foreseeable at the present time.

The Ukraine war also harbours great uncertainties for STEMMER IMAGING with regard to supply chains and procurement processes. The previous and possible sanctions could have a negative impact on economic development in the 2022 fiscal year. At the present time, no financial charges are known and also not sufficiently assessable.

Stefan Kober resigned from his position as Deputy Chairman of the Supervisory Board of STEMMER IMAGING AG with effect from 31 December 2021. As a result, Prof. Dr. Constanze Chwallek has been appointed as a new member of the Supervisory Board by the Munich Register Court with effect from 3 January 2022. The replacement will be submitted to the Annual General Meeting on 18 May 2022 for resolution. At its meeting on 20 January 2022, the Supervisory Board elected Markus Saller, previously a member of the Supervisory Board, as Deputy Chairman.

8. DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

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

9. APPROVAL OF FINANCIAL STATEMENTS

The Executive Board approved the financial statements on 23 March 2022.

Puchheim, 23 March 2022

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

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 Group management report presents a true and fair view of the development and performance of the business and the position of the Group and describes the principal opportunities and risks associated with the expected development of the Group.

Puchheim, 23 March 2022

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

INDEPENDENT AUDITOR'S REPORT

TO STEMMER IMAGING AG, PUCHHEIM

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

AUDIT OPINIONS

We have audited the consolidated financial statements of **STEMMER IMAGING AG, Puchheim**, and its subsidiaries (the Group) – which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of STEMMER IMAGING AG, Puchheim, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the (consolidated) declaration on corporate governance published on the website of the Company, which is referred to in the section of the combined management report subtitled "(Group) corporate governance declaration".

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report whose content we, as described above, have not audited.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the 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 non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

Impairment testing of goodwill

a) The risk for the financial reporting

Goodwill of EUR 19.4 million is carried in the consolidated financial statements of STEMMER IMAGING AG, Puchheim, under the line item “Goodwill”. This corresponds to 18.8 % of the balance sheet total. Goodwill is subject to an impairment test as at 30 November of each respective financial year. Goodwill originating from the business combination with the Infaimon Group of EUR 4.3 million carried as at 30 June 2020 was written off due to adjusted earnings projections arising from the corona pandemic. No impairment losses were needed as at 30 November 2021.

The valuation was performed using the discounted cash flow method. The findings of the impairment test are highly dependent on the estimates made by the executive directors of future cash flows, the operating margins and the discount rate applied and are therefore subject to substantial uncertainty.

In light of the material significance of goodwill and the fact that the measurement of goodwill depends on macroeconomic conditions that lie outside the sphere of influence of the Company, we also conducted sensitivity analyses for the cash-generating units with material carrying amounts of goodwill. These revealed that neither a 10 % shortfall in projected EBIT nor a 2-percentage point change in interest rates would result in a need to record an impairment loss.

In light of this circumstance and the complexity of the valuation, this issue was of special significance during our audit.

The disclosures of the Company regarding goodwill are contained in notes A.4.9 “Impairment of non-financial assets” and B.1 “Intangible assets” of the notes to the consolidated financial statements and in the section on “assets and liabilities” in the combined management report

b) Auditor’s response and conclusions

We assessed the appropriateness of the future cash flows used in the calculation, which were derived by the executive directors from the five-year plan approved by the Supervisory Board for the year 2022 on the basis of the past results and the latest developments and compared them to the general and sector-specific market expectations.

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

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

OTHER INFORMATION

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

- the (consolidated) 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 "(Group) corporate governance declaration"
- the report of the Supervisory Board,
- the remaining parts of the annual report, with the exception of the financial statements and the consolidated financial statements, the audited components of the combined management report and our respective auditor's reports
- the responsibility statement attached to the notes to the consolidated financial statements in accordance with Sec. 297 (2) sentence 4 HGB to the consolidated financial statements and in accordance with Sec. 289 (1) sentence 5 HGB and Sec. 315 (1) sentence 5 HGB to the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] contained in the (Group) Declaration on Corporate Governance published on the Company's website. In all other respects, the executive directors are responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SEC. 317 (3A) HGB

AUDIT OPINION

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the management report (hereinafter the "ESEF documents") contained in the attached file „ESEFUnterlagenKAStemmer2021.zip" (hereinafter also referred to as "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the combined management report for the financial year 1 January to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

BASIS FOR THE AUDIT OPINION

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i. e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited combined management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as auditor of the consolidated financial statements by the annual general meeting on 9 June 2021. We were engaged by the Chairman of the Supervisory Board on 20 December 2021. We have been the independent auditor of the consolidated financial statements of STEMMER IMAGING AG, Puchheim, without interruption since financial year 2018/2019.

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

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Stuttgart, 23 March 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf
Wirtschaftsprüferin
(German Public Auditor)

Linda Ruoß
Wirtschaftsprüferin
(German Public Auditor)

WAREHOUSE
STEMMER IMAGING's warehouse stocks the products that customers require for their applications. The wide selection and excellent availability enable customers to purchase the machine vision components they need from a single source.

04
SINGLE-ENTITY FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS
in KEUR

	31/12/2021	31/12/2020
A. Fixed assets	**42,804**	**42,195**
I. Intangible assets		
Purchased industrial and similar rights and assets	945	1,241
II. Tangible assets		
1. Land, land rights and buildings, including buidings on third-party land	711	892
2. Other equipment, operating and office equipment	510	640
	1,221	**1,532**
III. Financial assets		
1. Shares in affiliated companies	34,545	33,046
2. Loans to affliliated companies	6,093	6,375
3. Participations	0	0
	40,638	**39,421**
B. Current assets	**42,520**	**36,670**
I. Inventories		
Goods	173	61
II. Receivables and other assets		
1. Trade receivables	2,945	2,504
2. Receivables from affiliated companies	11,729	15,920
3. Other assets	1,009	391
	15,682	**18,815**
III. Cash-in-hand and bank balances	26,665	17,793
C. Prepaid expenses	**307**	**193**
	85,631	**79,057**

EQUITY AND LIABILITIES
in KEUR

	31/12/2021	31/12/2020
A. Equity	**71,433**	**66,043**
I. Subscribed capital (contingent capital KEUR 200, previous year: KEUR 200)	6,500	6,500
II. Capital reserves	49,500	49,500
III. Net retained profits	15,433	10,043
B. Provisions	**3,759**	**2,803**
1. Provisions for taxes	829	1,058
2. Other provisions	2,930	1,745
C. Liabilities	**10,439**	**10,211**
1. Liabilities to banks	5,500	7,500
2. Payments received on account of orders	87	190
3. Trade payables	219	176
4. Liabilities to affiliated companies	4,348	2,008
5. Liabilities to companies in which participations are held	0	50
6. Other liabilities	285	287
	85,631	**79,057**

INCOME STATEMENT

in KEUR

	2021	2020
1. Revenue	62,484	51,478
2. Other operating income	2,299	356
3. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	– 32,421	– 26,517
b) Cost of purchased services	– 6,254	– 5,770
	– 38,675	**– 32,287**
4. Personnel expenses		
a) Wages and salaries	– 12,153	– 9,778
b) Social security and pension expenses	– 1,890	– 1,789
	– 14,043	**– 11,567**
5. Amortisation and depreciation of intangible assets, property, plant and equipment	– 716	– 872
6. Other operating expenses	– 4,807	– 5,542
7. Income from other participations	443	3,870
8. Profits received on the basis of a profit transfer agreement	3,966	20
9. Income from other securities and long-term loans	79	167
10. Other interest and similar income	435	401
11. Depreciation and impairment of financial assets	– 50	– 3,649
12. Interest and similar expenses	– 104	– 138
13. Taxes on income	– 2,671	– 971
14. Earnings after tax = net income for the year	**8,640**	**1,267**
15. Retained profits brought forward before profit appropriation	10,043	8,776
16. Distribution	– 3,250	–
17. Net retained profits	**15,433**	**10,043**

NOTES

1. ACCOUNTING POLICIES

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

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

The presentation, classification, recognition and measurement of the annual financial statements are in line with the previous year's principles, with the exception of accounting for the revenue from licence sales.

The income statement is prepared according to the total cost method.

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

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

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

Financial assets are carried at cost unless write-downs are required due to expected permanent impairment. The fair values of shares in affiliated companies and investments are determined on the basis of multi-year planning using the capitalised earnings method.

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

Goods are valued at cost in line with the principle of lower of cost or market value. Appropriate deductions were made for storage and utilisation 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 1.0 per cent (previous year 0.5 per cent) on the net receivables.

Advance payments are recognised on a net basis.

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

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

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

The **anniversary provision** is measured as the present value of future anniversary gifts, whereby the gift is accumulated in instalments over the years the recipient works for the company. It is discounted at an interest rate of 1.35 per cent (previous year: 1.61 per cent) for an average remaining term of 15 years. An annual fluctuation rate of 3 per cent (previous year: 3 per cent) is assumed.

Other **provisions** are recognised in the amount required in line with prudent business judgement. They cover all discernible risks and uncertain liabilities. Future increases in prices and costs are taken into account provided there are sufficient objective indications that these will occur. Provisions with a term of more than one year are discounted at an 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.

With effect from 1 January 2021, the Executive Board contracts at STEMMER IMAGING AG were adapted to the remuneration system adopted by the Annual General Meeting and provided with a component for long-term incentivisation. The programme is recognised as **cash-settled share-based payment transaction**. Accordingly, the fair value of the work performed by the Executive Board members is recognised in profit and loss as consideration for the cash settlement as of each reporting date and on the settlement date as expense and as a provision. In the absence of an independently determined fair value of the services, the services are determined with the fair value on the grant date, applying option price models. For the calculation, a dividend yield of 1.5 per cent is assumed. The programme envisages that annual tranches are valued at a time 10 trading days after the publication of the results of the previous year with the current share price, in order to form performance shares. These performance shares are then disbursed 4 years later on the basis of the share price that is then valid and an EBITA valuation, which is calculated for the individual tranche in relation to the EBITA – achievement in the last budget year, based on the EBITA specified annually by the Supervisory Board for the budget year at the time of granting the tranche. A cap exists per tranche of 200 per cent, which is disbursed as a maximum through a combination of share price and EBITA achievement. If the cash compensation depends on the completion of a specific period of service by the Executive Board members, it is assumed that the services to be provided by the Executive Board members as consideration will be obtained in the future, during the course of the vesting period. Therefore, the remuneration expense is recognised over the vesting period, within which the beneficiaries will acquire an unlimited claim to the promised instruments.

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

Liabilities are reported at settlement amount.

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

Regarding accounting for revenues from the sale of standard software licences, detailed discussions have recently been held in the IT industry as to whether these revenues should principally be reported as brokerage revenue. With respect to so-called reseller sales, it is assumed in the meantime that only the margin from such transactions needs to be recognised as revenue. Accordingly, from the 2021 fiscal year, such sales are only recognised in the amount of their margin. The changed approach results in lower revenue by EUR 0.2 million and lower cost of materials by EUR 0.2 million. Due to the immateriality of the adjustment, an adjustment of the corresponding prior-year amounts was waived.

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, with the exception of an amount of EUR 39 thousand (previous year: EUR 0), are due within one year.

Receivables from affiliated companies relate to current trade receivables in the amount of EUR 171 thousand (previous year: EUR 4,133 thousand). EUR 11,558 thousand (previous year: EUR 11,037 thousand) relate to a short-term operating line of credit to a subsidiary. As at 31 December 2020, receivables from affiliated companies included a dividend claim against a subsidiary in the amount of EUR 750 thousand.

2.3. DEFERRED TAXES

As a result of measurement differences between the financial and tax accounts, there are individual temporary differences resulting from deviating measurements of personnel provisions (holiday, overtime, incentives and anniversary provisions) and of property, plant and equipment. Overall, an applicable tax rate of around 28 per cent (previous year: 28 per cent) gives a surplus of deferred tax assets of EUR 55 thousand (previous year: EUR 113 thousand), which were not recognised in exercise of the option according to section 274 (1) sentence 2 HGB.

2.4. EQUITY

The **subscribed capital** (share capital) totalled EUR 6,500,000 as at 31 December 2021 (previous year: EUR 6,500 thousand) and is fully paid up. As at 31 December 2021, there were 6,500,000 no-par-value bearer shares (ordinary shares). Each share represents EUR 1.00 of the share capital. The shares grant the holder full dividend entitlement from 1 July 2018. Each share grants one vote at the company's Annual General Meeting. They are represented by global certificates. All STEMMER IMAGING AG shareholders are entitled to statutory pre-emption rights, which state that, in the event of capital increases, shareholders must be allocated a portion of the new shares that corresponds to their interest in the existing share capital at their request.

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

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

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

Net retained profits are as follows:

in KEUR	31/12/2021	31/12/2020
Retained profits brought forward	10,043	8,776
Dividend distribution	– 3,250	–
Net profit for the year	8,640	1,267
Net retained profits 31/12	**15,433**	**10,043**

Net retained profits of EUR 8 thousand are subject to a distribution block from section 268 (8) S. 3 of the German Commercial Code (HGB).

2.5. PROVISIONS

The excess of plan assets over pension liabilities formed 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 111 thousand (previous year: EUR 109 thousand) with assets (fair value EUR 111 thousand, previous year: EUR 109 thousand, acquisition costs EUR 100 thousand), that are inaccessible to all other creditors except the entitled former board member and are used solely to satisfy liabilities from these obligations (called plan assets).

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

in KEUR	31/12/2021
Pension obligation	111
Plan assets (fair value)	111
Provisions for pensions	–
Plan assets (acquisition costs)	100

Other provisions of EUR 2,930 thousand (previous year: EUR 1,745 thousand) essentially include personnel provisions (in particular, for holiday, flexitime, bonuses, anniversaries and severance payments) in the amount of EUR 2,185 thousand (previous year: EUR 870 thousand), amounts for auditing the financial statements, tax advice and the Annual General Meeting (EUR 398 thousand; previous year: EUR 443 thousand) as well as for other provisions (EUR 348 thousand; previous year: EUR 432 thousand). Provision amounts with a term of less than twelve months were not discounted.

Other personnel provisions include share-based non-current payment transactions of EUR 235 thousand (previous year: EUR 0).

2.6. LIABILITIES

Liabilities to banks comprise an LfA capital market loan of EUR 10.0 million that was raised on 24 July 2019. A tranche of EUR 4.5 million (previous year: EUR 2.5 million) was repaid on 31 December 2021. EUR 2.0 million of the loan have a remaining term of up to 1 year, EUR 3.5 million (previous year: EUR 5.5 million) have a remaining term of 1 – 5 years. The loan is unsecured.

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

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

Liabilities to affiliated companies relate to short-term loans to affiliated companies in the amount of EUR 2,426 thousand (previous year: EUR 1,947 thousand). Another EUR 1,866 thousand (previous year: EUR 0) relate to financial liabilities from cash pooling, which was introduced in the 2021 fiscal year. As in the previous year, the remaining amounts relate to trade payables.

Other liabilities are as follows:

in KEUR	31/12/2021	31/12/2020
Tax liabilities	171	189
Social security liabilities	28	29
Remaining other liabilities	86	69
Total	**285**	**287**

3. NOTES ON THE INCOME STATEMENT

3.1. REVENUE

STEMMER IMAGING AG is one of the leading specialist dealers of machine vision technology. The generated revenue is distributed as follows:

By area of activity:

in KEUR	2021	2020
Revenue from the sale of components and modified components	47,546	38,156
Intra-group allocations and services	14,938	13,322
Total	**62,484**	**51,478**

By region:

in KEUR	2021	2020
Germany	59,576	50,236
EU	2,218	338
Other	690	904
Total	**62,484**	**51,478**

3.2. OTHER OPERATING INCOME

Prior-period income of EUR 102 thousand (previous year: EUR 51 thousand) is recognised under other operating income. This primarily relates to income from the reversal of provisions and the disposal of fixed assets.

Furthermore, the item includes income from the increase of shares in affiliated companies of EUR 1,499 thousand (previous year: EUR 0), as the reason for the write-down ceased to apply.

Other operating income includes **income from currency translation** of EUR 466 thousand (previous year: EUR 88 thousand). EUR 48 thousand (previous year: EUR 0) of this relates to unrealised income from currency translation.

3.3. PERSONNEL EXPENSES

The item "social security, post-employment and other employee benefit costs" includes **pension expenses** of EUR 6 thousand (previous year: EUR 5 thousand), attributable in full to pension expenses for a former executive. There are no refunds in relation to short-time work (previous year: EUR 391 thousand).

3.4. OTHER OPERATING EXPENSES

Other operating expenses include **expenses from currency translation** of EUR 56 thousand (previous year: EUR 517 thousand). EUR 51 thousand (previous year: EUR 81 thousand) of this relates to unrealised expenses.

3.5. NET INCOME FROM INVESTMENTS

Net income from investments amounts to EUR 443 thousand (previous year: EUR 3,870 thousand) and relates to profit distributions from **affiliated companies**.

In addition, EUR 3,966 thousand (previous year: EUR 20 thousand) is attributable to income from the profit transfer agreement with SIS STEMMER IMAGING Services GmbH.

3.6. NET FINANCE INCOME

in KEUR	2021	2020
Income from long-term financial assets	79	167
Other interest and similar income	435	401
Interest and similar expenses	– 104	– 138
Total	**410**	**430**

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

As in the previous year, other interest and similar income relates entirely to interest from affiliated companies.

Interest and similar expenses of EUR 33 thousand (previous year: EUR 36 thousand) relate to interest expenses to affiliated companies.

Interest expense from the pension obligation (EUR 7 thousand) was netted with income from the plan assets (EUR 1 thousand).

3.7. DEPRECIATION AND IMPAIRMENT OF INVESTMENT SECURITIES

Of the depreciation and impairment of investment securities of EUR 50 thousand (previous year: EUR 3,649 thousand), EUR 50 thousand (previous year: EUR 0) relate to loans to affiliated companies. Out of the prior-year amount, EUR 3,049 thousand related to shares in affiliated companies and EUR 600 thousand to participations.

3.8. TAXES ON INCOME

Taxes on income include prior-period income of EUR 6 thousand (previous year: prior-period expenses of EUR 253 thousand).

3.9. EXTRAORDINARY EXPENSES AND INCOME

Extraordinary income

The revaluation of shares in affiliated companies resulted in income of EUR 1,499 thousand. This amount is to be classified as extraordinary on account of the amount.

Extraordinary expenses

In the fiscal year, personnel expenses include a special bonus of EUR 223 thousand. Additional material extraordinary expenses were not recorded in the fiscal year.

4. OTHER DISCLOSURES

4.1. DISCLOSURES ON SHAREHOLDINGS

As at 31 December 2021, the company held interests in the following domestic and foreign companies:

Company name	Share of capital (%)	Currency 2021	Net income 2021	Equity as of 31/12/2021
Germany				
SIS STEMMER IMAGING Services GmbH, Puchheim/D [1]	100 %	KEUR	3,966	107
Outside Germany				
STEMMER IMAGING S.A.S., Suresnes/F	100 %	KEUR	731	3,395
STEMMER IMAGING Ltd., Tongham/UK	100 %	KEUR	– 69	1,370
STEMMER IMAGING AG, Pfäffikon/CH	100 %	KEUR	479	654
STEMMER IMAGING B.V., Zutphen/NL	100 %	KEUR	– 199	2,312
STEMMER IMAGING AB, Stockholm/SE	100 %	KEUR	1,124	3,566
STEMMER IMAGING A/S, Copenhagen/DK	100 %	KEUR	103	402
STEMMER IMAGING Oy, Espoo/FI	100 %	KEUR	29	121
STEMMER IMAGING Sp. z o.o., Lowicz/PL	100 %	KEUR	6	– 61
STEMMER IMAGING Ges.m.b.H, Graz/AT	100 %	KEUR	– 1	611
STEMMER IMAGING S.R.L., Bologna/IT	100 %	KEUR	– 17	– 6
INFAIMON, S.L.U., Barcelona/ES	100 %	KEUR	2,362	5,504
INFAIMON UNIPESSOAL, LDA., Aveiro/PT	100 % [2]	KEUR	23	323
INFAIMON MEXICO SA DE CV., Querétaro/MX	100 % [2]	KEUR	20	296
INFAIMON DO BRASIL VISÃO ARTIFICIAL LTDA, São Bernardo do Campo/BR	100 % [2]	KEUR	45	98

1 Before profit/loss transfer 2 Indirectly via INFAIMON, S.L.U., Barcelona/ES

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

4.2. CONSOLIDATED FINANCIAL STATEMENTS

As the parent company of the STEMMER IMAGING Group, the company prepares consolidated financial statements for the fiscal year from 1 January to 31 December 2021 in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

The STEMMER IMAGING Group is included in the consolidated financial statements of PRIMEPULSE SE, Munich, which prepares consolidated financial statements for the largest group of companies as at 31 December of each calendar year. 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 at the balance sheet date, there are future payment obligations (other financial commitments) from leases (EUR 1,543 thousand) and from car leasing (EUR 85 thousand). EUR 743 thousand of these are due within one year and EUR 885 within the next one to five years.

The guarantee issued as at 31 December 2020 (EUR 150 thousand) in favour of a company, in which a shareholding existed, has lapsed.

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

4.4. COMPANY BODIES

Executive Board

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

Uwe Kemm, Munich, Member of the Executive Board (COO)

The total remuneration of the Executive board in accordance with section 285 No. 9a HGB amounted to EUR 1,114 thousand in the fiscal year (previous year: EUR 590 thousand). The remuneration includes a short-term remuneration component and a long-term remuneration component, granted for the first time in the fiscal year.

The fair value of the Performance Share Plan was determined as at 31 December 2021 on the basis of the following parameters:

in EUR	**Tranche 1 2021 fiscal year**
Date of issue	**12/04/2021**
Average share price as at the date of issue	24.34

in years	**Tranche 1 2021 fiscal year**
Term	
Total term	4
Remaining term on 31/12/2021	3.28

in EUR	**Tranche 1 2021 fiscal year**
Share price on the valuation date	**42.50**
Expected volatility	45.00 %
Risk-free interest rate p. a.	– 0.534 %
Fair value on date of issue	23.97
Fair value on 31/12/2021	37.17

Development of the number of units of the Performance Share Plan

in units	As at 01/01/2021	Granted	As at 31/12/2021
Tranche 2021	0	6,322	6,322

The total expense recognised in the fiscal year from the share-based remuneration was EUR 235 thousand (previous year: EUR 0) and was formed into a non-current liability in the same amount.

As at 31 December 2021, there are pension obligations to a former member of the Executive Board in the amount of EUR 111 thousand (previous year: EUR 109 thousand), which are covered by a corresponding pension liability insurance policy.

Supervisory Board

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

Stefan Kober, Jettingen-Scheppach, Entrepreneur, Deputy Chairman (until 31 December 2021)

Markus Saller, Garmisch-Partenkirchen, Director Mergers & Acquisitions of PRIMEPULSE SE, Deputy Chairman (from 22 January 2022)

Mr Klaus Weinmann is also the Chairman of the Supervisory Board of KATEK SE, Munich. Klaus Weinmann is also the Deputy Chairman of the Supervisory Board of glueckkanja-gab AG, Offenbach am Main. There are no further memberships of supervisory board or committee within the meaning of section 125 (1) sentence 5 of the German Stock Corporation Act (AktG).

Mr Stefan Kober is also Chairman of the Supervisory Board of AL-KO SE (formerly: AL-KO KOBER SE), Kötz, and Chairman of the Supervisory Board of CANCOM SE, Munich, and Deputy Chairman of the Supervisory Board of KATEK SE, Munich (resignation from his office as Member of the Supervisory Board of KATEK SE as at 31 December 2021). There are no further memberships of supervisory board or committee within the meaning of section 125 (1) sentence 5 of the German Stock Corporation Act (AktG).

Mr Markus Saller is a member of the Supervisory Board of AL-KO SE (formerly: AL-KO KOBER SE), Kötz (resignation of his office as member of the Supervisory Board of AL-KO SE as at 22 December 2021) Markus Saller was appointed as a member of the Supervisory Board of KATEK SE by the court as at 18 January 2022. Within the scope of a resolution by written circular dated 21 February 2022, Markus Saller was elected as Deputy Chairman of the Supervisory Board of KATEK SE. There are no further memberships of supervisory board or committee within the meaning of section 125 (1) sentence 5 of the German Stock Corporation Act (AktG).

The total remuneration of the Supervisory Board amounted to EUR 117 thousand in the 2021 fiscal year (previous year: EUR 117 thousand). Remuneration is divided into fixed remuneration of EUR 90 thousand (previous year: EUR 90 thousand) and attendance fees of EUR 27 thousand (previous year: EUR 27 thousand).

4.5. EMPLOYEES

The average number of employees during the fiscal year was 172 (previous year: 200). They were attributable to the following areas:

Number	2021
Administration	39
Sales	21
Technology	36
Supply Chain	76
Total	**172**

4.6. AUDITOR'S FEE

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

in KEUR	31/12/2021	31/12/2020
Audits of financial statements	272	225
Other services	0	5
Total	**272**	**230**

Other services include expenses for individual audit questions.

4.7. RELATED PARTY TRANSACTIONS

In accordance with section 312 of the German Stock Corporation Act (AktG), STEMMER IMAGING prepared a report on relations to affiliated companies, which ends with the following concluding statement:

"As the Executive Board of STEMMER IMAGING AG, we hereby state that, under the circumstances known to it at the date on which the transactions listed in this report on relations to affiliated companies were conducted, STEMMER IMAGING AG received adequate consideration for each transaction. No reportable measures within the meaning of section 312 (1) sentence 2 AktG were taken or omitted in the fiscal year from 1 January to 31 December 2021."

4.8. APPROPRIATION OF NET PROFIT AND RESTRICTION ON DISTRIBUTION

The Executive Board will propose the distribution of a dividend of EUR 0.75 per participating share at the Annual General Meeting.

4.9. DISCLOSURES ON VOTING RIGHTS IN ACCORDANCE WITH SECTION 160 (1) NO. 8 AKTG

The following notifications in accordance with section 20 (6) AktG were published:

- SI HOLDING GmbH, Kötz, notified us in accordance with section 20 (1) of the German Stock Corporation Act (AktG) that SI HOLDING GmbH, Kötz, owns 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) of the German Stock Corporation Act (AktG) that it owns a majority of the shareholding in STEMMER IMAGING AG, Puchheim. (Puchheim, in November 2018)

With effect from 1 January 2020, the previous main shareholder SI Holding GmbH, Munich, was merged into PRIMEPULSE SE, Munich. The entire share ownership in STEMMER IMAGING AG hereby transferred to PRIMEPULSE SE. STEMMER IMAGING AG received the corresponding notification on 19 May 2020.

In the 2021 fiscal year, the following notification in accordance with section 40 (1) of the German Securities Trading Act (WpHG) was published:

Shareholder subject to notification	Requirement	Date on which threshold was met	New voting share in %	Absolute
Allianz SE	Munich, Germany	19 October 2021	0.00	392,600

4.10. SUPPLEMENTARY REPORT

On 24 February 2022, the Russian government started a large-scale military operation against the neighbouring country of Ukraine. Apart from the humanitarian disaster, which was caused by the use of weapons in Ukraine, the further economic consequences are not presently foreseeable. The war in Ukraine also holds major uncertainties for STEMMER IMAGING regarding supply chains and procurement processes. The existing and future sanctions may have a negative impact on economic development in the 2022 fiscal year. At the present time, no encumbrances are known, nor can they be adequately assessed.

Stefan Kober resigned from his office as Deputy Chairman of the Supervisory Board with effect from 31 December 2021. Thereupon, Prof. Dr. Constanze Chwallek was appointed as a new member of the Supervisory Board by the Munich Register Court with effect from 3 January 2022. The replacement will be submitted to the Annual General Meeting of 18 May 2022 for resolution. At its meeting on 20 January 2022, the Supervisory Board of STEMMER IMAGING AG elected Markus Saller, previously a member of the Supervisory Board, as Deputy Chairman.

4.11. GERMAN CORPORATE GOVERNANCE CODE

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

Puchheim, 23 March 2022

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the annual financial statements 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, 23 March 2022

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

STATEMENT OF CHANGES IN FIXED ASSETS

for the fiscal year from 1 January to 31 December 2021
in KEUR

	Acquisition and production costs			
	As at 01/01/2021	**Additions**	**Disposals**	**As at 31/12/2021**
Intangible assets				
Purchased industrial and similar rights and assets	3,190	10	0	3,200
Tangible assets				
Land, land rights and buildings, including buildings on third-party land	2,895	0	0	2,895
Other equipment, operating and office equipment	3,449	98	– 16	3,532
	6,344	**98**	**– 16**	**6,427**
Financial assets				
Shares in affiliated companies	36,157	0	0	36,157
Loans in affiliated companies	6,406	350	– 582	6,174
Participations	1,400	0	– 1,400	–
	43,963	**350**	**– 1,982**	**42,331**
Total	**53,497**	**459**	**– 1,998**	**51,957**

Cumulative depreciation and armotisation					Carrying amounts	
As at 01/01/2021	Additions	Write-ups	Disposals	As at 31/12/2021	As at 31/12/2021	As at 31/12/2020
– 1,949	– 306	0	0	– 2,255	945	1,241
– 2,003	– 181	0	0	– 2,184	711	892
– 2,809	– 228	0	16	– 3,021	510	640
– 4,812	**– 410**	**0**	**16**	**– 5,206**	**1,221**	**1,532**
– 3,111	0	1,499	0	– 1,611	34,545	33,046
– 31	– 50	0	0	– 81	6,093	6,375
– 1,400	0	0	1,400	0	0	0
– 4,541	**– 50**	**1,499**	**1,400**	**– 1,692**	**40,638**	**39,422**
– 11,302	**– 766**	**1,499**	**1,416**	**– 9,153**	**42,804**	**42,195**

INDEPENDENT AUDITOR'S REPORT

TO STEMMER IMAGING AG, PUCHHEIM

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

AUDIT OPINIONS

We have audited the financial statements of **STEMMER IMAGING AG, Puchheim**, which comprise the balance sheet as at 31 December 2021 and the statement of profit or loss for the financial year from 1 January to 31 December 2021 as well as the notes to the financial statements, including a summary of significant accounting policies. We also audited the management report which is combined with the group management report (hereinafter referred to as combined management report) of STEMMER IMAGING AG, Puchheim, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the (consolidated) declaration on corporate governance published on the website of the Company, which is referred to in the section of the combined management report subtitled "(Group) corporate governance declaration".

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German legally required accounting principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the components of the combined management report whose content we, as described above, have not audited.

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

BASIS FOR THE AUDIT OPINIONS

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

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We summarize what in our view are the key audit matters below:

Impairment of the financial assets

a) The risk for the financial reporting

Shares in affiliated companies and loans are carried under "financial assets" at a value of EUR 40,638 k (47.5 % of total assets) in the separate financial statements of STEMMER IMAGING AG, Puchheim. The shares in INFAIMON S. L. U., Barcelona, Spain, were written up by EUR 1,499 k in the financial year due to the reversal of an impairment loss as the reason for the impairment no longer existed on the reporting date. The shares in affiliated companies and loans are measured at the lower of cost or net realizable value. Notes 1, 3.2 and 3.7 of the notes to the financial statements, as well as the section on assets, liabilities, financial position and financial performance in the combined management report contain comments on the accounting of financial assets.

When measuring fair value, the perspective of the entity holding the shares in the affiliated company should be taken. The valuations are based on the net present value of the future cash flows, which are derived from the planning calculations prepared by the executive directors. These also consider expectations of future market developments. The net present values are determined using the capitalized earnings method. Discounting is performed using the respective cost of capital. The conclusion of these valuations are highly dependent on the estimates of future cash flows made by the executive directors and the discount rates used. The valuation is therefore subject to substantial uncertainty. In light of this circumstance and the complexity of the valuation, this issue was of special significance during our audit.

b) Auditor's response and conclusions

During our audit of the fair value of the shares in affiliated companies and loans, we assessed the valuation method used and the calculation of the costs of capital. We also satisfied ourselves that the future income underlying the valuations and the costs of capital together constitute a proper basis for the impairment test of the respective shares in affiliated companies, considering any loans extended, where applicable. During our assessment of the conclusions of the valuations as at 31 December 2021 we relied, among other things, on a comparison of the general market expectations and the expectations for the industry as well as the explanations of the executive directors on the key value drivers underlying the expected cash flows. We also assessed the Company's calculations and considerations. In view of the fact that even small changes in the discount rates used can have a material impact on the enterprise value calculated in this way, we assessed the parameters used to determine the discount rates applied and verified the calculation method.

Based on the information available, the valuation parameters and assumptions applied by the executive directors appear suitable to us to properly value the shares in affiliated companies and loans. Overall, the valuation parameters and assumptions applied by the executive directors agree with our expectations.

OTHER INFORMATION

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

- the (Group) Declaration on Corporate Governance published on the website of the Company, which is referred to in the section "(Group) Declaration on Corporate Governance" of the combined management report,
- the report of the Supervisory Board,
- the remaining parts of the annual report, with the exception of the financial statements and the consolidated financial statements, the audited components of the combined management report and our respective auditor's reports
- the responsibility statement pursuant to Sec. 264 (2) sentence 3 HGB regarding the financial statements attached to the notes to the financial statements and pursuant to Sec. 289 (1) sentence 5 HGB and Sec. 315 (1) sentence 5 HGB regarding the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Declaration of Compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] contained in the (Group) Declaration on Corporate Governance published on the Company's website. In all other respects, the executive directors are responsible for the other information.

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

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the financial statements, the elements of the combined management report whose content was audited, or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that the financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH SEC. 317 (3A) HGB

AUDIT OPINION

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached file "ESEFUnterlagenEAStemmer2021.zip" (hereinafter also referred to as "ESEF documents") and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the annual financial statements and the combined management report into the ESEF format and therefore not to the information contained in these reproductions nor to any other information contained in the above-mentioned file.

In our opinion, the rendering of the annual financial statements and the management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the audit of the annual financial statements and of the combined management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

BASIS FOR THE AUDIT OPINION

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

The executive directors are responsible for the preparation of the ESEF documents containing the electronic rendering of the annual financial statements and the combined management report in accordance with Sec. 328 (1) sentence 4 No. 1 HGB. In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i. e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

FURTHER INFORMATION PURSUANT TO ART. 10 OF THE EU AUDIT REGULATION

We were elected as the independent auditor by the annual general meeting on 9 June 2021. We were engaged by the Chairman of the Supervisory Board on 20 December 2021. We have been the independent auditor of STEMMER IMAGING AG, Puchheim, without interruption since financial year 2018/2019.

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

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Stuttgart, 23 March 2022

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Martina Schaaf	**Linda Ruoß**
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

EXPERT ADVICE
With a high number of technically skilled employees, STEMMER IMAGING's sales and support team provide customers with manufacturer-independent expert advice and ensure rapid problem solving.

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ADDITIONAL INFORMATION

FINANCIAL CALENDAR[1]

Monday
25/04
2022
GOLDMAN SACHS MACHINE VISION WEBCAST, VIRTUAL

Wednesday
11/05
2022
PUBLICATION OF Q1/3M 2022 INTERIM REPORT

Wednesday – Friday
11/– 13/05
2022
HAIB STOCKPICKER SUMMIT, BERLIN

Wednesday
18/05
2022
ANNUAL GENERAL MEETING, VIRTUAL

Monday – Wednesday
23/– 25/05
2022
SPRING CONFERENCE, FRANKFURT AM MAIN

Thursday
11/08
2022
PUBLICATION OF Q2/6M 2022 INTERIM REPORT

Thursday
10/11
2022
PUBLICATION OF Q3/9M 2022 INTERIM REPORT

Monday – Wednesday
28/– 30/11
2022
GERMAN EQUITY FORUM, FRANKFURT AM MAIN

1 Dates may change at short notice.

PUBLICATION DETAILS

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Chairman of the Supervisory Board: Klaus Weinmann
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Company responsible: STEMMER IMAGING AG
Text and editing: STEMMER IMAGING AG
Conception and design: Anzinger und Rasp Kommunikation GmbH

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

Credits:

Title: MAD Werbeagentur GmbH & Co.KG
Executive Board & Management Team: Joe Hoelzl Photography
Page 16, 42, 84, 154, 182: Joe Hoelzl Photography

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