

HALF-YEAR REPORT



FOR THE PERIOD FROM
1 JANUARY TO 30 JUNE 2022

AT A GLANCE

GROUP KEY FIGURES

in KEUR

	<u>01/01 – 30/06/2022</u>	<u>01/01 – 30/06/2021</u>
Revenue	72,385	63,635 ¹
Gross profit	27,463	25,013
Gross profit margin	37.9%	39.3% ¹
EBITDA	11,300	7,913
EBIT	9,358	5,914
Consolidated net income	6,903	4,437
Operating cashflow after income taxes	4,112	2,646
Employees (average)	329	324

	<u>30/06/2022</u>	<u>31/12/2021</u>
Total assets	104,937	103,576
Equity	73,421	71,368
Equity ratio	70.0%	68.9%
Cash and cash equivalents	33,119	36,022

¹ The comparative values for the 1st half year 2021 were adjusted due to a change in the accounting method as at 31 December 2021 for trading in standard software licences.

Additional explanations of the adjustments to revenue and cost of materials can be found in the notes to the consolidated financial statements as at 31 December 2021, section B, under items 19 and 21.

STEMMER IMAGING IN FIGURES



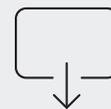
**Order intake:
EUR 88.73 million**



70.0 per cent Equity ratio



329 employees



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



**EUR 1.06 earnings
per share**



>5,000 customers



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

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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.



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

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS, DEAR READER,

The first six months of the 2022 reporting year have been marked by a high level of geopolitical uncertainty and a sharp rise in inflation rates. Global supply bottlenecks also persisted as a result of the war in Ukraine and the ongoing coronavirus-related lockdowns in China.

Amid this challenging environment, we have succeeded in building on the successful performance achieved in the first quarter of the fiscal year and, in particular, in boosting our profitability indicators – for the tenth quarter in succession. Order intake rose by 7.1 per cent to EUR 88.7 million in the first six months and revenue increased by 13.8 per cent to EUR 72.4 million. This translates into a positive book-to-bill ratio of 1.2. Measured in terms of EBITDA, profitability in particular grew strongly during the reporting period. EBITDA rose by 42.8 per cent to EUR 11.3 million with an EBITDA margin of 15.6 per cent, which is in the upper range of the target corridor of the medium-term guidance.

In view of the heightened supply situation and major inflationary developments in the first half of the year, we responded to cost increases by adjusting our prices accordingly and closely coordinating our cost management. The inflation effect on revenues is estimated at approx. 2–3 per cent for the first half of 2022. Accordingly, the inflation-adjusted organic growth was in the double-digit target range.

Given the many varied challenges, the solid performance achieved in the first half of the year is the result of the ongoing and consistent implementation of our strategy and the efforts of the entire STEMMER IMAGING team with regard to operational issues. In this context, the primary focus has been and continues to be our delivery performance. We have been able to work together with our customers on successful re-designs. We also succeeded in expanding our customer base in the non-industrial sector such as the sports and entertainment segment, in the first half of the year. A major order of over EUR 12 million secured in the first quarter clearly demonstrates our market position in this segment while also reducing our dependence on the industrial sector.

We have continued to make headway with our strategic roadmap. For example, with regard to our software and hardware range, we have built on the trend towards using more 3D and also more advanced embedded solutions by including an extended innovative solutions portfolio. To this end, we draw on innovative products supplied by our partner manufacturers as well as our own product developments. We also continued to focus on our differentiated sales approach with respect to our distribution and solutions business in the first half of the year with the goal of providing our customers with even more precisely tailored services that meet their individual requirements. In the second quarter of the fiscal year, we successfully increased the share of our high-margin solutions business from 33 per cent to 36 per cent year on year. We will continue to pursue this course with consistency.

With regard to the global economic environment, we anticipate an increasingly gloomy outlook and expect conditions in the second half of the year to be more difficult overall than the first six months, given the current challenges. In this context, particular mention should be made of the currently inestimable effects of soaring energy costs on the economy as a whole. In spite of this, we look ahead with confidence to the second half of the year. Demand for machine vision technology remains robust and we are extremely well placed to take advantage of any opportunities that may arise. An order backlog of EUR 74.8 million gives us the impetus we need to achieve our objectives for the year. Inflation-adjusted growth is expected to be in the high single-digit to double-digit range with an EBITDA margin above the prior-year level (2021: 13.3 per cent).

On behalf of the Executive Board and the entire management team, we would like to thank you, dear shareholders, for the trust you have placed in us. Special thanks are also due to all our employees for their outstanding commitment over the entire reporting period.



Arne Dehn
Chief Executive Officer



Uwe Kemm
Chief Operating Officer

STEMMER IMAGING ON THE CAPITAL MARKET

CAPITAL MARKET ENVIRONMENT

For months now, stock markets around the world have been suffering from the geopolitical situation and economic difficulties such as rising inflation and interest rate hikes.¹

The German Stock Index (DAX) fell by 19.5 per cent at the end of the first six months compared to its closing level on 30 December 2021 (15,884.86 points). The DAX started the first half of 2022 on 3 January 2022 at 15,947.44 points, and closed the reporting period on 30 June at 12,783.77 points. The TecDAX, a technology stock index with companies comparable to STEMMER IMAGING, declined by 26.5 per cent in the reporting period and finished trading at 2,886 points on 30 June 2022.²

SHARE INFORMATION

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

STEMMER IMAGING AG shares opened trading at EUR 42.60 on 3 January 2022 and closed at EUR 28.20 on 30 June 2022. This corresponds to a decline of 33.8 per cent. The high for the reporting period was EUR 46.00 on 5 January 2022, and the low amounted to EUR 25.00 on 22 June 2022. Based on the closing price of EUR 28.20 on 30 June 2022, STEMMER IMAGING AG's market capitalisation was EUR 183.3 million with a total of 6,500,000 shares issued (30 December 2021: EUR 276.25 million with the same number of shares and a share price of EUR 42.50; all information based on Xetra prices)³.

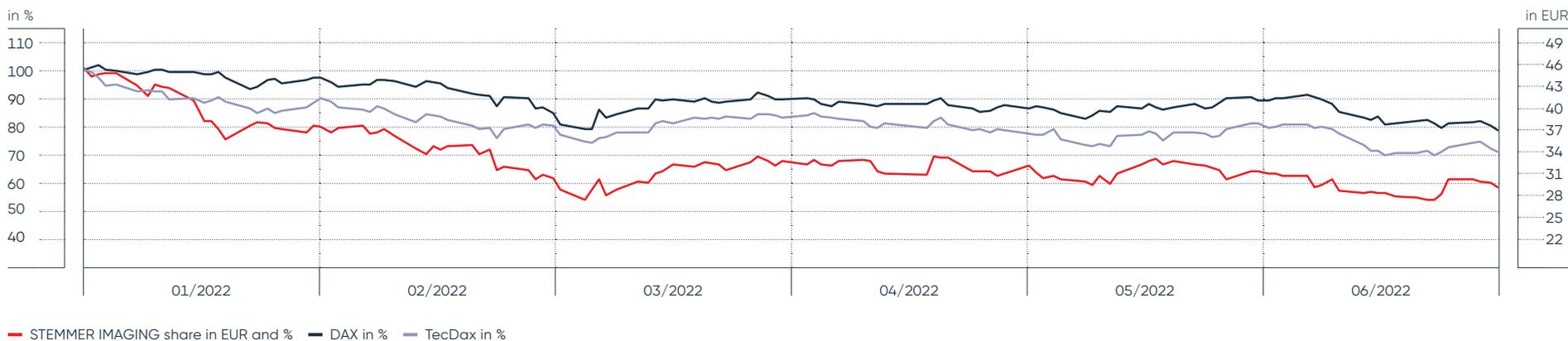
¹ <https://www.metzler.com/de/metzler/asset-management/artikel-am/news/Metzler/MAM/markt-aktuell/2022-Q3>

² <https://www.boerse-frankfurt.de/index/tecdax>

³ <https://www.boerse-frankfurt.de/equity/stemmer-imaging-ag-inh-on/price-history/historical-prices-and-volumes>

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

SHARE PRICE FROM JANUARY TO END OF JUNE 2022



In the first half of 2022, the average daily trading volume on the German stock markets (including Tradegate) was 4,706 shares compared with 5,270 shares in the first half of 2021. Measured in euros, STEMMER IMAGING shares worth an average of EUR 153,285 were traded per day in the first half of 2022, which corresponds to a year-on-year decline of 6.9 per cent (EUR 163,889).

SHARE PERFORMANCE

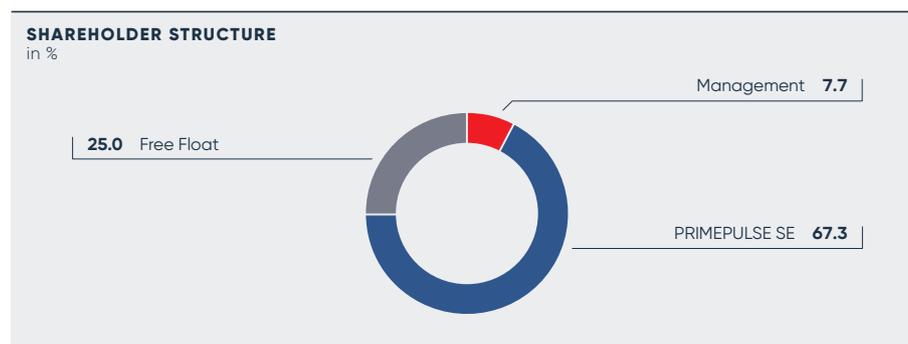
Opening price	3 January 2022	EUR 42.60
Low	22 June 2022	EUR 25.00
High	5 January 2022	EUR 46.00
Closing price	30 June 2022	EUR 28.20
Market capitalisation	As of 30 June 2022	EUR 183.30 million

ANNUAL GENERAL MEETING

On 18 May 2022, the Executive Board of STEMMER IMAGING AG informed the shareholders at the virtual Annual General Meeting about the course of the 2021 fiscal year and responded to their questions. When the vote was taken, 82.3 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. All members of the Supervisory Board were re-elected for the next five years. The proposal of the Executive Board and Supervisory Board to distribute a dividend of EUR 0.75 per eligible no-par value share for the 2021 fiscal year met with broad approval from shareholders (previous year: EUR 0.50 per share). As a result, a total of EUR 4,875,000.00 was distributed from the net retained profits of STEMMER IMAGING AG. The results of the votes taken at the Annual General Meeting may be viewed at www.stemmer-imaging.com/Hauptversammlung.

SHAREHOLDER STRUCTURE

The company has a balance between free float and the majority holding of a strategic anchor investor. As at 30 June, 25.0 per cent of the shares were in free float. The largest shareholder of STEMMER IMAGING AG is PRIMEPULSE SE, which holds 67.3 per cent of the voting rights. The Management held 7.7 per cent of the shares as at the same date.



ANALYST RESEARCH

The shares of STEMMER IMAGING AG have been listed in the Prime Standard of the Frankfurt Stock Exchange since 10 May 2019 and are regularly evaluated by qualified securities analysts. The share is currently covered by Hauck & Aufhäuser Lampe Privatbank, Warburg Bank and Berenberg Bank. All three analysts take a positive view of the medium- and long-term potential of STEMMER IMAGING AG and have made a Buy recommendation with an average price target of EUR 51.83, as shown in the current analyst recommendations for the STEMMER IMAGING share as at 30 June 2022.

ANALYST EVALUATIONS

Publisher	Date	Recommendation	Target price
Hauck & Aufhäuser Research	17/05/2022	Buy	EUR 58.00
Warburg Research	11/05/2022	Buy	EUR 52.50
Berenberg Research	13/05/2022	Buy	EUR 45.00

More detailed information is available to potential investors at www.stemmer-imaging.com under Investor Relations/Share.

INVESTOR RELATIONS ACTIVITIES

During the reporting period, the Executive Board held a regular dialogue with capital market participants at several conferences. On publication of the full-year figures at 31 March 2022, STEMMER IMAGING reported in detail on current business development via a telephone conference.

ACTIVITIES

10 February 2022	Hamburger Investorentag (HIT), Hamburg
23 February 2022	Publication of the preliminary figures for the 2021 fiscal year
31 March 2022	Publication of the consolidated financial statements for the 2021 fiscal year
25 April 2022	Goldman Sachs Machine Vision Webcast, online
11 May 2022	Publication of Q1/3M 2022 interim report
11 – 13 May 2022	HAIB Stockpicker Summit, Berlin
18 May 2022	Virtual Annual General Meeting
23 – 25 May 2022	Spring Conference, Frankfurt
11 August 2022	Publication of Q2/6M 2022 interim report
10 November 2022	Publication of Q3/9M 2022 interim report
28 – 30 November 2022	Equity Forum, Frankfurt

In addition, the Executive Board maintained a close dialogue with investors, analysts and the financial and business press. The Investor Relations section of the STEMMER IMAGING AG website – stemmer-imaging.com/investors – provides a comprehensive insight into the company's performance, the latest news and a summary of upcoming events.

Hauck & Aufhäuser Lampe Privatbank AG again acted as a designated sponsor in the first half of the fiscal year and ensured the continuous tradability of the STEMMER IMAGING share by posting binding buy and sell offers.

 The **financial calendar** with all dates until the end of the year can be found on page 32.

CONSOLIDATED INTERIM MANAGEMENT REPORT

ECONOMIC REPORT

GENERAL ECONOMIC ENVIRONMENT

Economic developments in the first half of 2022 were heavily influenced by the war in Ukraine, disruption to global supply chains and the resulting rise in inflation. Many governments responded with wide-ranging measures to ease the impact. In addition, central banks decided to successively raise key interest rates to combat inflation. The general easing of the pandemic had a positive effect, but massive partial lockdowns in China in particular caused further constraints on the supply side. Global production contracted in the second quarter of this year due to downturns in China and Russia, while inflationary pressures led to an overall decline in purchasing power and reduced consumer spending.¹ The war in Ukraine and rocketing energy prices caused disruptions to some production chains in Europe in particular.

The eurozone economy grew slightly in the first half of 2022, recording a 0.6 per cent expansion in both the first and second quarters as against the respective previous quarter.² Compared to the fourth quarter of 2021, the German economy grew by 0.8 per cent in the first three months of this year, but remained flat in the second quarter.³ Rising concerns over the economy are also reflected in the most recently updated economic forecasts. The International Monetary Fund (IMF) downgraded its growth forecast again in July 2022, and is now expecting global growth of no more than 3.2 per cent in 2022, down from 4.4 per cent in January 2022.

As for the eurozone, the IMF predicts that economic output will increase by 2.6 per cent in 2022 compared to 5.4 per cent in 2021. In its January 2022 forecast, the IMF predicted an increase in GDP of 3.9 per cent this year. The growth rates are underpinned by the momentum of last year's economic recovery and a stronger than expected first quarter of 2022.⁴

SECTOR DEVELOPMENT

The robotics and automation sector in Germany again benefited from high demand in the first half of 2022 and boasts full order books. However, revenue development is being hampered by supply chain disruptions, because the processing of orders is slow. Shortages of electronics components in particular are increasing delivery times. Based on the current industry data published by the German Mechanical Engineering Industry Association (VDMA), order intake rose by 27 per cent in Germany and 34 per cent in Europe in the first six months of 2022. The VDMA reported market growth in the first half of the year of 6 per cent overall. However, revenue remained flat in Germany and even fell by 3 per cent in Europe according to the VDMA's industry data.

As regards the industrial machine vision industry, the VDMA expects market growth for Germany of 12 per cent and an increase in order intake of 14 per cent in the first six months of 2022. The VDMA reports that the European market grew by 12 per cent and order intake in Europe was up by 6 per cent.

1 <https://www.metzler.com/de/metzler/asset-management/artikel-am/news/Metzler/MAM/markt-aktuell/2022-Q3>
2 <https://ec.europa.eu/eurostat/documents/2995521/14644653/2-29072022-BP-DE.pdf>
3 https://www.destatis.de/DE/Presse/Pressemitteilungen/2022/07/PD22_322_811.html
4 <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>
5 <https://www.vdma.org/viewer/-/v2article/render/52710516>

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

NET ASSETS

The total assets of the STEMMER IMAGING Group amounted to EUR 104.94 million as at 30 June 2022, an increase compared to 31 December 2021 (EUR 103.58 million). This rise was mainly influenced on the assets side of the balance sheet by the increase in current assets.

Non-current assets amounted to EUR 31.53 million as at 30 June 2022, leaving them below the level of the previous year (31 December 2021: EUR 32.87 million). The reduction was primarily due to depreciation and amortisation.

Inventories totalled EUR 15.76 million as at 30 June 2022, on a par with the previous year (31 December 2021: EUR 15.59 million).

Due to the increase in revenue and the reduction of valuation allowances, trade receivables came to EUR 22.37 million as at 30 June 2022, higher than at the end of 2021 (31 December 2021: EUR 16.96 million).

Cash and cash equivalents were down by EUR 2.9 million to EUR 33.12 million as at 30 June 2022 (31 December 2021: EUR 36.02 million).

On the equity and liabilities side, the increase in total assets was primarily reflected in the equity of the STEMMER IMAGING Group, which amounted to EUR 73.42 million as at 30 June 2022 (31 December 2021: EUR 71.37 million). The equity ratio came to 70.0 per cent (31 December 2021: 68.9 per cent).

Non-current liabilities fell to EUR 7.08 million as at 30 June 2022 (31 December 2021: EUR 8.77 million). This was mainly influenced by the reclassification of the current portion of a non-current loan and the reduction of deferred tax liabilities and non-current rental and lease liabilities.

Current liabilities rose by EUR 1.00 million to EUR 24.44 million as at 30 June 2022 (31 December 2021: EUR 23.44 million). This was chiefly due to the increase in current trade payables to EUR 11.37 million (31 December 2021: EUR 10.75 million), as well as the rise in contract liabilities and advance payments received on orders to EUR 1.47 million (31 December 2021: EUR 1.19 million).

FINANCIAL POSITION

The objective of the Group's financial management is to hedge material financial risks. Use is made of discounts wherever possible when settling supplier invoices. The company's solvency was assured at all times.

Despite the rise in capital tied up in the short term, positive cash flow from operating activities was generated in the amount of EUR 4.11 million based on the positive earnings performance in the first half of 2022 (1 January to 30 June 2021: EUR 2.65 million).

Cash flow from investing activities amounting to EUR – 0.17 million (1 January to 30 June 2021: EUR – 19.72 million) was mainly attributable to investments in property, plant and equipment. The effect in the first quarter of 2021 from the disbursement of a short-term loan to PRIMEPULSE SE (EUR 19.65 million), which was then paid back in full at the end of 2021, explains the deviation when comparing 2022 with the previous year. At EUR – 6.82 million, cash flow from financing activities exceeded the previous year's figure (1 January to 30 June 2021: EUR – 5.12 million). The cash outflow resulted from repayments of bank loans, finance lease liabilities and dividend payments to shareholders in the relevant fiscal years. The difference between the current reporting period and the previous year was mainly due to the increase in the dividend from EUR 0.50 to EUR 0.75 per share.

As at the reporting date, the Group had net financial liabilities (liabilities to banks less cash and cash equivalents) of EUR – 28.62 million (31 December 2021: EUR – 30.52 million).

RESULTS OF OPERATIONS

In the second quarter of 2022, STEMMER IMAGING maintained the strong performance of the first quarter of 2022 and of the previous year. Thanks to a healthy order intake and order backlog, the Group once again recorded an extremely successful quarter for revenue and earnings.

Order intake in the second quarter rose by 4.4 per cent to EUR 45.33 million as against the previous quarter (1 January to 31 March 2022: EUR 43.40 million). At EUR 88.73 million, the figure for the first half of 2022 was up 7.1 per cent year on year (1 January to 30 June 2021: EUR 82.83 million). The book-to-bill ratio stood at 1.2 for both the first half of the year and the second quarter.

The STEMMER IMAGING Group generated revenue of EUR 36.51 million in the second quarter of the 2022 fiscal year, up by 12.6 per cent on the second quarter of 2021 (1 April to 30 June 2021: EUR 32.42 million) and by 1.8 per cent on the first quarter of 2022 (1 January 2022 to 31 March 2022: EUR 35.88 million). As a result, revenue in the first half of the 2022 fiscal year rose by 13.8 per cent compared to the first six months of 2021 to EUR 72.39 million. The inflation effect on revenues is estimated at approx. 2 – 3 per cent for the first half of 2022. Accordingly, the inflation-adjusted organic growth was in the double-digit target range.

With order levels remaining high, nearly all subsidiaries saw revenue up on the first half of 2021. Of particular note in the first half of the year is the revenue development in Germany, France, the Netherlands and Scandinavia, with growth rates ranging from more than 15 per cent to 44 per cent. Faster growth is currently being hindered by global supply bottlenecks and the related delays in deliveries. Appropriate measures already taken in the previous year in procurement, warehousing and order processing are helping STEMMER IMAGING to offset this effect.

The higher revenue volume meant that the cost of materials rose to EUR 22.85 million (1 April to 30 June 2021: EUR 19.83 million). The gross profit margin continued to benefit from a shift in the revenue structure towards higher-margin business with value-added services. However, against the backdrop of a changed regional mix and exchange rate effects in USD, the gross margin of 37.4 per cent in Q2 2022 was slightly below the prior-year period (Q2 2021: 38.8 per cent). The gross profit margin for the first half of 2022 was 37.9 per cent. This was below the 39.3 per cent recorded in the strong first six months of 2021, which, along with the second quarter of 2021, benefited from a favourable regional revenue structure.

Personnel expenses came to EUR 6.34 million in the second quarter (1 April to 30 June 2021: EUR 6.80 million), corresponding to a reduction of 6.7 per cent. The personnel expense ratio stood at 17.4 per cent (1 April to 30 June 2021: 21.0 per cent). Personnel expenses for the first half of the year came to EUR 12.59 million (1 January to 30 June 2021: EUR 13.01 million), a fall of 3.2 per cent on the previous year. The reduction was primarily due to higher provisions for variable salary components in the previous year. The average number of employees rose slightly during the reporting period to 329 (1 January to 30 June 2021: 324).

Other operating expenses in the second quarter of 2022 amounted to EUR 2.67 million (1 April to 30 June 2022: EUR 1.99 million). The year-on-year increase resulted from higher foreign currency translation losses and increased selling expenses due to a general rise in activity levels. For the first half of 2022, other operating expenses came to EUR 5.64 million (1 January to 30 June 2021: EUR 5.37 million), slightly up on the previous year, which had been impacted by one-off expenses amounting to EUR 1.04 million.

EBITDA came to EUR 5.84 million in the second quarter of the 2022 fiscal year (EBITDA margin: 16.0 per cent), a marked increase compared to the figure from the previous year of EUR 4.21 million (EBITDA margin: 13 per cent). This was largely due to the rise in revenue combined with an improved cost ratio compared to the same quarter of 2021. EBIT amounted to EUR 4.88 million in the second quarter of the fiscal year (1 April to June 2021: EUR 3.22 million), which corresponds to a year-on-year increase in the EBIT margin from 9.9 per cent to 13.4 per cent. The STEMMER IMAGING Group's consolidated net income for the second quarter of the 2022 fiscal year was EUR 3.58 million (1 April to 30 June 2021: EUR 2.44 million).

EBITDA rose to EUR 11.30 million in the first half of 2022 and the EBITDA margin came to 15.6 per cent, a significant increase on the previous year's figures (1 January to 30 June 2022: EUR 7.91 million and 12.4 per cent). This positive earnings development was driven by substantial revenue growth of 13.8 per cent combined with stable costs, which reduced the cost ratio from 28.9 per cent in the first half of 2021 to 25.2 per cent in the first six months of 2022. EBIT amounted to EUR 9.36 million in the first half of the 2022 fiscal year (1 January to 30 June 2021: EUR 5.91 million), which means that the EBIT margin rose year-on-year from 9.3 per cent to 12.9 per cent. The consolidated net income for the first half of the 2022 fiscal year was EUR 6.90 million (1 January to 30 June 2021: EUR 4.44 million).

RISK AND OPPORTUNITIES REPORT

The risk and opportunities management system in place at STEMMER IMAGING concentrates on detecting and evaluating the potential risks and opportunities facing the company on an ongoing basis. Material risks that are currently relevant for STEMMER IMAGING comprise both market and industry-related risks as well as business-related risks and those linked to the Covid-19 pandemic. Opportunities can be found in the fields of products and markets, mergers and acquisitions, processes and technology, compliance and in connection with the Covid-19 pandemic. Keeping the risk matrix up-to-date on a quarterly basis is an integral part of corporate governance, as this matrix is used to detect, analyse and evaluate risks. The result of updating this matrix is that new risks and opportunities can be detected, while at the same time making it possible to derive risk avoidance measures as well as ways of tapping new potential.

The assessment of risk in the first half of the 2022 fiscal year was influenced by severe global economic upheaval, related in particular to the war in Ukraine. China's strict zero-Covid policy fuelled what were already high levels of inflation around the world and led to the resurgence of supply bottlenecks. In addition, STEMMER IMAGING views the dramatic hikes in energy and commodity prices as well as a possible disruption of Russian energy supplies to Europe as key factors influencing the company's risk assessment. These global developments have prompted adjustments to already identified risks as well as the inclusion of a general cost or inflation risk. Other major changes in risk assessment relate to dependence on suppliers, product risks, human resource risks and risks arising from competitive intensity.

An explicit inflation risk was added to the risk matrix in the wake of worsening inflation. This takes account of the current price increases, especially in the energy sector. The company also sees the worsening inflation as a risk that could significantly slow down the overall economic development and could lead to a decline in economic growth, particularly with a view to 2023. STEMMER IMAGING is responding to the effects of inflation by adjusting and closely coordinating its cost management as well as by passing on price increases implemented by suppliers. Although management expects these effects to intensify in the second half of 2022, it will endeavour to minimise them by taking the measures mentioned above.

The assessment of risks in the field of human resources was stepped up to take into account increasing volatility on the labour market, the shortage of skilled staff as well as inflation-adjusted salary expectations. Fluctuation effects from the aforementioned developments also increase the risk of losing knowledge holders and having to bear increased costs for recruiting and onboarding. The aim of STEMMER IMAGING is to be an attractive employer, to train key employees, retain them over the long term and secure the broadest base possible for the relevant expertise. It is to this end that established measures such as management and specialist training courses, structured succession planning and the company's employer branding programme are to be pursued and expanded further. A structured recruiting process also helps the organisation hire employees for the relevant positions, and additional measures in the area of vocational and further training are being evaluated to further enhance the company's attractiveness as an employer.

Given the ongoing trend towards consolidation in the market, most notably among manufacturers of machine vision components, STEMMER IMAGING classifies the risk posed by competitive intensity as higher than the assessment in the 2021 Annual Report. The management sees a significant risk in price pressure and competitive pressure increasing beyond the current level, which could result in a loss of market share and a reduction in margins. Measures taken to minimise risk include expanding the solution and service business to increase unique selling points in comparison to competitors, reorganising sales with a focus on a targeted sales approach and evaluating acquisitions to supplement and strengthen market position.

In the area of risks arising from dependence on suppliers and product risks, the risk assessment was increased slightly due to persistently high supply bottlenecks. STEMMER IMAGING is addressing these risks by planning ahead with regard to components and proactively communicating with customers to avoid corresponding bottlenecks. In addition, alternative procurement sources are continuously evaluated to reduce dependence on individual suppliers. The optimisation of internal processes such as monitoring the delivery situation, evaluating supplier quality and coordinating warehouse management in line with the delivery situation help STEMMER IMAGING to minimise its risk position and achieve its revenue targets.

STEMMER IMAGING strives not only to reduce the risks identified and assessed during regular risk meetings, but also to identify and seize the related opportunities that can lead to competitive advantages.

By reacting swiftly to the ongoing supply shortages for certain components, STEMMER IMAGING sees a golden opportunity to boost and build on its market position and improve its ability to compete using measures such as early procurement, proactive supplier management and alternative sourcing.

Opportunities related to the measures put in place to deal with the growing skills shortage might include having better access to suitable candidates on the market and securing the long-term loyalty of employees to the Group.

With regard to the cost and inflation situation, STEMMER IMAGING sees an opportunity to implement rising costs more easily in the market by means of efficient processes, closely monitoring purchasing and sales prices and responding quickly to changing circumstances, and also to reduce the impact of inflation by improving efficiency, thereby gaining an advantage over its competitors.

STEMMER IMAGING sees opportunities in the area of competitive intensity. These include implementing measures to boost efficiency in the area of digitising the organisation in order to optimise market coverage, as well as developing and cultivating new, high-growth and promising market segments. The purpose of these measures is to gain market share, boost company profit and improve customer support.

Positive business development at STEMMER IMAGING over the long term depends on its ability to exploit potential opportunities and is therefore an integral part of corporate governance. The presentation of the risks and opportunities reflects the company's current assessment and is subject to ongoing change. Therefore, risks and opportunities that have not yet been identified may become more important within a short period of time. This makes regular identification and assessment a key element in reducing risks and seizing opportunities.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE ECONOMIC AND SECTOR DEVELOPMENT

While economic forecasts for 2022 were still optimistic at the start of the year, the situation has taken a turn for the worse in recent months. The economic outlook is deteriorating due to the war in Ukraine, persistent supply chain problems and high levels of inflation. Rising energy costs and their impact on the overall economy are another contributing factor. Growing concerns over the economy are also reflected in the most recently updated economic forecasts. The International Monetary Fund (IMF) downgraded its growth forecast again in July 2022, and is now expecting global growth of no more than 3.2 per cent in 2022, down from 4.4 per cent in January 2022. This is a massive drop in the pace of growth compared to the robust rate of 6.1 per cent seen in 2021.

Growth in gross domestic product (GDP) in Europe is expected to be 2.6 per cent, down from 5.4 per cent in the previous year. In its January 2022 forecast, the IMF predicted an increase in GDP of 3.9 per cent this year. The IMF expects the German economy to grow by 1.2 per cent, down from 2.9 per cent in 2021.

The risks to the economic and inflation outlook depend heavily on how the war in Ukraine unfolds. It could lead to a sudden stop of European gas imports from Russia. Lowering inflation may prove harder than expected, and lastly, COVID-19 will also remain a risk factor over the course of the year and beyond.¹

SECTOR DEVELOPMENT

The German robotics and automation sector is currently benefiting from high demand. In the first six months of 2022, order intake rose by 27 per cent in Germany and 34 per cent in Europe. This momentum is being hampered by supply chain difficulties, which slow down the processing of orders. According to current estimates by the German Mechanical Engineering Industry Association (VDMA), revenue is expected to grow by 6 per cent in 2022. This reflects expectations that had already been lowered due to severe supply chain disruptions. Growth stood at 13 per cent in 2021. The VDMA expects an increase of 5 per cent for the industrial machine vision sector, compared to a 16 per cent increase in revenue in 2021.²

¹ <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>

² <https://www.vdma.org/viewer/-/v2article/render/52710516>

FORECAST FOR THE STEMMER IMAGING GROUP

In the second quarter of the fiscal year, the STEMMER IMAGING Group successfully built on the positive development of its figures by significantly growing EBITDA and EBIT.

Despite the ongoing tense global supply situation, the war in Ukraine and the resulting slowdown in economic activity combined with rising inflation, the company was able to benefit substantially from consistently strong demand and a high order backlog by successfully implementing its strategic position focusing on value-added services in industrial and non-industrial end markets. Earnings improved thanks to the above-average development in revenue and gross margin as well as active cost management.

Buoyed by the positive figures achieved in the first half of the year, STEMMER IMAGING believes it is in a strong position to navigate the second six months thanks to an order backlog of EUR 74.8 million and a book-to-bill ratio of 1.2 in the first half of 2022. The effect of inflation on revenue and margin is estimated to be below the headline inflation rate due to the still existing long lead times on the customer and supplier side and related price fixing. STEMMER IMAGING currently assesses the effects of inflation on revenue to be 3 to 5 per cent for the full year. The company expects gross margin as a percentage of revenue to decline in the second half of the year as a result of spot market purchases of critical components, with the significant extra costs being passed on to customers at no additional charge. Higher energy costs and ensuring an adequate supply of energy continue to be a major source of uncertainty for production sites in Europe. The impact that these factors may have on the production of machine vision components cannot be adequately quantified at present.

On the basis of the half-year figures and current estimates for the second half of the year, the Executive Board of STEMMER IMAGING confirms its forecast for the 2022 fiscal year. The Executive Board maintains its range for revenue of between EUR 143 million and EUR 156 million and is not specifying this any further due to high inflation and the current uncertainties. The Executive Board also confirms the EBITDA range of EUR 19 – 24 million and expects the EBITDA margin for 2022 to be above the previous year's level (EBITDA margin 2021: 13.3 per cent).

This forecast is based on the assumptions that there will be no further restrictions on economic activity as a result of the Covid-19 pandemic and the war in Ukraine. Possible effects of the energy supply and associated macroeconomic effects cannot be estimated at present. The forecast ranges take into account certain positive as well as negative developments on the customer and supplier side.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

ASSETS

in KEUR

	30/06/2022	31/12/2021
Non-current assets		
Property, plant and equipment	5,036	5,608
Goodwill	19,559	19,462
Other intangible assets	6,448	7,111
Other investment securities	28	27
Other financial assets	15	55
Deferred tax assets	448	607
Total Non-current assets	31,534	32,870
Current assets		
Inventories	15,763	15,587
Trade receivables	22,365	16,956
Contract assets	0	22
Receivables from affiliated companies	511	0
Other financial assets	165	126
Income tax receivables	579	362
Other assets and prepaid expenses	901	1,631
Cash and cash equivalents	33,119	36,022
Total current assets	73,403	70,706
Total assets	104,937	103,576

EQUITY AND LIABILITIES

in KEUR

	30/06/2022	31/12/2021
Capital and reserves		
Subscribed capital	6,500	6,500
Capital reserves	47,495	47,495
Revenue reserves	19,426	17,373
Total equity	73,421	71,368
Non-current liabilities		
Non-current loans	2,500	3,500
Provisions for pensions and similar obligations	47	47
Other financial liabilities	2,355	2,790
Other liabilities	738	641
Other provisions	252	225
Deferred tax liabilities	1,185	1,563
Total non-current liabilities	7,077	8,766
Current liabilities		
Current loans	2,000	2,003
Other provisions	166	180
Trade payables	11,365	10,749
Contract liabilities and advance payments received on orders	1,471	1,185
Liabilities to affiliated companies	21	16
Other financial liabilities	1,864	1,876
Income tax liabilities	2,463	1,283
Other liabilities	5,089	6,150
Total current liabilities	24,439	23,442
Total liabilities	31,516	32,208
Total equity and liabilities	104,937	103,576

CONSOLIDATED INCOME STATEMENT

DEVELOPMENT FROM 1 JANUARY 2022 TO 30 JUNE 2022
in KEUR

	01/01 – 30/06/2022	01/01 – 30/06/2021	01/04 – 30/06/2022	01/04 – 30/06/2021
Revenue	72,385	63,635 ¹	36,510	32,416 ¹
Cost of materials	-44,922	-38,622 ¹	-22,852	-19,826 ¹
Gross profit	27,463	25,013	13,658	12,590
Other operating income	2,069	1,278	1,188	405
Personnel expenses	-12,589	-13,009	-6,339	-6,796
Other operating expenses	-5,643	-5,369	-2,669	-1,988
EBITDA	11,300	7,913	5,838	4,211
Depreciation and impairment of property, plant and equipment	-1,277	-1,268	-634	-626
EBITA	10,023	6,645	5,204	3,585
Amortisation of intangible assets	-665	-731	-329	-364
Operating earnings (EBIT)	9,358	5,914	4,875	3,221
Loss from investments accounted for using the equity method	0	-90	0	-90
Finance income	2	121	2	77
Finance costs	-88	-46	-71	-25
Profit before income taxes	9,272	5,899	4,806	3,183
Taxes on income	-2,369	-1,462	-1,226	-746
Consolidated net income	6,903	4,437	3,580	2,437
Of which:				
Shareholders of the parent company	6,903	4,437	3,580	2,437
Number of shares (weighted average)	6,500,000	6,500,000	6,500,000	6,500,000
Earnings per share in EUR (diluted and basic)	1.06	0.68	0.55	0.37

¹ The comparative values for the 1st half year 2021 were adjusted due to a change in the accounting method as at 31 December 2021 for trading in standard software licences.

Additional explanations of the adjustments to revenue and cost of materials can be found in the notes to the consolidated financial statements as at 31 December 2021, section B, under items 19 and 21.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DEVELOPMENT FROM 1 JANUARY 2022 TO 30 JUNE 2022

in KEUR

	01/01 – 30/06/2022	01/01 – 30/06/2021
Consolidated net income	6,903	4,437
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	25	– 64
Other comprehensive income after income taxes	25	– 64
Total comprehensive income	6,928	4,373
Of which:		
Shareholders of the parent company	6,928	4,373

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY 2022 TO 30 JUNE 2022

in KEUR

	01/01 – 30/06/2022	01/01 – 30/06/2021	01/04 – 30/06/2022	01/04 – 30/06/2021
Cash flow from operating activities				
Consolidated net income	6,903	4,437	3,580	2,437
Income tax expense recognised in profit or loss	2,369	1,462	1,226	746
Finance costs/income recognised in profit or loss	30	- 75	13	- 52
Amortisation and depreciation of intangible assets, property, plant and equipment and investment securities	1,942	1,999	963	990
Increase (+)/decrease (-) in provisions	15	211	- 4	128
Other non-cash expenses/income	- 336	- 133	- 284	- 80
Gain/loss on disposal of property, plant and equipment and intangible assets	- 10	0	0	0
Increase (-)/decrease (+) in inventories, trade receivables and other assets	- 5,419	- 4,845	- 1,775	- 1,575
Increase (+)/decrease (-) in liabilities and other liabilities	216	694	- 475	- 171
Interest received	2	121	2	77
Cash flow from operating activities	5,712	3,871	3,246	2,500
Income taxes paid	- 1,600	- 1,225	- 962	- 766
Net cash flow from operating activities	4,112	2,646	2,284	1,734
Cash flow from investing activities				
Payments for intangible assets	- 2	- 10	0	- 10
Proceeds from disposals of property, plant and equipment	28	74	1	6
Payments for investments in property, plant and equipment	- 189	- 118	- 37	- 83
Proceeds from disposal of financial assets	0	12	0	- 2
Payments for investments in financial assets	- 1	- 19	0	- 14
Payments for financial investments as part of short-term treasury management	0	- 19,654	0	81
Net cash flow used in investing activities	- 165	- 19,715	- 37	- 22

FROM 1 JANUARY 2022 TO 30 JUNE 2022

in KEUR

	01/01 – 30/06/2022	01/01 – 30/06/2021	01/04 – 30/06/2022	01/04 – 30/06/2021
Cash flow from financing activities				
Proceeds from loans	17	0	2	0
Repayment of loans	-1,956	-1,907	-968	-923
Proceeds from grants received	27	83	4	42
Dividends paid to shareholders of the parent company	-3,280	-1,918	-3,280	-1,918
Dividends paid on free float shares	-1,595	-1,332	-1,595	-1,332
Interest paid	-33	-46	-16	-25
Net cash flow used in financing activities	-6,819	-5,120	-5,852	-4,156
Net decrease in cash and cash equivalents	-2,872	-22,189	-3,605	-2,444
Cash and cash equivalents at the beginning of the reporting period	36,022	34,718	36,761	14,969
Changes in cash due to exchange rate movements and remeasurement	-31	31	-37	35
Cash and cash equivalents at the end of the reporting period	33,119	12,560	33,119	12,560
Of which cash in hand and bank balances	33,119	12,560	33,119	12,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY 2021 TO 30 JUNE 2021

in KEUR

	Subscribed capital	Capital reserves	Revenue reserves			Total	Total
			Reserve for actuarial gains/losses	Currency translation reserve	Other revenue reserve		
As at 1 January 2021	6,500	47,495	8	110	9,966	10,084	64,079
Consolidated net income	0	0	0	0	4,437	4,437	4,437
Distributions to shareholders of the parent company	0	0	0	0	-1,918	-1,918	-1,918
Distributions to shares in free float	0	0	0	0	-1,332	-1,332	-1,332
Currency adjustments	0	0	0	-64	0	-64	-64
As at 30 June 2021	6,500	47,495	8	46	11,153	11,207	65,202

FROM 1 JANUARY 2022 TO 30 JUNE 2022

in KEUR

	Subscribed capital	Capital reserves	Revenue reserves			Total	Total
			Reserve for actuarial gains/losses	Currency translation reserve	Other revenue reserve		
As at 1 January 2022	6,500	47,495	11	196	17,166	17,373	71,368
Consolidated net income	0	0	0	0	6,903	6,903	6,903
Distributions to shareholders of the parent company	0	0	0	0	-3,280	-3,280	-3,280
Distributions to shares in free float	0	0	0	0	-1,595	-1,595	-1,595
Currency adjustments	0	0	0	25	0	25	25
As at 30 June 2022	6,500	47,495	11	221	19,194	19,426	73,421

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDING 30 JUNE 2022

BASIS FOR PREPARING THE HALF-YEARLY FINANCIAL REPORT

GENERAL INFORMATION

The consolidated interim financial statements as at 30 June 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS, as adopted by the EU) applicable on the reporting date and the additional requirements of German commercial law.

This condensed consolidated interim financial report has been prepared in accordance with the provisions set forth under IAS 34. The interim financial statements were prepared in euros.

The interim financial report does not include all of the disclosures normally contained in the financial statements for a full fiscal year. This means that this interim financial report should be read together with the annual financial statements for the fiscal year ending 31 December 2021 and all other public statements issued by STEMMER IMAGING during the reporting period.

The accounting policies used here are the same as those used in the prior fiscal year and the associated interim financial reporting period, along with new and amended standards which were adopted for the first time as explained below.

The consolidated statement of financial position as at 30 June 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the reporting periods ending 30 June 2022 and 2021 and the condensed notes to the consolidated financial statements have not been audited or subjected to an auditor's review.

APPLICATION OF NEW ACCOUNTING STANDARDS

The changes stemming from the amendments to IFRS 3 (reference to the conceptual framework), IAS 16 (Property, plant and equipment- proceeds before intended use), IAS 37 (onerous contracts- cost of fulfilling a contract) and the annual improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41 to be applied from 1 January 2022 are of minor significance for accounting within the STEMMER IMAGING Group.

A number of new or amended standards took effect in the current reporting period. These did not, however, have an impact on the Group's accounting policies or result in the need to make any retroactive adjustments.

EXPLANATION OF KEY CHANGES IN THE CURRENT REPORTING PERIOD

SIGNIFICANT EVENTS AND TRANSACTIONS

There were no events or transactions with a material impact on the net assets, financial position and results of operations in the first half of the 2022 fiscal year.

RESOLUTION OF THE ANNUAL GENERAL MEETING ON 18 MAY 2022

At the virtual Annual General Meeting of STEMMER IMAGING AG on 18 May 2022, a resolution was passed to use the net retained profits for the 2021 fiscal year of EUR 15,432,834.40 to pay a dividend of EUR 0.75 on the 6,500,000 eligible no-par value shares (EUR 4,875,000.00) and to carry forward the remaining amount of EUR 10,557,834.40 to new account.

The dividend was paid on 23 May 2022 after deducting 25 per cent capital gains tax and 5.5 per cent solidarity surcharge on the capital gains tax (total deduction 26.375 per cent) and, where applicable, church tax on the capital gains tax by the credit institutions involved in handling the payment of the dividends.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

INTANGIBLE ASSETS

The carrying amount of intangible assets on the reporting date is calculated as follows:

in KEUR	30/06/2022	31/12/2021
Goodwill	19,559	19,462
Concessions, property rights and patents	825	951
Customer base	4,061	4,488
Brand	1,010	1,052
Technology	552	620
Total	26,007	26,573

In the reporting period from 1 January to 30 June 2022, new intangible assets were acquired with a value of minor significance. The change is almost entirely attributable to amortisation in the reporting period and adjustments due to the measurement of goodwill denominated in a foreign currency.

As at the end of 30 June 2022, there was no indication of a need for an impairment charge to be applied to the Group's goodwill.

INVENTORIES

Inventories are composed as follows:

in KEUR	30/06/2022	31/12/2021
Raw materials and supplies	177	177
Merchandise	14,740	14,444
Advance payments	846	966
Total	15,763	15,587

In connection with inventories, EUR 44,922 thousand (1 January to 31 December 2021: EUR 79,700 thousand) was expensed as cost of materials during the first half of the 2022 fiscal year.

The total cost of inventories recognised as expenses in the cost of materials includes write-downs to the net realisable value of EUR 245 thousand (1 January to 31 December 2021: EUR 398 thousand) due to excess stock, obsolescence, reduced marketability or subsequent costs.

The inventories are expected to be used within twelve months.

TRADE RECEIVABLES

in KEUR	30/06/2022	31/12/2021
Trade receivables	23,358	18,222
Impairment losses	- 993	- 1,266
Total	22,365	16,956

The Group companies – with the exception of the INFAIMON Group – generally give payment terms of between 30 and 45 days. The Group does not charge interest to the customer for this period of time. Late payment interest will be subsequently charged on the outstanding amount in individual cases and in accordance with customary business practices in the respective country.

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

Impairments losses on trade receivables developed as follows:

in KEUR	01/01 – 30/06/2022	01/01 – 31/12/2021
As at the beginning of the fiscal year	- 1,266	- 717
Additions	- 68	- 614
Utilisation	0	34
Reversals	345	34
Currency adjustments, other changes	- 4	- 3
Total	- 993	- 1,266

The calculation of impairment losses on trade receivables is explained in section B 13 of the notes to the consolidated financial statements as at 31 December 2021.

Reversals of valuation allowances in the amount of EUR 345 thousand during the 2022 reporting period result primarily from case-by-case assessments based on extended payment deadlines. To date, additional risk provisions have been recognised for the INFAIMON subsidiaries in the “not past due” to “61–90 days past due” levels. These additional provisions proved to be unnecessary and have therefore been reduced.

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

Trade receivables are due within one year.

CASH AND CASH EQUIVALENTS

in KEUR	30/06/2022	31/12/2021
Cash and cash equivalents	33,152	36,058
Impairment losses	- 33	- 36
Total	33,119	36,022

The reduction of the item as at 30 June 2022 is chiefly the result of the payment of dividends to shareholders and repayments on loans, despite positive operating cashflow.

For cash and cash equivalents, valuation allowances are made using the expected loss method in accordance with IFRS 9.

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

in KEUR	01/01 – 30/06/2022	01/01 – 31/12/2021
As at the beginning of the fiscal year	- 36	- 28
Additions	0	- 8
Reversals	3	0
Total	- 33	- 36

The calculation of impairment losses is explained in section B 13 of the notes to the consolidated financial statements as at 31 December 2021.

DIVIDENDS

in KEUR	01/01 – 30/06/2022	01/01 – 30/06/2021
Dividends paid in the six month	4,875	3,250

FINANCIAL INSTRUMENTS

The following table reconciles the financial instrument items from the statement of financial position as at 30 June 2022 with the classes and measurement categories of IFRS 9. The aggregated carrying amounts per measurement category and the fair values for each class are also presented.

in KEUR

	Category according to IFRS 9	Carrying amount 30/06/2022	Measurement according to IFRS 9		Measurement according to IFRS 9	Of which assets and liabilities under IFRS 16	Fair value 30/06/2022	
			Amortised cost	Fair value through other comprehensive income				Fair value through profit or loss
Assets								
Trade receivables	Amortised cost	22,365	22,365	0	0	22,365	0	22,365
Receivables from affiliated companies	Amortised cost	511	511	0	0	511	0	511
Other investment securities	FVTPL	28	0	0	28	28	0	28
Other financial assets	Amortised cost	180	180	0	0	180	0	180
Cash and cash equivalents	Amortised cost	33,119	33,119	0	0	33,119	0	33,119
Equity and liabilities								
Current and non-current loans	Amortised cost	4,500	4,500	0	0	4,500	0	4,500
Trade payables	Amortised cost	11,365	11,365	0	0	11,365	0	11,365
Contract liabilities and advance payments received on orders	Amortised cost	1,471	1,471	0	0	1,471	0	1,471
Liabilities to affiliated companies	Amortised cost	21	21	0	0	21	0	21
Remaining other financial liabilities	Amortised cost	943	943	0	0	943	0	943
Liabilities from leases	n. a.	3,276	0	0	0	0	3,276	3,276

The following table reconciles the financial instrument items from the statement of financial position as at 31 December 2021 with the classes and measurement categories of IFRS 9. The aggregated carrying amounts per measurement category and the fair values for each class are also presented.

in KEUR

	Category according to IFRS 9	Carrying amount 31/12/2021	Measurement according to IFRS 9			Measurement according to IFRS 9	Of which assets and liabilities under IFRS 16	Fair value 31/12/2021
			Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss			
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

IFRS 13 regulates how fair value is determined along with the related disclosures in the notes. The standard does not explicitly set out in which cases the fair value must be used. Fair value is defined as the price that independent market participants would receive to sell an asset or pay to transfer a liability in an arm's length transaction at the measurement date. The assets and liabilities measured at fair value are allocated to the three levels of the fair value hierarchy in accordance with IFRS 13. The individual levels of the fair value hierarchy are defined as follows:

Level 1:

Quoted market prices in active markets for identical assets or liabilities

Level 2:

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, 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.

Fair Value hierarchy	30/06/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Other investment securities			28			27

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.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

REVENUE

in KEUR	01/01 – 30/06/2022	01/01 – 30/06/2021
Revenue from components and modified components sales	71,081	62,195 ¹
Revenue from service	1,304	1,440 ¹
Revenue	72,385	63,635¹

¹ The comparative figures for 2021 were revised as a result of changes in the accounting policy as at 31 December 2021 for trading with standard software licenses. Further explanations of the adjustments to revenue and cost of materials can be found in section B 19 and 21 of the notes to the consolidated financial statements as at 31 December 2021.

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

For the fiscal year 2022, the company continued to serve a wide range of industries. The Factory Automation, Sports & Entertainment and Print & Packaging sectors are disproportionately pronounced with a combined share of revenue of 38.4 per cent (1 January to 30 June 2021: 35.5 per cent). In terms of total revenues, there are no other significant industry focuses.

A breakdown of revenue by region is also provided below:

in KEUR	<u>01/01 – 30/06/2022</u>	<u>01/01 – 30/06/2021</u>
Germany	24,697	21,337 ¹
Europe (excluding Germany)	45,875	40,227 ¹
Rest of world	1,813	2,071 ¹
Total	72,385	63,635¹

¹ The comparative figures for 2021 were revised as a result of changes in the accounting policy as at 31 December 2021 for trading with standard software licenses. Further explanations of the adjustments to revenue and cost of materials can be found in section B 19 and 21 of the notes to the consolidated financial statements as at 31 December 2021.

The breakdown of revenue by region is based on the location of the customer, i. e. the place of delivery. STEMMER IMAGING did not generate more than 10 per cent of its total revenue with any one customer either in the first half of the 2022 fiscal year, or in the 2021 fiscal year.

OTHER INFORMATION

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 shareholding of PRIMEPULSE SE, Munich, in the company was 67.32 per cent as at 30 June 2022. As at 31 December 2021, PRIMEPULSE SE directly held 67.27 per cent of the shares in STEMMER IMAGING AG.

According to a service agreement dated 1 April 2018, various commercial and organisational tasks can be outsourced to PRIMEPULSE SE, Munich, (such as operations and controlling, tax, M&A support, marketing, PR, IR). In exchange for providing these services, PRIMEPULSE SE, Munich receives daily rates of between EUR 1,000 and EUR 1,500 in each case (plus expenses, value added tax and travel costs). In the reporting period from 1 January to 30 June 2022, a gross amount of EUR 260 thousand (EUR 219 thousand net) was charged for purchased services and allocated costs, of which EUR 219 thousand was recognised as an expense in the first half of 2022. At the same time, costs were passed on to PRIMEPULSE SE, Munich, of which EUR 429 thousand was recognised as income. As at 30 June 2022, trade receivables from PRIMEPULSE SE, Munich, amount to EUR 511 thousand.

Furthermore, invoiced services existed for information technology from glueckkanja-gab AG, Offenbach am Main (EUR 95 thousand). Of this amount, EUR 21 thousand was outstanding on 30 June 2022.

COMPANY BODIES

The members of the Executive Board in the 2022 reporting period were:
 Arne Dehn, Munich, Dipl.-Kfm., Chief Executive Officer
 Uwe Kemm, Munich, Member of the Executive Board (COO)

In the 2022 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
Klaus Weinmann	Managing Director of PRIMEPULSE SE, Munich	Chairman
Markus Saller	Director Mergers & Acquisitions of PRIMEPULSE SE, Munich	Deputy Chairman (from 20 January 2022)
Prof. Dr. Constanze Chwallek	Professor at Aachen University of Applied Sciences Faculty of Business Studies, Aachen	Member (from 3 January 2022)

OTHER FINANCIAL OBLIGATIONS

There are no guarantees as at the balance sheet date.

There are other financial obligations from order commitments that fall within the scope of normal business activities. There are no significant rental and leasing obligations in the first half of the 2022 fiscal year.

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events for STEMMER IMAGING after the end of the reporting period.

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the half-year consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Puchheim, 11 August 2022

STEMMER IMAGING AG
 Executive Board



Arne Dehn
 Chief Executive Officer



Uwe Kemm
 Chief Operating Officer

FINANCIAL CALENDAR ¹

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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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.

STEMMER IMAGING is an active member of:

