Leading Vision.

STEMMER IMAGING

ANNUAL REPORT 2023

Contents

Single-Entity and Consolidated Financial Statements and Combined Management Report for the Period from 1 January to 31 December 2023

Rounding may mean that individual figures 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 in the 2023 fiscal year

(in KEUR)

	2023	2022
Revenue	146,293	155,370
Gross profit	58,043	58,356
Gross profit margin	39.7%	37.6%
EBITDA	26,953	28,243
EBIT	21,857	24,341
Consolidated net income	15,730	17,973
Operating cashflow after income taxes	20,306	15,895
Employees (average)	295	327
	12/31/2023	**31/12/2022**
Total assets	104,404	120,555
Equity	80,485	84,079
Equity ratio	77.1%	69.7%
Cash and cash equivalents	37,570	41,574

This report, results of previous fiscal years as well as German and English translations are available for you to download at: www.stemmer-imaging.com

STEMMER IMAGING in figures in the 2023 fiscal year

Order intake:
EUR 130.0 million

EUR 2.42
earnings per share

71.1 per cent equity ratio

>5,000 customers

295 employees

15 subsidiaries and repre-sented in >20 countries

>25.000 trees saved through recycling

Customer Loyalty Rate >90%

Total Recordable Incident Rate 0,4 (Industry: 0,7*)

* Source: https://www.bls.gov/web/osh/table-1-industry-rates-national.htm

STEMMER
IMAGING

AGRICULTURE

STEMMER IMAGING provides the eyes for AI. In the Farming & Agriculture sector, AI-enhanced machine vision provides valuable data for further automation to promote sustainability, for example in the area of saving drinking water.

This image is AI-generated with Dall-E3*.

*Dall-E3 is an AI model that specializes in generating images based on textual descriptions.

01
Shareholder information

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

Letter to shareholders

Dear Shareholders,

As a shareholder, you are holding our company's seventh letter to shareholders in your hands today. When we went public in 2018, we knew that a lot would change as a listed company. Back then, we set out to transform an owner-managed family business into a sustainable, modern and transparent company. The first few years were focused on building structures and redefining values that also take into account the demands of a much broader number of shareholders – without questioning the brand essence of our company.

The past 2023 fiscal year is a good indicator of how successful we have been in this transformation. Overall, the results of the many measures and the work of recent years are clearly recognisable. STEMMER IMAGING is successfully positioned in the market, has modernised its key processes and working methods and can visibly translate the added value it offers into record results. This is happening in a market environment that continues to be characterised by an unprecedented frequency of crises and the resulting changes.

Nothing is as constant as change

As a management team, we have learnt in recent years how to deal with the massive changes and demands of our time. Our aim remains to provide our customers, suppliers and employees alike with security and optimism for the future. In addition to resilience, it is our adaptability that helps us to successfully align our company for the long term through entrepreneurial decisions while also responding flexibly to sudden events, with their risks and opportunities.

We are also concerned about the general shortage of labour in our society. You probably have experienced the effects of this in many areas of everyday life. Because we are actively addressing this issue, we attach particular importance to training and supporting our young talents ourselves, as well as attracting new talent. Here too, we are ultimately seeing the positive effect of constant renewal and a consistent focus on the opportunities presented by change. The rapidly increasing use of artificial intelligence – not only in our portfolio offering, but also in our internal processes and working methods – could have a positive impact on our company going forward. Together with the specific measures to promote sustainability and ongoing digitalisation, it could also strengthen our market position and competitiveness. We firmly believe that you, our shareholders, also stand to benefit from this trend.

Solidifying our position as the systems house for machine vision

In the past fiscal year, we honed our positioning: as the systems house for machine vision, we are now showcasing ourselves on a fresh, new website with a comprehensive digital offering built around our product catalogue. As the systems house for machine vision, we enable the dynamically developing market to seize the potential of artificial intelligence (AI) with our technology offering, and thus give AI eyes.

The launch of our STEMMER IMAGING MORE programme, which structures all the value-added services we offer in a much more tangible and easily accessible way, was also crucial to the repositioning. As an organisation, we are increasingly acting as a closely interlinked company that is coordinated across regions and functions. These measures enable us to offer every customer – regardless of their location – optimum support for their unique tasks. The integration of the INFAIMON brand into the established STEMMER IMAGING name further strengthens this effect. Having once again earned silver certification under Ecovadis' stricter standards, our brand name also stands for a modern benchmark in the assessment of our sustainability work.

Strong profitability despite challenging market environment and negative one-off effects

In a challenging market environment, our revenue totalled EUR 146.3 million, which corresponds to a decline of 5.8 per cent compared to a strong prior-year figure (EUR 155.4 million), which is within the range of EUR 144 million to EUR 151 million as adjusted in October 2023. While we were still able to report year-on-year growth of 8 per cent up to the first half of the year, market demand slowed in the second half of the year. The food & agriculture, automotive and factory automation markets in particular recorded a decline in revenue, which was only partially offset by revenue gains in the transport & logistics and medical equipment segments. In regional terms, the subsidiaries in the Netherlands and France in particular recorded the largest percentage declines in revenue, whereas the entities in Spain, Latin America and the UK recorded revenue growth.

Thanks to the implementation of our strategic measures and our forward-looking cost management, we were able to significantly improve the margin from 37.6 per cent in the previous year to 39.7 percent and thus reach an all-time high. Our earnings performance was also solid. Against the backdrop of declining revenue, EBITDA totalled EUR 27.0 million (previous year: EUR 28.2 million) despite the burden of one-off special effects of EUR 1.3 million for the further integration of the Spanish and Latin American subgroup. The fact that we were able to achieve the EBITDA range of EUR 26 million to EUR 32 million anticipated at the beginning of 2023 despite the decline in revenue is the result of our consistent alignment of our capacities with our strategic focus and our strategic development. Our EBIT stood at EUR 21.9 million (previous year: EUR 24.3 million). EBIT was also negatively impacted by the impairment charge on the INFAIMON brand name in the amount of EUR 0.9 million. As a result, earnings per share came to EUR 2.42.

Focus on growth, productivity and an attractive dividend

Our strategic transformation puts us in a position to operate profitably in the long term. This is also reflected in the increase in our medium-term guidance for the EBITDA margin for 2026 in November 2023, with a target profitability of between 17 per cent and 21 per cent (previously: 15 to 19 per cent).

We have also further optimised our business model when it comes to the efficient use of capital. We succeeded in reducing our inventory values at the end of the year to a level of EUR 12.7 million, which is appropriate for the current business situation and thus 45 per cent lower than the high for the year in May 2023. At EUR 19.3 million, our free cash flow developed very positively again in the past fiscal year and almost compensated for the dividend payment in the amount of EUR 19.5 million.

As a technology company, we continue to be optimistic about the future. The growth drivers of our business remain intact, even though our business was also temporarily characterised by weak demand in the second half of 2023. Our business model delivers financially attractive results. We will continue to do everything we can to manage the existing risks and translate the opportunities of our time into measurable results for our company and therefore also for you, our shareholders, in the form of attractive dividend payments. We have also anchored this approach in our commitment as part of the updated medium-term guidance to realise a distribution of at least 70 per cent of the annual result. With a dividend proposal of EUR 2.70 per eligible share, we will already be measuring ourselves against this target this year.

We have formulated a road map for the successful advancement of our company and will devote all our energy to another successful fiscal year in 2024. Although we anticipate a decline in business volume in the first half of 2024 compared to the strong previous year, we believe it is not unlikely that orders will increase disproportionately in the second half of 2024 and could exceed the 2023 financial year overall. In fiscal year 2024, we will continue to focus on our customers and business partners, so that we can continue to strengthen and expand the value of our company.

Our sincere thanks go to our employees for their daily commitment and dedication in the past financial year and to you, our shareholders, for the trust you have placed in us.

Puchheim, 28 March 2024

Arne Dehn
CEO

Uwe Kemm
COO

Report of the Supervisory Board

Dear Shareholders,

STEMMER IMAGING AG continued to operate in a challenging environment in the 2023 fiscal year, marking the fourth consecutive fiscal year characterised by a further intensification of political and economic turbulence and upheaval. While the effects of disrupted supply chains diminished more and more over the course of the year, the economic impact of the war in Ukraine, high inflation rates and the flare-up of the conflict in Israel in particular continued to pose significant challenges.

In this environment, STEMMER IMAGING AG was once again able to improve its profitability. Moreover, the course was set for the continued success of the company: the strategic direction was further cemented with the positioning as the systems house for machine vision. This is additionally underpinned by the now uniform appearance of all Group companies under the strong STEMMER IMAGING brand. Important milestones were also achieved in the advancement of technology and digitalisation in the past fiscal year. As a result, STEMMER IMAGING AG is very well equipped for future challenges as well.

The past fiscal year once again confirmed that STEMMER IMAGING AG is recording sustained profitable growth despite the ongoing macroeconomic uncertainties. This is also reflected in this year's dividend proposal, in which the Executive Board and Supervisory Board recommend an increase in the regular dividend to EUR 2.70 per share.

I would like to thank the employees of STEMMER IMAGING AG for their dedicated and tireless efforts. In these challenging times, they are doing an outstanding job every single day. It was only thanks to their commitment that STEMMER IMAGING was able to continue its success story in the past fiscal year.

Cooperation between the Supervisory Board and Executive Board

In the 2023 fiscal year, the Supervisory Board performed the tasks and duties incumbent upon it in accordance with the law, the Articles of Association and the rules of procedure. It advised the Executive Board on the management of the company and both supported and monitored the management and development of the company. The Supervisory Board was able to satisfy itself of the legality, appropriateness and propriety of the Executive Board's work at all times. As part of the close cooperation, the Executive Board reported regularly, promptly and comprehensively to the Supervisory Board in writing, by telephone and in personal meetings on the situation and prospects, the principles of business policy, the company's profitability and key business transactions.

Outside of the scheduled meetings, the Executive Board was also in personal dialogue with the members of the Supervisory Board, and primarily with the Chairman of the Supervisory Board. In addition, the entire board was kept informed by the Executive Board on an ongoing basis about relevant developments and transactions requiring approval. The Supervisory Board was involved directly and in good time in all decisions of fundamental importance to the company or in which it was required to be involved by law, the articles of association or the rules of procedure. In urgent cases, the board also had the option of passing resolutions by written circulation.

Meetings and main topics

In the reporting period, four regular meetings of the Supervisory Board were held either in person, as a video/telephone conference or in hybrid form on 30 March 2023, 12 May 2023, 14 September 2023 and 7 December 2023. All members of the Supervisory Board in office at the time attended the meetings. The Supervisory Board also met without the Executive Board.

At its meetings, the Supervisory Board regularly received and discussed in detail the reports of the Executive Board pursuant to section 90 (1) sentence 1 nos. 1-3 German Stock Corporation Act (AktG) on the intended business policy, profitability and the course of business, including the market and competitive situation. In addition, pursuant to section 90 (1) sentence 1 no. 4 AktG, the Executive Board reported on transactions that may be of considerable importance to the profitability or liquidity of the company and/or the Group, in particular on planned acquisitions and divestments. There were no indications of any conflicts of interest involving members of the Executive Board or Supervisory Board, which must be disclosed immediately to the Supervisory Board and about which the Annual General Meeting should be informed.

The meeting participants exchanged views on market developments.
The consultations and discussions covered the business policy and economic situation of STEMMER IMAGING AG, as well as the current and longer-term development of the individual business segments and the corporate strategy. In addition, key issues and resolutions relating to the Supervisory Board's activities in the reporting period were as follows:

- At the virtual Supervisory Board Meeting conducted virtually on 30 March 2023, 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 2022, together with the management report of the company and the Group, after detailed discussion. The annual financial statements were therefore adopted. Against the background of the business development in the reporting period, the appropriation of the company's profit was also discussed, and the management passed a resolution to propose to the Annual General Meeting the distribution of a regular dividend of EUR 1.00 per eligible no-par value share and the distribution of a special dividend of EUR 2.00 per eligible no-par value share. The remuneration of the Executive Board for the 2022 fiscal year was also determined and the remuneration report was approved.

- In the Supervisory Board meeting on 12 May 2023, issues were addressed in relation to corporate governance. In particular, it discussed the results of the Supervisory Board's self-assessment (efficiency audit).

- The improvements to the internal control system (ICS) were reported at the Supervisory Board meeting on 14 September 2023.

- In the Supervisory Board meeting on 7 December 2023, the Supervisory Board approved the planning for the 2024 fiscal year as presented by the Executive Board.

Other focal points of the Supervisory Board's deliberations included:

- the potential for inorganic growth through targeted M&A activities

- the roadmap for the IT and digitalisation strategy

- the topics of sustainability and succession planning

- status updates on the risk management system and compliance management.

Composition of the Executive Board and Supervisory Board

I. Changes in the Executive Board

The Executive Board of STEMMER IMAGING AG currently consists of Arne Dehn (CEO) and Uwe Kemm (COO). There were no changes to the composition of the Executive Board in the reporting period.

II. Changes in the Supervisory Board

Following the resignation of Supervisory Board member Prof. Dr. Constanze Chwallek with effect from the end of the Annual General Meeting on 12 May 2023, Prof. Dr. Isabell Welpe was elected to the Supervisory Board by the Annual General Meeting on 12 May 2023.

The Supervisory Board of STEMMER IMAGING AG currently consists of Klaus Weinmann as Chairman, Markus Saller as Deputy Chairman and Prof. Dr. Isabell Welpe.

In accordance with the GCGC, an Audit Committee and a Nomination Committee were established in March 2023 with immediate effect. The Audit Committee is made up of Markus Saller (Chair), Prof. Dr. Isabell Welpe and Klaus Weinmann. The members of the Nomination Committee are Klaus Weinmann (Chairman), Markus Saller and Prof. Dr. Isabell Welpe.

Corporate governance and declaration of compliance

The work of the Supervisory Board is based on the provisions of the German Stock Corporation Act and the recommendations of the German Corporate Governance Code ("the 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.

In March 2023, 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 AktG, 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 relation 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 **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 2023 fiscal year were audited by Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, branch office Munich.

Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, represented by Andreas Weissinger and Franz Fußstetter, has been the auditor of the annual and consolidated financial statements of STEMMER IMAGING AG, Puchheim, since the 2022 fiscal year. Andreas Weissinger as left-signatory of the audit opinion is working in his second year on the audit, Franz Fußstetter is also working in his second year on the audit 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 statutory 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 single-entity and consolidated financial statements as at 31 December 2023 and the combined management report of the company and the Group in accordance with section 317 of the German Commercial Code (HGB) 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 annual financial statements, the consolidated financial statements, the combined management report of the company and the Group, the auditor's report 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 27 March 2024. The Audit Committee of the Supervisory Board consulted with the auditor both alone and together with the Management Board during the audit process. 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 Audit Committee also reported on the results of its audit. The Supervisory Board noted and approved the results of these audits. 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 27 March 2024.

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 auditor's report. 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 single-entity and consolidated financial statements as at 31 December 2023 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 2023 fiscal year prepared by the Executive Board. The annual financial statements were therefore approved.

Dependent company report

In addition, in its meeting on 27 March 2024, the Supervisory Board examined the dependent company report of the STEMMER IMAGING AG Executive Board for the 2023 fiscal year in accordance with section 312 AktG.

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:

"After completing our audit and review in accordance with our professional duties, we confirm that
- the factual statements in the report are accurate,
- the consideration given by the company for the transactions specified in the report was not unreasonably high and neither were disadvantages were compensated for."

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 27 March 2024 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.

On behalf of my colleagues on the Supervisory Board, I would like to thank the members of the Executive Board and the entire STEMMER IMAGING team for their commitment and constructive cooperation in the past fiscal year.

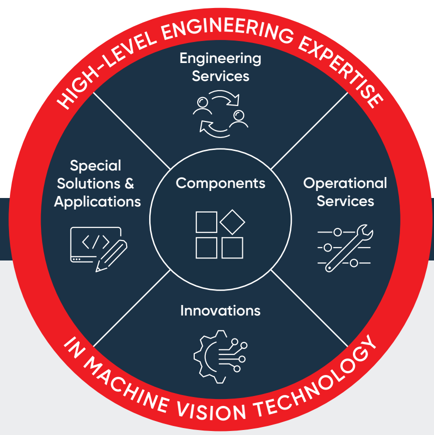
Puchheim, March 2024

On behalf of the Supervisory Board

Klaus Weinmann
Chairman of the Supervisory Board

2023 review

In 2023, STEMMER IMAGING, like many other companies, overcame remarkable challenges. Despite a constantly changing market environment characterised by a series of crises, its adaptability and resilience enabled STEMMER IMAGING to successfully deliver added value and achieve record results.



Sharpen our position as the systems house for machine vision

Over the course of time, STEMMER IMAGING has undergone a strategic change and thus positioned itself from a partner to a systems house for machine vision technology The company is not only characterised by its wide-ranging component portfolio. The complete range of machine vision services, based on excellent expertise, forms an essential part of the company's identity.

Focus on Digitization

As part of its digitalization strategy, STEMMER IMAGING has launched its new website. It is based on a modern platform and offers improved navigation for an optimal user experience and integrates a convenient e-commerce function. Internal company processes are also becoming increasingly digitalized. For example, 91% of all supplier invoices are already processed digitally. Further processes within the company are gradually being digitized as well.

INFAIMON becomes STEMMER IMAGING

Since February 1, 2024, INFAIMON S.L.U. in Spain and its subsidiaries in Portugal, Brazil and Mexico have officially been operating under the joint name STEMMER IMAGING. Already part of the Group for more than four years, this change of name is another important milestone in the integration process. The strengths of both companies will be bundled and further developed together with the aim of standardizing processes and implementing the ONE concept. The joint branding creates a unique selling point for the benefit of STEMMER IMAGING customers worldwide.

Further confirmation of STEMMER IMAGING's outstanding performance is the fact that Focus Money has once again honoured it as **"Company of the Year 2024",** now for the third time in a row!

More Services and Technical Competence Centre

STEMMER IMAGING presents STEMMER IMAGING More – an extended service portfolio that sets new standards. The portfolio ranges from basic services to highly complex solutions and is customised to the customer's specific requirements. The international handling of the More Services portfolio is ensured by the innovative concept of the Technical Competence Centre. The concept links the technical support teams from all European locations to form a single European unit.

Record margin of 39.7 per cent

Despite a challenging market environment, STEMMER IMAGING was again able to increase its margin to an impressive 39.7 per cent in the past fiscal year. In the fourth quarter, even a record gross margin of 41.3 per cent was even achieved. This underscores STEMMER IMAGING's successful implementation of its positioning as a systems house for image processing. The consistent implementation of strategic measures and the alignment of our capacities with our strategic direction ensure that STEMMER IMAGING can operate profitably in the long term.

Sustainability remains part of our DNA

STEMMER IMAGING has been awarded the Eco-Vadis silver medal for the second time in a row. This recognition for environmental, social and governance performance confirms the company's progress in taking environmental and social responsibility in its day-to-day business. The significance of the award motivates STEMMER IMAGING to continue to promote sustainable practices and lead by example in the industry.

STEMMER IMAGING on the capital market

Capital market environment

Developments on the financial markets in 2023 were characterised by a large number of influencing factors. The turbulence in the banking sector, the ongoing war in Ukraine and the flare-up of the conflict in Israel were of particular importance here. Despite the various burdens, the financial markets in many regions of the world developed surprisingly positively. The euro appreciated moderately against the US dollar, supported by factors such as the ECB's stronger interest rate hike. Despite frequently positive price performance, a significant outflow of liquidity was observed in many German stocks, with many investors reallocating their funds to fixed-interest investments. Small and mid-cap companies were particularly hard hit by this development, as the potential investor base shrank.[1]

The German Stock Index (DAX) started the 2023 trading year on 2 January at 13,993 points. The DAX reached a new all-time high of 17,003 points on 14 December 2023. Market participants began to price in expected interest rate cuts in the first half of 2024, which provided positive support for equity market valuations. In addition, the AI boom, starting with the launch of ChatGPT, created added momentum for technology stocks. However, due to the continuing high level of uncertainty on the capital market, stocks with low liquidity and low market capitalisation in particular suffered further valuation markdowns. The German benchmark index ended the trading month of December 2023 at a level of 16,752 points (+20 per cent).[2]

The TecDAX technology stock index gained around 14 per cent over the course of 2023 and closed trading on 29 December 2023 at 3,337 points.[3]

Share information

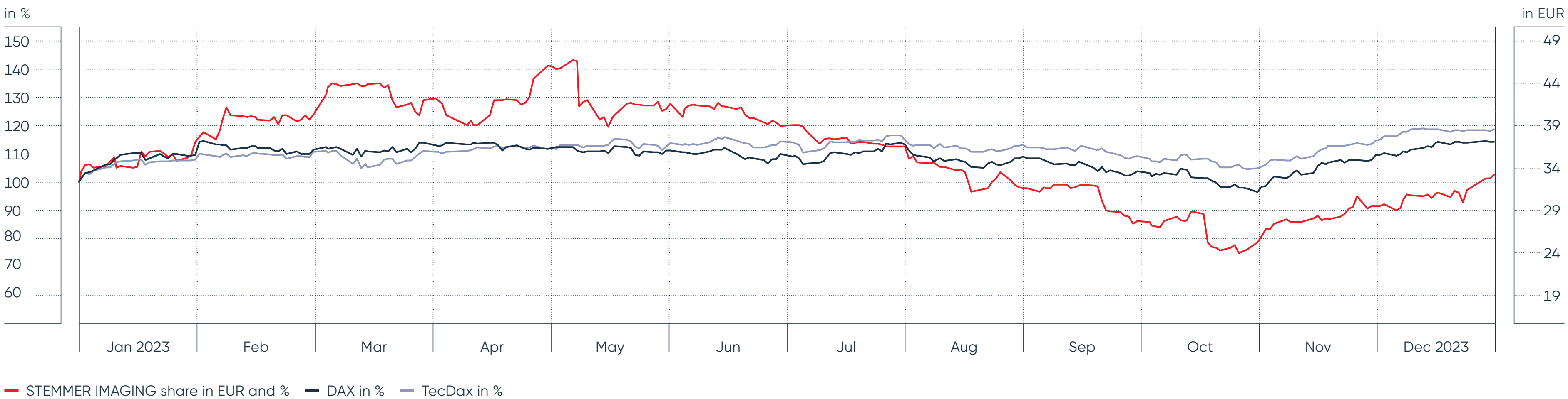
Exchange market	Xetra, Frankfurt, Berlin, Düsseldorf, Hamburg, Munich, Stuttgart, Tradegate
Symbol	S9I
Total number of shares	6,500,000
Share capital	EUR 6,500,000
ISIN	DE000A2G9MZ9
WKN	A2G9MZ
Market segment	Regulated Market
Transparency level	Prime Standard
Designated sponsor	Hauck & Aufhäuser Privatbankiers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

STEMMER IMAGING AG shares opened the year at EUR 32.60 on 2 January 2023. On 9 January 2023, the STEMMER IMAGING share reached its high for the reporting year at EUR 47.30. The low for the year came on 27 October 2023 at EUR 23.80. Based on the closing price of EUR 33.20, STEMMER IMAGING AG's market capitalisation was EUR 215.8 million as at 30 December 2022 with a total of 6,500,000 shares issued. As at 30 December 2022, with the same number of shares and a price of EUR 32.00, market capitalisation was EUR 208.0 million (all information based on Xetra prices)[4].

1 Hauck & Aufhäuser look back on 2023
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 | Aktienkurs (boerse-frankfurt.de)

Share: Price performance and trading volume

Share price from January 2023 to the end of December 2023



During the reporting period, the average daily trading volume on the German stock markets (including Tradegate) was 4,210 shares compared with 3,356 shares in the same period of the previous year. Measured in euros, STEMMER IMAGING shares worth an average of EUR 149,625 were traded per day in 2023, which corresponds to a year-on-year increase of 40.16 per cent (EUR 106,753).

Share price development

Opening price	2 January 2023	EUR 32.80
Low	27 October 2023	EUR 23.80
High	9 May 2023	EUR 47.30
Closing price	29 December 2023	EUR 33.20
Market capitalisation	as at 29 December 2023	EUR 215.8 million

Annual General Meeting

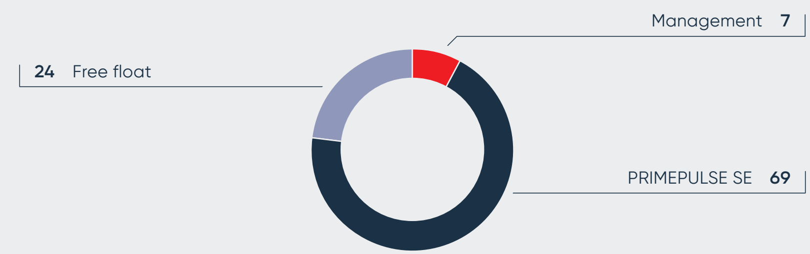
The company's Annual General Meeting for the 2022 fiscal year was held virtually for the fourth time, without the physical presence of shareholders and their authorised representatives (except for voting proxies appointed by the company). On 12 May 2023, the Executive Board of STEMMER IMAGING AG informed the shareholders about the course of the 2022 fiscal year. The shareholders were able to ask questions directly, similar to an Annual General Meeting held in person. They did not have to be submitted 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, 84.9 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 dividend of EUR 3.00 per cent per eligible no-par value share for the 2022 fiscal year proposed to the shareholders met with broad approval among the shareholders. As a result, a total of EUR 19,500,000.00 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** under Investors/Annual General Meeting.

Shareholder structure

A strategic anchor investor holds a majority stake in the company. PRIMEPULSE SE held - almost unchanged to the prior year - 69 per cent of the voting rights as at 31 December 2022. The Management held 7 per cent of the shares as at the same date. As at 31 December 2023, 24 per cent of the shares were in free float.

Shareholder structure
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 2023, the average price target was EUR 53.80. All analysts gave a recommendation to buy.

Analyst evaluations

Publisher	Date	Recommendation	Price target
Hauck & Aufhäuser Research	6 February 2024	Buy	EUR 58.00
Warburg Research	28 February 2024	Buy	EUR 59.50
Berenberg Research	28 February 2024	Buy	EUR 40.00

More detailed information is available to potential investors at **www.stemmer-imaging.com** under Investors/The share.

Investor relations activities

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

The Executive Board held regular dialogue with capital market participants at numerous roadshows and investor conferences in the 2023 fiscal year. Furthermore, the Executive Board engaged in various individual discussions with investors and analysts and informed them about current developments and specific topics. Some of the events took place virtually. On publication of the half-year, full-year and Q3 figures, STEMMER IMAGING reported in detail on current business development via a telephone conference.

Activities

23 February 2023	Publication of the preliminary figures for the 2023 fiscal year
31 March 2023	Publication of the annual report for the 2022 fiscal year
10 May 2023	Publication of Q1/3M 2023 interim report
12 May 2023	Annual General Meeting, virtual
16 June 2023	Warburg Highlights, Hamburg
10 August 2023	Publication of Q2/6M 2023 interim report
18 September 2023	Berenberg Goldman Sachs German Corporate Conference
9 November 2023	Publication of Q3/9M 2023 interim report
27 – 28 November 2023	Eigenkapitalforum (German Equity Forum), Frankfurt

Hauck & Aufhäuser Privatbankiers AG 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.

In 2024, STEMMER IMAGING will continue its open communication with the capital market. Various conferences are already planned and can be found in the financial calendar on the STEMMER IMAGING AG website – **www.stemmer-imaging.com/investors**. Here the company also provides comprehensive information about the business situation as well as current news.

Sustainability 2023

The 2023 reporting year is now the fifth time that STEMMER IMAGING has provided information on the economic, legal and social impact of its business activities. The topic of sustainability occupies a key position in STEMMER IMAGING's strategic orientation.

STEMMER IMAGING enables its customers to drive sustainable growth

The use of machine vision technologies and solutions marketed by STEMMER IMAGING contributes positively to the promotion of a low-emission and sustainable economy and society. At least 97 per cent of all STEMMER IMAGING revenue already contributes to the realisation of the UN Sustainable Development Goals (SDGs). The cameras and technologies sold by STEMMER IMAGING are used in the recycling sector, for example, where they make a significant contribution to waste sorting, and thus to increasing the efficiency of reuse. STEMMER IMAGING's innovative machine vision technologies also offer a wide range of applications in the food & agriculture sector. Selective harvesting through visual product classification, for example, reduces the time-consuming manual labour involved in harvesting.

Growing relevance

STEMMER IMAGING firmly believes that corporate responsibility for the environment and society and economic growth are not mutually exclusive. On the contrary: taking on responsibility for society is essential for sustainable growth. It is therefore only logical that the issue of sustainability is becoming increasingly important for STEMMER IMAGING's stakeholders. In the eyes of customers, it is becoming increasingly important to work with companies that pursue a sustainability strategy. At the same time, the demands on suppliers with regard to sustainable supply chains are rising. Furthermore, environmental, social and governance issues are becoming more and more important for current and future employees as well. Through ratings and rankings, the sustainability performance of companies also plays an ever-larger role in the way the capital market views them. Efforts at the political and regulatory level to significantly expand sustainability reporting and integrate it with financial reporting are heading in this direction too.

Executive Board and ESG team

In order to manage the various aspects of sustainability at STEMMER IMAGING, an environmental, social and governance (ESG) working group was set up within the company as of 2019. This working group is made up of representatives from various central corporate departments who regularly discuss all overarching topics and activities and report directly to the Executive Board. As sustainability is a cross-sectional task, the company endeavours to integrate it into all areas. Clear and measurable targets are set for the continuous development of the sustainability agenda. Measures are defined for all sustainability topics and regularly reviewed for their effectiveness and progress.

International standards

UN Sustainable Development Goals

Seventeen Sustainable Development Goals (SDGs) were defined by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. STEMMER IMAGING supports the SDGs and uses them as a frame of reference. The company makes a particular contribution to SDGs 3, 4, 5, 7, 8, 9, 11, 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 pledge, STEMMER IMAGING publishes a "Communication on Progress" (CoP) report every year. Since 2023, that report has taken the form of a questionnaire. The 2023 CoP questionnaire will be published in July 2024.

UNITED NATIONS GLOBAL COMPACT

Diversity Charter

STEMMER IMAGING is a signatory to the Diversity Charter. The Diversity Charter is a voluntary commitment to diversity management. By signing the Diversity Charter, employers declare that they will create a working environment in which all employees are equally valued and encouraged, regardless of nationality, ethnic origin, religion or belief, disability, age, sexual orientation and identity.

charta der **vielfalt**
For diversity in the world of work
SIGNED

EcoVadis sustainability assessment

At the end of 2022, STEMMER IMAGING underwent the demanding sustainability assessment by Ecovadis for the first time and was awarded silver medal. The confirmation by a renewed silver assessment under increased requirements by Ecovadis in October 2023 underlines STEMMER IMAGING's continuous commitment to sustainability. This means that STEMMER IMAGING occupies a top ranking in the industry comparison and belongs to the top 20 per cent of participating companies.

SILVER 2022 ecovadis Sustainability Rating

SILVER 2023 ecovadis Sustainability Rating

Certifications

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 except Spain, Portugal, Mexico and Brazil. The company obtained voluntary certification in the area of energy management in accordance with ISO 50001 for the first time in 2022 and renewed it in 2023. 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.

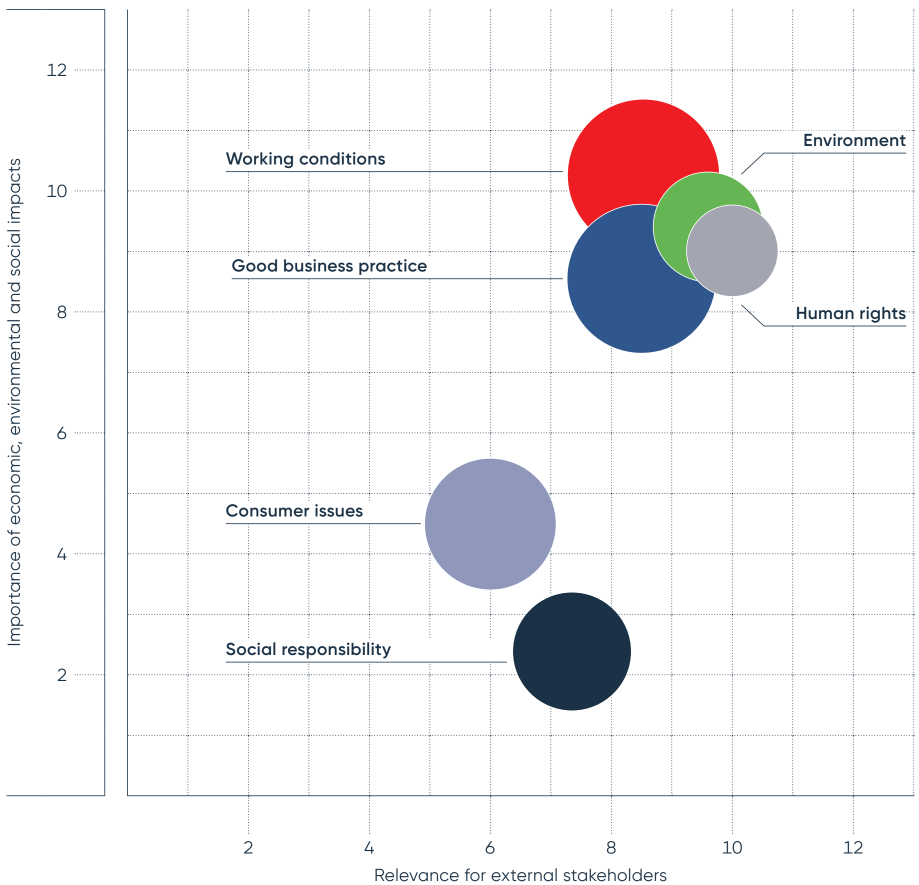
Sustainability initiatives

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

Materiality analysis

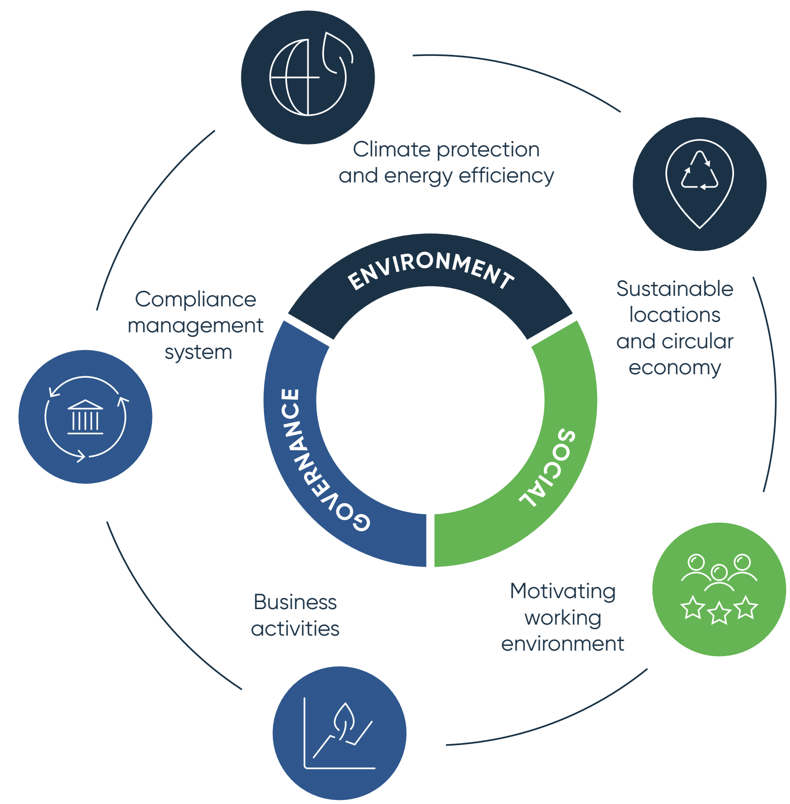
In the 2020 fiscal year, STEMMER IMAGING conducted its first materiality analysis to identify and prioritise the most relevant sustainability issues. The economic, ecological and social implications of the company's activities and the relevance of these issues for the company's stakeholders were examined. 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 2023

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**	CO_2 footprint	CO_2-neutrality by 2027	Scope 1,2 and partly 3 CO_2 accounting	Inclusion of additional emission sources in CO_2 accounting Additional data collection for CO_2 emissions in the 2024 fiscal year Introduction of CO_2-neutral shipping for standard shipments within the EU
		Energy consumption	95 per cent green electricity at all locations by the end of 2024 Annual reduction of the total energy consumption by at least 1 per cent	92 per cent green electricity use at all locations Certified energy management system according to ISO 50001	Continuous increase in the share of green electricity Various measures for saving electricity and gas
		Mobility	Promoting sustainable mobility	Hybrid or electric vehicles in the fleet, where appropriate Mobility concept designed and implementation started	Further sharpen and complete implementation of the mobility concept
12 13	**Sustainable locations and circular economy**	Material consumption	Reduction of other material consumption or switch to environmentally friendly materials	Production of recycled paper by shredding our data waste	Data collection on current material consumption in order to derive measures for making further reductions Further optimisation of packaging by increasing the packing density
		Waste management	Reducing the volume of waste and 100 per cent recycling of all waste at the Puchheim headquarters by the end of 2024	Increasing the recycling rate to 48 per cent (previous year: 43 per cent)	Additional data collection on the recycling rate of all waste, to define measures for increasing the recycling rate

SDG contribution	Focus area	Topic	KPI	Status quo	Measures
4, 5, 8	**Motivating working environment**	Employer attractiveness	KPI: Number of applications per job advertisement KPI: Duration needed to fill a position	Set up internal talent pools for important management positions Flexible working models (including working from home) Promoting cross-regional co-operation through temporary assignments abroad A fair and consistent performance appraisal process Standardisation of salary models Employee survey conducted Further education budget Health and safety at work	Additional occupational safety measures Continuation of employer branding programme Relocation at the Puchheim location to create a more attractive work environment
		Diversity	Positive perception of an inclusive work environment by the employees	New targets for the share of women at management positions level 1 and 2 by 2029 Internal analysis of diversity in the company	Promotion of women in management positions
8, 16	**Compliance management system**	Supply chain	100 per cent of the purchasing volume covered through the Code of Supply	91 per cent of the purchasing volume covered through the Code of Supply Implementation of a supplier classification system	Supplier audits Portfolio adjustment
3, 4, 7, 9, 11, 12	**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 97 per cent of all revenue already make a positive contribution to the UN SDGs Customer satisfaction survey reveals a loyalty rate of > 90%	Raising employee awareness at the Sales Conference 2024

Environment

Climate protection and energy efficiency

Energy consumption
In the 2023 fiscal year, the company continued to pursue the systematic approach to energy management introduced in the previous year on the basis of ISO 50001 certification. 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 2024. Purchasing green electricity at all STEMMER IMAGING locations around the world is one way of improving the company's climate footprint. As at 31 December 2023, the share at all locations was 92 per cent. By the end of 2024, green electricity is to be purchased at 95 per cent of all locations. In 2023, total energy consumption at the Puchheim site was reduced by 16 per cent compared to the previous year.

Mobility
Promoting sustainable mobility is another way STEMMER IMAGING intends to help reduce its carbon footprint. Since January 2022, any new vehicle added to the Group-wide fleet has been hybrid or all-electric where appropriate and possible. In 2023, the company plans to continue working on the conceptualisation of a guideline for optimising business travel with a view to establishing environment-friendly business travel practices. The detailed development of a policy for promoting the use of sustainable transport by employees at headquarters will also continue in 2024. A few years ago, STEMMER IMAGING established a JobRad bicycle leasing scheme at its main location.

A mobility concept was developed in 2023. The key components are flexible working models, the promotion of carpooling and the use of public transport, as well as mobility management for business trips.

Sustainable locations and circular economy

Material consumption
STEMMER IMAGING is reducing its ecological footprint by increasing packing density by 166 per cent for selected customers. As a result, the demand these customers' demand for pallets fell by 40 per cent compared to the previous year. Today, 91 per cent of all supplier invoices are already processed digitally (previous year: 78 per cent). By systematically continuing the project launched in 2022 to use old cardboard packaging as filling material, the purchase of filling materials was reduced by a further 29 per cent. STEMMER IMAGING is testing further digitalisation initiatives as part of the shipping process. The production of recycled paper by shredding our data waste prevented the deforestation of over 25,000 trees in 2023. The ongoing collection of data on total material consumption and corresponding savings measures will be continued in 2024 with the aim of identifying further measures.

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. By further sensitising our employees in particular, we were able to increase the proportion of recycling from 43 per cent in the previous year to 48 per cent. STEMMER IMAGING currently considers the absolute reduction of waste in relation to revenue, which relates to urban waste, paper and cardboard, plastic as well as electrical waste. Of the waste, 100 per cent is handled by a certified waste management company, which provided the above data. At 45 tonnes, the total amount of waste was reduced by 6 per cent compared to the previous year. The KPI (tonnes of waste/revenue) decreased by 23 per cent.

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. In France, Switzerland, the Netherlands and Spain, the company has already moved into new offices in the last two years. At the Puchheim location, the move to more attractive business premises in an urban location will be realised in 2024.

An employee survey was conducted in 2023. In particular, the aspects of working atmosphere, satisfaction with STEMMER IMAGING as an employer and management were rated very highly. Improvement measures were defined based on the results of the survey, and their implementation has begun.

Diversity

Promoting diversity within the STEMMER IMAGING Group has an important part to play here. STEMMER IMAGING has set itself the goal of further increasing the proportion of women in the company. This was underlined by the signing of the Diversity Charter in 2022.

Occupational health and safety

Our employees are the most important asset and the basis of our company's success. Their safety, health and motivation therefore have the highest priority. Training sessions on occupational health and safety are carried out on a regular basis. The recording of the Total Recordable Incident Rate (TRIR) and Days Away, Restricted, Transferred Rate (DART) indicators was introduced for systematic evaluation. With a figure of 0.4 for both KPIs in 2022 and 2023, STEMMER IMAGING consistently achieved a pleasingly low value here compared to the industry average (0.7).

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

Governance

Compliance management system

Code of Conduct

The STEMMER IMAGING Code of Conduct summarises the key principles and undamentals 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 was one compliance breach in the 2023 reporting year. Appropriate measures were initiated.

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 introduced a whistleblower system in 2022 as a way of complementing the prior system of approaching a direct supervisor or the compliance officer. 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. One report was recorded in 2023.

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 cover 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 for the Executive Board also includes sustainability criteria. The Supervisory Board sets specific targets for the respective fiscal year based on the corporate planning, which is approved by the Supervisory Board prior to the beginning of the relevant fiscal year.

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 selected carefully. 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, 92 per cent of all suppliers, sorted by their contribution to revenue, had signed the Code of Supply. The target for 2024 is to have 100 per cent of suppliers sign the code. A supplier classification system was developed and rolled out to categorise our suppliers.

STEMMER IMAGING is also making preparations to implement the requirements of the Supply Chain Duty of Care Act (Lieferkettensorgfaltspflichtengesetz), a legal regulation that obliges companies to ensure compliance with human rights and environmental standards throughout their supply chain. This legislation aims to hold companies responsible for possible human rights violations and environmental damage in their global supply chain.

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 97 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 & recycling, factory automation, metrology and mobility. The food & agriculture sector and electrification in the automotive sector are already important growth areas and will be the focus of even more concerted efforts in the future.

In 2023, STEMMER IMAGING conducted a customer satisfaction survey, which revealed a recommendation rate of 84 per cent and a customer loyalty rate of 90 per cent.

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 publishes a Communication on Progress (CoP) report. This outlines the measures the company implements and will implement in the four areas of human rights, labour, environment and anti-corruption. STEMMER IMAGING will publish the CoP Report 2023 by July 2024.

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.

ENGINEERING EXPERTISE

STEMMER IMAGING provides the eyes for AI and is specialized in the development of advanced, customized machine vision solutions that enable high-precision analysis in a wide range of (AI) applications.

This image is AI-generated with Dall-E3.*

* Dall-E3 is an AI model that specializes in generating images based on textual descriptions.

02 Combined Management Report

Combined Management Report

Basic information on the Group

Business model

STEMMER IMAGING is one of the leading international value-added distributors 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 under the heading Internal control and risk management system.

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. The dependence on individual customers and suppliers are important non-financial performance indicators. STEMMER IMAGING strives to avoid dependency situations on individual customers and suppliers. Therefore, the company focuses on a versatile product portfolio of different suppliers and serves different customers in different industries. The development of the market and competitive environment is constantly monitored by means of financial and non-financial performance indicators.

Qualitative aspects

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

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

1 EBITDA = profit for the period + taxes + net financial income + 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 for all companies except INFAIMON (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, as part of the specification of the sustainability strategy introduced in 2019, measures have been implemented on the basis of the ESG criteria (environment, social, governance), which will enable the company to implement appropriate controls for this area in the future. At the end of 2022, STEMMER IMAGING underwent the demanding sustainability assessment by Ecovadis for the first time and was awarded silver medal. The confirmation by a renewed silver assessment under increased requirements by Ecovadis in October 2023 underlines STEMMER IMAGING's continuous commitment to sustainability. STEMMER IMAGING occupies a top ranking in the industry comparison and belongs to the top 20 per cent of participating companies.

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 different experience backgrounds and diversity. This is intended to create an inclusive 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 for them. In turn, these are aimed at technical and personal development. 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

Together with the Management Team, the Executive Board implements the Group strategy and other cross-company topics.

In addition to the two members of the Executive Board, the Management Team consists of the Chief Financial Officer, the Senior Director International Sales Enablement, 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,** CFO
- **Peter Keppler,** Senior Director International Sales Enablement
- **Daniele Cosentino,** Director Marketing
- **Heike Gast,** Director Technical Competence Center
- **Johannes Hiltner,** Director Product Management
- **Philipp Stein,** Director Operations & Supply Chain

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 Cluster Leaders of the single regions:

- **Susana Cano Hernandez,** Director Southern Europe & LATAM
- **Ronald den Uil,** Director Western Europe
- **Juan Jose Mañas Lara**, Director Southern Europe & LATAM
- **Johnny Spelkvist,** Director Northern Europe

Objectives and strategy

In the rapidly evolving world of machine vision technology, STEMMER IMAGING underwent a strategic sharpening in 2023: STEMMER IMAGING is now positioning itself as a leading international systems house for machine vision technology.

The extensive manufacturer-independent retail range continues to form the basis of the business model. STEMMER IMAGING also sees itself as one of the leading engineering service providers in machine vision technology. Summarised under the Label STEMMER IMAGING MORE, STEMMER IMAGING also offers value-adding services and the development of customised solutions. On this basis, STEMMER IMAGING also develops its own innovative products and solutions, such as Modular Embedded, CVB and InPicker, which are at the forefront of pioneering machine vision technology.

All stakeholders can rely on the fact that STEMMER IMAGING's innovation and service are based on comprehensive market expertise and a continuous striving for excellence. The aim is to offer customers the most advanced solutions in the field of machine vision technology not only today, but also in the future.

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.

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 is 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 240 million by 2026, with the majority of this to be achieved through organic growth. The EBITDA margin target over the medium term ranges from 17 to 21 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 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 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 international 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. STEMMER IMAGING also plans to strengthen its international presence by developing new target markets in 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. Strongly growing segments such as e-mobility are also 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:

Sports & entertainment

In the world of sport, the use of machine vision technology has increased significantly in recent years. Professional sports associations use them to check referee decisions, compile detailed statistics and optimise the training of athletes. This technology is now also increasingly being used in popular sports. Tennis clubs can use automated systems to count points, for example, or golf clubs can use tracking technologies to precisely follow the trajectory of golf balls. This development has led to the emergence of new companies offering innovative image-based business models, be it for data acquisition, analysing athletes' performance or providing solutions for the sports sector.

Raw materials & recycling

Machine vision technology makes it possible to master previously impossible inspection tasks such as sorting and classifying raw materials. The use of new sensor technologies, increasing processing speeds and the use of deep learning algorithms make it easier to recognise natural deviations. This is particularly important in the recycling market, where errors caused by inferior materials must be avoided.

Factory automation

Historically, factory automation remains one of the most important sales markets for the machine vision industry and is constantly evolving. In particular, the networking of data points for higher-level control and quality assurance tasks leads to innovative manufacturing processes with increased flexibility and stability. Continuous process control monitors every detail in order to recognise deviations at an early stage and prevent the creation of faulty products. Machine vision technology provides completely new sensor technology and evaluation software for this purpose, which is increasingly integrated into location-independent cloud-based networks. Optical inspection along the entire production chain of electric batteries is becoming increasingly important, particularly in the field of e-mobility.

Print & packaging

Print speeds have long since overtaken the recognition speed of the human eye. High-performance machine vision reliably monitors printing processes, minimises production waste and ensures constantly high print quality. In addition, machine vision is used to fulfil the increased requirements in terms of traceability and product integrity. It ensures that batch codes, expiry dates and security seals on various 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.

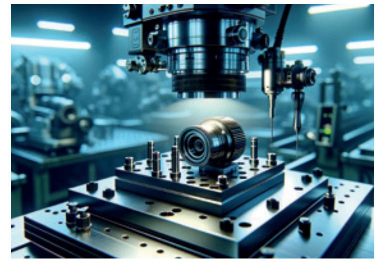
Food & agriculture

Intelligent machine vision is indispensable in the food industry and is gaining importance by the hour. Products must arrive at the customer's premises in full, undamaged and free from any defects. In particular, solutions such as those from STEMMER IMAGING for quality assurance using 3D inspection systems and for checking the safety of goods due to increasing hygiene requirements using machine vision systems offer manufacturers clear advantages. In agriculture, product classification through machine vision contributes to selective harvesting, which increases yields and reduces time-consuming manual harvesting work. At the same time, it guarantees optimum results through optimised weed control, fertilisation and irrigation.

Transport & logistics

Customers' growing expectations of receiving their online orders as quickly as possible are increasing the time pressure in the logistics sector. This is why more and more logistics centres are being equipped with robots to drive automation forward. These robots are used to pick up parcels of all kinds and position them on conveyor belts, which then transport them to the individual distribution centres. By using machine vision technology based on 3D data, precise forwarding and tracking of parcels can be guaranteed. To achieve this, partners are required who can not only select the appropriate machine vision components, but also supply and understand the associated software.

Measurement



Optical measurement technology with machine vision plays a decisive role in the non-contact inspection and measurement of workpieces and critical parts. A difference of one nanometre is enough to make all the difference in the competitiveness of a product. The advancement of manufacturing technologies and the development of 3D printing technology present completely new requirements and areas of application for 2D or 3D machine vision components. These technologies are required to enable calibrated and repeatable measurements in high quality and speed down to the submicron range. This ensures that objects correspond exactly to the specified tolerances and guarantees maximum precision in production.

Mobility

In the coming years, the mobility market will be characterised by sustainability, electric vehicles and more powerful batteries. Europe is increasingly investing in the expansion of production capacities in order to meet rising demand and gain a competitive advantage. Machine vision technology plays a crucial role in this by monitoring product quality and ensuring that products meet high standards, particularly through optical quality controls.

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 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. 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.

The differenciated sales model of STEMMER IMAGING, 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 committed to the continuous improvement of its own methods and processes and the corresponding 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

The international development teams at STEMMER IMAGING AG focused their activities in 2023 on the Group's three in-house developments: the "InPicker" bin-picking solution, the "Common Vision Blox" software and the "Modular Embedded" platform.

Based on the experience of previous years and customer feedback, the InPicker product was modularly structured at the beginning of 2023. Customers can now choose from three different product variants in terms of functionality, performance and price, to which options and features can be added depending on the application. The new structure significantly simplifies both sales and the provision of ordered systems.

Production of the hardware for the three standardised InPicker configurations was relocated to the Puchheim site in the course of 2023. This step allows the company to react more flexibly to changes in demand for the product and to incorporate the manufacturing expertise at the Puchheim site into the InPicker product.

In addition, version 2.6 of the InPicker software was finalised and published in 2023. It extends support for KUKA robots' communication protocols, improves cooperation with SCARA[*] robots, includes features for depalletising applications and offers options for adapting the display to the customer's production environment. Thanks in part to these adaptations, InPicker was positioned as the standard solution for rack and bin picking applications at plants of a major European automotive OEM in 2023.

For the Common Vision Blox software package, the focus in 2023 was on two topics: the preparation for the emerging GigE-Vision 3.0 standard, and the generation of a sound and informative software bill of material (SBOM).

The GigE Vision 3.0 standard currently being developed in the relevant standardisation committees will combine the GigE Vision protocol with existing RDMA technologies (namely RoCEv2 = RDMA over Converged Ethernet; RDMA = Remote Direct Memory Access) in order to enable efficient streaming of image data via connections beyond 10 Gbit/s with low CPU load. Support for this standard will be essential for connecting next-generation high-end GigE Vision cameras. STEMMER IMAGING AG is working to make this advantage available to customers at an early stage.

For the first time, Common Vision Blox 14.1 will be able to stream image data from cameras via RoCEv2 and will therefore be excellently positioned to support GigE Vision 3.0 in the near future. Common Vision Blox 14.1 will be released in the first half of 2024.

The software bill of material is based on immediate demand reports from customers who want to be prepared for the introduction of the EU Cyber Resilience Act, which will require the availability of a software bill of material for software products and software-based products.

The purpose of a software bill of material is to fully disclose the components used in the construction of a software. "Components" in this context refers to both open source libraries and commercially acquired closed source components. The aim is to be able to clearly and completely derive the licence conditions for the use of software such as Common Vision Blox while also quickly and accurately assessing the existence of and susceptibility to security vulnerabilities.

Common Vision Blox 14.1 will be the first version of Common Vision Blox for which a software parts list will be available in CycloneDX[**] format.

The Modular Embedded Platform, which was unveiled to the market in 2022, was once again presented to a select group of people in 2023 as part of an event with demonstrations, practical application examples and presentations alongside Embedded World. In addition to the platform and the Common Vision Blox software running on it, the range of products and services that STEMMER IMAGING can offer for this platform was also shown, in line with the underlying platform concept.

[1] Selective Compliance Assembly Robot Arm

[2] Software BOM format to reduce cyber risks

Over the course of the year, customers were supported by members of the development teams in evaluating the Modular Embedded Platform for their purposes. In the second half of the year, the insights gained were incorporated into the initial conceptual considerations for the next generation of the platform.

In 2023, a total of 13.32 employees (FTE) in the Group worked for the Development department. They work both on in-house development and on customer projects and cover the roles of Core Developer, Algorithm Developer, UI/UX Designer, Release Manager, Scrum Master and Product Owner.

Total research and development expenses amounted to EUR 1.27 million in the reporting year (previous year: EUR 1.66 million).

Economic report

General economic environment

With growth of 3.1 per cent, the global economy performed slightly better in calendar year 2023 than forecast a year ago. Historically speaking, however, 2023 was one of the weakest years for growth in the last three decades, excluding the years of recession. Only in 2019 was growth lower, at 2.8 per cent. In the US (+2.5 per cent) and in several large emerging and developing countries, gross domestic product in 2023 was higher than initially expected. In the case of the US, the dynamics of consumption played a decisive role. [1]

In the euro area, on the other hand, consumers remained cautious in the face of high inflation rates and energy costs. Private consumption and corporate investment also suffered from the significant rise in financing costs. Growth in the euro area and the UK was the weakest of the major developed economies, at 0.5 per cent each.[1]

The direct and indirect negative effects of the war in Ukraine continue to be felt most keenly in Europe. While the pace of growth in the developed economies – with the exception of the US – slowed significantly in the past reporting year compared to 2022, the group of emerging and developing countries maintained their momentum at 4.1 per cent. The Russian economy proved surprisingly robust despite the sanctions (+3 per cent). In China, the property sector, geopolitical tensions with the US and the EU, and weak industrial investment weighed on the economic recovery. According to the International Monetary Fund (IMF), overall economic growth totalled 5.2 per cent.[1]

1 VDMA "Mechanical engineering 2023/Forecast 2024" as of 7 February 2024

Country/region GDP development compared to previous year
in %

	2023 estimate	2022
World	**3.1**	**3.5**
Developed economies	1.6	2.6
Eurozone	0.5	3.4
Germany	- 0.3	1.8
France	0.8	2.5
Italy	0.7	3.7
Spain	2.4	5.8
UK	0.5	4.3
USA	2.5	1.9
Japan	1.9	1.0
Emerging markets and developing countries	4.1	4.1
ASEAN[1]	4.2	5.5
Brazil	3.1	3.0
China	5.2	3.0
India[2]	6.7	7.2
Russia	3.0	- 1.2

1 Indonesia, Malaysia, Philippines, Thailand, Vietnam
2 Fiscal year 31 April to 31 March
Source: IMF World Economic Outlook Update January 2024

The pandemic-related disruptions to value chains gradually subsided over the course of 2023. National banks largely maintained their restrictive monetary policy, which led to a further increase in borrowing costs in several countries over the course of the reporting year. Although inflation rates fell in most countries over the course of the year, they were still well above the target level in most cases.[1]

The global inflation rate was estimated at 6.8 per cent. Global trade in goods only grew by an estimated 0.4 per cent in 2023 as a whole. Industrial production was also very weak in 2023, at 0.8 per cent in real terms. In the developed economies, it fell by 1.3 per cent. Only the US was able to avoid a decline in industrial production. By contrast, the emerging and developing countries achieved growth of 2.7 per cent, with China (+4.1 per cent) and the eastern European countries including the CIS (+3.4 per cent) recording above-average growth.[1]

German economy

According to initial calculations by the German Federal Statistical Office, price-adjusted gross domestic product (GDP) was 0.3 per cent lower in 2023 than in the previous year. Overall economic development in Germany came to a standstill in an environment still characterised by crisis. In addition, the continuing high prices at all levels of the economy, despite the recent declines, dampened the economy. This was compounded by less favourable financing conditions due to higher interest rates and lower demand from Germany and abroad. The recovery of the German economy from the deep slump in the coronavirus year 2020 therefore did not continue.[1]

In 2023, the government reduced its price-adjusted consumer spending for the first time in almost 20 years (-1.7 per cent). This was mainly due to the discontinuation of state-funded coronavirus measures such as vaccinations and compensation payments for free bed capacity in hospitals. By contrast, significantly more was invested in equipment – primarily investments in machinery, equipment and vehicles – than in 2022 (+3.0 per cent), adjusted for price.[1]

The subdued global economic momentum and weak domestic demand in 2023 also had an impact on trade with other countries, which declined despite falling prices. Imports (price-adjusted: -3.0 per cent) fell more sharply than exports (price-adjusted: -1.8 per cent). This resulted in a positive net trade balance, which supported GDP.[1]

In 2023, economic output was generated by an average of 45.9 million people in employment in Germany (+0.7 per cent). Employment increased in 2023, partly due to the immigration of foreign workers. In addition, the labour force participation of the domestic population increased. These positive effects outweighed the dampening effects of demographic change.[1]

Sector development

Despite a decline in incoming orders, revenue in the highly cyclical global mechanical engineering sector were nevertheless robust in some areas in 2023, as order backlogs were still above average in many places at the start of the year, thus buffering production and revenue. In the second half of the year, however, the support provided by the order backlog waned, meaning that the price-adjusted revenue trend was mostly negative. According to estimates by VDMA economists, machine revenue stagnated worldwide in 2023, adjusted for price.[1]

According to preliminary calculations by the German Federal Statistical Office, production in the mechanical and plant engineering sector in Germany fell by 0.7 per cent in real terms in 2023 compared to the previous year. The material bottlenecks have largely been resolved. Here, too, production was still buffered by high order backlogs in the first half of the year, but this support gradually dissipated as the year progressed. Incoming orders showed weak momentum throughout the year. There were already double-digit declines in real terms at the start of the year, and there was no sign of a turnaround over the course of the year. A challenging economic environment characterised by a high level of uncertainty led to a noticeable reluctance to place orders. Order intake fell short of the previous year's level by 12 per cent in 2023 as a whole, adjusted for price effects.

According to the VDMA[2], the robotics and automation sector recorded a nominal decline of 9 per cent in incoming orders, while revenue rose by 12 per cent in nominal terms compared to the previous year. Within STEMMER IMAGING's key sub-segment of machine vision, there was a normal decline of 7 per cent in order intake and 1 per cent in revenue.[3]

1 VDMA "Mechanical engineering 2023/Forecast 2024" as of 7 February 2024
2 Previously, real indices were reported here. Nominal values are now shown in favour of better comparability.
3 Information VDMA as of 1 February 2024

Employees

STEMMER IMAGING enjoys a strong reputation as a reliable partner among its business partners, especially customers and suppliers. This success is based on the commitment and expertise of its employees, who carry out their work with passion and know-how. The company firmly believes that the diverse talents and personal commitment of each individual are essential to STEMMER IMAGING's continued success. In order to achieve long-term employee loyalty, STEMMER IMAGING encourages employees to identify with the company's goals. This is made possible by a strong corporate culture based on shared vision, mission and values that are actively practised in everyday working life. STEMMER IMAGING endeavours to create a working environment in which cooperation, trust and motivation are valued and encouraged.

Qualification, further education and exchange of knowledge

At STEMMER IMAGING, employees have access to a broad spectrum of further training and qualification opportunities, ranging from subject-specific training courses to comprehensive HR development programmes. Digital learning formats play a central role here. Thanks to their flexibility, they offer the opportunity to learn independently of time and place and to meet the requirements of a constantly changing digital and modern working world. Since 2019, STEMMER IMAGING has been using a well-known external training portal and organises regular online training courses. In addition to this, weekly product training sessions have been organised by experienced colleagues or suppliers. Employees who wish to deepen their expertise and acquire intercultural skills have the opportunity to work in one of the foreign branches for a certain period of time.

In addition to further training, STEMMER IMAGING promotes dialogue within the company through internal newsletters, video messages and quarterly virtual town hall meetings. This continuous dialogue ranges from topics such as new technologies and reference projects to the work areas of colleagues. The monthly "Lunch & Network" event reinforces this exchange and helps to strengthen the feeling of togetherness within the organisation.

Promotion of young talent

Promoting young talent is a central component of STEMMER IMAGING's corporate culture. The company offers school leavers a wide range of training opportunities in technical and commercial professions. Over the last four years, STEMMER IMAGING has achieved an impressive average takeover rate of 92 per cent. STEMMER IMAGING is actively involved in recruiting young talent by offering internships to students and school pupils and by participating in career information fairs. In 2023, two additional employees were officially registered as trainers with the Chamber of Industry and Commerce. As a result, the company therefore had 7 qualified trainers and 16 trainees (previous year: 14) in five recognised training occupations as at 31 December 2023.

Diversity

For STEMMER IMAGING, a globally active company, the diversity of its workforce is a key pillar of its success. Research findings confirm that teams characterised by a mixture of different perspectives come up with more innovative ideas and solutions than homogeneous groups. In 2023, STEMMER IMAGING's workforce was made up of employees from 28 different nations, covering a broad age spectrum. To foster the integration of foreign workers in Germany, the company utilises the services of the Chamber of Industry and Commerce, among others.

The average age at the Group was 41.22 years on a quarterly average in 2023.

STEMMER IMAGING is also actively involved in promoting women in STEM professions. At 30 per cent, the proportion of women in the entire Group remained constant year on year in 2023. The proportion of women as of 31.12.2023 was 33.3 per cent at management level and 20.8 per cent at group and team leader level.

To further emphasise the importance of diversity and inclusion, STEMMER IMAGING is a signatory to the "Diversity Charter".

Individual responsibility and agility

STEMMER IMAGING attaches great importance to its employees actively contributing to the company's development. The Executive Board supports this participation by promoting open dialogue and regular exchanges with the workforce. This includes integrating employees into decision-making processes at an early stage and promoting agile and autonomous working methods. As part of this agile way of working, teams work together across different functions, always with the aim of meeting customer requirements and needs.

Fair and standardised conditions

STEMMER IMAGING has implemented a standardised process for performance appraisal, employee development and remuneration in order to strengthen the performance culture, increase transparency within the company and identify and promote talent more effectively. This process involves all employees and ensures that everyone has clear objectives and responsibilities that directly support the company's goals and strategies. STEMMER IMAGING's remuneration system is made up of fixed and performance-related components, with variable remuneration linked to financial performance indicators such as revenue or profit and to the performance of the team and the individual.

Occupational health and safety

As a responsible employer, STEMMER IMAGING has pledged to actively foster and support the occupational health and safety of its employees. Constant monitoring and optimisation of the working environment in order to implement health-promoting measures and minimise health risks are at the heart of the company's policy.

STEMMER IMAGING initiates numerous measures to promote employee well-being, including the daily provision of fresh fruit and salad, as well as offers to participate in various voluntary sporting activities such as city cycling, the B2Mission running programme supported by an app and the Munich Company Run. These are complemented by a number of company-sponsored sports groups, including football, bouldering, running and bowling.

Operational integration management also provides valuable support to ensure employees' long-term ability to work and, if necessary, to facilitate their return from incapacity to work.

Flexible working models

STEMMER IMAGING sees it as an essential part of its corporate philosophy to support its employees in achieving a balance between their professional and private lives. The company achieves this by offering a wide range of measures tailored to the different life phases of its employees, including the option of individualised part-time working models.

To meet the needs of its workforce even better, STEMMER IMAGING has established a hybrid working model that was developed in close cooperation with employees. In areas where presence in the office is not permanently required, this model makes it possible for employees to spend 50 per cent of their working time in person while working the rest of the time at a location of their choice in the country of employment. This rule takes account of the desire for more flexibility in terms of time and space and is particularly favourable to families with children, as it improves the compatibility of family and career. Flexible working hours and the opportunity to accumulate time credits to flexibly compensate for any absences further promote the work-life balance. STEMMER IMAGING thus offers every employee the opportunity to find an individually optimised solution that meets both their personal needs and the requirements of the company.

Corporate co-determination

Close and trusting co-operation with employee representatives is one of the pillars of STEMMER IMAGING's corporate culture. As a representative of the workforce, the works council plays an active role by representing the interests of the employees and exercising the rights of participation, information and co-determination provided for by law. The works council currently consists of seven members who are committed to the concerns of their colleagues.

Human resources management and recruitment

Attracting and retaining qualified employees is a decisive factor for STEMMER IMAGING's business success. Given the fierce competition for specialists and managers worldwide, appealing and effective HR marketing is becoming increasingly important. Recruitment follows a clearly defined process that begins with internal job advertisements and is extended to external recruitment channels such as job boards and recruitment agencies as required. STEMMER IMAGING is increasingly using digital platforms, including country-specific job portals and social networks, to target potential applicants.

Human resources management at STEMMER IMAGING is geared towards the aforementioned objectives in terms of both content and structure. In order to ensure continuous optimisation and adaptation to the needs of the company, the Executive Board receives regular updates on the progress and developments in the area of HR strategy. The Executive Board is also closely involved in the key decision-making processes to ensure that HR policy and measures are in line with the overarching corporate objectives.

Development of employee numbers

In 2023, STEMMER IMAGING employed an average of 280.9 full-time equivalents (FTE) worldwide. A total of 16 trainees were employed at the company's headquarters as at 31 December 2023. In the same year, STEMMER IMAGING also honoured 20 employees for their many years of service to the company, ranging from 10 to 25 years.

Key figures
in FTE [1]

	2023	2022
Total number of employees	280.9	310
Male employees	200.2	222.8
Female employees	80.7	87.2
Women in management positions	12	13
Nationalities	28	27
Average group affiliation	8.1 years	7.5 years
Average age	41.2 years	40.8 years
Vocational training quota in Germany	7.6%	7.8%

1 FTE = Full Time Equivalents

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 104.40 million as at 31 December 2023, a decline compared to 31 December 2022 (EUR 120.55 million). On the assets side of the statement of financial position, this reduction is mainly attributable to the decrease in current assets.

Non-current assets decreased year on year to EUR 31.06 million (31 December 2022: EUR 33.70 million). At EUR 6.25 million, property, plant and equipment were below the previous year's level (31 December 2022: EUR 7.23 million), whereby this development is mainly attributable to regular depreciation and amortisation on rental properties. At EUR 19.38 million, goodwill was almost unchanged compared to the previous year (31 December 2022: EUR 19.37 million). The decrease in other intangible assets from EUR 6.46 million in 2022 to EUR 4.88 million as at 31 December 2023 is mainly due to the amortisation of intangible assets from purchase price allocations and the impairment of the Infaimon brand in connection with the integration of the Spanish subgroup. Within other intangible assets, there was an opposing trend in advance payments made, which increased to EUR 1.23 million. (31 December 2022: EUR 0.66 million).

The reduction in current assets to EUR 73.34 million (31 December 2022: EUR 86.86 million) is due in particular to the significant reduction in inventories and a slight reduction in trade receivables and cash and cash equivalents.

As at 31 December 2023, inventories amounted to EUR 12.72 million (31 December 2022: EUR 18.86 million), with EUR 10.22 million (31 December 2022: EUR 16.21 million) being 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 2.20 million (31 December 2022: EUR 2.24 million) resulted from the Spanish subgroup. The main reasons for the decline in inventories are the significantly improved delivery situation and optimised supply chain management with reduced replenishment times. Impairment risks in the inventories were appropriately accounted for with write-downs for reduced marketability.

Trade receivables declined to EUR 20.83 million as at 31 December 2023 (31 December 2022: EUR 23.93 million). The reduction is mainly due to the strong revenue performance in the fourth quarter of the previous year, which saw exceptionally good revenue growth. The impairment risks of the receivables were taken into account with appropriate ageing discounts.

The decrease in other current assets from EUR 2.08 million to EUR 1.59 million is mainly due to lower VAT refund claims.

Cash and cash equivalents decreased to EUR 37.57 million, mainly due to the dividend payment of EUR 19.50 million (31 December 2022: EUR 41.57 million).

Deferred tax assets amounted to EUR 0.35 million for the 2023 fiscal year (31 December 2022: EUR 0.42 million). The reduction is mainly due to reduced other liabilities and loss carryforwards, which are measured differently for tax purposes. Deferred tax liabilities amounted to EUR 0.83 million as at 31 December 2023 (31 December 2022: EUR 1.1 million) and decreased mainly due to reduction of intangible assets.

On the equity and liabilities side, the reduction in total assets is mainly due to the non-current liabilities and the equity of the STEMMER IMAGING Group. Equity amounted to EUR 80.48 million as at 31 December 2023 (FY 2022: EUR 84.08 million) and was influenced by the positive consolidated annual result of EUR 15.73 million (2022 fiscal year: EUR 17.97 million) and the payment of the dividend by STEMMER IMAGING AG in the amount of EUR 19.50 million (31 December 2022: EUR 4.88 million). The equity ratio comes to 77.1 per cent (31 December 2022: 69.7 per cent).

Non-current liabilities decreased from EUR 7.81 million as at 31 December 2022 to EUR 5.98 million as at 31 December 2023, mainly due to the reclassification of EUR 1.50 million of the STEMMER IMAGING AG bank loan to current liabilities. In addition, deferred tax liabilities decreased to EUR 0.83 million (31 December 2022: EUR 1.10 million). Other financial liabilities also decreased to EUR 4.14 million (31 December 2022: EUR 4.46 million), mainly due to regular payments from rental and lease agreements.

Current liabilities fell significantly to EUR 17.94 million (31 December 2022: EUR 28.67 million). This change was significantly influenced by a decrease in trade payables of EUR 4.72 million to EUR 8.29 million (31 December 2022: EUR 13.01 million). This change is mainly the result of stringent supply chain optimisation at the end of the year with correspondingly lower incoming delivery activity. In addition, income tax liabilities fell significantly from EUR 4.95 million as at 31 December 2022 to EUR 1.19 million, which is mainly due to higher prepayments.

Other liabilities decreased to EUR 4.50 million (31 (December 2022: EUR 5.96 million). Of this amount, EUR 1.89 million (31 December 2022: EUR 3.05 million) relates to personnel liabilities (mainly provisions for variable salary components of employees (EUR 1.0 million; 2022 fiscal year: EUR 1.75 million)).

Advanced payments received on orders decreased to EUR 0.22 million (31 December 2022: EUR 0.67 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. The Group currently has unused credit lines available of EUR 3.71 million (2022 fiscal year: EUR 3.71 million).

The cash and cash equivalents reported in the consolidated statement of cash flows decreased from EUR 41.57 million as at 31 December 2022 to EUR 37.57 million as at 31 December 2023.

Net cash flow from operating activities increased significantly to EUR 20.3 million in the 2023 fiscal year (2022 fiscal year: EUR 15.90 million). Cash flow from consolidated net income of EUR 15.73 million (2022 fiscal year: EUR 17.97 million) was significantly positively influenced. The improvement in supply chains also led to a reduction in inventories and trade working capital (change in inventories, trade receivables and trade payables) of EUR 4.51 million, which had a positive impact on the operating cash flow.

In the 2023 fiscal year, the Group reported cash flow from investing activities of EUR −1.03 million (2022 fiscal year: EUR −1.32 million). In the 2023 fiscal year, payments were made for investments in the amount of EUR 1.06 million (2022 fiscal year: EUR 1.35 million). The investments in the 2023 fiscal year mainly relate to external services for digitalization projects.

Cash flow from financing activities of EUR −23.25 million (2022 fiscal year: EUR −8.74 million) was significantly influenced by the payment of the dividend to shareholders in the second quarter of 2023 in the amount of EUR 19.50 million (2022 fiscal year: EUR 4.88 million), by repayments of bank loans of EUR 2.00 million (2022 fiscal year: EUR 2.04 million) and the payment of liabilities from finance leases in the amount of EUR 1.88 million (2022 fiscal year: EUR 1.86 million).

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

Results of operations

The STEMMER IMAGING Group generated revenue of EUR 146.29 million in the 2023 fiscal year (2022 fiscal year: EUR 155.37 million).

Revenues of EUR 49.41 million (2022 fiscal year: EUR 51.16 million) were generated in Germany, EUR 91.06 million (2022 fiscal year: EUR 99.55 million) in the rest of Europe and EUR 5,83 million (2022 fiscal year: EUR 4.67 million) in non-European countries.

The STEMMER IMAGING Group generated incoming orders of EUR 130.0 million in the 2023 fiscal year (2022 fiscal year: EUR 162.40 million).

The slight reduction in revenue volume translated to a cost of materials of EUR 88.25 million (2022 fiscal year: EUR 97.01 million). The cost of materials ratio fell to 60.3 per cent (2022 fiscal year: 62.4 per cent), which was mainly influenced by a change in the regional mix, positive effects from US dollar fluctuations and a positive price/volume mix.

Other operating income primarily includes income from the reversal of provisions and personnel liabilities (EUR 0.10 million; 2022 fiscal year: EUR 0.60 million), foreign currency gains (EUR 0.95 million; 2022 fiscal year: EUR 1.49 million) and reversals of valuation allowances (EUR 0.42 million; 2022 fiscal year: EUR 0.44 million).

The personnel expenses of the STEMMER IMAGING Group in the 2023 fiscal year amounted to EUR 23.75 million (2022 fiscal year: EUR 23.65 million), which corresponds to a rise of 0.4 per cent. Personnel expenses are significantly influenced by expenses for the further integration of the Spanish subgroup and other measures totalling EUR 1.34 million. The average number of employees in the fiscal year of 295 (fiscal year 2022: 327) was below the previous year's figure. The staff costs ratio was 16.2 per cent (2022 fiscal year: 15.2 per cent).

Other operating expenses for the 2023 fiscal year amounted to EUR 9.55 million, following EUR 10.15 million in the 2022 fiscal year. This item includes administrative expenses (EUR 4.45 million; 2022 fiscal year: EUR 4.66 million), selling expenses (EUR 1.65 million; 2022 fiscal year: EUR 1.95 million) and other neutral expenses (EUR 2.06 million, 2022 fiscal year: EUR 2.10 million).

The key factors influencing the reduction in selling expenses were in particular travel expenses (EUR 0.45 million; 2022 fiscal year: EUR 0.50 million) and marketing expenses (EUR 0.30 million; 2022 fiscal year: EUR 0.52 million).

The reduction in administrative expenses is mainly the result of a generally lower level of expenditure in line with the revenue trend. The only cost increases were in the area of legal and consulting costs (EUR 1.50 million; 2022 fiscal year: EUR 1.28 million) and IT costs (EUR 1.13 million; 2022 fiscal year: EUR 1.09 million). This was offset in particular by the annual financial statements and audit costs (EUR 0.33 million; 2022 fiscal year: EUR 0.42 million), general administrative expenses (EUR 0.26 million; 2022 fiscal year: EUR 0.43 million), recruitment costs (EUR 0.21 million; 2022 fiscal year: EUR 0.36 million) and the costs for internal communication (EUR 0.22 million; 2022 fiscal year: EUR 0.33 million).

Other neutral expenses are stable compared to the previous year and mainly include foreign currency losses totalling EUR 1.33 million (2022 fiscal year: EUR 1.52 million).

Consolidated EBITDA totalled EUR 26.95 million (2022 fiscal year: EUR 28.24 million). The EBITDA ratio improved from 18.2% in 2022 to 18.4% in 2023 due to the disproportionately lower EBITDA compared to revenue. STEMMER IMAGING was able to hold its own in a difficult market environment in the 2023 financial year and only recorded a slight decline in revenue. Thanks to STEMMER IMAGING's strong gross profit margin and corresponding cost discipline, EBITDA fell only slightly, while the EBITDA ratio increased.

Depreciation of property, plant and equipment and intangible assets totalled EUR 5.10 million in the 2023 fiscal year (2022 fiscal year: EUR 3.90 million), of which EUR 2.95 million was attributable to property, plant and equipment (2022 fiscal year: EUR 2.59 million). The increase is mainly due to a shorter useful life of leasehold improvements at the location in Germany. The main reason for the increased amortisation of intangible assets (EUR 2.15 million; 2022 fiscal year: EUR 1.32 million) was the full unscheduled amortisation of the Infaimon brand value due to the integration of the subgroup into STEMMER IMAGING by name. Please refer to the notes to the consolidated financial statements for information on the effects of IFRS 16.

Consolidated EBIT amounted to EUR 21.86 million (2022 fiscal year: EUR 24.34 million).

Net financial income amounted to EUR –0.08 million (2022 fiscal year: EUR – 0.06 million).

In consideration of the income tax expenses of EUR 6.05 million (2022 fiscal year: EUR 6.31 million), the 2023 fiscal year closed with a consolidated net income of EUR 15.73 million (2022 fiscal year: EUR 17.97 million).

In the combined management report 2022, the company stated an expected revenue of EUR 163 to 176 million and a forecast EBITDA of EUR 26.0 to 32.0 million for the 2023 fiscal year. In the ad-hoc announcement dated 17 October 2023, the revenue range was reduced to between EUR 144 and 151 million, while the EBITDA forecast was maintained. The forecast range was achieved, with revenue of EUR 146.29 million, and the EBITDA range of EUR 26.95 million. The main reasons for the decline in revenue compared to the previous year and the necessary correction of the forecast revenue range were, in particular, high customer inventories and an overall recessive market trend that could not be compensated for by working off the high order backlogs. With regard to the non-financial performance indicators, the maximum value for supplier concentration of 25% of material procurement for the 2023 financial year was not exceeded. Dependence on one customer was also below the threshold of 15% of total Group sales for 2023.

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

As at 31 December 2023, the share capital of STEMMER IMAGING AG amounted to EUR 6.50 million in accordance with the Articles of Association (31 December 2022: 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 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. Between 1 January 2023 and 31 December 2023 , PRIMEPULSE SE maintained its stake of shares in STEMMER IMAGING AG at 69.10 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.

Most recently, the Articles of Association were amended in the fiscal year 2021 for sections 16 and 17 (3) with a resolution of the Annual General Meeting on 9 June 2021. There were no changes in the fiscal year 2023

(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 141.70 million, STEMMER IMAGING AG's total assets are higher than the previous year's level (31 December 2022: EUR 133.62 million).

The main effects for the increase on the assets side are the increase in intercompany receivables from cash pooling with SIS STEMMER IMAGING Services GmbH (31 December 2023: EUR 49.65 million; 31 December 2022: EUR 47.03 million) as well as the receivables from affiliated companies (31 December 2023: EUR 14.23 million 31 December 2022: EUR 11.01 million). On the equity and liabilities side, the corresponding development in the area of intercompany liabilities for cash pooling can be observed, which increased to EUR 58.80 million in the 2023 fiscal year (31 December 2022: EUR 42.64 million).

Financial assets amounted to EUR 37.59 million at the end of 2023 (31 December 2022: EUR 38.78 million). The reduction of EUR 1.19 million is mainly influenced by the repayment of intercompany loans. The loan to the Dutch subsidiary was repaid in full in the reporting period with a final payment of EUR 0.25 million. Through the principal repayments on the loan to the French subsidiary, the receivable was reduced by EUR 1.00 million to EUR 2.99 million in the reporting period.

Trade receivables amounted to EUR 5.93 million as at 31 December 2023 and therefore increased slightly by EUR 0.81 million compared to the previous year.

In addition to receivables from cash pooling and trade receivables, the affiliated company receivables also include the working capital line vis-à-vis SIS STEMMER IMAGING Services GmbH. Compared to the previous year, affiliated company receivables remained stable at EUR 11.07 million (31 December 2022: EUR 11.09 million).

With equity capital of EUR 73.94 million (31 December 2022: EUR 77.20 million), the company reports an equity ratio of 52.2 per cent (31 December 2022: 57.8 per cent).

As at 31 December 2023, other provisions decreased year-on-year to EUR 2.09 million (31 December 2022: EUR 2.25 million), mainly as a result of the reduced provisions for variable salary components.

Tax provisions decreased significantly compared to the previous year to EUR 0.86 million (31 December 2022: EUR 3.70 million), which is mainly attributable to higher prepayments on account of the positive business development.

Liabilities to banks declined due to principal repayments on the bank loan taken up in 2019. Bank loans amounted to EUR 1.5 million as at 31 December 2023 (31 December 2022: EUR 3.5 million).

The associated company loans excluding cash pooling increased to EUR 3.85 million (31 December 2022: EUR 3.35 million) due to a short-term loan granted by the Austrian subsidiary in the amount of EUR 0.50 million.

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

Results of operations

In the 2023 fiscal year, STEMMER IMAGING AG generated revenue of EUR 67.67 million compared with EUR 69.41 million in the previous year. This figure includes intra-group allocations of EUR 14.37 million (2022 fiscal year: EUR 14.40 million).

Revenue fell slightly by 2.5 per cent compared to the previous year, falling short of the forecast published in the 2022 management report, which had initially assumed growth in the mid-single-digit range to 15 per cent. This development is in line with the updated revenue forecast from 17 October 2023. The main reasons for the decline in sales were restrained customer demand due to increased inventories and an overall recessionary market situation, which had a correspondingly negative impact on incoming orders and sales.

The revenue volume translated to a cost of materials of EUR 41.44 million (2022 fiscal year: EUR 41.51 million). The cost of materials ratio increased to 61.2 per cent (2022 fiscal year: 59.8 per cent).

Other operating income in the amount of EUR 0.76 million (2022 fiscal year: EUR 1.66 million) mainly includes income from the reversal of provisions (EUR 0.10 million, 2022 fiscal year: EUR 0.50 million), income from currency gains (EUR 0.32 million, 2022 fiscal year: EUR 0.35 million) and offsetting items (EUR 0.11 million, 2022 fiscal year: EUR 0.15 million).

Personnel expenses decreased to EUR 12.77 million (2022 fiscal year: EUR 12.91 million), mainly due to the higher variable salary components taken into account in the previous year.

Within other operating expenses, accounts were reclassified compared to the previous year in order to better allocate costs in the areas of administration, sales and operating costs. For better comparability, the expenses of the previous year are presented according to the new logic. In total, the amount of other operating expenses has not changed.

Total operating expenses of EUR 6.48 million (2022 fiscal year: EUR 6.26 million) mainly included selling expenses (EUR 0.58 million, 2022 fiscal year: EUR 0.59 million), operating expenses (EUR 0.55 million, 2022 fiscal year: EUR 0.41 million), administrative expenses (EUR 3.10 million, 2022 fiscal year: EUR 3.04 million) and other operating expenses (EUR 1.21 million, 2022 fiscal year: EUR 0.95 million).

The main factors influencing the slight increase in other operating expenses were, in particular, the higher general cost level, which was countered by stringent cost management.

The increase in administrative expenses is primarily due to higher project-based costs in the area of legal and consulting fees totalling EUR 1.01 million (2022 fiscal year: EUR 0.44 million). In addition, IT expenses increased to EUR 0.99 million (2022 fiscal year: EUR 0.94 million), mainly due to licensing fees for new software products and project-based costs for the introduction of new software. General administrative expenses, recruitment costs and costs for communication measures developed in the opposite direction.

The increase in other neutral expenses is chiefly attributable to foreign currency losses of EUR 0.54 million (2022 fiscal year: EUR 0.38 million).

Overall, this resulted in a positive EBITDA of EUR 7.74 million (2022 fiscal year: EUR 10.39 million). The reduction is mainly due to the aforementioned decline in sales revenue with a corresponding reduction in gross profit, the decline in other operating income and an increase in other operating expenses.

In the 2023 fiscal year, distributions from the Swiss subsidiary, the Danish subsidiary, the Spanish subsidiary, the Dutch subsidiary and the British subsidiary resulted in income from investments totalling EUR 4.17 million (2022 fiscal year: EUR 0.50 million) being realised.

Income from the profit transfer agreement with SIS STEMMER IMAGING Services GmbH also had a significant positive effect in 2023, rising from EUR 4,37 million in the previous year to EUR 9.56 million.

Depreciation of financial assets amounted to EUR 0.03 million in 2023 (2022 fiscal year: EUR 0.05 million) and result from written down liquidity injections for shelf companies.

In consideration of the tax expenses of EUR 4.89 million (2022 fiscal year: EUR 4.23 million), the 2023 fiscal year closed with a positive annual result of EUR 16,24 million (2022 fiscal year: EUR 10.64 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 (unaudited)

STEMMER IMAGING has a mainly 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 recorded in an extended risk management manual. The risk management manual was approved by the Supervisory Board in December 2021 and has been reviewed and revised by the Supervisory Board, where necessary, since then. The early risk detection system is reviewed quarterly by the responsible employees and adapted to the current risk situation. With regard to accounting, the revised processes are aimed at identifying, evaluating and communicating the risks of incorrect bookkeeping, accounting and reporting in good time.

The internal control system and risk management system are based on the principles, guidelines and measures introduced by the Executive Board for the organisational implementation of the Executive Board's decisions. The early risk detection system and the internal control system deal with the monitoring of accounting-related and non-accounting-related processes. In addition, they include the management of risks and opportunities relating to the achievement of business objectives, compliance with the legal rules and regulations applicable to STEMMER IMAGING, and the regularity and reliability of internal and external accounting. Sustainability aspects are also included in this context and are constantly being further developed.

The internal control system and risk management system comprises all STEMMER IMAGING companies. The activities to be carried out by the respective units are different and depend on the significance for the consolidated financial statements as well as specific risks, which may vary locally. The management of each unit is obliged to implement an appropriate and effective internal control system and risk management system within the scope of its responsibility and in accordance with Group-wide regulations. Key components, such as the quarterly review of the risk matrix, are implemented together with the risk management officers at the Puchheim site. In addition, STEMMER IMAGING has a central enterprise resource management system, which is used for the majority of Group companies and is accordingly controlled centrally.

Centrally prescribed accounting guidelines regulate the reconciliation of the local financial statements and ensure that the accounting standards in accordance with EU-IFRS are applied uniformly throughout the Group. Finally, the standardised Group-wide implementation of the closing process as part of a centrally managed closing calendar guarantees a structured and efficient accounting process. The companies use preventive and detective controls to ensure that existing risks are addressed and minimum requirements are met.

The Executive Board has overall responsibility for the internal control system and risk management system. The Executive Board is supported in this by risk management officers. This includes the design and maintenance of appropriate and effective processes in the area of the internal control system and risk management system.

The Executive Board reports to the Supervisory Board on a regular basis with regard to the internal control system and risk management system and assesses the appropriateness and effectiveness of the internal control system and risk management system at regular intervals. This assessment is mainly based on the results of the quarterly risk management meetings, the findings from bi-weekly management meetings and the effectiveness testing of key internal controls. Based on these results, as at 31 December 2023, the Executive Board has no knowledge that the internal control system and risk management system would not have been appropriate or effective.

Nevertheless, there can be no assurance that all risks that actually occur will be detected in advance or that any breaches of procedure can be detected in all circumstances. No system of any kind can fully achieve such protection.

Compliance management system (unaudited)

STEMMER IMAGING's compliance management system is based on the Code of Conduct and contains a framework for the basic principles and standards of conduct that must be adhered to by all employees in the business units and in relation to customers, external partners and the public. The compliance management system focuses on compliance with the relevant legal provisions and regulations that go beyond accounting-related provisions and regulations. STEMMER IMAGING employees must commit themselves to complying with the Code of Conduct and undergo training on the mandatory standards at regular intervals. The training courses and employee commitments are intended to ensure compliance with the specified standards.

Risk management in the area of compliance aims to identify compliance risks at an early stage and to initiate appropriate and effective countermeasures. The compliance management system is continuously adapted to business-specific risks and adapted to local legal requirements.

Key features of the accounting-related and non-accounting-related internal control system and risk management system (unaudited)

In addition to identifying and assessing risks, this system includes measures to ensure the complete, accurate and timely transmission and presentation of information relevant to compliant financial statements. The overarching objective of the accounting-related internal control system and risk management system is the compliance of the financial reporting. This is reflected in the conformity of the consolidated financial statements, management report and annual financial statements of the Group's parent company, STEMMER IMAGING AG, with all relevant regulations and standards.

In addition to an adequate enterprise resource planning system, the most important prerequisites for proper accounting include detailed training of employees, the definition of responsibilities and the separation of functions in accounting, as well as 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.

The consolidated financial statements of STEMMER IMAGING are prepared on the basis of a centrally defined conceptual framework. This essentially comprises an accounting manual with accounting guidelines and a uniform chart of accounts, which is uniformly binding for all companies. The companies report all relevant data pertaining to the annual financial statements in a uniform reporting package, which must be filled in completely and in the audited national subsidiaries checked by the local auditor. In the run-up to the preparation of the annual financial statements, a review is carried out to determine whether adjustments to the conceptual framework are necessary due to regulatory changes or whether other company specifics have changed.

The financial statement information reported by STEMMER IMAGING AG and the subsidiaries forms the basis for the preparation of the consolidated financial statements. The preparation of financial statement information for all companies is closely supported by the Group accounting department of the parent company. Based on the reported financial statement information, the financial statements are prepared in the consolidation system (LUCANET). This enables transparent, reliable and timely Group accounting and integrated, multi-year budgetary accounting for the Group. Newly founded or acquired companies are integrated into the existing systems as quickly as possible.

The qualification of the employees involved in the accounting process is ensured through appropriate selection processes and training. In principle, the "four-eyes principle" applies, and financial statement information must also be approved by employees in the parent company's Group accounting department. Other control mechanisms include plan/actual comparisons and analyses of changes in individual items. These analyses are carried out both for the individual companies and for the consolidated financial statements. To protect against unauthorised access, access authorisations are defined for the accounting-related IT systems.

The control measures described also apply to the reconciliation of financial statements prepared in accordance with local law to International Financial Reporting Standards (IFRS).

STEMMER IMAGING regards an active IT-related internal control system and IT risk management as essential to safeguarding ongoing company operations with respect to the IT systems in use. Various preventative measures are set up for this purpose, which 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 internal reporting. An aim of strategic corporate planning is to identify and take advantage of future opportunities giving due consideration to the identified risks. The internal reporting system functions as an information system that 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 resulted in an assessed total risk for the past fiscal year of EUR 8.98 million (2022: EUR 8.39 million) (of which STEMMER IMAGING AG EUR 6.72 million; 2022: EUR 6.27 million). The following table was used for weighting the individual risks in the 2023 fiscal year:

Maximum monetary damage
in EUR

Classification	Potential amount of damage
Insignificant	5,000
Low	50,000
Medium	150,000
Serious	500,000
Very serious	1,750,000
Fundamental	5,000,000

Probability of occurrence
in %

Classification	Probability of occurrence
Almost impossible	5
Unlikely	20
Rather unlikely	40
Possible	60
Probable	80
Highly probable	95

Identified risks that could currently have a material negative impact on STEMMER IMAGING's business and net assets, financial position or results of operations are described below. Risk clusters with a monetary risk of more than EUR 0.35 million are described here, totalling EUR 7.43 million (82.7 per cent) of the total assessed risk. 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. The risks associated with the war in Ukraine are analysed by the company on a regular basis. However, since STEMMER IMAGING does not have any business relations with Russia or in Ukraine, there is currently no direct risk. The potential risks arising from the geopolitical situation will continue to be evaluated and adjusted if necessary.

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

Business risks

Human resources risks

STEMMER IMAGING's success depends on recruiting and developing qualified personnel and retaining them at the company in the long term in order to preserve internal knowledge. The company therefore endeavours to provide its employees with the best possible support throughout their careers and to accompany them through all phases of the employee life cycle. The current economic situation, in conjunction with demographic change, harbours specific risks that may make it difficult to fill vacancies, which could potentially lead to revenue and litigation risks.

Furthermore, bottlenecks could arise in the fulfilment of tasks due to increased fluctuation and delays in filling vacancies. In addition, there is a cost risk in connection with the replacement of positions, as this may lead to higher costs and a negative impact on earnings. Risk and opportunity management therefore focuses on attracting new employees, reducing staff turnover and preventing or mitigating a shortage of skilled labour.

Specific measures taken to minimise risk
- Preventing a shortage of skilled workers through vocational training and dual courses of 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
- Retention and development of expertise through further education of employees
- Performance-related remuneration system on the basis of regular feedback discussions
- Preparation for relocation at the Puchheim location near Munich to create a more attractive work environment
- Succession planning for critical internal positions
- Formation of competence clusters

Additional planned measures for 2024
- Employer branding programme
- Incentivisation of employee recruitment
- Further expansion of processes along the employee life cycle
- Strengthening the competence clusters

Risk trend 2024
constant

Assessed total risk
Group EUR 1.90 million (2022: EUR 1.52 million) (of which STEMMER IMAGING AG EUR 1.58 million, 2022: EUR 1.24 million)

Supplier dependency and product risks

Successful cooperation with central suppliers is of crucial importance to STEMMER IMAGING. There are no exclusivity agreements between the suppliers and STEMMER IMAGING. Some of the products are imported, which exposes the company to the general risks of international trade relations, such as delivery delays, exchange rate fluctuations and changes in safety regulations or the economic and political situation in the suppliers' country of origin.

Disruptions affecting major suppliers may impair STEMMER IMAGING's delivery capacity and thereby impact its business performance. Delivery capability improved significantly in the 2023 fiscal year, meaning that there were no longer any supply bottlenecks for key components at the end of the year. As a result, inventories were significantly reduced by the end of the year, minimising the risk of excess stock due to stock orders.

Despite these improvements, there is still a risk that suppliers will change their product portfolio and will no longer be able to supply the required scope or possibly certain components at all. This risk could increase, particularly due to weaker macroeconomic development.

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 customised warehousing
- Active escalation management
- Monitoring and reporting of the delivery situation
- Evaluation of the supplier quality, particularly regarding product quality and delivery reliability

Additional planned measures for 2024
- Ongoing increase in efficiency through continued optimisation of internal processes

Risk trend 2024
constant

Assessed total risk
Group EUR 1.15 million (2022: EUR 1.51 million) (of which STEMMER IMAGING AG EUR 0.80 million, 2022: EUR 1.10 million)

Risks from IT operations and IT security

Smooth-running 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
- Simulation of a complete power failure of both data centres
- Detection of security gaps (e.g. through post-breach penetration testing) and appropriate adaptation of security precautions
- Examination of the external IT system security (e.g. firewall review)
- Monitoring of the software and hardware infrastructure as well as ongoing investment in IT infrastructure to secure the systems and maintain high server availability
- Further develop and monitor clear regulations for the use of the IT infrastructure through clear process specifications (e.g. on-/offboarding process and change process for business applications)
- Continuous further training of employees in the IT department in cyber security and continuity management

Additional planned measures for 2024
- Continuous further development of IT systems and processes
- Planning and implementation of ERP preliminary project
- Optimisation and further documentation of internal processes and controls (software distribution and admin concept)

Risk trend 2024
increasing

Assessed total risk
Group EUR 0.65 million (2022: EUR 0.39 million) (of which STEMMER IMAGING AG EUR 0.52 million, 2022: EUR 0.32 million)

Compliance

Full compliance with laws and standards is of crucial importance to STEMMER IMAGING. Nevertheless, the company is faced with a large number of compliance risks that need to be countered by an effective compliance management system. Specific risks arise in the following areas:
- Spying on business secrets or data protection violations through phishing, which can hinder business operations
- Infringements of patents or intellectual property that could lead to reputational damage
- Sustainability risks and climate-related risks that lead to damage to resources or legal norms due to non-compliance with necessary standards in the company or the company's supply chain

Specific measures taken to minimise risk
- 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
- Further development of the whistle-blower system
- Continuous revision of the approval processes (limits of authority)
- Implementation of ESG measures according to Ecovadis scorecard to improve governance

Additional planned measures for 2024
- Continuing further development of the compliance management system and training of all employees to raise awareness
- Further development of ESG measures in accordance with the obligation to prepare a sustainability report

Risk trend 2024
constant

Assessed total risk
Group EUR 0.40 million (2022: EUR 0.36 million) (of which STEMMER IMAGING AG EUR 0.38 million, 2022: EUR 0.35 million)

Mergers and acquisitions

The successful integration of newly acquired companies and the precise selection of acquisition targets are crucial aspects in the area of mergers and acquisitions, in addition to the potential risk of paying excessive purchase prices. Basing an acquisition is based on incorrect assumptions could jeopardise the financial stability of the Group.

There is also a risk that key personnel or important employees of the acquired companies may leave the company, which could jeopardise the achievement of the acquisition targets.

Specific measures taken to minimise risk

- Performance of due diligence regarding business, financial, legal and tax aspects
- Review 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 Group's technical and process infrastructure
- Review of the individual business plans and introduction of measures, culminating in possible disinvestment

Additional planned measures for 2024

- Continuous assessment of potential M&A targets
- Achievement of synergy effects through streamlining and centralisation of processes

Risk trend 2024

increasing

Assessed total risk

Group EUR 0.41 million (2022: EUR 0.26 million) (of which STEMMER IMAGING AG EUR 0.41 million, 2022: EUR 0.26 million)

Market and industry-specific risks

Competitive intensity

Takeovers and increasing market concentration characterise STEMMER IMAGING's competitive environment. The company faces growing competition from medium-sized and large manufacturers of machine vision components, as well as regional and international system providers. There is also a trend towards Chinese competitors entering the market and gaining market share through attractive pricing.

Another significant risk is increasing price and competitive pressure, which could lead to a loss of market share and a reduction in margins.

Specific measures taken to minimise risk

- Expansion of the solution and service business as well as in-house product development to expand unique selling points compared to the competition
- Continuous improvement of the sales organisation in all regions with clear differentiation of customer groups and the associated targeted sales approach (Business Development, Key Account Management, Account Management, Inside Sales)
- Increased efficiency through further digitalisation in sales and preparation for the implementation of e-commerce channels
- Optimisation of the value chain and early sourcing, particularly in a volatile market environment
- Increased M&A activities to increase expertise, competence and access to the market

Additional planned measures for 2024

- Continuation of sales activities (cross-selling, active sales, focus on project business)
- Further detailing in cost monitoring and process optimisation
- Evaluation of acquisitions to complement and strengthen the market position, both in the area of distribution and in the solution business
- Further expansion of the portfolio, especially in the area of value-added services
- Further optimisation of the sales and marketing approach through the targeted addressing of customers and digitalisation of sales channels
- Introduction of further in-house developed products and service catalogue

Risk trend 2024

increasing

Assessed total risk

Group EUR 1.29 million (2022: EUR 0.92 million) (of which STEMMER IMAGING AG EUR 0.66 million, 2022: EUR 0.56 million)

Strategy

STEMMER IMAGING's strategic environment is characterised by rapid technological evolution and changes in the competitive situation and customer markets. The development and implementation of the corporate strategy is therefore a central component of management control. In particular, the company sees risks in pursuing unsustainable strategies that could lead to a loss of market share. There is also a risk of misallocating resources and incorrectly assessing market developments, with corresponding negative consequences for existing customer relationships. Targeted measures should ensure that the right strategies are formulated and successfully implemented by the organisation.

Specific measures taken to minimise risk

- Regular 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
- Implementation of agile management methods for flexible reaction to changes

Additional planned measures for 2024

- 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 2024

constant

Assessed total risk

Group EUR 0.78 million (2022: EUR 0.86 million)
(of which STEMMER IMAGING AG
EUR 0.60 million, 2022: EUR 0.60 million)

Dependence on the economic situation

STEMMER IMAGING is influenced by the macroeconomic development of different countries and currency areas as a result of its international orientation. In addition, the fluctuations can affect different sectors that are important customer industries for STEMMER IMAGING. The company therefore sees risks in particular in an overly one-sided dependence on certain sectors, markets, customers, regions and currency areas. STEMMER IMAGING endeavours to reduce risks from fluctuating economic developments through appropriate measures and, in particular, the strategic orientation of the company

Specific measures taken to minimise risk

- Broad regional set-up to reduce dependence on country-specific developments
- Diversification in the area of customer markets, particularly in future markets such as food & agriculture, sports & entertainment and logistics
- Avoidance of highly volatile and uncertain markets and sectors with a tendency towards highly cyclical developments

Additional planned measures for 2024

- Continuation of existing measures and regular review of the selected strategies
- Further internationalisation in growth markets

Risk trend 2024

constant

Assessed total risk

Group EUR 0.85 million (2022: EUR 0.76 million)
(of which STEMMER IMAGING AG
EUR 0.76 million, 2022: EUR 0.62 million)

Report on opportunities

Opportunity management at STEMMER IMAGING complements the company's risk management. As part of the process for identifying and analysing risks, internal and external opportunities are analysed accordingly. These opportunities can be related to the identified risks or arise independently. The aim is to identify opportunities at an early stage and to make optimal use of them for the company by taking appropriate measures. STEMMER IMAGING uses the same structure for the presentation of opportunities as in the risk report, as these categories represent important business, market and sector-specific drivers.

There are therefore significant opportunities for STEMMER IMAGING in various business-related areas such as human resources, supplier dependency, product risks, IT security, compliance as well as mergers and acquisitions. Opportunities also lie in market- and sector-specific areas such as competition and strategy, as well as dependence on the economic situation.

The presentation of opportunities reflects the company's current assessment, but should not be regarded as comprehensive or conclusive. The assessment of opportunities is subject to continuous change, as the company and its environment are subject to constant developments. It is possible that opportunities that have not yet been recognised will become more important in a short space of time, or that the full potential of opportunities that have already been identified cannot be fully exploited. Regular identification and evaluation is therefore crucial in order to make the best possible use of opportunities.

Opportunities in corporate strategy

STEMMER IMAGING identifies significant opportunities in a clear strategic orientation at both market and company level. On the market, this defined strategy enables precise positioning in the competitive environment and vis-à-vis customers. At the same time, it offers the flexibility to react to market changes and trends in the product range in order to generate additional revenue and market share.

Internally, the elaborated and cascaded strategy enables a clear focus on value-adding activities. Individual target agreements promote an understanding among all employees of their contribution to the company's success. These factors make a significant contribution to optimising costs and motivating employees.

Opportunities with regard to competitive intensity

Initiatives to develop and expand the product portfolio and to maximise growth potential offer STEMMER IMAGING the opportunity to consolidate its competitive position. The company recognises particular opportunities in the following areas:

- Expansion of the market presence, especially in European markets
- Expansion of the solutions and service business and introduction of proprietary product developments to create unique features
- Increased efficiency through the structuring of processes and digitalisation of the organisation for optimal market development
- Exploration of new market segments which have been identified as high-growth and promising, especially in the non-industrial sector
- Identification of new customer groups

The realisation of these opportunities is primarily focused on gaining market share, increasing company profits and improving customer service.

Opportunities in mergers and acquisitions

STEMMER IMAGING continuously monitors the market with the aim of quickly identifying potential takeover targets and utilising the resulting opportunities. These efforts are intended to support the company's strategic growth by integrating companies in established or new markets, product and customer segments. The realisation of synergies may result in opportunities that improve STEMMER IMAGING's cost position.

Opportunities in IT operations and IT security

The efficiency of processes is of central importance for the success of the STEMMER IMAGING Group. Identified opportunities offer the possibility of improving the cost position, as well as the quality and safety of processes, in the long term through targeted projects. Investments in the digitalisation of business processes, such as the revision and digitalisation of workflows, are an important measure in this regard. There is further potential in the pricing of services. Through increasing automation and more precise cost allocation, the company sees the opportunity to set customer-oriented prices and thus increase revenue and earnings potential. STEMMER IMAGING sees the digital platform Salesforce as an opportunity to further advance the digitalisation of its business model and to optimally align the company for future growth.

Opportunities in the area of compliance

Compliance with laws and standards is an essential part of the management of STEMMER IMAGING AG. As part of proactive compliance and early adaptation of new, possibly not yet mandatory regulations, there are various opportunities for the company to strengthen corporate integrity and security. For example, running through different threat scenarios such as the spying on business secrets or data protection breaches through phishing can serve to improve security measures and increase employee awareness. Preparation for risks in the area of patent or intellectual property infringements in the context of customer relationships can also be used to optimize legal compliance and innovation management.

With regard to sustainability risks in the area of corporate governance, a proactive approach can help to manage the company ethically and responsibly. This in turn strengthens the trust of stakeholders and ensures long-term success. Implementing sustainability-related issues at an early stage can also lead to competitive advantages and disproportionately high growth due to positive market perception. In order to identify and exploit opportunities as part of the sustainability strategy, STEMMER IMAGING has been participating in the EcoVadis Sustainability Rating since 2022. This helps the company to identify sustainability-relevant topics and potential risks as well as to derive opportunities and exploit them accordingly for the company.

Opportunities in human resources

STEMMER IMAGING's success depends to a large extent on the motivation, expertise and satisfaction of its employees. The company therefore endeavours to address specific risks and at the same time exploit potential opportunities. This includes measures to increase employee satisfaction and promote a positive corporate image through employer branding initiatives. The implementation of a code of conduct and the establishment of clear processes in HR are further steps in this direction. The company also attaches great importance to a talent management programme in order to attract young talent and thus reduce the cost of replacements.

Overall, the company considers a certain degree of turnover to be advantageous in order to gain new impetus through new hires, which can have a positive impact on the corporate culture and company growth.

Opportunities in the area of supplier dependency and product risks

The development of supplier relationships based on partnership is of great importance for the success of STEMMER IMAGING. Through active supplier management and continuous dialogue, both the company and its suppliers have the opportunity to offer customised solutions for customers and thus achieve corresponding growth. This close cooperation also helps to positively influence the economic development of suppliers, which in turn strengthens the partnership and makes synergies in the supply chain transparent and utilisable.

Close customer-supplier relationships can minimise product risks and create potential for customised product developments. In this way, STEMMER IMAGING has the opportunity to strengthen its relationship with suppliers and reduce individual dependencies.

Opportunities in the area of dependence on the economic situation

STEMMER IMAGING endeavours not only to limit the negative impact of economic fluctuations through a targeted strategic focus on specific regions, sectors, markets and customers, but also to leverage potential and seize corresponding opportunities. Key opportunities for STEMMER IMAGING lie in the correct identification of growth markets, which can be both regional and sector-specific. STEMMER IMAGING sees an opportunity to improve its overall market position and increase the company's success through stronger growth in future-oriented business areas.

Summarised presentation of the opportunity situation

The long-term growth and positive development of STEMMER IMAGING are largely dependent on the successful utilisation of potential opportunities. The Group has identified the key areas and is implementing targeted measures to capitalise on these opportunities. A sustainable growth strategy is supported by a combination of organic and inorganic growth, plus the exploration of new markets, customers and products, as well as partnership-based cooperation with suppliers.

STEMMER IMAGING attaches particular importance to agile decision-making processes, modern project management and efficient internal processes and technologies as well as future-orientated HR management. The further digitalisation of the business model and processes is seen as a decisive factor in opening up additional growth opportunities and maintaining a competitive cost structure. The main objective is to recognise customer needs promptly and fulfil them effectively.

The company considers sustainability-related issues to be critical to its success and therefore focuses on modern and sustainable working methods and collaboration. STEMMER IMAGING has been taking part in the EcoVadis Sustainability Rating since 2022 in order to identify and utilise opportunities as part of its sustainability strategy. This helps the company to identify sustainability-relevant topics and potential risks as well as to derive opportunities and utilise them accordingly for the company.

Report on expected developments

Forecast assumptions

The forecast report reflects the expected development of STEMMER IMAGING AG and the STEMMER IMAGING Group in the 2024 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 2024 fiscal year are presented below.

Economic outlook

For 2024 as a whole, the International Monetary Fund (IMF) forecasts global economic growth of 3.1 per cent. This corresponds to the comparatively weak growth in 2023.[1]

Downside risks to the forecast lie in geopolitical risks, in particular the escalation of the Middle East conflict and the ongoing war in Ukraine, as well as weather-related shocks, a sustained rise in core inflation and a slowdown in growth in China. On the other hand, there could also be a faster economic recovery in China with positive cross-border growth impulses. A stronger upturn could also be expected if inflation falls faster than expected and the central banks loosen interest rates more quickly.[1]

GDP growth of 0.9 per cent is forecast for the euro area. At 0.5 per cent, the German economy is once again expected to perform below average. In the emerging and developing countries, the pace of growth is estimated at 4.1 per cent, as in the two previous years. China (+4.6 per cent) and India (+6.5 per cent) are expected to grow at a slightly slower rate than in 2023. The same applies to Latin America (+1.9 per cent). By contrast, the IMF expects more momentum in the Middle East/Central Asia (+2.9 per cent) and Sub-Saharan Africa (+3.8 per cent) regions.[1]

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 economists once again expect price-adjusted global machinery revenue to stagnate in 2024. Growth is forecast for all four major production locations in Asia in 2024, with India (+5 per cent) once again likely to lead the way. The situation in the other three countries is quite different: The slight increase in South Korea and Japan (+1 per cent each) follows a comparatively large decline in 2023. In China, growth should continue at 2 per cent, which would be a significant slowdown compared to the years before the coronavirus pandemic. As incoming orders in both the EU-27 and the US fell significantly short of the previous year's figure in price-adjusted terms in 2023, a real decline in revenue of 2 per cent is forecast for 2024 in each case.[1]

According to the VDMA forecast, the German robotics and automation sector expects nominal revenue growth of 4 per cent for 2024. For the machine vision sub-sector, the VDMA also expects growth of 4 per cent.[2]

1 VDMA "Mechanical engineering 2023/Forecast 2024" as of 7 February 2024
2 Preliminary information VDMA as at 4 March 2024, official publication of the forecast on 17 April 2024.

Forecast for the STEMMER IMAGING Group

The revenue and earnings forecast is based on the current corporate planning and the assumption that the overall economic situation will recover in the second half of 2024 at the latest and that possible cost increases on the supplier side can be countered with price increases. At EUR 30.90 million, the order backlog as at 31 December 2023 was below the previous year's level, as expected, but forms a solid basis for the 2024 fiscal year. STEMMER IMAGING continues to pursue the goal of limiting its dependence on individual suppliers to less than 25 per cent and keeping customer concentration below the threshold of 15 per cent.

As the timing of an economic recovery and the complete reduction of customer overreach cannot yet be adequately estimated, the Executive Board envisages a wider range of possible business development in its full-year forecast. For 2024, Group revenue in the range of EUR 140 to 157 million and EBITDA of EUR 24 to 31 million are expected. This corresponds to a decline in revenue of 4% at the lower end of the range and an increase in revenue of 7.5% at the upper end of the range - in each case compared to the previous year. The upper end of the forecast range is based on the assumption of an accelerated and strong recovery in economic activity beyond the summer, with a corresponding impact on the development of incoming orders and revenue.

In view of the prospects for the 2024 fiscal year, and against the backdrop of the strategic positioning that has been continuously expanded over the past few years, the company sees itself within the target corridor of the medium-term guidance until 2026, with a revenue target of EUR 240 million and a profitability target in the range of 17 to 21 per cent, which also includes an inorganic component.

The uncertainties described in connection with the economic outlook could have both significant positive and negative effects on the business performance of the entire Group. In addition, the business performance of STEMMER IMAGING AG 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 2024 equally apply to STEMMER IMAGING AG. Since STEMMER IMAGING AG, as the largest Group company, accounts for a significant share of Group revenue, the Management Board expects revenue to develop in line with the Group as a whole. EBITDA is forecast to be in the high single-digit to low double-digit million euro range.

Other disclosures

Concluding statement on dependent company report

The company has compiled a dependent company report for the 2023 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 or measure was carried out, and was not disadvantaged by the fact that the measures were taken.

No reportable measures within the meaning of section 312 (1) sentence 2 AktG were taken or omitted in the fiscal year from 1 January 2023 to 31 December 2023."

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, 27 March 2024

STEMMER IMAGING AG
Executive Board

Arne Dehn **Uwe Kemm**

SPORTS TRACKING

STEMMER IMAGING provides the eyes for AI, enabling precise sports tracking in real time. Enriched with value-added services, this provides detailed insights into performance and movement patterns, enabling athletes to optimize their training and improve their performance.

This image is AI-generated with Dall-E3.*

*Dall-E3 is an AI model that specializes in generating images based on textual descriptions.

03
Consolidated financial statements

Consolidated statement of financial position
as at 31 December 2023

Assets
in KEUR

	Note	31/12/2023	31/12/2022
Non-current assets			
Property, plant and equipment	2,12	6,247	7,228
Goodwill	1	19,378	19,374
Other intangible assets	1	4,878	6,455
Other investment securities	11	0	48
Other financial assets	11	209	172
Deferred tax assets	24	347	421
Total Non-current assets		**31,059**	**33,698**
Current assets			
Inventories	3	12,720	18,858
Trade receivables	4	20,830	23,932
Other financial assets	11	121	159
Income tax receivables	5	515	253
Other assets and prepaid expenses	6	1,589	2,081
Cash and cash equivalents	7	37,570	41,574
Total current assets		**73,345**	**86,857**
Total assets		**104,404**	**120,555**

Equity and liabilities
in KEUR

	Note	31/12/2023	31/12/2022
Capital and reserves			
Subscribed capital	8	6,500	6,500
Capital reserves	8	47,495	47,495
Revenue reserves	8	26,490	30,084
Total equity		**80,485**	**84,079**
Non-current liabilities			
Non-current loans	11	0	1,500
Provisions for pensions and similar obligations	9	71	27
Trade payables	11,13	121	79
Other financial liabilities	11,12	4,140	4,458
Other liabilities	15	543	426
Other provisions	10	275	219
Deferred tax liabilities	24	827	1,100
Total non-current liabilities		**5,977**	**7,809**
Current liabilities			
Current loans	11	1,500	2,000
Other provisions	10	91	65
Trade payables	11,13	8,290	13,024
Payments received on account of orders	14	218	668
Other financial liabilities	11,12	2,151	2,008
Income tax liabilities		1,191	4,946
Other liabilities	15	4,501	5,956
Total current liabilities		**17,942**	**28,667**
Total liabilities		**23,919**	**36,476**
Total assets		**104,404**	**120,555**

Consolidated income statement

Development from 1 January to 31 December 2023
in KEUR

	Note	2023	2022
Revenue	17	146,293	155,370
Cost of materials	19	– 88,250	– 97,014
Gross profit		**58,043**	**58,356**
Other operating income	18	2,210	3,684
Personnel expenses	20	– 23,748	– 23,649
Other operating expenses	22	– 9,552	– 10,148
EBITDA		**26,953**	**28,243**
Depreciation and impairment of property, plant and equipment	21	– 2,947	– 2,587
EBITA		**24,006**	**25,656**
Amortisation of intangible assets	21	– 2,149	– 1,315
Operating earnings (EBIT)		**21,857**	**24,341**
Finance income	23	90	24
Finance costs	23	– 170	– 83
Profit before income taxes		**21,777**	**24,282**
Taxes on income	24	– 6,047	– 6,309
Consolidated net income		**15,730**	**17,973**
Of which:			
Shareholders of the parent company		15,730	17,973
Number of shares (weighted average)		6,500,000	6,500,000
Earnings per share in EUR (diluted and basic)		2.42	2.77

Consolidated statement of comprehensive income

Development from 1 January to 31 December 2023
in KEUR

	2023	2022
Consolidated net income	**15,730**	**17,973**
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	178	– 406
Items that will not be reclassified to profit or loss in future		
Change in actuarial gains/losses	– 3	27
Deferred taxes from change in actuarial gains/losses	1	– 8
	– 2	**19**
Other comprehensive income after income taxes	176	– 387
Total comprehensive income	**15,906**	**17,586**
Of which:		
Shareholders of the parent company	15,906	17,586

Consolidated statement of cash flows

Development from 1 January to 31 December 2023[1]
in KEUR

	2023	2022
Cash flow from operating activities		
Consolidated net income	15,730	17,973
Income tax expense recognised in profit or loss	6,047	6,309
Finance costs/income recognised in profit or loss	80	59
Amortisation and depreciation of intangible assets, property, plant and equipment and investment securities	5,096	3,902
Increase (+)/decrease (-) in provisions	139	– 19
Other non-cash expenses/income	– 407	– 571
Gain/loss on disposal of property, plant and equipment and intangible assets	– 20	2
Increase (-)/ decrease (+) in inventories, trade receivables and other assets	10,020	– 10,928
Increase (+)/ decrease (-) in liabilities and other liabilities	– 6,214	1,936
Interest received	90	24
Cash flow from operating activities	**30,561**	**18,687**
Income taxes paid	– 10,255	– 2,792
Net cash flow from operating activities	**20,306**	**15,895**
Cash flow from investing activities		
Payments for intangible assets	– 572	– 659
Proceeds from disposals of property, plant and equipment	28	33
Payments for investments in property, plant and equipment	– 482	– 510
Payments for investments in financial assets	– 3	– 180
Net cash flow used in investing activities	**– 1,029**	**– 1,316**

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.

Development from 1 January to 31 December 2023[1]
in KEUR

	2023	2022
Cash flow from financing activities		
Proceeds from loans	0	19
Repayment of loans[2]	– 3,887	– 3,870
Proceeds from grants received	305	67
Dividends paid to shareholders of the parent conpany	– 13,474	– 3,280
Dividends paid on free float shares	– 6,026	– 1,595
Interest paid	– 170	– 83
Net cash flow used in financing activities	**– 23,252**	**– 8,742**
Net decrease/increase in cash and cash equivalents	**– 3,975**	**5,837**
Cash and cash equivalents at the beginning of the reporting period	**41,574**	**36,022**
Changes in cash due to exchange rate movements and remeasurement	– 29	– 285
Cash and cash equivalents at the end of the reporting period	**37,570**	**41,574**
Of which cash in hand and bank balances	37,570	41,574

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 to 31 December 2022
in KEUR

	Subscribed capital	Capital reserves	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Currency translation reserve	Revenue reserves: Other revenue reserve	Revenue reserves: Total	Total
As at 1 January 2022	**6,500**	**47,495**	**11**	**196**	**17,166**	**17,373**	**71,368**
Consolidated net income	0	0	0	0	17,973	17,973	17,973
Dividends paid to shareholders of the parent conpany	0	0	0	0	– 3,280	– 3,280	– 3,280
Dividends paid on free float shares	0	0	0	0	– 1,595	– 1,595	– 1,595
Other comprehensive income	0	0	19	– 406	0	– 387	– 387
As at 31 December 2022	**6,500**	**47,495**	**30**	**– 210**	**30,264**	**30,084**	**84,079**

From 1 January to 31 December 2023
in KEUR

	Subscribed capital	Capital reserves	Revenue reserves: Reserve for actuarial gains/losses	Revenue reserves: Currency translation reserve	Revenue reserves: Other revenue reserve	Revenue reserves: Total	Total
As at 1 January 2023	**6,500**	**47,495**	**30**	**– 210**	**30,264**	**30,084**	**84,079**
Consolidated net income	0	0	0	0	15,730	15,730	15,730
Dividends paid to shareholders of the parent conpany	0	0	0	0	– 13,474	– 13,474	– 13,474
Dividends paid on free float shares	0	0	0	0	– 6,026	– 6,026	– 6,026
Other comprehensive income	0	0	– 2	178	0	176	176
As at 31 December 2023	**6,500**	**47,495**	**28**	**– 32**	**26,494**	**26,490**	**80,485**

03
Consolidated financial statements
Notes

Notes to the consolidated financial statements for the 2023 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 Group”, “STEMMER IMAGING” or “Group”) for the 2023 fiscal year have been prepared in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of German commercial law. The fiscal year covers the period from 1 January 2023 to 31 December 2023.

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 euros. Unless specified otherwise, all amounts are stated in thousands of euros (EUR thousand or KEUR). Rounding may mean that individual figures 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 Gutenbergstr. 9 – 13, 82178 Puchheim, Germany. STEMMER IMAGING AG is registered at the Local Court of Munich under HRB 237247.

Between 1 January 2023 and 31 December 2023, PRIMEPULSE SE increased its stake of shares in STEMMER IMAGING AG from 69.10 per cent to 69.36 per cent.

As the parent company of the STEMMER IMAGING Group, the company has prepared consolidated financial statements for the smallest group of companies for the 2023 fiscal year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of German 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, Germany, 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 2023) for all periods presented. Voluntary early application 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 IASB made narrow-scope amendments to IAS 12 in May 2023. The amendments (a) provide for a temporary exemption from accounting for deferred taxes resulting from the laws implementing the Pillar Two model rules and (b) introduce additional disclosure requirements. The Group makes use of the aforementioned exemption from recognising deferred taxes in connection with Pillar Two income taxes. With regard to the assessment of the qualitative and quantitative effects of the Pillar Two regulations on the STEMMER Group, please refer to Part B 24 of the notes to the consolidated financial statements.

The changes resulting from the amendments to IFRS 17 (Insurance Contracts; First-time Adoption of IFRS 17 and IFRS 9 – Comparative Disclosures), IAS 1 (Presentation of Financial Statements), IAS 12 (Prohibition on Recognition of Deferred Taxes on Initial Recognition of an Asset or Liability) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), which are to be applied from 1 January 2023, have no material impact on the consolidated financial statements of STEMMER IMAGING AG.

Some new or amended standards entered into force in the current reporting period. However, they had no material effects on the consolidated financial statements of STEMMER IMAGING AG in the 2023 fiscal year.

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 2024, were not applied when preparing these consolidated financial statements:

Standard or interpretation	Content and significance for the financial statements	Date of mandatory application
Amendments to IAS 1	Presentation of Financial Statements - Classification of liabilities as current or non-current and non-current liabilities with ancillary conditions	01/01/2024
Amendments to IFRS 16	Lease liability for sale and leaseback transactions	01/01/2024

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. No material impact is expected at present.

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 applied for the preparation of these consolidated financial statements:

Standard or interpretation	Content and significance for the financial statements	Date of mandatory application
Amendments to IAS 21	Lack of exchangeability of currencies	01/01/2025
Amendments to IAS 7 and IFRS 7	Cash flow statement and financial instruments: disclosures on supplier financing agreements	01/01/2024

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 2023 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 2023:

Germany	SIS STEMMER IMAGING Services GmbH, Puchheim
Outside Germany	**Direct investments**
	STEMMER IMAGING S.A.S., Puteaux/France
	STEMMER IMAGING Ltd., Tongham/United Kingdom
	STEMMER IMAGING AG, Pfäffikon/Switzerland
	STEMMER IMAGING B.V., Barendrecht/Netherlands
	STEMMER IMAGING AB, Stockholm/Sweden
	STEMMER IMAGING A/S, Copenhagen/Denmark
	STEMMER IMAGING Oy, Turku/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 (renamed STEMMER IMAGING S.L.U. as at 10 January 2024)

Indirect investments
INFAIMON UNIPESSOAL, LDA., Aveiro/Portugal (renamed STEMMER IMAGING, UNIPESSOAL LDA as at 15 February 2024)
INFAIMON MEXICO S.A. DE C.V., Querétaro. QRO./Mexico (renamed STEMMER IMAGING, S.A. DE C.V. as at 29 February 2024)
STEMMER IMAGING LTDA,
São Bernardo do Campo/Brazil (since 21 November 2023)

The subsidiaries are held directly and indirectly by STEMMER IMAGING AG with a 100 per cent share of capital.

Foreign currency translation

The financial statements included in the consolidated financial statements are prepared in their functional currency. The functional currency is the currency of the primary economic environment in which the company operates. 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 or foreign subsidiaries or as currency changes, respectively. Currency translation differences recognised 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 31/12/2023	Closing rate 31/12/2022	Average rate 2023	Average rate 2022
CHF	Switzerland	0.9260	0.9847	0.9717	1.0052
GBP	United Kingdom	0.8691	0.8869	0.8699	0.8526
SEK	Sweden	11.0960	11.1218	11.4727	10.6274
DKK	Denmark	7.4529	7.4365	7.4510	7.4396
MXN	Mexico	18.7231	20.8560	19.1896	21.2045
BRL	Brazil	5.3618	5.6386	5.4016	5.4432
PLN	Poland	4.3395	4.6808	4.5420	4.6845
USD	USA	1.1050	1.0666	1.0816	1.0539

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. Non-monetary balance sheet items in foreign currencies are carried at historical exchange rates.

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.

The consolidated financial statements for the 2023 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 2023.

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 2023.

The consolidated financial statements were prepared according to the going concern principle.

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

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

4.2. Revenue recognition

As a specialist distributer 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 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 of over a period of time)

The Group recognises revenue on the basis of on 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 2023 financial year, this exclusively occures 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.

When selling software, STEMMER IMAGING differentiates between sales of own software CVB and externally purchased software. In case of own 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 recognises gross revenues.

In the case of purchased licences, 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 software products between the manufacturer and the customer. No additional services or modifications are sold within this transaction. Since the 2021 fiscal year, STEMMER IMAGING has adhered to the IFRIC position that revenue generated in the role of agent in the distribution of standard software should be reported net.

Expenses are recognised as an expense when the service is utilised or recognised as expenses at the time they are incurred. Interest is recognised according to the effective interest method.

4.3. Earnings per share

Basic earnings per share are calculated by dividing the parent company shareholders' share or 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 amortised on a straight-line basis over their expected useful life. The amortisation method is reviewed at least at the end of each fiscal year.

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.

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 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. The lessor must classify leases as either financing or 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. 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 17.8 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 includes an extension or purchase option that is considered reasonably certain to be exercised, the cost of the option is included 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 corresponding expenses are reported under other operating expenses.

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

4.8. Depreciation and amortisation

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

in years	31/12/2023	31/12/2022
Intangible assets acquired for consideration	3–8	3–8
Buildings (tenant installations)	3–10	3–10
Other equipment, operating and office equipment	3–14	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. 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. 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 at 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. This does not apply to trade receivables with no significant financing component, which are measured at the transaction price on the recognition date. 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 amortised 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 amortised 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.

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.

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"). 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 at 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.

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.

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 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.

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 recognised for all taxable temporary differences, unless they arise from goodwill for which amortisation for tax purposes is not possible.

Deferred tax assets also include tax reduction claims arising from the expected utilisation of unused tax losses and tax credits in the following five years, the realisation 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 realisation.

4.14. Provisions 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 2023 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 B 17.

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 at 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 the current dividend yield on the reporting date. The programme envisages that annual tranches are valued at the average share price, determined 10 trading days after the publication of the results of the previous year, in order to form performance shares. These performance shares are disbursed four years later and are measured on the basis of the share price that is then valid and an EBITA multiplier, 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 of the target amount, which is disbursed as a maximum through a combination of share price and EBITA multiplier. 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 in return therefor will be obtained in the future, over 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 committed 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 at 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. The share options were valued using a binomial tree model. Details about the on the valuation modeland the estimated valuation parameters (term, expected volatility, risk-free interest rate) used to determine the resulting expenses can be found in the notes to the consolidated financial statements in Part B 15.

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 statement

Notes on the statement of financial position

1. Intangible assets

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

in KEUR	31/12/2023	31/12/2022
Goodwill	19,378	19,374
Concessions, property rights and patents	523	713
Customer base	2,780	3,634
Brand	0	968
Technology	345	483
Advance payments	1,230	657
Total	**24,256**	**25,829**

Changes in intangible assets are shown below:

in KEUR	Goodwill	Concessions, property rights and patents	Customer base	Order backlog	Brand	Technology	Advance payments	Total
Acquisition and production costs								
As at 01/01/2023	**25,012**	**3,495**	**6,828**	**641**	**1,263**	**965**	**657**	**38,861**
Additions	0	0	0	0	0	0	573	573
Disposals	0	0	0	– 641	– 1,263	0	0	– 1,904
Net exchange rate differences	4	0	0	0	0	0	0	4
As at 31/12/2023	**25,016**	**3,495**	**6,828**	**0**	**0**	**965**	**1,230**	**37,534**
Cumulative depreciation, amortisation and impairment								
As at 01/01/2023	**– 5,638**	**– 2,782**	**– 3,194**	**– 641**	**– 295**	**– 482**	**0**	**– 13,032**
Depreciation and amortisation	0	– 190	– 854	0	– 968	– 138	0	– 2,150
Disposals	0	0	0	641	1,263	0	0	1,904
As at 31/12/2023	**– 5,638**	**– 2,972**	**– 4,048**	**0**	**0**	**– 620**	**0**	**– 13,278**
As at 31/12/2023	**19,378**	**523**	**2,780**	**0**	**0**	**345**	**1,230**	**24,256**

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 01/01/2022	**25,100**	**3,553**	**6,828**	**641**	**1,263**	**965**	**0**	**38,350**
Additions	0	2	0	0	0	0	657	659
Disposals	0	– 60	0	0	0	0	0	– 60
Net exchange rate differences	– 88	0	0	0	0	0	0	– 88
As at 31/12/2022	**25,012**	**3,495**	**6,828**	**641**	**1,263**	**965**	**657**	**38,861**
Cumulative depreciation, amortisation and impairment								
As at 01/01/2022	**– 5,638**	**– 2,602**	**– 2,340**	**– 641**	**– 211**	**– 345**	**0**	**– 11,777**
Depreciation and amortisation	0	– 240	– 854	0	– 84	– 137	0	– 1,315
Disposals	0	60	0	0	0	0	0	60
As at 31/12/2022	**– 5,638**	**– 2,782**	**– 3,194**	**– 641**	**– 295**	**– 482**	**0**	**– 13,032**
As at 31/12/2022	**19,374**	**713**	**3,634**	**0**	**968**	**483**	**657**	**25,829**

Allocation to cash-generating units

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

in KEUR	31/12/2023	31/12/2022
STEMMER IMAGING B. V., Barendrecht/Niederlande	2,953	2,953
STEMMER IMAGING A/S, Copenhagen/Denmark	140	141
STEMMER IMAGING S. A. S., Puteaux/France	2,097	2,097
STEMMER IMAGING AB, Stockholm/Sweden	1,986	1,981
INFAIMON, S. L. U., Barcelona/Spain	12,202	12,202
Total	**19,378**	**19,374**

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 at 30 November 2023 (previous year: 30 November 2022):

- STEMMER IMAGING B.V., Zutphen/Netherlands: 10.97 per cent (previous year: 9.94 per cent)
- STEMMER IMAGING A/S, Copenhagen/Denmark: 11.05 per cent (previous year: 9.34 per cent)
- STEMMER IMAGING S.A.S., Puteaux/France 10.95 per cent (previous year: 9.94 per cent)
- STEMMER IMAGING AB, Stockholm/Sweden: 10.96 per cent (previous year: 9.32 per cent)
- INFAIMON, S. L. U., Barcelona/Spain: 10.95 per cent (previous year: 9.94 per cent)

For the 2024 planning period, the VDMA expects revenue growth of 4 per cent for the robotics and automation sector and 4 per cent for the machine vision segment. At EUR 30.90 million, the order backlog as at 31 December 2023 was below the previous year's level, as expected, but forms a solid basis for the 2024 fiscal year. As the timing of an economic recovery and the complete reduction of customer overreach cannot yet be adequately estimated, the Executive Board is forecasting a wider range of possible business development in its full-year forecast. On this basis, STEMMER IMAGING is planning a range of EUR 140 - 157 million. This corresponds to a decline in revenue of 4% at the lower end of the range and an increase in revenue of 7.5% at the upper end of the range compared to the previous year. More differentiated plans have been drawn up for 2024, and the company expects average growth rates of around 12.5% from 2025 onwards. Based on steadily improving margins with costs rising at a lower rate than revenue, STEMMER IMAGING expects the EBITDA ratio to improve. A new range of 17 to 21 per cent over the medium term has been established. Cost planning for 2024 is based on a detailed analysis of the planned and expected development of individual cost items. In particular, the detailed planning takes into account the development of revenue, strategic and operational measures, special items and external developments (e.g. expected price increases, specific market developments). For medium-term planning, 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 planning.

On the basis of the underlying assumptions for the determination of the recoverable value, there was no impairment of any of the cash-generating units as at 30 November 2023.

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. Based on the changed parameters, an impairment loss of EUR 615 thousand would have to be recognised at the subsidiary STEMMER IMAGING S.A.S., Puteaux. No impairment was recognised.

Total expenses for research and development amounted to EUR 1.27 million in the reporting year (previous year: EUR 1.66 million).

The advance payments on intangible assets of EUR 1,230 thousand reported in the 2022 and 2023 fiscal years are investments in external services for a new website and for an e-commerce channel. More detailed information on the amortisation and impairment of intangible assets can be found in Part B 21.

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	31/12/2023	31/12/2022
Buildings (tenant installations)	211	662
Right-of-use assets for land and buildings	4,350	4,801
Technical equipment and machinery	1	8
Other equipment, operating and office equipment	1,049	1,099
Right-of-use assets for operating and office equipment	636	658
Total	**6,247**	**7,228**

Fixed assets developed as follows in the fiscal year:

in KEUR	Buildings (tenant installations)	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	Total
Acquisition and production costs						
As at 01/01/2023	**3,415**	**8,703**	**32**	**5,803**	**1,649**	**19,603**
Additions	6	618	0	476	360	1,460
Disposals	– 10	– 889	0	– 244	– 465	– 1,608
Revaluation	0	373	0	0	109	482
Net exchange rate differences	10	64	0	22	4	100
As at 31/12/2023	**3,421**	**8,869**	**32**	**6,057**	**1,657**	**20,037**
Cumulative depreciation, amortisation and impairment						
As at 01/01/2023	**– 2,753**	**– 3,902**	**– 24**	**– 4,704**	**– 991**	**– 12,375**
Depreciation and amortisation	– 460	– 1,467	– 7	– 522	– 491	– 2,947
Disposals	10	891	0	234	463	1,598
Net exchange rate differences	– 7	– 41	0	– 16	– 2	– 66
As at 31/12/2023	**– 3,210**	**– 4,519**	**– 31**	**– 5,008**	**– 1,021**	**– 13,790**
As at 31/12/2023	**211**	**4,350**	**1**	**1,049**	**636**	**6,247**

The revaluations of EUR 482 thousand in the 2023 fiscal year (previous year: EUR 638 thousand) mainly pertain to contract amendments for leases for land and buildings. Due to a reduction in the useful life of leasehold improvements in the buildings, additional depreciation expense of EUR 296 thousand was recognised.

Fixed assets developed as follows in the previous period:

in KEUR	Buildings (tenant installations)	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	Total
Acquisition and production costs						
As at 01/01/2022	3,598	6,110	32	5,682	1,610	17,033
Additions	17	2,759	0	493	409	3,678
Reclassifications	12	0	0	– 12	0	0
Disposals	– 186	– 665	0	– 312	– 437	– 1,600
Revaluation	0	568	0	0	70	638
Net exchange rate differences	**– 26**	**– 69**	**0**	**– 48**	**– 3**	**– 146**
As at 31/12/2022	**3,415**	**8,703**	**32**	**5,803**	**1,649**	**19,603**
Cumulative depreciation, amortisation and impairment						
As at 01/01/2022	– 2,752	– 3,117	– 17	– 4,598	– 940	– 11,425
Depreciation and amortisation	– 185	– 1,475	– 7	– 431	– 489	– 2,587
Reclassifications	– 11	0	0	11	0	0
Disposals	172	665	0	276	437	1,550
Net exchange rate differences	23	25	0	38	1	87
As at 31/12/2022	**– 2,753**	**– 3,902**	**– 24**	**– 4,704**	**– 991**	**– 12,375**
As at 31/12/2022	**662**	**4,801**	**8**	**1,099**	**658**	**7,228**

3. Inventories

Inventories are composed as follows:

in KEUR	31/12/2023	31/12/2022
Raw materials and supplies	156	210
Goods	12,459	18,327
Advance payments	105	321
Total	**12,720**	**18,858**

In the 2023 fiscal year, inventories of EUR 88,250 thousand (previous year: EUR 97,014 thousand) were recognised as an expense under cost of materials.

The total cost of inventories recognised as expenses in the cost of materials includes write-downs to the net realisable value of EUR 445 thousand (previous year: EUR 610 thousand) due to excess stock, obsolescence, reduced marketability or subsequent costs.

Most of the inventories are expected to be used within twelve months.

4. Trade receivables

in KEUR

	31/12/2023	31/12/2022
Trade receivables	21,774	24,946
Impairment losses	– 944	– 1,014
Total	**20,830**	**23,932**

The Group companies – with the exception of the INFAIMON subsidiaries – generally grant payment terms 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.

Delivery terms at STEMMER IMAGING are predominantly ex works.

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

Impairment losses on trade receivables are explained in note B 11.

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

Trade receivables are due within one year.

5. Income tax receivables

Income tax receivables amounted to EUR 515 thousand (previous year: EUR 253 thousand) at the end of the fiscal year. The majority only arises legally after the end of the reporting period.

6. Other assets and prepaid expenses

Other assets and prepaid expenses break down as follows:

in KEUR

	31/12/2023	31/12/2022
Other tax refund claims	704	1,316
Receivables from employees	7	1
Prepaid expenses and other assets	878	764
Total	**1,589**	**2,081**

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

7. 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 11 for information on the foreign currency balance included in cash and cash equivalents.

For cash and cash equivalents, impairment allowances are made in note B 11 using the expected loss method in accordance with IFRS 9. The impairments are explained in note B 11.

8. 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 2023, there were 6,500,000 no-par-value bearer shares (ordinary shares). Each share represents EUR 1.00 of 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 11 May 2028 by a total of up to EUR 1,950 thousand against cash and/or non-cash contributions by issuing up to 1,950,000 new no-par-value bearer shares (Authorised Capital 2023). This option was not utilised in the 2023 fiscal year.

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).

Capital reserves

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

Revenue reserves

Other revenue reserves amount to EUR 26,494 thousand (previous year: EUR 30,264 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 178 thousand to EUR −32 thousand in the 2023 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 decreased by EUR 2 thousand to EUR 28 thousand in the 2023 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 12 May 2023:

It was resolved to use the German Commercial Code (HGB) unappropriated surplus for the 2022 fiscal year of EUR 21,200,057.97 as follows:

Distribution of a dividend of EUR 3.00 per eligible share: a total of EUR 19,500,000.00

Carryforward of EUR 1,700,057.97 to new account.

9. 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 at 31 December 2023. There were 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:

in KEUR	31/12/2023	31/12/2022
Interest rate	3.32%	3.89%
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	2023	2022
As at 01/01	**112**	**159**
Service cost	45	– 20
Interest expense	3	1
Actuarial gains (–) and losses (+)	4	– 28
As at 31/12	**164**	**112**

Material changes in plan assets are shown below:

in KEUR	2023	2022
As at 01/01	**85**	**112**
Income/expenses from plan assets	8	– 27
As at 31/12	**93**	**85**

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

in KEUR

	2023	2022
Cost of pension claims earned in the reporting year	45	– 20
Actuarial gains (–)/losses (+) from the change in financial assumptions	4	– 28
Net interest expenses	3	1
Components of defined benefit expenses recognised in the income statement	**52**	**– 47**

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

	2023	2022
Present value of covered defined benefit obligations	164	112
Fair value of plan assets	93	85
Excess liability (–)/plan surplus (+)	– 71	– 27

The main actuarial assumptions used to determine the defined benefit obligation are the discount rate and pension indexation. 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 2023 was 8.7 years (previous year: 9.6 years) for STEMMER IMAGING AG. At the French subsidiary, the term is linked to the age of the employees and thus to the maximum length of service.

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

No further contributions to the plan assets are expected. As in 2022, STEMMER IMAGING did not expect any pension payments in the fiscal year from 1 January to 31 December 2023.

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. Accordingly, a change in the discount rate of

- + 1.0 per cent results in a decrease in the performance obligation by EUR 7 thousand
- – 1.0 per cent results in an increase in the performance obligation by EUR 8 thousand

10. Other provisions

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

in KEUR

	31/12/2023		31/12/2022	
	Current	Non-current	Current	Non-current
Retention obligations	10	90	0	82
Long-term incentive programme	0	185	0	137
Warranties	40	0	16	0
Other	41	0	49	0
Total	91	275	65	219

in KEUR	As at 01/01/2023	Utilisation	Reversed	Additions	Currency	As at 31/12/2023
Retention obligations	82	– 10	0	28	0	100
Long-term incentive programme	137	0	0	48	0	185
Warranties	16	– 16	0	40	0	40
Other	49	– 24	– 15	30	1	41
Total	**284**	**– 50**	**– 15**	**146**	**1**	**366**

in KEUR	As at 01/01/2022	Utilisation	Reversed	Additions	Currency	As at 31/12/2022
Retention obligations	82	0	0	0	0	82
Long-term incentive programme	143	– 32	0	26	0	137
Warranties	131	– 14	– 116	16	– 1	16
Other	49	– 29	0	30	– 1	49
Total	**405**	**– 75**	**– 116**	**72**	**– 2**	**284**

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.
Participating employees were in ongoing employment relationships when the consolidated financial statements were prepared.

Provisions for the incentive programme are measured at the present value of existing claims in accordance with IAS 19. The calculation of present value is based on a discount rate of 3.32 per cent (previous year: 3.89 per cent).

Change in present value for obligations from the incentive programme:

in KEUR	2023	2022
As at 01/01	**137**	**143**
Additions	48	26
Utilisation	0	– 32
As at 31/12	**185**	**137**

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 obligation as at 31 December 2023 was 5.6 years (previous year: 6.0 years). STEMMER IMAGING does not expect any payments from this programme in the fiscal year from 1 January to 31 December 2024 (previous year: EUR 0 thousand).

11. Financial instruments

Classification and fair value

The following table provides a reconciliation of the statement of financial position items as of 31 December 2023 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.

			Measurement according to IFRS 9					
	Category according to IFRS 9	Carrying amount 31/12/2023	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 31/12/2023
Assets								**Summe Total**
Trade receivables	Amortised cost	20,830	20,830	0	0	20,830	0	20,830
Other financial assets	Amortised cost	330	330	0	0	330	0	330
Cash and cash equivalents	Amortised cost	37,570	37,570	0	0	37,570	0	37,570
Equity and liabilities								
Current and non-current loans	Amortised cost	1,500	1,500	0	0	1,500	0	1,500
Trade payables	Amortised cost	8,411	8,411	0	0	8,411	0	8,411
Remaining other financial liabilities	Amortised cost	1,169	1,169	0	0	1,169	0	1,169
Liabilities from leases	Amortised cost	5,122	0	0	0	0	5,122	5,122

The following table provides a reconciliation of the statement of financial position items as of 31 December 2022 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.

			Measurement according to IFRS 9					
	Category according to IFRS 9	Carrying amount 31/12/2022	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 31/12/2022
Assets								**Summe Total**
Trade receivables	Amortised cost	23,932	23,932	0	0	23,932	0	23,932
Other investment securities	FVTPL	48	0	0	48	48	0	48
Other financial assets	Amortised cost	331	331	0	0	331	0	331
Cash and cash equivalents	Amortised cost	41,574	41,574	0	0	41,574	0	41,574
Equity and liabilities								
Current and non-current loans	Amortised cost	3,500	3,500	0	0	3,500	0	3,500
Trade payables	Amortised cost	13,103	13,103	0	0	13,103	0	13,103
Remaining other financial liabilities	Amortised cost	939	939	0	0	939	0	939
Liabilities from leases	Amortised cost	5,527	0	0	0	0	5,527	5,527

IFRS 13 regulates how fair value is determined along with the related disclosures in the notes to the consolidated financial statements. 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:
Level 2 is based on input factors that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and on input factors other than the quoted market prices included within Level 1.

Level 3:
Level 3 is based on input factors for the asset or liability that cannot be observed in a market (unobservable inputs).

As at 31 December 2023, the non-current other financial assets of EUR 209 thousand (previous year: EUR 172 thousand) mainly consisted of other loans.

Current other financial assets are broken down as follows:

in KEUR	31/12/2023	31/12/2022
creditors with debit balances	23	72
short-term deposits	22	12
Other	76	75
Total	**121**	**159**

Non-current other financial liabilities are composed as follows:

in KEUR	31/12/2023	31/12/2022
Remaining other financial liabilities	676	614
Liabilities from leases	3,454	3,830
Liabilities other financing agreements	10	14
Total	**4,140**	**4,458**

Other financial liabilities include research loans of EUR 676 thousand (previous year: EUR 613 thousand) received by INFAIMON, S. L. U.

Current other financial liabilities are broken down as follows:

in KEUR	31/12/2023	31/12/2022
Remaining other financial liabilities	478	307
Liabilities from leases	1,668	1,697
Liabilities other financing agreements	5	4
Total	**2,151**	**2,008**

Other financial liabilities include debtors with credit balances in the amount of EUR 321 thousand (previous year: EUR 218 thousand) and current research loans (EUR 138 thousand) received by INFAIMON, S. L. U. (previous year: EUR 76 thousand).

The short and long-term portion of research loans are subsidised loans within the framework of state funding. There are no unfulfilled conditions. Further information on government grants can be found in note B 18.

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

The Group monitors changes in liquidity at the parent company and subsidiaries on a regular basis in order to ensure that the parent company and 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 repaid with a quarterly payment of EUR 0.5 million. The interest rate for the loan is 0.65 per cent.

The liquidity risk essential related to trade payables. Fixed payment terms are in place with suppliers. As a result, there is no risk of payments having to be made earlier.

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

31/12/2023 in KEUR	Cash Flows 2024	Cash Flows 2025 – 2028	Cash Flows 2029 onwards
Loan liabilities	1,507	0	0
Trade payables	8,290	121	0
Remaining other financial liabilities	478	472	204
Liabilities other financing agreements	5	11	0
Liabilities from leases	1,801	2,404	1,280
Total	**12,081**	**3,008**	**1,484**

31/12/2022 in KEUR	Cash Flows 2023	Cash Flows 2024 – 2027	Cash Flows 2028 onwards
Loan liabilities	2,018	1,505	0
Trade payables	13,024	79	0
Remaining other financial liabilities	307	442	171
Liabilities other financing agreements	5	24	0
Liabilities from leases	1,789	2,426	1,661
Total	**17,143**	**4,476**	**1,832**

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:

31/12/2023 in KEUR	Current				Non-current			
	GBP	BRL	USD	SEK	GBP	BRL	USD	SEK
Financial assets	1,471	600	10,413	2,561	0	0	0	0
Financial liabilities	– 225	– 20	– 824	– 1,120	– 686	– 35	0	– 262
Total	**1,246**	**580**	**9,589**	**1,441**	**– 686**	**– 35**	**0**	**– 262**

31/12/2022 in KEUR	Current				Non-current			
	GBP	BRL	USD	SEK	GBP	BRL	USD	SEK
Financial assets	2,495	988	2,478	4,243	0	0	0	0
Financial liabilities	– 430	– 71	– 3,264	– 173	– 758	– 23	0	– 235
Total	**2,065**	**917**	**– 786**	**4,070**	**– 758**	**– 23**	**0**	**– 235**

The amounts held in all other currencies in the Group, such as Danish krone, Swiss francs, Mexican pesos and Polish zloty, are immaterial.

Because the number of additional transactions made in foreign currencies is not substantial, the 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, SEK/EUR and USD/EUR exchange rates. All other parameters are unchanged. A change in the BRL/EUR, GBP/EUR, SEK/EUR and USD/EUR exchange rates of +/– 10 per cent as at 31 December 2023 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 2023, this would have had the following effect:

USD in KEUR	**Profit**	**Equity**
31/12/2023	– 872	– 872
31/12/2022	71	71

If the EUR had weakened against the USD by 10 per cent in 2023, this would have had the following effect:

USD in KEUR	**Profit**	**Equity**
31/12/2023	1,065	1,065
31/12/2022	– 87	– 87

If the EUR had appreciated against the GBP by 10 per cent in 2023, this would have had the following effect:

GBP in KEUR	**Profit**	**Equity**
31/12/2023	61	– 238
31/12/2022	25	– 238

If the EUR had weakened against the GBP by 10 per cent in 2023, this would have had the following effect:

GBP in KEUR	**Profit**	**Equity**
31/12/2023	– 61	238
31/12/2022	– 25	238

If the EUR had appreciated against the BRL by 10 per cent in 2023, this would have had the following effect:

BRL in KEUR	**Profit**	**Equity**
31/12/2023	– 43	38
31/12/2022	– 81	65

If the EUR had weakened against the BRL by 10 per cent in 2023, this would have had the following effect:

BRL in KEUR	**Profit**	**Equity**
31/12/2023	43	– 38
31/12/2022	81	– 65

If the EUR had appreciated against the SEK by 10 per cent in 2023, this would have had the following effect:

SEK in KEUR	Profit	Equity
31/12/2023	273	– 794
31/12/2022	– 9	– 407

If the EUR had weakened against the SEK by 10 per cent in 2023, this would have had the following effect:

SEK in KEUR	Profit	Equity
31/12/2023	– 273	794
31/12/2022	9	407

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

Risk of default

The risk of default is the risk of financial losses in the event that a counterparty does not fulfil its obligations towards the Group. The Group is exposed to this risk through various financial instruments, particularly through existing trade receivables, other financial assets measured at amortised cost and investment of cash and cash equivalents. An event of default for the Group occurs when a contracting party is unable to meet its obligations to the Group. Events of default may include disruptions in the contracting party's course of business and associated payment delays, the inability to pay and insolvency. 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	
		31/12/2023	31/12/2022
Financial assets			
Trade receivables	gross	21,774	24,946
Trade receivables	Impairment loss	– 944	– 1,014
Trade receivables	net	20,830	23,932
Other financial assets	gross	330	384
Other financial assets	Impairment loss	0	– 53
Other financial assets	net	330	331
Cash and cash equivalents	gross	37,608	41,616
Cash and cash equivalents	Impairment loss	– 38	– 42
Cash and cash equivalents	net	37,570	41,574
Total	**Total**	**58,730**	**65,837**

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

in KEUR

	Risk provision procedure	Level of risk provision	Carrying amounts 31/12/2023	Carrying amounts 31/12/2022
Trade receivables	Lifetime-expected-credit loss	n/a	20,830	23,932
Cash and cash equivalents	12-month expected credit loss	Level 1	37,570	41,574

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

Before commencing 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 2023 and 31 December 2022:

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
not past due	1.06%	16,257	– 173	No
1 – 30 days past due	2.97%	3,886	– 116	No
31 – 60 days past due	4.46%	486	– 22	No
61 – 90 days past due	6.63%	172	– 11	No
91 – 180 days past due	23.51%	207	– 49	No
181 – 270 days past due	42.21%	87	– 37	Yes
271 – 360 days past due	67.29%	178	– 120	Yes
More than 360 days past due	83.09%	500	– 416	Yes
Total as at 31/12/2023		**21,774**	**– 944**	

in KEUR	Loss rate	Gross carrying amount	Impairment loss	Credit-impaired
not past due	1.30%	18,593	– 241	No
1 – 30 days past due	2.22%	3,418	– 76	No
31 – 60 days past due	1.76%	942	– 17	No
61 – 90 days past due	3.74%	461	– 17	No
91 – 180 days past due	20.91%	815	– 170	No
181 – 270 days past due	42.17%	207	– 87	Yes
271 – 360 days past due	59.78%	120	– 72	Yes
More than 360 days past due	85.58%	390	– 334	Yes
Total as at 31/12/2022		**24,946**	**– 1,014**	

The reduction in valuation allowances is mainly due to the reversal of valuation allowances according to the expected loss model. The gross carrying amount of receivables fell, as a result of which lower value adjustments were recognised.

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 companies. Impairment allowances based on the provision matrix amount to EUR −503 thousand (previous year: EUR −663 thousand). The impairments that were recognised on a case-by-case basis amount to EUR −441 thousand (previous year: EUR −351 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

	2023	2022
As at the beginning of the fiscal year	– 1,014	– 1,266
Additions	– 292	– 232
Utilisation	20	1
Reversals	361	501
Currency adjustments, other changes	– 19	– 18
Total	**– 944**	**– 1,014**

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, management regards the credit quality of trade receivables that are not past due or impaired as good.

The credit risk for other financial assets is negligible due to the low volume as at 31 December 2023 .

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, owing to a low probability of default. Accordingly, the valuation allowance, at EUR – 38 thousand, is low in the 2023 fiscal year.

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

in KEUR

	2023	2022
As at the beginning of the fiscal year	– 42	– 36
Additions	– 4	– 6
Reversals	8	0
Total	**– 38**	**– 42**

Interest rate risk

As at 31 December 2023, there were bank liabilities of EUR 1,500 thousand. This item 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 the 2023 or 2022 fiscal year.

Bank balances are held exclusively with regional or reputable 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 Deutsche 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.

12. Leases

The leases concluded by STEMMER IMAGING relate to the leasing of right-of-use assets to properties (particularly office premises), as well as to other property, plant and equipment (primarily 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

	2023	2022
Initial balance as at 01/01	**5,459**	**3,663**
Additions	978	3,168
Revaluations	482	638
Currency	25	– 46
Depreciation and amortisation	– 1,958	– 1,964
Final balance as at 31/12	**4,986**	**5,459**

The revaluations of EUR 482 thousand mainly pertain to contract amendments for leases for land and buildings. The additions are largely for leases for land and buildings, as well as leases for operating and office equipment, as part of property, plant and equipment. New long-term lease agreements were concluded, and leased vehicles were replaced at the end of leases.

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

31/12/2023 in KEUR	**Discounted leasing liabilities**	**Undiscounted leasing liabilities**
Liabilities from leases up to 1 year	1,668	1,801
Liabilities from leases 1 to 5 years	2,217	2,404
Liabilities from leases of more than 5 years	1,237	1,280

31/12/2022 in TEUR	**Discounted leasing liabilities**	**Undiscounted leasing liabilities**
Liabilities from leases up to 1 year	1,697	1,789
Liabilities from leases 1 to 5 years	2,240	2,426
Liabilities from leases of more than 5 years	1,590	1,661

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	**31/12/2023**	**31/12/2022**
Depreciation and amortisation	1,958	1,964
Interest expenses	117	32
Leases of short duration (Short-Term Leases)	2	2
Leases for low-value assets	30	28
Total leasing expenses	**2,107**	**2,026**

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

in KEUR	**31/12/2023**	**31/12/2022**
Payments from leases for low-value assets	30	28
Payments made under short-term leases	2	2
Payments from leases	2,000	1,897
of which from principal repayment	1,883	1,865
of which from interest	117	32
Total leasing payments	**2,032**	**1,927**

The payments from short-term/low-value leases relate to operating cash flow, principal and interest payments relate to cash flows from financing activities.

13. Trade payables

Except for the amount of EUR 121 thousand reported under non-current liabilities (previous year: EUR 79 thousand), trade payables have a remaining term of less than one year. Liabilities are still subject to simple retention of title until they are settled in full.

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

14. Advance payments received on orders

As at 31 December 2023, advance payments received on orders were as follows:

in KEUR	31/12/2023	31/12/2022
Payments received on account of orders	218	668
Total	**218**	**668**

15. Other liabilities

31/12/2023 in KEUR	up to 1 year	between 1 and 5 years	more than 5 years	Total
Personnel liabilities	1,903	367	164	2,434
Tax liabilities	1,870	0	0	1,870
Other liabilities	678	0	0	678
Prepaid expenses	62	0	0	62
Total	**4,513**	**367**	**164**	**5,044**

31/12/2022 in TEUR	up to 1 year	between 1 and 5 years	more than 5 years	Total
Personnel liabilities	3,048	245	181	3,474
Tax liabilities	2,361	0	0	2,361
Other liabilities	497	0	0	497
Prepaid expenses	50	0	0	50
Total	**5,956**	**245**	**181**	**6,382**

Personnel liabilities are composed as follows:

in KEUR	31/12/2023	31/12/2022
Liabilities for bonuses	999	1,755
Holiday, flexitime credit	356	368
Severance payments	25	226
Other social security liabilities	228	253
Liabilities for contributions to occupational health and safety agency	44	50
Anniversary obligations	289	308
Miscellaneous other personnel liabilities	493	514
Total	**2,434**	**3,474**

Miscellaneous other personnel liabilities include share-based remuneration in the amount of EUR 253 thousand (previous year: EUR 118 thousand). Anniversary obligations are calculated using the Projected Unit Credit method. The underlying discount rate is 3.32 per cent (previous year: 3.89 per cent). Mortality and termination probability is calculated in accordance with the 2018 G Heubeck mortality tables. An annual turnover rate of 8.6 per cent (previous year: 3 per cent) is assumed. The fair value of the Performance Share Plan was determined as at 31 December 2023 on the basis of the following parameters:

in EUR	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Date of issue	**4/12/2021**	**4/14/2022**	**4/18/2023**
Average share price on date of issue	24.34	31.66	40.47

in years	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Term			
Total term	4	4	4
Remaining term on 31/12/2023	1.28	2.28	3.28

in EUR	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Share price on valuation date	**33.20**	**33.20**	**33.20**
Expected volatility	45.00%	45.00%	45.00%
Risk-free interest rate p. a.	2.000%	2.000%	2.000%
Fair value on date of issue	23.97	25.14	31.99
Fair value on 31/12/2023	40.43	31.52	18.51

Development of the number of units of the Performance Share Plan

In units	As at 01/01/2023	Proportionately changed	Granted	As at 31/12/2023
Tranche 2021	2,717	1,579	0	4,296
Tranche 2022	871	1,211	0	2,082
Tranche 2023	0	0	736	736

The total expense from share-based remuneration recognised in the fiscal year amounted to EUR 135 thousand (income in previous year: EUR 117 thousand). The corresponding non-current liability amounts to EUR 253 thousand.

16. Capital risk management

The Group manages its capital in order to ensure that all Group companies can operate as a going concern and 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 reporting date, the equity ratio was approximately 77 per cent (previous year: 70 per cent) and the net gearing ratio was approximately –17 per cent (previous year: –6 per cent). Moving ahead, the company plans to continue optimising the capital structure, taking risk and return aspects into account.

in KEUR

	31/12/2023	31/12/2022
Liabilities	23,919	36,476
Cash and bank balances	– 37,570	– 41,574
Net debt	**– 13,651**	**– 5,098**
Equity	80,485	84,079
Net debt to equity	– 16.96%	– 6.06%

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. These capital requirements were met during the entire term of the loan to date.

As at 31 December 2023, no changes were made to the capital risk management targets or processes.

Notes on the consolidated income statement

17. Revenue

in KEUR

	2023	2022
Revenue from the sale of components and modified components	144,244	152,723
Revenue from service	2,049	2,647
Revenue	**146,293**	**155,370**

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

For the 2023 fiscal year, the company was able to continue to serve a wide range of industries without having any particular industry focus. While Industrial Automation and Sports & Entertainment contribute a disproportionate share, they currently account for less than 30 per cent of all revenue in total.

For purchased software products that are sold on without additional services, STEMMER IMAGING reports the net revenue generated from the mediation service.

in KEUR

Presentation of gross/net	2023 Principal classification	2023 Agent classification (reported)	2022 Principal classification	2022 Agent classification (reported)
Revenue	149,585	146,293	158,452	155,370
Cost of materials	– 91,612	– 88,250	– 100,026	– 97,014
Gross profit	57,973	58,043	58,426	58,356
EBITDA	27,023	26,953	28,313	28,243
EBITA	24,076	24,006	25,726	25,656
EBITDA margin	18.1%	18.4%	17.9%	18.2%

A breakdown of revenue by region is also provided below:

in KEUR

	2023	2022
Germany	49,406	51,162
Europe (excluding Germany)	91,059	99,549
Rest of world	5,828	4,659
Total	**146,293**	**155,370**

The breakdown of revenue by region is based on the location of the customer, i.e. the place of delivery. Neither in the 2023 fiscal year nor in the 2022 fiscal year did STEMMER IMAGING generate more than 10 per cent of its total revenue with any one customer.

18. Other operating income

Other operating income breaks down as follows:

in KEUR

	2023	2022
Foreign currency gains	955	1,490
Government subsidies	275	98
Offset non-cash benefits	187	182
Prior-period income	10	0
Reversal of valuation allowances on receivables	422	501
Income from provision releases and other liabilities	97	597
Income from compensation	119	167
Income from the disposal of fixed assets	22	12
Miscellaneous other operating income	123	637
Total	**2,210**	**3,684**

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

in KEUR

	2023	2022
Foreign currency gains	955	1,490
Reversal of valuation allowances on receivables	422	501
Result of financial instruments carried as assets at amortised cost	**1,377**	**1,991**

Government subsidies include payments of EUR 266 thousand for research and development measures (previous year: EUR 62 thousand). There are no unfulfilled conditions in connection with the grants. Further information on government grants can be found in note B 11.

19. Cost of materials

Costs of materials are composed as follows:

in KEUR

	2023	2022
Cost of raw materials, consumables and supplies, and of purchased merchandise	87,147	95,654
Cost of purchased services	1,103	1,360
Cost of materials	**88,250**	**97,014**

20. Personnel expenses and number of employees

Personnel expenses developed as follows:

in KEUR

	2023	2022
Wages and salaries	19,529	19,179
Other social security contributions and employee benefit costs	4,219	4,470
Total	**23,748**	**23,649**

In the reporting year, the Group employed an average of 295 staff (previous year: 327).

21. Depreciation and amortisation

Depreciation on property, plant and equipment stood at EUR 2,947 thousand (previous year: EUR 2,587 thousand). Amortisation on intangible assets amounted to EUR 2,149 thousand (previous year: EUR 1,315 thousand). In the third quarter of 2023, an impairment loss of EUR 912 thousand was recognised on the value of the INFAIMON brand. Following the conversion of the former INFAIMON companies' public image to the STEMMER IMAGING brand, no further benefit is derived from the asset. A fair value of EUR 0 was therefore determined.

22. Other operating expenses

Other operating expenses break down as follows:

in KEUR

	2023	2022
Selling expenses	1,646	1,948
General and administrative expenses	4,450	4,643
Rent, leases	58	72[1]
Operating expenses	840	935[1]
Impairments on financial assets	338	293
Foreign currency losses	1,327	1,522
Expenses related to affiliated companies	479	462
Miscellaneous other operating expenses	414	273[1]
Total	**9,552**	**10,148**

1 Prior-year figures were adjusted.

The allocation of cost types in other operating expenses was changed slightly in the 2023 fiscal year. The transfer of incidental rental costs to operating expenses strengthens cost control. The prior-year values were adjusted. The rental and leasing expenses for 2022 have decreased by EUR 296 thousand. By contrast, operatingexpenses increased by EUR 247 thousand and miscellaneous other operating expenses by EUR 49 thousand.

Rent and lease expenses of EUR 58 thousand include expenses for leases of low-value and current assets of EUR 32 thousand and other expenses from leases (incidental costs) of EUR 26 thousand.

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

in KEUR

	2023	2022
Impairments on financial assets	338	293
Foreign currency losses	1,327	1,522
Result of financial instruments carried as assets at amortised cost	**1,665**	**1,815**

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

in KEUR

	2023	2022
Result of financial instruments carried as assets at amortised cost	90	24
Result from financial instruments at fair value through profit and loss	– 53	– 51

23. Net finance income

Net finance income is composed as follows:

in KEUR

	2023	2022
Finance income	90	24
Finance costs	– 170	– 83
Total	**– 80**	**– 59**

Finance income mainly consists of interest on bank balances.

Finance costs are composed as follows:

in KEUR

	2023	2022
Interest and similar expenses to third parties	53	51
Interest and similar expenses for leasing	117	32
Total	**170**	**83**

24. Income taxes

Income taxes are composed as follows:

in KEUR

	2023	2022
Taxes on income	6,227	6,562
Deferred taxes	– 180	– 253
Total	**6,047**	**6,309**

Total actual and deferred taxes resulting from the item directly deducted from or added to equity are EUR –11 thousand (previous year: EUR –12 thousand).

Domestic income taxes include corporate tax of 15 per cent plus the solidarity surcharge of 5.5 per cent on the corporate tax, as well as trade tax at the typical assessment rate (average trade tax rate in 2023 and 2022: 12.25 per cent) and/or comparable foreign taxes.

The differences between the expected tax expense with application of the overall tax rate applicable for STEMMER IMAGING AG to consolidated net income and the tax expense that is actually payable are reconciled as follows for the 2023 and 2022 fiscal years:

in KEUR

	2023	2022
Profit before income taxes	21,777	24,282
Expected income tax income (+), income tax expense (-) at a tax rate of 28.08%	– 6,114	– 6,818
Impact of differing tax rates at subsidiaries in other legal jurisdictions	– 206	494
Taxes for previous years	116	– 28
Permanent differences in the statement of financial position	47	– 108
Impacts due to taxe rate changes	– 9	13
Impact of tax-free income/non-deductible expenses	336	7
Impact of first-time consideration/ non-consideration of DTA	– 217	131
Total	**– 6,047**	**– 6,309**
Income tax income (+), income tax expense (-) recognised in profit and loss	**– 6,047**	**– 6,309**

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

	2023	2022
Taxes on income	– 6,227	– 6,562
Deferred taxes	180	253
Taxes on income	– 6,047	– 6,309
Earnings before tax	21,777	24,282
Actual tax expense ratio	27.77%	25.98%

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

in KEUR

	2023	2022
Goodwill	39	53
Property, plant and equipment	19	17
Inventories	84	84
Trade receivables	226	249
Provisions for pensions	18	19
Personal liabilities and other provisions	113	98
Loss carryforwards	28	263
Trade payables	7	31
Other liabilities	1,275	1,317
Other	50	30
Deferred tax assets	**1,859**	**2,161**
Offsetting	– 1,512	– 1,740
Deferred tax assets	**347**	**421**

No deferred tax was recognised for foreign losses carried forward of EUR 1.224 thousand (previous year: EUR 322 thousand.

The loss of tax loss carryforwards over the next 10 years can be broken down as follows:

in KEUR

	Corporate income tax loss carryforward	Trade tax loss carryforward
Expiration next year	12	0
Expiration in 2 years	16	0
Expiration in 3 years	0	0
Expiration in 4 years	26	0
Expiration in 5 years	0	0
Expiration in 6 years	0	0
Expiration in 7 years	0	0
Expiration in 8 years	95	0
Expiration in 9 years	0	0
Expiration in 10 years	0	0
No expiraton/forfeiture in the foreseeable future	1,170	0

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

in KEUR

	2023	2022
Intangible assets	789	1,281
Property, plant and equipment	1,275	1,342
Inventories	16	0
Other liabilities	200	177
Provisions for pensions	21	13
Trade payables	0	5
Other financial liabilities	35	19
Other	4	3
Deferred tax liabilities	**2,340**	**2,840**
Offsetting	– 1,512	– 1,740
Deferred tax liabilities	**828**	**1,100**

A deferred tax liability was not recognised on temporary differences of EUR 543 thousand (previous year: EUR 105 thousand) pertaining to shares in subsidiaries because the Group can control the timing for the reversal of these differences and they are not expected to reverse in the foreseeable future.

As a “POPE” (partially-owned-parent-company), the STEMMER Group falls within the scope of the OECD Pillar Two model regulations. The “Minimum Taxation Directive Act” (Mindestbesteuerungsrichtlinie-Gesetz) was promulgated on 27 December 2023 in Germany, the jurisdiction in which STEMMER IMAGING AG is domiciled, and came into force on the day after its promulgation. As the provisions of this act generally apply to all fiscal years beginning after 31 December 2023, the Group was not subject to any tax burden in this respect as at the reporting date. The Group makes use of the exemption from recognising deferred taxes in connection with Pillar Two income taxes, which was the subject of the amendments to IAS 12 published in May 2023.

According to the legislation, the Group must pay an additional tax per country in the amount of the difference between the GloBE effective tax rate and the minimum rate of 15 per cent. All Group companies are subject to an effective tax rate of more than 15 per cent with the exception of subsidiaries based in Poland, Switzerland and Austria.

The Group is currently in the process of assessing the impact of Pillar Two for fiscal years beginning after 31 December 2023. This analysis results in an average effective tax rate for the 2023 reporting period for the jurisdiction of Poland based on the IFRS result of 1.46 per cent, for the jurisdiction Switzerland an average effective tax rate of 10.62 per cent and for the jurisdiction Austria an average effective tax rate of –31.41 per cent. Although the respective average effective tax rate is below 15 per cent, the Group may not have to pay Pillar Two income taxes in the aforementioned jurisdictions. This is due to specific adjustments provided for in the Pillar Two legislation, which may result in deviations from the effective tax rates calculated in accordance with IAS 12.86.

Due to the complexity of applying the legislation and calculating GloBE income, it is not yet possible to reliably estimate the quantitative impact of the legislation that has been passed or entered into force.

25. 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 2023 fiscal year.

The result of calculating basic earnings per share for the 2023 and 2022 fiscal years is given below:

in KEUR

	2023	2022
Result attributable to ordinary shareholders of the parent entity (in EUR thousand)	15,730	17,973
Average weighted number of ordinary shares	6,500,000	6,500,000
Earnings per share (cents per share)	2.42	2.77

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 to items in the statement of financial position shown in the consolidated statement of cash flows cannot be derived directly from the consolidated statement of financial position because non-cash effects are excluded.

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 and financial assets. If there is an acquisition or disposal of subsidiaries or other businesses (obtaining or losing control), the impact on the statement of cash flows is shown in individual items. Key elements in cash flow from financing activities are changes in capital and dividends paid. The cash flow from financing activities includes repayments for lease liabilities of EUR 1,883 thousand (previous year: EUR 1,865 thousand).

Cash funds (EUR 37,570 thousand, previous year: EUR 41,574 thousand) contain cash and cash equivalents of EUR 37,570 thousand (previous year: EUR 41,574 thousand).

C. Other disclosures

1. Related parties

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

Disclosures on affiliated companies

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

Transactions with PRIMEPULSE SE, Munich

The direct shareholding of PRIMEPULSE SE, Munich, in the company was 69.36 per cent as at the reporting date of 31 December 2023. In the previous year, PRIMEPULSE SE directly held 69.10 per cent of the shares in STEMMER IMAGING AG.

Transactions with PRIMEPULSE SE, Munich, and its related companies

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). For providing the services, PRIMEPULSE SE, Munich, receives daily rates of EUR 1,500 in each case (previous year: EUR 1,500) (plus expenses, value added tax and travel costs). In the fiscal year from 1 January to 31 December 2023, a total gross amount of EUR 571 thousand (previous year: EUR 558 thousand) (net EUR 480 thousand, previous year: EUR 469 thousand) was charged for purchased services and allocated costs, of which EUR 479 thousand (previous year: EUR 462 thousand) was recognised as an expense in 2023.

A total of EUR 571 thousand (previous year: EUR 558 thousand) was paid to PRIMEPULSE SE, Munich, by 31 December 2023. As at 31 December 2023, STEMMER IMAGING AG therefore reported no liability to PRIMEPULSE SE, Munich, for services received.

In the previous year, STEMMER IMAGING AG incurred gross project-related costs of EUR 511 thousand, which were passed on to PRIMEPULSE SE. No project-related costs were passed on in the current fiscal year.

There were no other transactions with the companies of the PRIMEPULSE Group in the fiscal year from 1 January to 31 December 2023.

Mindcurv GmbH, a related company of PRIMEPULSE SE, provided services valued at EUR 658 thousand (previous year: EUR 343 thousand) for the STEMMER Group in the reporting year. Of this amount, EUR 0 thousand (previous year: EUR 343 thousand) was outstanding as at 31 December 2023.

Furthermore, invoiced services existed for information technology from glueck-kanja-gab AG, Offenbach am Main (EUR 217 thousand, previous year: EUR 197 thousand). Of this amount, EUR 1 thousand (previous year: EUR 13 thousand) was still outstanding as at 31 December 2023. glueckkanja-gab AG is a subsidiary in the PRIMEPULSE Group.

Disclosures on management in key positions

In the fiscal year, the members of the Executive Board were granted total remuneration of EUR 934 thousand (previous year: EUR 1,030 thousand) for their activities in the Group. This remuneration consists of payments due in the short term in the amount of EUR 799 thousand (previous year: EUR 912 thousand) and the granted long-term remuneration component described below.

The fair value of the Performance Share Plan was determined as at 31 December 2023 on the basis of the following parameters:

in EUR	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Date of issue	**4/12/2021**	**4/14/2022**	**4/18/2023**
Average share price on date of issue	24.34	31.66	40.47

in years	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Term			
Total term	4	4	4
Remaining term on 31/12/2023	1.28	2.28	3.28

in EUR	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Share price on valuation date	**33.20**	**33.20**	**33.20**
Expected volatility	45.00%	45.00%	45.00%
Risk-free interest rate p. a.	2.000%	2.000%	2.000%
Fair value on date of issue	23.97	25.14	31.99
Fair value on 31/12/2023	40.43	31.52	18.51

Development of the number of units of the Performance Share Plan

In units	As at 01/01/2023	Proportionately changed	Granted	As at 31/12/2023
Tranche 2021	2,717	1,579	0	4,296
Tranche 2022	871	1,211	0	2,082
Tranche 2023	0	0	736	736

The expense from share-based remuneration recognised in the fiscal year amounted to EUR 135 thousand (previous year: EUR 117 thousand in income) and was carried forward in the same amount as a non-current liability.

For post-employment obligations in the form of a pension commitment to a former executive, EUR 93 thousand was recognised as at 31 December 2023 (previous year: EUR 85 thousand); EUR 4 thousand (previous year: EUR 27 thousand income) was recognised as expenses for this purpose in the reporting year.

2. Company bodies

The members of the Executive Board in the 2023 fiscal year were:

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

In the 2023 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	Chairman of the Advisory Board and 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 (until the 12. of March 2024), Deputy Chairman of the Supervisory Board of glueckkanja-gab AG, Offenbach am Main
Markus Saller	Director Mergers & Acquisitions of PRIMEPULSE SE, Munich	Deputy Chairman	Deputy Chairman of the Supervisory Board of KATEK SE, Munich (until the 12. of March 2024), Member of the Board of Directors Autonomous Capital AG, Zurich, Switzerland
Prof. Dr. Constanze Chwallek	Professor at FH Aachen - University of Applied Sciences, Faculty of Business Studies, Aachen	Member until 12/05/2023	Chairwoman of the Supervisory Board of Adaption AG, Aachen
Prof. Dr. Isabell M. Welpe	Professor at the Technical University of Munich Department of Strategy and Organisation, Munich	Member from 12/05/2023	Member of the Supervisory Board Deloitte Deutschland GmbH, Düsseldorf; CANCOM SE, Munich; CENIT AG, Munich and Indus Holding AG, Bergisch Gladbach

The total remuneration of the Supervisory Board amounted to EUR 110 thousand in the 2023 fiscal year (previous year: EUR 108 thousand).

3. Shareholdings held by members of company bodies

Shareholdings held by members of the Executive Board:

As at 31 December 2023, 69.36 per cent (previous year: 69.10 per cent) of the shares in STEMMER IMAGING AG were held by PRIMEPULSE SE, Munich.

As at 31 December 2023, Arne Dehn held 0.67 per cent (previous year: 0.67 per cent) and Uwe Kemm held 0.23 per cent (previous year: 0.23 per cent) of STEMMER IMAGING AG. Former Executive Board member Christof Zollitsch held 1.90 per cent (previous year: 1.90 per cent), and former Executive Board member Martin Kersting held 2.60 per cent (previous year: 2.64 per cent) of the shares on the reporting date.

Shareholdings held by members of the Supervisory Board:

As at the reporting date, Klaus Weinmann indirectly held 20.98 per cent (previous year: 20.89 per cent) of the shares in STEMMER IMAGING AG. Markus Saller held an indirect stake of 0.03 per cent (previous year: 0.03 per cent).

4. Contingencies, contingent liabilities and other financial obligations

There were 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.

5. Auditor's fee

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

in KEUR

	31/12/2023	31/12/2022
Audits of financial statements	171	117
Total	**171**	**117**

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	100	c	1
2.	SIS STEMMER IMAGING Services GmbH, Puchheim	100	c	1
3.	STEMMER IMAGING S. A. S., Puteaux/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., Barendrecht/Niederlande	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, Turku/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[1]	100	c	1
14.	INFAIMON UNIPESSOAL LDA., Aveiro/Portugal[2]	100	c	13
15.	INFAIMON MEXICO S. A. DE C. V., Querétaro QRO./Mexiko[3]	100	c	13
16.	STEMMER IMAGING LTDA., São Bernardo do Campo/Brazil[4]	100	c	13

c = fully consolidated companies
1 renamed STEMMER IMAGING S.L.U. as of 10 January 2024.
2 renamed STEMMER IMAGING, UNIPESSOAL LDA as of 15 February 2024
3 renamed STEMMER IMAGING, S.A. DE C.V. as of 29 February 2024
4 renamed STEMMER IMAGING LTDA. as of 21 November 2023

6. Exemption in accordance with section 264 (3) HGB

As a domestic subsidiary, SIS STEMMER IMAGING Services GmbH, Puchheim, utilised the exemption option provided for in section 264 (3) HGB in the 2023 fiscal year.

7. Events after the end of the reporting period

On March 22, 2024, STEMMER IMAGING AG signed an agreement to acquire 100% of the shares in Phase 1 Technology Corp, USA. Phase 1 Technology is a leading distributor of machine vision technology with focus on North America. STEMMER IMAGING expects a revenue contribution of around EUR 5 million for the 2024 financial year, depending on the closing date of the transaction. The purchase price is in the lower single-digit million range. No earnings contribution is expected in the 2024 financial year.

STEMMER IMAGING AG will obtain control within the meaning of IFRS 10 once the closing conditions have been met, which are decisive for the exercise of control over Phase 1 Technology. STEMMER IMAGING will only be exposed to the risk of fluctuating returns after tsuccessful closing. This is expected for the second quarter of 2024.

At the time of preparing the consolidated financial statements, the fair value of the net assets acquired could not be reliably determined because the relevant acquisition date for the measurement is after the preparation of the consolidated financial statements.

STEMMER IMAGING AG signed a rental agreement for office space in Munich on March 22, 2024. The lease commences on October 1, 2024. The company's move to Munich will result in an increase in annual rent of around EUR 500 thousand compared to the current rental property in Puchheim.

As part of the integration of the Spanish and Latin American subgroup, the following companies were renamed as of February 1, 2024

INFAIMON, S.L.U., Barcelona/Spain, renamed STEMMER IMAGING S.L.U. as of January 10, 2024.
INFAIMON UNIPESSOAL, LDA, Aveiro/Portugal, from February 15, 2024 change of name to STEMMER IMAGING, UNIPESSOAL LDA)
INFAIMON MEXICO S.A. DE C.V., Querétaro. QRO./Mexico, renamed STEMMER IMAGING, S.A. DE C.V. as of February 29, 2024).

Non-recurring expenses of EUR 912 k were already recognized in the 2023 financial year for the replacement of the INFAIMON brand. No further expenses will arise from the replacement of the INFAIMON brand name for the entire 2024 financial year.

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 the financial statements

The Executive Board approved the financial statements on 27 March 2024.

Puchheim, 27 March 2024

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, 27 March 2024

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 and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated statement of profit and loss and consolidated statement of comprehensive income for the financial year from 1 January 2023 to 31 December 2023, the consolidated statement of changes in equity and the consolidated statement of cash-flows for the financial year from 1 January 2023 to 31 December 2023, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the combined management report of STEMMER IMAGING AG for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the subsections "Internal control system and risk management system", "Compliance management system" and "Key features of the accounting-related and non-accounting related internal control system and risk management system" contained in the Risk report, as well as the (Group) Corporate Governance Statement, which also contains the Declaration on the German Corporate Governance Code, which is referred to in Section "02 Combined management report"

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 § 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 of 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, 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 content of the components of the combined management report referred to in the subsections "Internal Control and Risk Management System", "Compliance Management System" and "Key Features of the Accounting and Non-Accounting Internal Control System and Risk Management System" within the Risk Report.

Pursuant to § 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 § 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer ("IDW", German Institute of Public Auditors). 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 pursuant to European law as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, we declare in accordance with Article 10 Sec. 2 lit. f) of the EU Audit Regulation that we have not provided any non-audit services prohibited under Article 5 Sec. 1 of the EU Audit Regulation. We believe the audit evidence we have obtained is sufficient and appropriate in order to provide a basis for our audit opinions expressed 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 2023 to 31 December 2023. 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.

From our point of view, the following matter was the most significant in our audit:

– Impairment of goodwill

We have structured our presentation of this particularly important audit matter as follows:

1.) Facts and problem
2.) Audit procedure and findings
3.) Reference to further information

In the following, we present this particularly important audit matter:

Impairment of goodwill

1. In the consolidated financial statements of STEMMER IMAGING AG, goodwill in the amount of EUR 19.378 million is reported under the balance sheet item "Intangible assets", which thus represents around 18.56% of the balance sheet total. Goodwill is subject to impairment tests by the Company on an annual basis each 30th November of the financial year or on an ad hoc basis. In principle, the determined value in use is compared with the book values of the corresponding group of cash-generating units. These valuations are usually based on the present value of future cash flows of the cash-generating unit, to which the respective goodwill is to be allocated. The valuations are based on the planning calculations of the individual cash-generating units, which are based on the financial plans approved by management. Discounting is based on the weighted average cost of capital of the respective cash-generating unit. The outcome of this valuation is highly dependent on management's assessment of future cash inflows and the discount rate used and is therefore subject to considerable uncertainty, which is why this matter is of particular importance in the context of our audit.

2. In order to adequately assess this risk, we have critically evaluated management's assumptions and estimates, and, among others, performed the following audit procedures:

   We have traced the underlying processes related to the planning of future cashflows as well as the determination of the values in use and the controls implemented in the planning process.

   Furthermore, we have understood the methodological procedure for carrying out the impairment tests and assessed the determination of the weighted average cost of capital.

   We have assured ourselves that the future cash inflows underlying the valuations and the discount rates used as a whole provide an appropriate basis for the impairment tests of the individual cash-generating units.

   Our assessment of the planning calculations was based, among others, on a comparison with general and industry-specific market expectations as well as management’s detailed explanations on the key value drivers of the plannings and a comparison of this information with the current budgets from the planning approved by the Supervisory Board.

   Knowing that even relatively small changes in the discount rate can have a significant impact on the amount of the value in use determined in this way, we looked at the parameters used to determine the discount rate used, traced the Company's calculation scheme and checked it by our own mathematical calculations.

Considering the available information, the valuation parameters and assumptions applied by the management are, in our view, generally suitable for an impairment testing of goodwill.

3. The Company's goodwill disclosures are contained in the notes to the consolidated financial statements in subsection "A. Fundamentals of the Consolidated Financial Statements" under "4.1. Consolidation Principles", "4.4. Intangible Assets" and "4.9. Impairment losses of Non-Financial Assets" and in the subsection "B. Explanations to the consolidated financial statement assets" under "1. Intangible Assets".

Other Information

The executive directors and the Supervisory Board are responsible for the other information. The other information comprises the following matters of the combined management report:
- the responsibility statement attached to the consolidated financial statements in accordance with § 297 (2) sentence 4 HGB and in accordance with § 289 (1) sentence 5 HGB and § 315 (1) sentence 5 HGB in the combined management report.y
- the (Group) Corporate Governance Statement published on the Company's website, which is referred to in the section "(Group) Corporate Governance Statement" of the combined management report.
- the other parts of the Annual Report (in particular the subsections "Internal Control and Risk Management System", "Compliance Management System" and "Key Features of the Accounting and Non-Accounting Internal Control System and Risk Management System" within the Risk Report), but not the individual financial statements and the consolidated financial statements, not the disclosures in the combined management report included in the content audit and our related audit reports.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information
- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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 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 § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 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 actions taken or safeguards applied to eliminate independence threats.

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

Other legal and regulatory requirements

Report on the audit of the electronic renderings of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with § 317 (3a) HGB

Audit opinion

In accordance with § 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached electronic file "„ESEFUnterlagen-KAStemmer2022.zip" and prepared for publication purposes complies in all material respects with the requirements pursuant to § 328 (1) HGB concerning 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 consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this rendering nor to any other information contained in the above-mentioned file.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the above-mentioned attached file and prepared for publication purposes complies in all material respects with the electronic reporting format requirements pursuant to § 328 (1) HGB. Beyond this opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023 contained in the above "Report on the audit of the consolidated financial statements and the combined management report", we do not express any opinion on the information contained in these renderings or on any other information contained in the above file.

Basis for the audit opinion

We conducted our audit on the rendering of the consolidated financial statements and the combined management report contained in the above-mentioned attached file in accordance with § 317 (3a) HGB and the IDW Auditing Standard: Audit of the electronic rendering of financial statements and management reports prepared for publication purposes in accordance with § 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Group auditor's responsibility for the audit of the ESEF documents" section. Our audit firm has complied with the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Audit Firm (IDW QMS 1).

Executive Directors' and Supervisory Board's responsibilities for the ESEF documents

The Company's executive directors are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

Furthermore, the Company's executive directors are responsible for such internal controls as they have determined necessary in order to enable the preparation of the ESEF documents that are free from any material non-compliance, whether due to fraud or error, with the provisions pursuant to § 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.

Group auditor's responsibilities for the audit of the ESEF documents

Our objective is to obtain reasonable assurance as to whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements pursuant to § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the entire audit. We also:

- identify and assess the risks of material non-compliance with the requirements pursuant to § 328 (1) HGB, 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 opinion.

- obtain an understanding of the internal controls relevant for the audit of the ESEF documents in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.

- assess the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents complies with the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the reporting date on the technical specification for this file.

- assess whether the ESEF documents allow for a XHTML rendering with content identical to the audited consolidated financial statements and the audited combined management report.

- assess whether the tagging of ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version in force at the reporting date, provides an adequate and complete machinereadable XBRL copy of the XHTML rendering.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor and Group auditor by the annual general meeting on 12 May 2023. We were engaged by the Supervisory Board on 10 October 2023. We have been the Group auditor of STEMMER IMAGING AG, Puchheim, without interruption since the financial year 2022.

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

Other matters – Use of the Audit Report

Our audit report must always be read in conjunction with the audited consolidated financial statements and audited combined management report as well as the audited ESEF documents. The consolidated financial statements and combined management report converted to ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein are to be solely used together with the audited ESEF documents made available in electronic format.

German public auditor responsible for the engagement

The German Public Auditor responsible for the audit is Andreas Weissinger.

München, 27 March 2024

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Weissinger
Wirtschaftsprüfer
German CPA

Fußstetter
Wirtschaftsprüfer
German CPA

SYSTEMS HOUSE

STEMMER IMAGING provides the eyes for AI. With a background of allround engineering expertise, STEMMER IMAGING delivers the entire spectrum of machine vision services for both, industrial and non-industrial applications – from value-added services to the development of subsystems and its own products, based on an extensive commercial range of products.

This image is AI-generated with Dall-E3.*

* Dall-E3 is an AI model that specializes in generating images based on textual descriptions.

04
Single-entity financial statements

Balance sheet

ASSETS
in KEUR

	31/12/2023	31/12/2022
A. Fixed assets	**39,874**	**41,154**
I. Intangible assets		
1. Purchased industrial and similar rights and assets	522	709
2. Advance payments on intangible assets	1,230	657
	1,752	**1,366**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buidings on third-party land	125	558
2. Other equipment, operating and office equipment	406	448
	531	**1,006**
III. Financial assets		
1. Shares in affiliated companies	34,545	34,545
2. Loans to affiliated companies	2,986	4,237
4. Other loans	60	0
	37,591	**38,782**
B. Current assets	**101,352**	**92,186**
I. Inventories		
1. Goods	40	71
2. Advance payments on goods	8	1
	48	**72**
II. Receivables and other assets		
1. Trade receivables	5,934	5,128
2. Receivables from affiliated companies	63,882	58,040
4. Other assets	576	1,319
	70,392	**64,487**
III. Cash-in-hand and bank balances	30,912	27,627
C. Prepaid expenses	**471**	**276**
	141,697	**133,616**

ASSETS
in KEUR

	31/12/2023	31/12/2022
A. Equity	**73,940**	**77,200**
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	17,940	21,200
B. Provisions	**2,946**	**5,951**
1. Provisions for taxes	857	3,700
2. Other provisions	2,089	2,251
C. Liabilities	**64,811**	**50,465**
1. Liabilities to banks	1,500	3,500
2. Payments received on account of orders	37	125
3. Trade payables	138	438
4. Liabilities to affiliated companies	62,709	46,025
5. Other liabilities	427	377
	141,697	**133,616**

Income statement

in KEUR

	2023	2022
1. Revenue	**67,670**	**69,410**
2. Other operating income	759	1,660
3. Cost of materials		
a) Cost of raw materials, consumables and supplies, and of purchased merchandise	– 36,223	– 36,587
b) Cost of purchased services	– 5,216	– 4,923
	– 41,439	**– 41,510**
4. Personnel expenses		
a) Wages and salaries	– 10,922	– 11,078
b) Social security and pension expenses	– 1,845	– 1,827
	– 12,767	**– 12,905**
5. Amortisation and depreciation of intangible assets, property, plant and equipment	– 819	– 607
6. Other operating expenses	– 6,484	– 6,259
7. Income from other participations	4,174	502
8. Profits received on the basis of a profit transfer agreement	9,557	4,367
9. Income from other securities and long-term loans	149	117
10. Other interest and similar income	567	261
11. Depreciation and impairment of financial assets	– 25	– 50
12. Interest and similar expenses	– 197	– 108
13. Taxes on income	– 4,895	– 4,233
14. Other taxes	– 10	– 3
14. Earnings after tax = net income for the year	**16,240**	**10,642**
15. Retained profits brought forward before profit appropriation	21,200	15,433
16. Distribution	– 19,500	– 4,875
17. Net retained profits	**17,940**	**21,200**

Notes

1. Accounting policies

STEMMER IMAGING AG, Puchheim, (hereinafter also referred to as “the company”) is registered with the Munich Local Court 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.

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 predominantly 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 higher 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 amortisation and depreciation that would have been made during that time. No write-up takes place higher than the value of the acquisition cost

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** are carried at nominal value or the fair value as at the reporting 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: 1.0 per cent) on the net receivables that are up to 90 days past due. For net receivables that are more than 90 days past due, the global valuation allowance is increased by 25 per cent every three months.

Advance payments made 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 liabilitiesare 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 set out in section 274 (1) sentence 2 HGB would be exercised and they would not be capitalised. As in the previous year, there was a surplus of deferred tax assets in the fiscal year that was not recognised.

As a “POPE” (partially-owned-parent-company), STEMMER IMAGING AG falls within the scope of the OECD Pillar Two model regulations. The “Minimum Taxation Directive Act” (Mindestbesteuerungsrichtlinie-Gesetz) was promulgated on 27 December 2023 in Germany, the jurisdiction in which STEMMER IMAGING AG is domiciled, and came into force on the day after its promulgation. As the provisions of this act generally apply to all fiscal years beginning after 31 December 2023, the company was not subject to any tax burden in this respect as at the reporting date. The company exercises the mandatory exemption from recognising deferred taxes in connection with Pillar Two income taxes, which is set out in section 274 HGB.

Assets that are inaccessible to all other creditors, unencumbered, default-free and used solely to satisfy liabilities from pension obligations (**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 accordingly in line with the fair value of the corresponding pension liability insurance and offset against this. The mortality and retirement probabilities are determined according to the 2018 G mortality tables by Klaus Heubeck.

The discounting of the pension provision is based on an interest rate for an average remaining term of 15 years of 1.83 per cent (previous year: 1.79 per cent) and a calculated retirement age of 68 years (previous year: 68 years).

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 1.75 per cent (previous year: 1.45 per cent) for an average remaining term of 15 years. An annual fluctuation rate of 8.6 per cent (previous year: 3 per cent) is assumed. The mortality and retirement probabilities are determined according to the 2018 G mortality tables by Klaus Heubeck.

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 for the last seven years as determined by the Deutsche Bundesbank as at 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 at each reporting date and on the settlement date as expense and as a provision. The calculation is based on the fair value of the benefits on the grant date using option pricing models . The calculation is based on the current dividend yield on the reporting date. The programme envisages that annual tranches are valued at the average share price, determined 10 trading days after the publication of the results of the previous year, in order to form performance shares. These performance shares are disbursed four years later and are measured on the basis of the share price that is then valid and an EBITA multiplier, which iscalculated 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 multiplier. 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 committed instruments.

Advanced payments received on orders are recognised net after the deduction of value added tax.

Liabilities are recognised at the settlement amount. Non-current liabilities with a term of more than one year are discounted at the interest rates prevailing as at the balance sheet date.

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. In the event ofchanges in the exchange rate up to the balance sheet date, measurement is generally based on 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 equity and 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.

2. Notes to 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. For details, please refer to the statement of changes in fixed assets at the end of the single-entity financial statements.

2.2. Receivables and other assets

All receivables and other assets (with the exception of an amount of EUR 60 thousand in the previous year) are due within one year.

Receivables from affiliated companies in the amount of EUR 63,882 thousand (previous year: EUR 58,040 thousand) include cash pool receivables of EUR 49,653 (previous year: EUR 47,033 thousand) and EUR 10,921 thousand (previous year: EUR 10,921 thousand) that relate to the short-term operating credit line to a subsidiary. A further EUR 9,557 thousand (previous year: EUR 4,367 thousand) relate to receivables from profit and loss transfer with a subsidiary. In addition, liabilities to affiliated companies in the amount of EUR 6,768 thousand (previous year: EUR 4,580 thousand) are offset against receivables.

Other assets of EUR 576 thousand (previous year: EUR 1,461 thousand) mainly include VAT receivables with an amount of EUR 554 thousand (previous year: EUR 1,185 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 (pension provisions and related plan assets and holiday, incentives and anniversary provisions) and of property, plant and equipment. Overall, with an applicable tax rate of around 28 per cent (previous year: 28 per cent), this results in a deferred tax liability of EUR 44 thousand (previous year: EUR 52 thousand) and deferred tax assets of EUR 130 thousand (previous year: EUR 127 thousand), resulting in a surplus of deferred tax assets of EUR 86 thousand (previous year: EUR 75 thousand), which is not recognised in exercising the option pursuant to section 274 (1) sentence 2 HGB.

2.4. Equity

The **subscribed capital** (share capital) totalled EUR 6,500 thousand as at 31 December 2023 (previous year: EUR 6,500 thousand) and is fully paid up. As at 31 December 2023, there were 6,500,000 no-par-value bearer shares (ordinary shares). Each share represents EUR 1.00 of 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 approvalof the Supervisory Board, to increase the company's share capital on one or more occasions until 11 May 2028 by a total of up to EUR 1,950 thousand against cash and/or non-cash contributions by issuing up to 1,950,000 new no-par-value bearer shares (Authorised Capital 2023). This option was not exercised in the 2023 fiscal year.

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** pursuant to section 272 (2) no. 1 HGB amount to EUR 49,500 thousand (previous year: 49,500 thousand); therefore, 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

	31/12/2023	31/12/2022
Net profit for the year	16,240	10,642
Retained profits brought forward	21,200	15,433
Dividend distribution	– 19,500	– 4,875
Net retained profits 31/12	**17,940**	**21,200**

In terms of net retained profits, there is a restriction on the distribution of distributable profit in the amount of EUR 1 thousand (previous year: EUR 3 thousand) pursuant to section 253 (6) HGB, which is due to a difference within the meaning of section 253 (6) sentence 1 HGB between the recognition of provisions for pension obligations in accordance with the corresponding average market interest rate from the past ten fiscal years and the recognition of provisions in accordance with the corresponding average market interest rate from the past seven fiscal years.

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 obligations (original obligation EUR 100 thousand); settlement amount of the obligation as at the balance sheet date EUR 115 thousand (previous year: EUR 113 thousand) with assets (fair value EUR 115 thousand, previous year : EUR 113 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

	31/12/2023
Pension obligation	115
Plan assets (fair value)	115
Provisions for pensions	0
Plan assets (acquisition costs)	100

Other provisions of EUR 2,089 thousand (previous year: EUR 2,251 thousand) essentially include personnel provisions (in particular, for holiday, flexitime, bonuses, anniversaries and severance payments) in the amount of EUR 1,450 thousand (previous year: EUR 1,619 thousand), amounts for auditing the financial statements, tax advice and the Annual General Meeting (EUR 332 thousand; previous year: EUR 334 thousand) as well as for other provisions (EUR 307 thousand; previous year: EUR 299 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 253 thousand (previous year: EUR 118 thousand).

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 8.5 million (previous year: EUR 6.5 million) was repaid on 31 December 2023. Of the loan, EUR 1.5 million has a remaining term of up to one year (previous year: EUR 2.0 million); EUR 0.0 million (previous year: EUR 1.5 million) has a remaining term of one to five years. The loan is unsecured.

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

Trade payables with a remaining term of up to one year are subject to retentions of title for goods supplied, as is typical in the sector.

Of the liabilities to affiliated companies, EUR 3,851 thousand (previous year: EUR 3,349 thousand) relate to short-term intercompany loans. A further EUR 58,802 thousand (previous year: EUR 42,636 thousand) is attributable 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

	31/12/2023	31/12/2022
Tax liabilities	226	166
Social security liabilities	20	31
Remaining other liabilities	181	179
Total	**427**	**376**

3. Notes to the income statement

3.1. Revenue

STEMMER IMAGING AG is one of the leading specialist distributor of machine vision technology. The generated revenue is distributed as follows:

By area of activity

in KEUR

	2023	2022
Revenue from the sale of components and modified components	53,300	55,010
Intra-group allocations and services	14,370	14,400
Total	**67,670**	**69,410**

By region:

in KEUR

	2023	2022
Germany	63,848	65,817
EU	3,239	3,131
Other	583	462
Total	**67,670**	**69,410**

3.2. Other operating income

Prior-period income of EUR 162 thousand (previous year: EUR 594 thousand) is recognised under other operating income. This primarily relates to income from the reversal of provisions and the reduction of valuation allowances.

In addition, other operating income includes **income from currency translation** of EUR 318 thousand (previous year: EUR 354 thousand); EUR 212 thousand (previous year: EUR 233 thousand) of this relate 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 5 thousand** (previous year: EUR 7 thousand), attributable in full to pension expenses for a former executive.

3.4. Other operating expenses

Other operating expenses include **expenses from currency translation** of EUR 545 thousand (previous year: EUR 379 thousand). Of this, EUR 460 thousand (previous year: EUR 203 thousand) relate to unrealised expenses.

Other operating expenses also include prior-period expenses of EUR 36 thousand (previous year: EUR 0 thousand). These mainly result from accruals for services received in the 2022 fiscal year.

3.5. Net income from investments

Net income from investments include EUR 4,174 thousand (previous year: EUR 502 thousand) in profit distributions from **affiliated companies**.

In addition, EUR 9,557 thousand (previous year: EUR 4,367 thousand) are attributable to income from the profit transfer agreement with SIS STEMMER IMAGING Services GmbH

3.6. Net finance income

in KEUR

	2023	2022
Income from other securities and long-term loans	149	117
Other interest and similar income	567	255
Interest and similar expenses	– 197	– 108
Total	**519**	**264**

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 178 thousand (previous year: EUR 70 thousand) relate to interest expenses to affiliated companies.

Interest expense from the pension obligation (EUR 2 thousand) was netted with income from the plan assets (EUR 3 thousand).

3.7. Depreciation and impairment of financial assets

Of the depreciation and impairment of financial assets of EUR 25 thousand (previous year: EUR 50 thousand), EUR 25 thousand (previous year: EUR 50 thousand) relate to loans to affiliated companies. The shelf company Stemmer Imaging S. R. L. received a loan in the amount of EUR 25 thousand, which was written off immediately as it relates to the financial resources of shelf companies.

3.8. Taxes on income

Taxes on income include prior-period expenses of EUR 17 thousand (previous year: prior-period expenses of EUR 159 thousand).

3.9. Extraordinary expenses and income

Extraordinary income

No extraordinary income was recognised in the reporting period (previous year: EUR 438 thousand).

Extraordinary expenses

No extraordinary expenses were recognised in the reporting period (previous year: EUR 438 thousand).

4. Other disclosures

4.1 Disclosures on shareholdings

As at 31 December 2023, the company held interests in the following domestic and foreign companies:

Name and registered office of the company	Share of capital	Currency 2023	Net income 2023	Equity as of 31/12/2023
Germany				
SIS STEMMER IMAGING Services GmbH, Puchheim/Germany[1]	100%	KEUR	9,557	107
Outside Germany				
STEMMER IMAGING S. A. S., Puteaux/France	100%	KEUR	544	5,621
STEMMER IMAGING Ltd., Tongham/United Kingdom	100%	KEUR	412	1,780
STEMMER IMAGING AG, Pfäffikon/Switzerland	100%	KEUR	190	422
STEMMER IMAGING B. V., Barendrecht/Niederlande	100%	KEUR	451	3,609
STEMMER IMAGING AB, Stockholm/Sweden	100%	KEUR	1,013	5,224
STEMMER IMAGING A/S, Copenhagen/Denmark	100%	KEUR	261	323
STEMMER IMAGING Oy, Turku/Finland	100%	KEUR	89	272
STEMMER IMAGING Sp. z o. o., Lowicz/Poland	100%	KEUR	94	12
STEMMER IMAGING Ges. m. b. H., Graz/Austria	100%	KEUR	342	1,424
STEMMER IMAGING S. R. L., Bologna/Italy	100%	KEUR	– 27	18
INFAIMON, S. L. U., Barcelona/Spain[3]	100%	KEUR	1,457	6,949
INFAIMON UNIPESSOAL LDA., Aveiro/Portugal[4]	100%[2]	KEUR	259	672
INFAIMON MEXICO S. A. DE C. V., Querétaro QRO./Mexiko[5]	100%[2]	KEUR	– 8	417
STEMMER IMAGING LTDA., São Bernardo do Campo/Brazil[6]	100%[2]	KEUR	66	215

1 Before profit/loss transfer
2 Indirectly via INFAIMON, S. L. U., Barcelona/ES
3 renamed STEMMER IMAGING S.L.U. as of 10 January 2024.
4 renamed STEMMER IMAGING, UNIPESSOAL LDA as of 15 February 2024
5 renamed STEMMER IMAGING, S.A. DE C.V. as of 29 February 2024
6 renamed STEMMER IMAGING LTDA. as of 21 November 2023

Equity in foreign currencies is translated at the historical exchange 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 2023 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 were future payment obligations (other financial commitments) from leases (EUR 949 thousand) and from car leasing (EUR 188 thousand). Of these, EUR 882 thousand are due within one year and EUR 255 within the next one to five years.

As the parent company, STEMMER IMAGING AG is also liable for taxes payable by the company 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 934 thousand in the fiscal year (previous year: EUR 1,030 thousand). The remuneration includes a short-term remuneration component and a long-term remuneration component.

The fair value of the Performance Share Plan was determined as at 31 December 2023 on the basis of the following parameters:

in EUR	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Date of issue	**4/12/2021**	**4/14/2022**	**4/18/2023**
Average share price on date of issue	24.34	31.66	40.47

in years	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Term			
Total term	4	4	4
Remaining term on 31/12/2023	1.28	2.28	3.28

in EUR	Tranche 1 fiscal year 2021	Tranche 2 fiscal year 2022	Tranche 3 fiscal year 2023
Share price on valuation date	**33.20**	**33.20**	**33.20**
Expected volatility	45.00%	45.00%	45.00%
Risk-free interest rate p. a.	2.000%	2.000%	2.000%
Fair value on date of issue	23.97	25.14	31.99
Fair value on 31/12/2023	40.43	31.52	18.51

Development of the number of units of the Performance Share Plan

In units	As at 01/01/2023	Proportionately changed	Granted	As at 31/12/2023
Tranche 2021	2,717	1,579	0	4,296
Tranche 2022	871	1,211	0	2,082
Tranche 2023	0	0	736	736

The total expense from share-based remuneration recognised in the fiscal year amounted to EUR 135 thousand (previous year: EUR 117 thousand income) and was brought forward in the same amount.

As at 31 December 2023, there were pension obligations to a former member of the Executive Board in the amount of EUR 115 thousand (previous year: EUR 113 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

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

Prof. Dr. Isabell Welpe, Munich, Professor at Technical University of Munich, TUM School of Management, Munich, member of the Supervisory Board. (From 12 May 2023)

Prof. Dr. Constanze Chwallek, Aachen, Professor at the Aachen University of Applied Sciences, Faculty of Economics, former member of the Supervisory Board. (Until 12 May 2023)

Klaus Weinmann is also Chairman of the Supervisory Board of CANCOM SE, Munich, and KATEK SE, Munich (until 12 March 2024). Klaus Weinmann is also the Deputy Chairman of the Supervisory Board of glueckkanja-gab AG, Offenbach am Main. Klaus Weinmann is also Chairman of the Administrative Board of PRIMEPULSE SE, Munich. There are no further memberships of supervisory boards or committees within the meaning of section 125 (1) sentence 5 of the German Stock Corporation Act (AktG).

Markus Saller is a member of the Supervisory Board of Autonomous Capital AG, Zurich. Markus Saller is also Deputy Chairman of the Supervisory Board of KATEK SE, Munich (until 12 March 2024). There are no further memberships of supervisory boards or committees within the meaning of section 125 (1) sentence 5 of the German Stock Corporation Act (AktG).

Prof. Dr Isabell Welpe is also a member of the Supervisory Board of Deloitte Deutschland GmbH Wirschaftsprüfungsgesellschaft, Düsseldorf, CANCOM SE, Munich, CENIT AG, Munich, and Indus Holding AG, Bergisch Gladbach. There are no further memberships of supervisory boards or committees 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 110 thousand in the 2023 fiscal year (previous year: EUR 108 thousand). Remuneration is divided into fixed remuneration of EUR 92 thousand (previous year: EUR 90 thousand) and attendance fees of EUR 18 thousand (previous year: EUR 18 thousand).

4.5. Employees

The average number of employees during the fiscal year was 160 (previous year: 169). They were attributable to the following areas:

Number	2023
Administration	42
Sales	14
Technology	34
Supply Chain	70
Total	**160**

4.6. Auditor’s fee

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

in KEUR	31/12/2023	31/12/2022
Audits of financial statements	171	117
Total	**171**	**117**

4.7. Related party transactions

In accordance with section 312 of the German Stock Corporation Act (AktG), STEMMER IMAGING AG 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 us 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 2023.”

4.8. Appropriation of net profit and restriction on distribution

Taking into account the financing requirements for the growing volume of business, the Executive Board plans to propose the distribution of a dividend of EUR 1.00 and a one-off special dividend of EUR 1.´70 per dividend-bearing 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 SI HOLDING GmbH, Kötz 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 with 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 2023 fiscal year, no notifications were published pursuant to section 40 (1) of the German Securities Trading Act (WpHG).

4.10. Supplementary report

On 22 March 2024, STEMMER IMAGING AG signed an agreement to acquire 100% of the shares in Phase 1 Technology Corp. Phase 1 Technology is a leading distributor of machine vision technology with a focus on North America. STEMMER IMAGING expects a revenue contribution of around EUR 5 million for the 2024 financial year, depending on the closing date of the transaction. The purchase price is in the lower single-digit million range. No earnings contribution is expected in the 2024 financial year.

STEMMER IMAGING AG will obtain control once the closing conditions have been met, which is expected in the second quarter. At the time of preparing the consolidated financial statements, the fair value of the net assets acquired could not be reliably determined because the relevant acquisition date for the measurement is after the preparation of the consolidated financial statements.

STEMMER IMAGING AG signed a rental agreement for office space in Munich on 25 March 2024. The lease commences on 1 October 2024. The company's move to Munich will result in an increase in annual rent of around EUR 500 thousand compared to the current rental property in Puchheim.

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, 27 March 2024

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, 27 March 2024

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 2023
in KEUR

	Acquisition and production costs			
	As at 01 January 2023	Additions	Disposals	As at 31 December 2023
Intangible assets				
Purchased industrial and similar rights and assets	3,200	0	0	3,200
Advance payments on intangible assets	657	572	0	1,229
	3,857	**572**	**0**	**4,429**
Property, plant and equipment				
Land, land rights and buildings, including buidings on third-party land	2,895	0	0	2,895
Other equipment, operating and office equipment	3,629	158	– 20	3,767
	6,524	**158**	**– 20**	**6,662**
Financial assets				
Shares in affiliated companies	36,157	0	0	36,157
Loans to affliliated companies	4,368	25	– 1,250	3,143
Other loans		60		60
	40,525	**85**	**– 1,250**	**39,360**
Total	**50,906**	**815**	**– 1,270**	**50,451**

Cumulative depreciation and amortisation					Carrying amounts	
As at 01 January 2023	**Additions**	**Write-ups**	**Disposals**	**As at 31 December 2023**	**As at 31 December 2023**	**As at 31 December 2022**
– 2,491	– 187	0	0	– 2,678	522	709
0	0	0	0	0	1,229	657
– 2,491	**– 187**	**0**	**0**	**– 2,678**	**1,751**	**1,366**
– 2,337	– 433	0	0	– 2,770	125	558
– 3,181	– 200	0	20	– 3,361	406	448
– 5,518	**– 633**	**0**	**20**	**– 6,131**	**531**	**1,006**
– 1,612	0	0	0	– 1,612	34,545	34,545
– 131	– 25	0	0	– 156	2,987	4,237
					60	0
– 1,743	**– 25**	**0**	**0**	**– 1,768**	**37,592**	**38,782**
– 9,752	**– 845**	**0**	**20**	**– 10,577**	**39,874**	**41,154**

Independent Auditor’s Report

To STEMMER IMAGING AG, Puchheim

Report on the Audit of the Annual Financial Statements and of the Combined Management Report

Audit opinions

We have audited the annual financial statements of STEMMER IMAGING AG which comprise the statement of financial position as of 31 December 2023, and the statement of profit and loss for the financial year from 1 January 2023 to 31 December 2023, as well as the notes to the financial statements, including the presentation of the recognition and measurement policies. We have also audited the combined management report of STEMMER IMAGING AG for the financial year from 1 January 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the subsections "Internal control system and risk management system", "Compliance management system" and "Key features of the accounting-related and non-accounting related internal control system and risk management system" contained in the Risk Report, as well as the (Group) Corporate Governance Statement, which also contains the Declaration on the German Corporate Governance Code, which is referred to in Section "02 Combined management report".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of 31 January 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023 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 annual 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 audited the subsections "Internal Control and Risk Management System", "Compliance Management System" and "Key Features of the Accounting-Related and Non-Accounting Internal Control System and Risk Management System" contained in the Risk Report, as well as the (Group) Corporate Governance Statement, which also contains the Declaration on the German Corporate Governance Code, which is referred to in Section "02 Management Report".

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (“IDW”, German Institute of Public Auditors). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the combined management report” section of our auditor’s report. We are independent of the Company in accordance with the requirements pursuant to European law as well as German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. Furthermore, we declare in accordance with Article 10 Sec. 2 lit. f) of the EU Audit Regulation that we have not provided any non-audit services prohibited under Article 5 Sec. 1 of the EU Audit Regulation. We believe the audit evidence we have obtained is sufficient and appropriate in order to provide a basis for our audit opinions expressed on the annual 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 annual financial statements for the financial year from 1 January 2023 to 31 December 2023. 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.

From our point of view, the following matter was the most significant in our audit:

- Impairment of participations in affiliates as well as loans to and receivables from affiliates

We have structured our presentation of this particularly important audit matter as follows:

1.) Facts and problem
2.) Audit procedure and findings
3.) Reference to further information

In the following, we present this particularly important audit matter:

1. In the annual financial statements of STEMMER IMAGING AG, under the balance sheet item "Financial assets", participations in affiliates of EUR 34.5 million, loans to affiliates of EUR 3.0 million and receivables from affiliates of EUR 63.9 million are shown, which together represent approximately 72% of total assets. The significant participations in affiliated companies are subjected to an impairment test by the Company annually on the balance sheet date or on an ad hoc basis. These valuations are usually based on the present value of future cash flows of the respective affiliated company. The valuations are based on the planning calculations of the individual affiliates, which are based on the financial plans approved by management. Discounting is based on the weighted average cost of capital of the respective company. Discounting is based on the weighted average cost of capital of the respective company. The outcome of this valuation is highly dependent on management's assessment of future cash inflows and the discount rate used and is therefore subject to considerable uncertainty, which is why this matter is of particular importance in the context of our audit.

2. In order to adequately assess this risk, we have critically evaluated management's assumptions and estimates, and, among others, performed the following audit procedures:

   We have traced the underlying processes relating to the planning of future cash flows as well as the determination of the fair values and the controls implemented in the planning process.

   Furthermore, we have understood the methodological procedure for carrying out the impairment tests and assessed the determination of the weighted average cost of capital.

   We have assured ourselves that the future cash inflows underlying the valuations and the discount rates used as a whole provide an appropriate basis for the impairment tests of the individual companies.

   Our assessment of the planning calculations was based, among others, on a comparison with general and industry-specific market expectations as well as management’s detailed explanations on the key value drivers of the plannings and a comparison of this information with the current budgets from the planning approved by the Supervisory Board.

   Knowing that even relatively small changes in the discount rate can have a significant impact on the amount of the value in use determined in this way, we looked at the parameters used to determine the discount rate used and traced the Company's calculation scheme.

   The selection of assumptions was based on qualitative aspects and the extent to which the respective carrying amount was covered by the value in use. We consider the valuation process and the assumptions and parameters used therein to be an appropriate and sufficient basis for verifying the impairment of the participations in affiliated companies, loans to and receivables from affiliated companies shown in the balance sheet.

3. The Company's disclosures on the above-mentioned balance sheet items are contained in the notes to the annual financial statements in sections "1. Accounting Principles", "2.2 Receivables and Other Assets" and in the "Statement of Changes in Fixed Assets".

Other Information

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

- the responsibility statement attached to the annual financial statements in accordance with § 264 (2) sentence 3 HGB and in accordance with § 289 (1) sentence 5 HGB and § 315 (1) sentence 5 HGB in the combined management report
- the (Group) Corporate Governance Statement published on the Company's website, which is referred to in the section "(Group) Corporate Governance Statement" of the combined management report
- the other parts of the Annual Report (in particular the subsections "Internal Control and Risk Management System", "Compliance Management System" and "Key Features of the Accounting and Non-Accounting Internal Control System and Risk Management System" within the Risk Report), but not the individual financial statements and not the disclosures in the combined management report included in the content audit and our related audit reports.

Our audit opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibility of the Executive Directors and the Supervisory Board for the Annual 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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, unless there are factual or legal circumstances to the contrary.

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 annual 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 determined 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 annual financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 § 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 annual 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 annual 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 the risk of not detecting a material misstatement 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.

- 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 annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company.

- Evaluate the consistency of the combined management report with the annual 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 actions taken or safeguards applied to eliminate independence threats.

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

Other legal and regulatory requirements

Report on the audit of the electronic renderings of the annual financial statements and the combined management report prepared for publication purposes in accordance with § 317 (3a) HGB

Audit opinion

In accordance with § 317 (3a) of the German Commercial Code (HGB), we have performed a reasonable assurance audit to determine whether the rendering of the annual financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached electronic file "ESEFUnterlagenEAStemmer2023.zip" and prepared for publication purposes complies in all material respects with the requirements pursuant to § 328 (1) HGB concerning 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 relates neither to the information contained in this rendering nor to any other information contained in the above-mentioned file.

In our opinion, the rendering of the annual financial statements and the combined management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the electronic reporting format requirements pursuant to § 328 (1) HGB. Beyond this opinion and our audit opinions on the accompanying annual financial statements and the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023 contained in the above "Report on the audit of the annual financial statements and the combined management report", we do not express any opinion on the information contained in these renderings or on any other information contained in the above file.

Basis for the audit opinion

We conducted our audit on the rendering of the annual financial statements and the combined management report contained in the above-mentioned file in accordance with
§ 317 (3a) HGB and the IDW Auditing Standard: Audit of the electronic rendering of financial statements and management reports prepared for publication purposes in accordance with § 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibility in accordance therewith is further described in the "Auditor's responsibility for the audit of the ESEF documents" section. Our audit firm has complied with the requirements of the IDW Quality Management Standard: Requirements for Quality Management in the Audit Firm (IDW QMS 1).

Executive Directors' and Supervisory Board's responsibilities for the ESEF documents

The Company's executive directors are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the annual financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

Furthermore, the Company's executive directors are responsible for such internal controls as they have considered necessary in order to enable the preparation of the ESEF documents that are free from any material non-compliance, whether due to fraud or error, with the provisions pursuant to § 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 as to whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements pursuant to § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the entire audit. We also:

– identify and assess the risks of material non-compliance with the requirements pursuant to § 328 (1) HGB, 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 opinion.

– obtain an understanding of the internal controls relevant for the audit of the ESEF documents in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.

– assess the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents complies with the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the reporting date on the technical specification for this file.

– assess whether the ESEF documents allow for a XHTML rendering with content identical to the audited annual financial statements and the audited combined management report.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor and Group auditor by the annual general meeting on 12 May 2023. We were engaged by the Supervisory Board on 10 October 2023. We have been the auditor of STEMMER IMAGING AG, Puchheim, without interruption since the financial year 2022.

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

Other matters – Use of the Audit Report

Our audit report must always be read in conjunction with the audited annual financial statements and audited combined management report as well as the audited ESEF documents. The annual financial statements and combined management report converted to ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited annual financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein are to be solely used together with the audited ESEF documents made available in electronic format.

German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the audit is Andreas Weissinger.

München, 27 March 2024

Baker Tilly GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
(Düsseldorf)

Weissinger	Fußstetter
Wirtschaftsprüfer	Wirtschaftsprüfer
German CPA	German CPA

WAREHOUSE LOGISTICS

STEMMER IMAGING provides the eyes for AI. With the support of AI, products are automatically recognized, their movement in the warehouse is tracked and placement is optimized for maximum efficiency. Processes can thus be improved while increasing productivity.

This image is AI-generated with Dall-E3.*

*Dall-E3 is an AI model that specializes in generating images based on textual descriptions.

05
Additional information

Financial calendar[1]

Tuesday
16/04
2024
Goldman Sachs Machine Vision Webcast

Wednesday
08/05
2024
Publication of Q1/3M 2024 interim report

Tuesday
14/05
2024
Annual General Meeting Munich

Wednesday – Friday
15/–17/05
2024
HAIB Stockpicker Summit, Kitzbühel

Tuesday
13/08
2024
Publication of Q2/6M 2024 interim report

Monday
23/09
2024
Berenberg and Goldman Sachs 12th German Corporate Conference, Munich

Thursday
07/11
2024
Publication of Q3/9M 2024 interim report

Monday – Wednesday
25/–27/11
2024
Eigenkapitalforum (German Equity Forum), Frankfurt am Main

1 Dates may change at short notice.

Publication details

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Separation Pages 4, 30, 72, 142, 170): Dall-E 3, STEMMER IMAGING
Review (Pages 14 and 15): STEMMER IMAGING
Markets (Pages 40 and 41): Dall-E 3, STEMMER IMAGING

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