

H1

HALF-YEAR REPORT 2020
FOR THE PERIOD FROM
1 JANUARY TO 30 JUNE 2020

AT A GLANCE

GROUP KEY FIGURES

in KEUR	01/01 – 30/06/2020	01/01 – 30/06/2019
Revenue	52,212	58,238
Gross profit	19,052	21,672
Gross profit margin	36.5 %	37.2 %
EBITDA ¹	2,297	5,963
EBIT ¹	-4,288	5,200
Consolidated net income ¹	-5,322	4,410
Operating cash flow after taxes	4,039	1,108
Employees (average)	390	307
	30/06/2020	31/12/2019
Total assets	91,988	100,936
Equity	62,108	67,213
Equity ratio	67.5 %	66.6 %
Cash and cash equivalents	29,616	27,974

¹ 2019 amounts normalised

STEMMER IMAGING IN FIGURES



**EUR 53.2 m
incoming orders**



**EUR –0.82
Earnings per share**



**67.5 per cent
equity ratio**



>5,000 customers



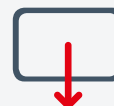
**379 employees,
of which 70 per
cent with technical
background**

(as at 30/06/2020)



**15 subsidiaries
represented
in >20 countries**

(as at 30/06/2020)



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

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Rounding may mean that individual figures given in this report do not add up exactly to the given total and that percentages are not the exact result of the figures presented.

Due to the change of the financial year to the calendar year effective 1 January 2020 the H1 2019 figures refer to the period 1 January 2019 – 30 June 2019.

DEAR SHAREHOLDERS,

The first half of 2020 was exceptional in many ways. The global Covid-19 pandemic caused a dramatic shift in the boundaries of what was imaginable. We have all been directly impacted to varying degrees in both our personal and our professional lives.

The top priority for our company over the past few months has been our responsibility towards our employees and our business partners, particularly in terms of protecting their health. We took swift and decisive action to ensure that business operations were maintained. This included introducing working from home, partial shift work and a variety of digitalisation measures. Promptly reviewing our supply chains and making temporary adjustments to our inventories allowed us to meet the needs of our customers at all times.

What was needed over the past few months was flexibility, determination and agility, qualities which are at the centre of everything we do. These qualities enabled us to adapt quickly to new circumstances and take responsibility for our employees, suppliers, customers and business partners.

The Covid-19 pandemic has had a significant impact on our business, causing an unusually sharp drop in both incoming orders and in revenues. The double-digit percentage decline in our European business activities during the first half of the year must be viewed in the context of the 20 per cent drop (Europe excluding Germany) in revenue reported by the German Mechanical Engineering Industry Association (VDMA). We were able to maintain a consistently good business situation in the fields of artificial vision such as medical and life science, pharmaceutical, food, logistics and packaging due to our strategic positioning in these markets. However, the overall result was overshadowed by the order postponements in both industrial sectors as well as the sports and entertainment customer segment, which is important for us. We were able to combat this decline in business with a rigorous approach to cost management, meaning that EBITDA for the first half of the year came in at EUR 2.3 million.

Even in uncertain times such as these, it is our experience and stability that are our strengths. Our strong market position, the know-how of our employees, our clear customer focus and our sound financial position are what has enabled us to manage this crisis. Last year saw us embark together as a team on a journey towards a successful future. In addition to setting our sights on achieving revenues of EUR 200 million in the medium term with the aid of a strategic roadmap, we also reinforced the foundations of the company with shared corporate values, a modernised and secure IT infrastructure and a clear focus on enhancing our value-added services with our own innovative software components.

Market conditions are going to become more challenging. However, machine vision continues to be a growth market, and one that will be benefited by the changes we are currently going through. Smart image data for automation in areas other than production facilities form the basis on which our world will continue to digitalise. STEMMER IMAGING has focused its strategic attention squarely on artificial vision, i.e. non-industrial applications. The opportunities in this area, notably in the food, sports and entertainment, logistics as well as medical and life science, present above average growth opportunities due to the structural changes currently taking place, opportunities which we want to harness. We will continue to pursue our growth course of passion and motivation, focusing on innovative value-added services in the three pillars of our business: the components, subsystem and project businesses.

We have taken advantage of this period of change to refine our priorities and review our strategic alignment in light of the changes being brought by Covid-19. Through a dedicated programme that we prepared in the second quarter and will implement in the second half of 2020, we will further sharpen our organisational focus on our future objectives. We firmly thus believe that STEMMER IMAGING will emerge from this crisis stronger than before. We remain confident that our forecast for the year as a whole continues to be realistic in view of the signs of recovery appearing at the end of the first half of the year.

We would like to express our gratitude to each and every one of our employees for their strong commitment in the first half of 2020 and their solidarity with the Group.

Puchheim, 12 August 2020



Arne Dehn
Chief Executive Officer



Uwe Kemm
Chief Operating Officer

The feminine form is equal to the masculine form in this half-year report; the masculine form was only chosen in parts of the report to make it more legible.

STEMMER IMAGING ON THE CAPITAL MARKET

CAPITAL MARKET ENVIRONMENT

Global stock markets were heavily influenced by the Covid-19 pandemic in the first half of 2020. Following an initially positive start to the year, share prices across the board collapsed on the back of the global spread of the coronavirus. The containment measures taken on a worldwide scale weighed heavily on global economic growth. Once the pandemic was successfully contained, and central banks introduced expansive monetary policy measures and governments announced economic stimulus programmes running into the billions did the stock markets recover from their lows.

The DAX fell by 7.1 per cent compared to the closing price on 30 December 2019 (13,249.01 points). The DAX started the first half of the 2020 trading year on 2 January 2020 at 13,233.71 points and closed the reporting period on 30 June at 12,310.93 points. STEMMER IMAGING's comparable technology stock index (TecDAX) fell by 2.0 per cent in the reporting period¹.

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

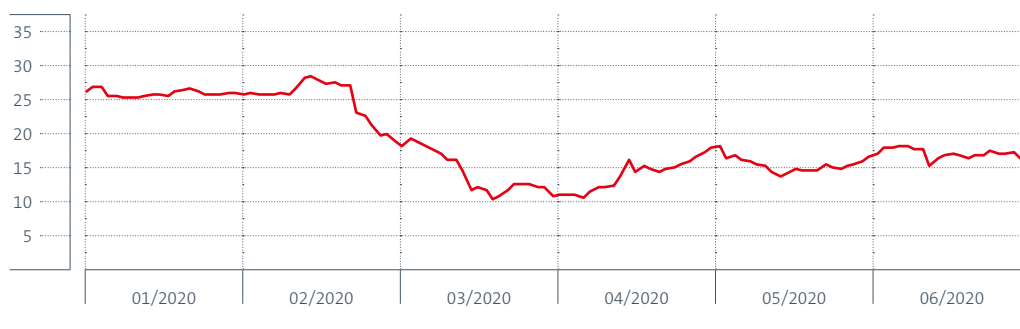
The STEMMER IMAGING AG share opened at a price of EUR 26.60 on 2 January 2020 and closed at EUR 16.33 on 30 June 2020. This corresponds to a decline of 38.4 per cent compared to the closing price of EUR 26.50 on 30 December 2019. The high for the reporting period was EUR 29.20 on 11 February 2020, while the low came in at EUR 9.96 on 19 March 2020. Based on the closing price of EUR 16.33 on 30 June 2020, STEMMER IMAGING AG's market capitalisation was EUR 106.1 million with a total of 6,500,000 shares issued (30 December 2019: EUR 172.3 million with the same number of shares and a price of EUR 26.50 (all figures based on Xetra prices))².

¹ <https://www.boerse-frankfurt.de/index/tecdax>

² <https://www.boerse-frankfurt.de/aktie/stemmer-imaging-ag-inh-on>

SHARE: PRICE PERFORMANCE AND TRADING VOLUME

SHARE PRICE FROM JANUARY TO END OF JUNE 2020
in EUR



The average daily trading volume was 8,898 shares in the first half of 2020, an increase compared to the first half of 2019 (2,676 shares).

SHARE PRICE DEVELOPMENT

Opening price	1 January 2020	EUR 26.60
Low	19 March 2020	EUR 9.96
High	11 February 2020	EUR 29.20
Closing price	30 June 2020	EUR 16.33
Market capitalisation	As of 30 June 2020	EUR 106.13 million

ANNUAL GENERAL MEETING

On 22 June 2020, the Executive Board of STEMMER IMAGING AG informed the shareholders at the first virtual Annual General Meeting about the course of the 2019 short fiscal year and responded to their questions. When the vote was taken, 82.9 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. This included a resolution on the appropriation of retained profit.

The results of the votes taken at the Annual General Meeting may be viewed at www.stemmer-imaging.com/Hauptversammlung

SHAREHOLDER STRUCTURE

The company has a balance between free float and the majority holding of a strategic anchor investor. As of 30 June 2020, 46.0 per cent of the shares were in free float.

ANALYST RESEARCH

The shares of STEMMER IMAGING AG have been listed in the Prime Standard of the Frankfurt Stock Exchange since 10 May 2019 and are regularly evaluated by qualified securities analysts. The share is currently covered by Hauck & Aufhäuser Privatbankiers, Warburg Research and Berenberg Bank. All three analysts take a positive view of the medium and long-term potential of STEMMER IMAGING AG and have made a Buy recommendation with an average price target of EUR 30.27, as shown in the current analyst recommendations for the STEMMER IMAGING share as of 30 June 2020.

ANALYST EVALUATIONS

Issuer	Date	Recommendation	Price target
Warburg Research	12/05/2020	Buy	EUR 35.00
Berenberg Research	13/05/2020	Buy	EUR 21.80
Hauck & Aufhäuser Research	22/04/2020	Buy	EUR 34.00

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

INVESTOR RELATIONS ACTIVITIES

Over the first half of the 2020 fiscal year, the Executive Board stepped up its contact with capital market participants at numerous virtual roadshows and virtual investor conferences.

ACTIVITIES

28–29 April 2020	Münchener Kapitalmarktkonferenz, virtual
12 May 2020	Interim financial report for the first quarter of 2020
22 Juni 2020	Virtual Annual General Meeting
30 Juni–2 Juli 2020	German Equity Forum, virtual

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

Hauck & Aufhäuser Privatbankiers AG acted as a designated sponsor in the first half of the 2020 fiscal year and ensured the continuous tradability of the STEMMER IMAGING share by posting binding buy and sell offers.

CONSOLIDATED INTERIM MANAGEMENT REPORT

ECONOMIC REPORT

GENERAL ECONOMIC ENVIRONMENT

The global economy slid into recession in the first half of 2020 as a result of the spread of the Covid-19 pandemic. The International Monetary Fund (IMF) says that this is the most severe global recession in nearly 100 years, the unique nature of it being characterised by a simultaneous demand and supply shock. In terms of supply, production activities and supply in many industrial segments and service sectors had to be scaled down as a result of the lockdown measures. This was accompanied by a simultaneous collapse in demand. At the start of 2020, the IMF was forecasting global economic growth of 3.3 per cent in the current year and 3.4 per cent in 2021. Following the global Covid-19 pandemic and the ensuing containment measures, the IMF revised its forecasts to an extent never before seen. In the most recent World Economic Outlook of June 2020, IMF economists anticipate global economic output to shrink by 4.9 per cent. The latest data on industrial production activity reflects an unprecedented collapse: in April 2020, industrial production was 22 per cent below the already significantly lower value seen in March 2020.

Economic activity was on a downwards trend in all regions at the start of 2020. China, the country in which the pandemic began, saw its economic output fall by 6.8 per cent in the first quarter in a year-on-year comparison. The USA was the biggest loser among industrialised nations, seeing its gross domestic product decline by 5.0 per cent. South America, which had already been experiencing weak economic growth before the Covid-19 pandemic, is now one of the regions most affected by it in the world. The continent's two largest economies, Brazil and Mexico, are consequently forecast to contract by 9.1 and 10.5 per cent in 2020, respectively¹.

The eurozone also saw a sharp contraction, with its economy 3.2 per cent smaller at the end of the first quarter. The economies of Southern Europe were hit particularly hard. At the top of the pile were Italy and Spain, whose economies shrank by 5.3 per cent and 5.2 per cent respectively. Germany's economy contracted by 2.2 per cent. Emerging and developing markets also experienced a considerable decline in economic activity².

The coronavirus pandemic also had a major impact on Germany's economy. Although the spread of the coronavirus did not have a major negative effect on economic output in January and February, the pandemic still had a severe impact in the first quarter of 2020: gross domestic product (GDP) fell by 2.2 per cent compared with the fourth quarter of 2019 and by 1.9 per cent year-on-year. In the second quarter of 2020, gross domestic product (adjusted for price, seasonal and calendar effects) shrank by 10.1 per cent compared with the previous quarter. Price-adjusted GDP in the second quarter of 2020 was 11.7 per cent down on the same period last year³.

Even during the years of the financial and economic crises in 2008 and 2009, the declines were not as dramatic as these. This is due on the one hand to a drop in production as supply chains were interrupted as a result of the coronavirus and, on the other, to reduced consumption brought on by the restrictions placed on public life. Private consumer spending fell sharply in the first quarter of 2020. Investment in equipment also saw a considerable decline, most noticeably in machinery, appliances and vehicles. Private consumer spending was down 2.2 per cent compared to the previous year. This was offset by a 2.2 per cent rise in public consumer spending, which supported the econ-

1 World Economic Outlook Update, June 2020
 2 <https://www.bloomberg.com/europe>
 3 https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/07/PD20_287_811.html
 4 https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/05/PD20_180_811.html
 5 https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/08/PD20_295_51.html
 6 <https://myvdma.org/viewer/-/v2article/render/48331204>
 7 <https://myvdma.org/viewer/-/v2article/render/49407419>
 8 <https://www.vdma.org/v2viewer/-/v2article/render/14899678>

omy. Demand from abroad also saw a downturn. According to preliminary calculations, 3.2 per cent fewer goods and services were exported abroad in the first quarter of 2020 than in the corresponding quarter of 2019 when adjusted for prices. Imports did not drop quite as sharply over the same period, registering a 1.7 per cent decline⁴.

In addition to private consumer spending, export and import activities for goods and services in particular suffered a significant collapse in the second quarter of 2020. Exports fell by 16.0 per cent (adjusted for calendar and seasonal effects) compared with February 2020, before the start of the coronavirus pandemic. Imports were down by 12.5 per cent⁵.

SECTOR DEVELOPMENT

To begin with, the effects of the coronavirus crisis were barely felt by the mechanical engineering sector in January and February 2020. This changed abruptly in March, as the latest figures from the German Mechanical Engineering Industry Association (VDMA) show. In the first six months of 2020, the total number of incoming orders (domestic and foreign) was down 16 per cent year-on-year. In June 2020 alone, incoming order volumes were 31 per cent below the level of the previous year.

According to the VDMA, machinery exports from Germany to the EU-27 were down 8.5 per cent in the first three months of 2020 compared to the previous year's level. Exports from Germany between March and May 2020 were impacted to a greater extent, down 29.3 per cent over the same period last year. Export business with countries severely affected by the coronavirus, such as France (down 14.8 per cent), Italy (down 16.1 per cent) and Spain (down 13.9 per cent) saw a particularly steep decline over this period. The two most important markets for German machinery exporters, the United States and China, were affected to varying degrees by the coronavirus pandemic. The United States were actually able to achieve a slight increase of 0.5 per cent between January and March compared to the high value of the previous year. Business in China fell by 8.9 per cent during the period up to March. From March onwards, the uncertainty circulating in the industry as a result of the coronavirus crisis really came to the fore, with incoming orders collapsing by 22 per cent in real terms year-on-year in the three months from March to May 2020. Domestic orders were down 16 per cent, while foreign orders were some 25 per cent below the level of the previous year. The number of orders from eurozone countries fell by 24 per cent, with 25 per cent fewer orders coming from countries outside the eurozone.

VDMA members revised downwards their forecast for South America and now expect business to decline by between 25 and 50 per cent in 2020, depending on the sector⁶. Brazil is the most important sales market and production location in South America for German mechanical and plant engineering⁷.

After a positive start to the year, imports of machinery and plant equipment also declined in Brazil. The manufacturers are seriously impacted by the drop in demand at home and abroad as a result of the spread of the coronavirus. The conditions for investment activity have significantly worsened as a result of the coronavirus crisis coupled with political instability. Virtually no investments have been announced by companies since March. According to the research institute IPEA, investment in equipment plummeted by nearly 20 per cent in March compared with the previous month and by almost 40 per cent in April⁸.

Note: The statements of the German Mechanical Engineering Industry Association still contain estimates at the time of publication and are merely preliminary figures.

As a result, production declined substantially. According to preliminary calculations, production levels were 15.0 per cent down in the first five months of the reporting year compared to the previous year. Production in the engineering industry fell by 7.3 per cent in the first three months of the reporting year. This figure for production deteriorated significantly in April and May, coming in at 26.4 and 26.2 per cent, respectively. The VDMA has not yet issued a forecast for 2020 because there continue to be so many unknown factors. The original forecast of a five per cent decline in production has been withdrawn⁹.

Robotics and automation was also unable to avoid the economic consequences of the coronavirus crisis. The VDMA now expects sales in this industry to fall by at least 20 per cent, after originally forecasting a decline of only 10 per cent for 2020¹⁰.

NET ASSETS AND FINANCIAL POSITION

The total assets of the STEMMER IMAGING Group amounted to EUR 92.0 million as at 30 June 2020, a decrease compared to 31 December 2019 (EUR 100.9 million). Non-current assets went down to EUR 36.2 million as at 30 June 2020 (31 December 2019: EUR 42.8 million). The reduction is primarily due to the impairment charge of EUR 4.3 million against goodwill. The depreciation and impairment of property, plant and equipment and intangible assets, including the value of leases, in accordance with IFRS 16, continued to only be offset by a low level of investment. A write-down of EUR 0.6 million was also applied to an investment in associate companies.

Current assets also declined to EUR 55.8 million as at the end of the reporting period (31 December 2019: EUR 58.1 million). This was largely due to trade receivables decreasing by EUR 3.3 million.

Equity totalled EUR 62.1 million as at 30 June 2020 (31 December 2019: EUR 67.2 million). With an equity ratio of 67.5 per cent (31 December 2019: 66.6 per cent), the STEMMER IMAGING Group is in a sound financial position.

Non-current liabilities came to EUR 11.9 million as at 30 June 2020 (31 December 2019: EUR 13.6 million). This decline was caused by EUR 1.0 million in long-term bank loan repayments and repayments of EUR 1.0 million towards non-current liabilities related to leases. Current liabilities also declined from EUR 20.1 million to EUR 18.0 million, largely as a result of the EUR 2.0 million decrease in trade payables reported under current liabilities.

Operating cash flows came to EUR 4.0 million in the first half of the 2020 fiscal year (1 January to 30 June 2019: EUR 1.1 million).

Investment totalled EUR 0.3 million, a much lower figure than in the previous year. Cash flow from financing activities amounted to EUR –1.8 million (30 June 2019: EUR 0 million). This cash outflow was caused by bank loan repayments and repayments towards liabilities related to leases, which were contrasted by grants received of EUR 0.3 million.

⁹ <https://vws.vdma.org/viewer/-/v2article/render/50112820>

¹⁰ <https://rua.vdma.org/viewer/-/v2article/render/49257709>

RESULTS OF OPERATIONS

The STEMMER IMAGING Group generated EUR 52.2 million in revenue over the first six months of the 2020 fiscal year, down 10.3 per cent compared to the previous year's figure (1 January to 30 June 2019: EUR 58.2 million). The vast majority of the companies in the STEMMER IMAGING Group saw their revenue go down in a declining market. In its half-year report for 2020, German Mechanical Engineering Industry Association (VDMA) reports a double-digit drop in revenue for the machine vision sector in Europe, with sector revenues falling by a dramatic 20 per cent in European markets excluding Germany. This meant that STEMMER IMAGING again benefited from its strategic position in the fields of artificial vision such as as medical and life science, pharmaceuticals, food, logistics and packaging. The number of orders placed by these customer groups remained stable or grew despite the coronavirus crisis. This effect was particularly evident in Switzerland, Benelux and Austria. The sports and entertainment, infrastructure and automotive sectors in particular were negatively impacted by order postponements.

The gross profit margin was 36.5 per cent in the first half of the 2020 fiscal year, a slight decrease from 37.2 per cent in the corresponding period of the previous year. This was caused by the reallocation of revenue shares between different countries and their typical margins within the Group.

Personnel expenses came to EUR 11.9 million in the first six months of the 2020 fiscal year (1 January to 30 June 2019: EUR 11.1 million). Despite temporary cost-cutting measures, the decline in revenue caused the personnel expenses ratio to increase to 22.7 per cent (1 January to 30 June 2019: 19 per cent). Personal expenses in the reporting period include government grants provided to support short-time work measures and other similar government grants.

Other operating expenses amounted to EUR 6.2 million (1 January to 30 June 2019: EUR 6.9 million). There has been an increase by inorganic growth and higher administrative expenses (largely related to IT security enhancements). Other factors included currency-related effects (EUR –0.8 million – normalised in the previous year) and IFRS 16 (rental expenses reduced by EUR 1.0 million, compensated for by depreciation and impairment of property, plant and equipment increasing by EUR 1.0 million). Savings were made in certain areas, particularly in terms of consulting costs.

EBITDA came to EUR 2.3 million in the first half of the 2020 fiscal year (EBITDA margin: 4.4 per cent), a significant downturn compared to the figure from the previous year of EUR 4.2 million (EBITDA margin: 7.1 per cent). The reallocation mentioned above also had an effect due to the change in accounting practices caused by the adoption of IFRS 16 (EUR 1.0 million). Operating earnings (EBIT) came to EUR –4.3 million for the first six months of the year (1 January to 30 June 2019: EUR 3.4 million). The EBIT margin went down from 5.83 per cent in the previous year to –8.21 per cent. This decrease was largely caused by the impairment of EUR 4.3 million taken against goodwill following the impairment test. The financial result of EUR –0.7 million in the first half of 2020 includes EUR 0.6 million of write-downs on investments in associate companies. The consolidated net income of the STEMMER IMAGING Group came to EUR –5.3 million for the first half of the 2020 fiscal year (1 January to 30 June 2019: EUR 2.6 million).

RISK AND OPPORTUNITIES REPORT

As a global company, STEMMER IMAGING has diverse opportunities for sustained positive business development. Along with these opportunities come potential risks. Careful consideration must be given to both opportunities and risks so that the company can manage them appropriately and successfully.

Risk management therefore plays a key role at STEMMER IMAGING in terms of the company's strategic business focus, combined with the goal of achieving sustainable growth and a steady increase in the company's value.

Potential risks take the form of market- and industry-specific risks, as well as business-related risks. These are set out in detail in the 2019 Annual Report and also apply to the first half of 2020.

The company's dependence on the overall economic climate was clearly highlighted by the impact of the Covid-19 pandemic in the first two quarters. Lockdowns in many countries led to a considerable decline in sales. This resulted in numerous customers electing to postpone orders and projects. The company could see a sustained decline in revenues if these orders and projects keep getting postponed or if a protracted recession makes STEMMER IMAGING's customers more reluctant to engage in capital expenditure.

In order to mitigate this risk, the company is pressing ahead with plans to diversify into other regional markets and develop potential application sectors in the non-industrial area in order to minimise our dependence on individual end markets.

Further economic risks are also posed by the still-to-be-determined impact of Brexit and the potential introduction of customs and trade restrictions.

Business-related risks in the first half of 2020 mainly related to possible supply chain bottlenecks, customers defaulting on payments and the company or individual areas of the company being subjected to a lockdown. A thorough supply chain review is carried out on a regular basis in order to minimise risks. Inventories are also constantly monitored. STEMMER IMAGING successfully implemented measures at an early stage to keep its business operating, including a partial switch to working from home and shift work.

In addition to the risks, STEMMER IMAGING also sees numerous opportunities to ensure the long-term success of its business. These are outlined in the 2019 Annual Report and continue to apply.

The opportunities for growth in the machine vision sector continue to exist, as topics such as automation, digitalisation, Industrial IoT and artificial vision will remain in high demand. This is something that STEMMER IMAGING can also profit from. There are additional opportunities for the company to grow in the field of artificial vision in particular. This is especially evident in the non-industrial sector of growth markets – notably in the pharmaceutical, medical and life science, transport and infrastructure, logistics, food, sports and entertainment segments.

We also see a number of opportunities for growth in the value-added approach, which is based on a scalable platform used to provide services and offerings in an efficient way, as well as in further expanding the company's offering for software and subsystems. These include opportunities to increase the internationalization of STEMMER IMAGING.

In light of the considerable range of market opportunities available to STEMMER IMAGING and its financial stability, the company aims to see Group revenue increase to EUR 200 million over the medium term. The strategic roadmap for achieving this includes portfolio measures and may also involve acquisitions.

Generally speaking, the current market environment remains difficult to assess as a result of the global Covid-19 pandemic. The company's ability to take advantage of these opportunities is based on the assumption that there will not be a wide-ranging second lockdown as the Covid-19 pandemic progresses.

REPORT ON EXPECTED DEVELOPMENTS

FUTURE ECONOMIC AND SECTOR DEVELOPMENT

According to the OECD, the global economy is in its deepest recession since the Great Depression of the 1930s, triggered by the spread of the Covid-19 pandemic. GDP went down by more than 20 per cent in many countries in the first half of the year. Future growth prospects are largely dependent on how the pandemic progresses, the duration of shutdown measures and the impact of these measures on the economy, in addition to the fiscal and monetary policies implemented in response to the pandemic.

If a lockdown is implemented in response to a second wave, the OECD calculates that global economic output will collapse by 7.6 per cent in 2020, before rising again by 2.8 per cent in 2021. In this scenario, the OECD expects the GDP of the eurozone to shrink by more than 11.5 per cent in 2020. If a second wave can be prevented, the OECD expects the global economy to contract by just 6 per cent in 2020. In this scenario, the GDP of the scenario is expected to fall by 9 per cent. The experts expect US economic output to decline by 8.5 in the first scenario and 7.3 per cent in the second.

The German Mechanical Engineering Industry Association (VDMA) currently forecasts a drop in revenue of at least 20 per cent in the robotics and automation sector, which is a related industry to machine vision. This decline had originally been put at 10 per cent for 2020. Despite this forecast, the VDMA believes that the sector has excellent prospects after Covid-19 has passed. The coronavirus crisis has highlighted how vulnerable industrial production has become in global value chains. The result will be a greater degree of automation being employed in the medium term. We will also see substantial catch-up effects stemming from previously postponed investments which, according to the VDMA, will boost demand for solutions in the field of robotics and automation¹.

¹ <https://www.vdma.org/v2viewer/-/v2article/render/49257709>

FORECAST FOR THE STEMMER IMAGING GROUP

STEMMER IMAGING will continue to closely monitor the progress of the Covid-19 pandemic and its impact on the company's performance.

Incoming orders at STEMMER IMAGING are generally based on medium-term frame orders. However, due to customers taking a more cautious approach to planning and liquidity management, the majority of orders through the first half of the second quarter of 2020 were placed to cover short-term requirements. This led to a noticeable shift in demand for incoming orders until the middle of the second quarter. Moreover, individual sectors such as sports and entertainment were heavily impacted by the lockdown. From the middle of the second quarter onwards, customers return to making medium-term plans and placing corresponding frame orders.

STEMMER IMAGING currently assumes that customers will catch up on orders which they would have made in the second quarter of 2020 over the further course of the year, which will translate into additional revenues in the second half of 2020. This applies in particular for the increasingly important field of non-industrial applications such as sports and entertainment and infrastructure. STEMMER IMAGING expects the positive development of the first half of the year in the medical and life science, pharmaceutical, food, logistics and packaging sectors to continue in the second half of 2020. The outlook for the automotive sector, on the other hand, predicts a continued weak development in demand. For the sports and entertainment segment, the company expects to be able to make up for the loss of sales in the first half of the year in the second half on the basis of the order backlog. Overall, the company expects a slight delay in the resumption of incoming orders.

The Executive Board of STEMMER IMAGING AG confirms its expectation that revenue in the 2020 fiscal year will be between EUR 105 and 120 million. Profit (EBITDA) is also still expected to be between EUR 3.0 and 7.0 million.

The Management Board expects both revenues and EBITDA to be in the lower half of the indicated forecast margins.

The forecast is based on the assumption that there will not be a wide-ranging second lockdown as the Covid-19 pandemic progresses and that supply chains will remain largely intact. The forecast ranges have factored in customers and suppliers being negatively affected to a certain extent. The forecast confirmation also includes one-off expenses of EUR 1.5 million planned for the second half of the year to continue focusing on the company's strategic alignment and for structural cost-saving measures.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS

in KEUR

	30/06/2020	31/12/2019
Non-current assets		
Property, plant and equipment	7,036	7,973
Goodwill	19,501	23,850
Other intangible assets	9,334	10,086
Investments accounted for using the equity method	0	600
Other investment securities	34	34
Deferred tax assets	310	293
Total non-current assets	36,215	42,836
Current assets		
Inventories	11,260	11,156
Trade receivables	13,299	16,610
Contract assets	267	180
Other financial assets	155	200
Income tax receivables	52	1,157
Other assets and prepaid expenses	1,124	823
Cash and cash equivalents	29,616	27,974
Total current assets	55,773	58,100
Total assets	91,988	100,936

EQUITY AND LIABILITIES

in KEUR

	30/06/2020	31/12/2019
Capital and reserves		
Subscribed capital	6,500	6,500
Capital reserve	47,495	47,495
Revenue reserves	8,113	13,218
Total equity	62,108	67,213
Non-current liabilities		
Non-current loans	6,505	7,508
Provisions for pensions and similar obligations	58	58
Other financial liabilities	2,899	3,527
Other liabilities	265	251
Other provisions	197	206
Deferred tax liabilities	1,930	2,084
Total non-current liabilities	11,854	13,634
Current liabilities		
Current loans	2,014	2,048
Other provisions	40	32
Trade payables	7,075	9,102
Contract liabilities and advance payments received on orders	231	482
Other financial liabilities	2,275	2,452
Liabilities to affiliated companies	161	0
Income tax liabilities	1,012	768
Other liabilities	5,218	5,205
Total current liabilities	18,026	20,089
Total liabilities	29,880	33,723
Total equity and liabilities	91,988	100,936

CONSOLIDATED INCOME STATEMENT

DEVELOPMENT FROM 1 JANUARY 2020 TO 30 JUNE 2020

in KEUR

	01/01 – 30/06/2020	01/01 – 30/06/2019
Revenue	52,212	58,238
Other own work capitalized	0	– 38
Cost of materials	– 33,160	– 36,527
Gross profit	19,052	21,672
Other operating income	1,265	474
Personnel expenses	– 11,857	– 11,092
Other operating expenses	– 6,163	– 6,894
EBITDA	2,297	4,160
Depreciation and impairment of property, plant and equipment	– 1,451	– 456
EBITA	846	3,704
Amortisation of intangible assets	– 5,134	– 308
EBIT	– 4,288	3,396
Associates' share of profit or loss	– 600	– 51
Finance income	5	88
Finance costs	– 58	– 18
Profit before income taxes	– 4,941	3,415
Taxes on income	– 381	– 793
Consolidated net income	– 5,322	2,621
Of which:		
Shareholders of the parent company	– 5,322	2,621
Number of shares (weighted average)	6,500,000	6,500,000
Earnings per share in EUR (diluted and basic)	– 0.82	0.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DEVELOPMENT FROM 1 JANUARY 2020 TO 30 JUNE 2020 in KEUR

	01/01–30/06/2020	01/01–30/06/2019
Consolidated net income	–5,322	2,621
Other comprehensive income		
Items that will be reclassified to profit or loss in future under certain conditions		
Exchange rate differences during the reporting period	217	–34
Items that will not be reclassified to profit or loss in future		
Change in actuarial gains/losses	0	–15
Deferred taxes from change in actuarial gains/losses	0	–6
	0	–21
Other comprehensive income after income taxes	217	–54
Total comprehensive income	–5,105	2,567
Of which:		
Shareholders of the parent company	–5,105	2,567

CONSOLIDATED STATEMENT OF CASH FLOWS

FROM 1 JANUARY TO 30 JUNE 2020

in KEUR

	01/01 – 30/06/2020	01/01 – 30/06/2019
Cash flows from operating activities		
Consolidated net income	–5,322	2,621
Income tax expense recognised in profit or loss	381	793
Finance costs/income recognised in profit or loss	53	2
Amortisation and depreciation of intangible assets, property, plant and equipment, and investment securities	7,185	764
Increase/(decrease) in provisions	4	–143
Other non-cash expenses/income	–342	871
Gain/loss on disposal of property, plant and equipment and intangible assets	–2	0
(Increase)/decrease in inventories, trade receivables and other assets	2,449	–1,056
(Increase)/decrease in liabilities and other liabilities	–1,174	–2,779
Other income from loans, investments and securities	0	–21
Interest received	5	500
Cash flows from operating activities	3,237	1,552
Income taxes paid	802	–444
Net cash flows from operating activities	4,039	1,108
Cash flows from investing activities		
Payments for intangible assets	–33	38
Proceeds from disposals of property, plant and equipment	64	1
Payments for investments in property, plant and equipment	–299	–408
Payments for investments in financial assets	0	–1,314
Payments for additions to the consolidated group less cash acquired	0	–229
Proceeds from financial investments as part of short-term treasury management	0	33,383
Net cash flows used in/from investing activities	–268	31,471
Cash flows from financing activities		
Repayment of loans	–2,065	–33
Proceeds from grants received	274	0
Interest paid	–52	–19
Net cash flows used in financing activities	–1,843	–52
Net increase in cash and cash equivalents	1,927	32,527
Cash and cash equivalents at the beginning of the reporting period	27,974	13,734
Changes in cash due to exchange rate movements and remeasurements	–286	–4
Cash and cash equivalents as at the end of the reporting period	29,616	46,257
of which: cash in hand and bank balances	29,616	46,257

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM 1 JANUARY TO 30 JUNE 2020
in KEUR

	Subscribed capital	Capital reserve	Revenue reserves			Total	Total
			Reserve for actuarial gains/losses	Currency translation reserve	Miscellaneous		
As at 01/01/2020	6,500	47,495	10	-81	13,289	13,218	67,213
Consolidated net income	0	0	0	0	-5,322	-5,322	-5,322
Currency adjustments	0	0	0	217	0	217	217
As at 30/06/2020	6,500	47,495	10	136	7,967	8,113	62,108
As at 01/01/2019	6,500	47,495	37	-301	15,323	15,059	69,054
Consolidated net income	0	0	0	0	2,621	2,621	2,621
Adjustment of reserves (OCI)	0	0	-21	0	0	-21	-21
Currency adjustments	0	0	0	-34	0	-34	-34
Other changes	0	0	0	0	-4	-4	-4
As at 30/06/2019	6,500	47,495	16	-335	17,940	17,621	62,108

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDING 30 JUNE 2020

BASIS FOR PREPARING THE HALF-YEARLY FINANCIAL REPORT

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

The interim financial report does not include all of the disclosures normally contained in the financial statements for a full fiscal year. This means that this interim financial report should be read together with the annual financial statements for the (short) fiscal year ending 31 December 2019 and all other public statements issued by STEMMER IMAGING during the reporting period.

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

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

The consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the reporting periods ending 30 June 2020 and 2019 and the condensed notes to the consolidated financial statements have not been audited or subjected to an auditor's review.

KEY CHANGES IN THE CURRENT REPORTING PERIOD

1. GOVERNMENT GRANTS

STEMMER IMAGING applied for and received funds for short-time work and other similar government grants during the past six months as a result of the negative impact of Covid-19.

- These government grants meet the requirements laid down in IAS 20.
- Reimbursement of social security contributions KEUR 141
- Government grants for salaries KEUR 31
- The aforementioned amounts which have not yet been recognised may cause some deviations.

The Group also received grants totalling KEUR 102 for research and development measures during the reporting period.

2. GOODWILL

Deviating from the usual approach, STEMMER IMAGING performed an impairment test as per IAS 36 for transactions relating to Covid-19. The test is required as a result of certain indicators of impairment being present. The coronavirus pandemic has an impact on the earnings forecasts of STEMMER IMAGING's cash-generating units (CGU), constituting a triggering event under IAS 36. As at 30 June 2020, goodwill came to KEUR 19,501 (31 December 2019: KEUR 23,850).

Checking for impairment involved reviewing the CGUs' financial budgets and performing another impairment test as at 30 June 2020. The recoverable amount of the five cash-generating units was derived by applying discounted cash flow forecasts to calculating 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 discounting rate specific to each cash-generating unit. These models make use of numerous material assumptions, including estimates of future revenue volumes, prices, the costs of operating activities, sustainable growth rates and average weighted capital costs (discounting rate).

The cash flow forecasts are based on the expected gross margins, taking into account regional and product-specific movements. The cash flow range was extrapolated to periods after the fifth year assuming a constant annual growth rate of 1 per cent.

The following pre-tax discounting rates were applied in the individual cash-generating units:

- STEMMER IMAGING B.V., Zutphen/Netherlands:
9.98 per cent (previous year: 13.73 per cent)
- STEMMER IMAGING A/S, Copenhagen/Denmark:
9.57 per cent (previous year: 13.02 per cent)
- STEMMER IMAGING S.A.S., Suresnes/France:
10.57 per cent (previous year: 13.73 per cent)
- STEMMER IMAGING AB, Stockholm/Sweden:
10.71 per cent (previous year: 14.18 per cent)
- INFAIMON, S.L.U., Barcelona/Spain:
10.14 per cent (previous year: 14.13 per cent)

Only the calculated recoverable amounts of INFAIMON S.L.U. fall below the carrying amount of the cash-generating unit. An impairment charge of KEUR 4,349 was recorded in the consolidated financial statements of the first half of the year after carrying out an impairment test.

In the course of a sensitivity analysis for cash-generating units to which material levels of goodwill have been allocated, a separate risk assessment was also applied to the cash flow forecasts and, concurrently, the after-tax rates increased by two per cent. As a result of this sensitivity analysis, a goodwill write-down of KEUR 7,055 would need be recorded for INFAIMON S.L.U. if the sensitivity parameters were to occur.

3. INVESTMENTS IN ASSOCIATES

A write-down of KEUR 600 was made to the carrying amount as at the reporting date. The low fair value is KEUR 0. The break-even point for Perception Park GmbH, Graz, Austria, has been pushed back due to the worsened earnings outlook caused by the Covid-19 pandemic.

4. TRADE RECEIVABLES (CURRENT)

Trade receivables are subject to impairments as per IFRS 9. Customer payment behaviour was regularly reviewed as at the reporting date. This review did not give cause to assume any changes here as at the reporting date. STEMMER IMAGING uses the expected loss model, as was the case when preparing the consolidated financial statements as at 31 December 2019.

SIGNIFICANT EVENTS AND TRANSACTIONS

The Supervisory Board of STEMMER IMAGING AG appointed Uwe Kemm to the Executive Board of the company with effect from 1 April 2020. As COO, he is responsible for operational organisational units and the development and implementation of important corporate strategic initiatives.

EVENTS AFTER THE END OF THE REPORTING PERIOD

To further focus on the strategic business orientation and for structural cost-saving measures the company plans one-off expenses of EUR 1.5 million in the second half of 2020.

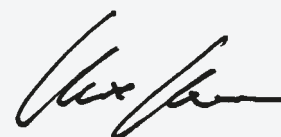
RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

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

Puchheim, 12 August 2020



Arne Dehn
Chief Executive Officer



Uwe Kemm
Chief Operating Officer

FINANCIAL CALENDAR¹

<p>Monday–Wednesday</p> <p>21/–23/09</p> <p>2020</p> <p>VIRTUAL BERENBERG GERMAN CORPORATE CONFERENCE</p>	<p>Thursday</p> <p>12/11</p> <p>2020</p> <p>PUBLICATION OF INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER OF 2020</p>	<p>Monday–Wednesday</p> <p>16/–18/11</p> <p>2020</p> <p>GERMAN EQUITY FORUM ONLINE</p>
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¹ Dates may change at short notice.

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