ISRA VISION

Quarterly Report Q2
Financial Year 2018 / 2019

Vision Competence for Digital Transformation

ISRA VISION AG: First half-year 2018 / 2019 – Double digit growth, revenues + 10 %, profitability + 17 %, EBT margin at 21 %

ISRA right on track: Strong first half-year and high backlog confirm annual guidance

- Revenues rise to 70.9 million euros, up 10 % (Q2-YTD-17 / 18: 64.7 million euros)
- EBT growth of 17 % to 14.9 million euros (Q2-YTD-17 / 18: 12.7 million euros)
  (Unless otherwise stated, this document shows EBITDA, EBIT and EBT before one-time acquisition costs.)
- Earnings margins further increased at high level:
  - EBITDA up 20 %, margin at 34 % of revenues and 31 % of total output (Q2-YTD-17 / 18: 31 % and 29 %)
  - EBIT up 17 %, margin at 21 % of revenues and 19 % of total output (Q2-YTD-17 / 18: 20 % and 18 %)
  - EBT up 17 %, margin at 21 % of revenues and 19 % of total output (Q2-YTD-17 / 18: 20 % and 18 %)
- Gross margin rises to 63 % of total output (Q2-YTD-17 / 18: 61 %) and 57 % of revenues (Q2-YTD-17 / 18: 57 %)
- Operating cash flow rises to 16.3 million euros (Q2-YTD-17 / 18: 12.6 million euros)
- Net liquidity of 4.1 million euros (September 30, 2018: 1.8 million euros)
- High order backlog of currently 98 million euros gross (PY: 95 million euros gross)
- Earnings per share after taxes increase by 12 % to 0.46 euros (Q2-YTD-17 / 18: 0.41 euros)
- Guidance for the 2018 / 2019 financial year confirmed: Low double-digit growth in revenues and earnings

In short form

(in € k)	HY 1 2018 / 2019		HY 1 2017 / 2018		Change
Revenues	70.926	89% [1]	64.701	91 % [1]	10 %
Gross Profit	49.839	63% [1]	43.387	61 % [1]	15 %
EBITDA	24.362 [2]	31% [1]	20.359	29 % [1]	20 %
EBIT	14.998 [2]	19% [1]	12.852	18 % [1]	17 %
EBT	14.85 [2]	19% [1]	12.702	18 % [1]	17 %
Net profit	10.165	13% [1]	9.024	13 % [1]	13 %
Earnings per share after taxes[3]	0.46		0.41		12 %

[1] Referenced to total output
[2] Adjusted for one-time acquisition costs
[3] Adjusted previous year's figure related to the stock split for better comparability

(in € k)	Q2 2018 / 2019		Q2 2017 / 2018		Change
Revenues	36.703	89 % [1)]	33.459	92 % [1)]	10 %
Gross Profit	26.095	63 % [1)]	22.392	61 % [1)]	17 %
EBITDA	12.401 [2)]2	30 % [1)]	10.408	28 % [1)]	19 %
EBIT	7.798 [2)]2	19 % [1)]	6.589	18 % [1)]	18 %
EBT	7.696 [2)]	19 % [1)]	6.490	18 % [1)]	19 %
Net profit	5.076	12 % [1)]	4.576	13 % [1)]	12 %
Earnings per share after taxes [3)]	0.23		0.21		10 %

[1)] Referenced to total output
[2)] Adjusted for one-time acquisition costs
[3)] Adjusted previous year's figure related to the stock split for better comparability

Business activity

ISRA VISION AG (ISIN: DE 0005488100) – the TecDAX and SDAX company for industrial image processing (machine vision), one of the world's leading providers of surface inspection and 3D machine vision applications – is continuing its profitable growth strategy as planned in the first half of the 2018 / 2019 fiscal year. With a revenue increase of around 10 percent to 70.9 million euros (Q2-YTD-17 / 18: 64.7 million euros), a strong EBT growth of 17 percent to 14.9 million euros (Q2-YTD-17 / 18: 12.7 million euros) compared to the same period last year and a related EBT margin of 21 percent of revenues (Q2-YTD-17 / 18: 20 %), the company is taking a further step towards its medium-term sales target of „200+". EBITDA increased significantly by 20 percent with a margin of 34 percent of revenues (Q2-YTD-17 / 18: 31 %), while EBIT improved by 17 percent and reached a margin of 21 percent of revenues (Q2-YTD-17 / 18: 20 %). In addition to a significant increase in operating cash flow to 16.3 million euros (Q2-YTD-17 / 18: 12.6 million euros), ISRA recorded a net cash flow of 9.0 million euros and net liquidity of 4.1 million euros (September 30, 2018: 1.8 million euros). Unless otherwise stated, this document includes EBITDA, EBIT and EBT before one-time acquisition costs (0.9 million euros).

Regions and segments

Consistent investments in the company's global expansion, the extension of market shares in relevant industries and the strengthening of its international teams at over 25 locations all contributed to the positive business development in the first half of 2018 / 2019. ISRA has newly formed its business team in England and has intensified the market expansion in Eastern Europe. The management is also currently examining new opportunities for further growth in North and South America, as well as in India.

In the second quarter of 2018 / 2019, business development in the regions maintained the positive momentum of the first three months: In the European markets, ISRA recorded an increase in business in the reporting period, to which in particular successes in France contributed. Sales in Asia developed well in double-digit range compared with the second quarter of 2017 / 2018, amongst others backed by major orders from China. Business in North and South America is at a similarly good level as in the previous year and will be further expanded in the coming months by strengthening management and intensifying marketing and sales activities.

In the first half of 2018 / 2019, revenue in the Industrial Automation segment rose to 17.2 million euros, growing by 8 percent compared to the same period of the previous year (Q2-YTD-17 / 18: 15.9 million euros). EBIT increased by 18 percent to 3.6 million euros (Q2-YTD-17 / 18: 3.1 million euros) at an EBIT margin of 18 percent of total output (Q2-YTD-17 / 18: 18 %). Machine Vision solutions for robot-guided assembly and measurement technology are the main drivers of the segment's results. In the coming months additional momentum is expected to come from portfolio enhancements in the field of smart factory automation and a strengthened presence in new markets for connected automation. ISRA recently launched product innovations in the market for 3D surface inspection with integrated precision metrology for discrete industries, such as the automotive, electronics or display industries.

In the first half of 2018 / 2019, sales in the Surface Vision segment grew by 10 percent to 53.8 million euros (Q2-YTD-17 / 18: 48.8 million euros). EBIT rose to 11.4 million euros (Q2-YTD-17 / 18: 9.8 million euros), which corresponds to an EBIT margin of 19 percent of total output (Q2-YTD-17 / 18: 18 %). One important growth area is the metal inspection business, which benefits from the complete portfolio strategy and strategic management reinforcement. The company is opening up additional market potential with the further development of INDUSTRIE 4.0-capable systems for networked production. In the glass industry, the positive order situation continues with product innovations for the inspection of thin glass for the display, solar and automotive industries. Extensions to the high-end inspection portfolio for the precise inspection of float glass are also expected to create further momentum. Advanced materials (formerly plastics) recorded strong growth with the development of new markets through the expanded focus on the inspection of innovative materials. In the print segment, the digital print inspection business achieved robust sales. Following the successful conclusion of a major order for the inspection of the cell production of a well-known Chinese manufacturer, additional growth impulses are emerging in the solar industry. In the paper sector, ISRA is concentrating on future markets such as the packaging industry and is optimizing its innovative portfolio with cost-reducing embedded technologies while simultaneously strengthening its activities in marketing and sales. Demand in the security business was similar to that of the previous year, with specialized inspection systems for high-security paper and printing. Following the successful closing of strategically important projects for leading European manufacturers, ISRA is concentrating on the Asian region in the still young semiconductor business segment. In the second quarter, the service business contributed a double-digit share of sales to the positive development of the company, which is to be increased further as part of the internationalization of customer service support and an expansion of management in the upcoming weeks.

Revenue and profit situation

ISRA increased sales in the first half of the 2018 / 2019 fiscal year by around 10 percent to 70.9 million euros (Q2-YTD-17 / 18: 64.7 million euros), while total output increased to 79.7 million euros (Q2-YTD-17 / 18: 70.8 million euros). The costs of production amount to 29.9 million euros (Q2-YTD-17 / 18: 27.5 million euros) thereby reaching a proportion of 37 percent of total output (Q2-YTD-17 / 18: 39 %). These costs relate to personnel expenses of 19 percent of total output (Q2-YTD-17 / 18: 20 %) and material costs of 18 percent of total output (Q2-YTD-17 / 18: 19 %). The positive margin level in operating business was successfully increased again in the second quarter of the current financial year. The gross margin (total output minus material and labor costs of production) rose by 2 percentage points to 63 percent of total output (Q2-YTD-17 / 18: 61 %). EBITDA (earnings before interest, taxes, depreciation and amortization) increased by 20 percent to 24.4 million euros (Q2-YTD-17 / 18: 20.4 million euros), the EBITDA margin in relation to total output reached 31 percent (Q2-YTD-17 / 18: 29 %). EBIT (earnings before interest and taxes) rose by 17 percent to 15.0 million euros (Q2-YTD-17 / 18: 12.9 million euros), corresponding to a margin of 19 percent of total output (Q2-YTD-17 / 18: 18 %). EBT (earnings before taxes) also improved by 17 percent to 14.9 million euros (Q2-YTD-17 / 18: 12.7 million euros), which corresponds to an EBT margin of 19 percent referenced to total output (Q2-YTD-17 / 18: 18 %).

Research and development expenditure in the first half of the financial year amounted to 10.7 million euros (Q2-YTD-17 / 18: 9.3 million euros) and therefore once again reached 13 percent of total output (Q2-YTD-17 / 18: 13 %). ISRA's growth strategy is reflected in its sales and marketing expenditure of 14.1 million euros (Q2-YTD-17 / 18: 11.9 million euros). Administrative costs account for 4 percent of total revenues (Q2-YTD-17 / 18: 3 %).

Consolidated net profit after taxes and minority interests amounts to 10.1 million euros in the first half of 2018 / 2019 (Q2-YTD-17 / 18: 9.0 million euros), corresponding to an increase of 13 percent as against the same period of the previous year. Accordingly, earnings per share improved by 12 percent to 0.46 euros (Q2-YTD-17 / 18: 0.41 euros).

Liquidity and financial situation

The half-year figures reflect good order entries and a strong order backlog of currently 98 million euros gross (PY: 95 million euros gross). Inventories increase slightly to 38.5 million euros (September 30, 2018: 36.9 million euros). Total trade receivables fall slightly to 104.5 million euros (September 30, 2018: 111.8 million euros) with cash receivables amounting to 38.8 million euros (September 30, 2018: 45.5 million euros) and contract assets to 65.7 million euros (receivables according to the percentage of completion method on September 30, 2018: 66.3 million euros). Consolidated total assets amount to 315.0 million euros as of March 31, 2019 (September 30, 2018: 312.9 million euros). Current assets rose to 192.6 million euros (September 30, 2018: 191.3 million euros) and non-current assets to 122.5 million euros (September 30, 2018: 121.6 million euros). Expenditure for investments totaled 10.2 million euros (March 31, 2018: 7.3 million euros). On the liabilities side of the balance sheet, trade payables fell substantially to 12.8 million euros as of March 31, 2019 (September 30, 2018: 20.6 million euros). Current financial liabilities to banks and financial institutions amount to 39.5 million euros (September 30, 2018: 32.9 million euros), while non-current liabilities to banks have been repaid in full. Other financial liabilities declined to 9.4 million euros (September 30, 2018: 13.8 million euros) as did income tax liabilities, down to 1.0 million euros (September 30, 2018: 2.5 million euros).

Net liquidity evolves to 4.1 million euros (September 30, 2018: 1.8 million euros). Continuing measures to improve efficiency, in particular in production, resulted in an increase in cash flow: Cash flow from operating activities totals 16.3 million euros (Q2-YTD-17 / 18: 12.6 million euros) and net cash flow 9.0 million euros after distribution of dividends to shareholders amounting to 3.3 million euros (Q2-YTD-17 / 18: 5.2 million euros prior to distribution). The earnings per share (EPS) after taxes hereby improved by 12 percent to 0.46 euros (Q2-YTD-17 / 18: 0.41 euros).

With significantly higher equity of 203.7 million euros (September 30, 2018: 197.8 million euros), an equity ratio up by 2 percentage points to 65 percent (September 30, 2018: 63 %) and the available credit lines, ISRA is equipped with very good capital resources for future growth and to finance potential acquisition projects.

Employees and management

In the first half of the 2018 / 2019 financial year, ISRA had an average of 762 employees at more than 25 locations worldwide (Q2-YTD-17 / 18: 684). At the end of the second quarter on March 31, 2019, the company had a total of more than 800 employees (Q2-YTD-17 / 18: 739). Around 51 percent worked in Production and Engineering, around 20 percent in Marketing and Sales and roughly 18 percent in Research and Development. Administration accounted for approximately 10 percent of the workforce. In terms of geographical distribution, nearly 70 percent of the company's employees worked in Europe, around 20 percent in Asia and about 10 percent in North and South America.

ISRA is pursuing its sustained growth path toward revenues exceeding 200 million euros through the targeted expansion of its global teams, particularly in the value-adding business divisions. As well as extending the product portfolio towards smart factory automation and production analytics, key steps to ensuring ongoing success include the strategic expansion of structures and the targeted management extension. With this aim in mind, experienced executive managers have already been brought on board in recent months in the areas of technical operations to optimize production efficiency, in the newly designed business area of smart factory automation, in finance operations, and in digital marketing in order to realize a future-oriented digital strategy and develop new sales channels. The role of regional managers at the international level is also being strengthened by additional competencies in order to allow them to exploit new market potential and promote growth locally.

Motivated and qualified teams form the fundamental basis for the company's long-term success. ISRA's personnel strategy therefore attaches particular value to highly educated, socially competent employees who excel in multiple disciplines. These qualities are specifically encouraged through a wide-ranging package of further education and training offerings, thereby enabling continuous professional and personal development for employees. Alongside excellent training, ISRA also focuses on international and social skills in order to foster diversity and personal responsibility as the backbone of a motivational corporate culture.

Trade fairs and international markets

Leading international trade fairs, conferences and workshops are productive opportunities for ISRA to address specific industries and regions. They provide an effective chance to place products and technological innovations on the market. In the first six months of the current financial year, the company has already presented both new and tried-and-tested products at several leading trade fairs and important industry events, in the process creating ideal conditions for new and follow-up business and intensifying and building on its contacts with customers all over the world. ISRA primarily took part in trade fairs in Europe, Asia and South America, demonstrating amongst others solutions for the inspection of metal, plastic, glass, solar and print products as well as innovative products in the area of 3D robot vision.

At the Control international trade fair for quality assurance and measurement technology in Stuttgart, ISRA recently presented its robot-guided sensors for the inspection of parts with large surface areas, such as bumpers for the automotive industry. The company showcased solutions from its "Touch & Automate" portfolio for 3D measurement and 3D robot guidance as well as products for "Bin Picking" at the HANNOVER MESSE. VISION in China is also an important trade fair for the image processing industry, particularly for the Asian market, and has therefore been a fixed date in ISRA's diary for many years. The company already presented its products for industrial automation at VISION and MOTEK in Stuttgart during the first quarter.

ISRA showcased systems for the inspection of plastic film and foils at CHINAPLAS, one of the biggest trade fairs for the plastics industry in Asia. Another important platform was the international ICE Europe fair in Munich focusing on the processing of paper, foil and non-woven fabrics, where the company focussed on products for the inspection of foil coatings. At Plastico Brasil in Sao Paulo and Chinaprint, ISRA presented print inspection systems along the entire production chain in important markets. The company recently had the opportunity to showcase its products at China Glass in Beijing, a leading trade fair for glass processing in the Asian market. In the first quarter of the financial year, the portfolio already met with resounding interest at glasstec in Düsseldorf, the leading international trade fair for the glass industry, as well as at the C-Touch international trade fair and conference for touchscreens in Shenzhen, China. New and enhanced products in the field of metal inspection were presented at the Aluminium trade fair in Düsseldorf.

ISRA will be taking part in further important exhibitions over the next few weeks, such as Metec (metallurgical trade fair), GIFA (foundry trade fair) in Düsseldorf and the Zellcheming exhibition (pulp and paper industry) in Frankfurt am Main. In June, participation in SNEC in Shanghai, a trade fair for photovoltaics, is expected to generate new impetus and contacts for the solar business. As well as attending numerous leading international trade fairs, ISRA invites its customers to internal workshops. This is an important communication channel for discussing the future needs and requirements of customers and their industry-specific processes. This enables new products to be developed and launched in a targeted and timely manner.

Research and development

With continuous investment in research and development, ISRA is securing a strong market position as well as long-term and sustainable growth as an innovative technological company in the machine vision sector. Its attractive product portfolio enables customers in various industries to automate the quality control of their products and processes in their production chain, thereby improving their profitability and efficiency. The company continuously adapts its innovation roadmap for the conceptualization and development of new products in line with technical progress made on the deployed technologies as well as the impetus coming from various customer markets. As a result, ISRA is consistently close to the latest trends in the industry and develops sustainably competitive solutions with huge market potential in their various fields of application. A consistent design-to-cost approach enables optimal pricing for customers, highly competitive systems and a rapid return on investment in just a few months. In the first six months of 2018 / 2019, ISRA invested 10.7 million euros (Q2-YTD-17 / 18: 9.3 million euros) or around 13 percent of its total output (Q2-YTD-17 / 18: 13 %), in research and development. Of this figure, 8.8 million euros (Q2-YTD-17 / 18: 6.1 million euros) are attributable to products soon to be launched on the market.

ISRA continuously opens up new applications and markets by further developing existing products. It achieves this by configuring already developed standard modules from the fields of camera technology, lighting and sensors together with existing software components to create new applications. The systematic, cross-market use of existing components ensures strong synergies in R&D and a short time-to-market. ISRA's current developments, for example, focus on expanding its portfolio of software-based products for intelligent connection and evaluation of production data to improve the yield of production lines. These products include both cross-industry solutions for statistical evaluations, integrated reporting and future-oriented analyses to be used in a wide variety of industries, and industry-specific solutions that explicitly address the requirements of individual applications to optimize the respective processes and products. At the core of the tools are modular services that use artificial intelligence to recognize relevant patterns in data streams, identify the origins of process and quality deviations and generate process optimization proposals. The ability to map processes in real time enables ever more powerful calculations of trends and scenarios within the production process.

In smart factory automation, the focus is on optimizing discrete manufacturing processes using high-end automation technology. The company combines its 3D machine vision expertise with robot automation and production analytics software tools for the evaluation of all production-relevant data to cater for a wide range of applications in assembly processes, material handling, inline measurement technology and 3D metrology in the smart factory. While customers in the past mainly came from the automotive industry, ISRA's embedded technologies and expanded product portfolio for digitalization and data integration along the entire value chain and beyond factory boundaries are now breaking into new customer markets.

In the second quarter, ISRA has continued the strategic and technological expansion of its 3D portfolio for combining 3D inspection and measurement. One particular focus is on the market launch of inspection systems with integrated precision measurement technology for discrete industries. The new products enable extremely precise 3D measurements of surface faults down to the nanometer range and thus to automate quality assurance in the production of high-quality components for sectors including the automotive, display or electronics industry. Against the background of INDUSTRY 4.0 and growing interest in "extreme" automation for boosting efficiency and flexibility, ISRA has significantly expanded its potential in the field of smart factory automation with its development of the "Touch & Automate" product line. The 3D machine vision sensors for robot automation are based on embedded systems and, thanks to their even higher resolution, offer improved precision and component recognition while scanning even faster in shorter cycle times. In addition to ISRA's production analytics tools for data collection and analysis along the entire value chain, further potential for increasing efficiency and optimizing yields in discrete production processes arises.

Share

The ISRA share proved dynamic in the first six months of the financial year. The share started at a Xetra closing price of 43.80 euros on October 1, 2018 and closed at 33.30 euros on March 29, 2019, down by around 24 percent. SDAX (nearly 9 percent) and TecDAX (more than 6 percent), the indices in which ISRA is listed, also came under pressure. The ISRA share recorded its high for the reporting period on Xetra at 47.25 euros on October 1, 2018 and a low of 22.25 euros on December 18, 2018.

The share price has picked up again significantly in recent months, rising by around 33 percent from the beginning of the year up to March 29, 2019. The share thus outperformed the moderate rises in the indices in which ISRA is listed, with the SDAX rising by around 14 percent in the corresponding period and the TecDAX by 8 percent.

Since May 23, 2018 ISRA shares have been traded with a 1:5 split. The stock split was based on a capital increase from company funds which had no impact on total equity. The new share, which qualifies for a full dividend, was entered in shareholders' portfolios on May 25, 2018.

During the reporting period from October 1, 2018 through March 29, 2019, the trading volume of ISRA shares rose to an average of over 118,000 shares on all stock exchanges (PY: 22,000 prior to the share split, corresponding to 110,000 after the split). Market capitalization on March 29, 2019 amounted to 729.7 million euros (March 31, 2018: 749.2 million euros) for a total of 21.91 million shares issued. The ISRA share is regularly tracked and rated by analysts from investment specialists Hauck & Aufhäuser, M.M. Warburg, Matelan and Pareto. The current analyst ratings are available at www.isravision.com.

ISRA VISION AG's Annual General Meeting for the financial year 2017 / 2018 was held in Darmstadt on March 19, 2019. All proposals submitted by the management were adopted with the corresponding majorities. The company increased its dividend for the ninth time in succession and distributed 0.15 euros per share for the 2017 / 2018 financial year (PY: 0.118 euros adjusted for the stock split). This is equal to an increase in the dividend of 27 percent and a total of 3.29 million euros. Earnings per share at the end of the first half of the year rose by 12 percent to 0.46 euros (Q2-YTD-17 / 18: 0.41 euros).

Report on opportunities and risks and risk management

The essential opportunities and risks of future company development as well as the structure of the risk management system are presented in detail in the annual report for the 2017 / 2018 financial year, starting in chapter 4 of the group management report. It can be accessed via the homepage www.isravision.com.

To be able to adequately and quickly respond to emerging risks, the relevant markets are monitored very closely and possible scenarios are anticipated. This allows ISRA to quickly implement action alternatives. Potential risks, among others potential exchange rate fluctuations, are closely monitored by the management. In general, a special focus lies on revenue development, liquidity and cost control.

Overall, the general risk situation in the first half of the 2018 / 2019 financial year did not change substantially from that described in the group management report for the 2017 / 2018 financial year.

Outlook

In the first six months of fiscal year 2018 / 2019, ISRA developed profitably and begins the second half of the year with a strong basis: The high order backlog of currently 98 million euros gross (previous year: 95 million euros gross) underlines the growth course and the annual targets. Due to the increasing customer demand for high-end automation solutions, management expects an overall positive development in the various regions. In addition, ISRA is strengthening sales in the European markets: Following the successful formation of the teams in France and England, further impetus is being expected during the next months. Potentials on the Eastern European market are to be tapped in the future by expanding the sales network from Bratislava. Sales and marketing are also being expanded in Asia with the aim of increasing market share and seizing new opportunities. ISRA expects further sales impulses in the coming months on the American market, not least due to a strengthening of management in North America. The development of new customers, industries and regions remains a central strategic goal in order to realise profitable growth.

For the Industrial Automation segment, the company is planning with a sustained willingness in various sectors to invest, whereupon there is great potential in the automotive industry. European premium manufacturers are already among its customer base; in future, ISRA will also concentrate on major players in South Korea, China and America. It is to be expected that ISRA‘s Machine Vision portfolio for networked production and the intuitive INDUSTRIE 4.0-capable systems from the „Touch & Automate“ family will continue to be in strong demand. Additional impetus can be anticipated from the recently introduced products for 3D surface inspection with integrated precision measurement technology and the portfolio expansion in the Smart Factory Automation area. ISRA also sees sales potential in projects in Asia for the 3D inspection of touch screens on smart devices.

In the Surface Vision segment, almost all areas are showing a positive development, and ISRA also expects a good order situation in the coming months. The significantly growing metal branch business is a growth driver and benefits from the complete portfolio strategy. Additional market potential through new products and expansions for networked production as well as further know-how gained by strengthening the management team are expected to lead to rising sales. The good order situation in the glass industry continues: Particularly in demand are solutions for the inspection of float glass as well as thin glass in the display, solar and automotive industries. After opening up new markets by expanding its focus on the inspection of innovative materials and intensifying its sales activities, the company anticipates a clearly positive development for the Advanced Materials branch. In the print business, stable sales revenues are also expected in the upcoming months from the inspection of digital printing applications. ISRA optimizes its portfolio for the paper industry with cost-reducing embedded approaches and strengthens its sales and marketing activities. In the solar segment, the company expects further sales impulses from Asia following the successful conclusion of a major order for inspection systems in the cell production of a well-known Chinese manufacturer. In June, new impulses and contacts for the solar business can be expected from participation in the SNEC in Shanghai, a trade fair for photovoltaics and solar. The Security business continues to record good demand for specialized inspection systems for high-security paper and printing. Following the successful completion of projects with leading European manufacturers, ISRA continues to expand its customer base in its still young semiconductor segment in Asia as well. The company is continuing to expand its customer service support and, following intensified internationalization and management expansion, is expecting a faster increase in sales in the coming months.

In addition to consistent organic growth, acquisitions remain a key element of the expansion strategy. These activities are focused on target companies whose expertise will bring a sustained advance in ISRA's technology leadership, strengthen its market position or open up new markets. In order to avoid possible acquisition risks the company examines every project with the necessary caution, which may lead to delays. In this context due diligence processes are sometimes time-consuming, not least due to market fluctuations and the associated valuation variations. Targets from the areas of industrial automation, production analytics and INDUSTRIE 4.0 sensors are currently being examined in more detail. In addition to organic and external growth, the management sees significant sales potential through the consistent expansion of the innovative product portfolio with INDUSTRIE 4.0 architecture for the expansion of the new business areas Smart Factory Automation and Production Analytics.

With its strategic focus on future-oriented expansion of the innovation portfolio, an enlargement of its activities in the global markets and a strong order backlog of currently 98 million euros gross, ISRA is well-positioned for a successful second half of the year. The focus will also be on expanding the international presence and global market position through new vertical industrial sectors. At the same time, management is concentrating on efficiently optimizing production and cash flow. The medium-term exceeding of the 200 million euros sales mark remains an important strategic goal of the company. In order to react appropriately and quickly to emerging global risks, the relevant markets are closely monitored, various scenarios are anticipated and marketing and sales are systematically expanded. Provided that the global economic environment does not deteriorate significantly – this also includes current trade policy tensions – ISRA still plans to achieve its projected low double-digit growth for revenues and earnings with at least stable margins.

Consolidated Total Operating Revenue EBITDA-EBIT statement 1) 3) 5)

from October 01, 2018 to March 31, 2019 in € k

(in € k)	FY 2018 / 2019 6 months (Oct. 01, 2018 - Mar. 31, 2019)		FY 2017 / 2018 6 months (Oct. 01, 2017 - Mar. 31, 2018)		FY 2018 / 2019 3 months (Jan. 01, 2019 - Mar. 31, 2019)		FY 2017 / 2018 3 months (Jan. 01, 2018 - Mar. 31, 2018)	
Net sales	70,926	89 %	64,701	91 %	36,703	89 %	33,459	92 %
Capitalized work	8,805	11 %	6,144	9 %	4,745	11 %	3,094	8 %
Total output	79,731	100 %	70,845	100 %	41,448	100 %	36,554	100 %
Cost of materials	14,408	18 %	13,158	19 %	7,571	18 %	6,790	19 %
Cost of labour excluding depreciation	15,485	19 %	14,300	20 %	7,781	19 %	7,373	20 %
Cost of production excluding depreciation	29,892	37 %	27,458	39 %	15,352	37 %	14,162	39 %
Gross profit	49,839	63 %	43,387	61 %	26,095	63 %	22,392	61 %
Research and development Total	10,682	13 %	9,281	13 %	5,503	13 %	4,310	12 %
Sales and marketing costs	14,091	18 %	11,917	17 %	7,457	18 %	5,946	16 %
Administration	2,827	4 %	2,164	3 %	1,562	4 %	936	3 %
Sales and administration costs excluding depreciation	16,918	21 %	14,081	20 %	9,020	22 %	6,882	19 %
Other revenues	2,123	3 %	333	0 %	828	2 %	- 792	- 2 %
EBITDA before extraordinary expenses	24,362	31 %	20,359	29 %	12,401	30 %	10,408	28 %
Depreciation and amortization	9,364	12 %	7,507	11 %	4,602	11 %	3,819	10 %
Total costs	36,963	46 %	30,868	44 %	19,125	46 %	15,011	41 %
EBIT before extraordinary expenses	14,998	19 %	12,852	18 %	7,798	19 %	6,589	18 %
Interest income	55	0 %	26	0 %	1	0 %	1	0 %
Interest expenses	- 200	0 %	- 176	0 %	- 103	0 %	- 99	0 %
Financing result	- 145	0 %	- 150	0 %	- 102	0 %	- 98	0 %
EBT before extraordinary expenses	14,853	19 %	12,702	18 %	7,696	19 %	6,490	18 %
Extraordinary expenses	- 900	- 1 %	0	0 %	- 638	- 2 %	0	0 %
EBT	13,953	18 %	12,702	18 %	7,058	17 %	6,490	18 %
Income taxes	3,788	5 %	3,678	5 %	1,982	5 %	1,915	5 %
Consolidated net profit	10,165	13 %	9,024	13 %	5,076	12 %	4,576	13 %
Of which accounted to non-controlling shareholders	18	0 %	58	0 %	11	0 %	45	0 %
Of which accounted to shareholders of ISRA VISION AG	10,147	13 %	8,967	13 %	5,065	12 %	4,531	12 %
Earnings per share in € before income taxes 2)	0.64		0.58		0.32		0.30	
Earnings per share in € 2)	0.46		0.41		0.23		0.21	
Shares issued 4)	21,893,091		21,899,570 6)		21,906,200		21,906,200 6)	

1) According to IFRS unaudited
2) Per-share result undiluted and diluted
3) This pro forma statement is an additional presentation based on the comprehensive presentation given in previous years and not part of the IFRS consolidated financial statements.
4) Weighted number of shares
5) ISRA is applying the new standards IFRS 9 and IFRS 15 for the first time effective October 01, 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognized and prior-year figures are not restated.
6) The prior-year figure was adjusted due to the comparability as a result of the stock split.

ISRA VISION AG voluntarily publishes a consolidated total operating revenue EBITDA-EBIT statement typical for the industry oriented to the cost-summary method. The key differences between the cost of sales method and the pro forma consolidated total operating revenue / EBITDA-EBIT calculation are as follows: Profit margins increase because they are now associated with net sales instead of total output (net sales plus capitalized work). Capitalized work no longer appears in the cost of sales method and is assigned to the R&D functional area. Depreciation and amortization is now spread over the relevant functional areas. The EBIT earnings and the EBT earnings of the pro forma total output EBITDA-EBIT statement do not deviate from the consolidated income statement, which corresponds to IFRS.

Consolidated Income Statement [1) 3) 5)]

from October 01, 2018 to March 31, 2019 in € k

(in € k)	FY 2018 / 2019 6 months (Oct. 01, 2018 - Mar. 31, 2019)		FY 2017 / 2018 6 months (Oct. 01, 2017 - Mar. 31, 2018)		FY 2018 / 2019 3 months (Jan. 01, 2019 - Mar. 31, 2019)		FY 2017 / 2018 3 months (Jan. 01, 2018 - Mar. 31, 2018)	
Net sales	70,926	100 %	64,701	100 %	36,703	100 %	33,459	100 %
Cost of sales	30,306	43 %	27,863	43 %	15,543	42 %	14,359	43 %
Gross operating result (gross profit)	40,621	57 %	36,838	57 %	21,159	58 %	19,101	57 %
Research and development	10,226	14 %	9,785	15 %	4,882	13 %	4,656	14 %
Total costs	10,682	15 %	9,281	14 %	5,503	15 %	4,310	13 %
Depreciation and amortization	8,498	12 %	6,702	10 %	4,188	11 %	3,441	10 %
Grants	- 149	0 %	- 54	0 %	- 64	0 %	0	0 %
Capitalized work	- 8,805	- 12 %	- 6,144	- 9 %	- 4,745	- 13 %	- 3,094	- 9 %
Sales and marketing costs	14,467	20 %	12,254	19 %	7,642	21 %	6,103	18 %
Administration	2,902	4 %	2,225	3 %	1,601	4 %	961	3 %
Sales and administration costs	17,370	24 %	14,480	22 %	9,243	25 %	7,064	21 %
Other revenues	1,974	3 %	279	0 %	764	2 %	- 792	- 2 %
Interest income	55	0 %	26	0 %	1	0 %	1	0 %
Interest expenses	- 200	0 %	- 176	0 %	- 103	0 %	- 99	0 %
Financing result	- 145	0 %	- 150	0 %	- 102	0 %	- 98	0 %
Earnings before taxes (EBT) before extraordinary expenses	14,853	21 %	12,702	20 %	7,696	21 %	6,490	19 %
Extraordinary expenses	- 900	- 1 %	0	0 %	- 638	- 2 %	0	0 %
Earnings before taxes (EBT)	13,953	20 %	12,702	20 %	7,058	19 %	6,490	19 %
Income taxes	3,788	5 %	3,678	6 %	1,982	5 %	1,915	6 %
Consolidated net profit	10,165	14 %	9,024	14 %	5,076	14 %	4,576	14 %
Of which accounted to shareholders of ISRA VISION AG	10,147	14 %	8,967	14 %	5,065	14 %	4,531	14 %
Of which accounted to non-controlling shareholders	18	0 %	58	0 %	11	0 %	45	0 %
Earnings per share in € before income taxes [2)]	0.64		0.58		0.32		0.30	
Earnings per share in € [2)]	0.46		0.41		0.23		0.21	
Shares issued [4)]	21,893,091		21,899,570 [6)]		21,906,200		21,906,200 [6)]	

1) According to IFRS unaudited
2) Per-share result undiluted and diluted
3) The Company's quarterly consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Boards (IASB). In the year under review the IFRS and SICs which must compulsorily be applied were followed.
4) Weighted number of shares
5) ISRA is applying the new standards IFRS 9 and IFRS 15 for the first time effective October 01, 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognized and prior-year figures are not restated.
6) The prior-year figure was adjusted due to the comparability as a result of the stock split.

Consolidated Group Balance Sheet [2) 3)]

at March 31, 2019 in € k

(in € k)	Mar. 31, 2019 [1)]	Sept. 30, 2018
ASSETS		
Assets		
Short-term assets		
Inventories	38,450	36,929
Trade receivables	104,494	111,831
Cash and cash equivalents	43,695	34,716
Financial assets	3,400	3,236
Other receivables	370	2,434
Income tax receivables	2,154	2,135
Total short-term assets	192,563	191,281
Long-term assets		
Intangible assets	115,693	115,156
Tangible assets	5,151	4,815
Shareholdings in associated companies	13	12
Financial assets	1,329	1,282
Deferred tax claims	295	358
Total long-term assets	122,481	121,624
Total assets	315,044	312,905
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	12,768	20,621
Financial liabilities to banks	39,549	32,872
Other financial liabilities	9,438	13,822
Other accruals	1,795	1,020
Income tax liabilities	1,002	2,452
Other liabilities	1,456	1,618
Total short-term liabilities	66,008	72,406
Long-term liabilities		
Deferred tax liabilities	41,705	39,144
Pension provisions	3,606	3,586
Total long-term liabilities	45,311	42,730
Total liabilities	111,319	115,136
Equity		
Issued capital	21,914	21,906
Capital reserves	20,906	21,722
Profit brought forward	147,662	128,810
Net profit accounted to the shareholders of ISRA VISION AG	10,147	23,108
Other comprehensive income	1,244	361
Own shares	-28	0
Share of equity capital held by ISRA VISION AG shareholders	201,845	195,907
Equity capital accounted to non-controlling shareholders	1,880	1,862
Total equity	203,725	197,769
Total equity and liabilities	315,044	312,905

1) According to IFRS unaudited

2) The Company's quarterly consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Boards (IASB). In the year under review the IFRS and SICs which must compulsorily be applied were followed.

3) ISRA is applying the new standards IFRS 9 and IFRS 15 for the first time effective October 01, 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognized and prior-year figures are not restated.

Consolidated Cash Flow Statement [1) 2)]

from October 01, 2018 to March 31, 2019 in € k

(in € k)	Oct. 01, 2018 - Mar. 31, 2019	Oct. 01, 2017 - Mar. 31, 2018
Consolidated net profit	**10,165**	**9,024**
Income tax payments	-2,945	-2,530
Changes in deferred tax assets and liabilities	2,624	3,639
Changes in accruals	796	187
Depreciation and amortization	9,364	7,507
Changes in inventories	-1,109	-3,493
Changes in trade receivables and other assets	7,297	7,712
Changes in trade payables and other liabilities	-10,032	-9,617
Financial result	145	150
Other non-cash changes	45	68
Cash flow from operating activities	**16,349**	**12,647**
Payments for investments in tangible assets	-1,091	-438
Payments for investments in intangible assets	-9,072	-6,510
Company acquisition	0	-317
Cash flow from investment activities	**-10,163**	**-7,265**
Payments to company owners through acquisition of own shares	-836	0
Deposits from sales of own shares	0	606
Dividend payouts	-3,286	0
Deposits from the assumption of financial liabilities	6,677	14
Interest income	55	26
Interest expenses	-200	-176
Cash flow from financing activities	**2,410**	**470**
Exchange rate-based value changes of the financial resources	383	-672
Change of financial resources	**8,978**	**5,179**
Net cash flow		
Financial resources on 30.09.2018 / 30.09.2018	34,716	29,728
Financial resources on 31.03.2019 / 31.03.2018	43,695	34,907

1) According to IFRS unaudited

2) The Company's quarterly consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Boards (IASB). In the year under review the IFRS and SICs which must compulsorily be applied were followed.

Consolidated Statement of Changes in Equity [1) 2) 3)]

for the period October 01, 2018 to March 31, 2019 in € k

(in € k)	Issued capital	Capital reserves	Own shares	Other not-income-affecting changes in equity	Profit brought forward	Net profit of the period	Equity of share-holders ISRA VISION AG	Accounted to non-controlling share-holders	Equity
As of Sep. 30, 2018	21,906	21,722	0	361	128,810	23,108	195,907	1,862	197,769
Conversion effect IFRS 9	0	0	0	0	-90	0	-90	0	-90
Conversion effect IFRS 15	0	0	0	0	-880	0	-880	0	-880
Profit brought forward	0	0	0	0	23,108	-23,108	0	0	0
Capital increase (conversion of capital reserve due to stock split)	8	-8	0	0	0	0	0	0	0
Acquisition of own shares	0	-808	-28	0	0	0	-836	0	-836
Sales of own shares	0	0	0	0	0	0	0	0	0
Payout	0	0	0	0	-3,286	0	-3,286	0	-3,286
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	883	0	10,147	11,030	18	11,048
As of Mar. 31, 2019	21,914	20,906	-28	1,244	147,662	10,147	201,845	1,880	203,725

1) According to IFRS unaudited

2) The Company's annual consolidated financial statements were prepared in accordance with the International Accounting Standards (IASs) of the International Accounting Standards Board (IASB). In the year under review the IFRS/IASs and SICs which must compulsorily be applied were followed.

3) ISRA is applying the new standards IFRS 9 and IFRS 15 for the first time effective October 01, 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognized and prior-year figures are not restated.

Consolidated Statement of Changes in Equity [1] [2]

for the period October 01, 2017 to March 31, 2018 in € k

(in € k)	Issued capital	Capital reserves	Own shares	Other not-income-affecting changes in equity	Profit brought forward	Net profit of the period	Equity of share-holders ISRA VISION AG	Accounted to non-controlling share-holders	Equity
As of Sep. 30, 2017	4,381	38,800	- 159	921	110,886	20,508	175,338	1,710	177,049
Profit brought forward	0	0	0	0	20,508	- 20,508	0	0	0
Acquisition of own shares	0	0	0	0	0	0	0	0	0
Sales of own shares	0	447	159	0	0	0	606	0	606
Payout	0	0	0	0	0	0	0	0	0
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	- 1,268	0	8,967	7,699	58	7,756
As of Mar. 31, 2018	4,381	39,247	0	- 347	131,395	8,967	183,643	1,768	185,410

[1] According to IFRS unaudited

[2] The Company's annual consolidated financial statements were prepared in accordance with the International Accounting Standards (IASs) of the International Accounting Standards Board (IASB). In the year under review the IFRS/IASs and SICs which must compulsorily be applied were followed.

Segment Reporting by Division [1) 2) 3)]

for selected positions of the consolidated income statement in € k

(in € k)	Industrial Automation Division Oct. 01, 2018 - Mar. 31, 2019	Industrial Automation Division Oct. 01, 2017 - Mar. 31, 2018	Surface Vision Division Oct. 01, 2018 - Mar. 31, 2019	Surface Vision Division Oct. 01, 2017 - Mar. 31, 2018
Revenues	17.168	15,930	53,759	48,770
EBIT	3,589 [4)]	3,051	11,410 [4)]	9,801

1) According to IFRS unaudited
2) The Company's quarterly consolidated financial statements were prepared in accordance with the International Accounting Standards (IASs) of the International Accounting Standards Board (IASB). In the year under review the IFRS / IASs and SICs which must compulsorily be applied were followed.
3) ISRA is applying the new standards IFRS 9 and IFRS 15 for the first time effective October 01, 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognized and prior-year figures are not restated.
4) EBIT before extraordinary expenses

Explanatory information

Basic Principles of Accounting and Assessment

The company's quarterly consolidated financial statements were prepared in line with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB). In the year under review the IFRSs and SICs which must compulsorily be applied were followed.

Transactions with closely affiliated persons and companies

In a lease dated August 12, 1998 the Company leased administration, strage, and development premises at the Company's registered office in Darmstadt from ISRA Bau-Mitarbeiter-Beteiligungsgesellschaft GbR, Darmstadt. Two members of the Executive Board of ISRA VISION AG are partners of this GbR (civil law partnership). The addendum to the lease dated October 01, 2012 has a fixed initial term of ten years – it may not be terminated during this period. The monthly rent amounts to 10,200.26 euros plus a lump-sum for ancillary costs of 805.29 euros. The terms and provisions of the rental agreement were negotiated at arm's length. As of the balance sheet date, liablities to ISRA Bau-Mitarbeiter-Beteiligungsgesellschaft GbR amounted to €0k (PY: €0k). In the year under review, rental expenditure for GbR amounted to €66k (PY: €66k).

Audit review

The consolidated interim financial statements as of March 31, 2019 and the interim group management report were not audited in accordance with § 317 HGB and were not audited by an auditor.

Declaration of the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report of the group includes a fair view 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.

Darmstadt, June 3, 2019

The Executive Board

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