ISRA VISION

Quarterly Report Q3
Financial Year 2018 / 2019

Vision Competence for Digital Transformation

ISRA VISION AG: Third quarter 2018 / 2019 – Profitability strong (EBT +19 % with a 22 % margin), robust revenue increase (+8 %)

High double-digit margin growth; very positive cash flow impresses; significant potential for growth through technology acquisition

- EBT growth of 19 % to 24.5 million euros (Q3-YTD-17 / 18: 20.5 million euros)
  (Unless otherwise stated, EBITDA, EBIT and EBT values are adjusted for one-time acquisition costs)
- Revenues rise to 110.6 million euros, up 8 % (Q3-YTD-17 / 18: 102.8 million euros)
- Earnings margins further increased at high level:
  - EBITDA up 20 %, margin at 35 % of revenues and 31 % of total output (Q3-YTD-17 / 18: 31 % and 29 %)
  - EBIT up 19 %, margin at 22 % of revenues and 20 % of total output (Q3-YTD-17 / 18: 20 % and 18 %)
  - EBT up 19 %, margin at 22 % of revenues and 20 % of total output (Q3-YTD-17 / 18: 20 % and 18 %)
- Gross margin rises to 62 % of total output (Q3-YTD-17 / 18: 61 %) and 57 % of revenues (Q3-YTD-17 / 18: 57 %)
- Strong cash flow
  - Operating cash flow rises to 26.6 million euros (Q3-YTD-17 / 18: 18.3 million euros)
  - Net cash flow at 9.0 million euros (Q3-YTD-17 / 18: 5.6 million euros)
- Net liquidity increases significantly to 9.4 million euros (September 30, 2018: 1.8 million euros)
- Current order backlog of around 93 million euros gross (PY: 90 million euros gross)
- Earnings per share after taxes up 15 % to 0.76 euros* (Q3-YTD-17 / 18: 0.66 euros)
- Embedded sensor technology and development expertise of acquired Photonfocus AG open up additional market potential
- Traditionally strong Q4 will be decisive for overall annual growth; noticeable impact of macro-economic situation on order entry dynamics
- Outlook for the financial year 2019 / 2020: Current planning focuses on double-digit growth in revenues and earnings

In short form

(in € k)	FY 2018 / 2019 9 months		FY 2017 / 2018 9 months		Change
Revenues	110,571	90 % [1]	102,815	91 % [1]	8 %
Gross Profit	76,501	62 % [1]	68,908	61 % [1]	11 %
EBITDA	38,643 [2]	31 % [1]	32,116	29 % [1]	20 %
EBIT	24,621 [2]	20 % [1]	20,728	18 % [1]	19 %
EBT	24,454 [2]	20 % [1]	20,513	18 % [1]	19 %
Net profit	16,690 *	14 % [1]	14,545	13 % [1]	15 %
Earnings per share after taxes [3]	0.76 *		0.66		15 %

[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

* After one-time acquisition costs

(in € k)	FY 2018 / 2019 3 months		FY 2017 / 2018 3 months		Change
Revenues	39,645	92 % 1)	38,114	92 % 1)	4 %
Gross Profit	26,662	62 % 1)	25,521	61 % 1)	4 %
EBITDA	14,281 2)	33 % 1)	11,757	28 % 1)	21 %
EBIT	9,623 2)	22 % 1)	7,877	19 % 1)	22 %
EBT	9,601 2)	22 % 1)	7,811	19 % 1)	23 %
Net profit	6,525 *	15 % 1)	5,520	13 % 1)	18 %
Earnings per share after taxes 3)	0.30 *		0.25		20 %

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

* After one-time acquisition costs

Business activity

ISRA VISION AG (ISIN: DE 0005488100), the TecDAX and SDAX company for industrial image processing (machine vision) and one of the world's leading providers of surface inspection solutions and 3D machine vision applications, continued to develop profitably in the third quarter of the financial year with enormous EBT (earnings before taxes) growth of 19 percent to 24.5 million euros (Q3-YTD-17 / 18: 20.5 million euros) and related EBT margin of 22 percent of revenues (Q3-YTD-17 / 18: 20 %) and 20 percent of total output (Q3-YTD-17 / 18: 18 %). With revenues of 110.6 million euros (Q3-YTD-17 / 18: 102.8 million euros), an increase of around 8 percent, the company is making further progress toward its medium-term target of revenues exceeding 200 million euros. EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to 38.6 million euros (Q3-YTD-17 / 18: 32.1 million euros), representing significant growth of 20 percent at a very high margin of 35 percent of revenues (Q3-YTD-17 / 18: 31 %) and 31 percent of total output (Q3-YTD-17 / 18: 29 %), while EBIT (earnings before interest and taxes) improved by 19 percent to 24.6 million euros, reaching a margin of 22 percent of revenues (Q3-YTD-17 / 18: 20 %) and 20 percent of total output (Q3-YTD-17/18: 18 %). Alongside a significant increase in the operating cash flow to 26.6 million euros (Q3-YTD-17/18: 18.3 million euros), ISRA reports net cash flow of 9.0 million euros (Q3-YTD-17 / 18: 5.6 million euros) and net liquidity of 9.4 million euros (September 30, 2018: 1.8 million euros). The gross margin (total output minus material and labor costs of production) increased by one percentage point to 62 percent of total output (Q3-YTD-17 / 18: 61 %). Unless otherwise stated, EBITDA, EBIT and EBT figures provided in this document are adjusted for one-off acquisition costs.

Regions and segments

During the first nine months of the financial year, ISRA continued to invest in the global expansion of market shares in the target industries and in strengthening the international teams at more than 25 locations. As such, important new managers were recruited in the United Kingdom and China, while the company intensified its market expansion measures in Mexico. In addition, step-by-step expansion is being implemented in North and South America, South East Asia and India. For the further expansion of the service business that contributed to the positive development of the company with a double-digit share of revenues in the third quarter, ISRA recruited an experienced manager. The objective of this is to strategically strengthen the Customer Support & Service Center and achieve an above-average increase over the coming quarters.

Business in the regions was robust in the third quarter of 2018 / 2019. ISRA achieved successes in sales in the European markets. Revenues in Asia continued to develop on a high level compared to the third quarter of the previous year; the company expects amongst others large-scale orders from China over the coming months. Business in North and South America grew significantly and should receive further impetus from an additional intensification of marketing and sales activities. Revenues in the Industrial Automation segment rose to 28.0 million euros during the reporting period, representing growth of 10 percent (Q3-YTD-17 / 18: 25.5 million euros), while business with the automotive industry alone grew by 12 percent. EBIT increased by 21 percent to 6.1 million euros (Q3-YTD-17 / 18: 5.1 million euros) at an EBIT margin of 19 percent of total output (Q3-YTD-17 / 18: 18 %). The segment result was driven by machine vision solutions for robot-guided assembly and measuring technology. Experience has shown that these capital goods for the automation of production are the subject of cross-industry demand, even when the economic climate is weakening. This especially applies for the automotive industry, as the major players invest in optimizing production and increasing efficiency in times of economic slowdown.

In the third quarter of 2018 / 2019, revenues in the Surface Vision segment grew by 7 percent to 82.6 million euros (Q3-YTD-17 / 18: 77.4 million euros). At the same time, EBIT increased to 18.5 million euros (Q3-YTD-17 / 18: 15.7 million euros), which corresponds to an EBIT margin of 20 percent of total output (Q3-YTD-17 / 18: 19 %). The metal inspection business continues to benefit from the complete portfolio strategy and is thus one of the important growth areas. ISRA is currently opening up additional market potential here with the ongoing development of INDUSTRIE 4.0-capable systems for connected production. The order situation in the glass industry is at a high level, supported by new and enhanced products. Furthermore, recently launched additions to the high-end portfolio for the detailed inspection of float glass mean that further momentum can be expected in future. Advanced materials once again achieved strong growth by opening up niche markets for innovative materials, amongst others. Both glass and advanced materials have proven to be growth drivers. The print business is being strengthened further through investments in marketing and sales. Following the successful closing of a large-scale order from a well-known manufacturer from China and thanks to a good order backlog, the solar industry appears to offer further potential; ISRA is tackling the tough competition for market shares in Asia with an aggressive sales strategy. Future markets such as the packaging sector are the focus of business activities in the paper industry. Various projects for optimizing the innovative portfolio with cost-reducing embedded technologies are currently being implemented here, while marketing and sales are also being strengthened. The security business experienced solid demand for its specialized inspection solutions for high-security paper and printing, while the relatively new semiconductors business area is enjoying increasingly positive development and has a good order situation.

Revenue and profit situation

ISRA increased sales in the first nine months of the financial year 2018 / 2019 by 8 percent to 110.6 million euros (Q3-YTD-17 / 18: 102.8 million euros) while total output rose to 123.1 million euros (Q3-YTD-17/18: 112.5 million euros). The production costs amount to 46.6 million euros (Q3-YTD-17 / 18: 43.6 million euros) or 38 percent of total output (Q3-YTD-17 / 18: 39 %), representing an improvement in efficiency. These costs relate to slightly optimized personal expenses of 19 percent of total output (Q3-YTD-17 / 18: 20 %), and material costs of 19 percent of total output (Q3-YTD-17 / 18: 19 %). In general, the positive margin level was successfully increased again in the third quarter of the current financial year, while the gross margin increased by one percentage point to 62 percent of total output (Q3-YTD-17 / 18: 61 %). EBITDA improved, rising by 20 percent to 38.6 million euros (Q3-YTD-17 / 18: 32.1 million euros) with the EBITDA margin reaching 35 percent of revenues (Q3-YTD-17 / 18: 31 %) and 31 percent of total output (Q3-YTD-17 / 18: 29 %). EBIT increased by 19 percent to 24.6 million euros (Q3-YTD-17 / 18: 20.7 million euros) with a margin of 22 percent of revenues (Q3-YTD-17 / 18: 20 %) and 20 percent of total output (Q3-YTD-17 / 18: 18 %). EBT also improved by 19 percent to 24.5 million euros (Q3-YTD-17 / 18: 20.5 million euros), corresponding to an EBT margin of 22 percent of revenues (Q3-YTD-17 / 18: 20 %) and 20 percent referenced to total output (Q3-YTD-17 / 18: 18 %). Expenditure for research and development in the first nine months of the financial year amounted to 16.1 million euros (Q3-YTD-17 / 18: 14.6 million euros), thus again accounting for 13 percent of total output (Q3-YTD-17 / 18: 13 %). 21.3 million euros was spent on sales and marketing (Q3-YTD-17 / 18: 20.1 million euros). Pure administrative costs account for 3 percent of total output (Q3-YTD-17 / 18: 3 %).

Consolidated net profit after taxes and minority interests amounts to 16.7 million euros* in the first nine months of the financial year 2018 / 2019 (Q3-YTD-17 / 18: 14.5 million euros), an increase of 15 percent as against the same period of the previous year. Accordingly, earnings per share improved by 15 percent to 0.76 euros* (Q3-YTD-17 / 18: 0.66 euros).

Liquidity and financial situation

The balance sheet for the first nine months of the financial year reflects a strong order backlog of 93 million euros gross (PY: 90 million euros gross). Inventories have increased slightly to 40.5 million euros (September 30, 2018: 36.9 million euros) while total trade receivables have decreased to 105.5 million euros (September 30, 2018: 111.8 million euros) whereby cash receivables amount to 39.9 million euros (September 30, 2018: 45.5 million euros) and contract assets to 65.6 million euros (receivables according to the “percentage of completion” method on September 30, 2018 at 66.3 million euros). Consolidated total assets amounted to 317.7 million euros as of June 30, 2019 (September 30, 2018: 312.9 million euros). Current assets have risen to 195.8 million euros (September 30, 2018: 191.3 million euros) and non-current assets to 121.9 million euros (September 30, 2018: 121.6 million euros). 14.5 million euros were spent on investments (June 30, 2018: 10.8 million euros). On the liabilities side of the balance sheet, trade payables have fallen substantially to 12.4 million euros as of June 30, 2019 (September 30, 2018: 20.6 million euros) while current financial liabilities to banks and credit institutions amount to 34.3 million euros (September 30, 2018: 32.9 million euros). Non-current liabilities to credit institutions have been repaid in full. Other financial liabilities declined to 12.3 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 has increased significantly to 9.4 million euros (September 30, 2018: 1.8 million euros). Continuing measures by the management to improve efficiency result in an increase in cash flow, with cash flow from operational activities totaling 26.6 million euros (Q3-YTD-17 / 18: 18.3 million euros) and net cash flow 9.0 million euros (Q3-YTD-17 / 18: 5.6 million euros). With significantly higher equity of 209.8 million euros (September 30, 2018: 197.8 million euros), an equity ratio up by 3 percentage points to 66 percent (September 30, 2018: 63 %) and the available credit lines, the company is equipped with very good capital resources for future growth and to finance potential further acquisition projects.

Employees and management

In the first nine months of the 2018 / 2019 financial year, ISRA had an average of 763 employees at more than 25 locations worldwide (Q3-YTD-17 / 18: 688). At the end of the third quarter on June 30, 2019, the company had a total of more than 800 employees (June 30, 2018: 743). Around 51 percent worked in Production and Engineering, around 20 percent in Marketing and Sales and roughly 19 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 approximately 10 percent in North and South America.

With its clear focus on value-creating business divisions, ISRA is supporting its sustained growth path by strengthening its teams around the world. Key steps to ensuring the organization’s successful future are the strategic expansion of structures, particularly in the areas of smart factory automation and production analytics. Experienced members of staff have also been brought on board in recent months to optimize production efficiency, supply chain management and sales. In addition to this, an experienced manager has strengthened the Customer Support & Service Center. Internationally, important new appointments have been made at the management level for the teams in the United Kingdom and China with a focus on sales and general business.

* After one-time acquisition costs

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 trained, socially competent employees who excel in multiple disciplines. These qualities are encouraged through a wide-ranging package of further education and training offerings as well as strategic management trainings, thereby enabling continuous professional and personal development for employees. Alongside excellent employee training to strengthen the teams' potential, ISRA also places a special focus on intercultural skills in order to foster diversity and personal responsibility, which are among the most important elements of a motivational corporate culture.

Trade fairs and international markets

Leading international trade fairs, conferences and workshops are efficient ways for ISRA to address its customer groups in specific industries and regions. They provide an effective chance to introduct products and technological innovations in the market. In the first nine months of the current financial year, the company has already presented both new and further developed 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 took part in over 40 trade fairs and specialist conferences in Europe, Asia and America, demonstrating in particular solutions for the inspection of metal, plastic, solar and print products as well as innovative products in the area of 3D robot vision.

International representatives of the metal industry meet every four years at METEC in Düsseldorf, which is the world's leading trade fair for the industry and thus a fixed event in ISRA's diary. The company presented technologically leading products for the surface inspection of stamped flat metal sheets, primarily used to optimize processes in the automotive segment. The system enables the automatic inspection of stamped parts of any shape for the first time and received very positive feedback from fair visitors. Another important platform was Aluminium China, an important trade fair for the Asian region. The highlights of this event were products for the fully automated quality assurance of aluminum profiles.

The company showcased solutions from its "Touch & Automate" portfolio for 3D measurement and 3D robot guidance as well as products from the "bin picking" family at GIFA in Düsseldorf, an important international trade fair attended by around 50,000 visitors. Systems from this portfolio also attracted great interest at the AMTS in Shanghai, one of the biggest automotive industry fairs in Asia. ISRA recently addressed the growing solar solutions market by participating in SNEC PV, a trade fair for photovoltaics in China, showcasing systems for inline inspection across the entire value chain. The leads and contacts gathered at this fair are expected to generate new impetus for business. At the Zellcheming exhibition in Frankfurt am Main, an important meeting place for the European pulp and paper industry, new inline surface inspection systems for defect classification of paper products were presented that now work even faster.

ISRA will be taking part in other important exhibitions over the next few weeks, such as Aluminum USA (Nashville, Tennessee), and Labelexpo Europe (the world's largest label and package printing trade held in Brussels). Additionally to attending numerous leading international trade fairs, the company invites its customers to internal workshops. This is also an important communication channel for understanding the future needs and requirements of customers and their industry-specific processes as well as to outline future-oriented solutions. This enables new products to be developed and launched in a targeted manner.

Research and development

As a technological leader in the machine vision sector, ISRA consistently invests in research and development to secure a strong market position as well as long-term, profitable growth. Its attractive product portfolio enables customers in various industries to automate quality assurance along the entire value chain, thereby improving profitability and efficiency. The company continuously adapts its innovation road map 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 geared towards the latest trends in target industries and develops competitive solutions with huge market potential in their various fields of application. A consitantdesign-to-cost approach enables optimal pricing for customers, highly competitive systems and a high return on investment within a short period of time. In the first nine months of the financial year 2018 / 2019, ISRA invested 16.1 million euros (Q3-YTD-17 / 18: 14.6 million euros) or around 13 percent of its total output (Q3-YTD-17 / 18: 13 percent) in research and development. Of this figure, 12.5 million euros (Q3-YTD-17 / 18: 9.7 million euros) are attributable to products which are soon to be launched on the market.

ISRA continuously opens up new applications and markets. In many cases it achieves this by configuring tried-and-tested standard modules from the fields of camera technology, lighting and sensors together with existing software components for new applications. The established components thus ensure strong synergies in R&D, a short time to market and cross-market usability. The current developments focus, for example, on a newer generation of software-based products for intelligent connection and evaluation of production data to improve the yield of production lines. These innovations include solutions for statistical evaluations, integrated reporting and future-oriented analyses that can be used in a wide variety of industries, as well as 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 optimization proposals. This enables even more powerful real-time calculation 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. ISRA 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 most customers stem from the automotive industry in the past, the company'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. Most recently, ISRA has expanded its expertise through Swiss company Photonfocus AG, which has extensive development resources in the field of embedded systems with integrated intelligence. Their specialized sensor technologies and know-how in development will soon be implemented in new ISRA products and product generations, tapping into new market potential in the area of factory automation.

In the first nine months of the financial year, the company has continued the technological expansion of its portfolio for the combination of 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 can be used to make 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 industries. Against the background of the industry's growing interest in automation to boost 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 combination with ISRA's production analytics tools for data collection and analysis along the entire manufacturing chain, this offers customers further potential for boosting efficiency and maximizing revenues in discrete production processes.

Share

The ISRA share (ISIN: DE 0005488100) proved robust in the third quarter of the financial year. The share started at a XETRA closing price of 35.12 euros on April 1, 2019 and closed at 39.18 euros on June 28, 2019, representing increase of just over 11 percent. Development in this period was thus better than that of the SDAX (around 6 percent) and the TecDAX (around 2 percent), the indexes on which ISRA is listed. The closing value of 39.18 euros on June 28, 2019 was also the share's highest XETRA value for the reporting period, while the lowest closing value was 30.52 euros on May 23, 2019. ISRA has thus been able to continue its strong development since the beginning of the calendar year: The additional value over the year up to June 28, 2019 was around 56 percent, with the share outperforming the more moderate rises on the indexes on which ISRA is listed – namely an increase of around 19 percent on the SDAX and just under 17 percent on the TecDAX in the corresponding period.

In the first nine months of the financial year, the daily trading volume significantly rose on average to 105,370 shares on all German stock exchanges (Q3-YTD-17 / 18: 88,471). Market capitalization on June 28, 2019 amounted to 858.6 million euros for a total of 21,914,444 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.

Earnings per share at the end of the third quarter developed positively, increasing by 15 percent to 0.76 euros* (Q3-YTD-17 / 18: 0.66 euros).

Outlook

ISRA developed very profitably during the first nine months of the 2018 / 2019 financial year and starts the final quarter on a robust footing. The company's growth path is being assisted by the focussed expansion of the international sales network. Most recently, the recruitment of new managers has allowed the business team in England to be restructured and expanded, while the company is also investing in marketing and sales in Asia and America to facilitate further growth. The strengthening of management in both regions is expected to generate new impetus. The tapping of new customers, industries and regions remains an important strategic goal in order to profitably increase business success.

Despite an increasingly challenging environment in various industries served by the Industrial Automation segment, the management nevertheless expects a continued willingness to invest. The automotive industry offers further opportunities and ISRA is increasingly focusing on major manufacturers in China, South Korea and America in order to expand its existing customer base. Demand for the machine vision portfolio for connected production and the intuitive INDUSTRIE 4.0-capable systems from the "Touch & Automate" family is expected to remain robust. A further focus is on products for 3D surface inspection with integrated precision measurement technology and the portfolio expansion in the area of smart factory automation. Experience shows that even in a stagnating economic climate, capital goods for the automation of production continue to be in demand across segments. This is particularly the case for the automotive industry, where the major players invest in optimizing the production and increasing efficiency in times of economic slowdown.

In the Surface Vision segment, ISRA anticipates that the order situation in nearly all customer markets will continue to be good in the coming months. Business in the metal industry has proven to be an important driver of growth in this financial year. New products and expansions for connected production as well as the complete portfolio strategy are expected to generate additional market potential. The situation in the glass industry is similarly positive, with further reinforcement of sales planned in addition to the continuing good order situation. Demand is good for systems for the inspection of float glass as well as thin glass in the display, solar and automotive industries. The innovative materials used in the plastics industry pose increasing and new challenges for inspection processes; ISRA is taking advantage of this to continuously expand in niche

* After one-time acquisition costs

markets and expects development in the advanced materials segment to remain positive. The portfolio for the paper industry has been optimized with cost-efficient embedded technologies, while sales activities have been intensified. In the print business, sales are expected to remain stable in the future thanks to solutions for the inspection of digital printing applications and packaging. Demand for specialized inspection solutions for high-security paper and printing continues to be solid in the security business. Following the successful conclusion of a large-scale order for inspection systems for the solar cell production of a well-known Chinese manufacturer, ISRA is currently involved in further promising negotiations and expects additional impetus for its revenues from Asia. Recently completed projects for leading European manufacturers in the semiconductor segment have strengthened this relatively new area and additional expansion of the customer base in Asia is now also planned. The company is continuing to expand its important service business (Customer Support & Service Center) and, following intensified internationalization and management expansion, expects the revenues contribution to grow.

It continues to be part of the company's strategy to effectively supplement sustainable organic growth with acquisitions. With the recently acquired Swiss company Photonfocus AG, the strategic portfolio in the embedded sensor technology segment has been expanded to combine competence in 3D machine vision with robot automation in established markets as well as in industries that use discrete manufacturing processes. The technology will also facilitate significant progress for surface inspection: The high image recording speed and the use of 3D and infrared technology as well as hyperspectral sensors enable additional applications to be addressed in established markets. The specialized technologies and development expertise will be implemented in new product generations in the short term and could open up additional market potential in the mid double-digit million range in the medium term. Further acquisition targets in the fields of industrial automation, production analytics and INDUSTRIE 4.0-sensor technology are currently being examined in detail.

With a strategic focus on expanding the innovation portfolio, intensified engagement in global markets and the good current order backlog of around 93 million euros gross, ISRA is well positioned for the final quarter of the financial year. At the same time, the management is concentrating on further optimizing production efficiency and cash flow. The strategic objective remains to achieve the revenues dimension of more than 200 million euros in the medium term. The traditionally strong fourth quarter will significantly determine growth, whereby macroeconomic factors are now exerting a noticeable influence on the dynamics of order entries. The upcoming weeks will also be affected by the closing of a number of major orders that are at an advanced negotiation stage. Based on these booking expectations, ISRA is planning for an annual growth similar to the third quarter. Assuming that global economic conditions do not deteriorate further – also taking into account the current trade policy tensions – the management is planning for double-digit growth in revenues and earnings in the coming financial year 2019 / 2020.

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

from October 01, 2018 to June 30, 2019 in € k

(in € k)	FY 2018/2019 9 months (Oct. 01, 2018 - Jun. 30, 19)		FY 2017/2018 9 months (Oct. 01, 2017 - Jun. 30, 18)		FY 2018/2019 3 months (Apr. 01, 19 - Jun. 30, 19)		FY 2017/2018 3 months (Apr. 01, 18 - Jun. 30, 18))	
Net sales	110,571	90%	102,815	91%	39,645	92%	38,114	92%
Capitalized work	12,481	10%	9,684	9%	3,676	8%	3,540	8%
Total output	123,052	100%	112,499	100%	43,321	100%	41,654	100%
Cost of materials	22,973	19%	21,135	19%	8,565	20%	7,977	19%
Cost of labour excluding depreciation	23,579	19%	22,457	20%	8,094	19%	8,157	20%
Cost of production excluding depreciation	46,552	38%	43,591	39%	16,659	38%	16,134	39%
Gross profit	76,501	62%	68,908	61%	26,662	62%	25,521	61%
Research and development Total	16,132	13%	14,623	13%	5,450	13%	5,343	13%
Sales and marketing costs	21,331	17%	20,099	18%	7,240	17%	8,183	20%
Administration	4,030	3%	3,411	3%	1,203	3%	1,247	3%
Sales and administration costs excluding depreciation	25,361	21%	23,510	21%	8,443	19%	9,429	23%
Other revenues	3,635	3%	1,341	1%	1,512	3%	1,009	2%
EBITDA before extraordinary expenses	38,643	31%	32,116	29%	14,281	33%	11,757	28%
Depreciation and amortization	14,022	11%	11,388	10%	4,658	11%	3,880	9%
Total costs	55,515	45%	49,521	44%	18,551	43%	18,652	45%
EBIT before extraordinary expenses	24,621	20%	20,728	18%	9,623	22%	7,877	19%
Interest income	110	0%	57	0%	55	0%	31	0%
Interest expenses	-277	0%	-273	0%	-77	0%	-97	0%
Financing result	-167	0%	-216	0%	-22	0%	-66	0%
EBT before extraordinary expenses	24,454	20%	20,513	18%	9,601	22%	7,811	19%
Extraordinary expenses	-1,257	-1%	0	0%	-357	-1%	0	0%
EBT	23,197	19%	20,513	18%	9,244	21%	7,811	19%
Income taxes	6,507	5%	5,968	5%	2,719	6%	2,290	5%
Consolidated net profit	16,690	14%	14,545	13%	6,525	15%	5,520	13%
Of which accounted to non-controlling shareholders	66	0%	118	0%	55	0%	60	0%
Of which accounted to shareholders of ISRA VISION AG	16,624	14%	14,427	13%	6,470	15%	5,460	13%
Earnings per share in € before income taxes [2)]	1.06		0.94		0.42		0.36	
Earnings per share in € [2)]	0.76		0.66		0.30		0.25	
Shares issued [4)]	21,890,967		21,901,788 [6)]		21,886,744		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 June 30, 2019 in € k

(in € k)	FY 2018 / 2019 9 months (Oct. 01, 2018 - Jun. 30, 2019)		FY 2017 / 2018 9 months (Oct. 01, 2017 - Jun. 30, 2018)		FY 2018 / 2019 3 months (Apr. 01, 2019 - Jun. 30, 2019)		FY 2017 / 2018 3 months (Apr. 01, 2018 - Jun. 30, 2018)	
Net sales	110,571	100 %	102,815	100%	39,645	100 %	38,114	100 %
Cost of sales	47,020	43 %	44,173	43 %	16,715	42 %	16,310	43 %
Gross operating result (gross profit)	63,551	57 %	58,642	57 %	22,931	58 %	21,804	57 %
Research and development	16,381	15 %	14,869	14 %	6,155	16 %	5,084	13 %
Total costs	16,132	15 %	14,623	14 %	5,450	14 %	5,343	14 %
Depreciation and amortization	13,049	12 %	10,197	10 %	4,550	11 %	3,494	9 %
Grants	-319	0 %	-267	0 %	-170	0 %	-213	-1 %
Capitalized work	-12,481	-11 %	-9,684	-9 %	-3,676	-9 %	-3,540	-9 %
Sales and marketing costs	21,755	20 %	20,620	20 %	7,288	18 %	8,366	22 %
Administration	4,110	4 %	3,499	3 %	1,208	3 %	1,274	3 %
Sales and administration costs	25,865	23 %	24,119	23 %	8,495	21 %	9,639	25 %
Other revenues	3,316	3 %	1,074	1 %	1,342	3 %	796	2 %
Interest income	110	0 %	57	0 %	55	0 %	31	0 %
Interest expenses	-277	0 %	-273	0 %	-77	0 %	-97	0 %
Financing result	-167	0 %	-216	0 %	-22	0 %	-66	0 %
Earnings before taxes (EBT) before extraordinary expenses	24,454	22 %	20,513	20 %	9,601	24 %	7,811	20 %
Extraordinary expenses	-1,257	-1 %	0	0 %	-357	-1 %	0	0 %
Earnings before taxes (EBT)	23,197	21 %	20,513	20 %	9,244	23 %	7,811	20 %
Income taxes	6,507	6 %	5,968	6 %	2,719	7 %	2,290	6 %
Consolidated net profit	16,690	15 %	14,545	14 %	6,525	16 %	5,520	14 %
Of which accounted to shareholders of ISRA VISION AG	16,624	15 %	14,427	14 %	6,477	16 %	5,460	14 %
Of which accounted to non-controlling shareholders	66	0 %	118	0 %	48	0 %	60	0 %
Earnings per share in € before income taxes [2)]	1.06		0.94		0.42		0.36	
Earnings per share in € [2)]	0.76		0.66		0.30		0.25	
Shares issued [4)]	21,890,967		21,901,788 [6)]		21,886,744		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 June 30, 2019 in € k

(in € k)	Jun. 30, 2019 [1)]	Sep. 30, 2018
ASSETS		
Assets		
Short-term assets		
Inventories	40,542	36,929
Trade receivables	105,528	111,831
Cash and cash equivalents	43,675	34,716
Financial assets	2,899	3,236
Other receivables	1,069	2,434
Income tax receivables	2,108	2,135
Total short-term assets	195,821	191,281
Long-term assets		
Intangible assets	115,177	115,156
Tangible assets	5,214	4,815
Shareholdings in associated companies	13	12
Financial assets	1,321	1,282
Deferred tax claims	126	358
Total long-term assets	121,850	121,624
Total assets	317,671	312,905
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	12,365	20,621
Financial liabilities to banks	34,286	32,872
Other financial liabilities	12,332	13,822
Other accruals	867	1,020
Income tax liabilities	999	2,452
Other liabilities	966	1,618
Total short-term liabilities	61,814	72,406
Long-term liabilities		
Deferred tax liabilities	42,539	39,144
Pension provisions	3,568	3,586
Total long-term liabilities	46,107	42,730
Total liabilities	107,921	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	16,624	23,108
Other comprehensive income	743	361
Own shares	-28	0
Share of equity capital held by ISRA VISION AG shareholders	207,821	195,907
Equity capital accounted to non-controlling shareholders	1,928	1,862
Total equity	209,750	197,769
Total equity and liabilities	317,671	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 June 30, 2019 in € k

(in € k)	Oct. 01, 2018 - Jun 30, 2019	Oct. 01, 2017 - Jun 30, 2018
Consolidated net profit	**16,690**	**14,545**
Income tax payments	-5,202	-4,498
Changes in deferred tax assets and liabilities	3,627	5,913
Changes in accruals	-171	-60
Depreciation and amortization	14,022	11,388
Changes in inventories	-3,201	-5,418
Changes in trade receivables and other assets	6,120	2,352
Changes in trade payables and other liabilities	-5,546	-6,176
Financial result	168	216
Other non-cash changes	69	68
Cash flow from operating activities	**26,575**	**18,328**
Payments for investments in tangible assets	-1,583	-776
Payments for investments in intangible assets	-12,964	-9,684
Company acquisition	0	-317
Cash flow from investment activities	**-14,547**	**-10,777**
Payments to company owners through acquisition of own shares	-836	0
Deposits from sales of own shares	0	606
Dividend payouts	-3,286	-2,585
Deposits from the assumption of financial liabilities	1,414	23
Interest income	110	57
Interest expenses	-278	-273
Cash flow from financing activities	**-2,875**	**-2,172**
Exchange rate-based value changes of the financial resources	-194	263
Change of financial resources	**8,959**	**5,641**
Net cash flow		
Financial resources on 30.09.2018 / 30.09.2017	34,716	29,728
Financial resources on 30.06.2019 / 30.06.2018	43,675	35,369

[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)

from October 01, 2018 to June 30, 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	383	0	16,624	17,006	66	17,072
As of Jun. 30, 2019	21,914	20,906	-28	743	147,662	16,624	207,821	1,928	209,750

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)]

from October 01, 2017 to June 30, 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
Capital increase (conversion of capital reserve due to stock split)	17,525	- 17,525	0	0	0	0	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	- 2,585	0	- 2,585	0	- 2,585
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	- 334	0	14,427	14,093	118	14,211
As of Jun. 30, 2018	21,906	21,722	0	587	128,810	14,427	187,452	1,828	189,280

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 - Jun. 30, 2019	Industrial Automation Division Oct. 01, 2017 - Jun. 30, 2018	Surface Vision Division Oct. 01, 2018 - Jun. 30, 2019	Surface Vision Division Oct. 01, 2017 - Jun. 30, 2018
Revenues	27,989	25,464	82,582	77,351
EBIT	6,128 [4)]	5,075	18,494 [4)]	15,654

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, August 30, 2019

The Executive Board

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