

ISRA VISION AG: 1st half year 2014/2015 – revenues rose by 9%, EBT increased by 10%

ISRA follows its proven growth strategy – Acquisitions in sight

- Revenue increase of 9% to 48.7 million euros (Q2-YTD-13/14: 44.8 million euros)
- EBT grow by 10% to 9.1 million euros (Q2-YTD-13/14: 8.3 million euros)
- Margins referenced to total output again at high level:
 - EBITDA margin at 26% (Q2-YTD-13/14: 26%)
 - EBIT margin at 17% (Q2-YTD-13/14: 17%)
 - EBT margin at 17% (Q2-YTD-13/14: 17%)
- Gross margin stable at 61% referenced to total output (Q2-YTD-13/14: 61%)
- High order backlog of currently more than 65 million euros (PY: approx. 60 million euros)
- Management reinforcement in the Operations sector with focus on efficiency and cash flow optimization – Results expected in the medium term
- Annual goal in sight: profitable double-digit growth with at least stable margins planned
- Intensification of acquisition activities – Projects in advanced stage

ISRA VISION AG (ISIN: DE 0005488100), one of the world's top companies for industrial image processing (Machine Vision) as well as globally leading in surface inspection of web materials and 3D machine vision applications, continues its profitable growth course in the second quarter of the 2014/2015 financial year. With a revenue increase of 9 percent to 48.7 million euros (Q2-YTD-13/14: 44.8 million euros) and an EBT growth (Earnings Before Taxes) of 10 percent to 9.1 million euros (Q2-YTD-13/14: 8.3 million euros), the company is consequently pursuing its growth objectives. The EBT margin compared to revenues increases by one percentage point to 19 percent (Q2-YTD-13/14: 18%), compared to total output it corresponds again to 17 percent as in the same period of the last year. The operative cash flow with 7.3 million euros is also in the same range to the previous year (Q2-YTD-13/14: 7.2 million euros). The equity ratio improves in the first six months of the current financial year to 59 percent (September 30, 2014: 58%) - together with the available credit lines, ISRA is equipped with solid capital resources for future growth. For the second half of the year, management anticipates an increasing demand and the completion of an acquisition project. The earnings per share after taxes increase to 1.41 euro (Q2-YTD-13/14: 1.30 euro).

In addition to revenues and EBT, Earnings Before Interest and Taxes (EBIT) also increase to 9.4 million euros (Q2-YTD-13/14: 8.6 million euros), the EBIT margin referenced to total output amounts to 17 percent, as in the previous year. With an EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of 13.8 million euros (Q2-YTD-13/14: 13.0 million euros), the EBITDA margin also reaches the value of the previous year with 26 percent referenced to total output (Q2-YTD-13/14: 26%). The gross margin (total output minus cost of materials and labor of production and engineering) shows with 61 percent referenced to total output a similar stable development (Q2-YTD-13/14: 61%).

In the first six months of the 2014/2015 financial year, ISRA further advanced the systematic reinforcement of the national and international teams throughout the world. The good demand from North America in the first

three months continues in the second quarter of the financial year. For Asia, the company anticipates rising revenues in the second half of the year, supported in part by an increasing demand dynamics from China – the largest Asian customer market. The order entries in Europe show a similar level compared to the start of the financial year. For the second half of the year, the company expects a positive business development in this region.

In the reporting period, ISRA continued to grow in both segments – Surface Vision and Industrial Automation. The Industrial Automation segment is characterized by a broad customer base, mainly from the automotive industry, from which the company records a good demand in the first half of the current financial year. As such, revenues increase by 23 percent to 9.6 million euros in the first six months (Q2-YTD-13/14: 7.8 million euros). EBIT improve by 18 percent to 1.8 million euros (Q2-YTD-13/14: 1.5 million euros), while the EBIT margin of 17 percent referenced to total output is at the level of the previous year (Q2-YTD-13/14: 17%). With the consequent market introduction of the “Plug & Automate“ family, the technical characteristics and advantages of this innovation are being noticed by more and more customers – one premium car manufacturer plans to use the products comprehensively. The sustainability of “Plug & Automate“ was a decisive factor for receiving the German Industry Innovation Award.

Revenues in the Surface Vision segment climb to 39.1 million euros in the first half of the financial year (Q2-YTD-13/14: 37.0 million euros). EBIT increase by 6 percent to 7.6 million euros (Q2-YTD-13/14: 7.1 million euros), which corresponds to a margin improvement of one percentage point of 18 percent referenced to total output (Q2-YTD-13/14: 17%). In the Metals unit, investments in new products in the second quarter contributed to additional orders. The dynamics in the Plastics industry continues – the company expects further increasing revenues for the second half of the year. In the Solar business, the high level of the previous year was continued in the first six months of the current financial year and even increased with order entries from Asia. In the Glass unit, management assumes a revival in the second half of the year – also based on intensified sales activities in the thin glass unit. The Paper business shows a similar development – increasing order entries are expected in the second half of the year. The revenues in the niche market of Security Paper are in line with planning – the increasing internationalization of the marketing and sales activities will reach a broader customer base in the future. The expansion of the product portfolio for customers of the Printing industry is intended to develop additional market potential and generate further growth.

The latest version of the Yield Management software “EPROMI“ (Enterprise Production Management Intelligence), which can be used to prepare management decisions in production through optimal processing and interpretation of large data volumes, is currently being launched on the market. The first test results at customer locations are positive and confirm the potential of this version. “EPROMI“ is intended not only to generate revenue impulses, but also additional USPs in the core business. The first cautious step into the semiconductor industry with a product for wafer inspection was confirmed by a follow-up order. ISRA will continue to invest in this market and develop additional revenue potentials in the process. Additional impulses are also expected from the 3D product expansions in the field of white-light interferometry – as underscored by customer requests and the interest at trade fairs.

Besides, the further expansion of the CSSC (Customer Support and Service Center) will be one of the strategic key issues in the mediumterm. The goal is to further expand the share of the service revenues. While continuing the growth course, the main focus remains on efficiency and productivity increase in the Operations unit. The targeted activities for a sustainable optimization in this area also resulted in a reinforcement of management. The further improvement of the production processes will contribute significantly to optimize the working capital and the cash flow.

Successful acquisitions have already been one of the growth engines in the past. With the integration of companies, ISRA is pursuing different strategic goals: gaining access to new markets that can be assigned directly or indirectly to large, long-term future markets, expanding the technological base and increasing market shares in existing customer markets. Several acquisition projects with high synergy potentials are currently being processed, while few of them are in an advanced stage. Management plans on finalizing at least one project in this financial year upon positive examination result in the short-term.

With the first six months of the current financial year, ISRA underscores once again the long-term growth course. As reported in the first quarter, the global markets show an inconsistent picture. The company responds to it with product innovations as well as intensive marketing and sales activities. With the current order backlog of more than 65 million euros (PY: approx. 60 million euros) and the positive demand development in several regions and industries, management continues to focus on revenue growth in the double-digit range (approx. 10 %) and at least stable margins. With further targeted extensions of the Management and the infrastructure, the company concentrates strategically as well as operationally on implementing the planned revenue dimension of 150 million euros in the medium term.

Company profile

ISRA Vision AG, together with its subsidiaries, is worldwide leading in surface inspection of web materials. Furthermore, it is one of the globally leading providers of machine vision programs, specialising in the area of 3D machine vision, in particular for “3D robot vision”.

The core competence of the company is the ISRA-BrainWARE®, an innovative software for intelligent machine vision systems. Here, the scientific know-how from the fields of optics, lighting technology, surveying technology, physics, image processing and classification algorithms and a complex system design are combined. Machine vision is a key technology for visualising systems that imitate the human eye. Today’s ISRA applications focus primarily on the automation of production and quality assurance of goods and products supplied to large, future-oriented markets such as energy, healthcare, food, mobility and information. The customers mainly include renowned global players from the respective sectors. With more than 25 locations worldwide, ISRA offers customer proximity everywhere and ensures optimum service and support.

In the past sixteen years, ISRA has shown profitable growth with an annual average increase in sales of approx. 25 percent. Currently the company employs approx. 600 people worldwide.

Further information are available at www.isravision.com.

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

from October 1, 2014 to March 31, 2015 in € k

(in € k)	FY 2014/2015 6 months		FY 2013/2014 6 months		FY 2014/2015 3 months		FY 2013/2014 3 months	
	Oct. 1, 2014 - Mar. 31, 2015)		Oct. 1, 2013 - Mar. 31, 2014)		(Jan. 1, 2015 - Mar. 31, 2015)		(Jan. 1, 2014 - Mar. 31, 2014)	
Net sales	48,653	91%	44,777	90%	24,848	90%	22,843	90%
Capitalized work	5,094	9%	4,930	10%	2,703	10%	2,558	10%
Total output	53,747	100%	49,707	100%	27,551	100%	25,401	100%
Cost of materials	10,229	19%	9,764	20%	5,254	19%	5,004	20%
Cost of labour excluding depreciation	10,983	20%	9,868	20%	5,693	21%	5,034	20%
Cost of production excluding depreciation	21,212	39%	19,632	39%	10,948	40%	10,038	40%
Gross profit	32,535	61%	30,075	61%	16,603	60%	15,363	60%
Research and development Total	8,276	15%	7,648	15%	4,204	15%	3,722	15%
Sales and marketing costs	9,352	17%	7,822	16%	4,763	17%	3,845	15%
Administration	2,104	4%	2,233	4%	1,064	4%	1,165	5%
Sales and administration costs excluding depreciation	11,456	21%	10,055	20%	5,827	21%	5,010	20%
Other revenues	991	2%	635	1%	325	1%	78	0%
EBITDA	13,794	26%	13,007	26%	6,898	25%	6,709	26%
Depreciation and amortization	4,440	8%	4,379	9%	2,186	8%	2,271	9%
Total costs	24,172	45%	22,082	44%	12,217	44%	11,003	43%
EBIT	9,354	17%	8,628	17%	4,711	17%	4,438	17%
Earnings from associated companies	0	0%	0	0%	0	0%	0	0%
Interest income	14	0%	35	0%	6	0%	4	0%
Interest expenses	-314	-1%	-402	-1%	-100	0%	-204	-1%
Financing result	-300	-1%	-367	-1%	-94	0%	-200	-1%
EBT	9,054	17%	8,261	17%	4,617	17%	4,238	17%
Income taxes	2,838	5%	2,496	5%	1,445	5%	1,267	5%
Consolidated net profit	6,216	12%	5,765	12%	3,171	12%	2,971	12%
Of which accounted to non-controlling shareholders	69	0%	59	0%	40	0%	50	0%
Of which accounted to shareholders of ISRA VISION AG	6,147	11%	5,706	11%	3,131	11%	2,921	11%
Earnings per share in € before income taxes ²⁾	2.07		1.89		1.06		0.97	
Earnings per share in € ²⁾	1.41		1.30		0.72		0.67	
Shares issued	4,370,534 ⁴⁾		4,380,940		4,371,766 ⁴⁾		4,380,940	

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

Consolidated Income Statement ¹⁾³⁾

from October 1, 2014 to March 31, 2015 in € k

(in € k)	FY 2014/2015 6 months		FY 2013/2014 6 months		FY 2014/2015 3 months		FY 2013/2014 3 months	
	Oct. 1, 2014 - Mar. 31, 2015)		Oct. 1, 2013 - Mar. 31, 2014)		(Jan. 1, 2015 - Mar. 31, 2015)		(Jan. 1, 2014 - Mar. 31, 2014)	
Net sales	48,653	100 %	44,777	100 %	24,848	100 %	22,843	100 %
Cost of sales	21,565	44 %	19,898	44 %	11,097	45 %	10,182	45 %
Gross operating result (gross profit)	27,087	56 %	24,879	56 %	13,751	55 %	12,661	55 %
Research and development	6,797	14 %	6,246	14 %	3,368	14 %	3,104	14 %
Total costs	8,276	17 %	7,648	17 %	4,204	17 %	3,722	16 %
Depreciation and amortization	3,717	8 %	3,842	9 %	1,886	8 %	1,984	9 %
Grants	-102	0 %	-313	-1 %	-19	0 %	-44	0 %
Capitalized work	-5,094	-10 %	-4,930	-11 %	-2,703	-11 %	-2,558	-11 %
Sales and marketing costs	9,653	20 %	8,033	18 %	4,887	20 %	3,955	17 %
Administration	2,171	4 %	2,293	5 %	1,091	4 %	1,198	5 %
Sales and administration costs	11,825	24 %	10,326	23 %	5,978	24 %	5,153	23 %
Other revenues	889	2 %	322	1 %	306	1 %	34	0 %
Earnings from associated companies	0	0 %	0	0 %	0	0 %	0	0 %
Interest income	14	0 %	35	0 %	6	0 %	4	0 %
Interest expenses	-314	-1 %	-402	-1 %	-100	0 %	-204	-1 %
Financing result	-300	-1 %	-367	-1 %	-94	0 %	-200	-1 %
Earnings before taxes (EBT)	9,054	19 %	8,261	18 %	4,617	19 %	4,238	19 %
Income taxes	2,838	6 %	2,496	6 %	1,445	6 %	1,267	6 %
Consolidated net profit	6,216	13 %	5,765	13 %	3,171	13 %	2,971	13 %
Of which accounted to shareholders of ISRA VISION AG	6,147	13 %	5,706	13 %	3,131	13 %	2,921	13 %
Of which accounted to non-controlling shareholders	69	0 %	59	0 %	40	0 %	50	0 %
Earnings per share in € before income taxes ²⁾	2.07		1.89		1.06		0.97	
Earnings per share in € ²⁾	1.41		1.30		0.72		0.67	
Shares issued	4,370,534 ⁴⁾		4,380,940		4,371,766 ⁴⁾		4,380,940	

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 Board (IASB). In the year under review the IFRS and SICs which must compulsorily be applied were followed.

⁴⁾ Weighted number of shares

Consolidated Balance Sheet ¹⁾²⁾

at March 31, 2015 in € k

(in € k)	Mar. 31, 2015	Sep. 30, 2014
ASSETS		
Assets		
Short-term assets		
Inventories	29,329	27,963
Trade receivables	71,674	70,191
Cash and cash equivalents	9,729	10,924
Financial assets	6,143	3,778
Other receivables	337	789
Income tax receivables	261	605
Total short-term assets	117,473	114,250
Long-term assets		
Intangible assets	99,792	98,043
Tangible assets	5,700	5,865
Cash and cash equivalents	210	315
Financial assets	1,133	1,210
Deferred tax claims	2,258	2,777
Total long-term assets	109,093	108,210
Total assets	226,566	222,460
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	6,376	8,681
Financial liabilities to banks	39,057	31,974
Other financial liabilities	11,812	12,135
Other accruals	1,664	1,177
Income tax liabilities	2,090	2,282
Other liabilities	552	608
Total short-term liabilities	61,551	56,857
Long-term liabilities		
Deferred tax liabilities	27,486	25,176
Financial liabilities to banks	0	8,025
Pension provisions	3,051	2,888
Total long-term liabilities	30,537	36,089
Total liabilities	92,088	92,946
Equity		
Issued capital	4,381	4,381
Capital reserves	38,623	38,623
Profit brought forward	82,406	71,111
Net profit accounted to the shareholders of ISRA VISION AG	6,147	12,999
Other comprehensive income	1,871	1,224
Own shares	-328	-162
Share of equity capital held by ISRA VISION AG shareholders	133,100	128,176
Equity capital accounted to non-controlling shareholders	1,378	1,338
Total equity	134,478	129,514
Total equity and liabilities	226,566	222,460

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 Board (IASB). In the year under review the IFRS/IASs and SICs which must compulsorily be applied were followed.

Consolidated Cash flow Statement ¹⁾²⁾

from October 1, 2014 to March 31, 2015 in € k

(in € k)	Oct. 1, 2014 - Mar. 31, 2015	Oct. 1, 2013 - Mar. 31, 2014
Consolidated net profit	6,216	5,766
Income tax payments	1,083	920
Changes in deferred tax assets and liabilities	2,830	2,520
Changes in accruals	649	45
Depreciation and amortization	4,440	4,379
Changes in inventories	-1,367	-1,236
Changes in trade receivables and other assets	-2,975	3,082
Changes in trade payables and other liabilities	-3,838	-8,454
Interest income	-14	-35
Interest expenses	314	402
Other non-cash changes	-29	-176
Cash flow from operating activities	7,309	7,213
Payments for investments in tangible assets	-470	-601
Payments for investments in intangible assets	-5,094	-4,964
Company acquisition	-160	-400
Cash flow from investment activities	-5,724	-5,965
Payments to company owners through acquisition of own shares	-165	0
Dividend payouts	-1,705	-1,533
Deposits from the assumption of financial liabilities	2,083	5,212
Repayments of financial liabilities	-3,025	-3,025
Interest income	14	35
Interest expenses	-314	-402
Cash flow from financing activities	-3,112	287
Exchange rate-based value changes of the financial resources	226	-101
Change of financial resources	-1,300	1,434
Net cash flow		
Financial resources on 30.09.2014	11,239	9,655
Financial resources on 31.03.2015	9,939	11,090

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 Board (IASB). In the year under review the IFRS/IASs and SICs which must compulsorily be applied were followed.

Consolidated Statement of Changes in Equity ¹⁾²⁾

for the period October 1, 2014 to March 31, 2015 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 shareholders ISRA VISION AG	Accounted to non-controlling shareholders	Equity
As of Sep. 30, 2014	4,381	38,623	-162	1,224	71,111	12,999	128,176	1,338	129,514
Profit brought forward	0	0	0	0	12,999	-12,999	0	0	0
Changes in own shares	0	0	-166	0	0	0	-166	0	-166
Payout	0	0	0	0	-1,705	0	-1,705	0	-1,705
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	647	0	6,147	6,794	40	6,834
Cash flow hedge	0	0	0	0	0	0	0	0	0
Actuarial profits/ losses	0	0	0	0	0	0	0	0	0
Currency exchange variations	0	0	0	647	0	0	647	0	647
As of Mar. 31, 2015	4,381	38,623	-328	1,871	82,406	6,147	133,100	1,378	134,478

¹⁾ According to IFRS unaudited

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

Consolidated Statement of Changes in Equity ¹⁾²⁾

for the period October 1, 2013 to March 31, 2014 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 shareholders ISRA VISION AG	Accounted to non-controlling shareholders	Equity
As of Sep. 30, 2013	4,381	38,623	-8	572	61,259	11,567	116,393	1,530	117,923
Profit brought forward	0	0	0	0	11,567	-11,567	0	0	0
Changes in own shares	0	0	0	0	0	0	0	0	0
Payout	0	0	0	0	-1,533	0	-1,533	0	-1,533
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	-77	0	5,707	5,630	-436	5,194
Cash flow hedge	0	0	0	1	0	0	1	0	1
Actuarial profits/ losses	0	0	0	0	0	0	0	0	0
Currency exchange variations	0	0	0	-78	0	0	-78	0	-78
As of Mar. 31, 2014	4,381	38,623	-8	495	71,293	5,707	120,490	1,094	121,584

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.

Segment Reporting by Division ¹⁾²⁾

for selected positions of the consolidated income statement in € k

(in € k)	Industrial Automation Division		Surface Vision Division	
	Oct. 1, 2014 - Mar. 31, 2015	Oct. 1, 2013 - Mar. 31, 2014	Oct. 1, 2014 - Mar. 31, 2015	Oct. 1, 2013 - Mar. 31, 2014
Revenues	9,569	7,751	39,084	37,025
EBIT	1,799	1,526	7,556	7,103

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 Board (IASB). In the year under review the IFRS and SICs which must compulsorily be applied were followed.

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, storage, 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, liabilities 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, 2015 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, May 29, 2015

The Executive Board