

Ad hoc announcement

February 28, 2019



ISRA VISION AG: First quarter 2018/2019 – Growth path on track towards 200+:
Revenues +10%, EBT +11%

Dynamic start into 2018/2019: ISRA profits from investments – double-digit growth guidance

- Revenues rises to 34.2 million euros, up 10% (Q1 17/18: 31.2 million euros)
- EBT growth of 11% to 6.9 million euros (Q1 17/18: 6.2 million euros)
- Earnings margins remain at high level:
 - EBITDA up 18%, margin at 34% of revenues and 31% of total output (Q1 17/18: 32% and 29%)
 - EBIT up 11%, margin at 20% of revenues and 18% of total output (Q1 17/18: 20% and 18%)
 - EBT up 11%, margin at 20% of revenues and 18% of total output (Q1 17/18: 20% and 18%)
- Gross margin at 62% of total output (Q1 17/18: 61%) and 57% of revenues (Q1 17/18: 57%)
- Operating cash flow rises to 4.8 million euros (Q1 17/18: 4.4 million euros)
- Intense actions to improve efficiency in production continue to be in focus – cash flow expected to increase
- High order backlog of around 96 million euros gross (PY: 83 million euros gross)
- Acquisitions with focus on market and technology expansion at advanced stage
- Earnings per share after taxes up 15% to 0.23 euros (Q1 17/18: 0.20 euros)
- Dividend increase of 27% to 0.15 euros per share planned (PY: 0.118 euros)
- High equity ratio of 66% (September 30, 2018: 63%)
- Outlook for 2018/2019: Low double-digit growth in revenue and earnings – additional inorganic effects anticipated

ISRA VISION AG (ISIN: DE 0005488100) – the TecDAX company for industrial image processing (machine vision) and one of the world's leading providers of surface inspection solutions and 3D machine vision applications, recorded double-digit revenue and earnings growth in the first quarter of the 2018 / 2019 financial year to continue on its profitable growth path: With revenues increasing by 10 percent to 34.2 million euros (Q1 17/18: 31.2 million euros) and EBT growth of 11 percent to 6.9 million euros (Q1 17/18: 6.2 million euros), the Company made further progress toward its medium-term target of 200+. The operating cash flow increased to 4.8 million euros (Q1 17/18: 4.4 million euros). With the equity ratio rising by three percentage points to 66 percent (September 30, 2018: 63%), net liquidity of 1.8 million euros (September 30, 2018: 1.8 million euros) and the available credit lines, ISRA has solid capital resources for future growth opportunities and is optimally prepared for potential acquisition projects. Earnings per share (EPS) after taxes increased by 15 percent to 0.23 euros (Q1 17/18: 0.20 euros). ISRA is continuing its sustainable dividend policy; at the Annual General Meeting on March 19, 2019 the management will propose an increase in the dividend for the 2017/2018 financial year of 27 percent to 0.15 euros per share.

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In the first quarter, ISRA confirmed and further extended the high margin level it achieved in the previous financial year: The gross margin (total output minus material and labor costs of production) increased to 62 percent of total output (Q1 17/18: 61 %) and remains unchanged at 57 percent of revenues (Q1 17/18: 57 %). EBITDA (earnings before interest, taxes and depreciation) increased significantly by 18 percent to 11.7 million euros (Q1 17/18: 10.0 million euros), thereby the EBITDA margin improved by two percentage points each to 34 percent of revenues (Q1 17/18: 32 %) and 31 percent of total output (Q1 17/18: 29 %). EBIT (earnings before interest and taxes) increased by 11 percent to 6.9 million euros (Q1 17/18: 6.3 million euros), the EBIT margin therefore corresponds to 20 percent of revenues (Q1 17/18: 20 %) and 18 percent of total output (Q1 17/18: 18 %). EBT (earnings before taxes) also improved by 11 percent to 6.9 million euros (Q1 17/18: 6.2 million euros), resulting in an EBT margin of 20 percent of revenues (Q1 17/18: 20 %) and 18 percent of total output (Q1 17/18: 18 %).

The first three months of the current financial year demonstrate the initial positive effects of the recently initiated measures for an increased production efficiency through process and capacity optimization: Inventories in the consolidated balance sheet declined slightly to 36.7 million euros (September 30, 2018: 36.9 million euros). Trade receivables amount to 105.0 million euros (September 30, 2018: 111.8 million euros). Net debt (short-term and long-term liabilities minus cash and equivalents) was eliminated completely in the 2017/2018 financial year – this means the Company is mathematically debt-free, with equity of 201.2 million euros at the end of the first quarter (September 30, 2018: 197.8 million euros).

With more than 25 locations worldwide, ISRA is one of the most broadly positioned providers in the machine vision industry. Its presence in all significant future markets and growth regions represents a further key pillar of its long-term business development alongside its multi-industry strategy. In addition to its existing locations, the Company is currently examining new opportunities for expansion in Great Britain, Eastern Europe, North and South America, as well as in India and South East Asia.

The first quarter of 2018/2019 showed positive business development in almost all regions. The Company recorded double-digit revenue growth in the European markets, with strong customer demand suggesting that the healthy order situation will continue in the coming months. Revenues in Asia were at a similar high level compared to the previous year. Orders from American customers saw similar development. Intensive marketing and sales activities and the strengthening of the regional management team in the US and Brazil are expected to result in increased order momentum in the coming months.

The Industrial Automation segment, whose customer base includes global automotive manufacturers and global players from a wide range of industries in particular, achieved growth of 7 percent in the first quarter of the 2018/2019 financial year, with revenues rising to 8.3 million euros (Q1 17/18: 7.8 million euros). EBIT also increased by 7 percent to 1.8 million euros (Q1 17/18: 1.7 million euros) with an EBIT margin at 18 percent of total output (Q1 17/18: 19 %). In addition to innovative 3D machine vision solutions for robot-guided assembly and high-precision 3D metrology, the segment result was driven by the high level of customer demand for the “Touch & Automate” products that are designed for INDUSTRIE 4.0. ISRA expects to see additional momentum in the coming months thanks to its extended sales as well as its expanded business focus on smart factory automation and its planned entry into new markets for connected automation using machine vision, which will center on combining the Company’s 3D machine vision expertise with robot automation. To this end, ISRA has already expanded its organization in a targeted manner and intensified its sales activities.

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Revenues in the Surface Vision segment increased by 10 percent to 25.9 million euros in the first quarter of 2018/2019 (Q1 17/18: 23.4 million euros). EBIT amounts to 5.2 million euros (Q1 17/18: 4.6 million euros), corresponding to an EBIT margin of 18 percent of total output (Q1 17/18: 18%). The metal inspection business is continuing to benefit from the complete portfolio strategy – in the current financial year, the management anticipates additional growth thanks to the enhancement of innovative steel inspection solutions for the automotive industry as well as the expansion of new software solutions for the entire metal production process and INDUSTRIE 4.0-compatible systems. In the field of glass there are specifically demands for solutions for inspecting display glass and, increasingly, solar and automotive glass. The growth is being supported by intensive marketing and sales measures. With its extended focus on innovative materials, Advanced Materials (formerly Plastics) generated higher revenues than in the same period of the previous year; the Company is currently developing additional applications for innovative materials and extending well-established solutions. Revenues in the printing industry are rising significantly, with the management team being expanded in order to intensify activities in the area of digital print applications. Having implemented design-to-cost measures for the paper industry, the Company is concentrating on high-growth industries such as packaging and is stepping up its marketing and sales activities. In the security business (formerly specialty paper), ISRA is seeing high demand for its portfolio of specialized inspection solutions for high-security paper and printing. New revenue impulses emerge in the solar industry: Several major orders are already at an advanced stage of negotiation and expected to be completed in the near future. In the relatively new business area semiconductor, the Company is intensifying its focus on Asian market following the successful acquisition of strategic orders from leading European manufacturers. Two high-volume projects are currently being negotiated. Service business contributed to the positive business development in the first quarter 2018/2019, again accounting for a double-digit share of revenues. The Company is consequently extending its Customer Support and Service internationally and plans to increase the service revenues above average in its revenue share in the medium term by diversified offers and realignment of the management.

With its profitable results for the first three months of the 2018/2019 financial year and a high gross order backlog of around 96 million euros at present (previous year: 83 million euros gross), ISRA has made a robust start into the new financial year. A key element of ISRA's growth strategy remains the acquisition of companies that will sustainably advance its technology leadership, market position or expansion into new markets. Several potential target companies from the areas of 3D industrial automation, production analysis software tools and embedded systems are currently being examined – some of them in advanced stages. In addition to the organic and acquisition-based growth, the management sees significant revenue potential in the enhancement of the product portfolio with INDUSTRIE 4.0 architecture for the new business areas of smart factory automation and production analytics.

Assuming no significant changes in the global economic conditions, the management is forecasting profitable organic revenue and earnings growth in the lower double-digit range in the 2018/2019 financial year; the potential closure of an acquisition project in the near future could lead to higher overall growth in the current year. The Company is addressing regional and industry-specific fluctuations by intensifying its marketing and sales activities. ISRA's strategy remains focused on sustainably expanding its global market position through product innovations for industrial automation accompanied by efficiency improvements as well as increasing its revenues to over 200 million euros in the medium term, meanwhile optimizing costs and working capital.

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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 seventeen years, ISRA has shown profitable growth with an annual average increase in sales of approx. 25 percent. Currently the Company employs approx. 800 people worldwide.

Further information are available at www.isravision.com.

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

from October 01, 2018 to December 31, 2018 in € k

(in € k)	FY 2018/2019 3 months (Oct. 01, 2018 - Dec. 31, 2018)		FY 2017/2018 3 months (Oct. 01, 2017 - Dec. 31, 2017)	
Net sales	34,224	89 %	31,241	91 %
Capitalized work	4,060	11 %	3,050	9 %
Total output	38,283	100 %	34,291	100 %
Cost of materials	6,836	18 %	6,368	19 %
Cost of labour excluding depreciation	7,704	20 %	6,927	20 %
Cost of production excluding depreciation	14,540	38 %	13,295	39 %
Gross profit	23,743	62 %	20,996	61 %
Research and development Total	5,179	14 %	4,971	14 %
Sales and marketing costs	6,634	17 %	5,971	17 %
Administration	1,265	3 %	1,228	4 %
Sales and administration costs excluding depreciation	7,898	21 %	7,199	21 %
Other revenues	1,033	3 %	1,125	3 %
EBITDA	11,699	31 %	9,951	29 %
Depreciation and amortization	4,761	12 %	3,688	11 %
Total costs	17,838	47 %	15,857	46 %
EBIT	6,938	18 %	6,263	18 %
Interest income	55	0 %	25	0 %
Interest expenses	-97	0 %	-77	0 %
Financing result	-43	0 %	-51	0 %
EBT	6,896	18 %	6,212	18 %
Income taxes	1,806	5 %	1,763	5 %
Consolidated net profit	5,089	13 %	4,448	13 %
Of which accounted to non-controlling shareholders	7	0 %	13	0 %
Of which accounted to shareholders of ISRA VISION AG	5,082	13 %	4,435	13 %
Earnings per share in € before income taxes ²⁾	0.31		0.28	
Earnings per share in € ²⁾	0.23		0.20	
Shares issued ⁴⁾	21,902,903		21,893,015 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 1 October 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 December 31, 2018 in € k

(in € k)	FY 2018/2019 3 months (Oct. 01, 2018 - Dec. 31, 2018)		FY 2017/2018 3 months (Oct. 01, 2017 - Dec. 31, 2017)	
Net sales	34,224	100 %	31,241	100 %
Cost of sales	14,762	43 %	13,504	43 %
Gross operating result (gross profit)	19,461	57 %	17,737	57 %
Research and development	5,344	16 %	5,129	16 %
Total costs	5,179	15 %	4,971	16 %
Depreciation and amortization	4,311	13 %	3,262	10 %
Grants	-86	0 %	-54	0 %
Capitalized work	-4,060	-12 %	-3,050	-10 %
Sales and marketing costs	6,825	20 %	6,151	20 %
Administration	1,301	4 %	1,265	4 %
Sales and administration costs	8,126	24 %	7,416	24 %
Other revenues	948	3 %	1,070	3 %
Interest income	55	0 %	25	0 %
Interest expenses	-97	0 %	-77	0 %
Financing result	-43	0 %	-51	0 %
Earnings before taxes (EBT)	6,896	20 %	6,212	20 %
Income taxes	1,806	5 %	1,763	6 %
Consolidated net profit	5,089	15 %	4,448	14 %
Of which accounted to shareholders of ISRA VISION AG	5,082	15 %	4,435	14 %
Of which accounted to non-controlling shareholders	7	0 %	13	0 %
Earnings per share in € before income taxes ²⁾	0.31		0.28	
Earnings per share in € ²⁾	0.23		0.20	
Shares issued ⁴⁾	21,902,903		21,893,015 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 1 October 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.

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Consolidated Group Balance Sheet ^{2) 3)}

at December 31, 2018 in € k

(in € k)	Dec. 31, 2018 ¹⁾	Sept. 30, 2018
ASSETS		
Assets		
Short-term assets		
Inventories	36,666	36,929
Trade receivables	105,003	111,831
Cash and cash equivalents	34,187	34,716
Financial assets	2,914	3,236
Other receivables	3,710	2,434
Income tax receivables	2,143	2,135
Total short-term assets	184,622	191,281
Long-term assets		
Intangible assets	115,129	115,156
Tangible assets	5,147	4,815
Shareholdings in associated companies	12	12
Financial assets	1,329	1,282
Deferred tax claims	284	358
Total long-term assets	121,902	121,624
Total assets	306,524	312,905
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	11,171	20,621
Financial liabilities to banks	32,414	32,872
Other financial liabilities	12,154	13,822
Other accruals	1,579	1,020
Income tax liabilities	2,539	2,452
Other liabilities	1,546	1,618
Total short-term liabilities	61,403	72,406
Long-term liabilities		
Deferred tax liabilities	40,251	39,144
Pension provisions	3,638	3,586
Total long-term liabilities	43,889	42,730
Total liabilities	105,292	115,136
Equity		
Issued capital	21,914	21,906
Capital reserves	20,906	21,722
Profit brought forward	150,948	128,810
Net profit accounted to the shareholders of ISRA VISION AG	5,082	23,108
Other comprehensive income	541	361
Own shares	-28	0
Share of equity capital held by ISRA VISION AG shareholders	199,363	195,907
Equity capital accounted to non-controlling shareholders	1,869	1,862
Total equity	201,232	197,769
Total equity and liabilities	306,524	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 1 October 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 December 31, 2018 in € k

(in € k)	Oct. 01, 2018 - Dec. 31, 2018	Oct. 01, 2017 - Dec. 31, 2017
Consolidated net profit	5,089	4,448
Income tax payments	-1,001	-818
Changes in deferred tax assets and liabilities	1,181	1,716
Changes in accruals	611	1,004
Depreciation and amortization	4,761	3,688
Changes in inventories	264	-1,949
Changes in trade receivables and other assets	3,945	4,227
Changes in trade payables and other liabilities	-9,941	-8,276
Financial result	43	52
Other non-cash changes	-107	285
Cash flow from operating activities	4,845	4,376
Payments for investments in tangible assets	-365	-167
Payments for investments in intangible assets	-4,259	-3,100
Company acquisition	0	0
Cash flow from investment activities	-4,624	-3,267
Payments to company owners through acquisition of own shares	-836	0
Deposits from sales of own shares	0	606
Dividend payouts	0	0
Deposits from the assumption of financial liabilities	0	11
Repayments of financial liabilities	-458	0
Interest income	55	25
Interest expenses	-97	-77
Cash flow from financing activities	-1,337	565
Exchange rate-based value changes of the financial resources	586	-42
Change of financial resources	-530	1,632
Net cash flow		
Financial resources on 30.09.2018/30.09.2017	34,716	29,728
Financial resources on 31.12.2018/31.12.2017	34,187	31,360

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Consolidated Statement of Changes in Equity ^{1) 2) 3)}

for the period October 01, 2018 to December 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 shareholders ISRA VISION AG	Accounted to non-controlling shareholders	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	0
Conversion effect IFRS 15	0	0	0	0	-880	0	-880	0	0
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	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	180	0	5,082	5,262	7	5,269
As of Dec. 31, 2018	21,914	20,906	-28	541	150,948	5,082	199,363	1,869	201,232

¹⁾ According to IFRS unaudited

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³⁾ ISRA is applying the new standards IFRS 9 and IFRS 15 for the first time effective 1 October 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 December 31, 2017 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, 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	- 192	0	4,435	4,243	13	4,256
As of Dec. 31, 2017	4,381	39,247	0	729	131,395	4,435	180,188	1,723	181,910

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.

Segment Reporting by Division ^{1) 2) 3)}

for selected positions of the consolidated income statement in € k

(in € k)	Industrial Automation Division		Surface Vision Division	
	Oct. 01, 2018 - Dec. 31, 2018	Oct. 01, 2017 - Dec. 31, 2017	Oct. 01, 2018 - Dec. 31, 2018	Oct. 01, 2017 - Dec. 31, 2017
Revenues	8,330	7,801	25,893	23,440
EBIT	1,776	1,656	5,160	4,608

¹⁾ According to IFRS unaudited

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Additional Information

ISRA VISION AG
Industriestraße 14
64297 Darmstadt
Germany

Tel.: + 49 (0) 6151 948 - 0
Fax: + 49 (0) 6151 948 - 140
Internet: www.isravision.com

Investor Relations
E-Mail: investor@isravision.com

Ute Schmitt-Klauer
Tel.: + 49 (0) 6151 948 - 209

Susanne Becht
Tel.: + 49 (0) 6151 948 - 212