

ISRA VISION AG: First quarter 2016/2017 – Revenue and EBT increase as forecasted; revenues (+10%) and EBT (+11%)

ISRA starts 2016/2017 with double-digit growth – INDUSTRIE 4.0 further strategical focus

- Revenues at 28.5 million euros, plus 10% (Q1 15/16: 26.0 million euros)
- EBT at 5.6 million euros, plus 11% (Q1 15/16: 5.0 million euros)
- Continued strong margin level to total output [to revenues]:
 - EBITDA margin at 29% [32%] (Q1 15/16: 28%, [30%]); plus 16%
 - EBIT margin at 18% [20%] (Q1 15/16: 18%, [20%]); plus 9%
 - EBT margin at 18% [20%] (Q1 15/16: 18%, [19%]); plus 11%
- EBT margin to revenues increases by one percentage point to 20% (Q1 15/16: 19%); EBITDA margin by two percentage points to 32% (Q1 15/16: 30%)
- Gross margin to total output at high level of 61% (Q1 15/16: 61%), to revenues at 57% (Q1 15/16: 57%)
- Strong order backlog of approx. 90 million euros gross (as of Feb 27, 2017; PY: 85 million euros gross)
- Earnings per share (EPS) increase by 11% to 0.88 euros (Q1 15/16: 0.79 euros)
- Financial year 2015/2016: dividend proposal 0,48 Euro (PY: 0.41 euros)
- Strong focus on INDUSTRIE 4.0 potential; first orders received
- Management expansion in regional structures
- Outlook for 2016/2017 financial year: Revenue growth in the range of approx. 10 percent with at least stable margins planned

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, continued the strong development of the past financial year in the first quarter of 2016/2017 and again achieved profitable growth. In the first three months of 2016/2017, ISRA generated revenues of 28.5 million euros (Q1 15/16: 26.0 million euros) – a plus of 10 percent compared to the same period of the previous year. EBT – a key ratio for management of the Group – increased by 11 percent to 5.6 million euros (Q1 15/16: 5.0 million euros). This resulted in an increase of the EBT margin to revenues by one percentage point to 20 percent (Q1 15/16: 19%); while reaching 18 percent to total output (Q1 15/16: 18%). The measures taken to increase productivity and efficiency were systematically continued in the new financial year. Given the increase in the equity ratio by four percentage points to 64 percent (September 30, 2016: 60%) and the available credit lines, ISRA has solid capital resources for future growth. Earnings per share after taxes (EPS) rise by 11 percent to 0.88 euros (Q1 15/16: 0.79 euros).

The high profitability of the Company was again confirmed at the beginning of the 2016/2017 financial year. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) rises by 16 percent to 9.1 million

euros compared to the same period of the previous year (Q1 15/16: 7.8 million euros). This results in an EBITDA margin improvement by two percentage points to 32 percent to revenues (Q1 15/16: 30%) and by one percentage point to 29 percent to total output (Q1 15/16: 28%). At 5.7 million euros, EBIT (Earnings Before Interest and Taxes) was 9 percent higher than the previous year's figure (Q1 15/16: 5.2 million euros). Thus, the EBIT margin reaches 20 percent to revenues (Q1 15/16: 20%) and 18 percent to total output (Q1 15/16: 18%).

The balance sheet reflects the high order backlog of approx. 90 million euros gross (as of February 27, 2017; PY: 85 million euros gross). Trade receivables slightly decrease to 87.1 million euros (September 30, 2016: 88.5 million euros). This figure includes receivables from delivered and invoiced systems of 37.0 million euros (September 30, 2016: 38.7 million euros) and receivables according to the POC (Percentage of Completion) method amounting to 50.1 million euros (September 30, 2016: 49.9 million euros). Trade payables, which had increased to 12.4 million euros as of September 30, 2016, due to the strong fourth quarter of 2015/2016, were reduced to 6.7 million euros in the first quarter of the current financial year as planned, with a corresponding effect on operating cash flow which amounts to 2.0 million euros (Q1 15/16: 4.9 million euros). In addition, production optimization measures at the beginning of the first quarter led as a one-time effect to delays in delivery and thus to delayed stock reduction. Besides, Bank liabilities of 5.1 million euros (Q1 15/16: 7.5 million euros) were paid off and investments worth 3.3 million euros (Q1 15/16: 2.4 million euros) were made – of which 3.0 million euros (Q1 15/16: 2.4 million euros) for product innovations. For the full year, a positive cash flow on the similar level of 2015/2016 is planned.

Global expansion to continuously develop further market potential is an important part of the company's strategy and a key driver of further growth. A decisive factor for ISRA's business success is the broad regional positioning, with over 25 locations worldwide. The positive development seen across the regions over the last financial year continued. In the first quarter of 2016/2017, the Asian markets again made a significant contribution to the overall result. Following intensified marketing and sales activities, the North and South America region is showing double-digit growth rates in order entries. In addition, the strengthening of the international team will remain in focus. In order to expand the market position in Asia and North America further, important management expansions are planned or have already been realized. After good order entries in the last financial year, revenues generated with customers from Europe continue to advance. At the new locations in Mexico and Iran, first projects have already started. For a further penetration of the South American markets, the company is also analyzing new expansion opportunities in neighboring countries next to its existing locations. The same applies for the Southeast Asian economic area.

In both the Surface Vision and Industrial Automation segment, intensive contact with customers worldwide forms the basis for the positive development of the segments. This also held true in the first quarter of 2016/2017. The revenue increase in the Industrial Automation segment, whose customer base primarily includes international premium automotive manufacturers, continues the positive results of the past 2015/2016 financial year. In Q1, revenues rise significantly by 2.1 million euros to 7.1 million euros compared to the previous year (Q1 15/16: 5.0 million euros). EBIT increases by 35 percent to 1.5 million euros (Q1 15/16: 1.1 million euros), which equates to an EBIT margin of 20 percent to total output (Q1 15/16: 20%). The new 3D technologies, which ISRA offers in the Industrial Automation segment with a comprehensive portfolio, will remain in focus. The company anticipates positive impulses from a strategic large-scale order, which is currently at an advanced stage of negotiation. At the same time, innovative solutions for flexible production automation lay the foundation for further growth, particularly by further addressing local car manufacturers in Asia and North America. ISRA

is currently introducing a product for car body paint inspection, which came back into focus again, with a new design-to-cost approach, and thus significantly optimized ROI for customers in the market, which is creating significant potential in paint shops and painting lines worldwide, both within the automotive industry and elsewhere.

The Surface Vision segment started the 2016/2017 financial year with revenues of 21.3 million euros (Q1 15/16: 20.9 million euros), while EBIT rises to 4.2 million euros (Q1 15/16: 4.1 million euros). The EBIT margin totaled 17 percent of total output (Q1 15/16: 18 %). The double-digit increase rates in order entries of individual industries present a positive base for the full year, whereby an increase of order entry dynamics is expected in the further course of the financial year. The glass industry confirmed the substantial growth potential with increased customer interest in its expanded product portfolio for the inspection of display glass. Following the highly successful second half of the past financial year and a strong first quarter of 2016/2017, the solar market's dynamic has decreased – a development to which the company is responding with an intensification of sales activities and a new generation of cost optimized products. The revenues in the plastic industry show the first impulses of the INDUSTRIE 4.0 activities. The introduction of the new "Touch & Inspect" system architecture for networked, "smart" quality surface inspection achieved initial orders by manufacturers of films; they obtain the opportunity to flexibly equip their production processes with new technologies that offer a high return on investment. In the metal industry, ISRA is, besides the strengthening of the management, continuing to drive forward its intensive marketing and sales measures, which are being supplemented by innovations for 3D inspection. The paper industry registered an increase in incoming orders in the first quarter, as a result of optimization of the cost structure. Additional revenue impulses are expected from the print market due to intensified targeting of international printing manufacturers and the newly extended product range. In the niche market of special (security) paper, the portfolio for applications in high-security printing is currently being expanded with the new smart camera architectures. The expansion of the still-young semiconductor business is advancing continuously, especially in the area of wafer inspection. After important initial strategic orders in Europe, the next steps will be directed towards Asia. The service business also remains in focus for the current financial year. With the expansion of the portfolio, a strengthening of the global teams and a new strategic orientation that will especially emphasize regional activities, the company intends to increase revenues disproportionately in the medium term.

As the company has successfully demonstrated several times in previous years, the integration of strategic acquisitions is an important driving force - besides the expansion of the core business - to achieve the planned growth. The acquisition activities are focusing on target companies that will sustainably advance ISRA's technology leadership, market position or expansion to new markets. Several targets from a range of industries are being examined at present. Subject to these examinations reaching a positive outcome, the plan is to complete one project in the current financial year.

Based on the successful results of 2015/2016 and the current stable order backlog of approx. 90 million euros gross (as of February 27, 2017; PY: 85 million euros gross), ISRA has made a positive start into the new 2016/2017 year. The business expectations of the individual industries and regions show a multi-variant picture. The company is countering variations in the regions and the industries, especially by intensifying the marketing measures and sales activities. In addition to organic – particularly innovation-driven – and acquisition-based growth, the management sees significant potential in the area of INDUSTRIE 4.0 through the further development of intelligent, frugal and cost-optimized sensors. Together with the "EPROMI" software tool for

production management, ISRA possesses broad strategic positioning for future revenue potential. Provided that economic framework conditions do not significantly change, the Company plans with further profitable organic growth of approx. 10 percent in the similar level of the last years. An acquisition would respectively increase the growth. Management will continue to focus on the optimization of operating productivity and the improvement of cash flow and working capital and to increase the margins, at least to keep the high level. Against this background, ISRA is continuously preparing to reach the planned revenue dimension of over 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 seventeen years, ISRA has shown profitable growth with an annual average increase in sales of approx. 25 percent. Currently the company employs approx. 700 people worldwide.

Further information are available at www.isravision.com.

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

from October 01, 2016 to December 31, 2016 in € k

(in € k)	FY 2016/2017 3 months (Oct. 01, 2016 - Dec. 31, 2016)		FY 2015/2016 3 months (Oct. 01, 2015 - Dec. 31, 2015)	
Net sales	28,454	90 %	25,955	92 %
Capitalized work	3,027	10 %	2,396	8 %
Total output	31,481	100 %	28,351	100 %
Cost of materials	5,831	19 %	5,497	19 %
Cost of labour excluding depreciation	6,289	20 %	5,490	19 %
Cost of production excluding depreciation	12,121	39 %	10,987	39 %
Gross profit	19,360	61 %	17,364	61 %
Research and development Total	4,860	15 %	4,354	15 %
Sales and marketing costs	5,559	18 %	5,114	18 %
Administration	1,144	4 %	1,076	4 %
Sales and administration costs excluding depreciation	6,704	21 %	6,190	22 %
Other revenues	1,279	4 %	990	3 %
EBITDA	9,075	29 %	7,811	28 %
Depreciation and amortization	3,417	11 %	2,618	9 %
Total costs	14,981	48 %	13,162	46 %
EBIT	5,658	18 %	5,193	18 %
Interest income	7	0 %	3	0 %
Interest expenses	-85	0 %	-152	-1 %
Financing result	-78	0 %	-150	-1 %
EBT	5,580	18 %	5,043	18 %
Income taxes	1,727	5 %	1,534	5 %
Consolidated net profit	3,852	12 %	3,509	12 %
Of which accounted to non-controlling shareholders	11	0 %	32	0 %
Of which accounted to shareholders of ISRA VISION AG	3,841	12 %	3,478	12 %
Earnings per share in € before income taxes ²⁾	1.27		1.15	
Earnings per share in € ²⁾	0.88		0.79	
Shares issued ⁴⁾	4,378,240		4,381,151	

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

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)}

from October 01, 2016 to December 31, 2016 in € k

(in € k)	FY 2016/2017 3 months (Oct. 01, 2016 - Dec. 31, 2016)		FY 2015/2016 3 months (Oct. 01, 2015 - Dec. 31, 2015)	
Net sales	28,454	100 %	25,955	100 %
Cost of sales	12,307	43 %	11,178	43 %
Gross operating result (gross profit)	16,148	57 %	14,776	57 %
Research and development	4,834	17 %	4,125	16 %
Total costs	4,860	17 %	4,354	17 %
Depreciation and amortization	3,033	11 %	2,210	9 %
Grants	-32	0 %	-43	0 %
Capitalized work	-3,027	-11 %	-2,396	-9 %
Sales and marketing costs	5,724	20 %	5,292	20 %
Administration	1,178	4 %	1,114	4 %
Sales and administration costs	6,902	24 %	6,406	25 %
Other revenues	1,246	4 %	947	4 %
Interest income	7	0 %	3	0 %
Interest expenses	-85	0 %	-152	-1 %
Financing result	-78	0 %	-150	-1 %
Earnings before taxes (EBT)	5,580	20 %	5,043	19 %
Income taxes	1,727	6 %	1,534	6 %
Consolidated net profit	3,852	14 %	3,509	14 %
Of which accounted to shareholders of ISRA VISION AG	3,841	13 %	3,478	13 %
Of which accounted to non-controlling shareholders	11	0 %	32	0 %
Earnings per share in € before income taxes ²⁾	1.27		1.15	
Earnings per share in € ²⁾	0.88		0.79	
Shares issued ⁴⁾	4,378,240		4,381,151	

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

Consolidated Group Balance Sheet ²⁾

at December 31, 2016 in € k

(in € k)	Dec. 31, 2016 ¹⁾	Sept. 30, 2016
ASSETS		
Assets		
Short-term assets		
Inventories	33,227	33,726
Trade receivables	87,122	88,520
Cash and cash equivalents	10,858	16,919
Financial assets	5,670	2,707
Other receivables	476	1,645
Income tax receivables	1,561	1,845
Total short-term assets	138,914	145,362
Long-term assets		
Intangible assets	109,543	109,563
Tangible assets	5,665	5,700
Financial assets	1,194	1,194
Deferred tax claims	1,946	1,997
Total long-term assets	118,348	118,454
Total assets	257,262	263,816
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	6,690	12,422
Financial liabilities to banks	30,903	35,954
Other financial liabilities	9,942	11,922
Other accruals	1,059	1,568
Income tax liabilities	3,003	3,487
Other liabilities	2,711	1,741
Total short-term liabilities	54,308	67,094
Long-term liabilities		
Deferred tax liabilities	34,908	33,249
Pension provisions	4,205	4,134
Total long-term liabilities	39,113	37,383
Total liabilities	93,421	104,477
Equity		
Issued capital	4,381	4,381
Capital reserves	38,800	38,800
Profit brought forward	112,988	95,432
Net profit accounted to the shareholders of ISRA VISION AG	3,841	17,556
Other comprehensive income	2,484	1,833
Own shares	-159	-159
Share of equity capital held by ISRA VISION AG shareholders	162,335	157,843
Equity capital accounted to non-controlling shareholders	1,506	1,495
Total equity	163,841	159,338
Total equity and liabilities	257,262	263,816

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 Cash flow Statement ^{1) 2)}

from October 01, 2016 to December 31, 2016 in € k

(in € k)	Oct. 01, 2016 - Dec. 31, 2016	Oct. 01, 2015 - Dec. 31, 2015
Consolidated net profit	3,852	3,509
Income tax payments	-1,714	-527
Changes in deferred tax assets and liabilities	1,710	885
Changes in accruals	-439	-150
Depreciation and amortization	3,417	2,618
Changes in inventories	500	-263
Changes in trade receivables and other assets	-113	4,390
Changes in trade payables and other liabilities	-5,362	-5,695
Financial result	79	149
Other non-cash changes	40	23
Cash flow from operating activities	1,971	4,939
Payments for investments in tangible assets	-227	-53
Payments for investments in intangible assets	-3,027	-2,396
Company acquisition	0	0
Cash flow from investment activities	-3,254	-2,449
Payments to company owners through acquisition of own shares	0	0
Deposits from sales of own shares	0	-83
Dividend payouts	0	0
Deposits from the assumption of financial liabilities	0	8,383
Repayments of financial liabilities	-5,050	-7,500
Interest income	7	3
Interest expenses	-85	-152
Cash flow from financing activities	-5,129	651
Exchange rate-based value changes of the financial resources	351	374
Change of financial resources	-6,061	3,515
Net cash flow		
Financial resources on 30.09.2016/30.09.2015	16,919	15,161
Financial resources on 31.12.2016/31.12.2015	10,858	18,676

¹⁾ According to IFRS unaudited

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

for the period October 01, 2016 to December 31, 2016 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, 2016	4,381	38,800	-159	1,833	95,432	17,556	157,843	1,495	159,338
Profit brought forward	0	0	0	0	17,556	-17,556	0	0	0
Acquisition of own shares	0	0	0	0	0	0	0	0	0
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	651	0	3,841	4,492	11	4,503
As of Dec. 31, 2016	4,381	38,800	-159	2,484	112,988	3,841	162,335	1,506	163,841

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 01, 2016 to December 31, 2016 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, 2015	4,381	38,623	83	2,890	82,406	14,821	143,204	1,294	144,498
Profit brought forward	0	0	0	0	14,821	-14,821	0	0	0
Acquisition of own shares	0	0	0	0	0	0	0	0	0
Sales of own shares	0	0	-83	0	0	0	-83	0	-83
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	374	0	3,478	3,852	32	3,884
As of Dec. 31, 2015	4,381	38,623	0	3,264	97,227	3,478	146,973	1,326	148,299

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)}

for selected positions of the consolidated income statement in € k

(in € k)	Industrial Automation Division		Surface Vision Division	
	Oct. 01, 2016 - Dec. 31, 2016	Oct. 01, 2015 - Dec. 31, 2015	Oct. 01, 2016 - Dec. 31, 2016	Oct. 01, 2015 - Dec. 31, 2015
Revenues	7,119	5,035	21,336	20,920
EBIT	1,452	1,072	4,206	4,121

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.

Additional Information

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