

Quarterly Report Q1  
Financial Year 2016 / 2017

## Touching the Future of Vision Automation



**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) increases 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

**In short form**

(in € k)	FY 2016/2017 3 months		FY 2015/2016 3 months		Change
Revenues	28,454	90 %*	25,955	92 %*	10 %
Gross Profit	19,360	61 %*	17,364	61 %*	11 %
EBITDA	9,075	29 %*	7,811	28 %*	16 %
EBIT	5,658	18 %*	5,193	18 %*	9 %
EBT	5,580	18 %*	5,043	18 %*	11 %
Net profit	3,852	12 %*	3,509	12 %*	10 %
Earnings per share after taxes	0.88		0.79		11 %

\*) In relation to total output

**Business activity**

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.

Based on the success of the previous financial year, ISRA is starting the first quarter of 2016/2017 on a promising note with the order backlog again at a high level of approx. 90 million euros gross (as of Feb. 27, 2017, PY: 85 million euros gross). The positive development in demand across all regions and the continued measures aimed at increasing profitability and efficiency will continue to boost the sustainable growth of the Company. In the new financial year, the strategic focus of management will remain on INDUSTRIE 4.0 activities associated with an expansion of infrastructure.

## Regions and Segments

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.

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 order entries 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.

### Revenue and profit situation

ISRA started the 2016/2017 financial year with revenue growth of 10 percent to 28.5 million euros (Q1 15/16: 26.0 million euros) in the first three months of the year. Total output increased to 31.5 million euros (Q1 15/16: 28.4 million euros). Production costs totaled 12.1 million euros and 39 percent to total output (Q1 15/16: 11.0 million euros). Expenditure for personnel totaled 20 percent of total output (Q1 15/16: 19%); the cost of materials 19 percent (Q1 15/16: 19%). The gross margin continued at the high level of 61 percent to total output (Q1 15/16: 61%) and 57 percent to revenues (Q1 15/16: 57%). Investments in research and development amounted to 4.9 million euros (Q1 15/16: 4.4 million euros), which corresponds to a share of 15 percent to total

output. Management is continuing to pursue its medium-term goal of realizing an investment rate for research and development of 14 percent to total output. As a result of intensified sales and marketing activities, both items increase as planned and amount to 5.6 million euros (Q1 15/16: 5.1 million euros), while administrative costs have a share of 4 percent in relation to total output.

The improvement of the already high overall EBITDA, EBIT and EBT margin levels of the previous quarters continues. In the first quarter of the 2016/2017 financial year, the Company achieved an EBITDA of 9.1 million euros (Q1 15/16: 7.8 million euros), while the EBITDA margin increased 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%). After depreciation and amortization of 3.4 million euros (Q1 15/16: 2.6 million euros), EBIT amounted to 5.7 million euros, which corresponds to an increase of 9 percent compared to the same period of the previous year (Q1 15/16: 5.2 million euros). Similar to the same period of the previous year, the EBIT margin was at 18 percent to total output (Q1 15/16: 18%) and 20 percent to revenues (Q1 15/16: 20%). Earnings before taxes (EBT), a key ratio for the management of the ISRA Group, improved by 11 percent in relation to total output to 5.6 million euros (Q1 15/16: 5.0 million euros). This resulted in the EBT margin in relation to revenues increasing by one percentage point to 20 percent (Q1 15/16: 19%) – in relation to total output the figure remained at 18 percent (Q1 15/16: 18%). Earnings per share after taxes increased to 0.88 euros (Q1 15/16: 0.79 euros).

### Liquidity and financial situation

By the end of the first quarter on December 31, 2016, the Company achieved an operating cash flow of 2.0 million euros (December 31, 2015: 4.9 million euros). Especially a one-time-effect due to process changes for production optimization caused late invoicing at the beginning of the first quarter, with a corresponding effect on cash flow. Total expenditure for investments amounted to 3.3 million euros (December 31, 2015: 2.4 million euros). Cash flow from financing activities amounted to -5.1 million euros as of the reporting date (December 31, 2015: 0.7 million euros). The scheduled repayment of financial liabilities amounted to 5.1 million euros (December 31, 2015: 7.5 million euros). Net cash flow in the first three months of the 2016/2017 financial year was -6.1 million euros (December 31, 2015: 3.5 million euros). The continuous measures to increase efficiency in production that will contribute to further cash flow optimization remain in the focus of the management also in the current financial year.

As of December 31, 2016, group total assets amounted to 257.3 million euros (September 30, 2016: 263.8 million euros). Inventories in assets decrease slightly to 33.2 million euros as of the reporting date (September 30, 2016: 33.7 million euros). Trade receivables are reduced to 87.1 million euros (September 30, 2016: 88.5 million euros). Short-term assets equal 138.9 million euros (September 30, 2016: 145.4 million euros). Long-term assets remained nearly constant at 118.3 million euros (September 30, 2016: 118.5 million euros).

Trade payables on the liabilities side of the consolidated balance sheet declined considerably to 6.7 million euros as of December 31, 2016 (September 30, 2016: 12.4 million euros). Financial liabilities to banks decreased to 30.9 million euros as of the reporting date (September 30, 2016: 36.0 million euros), as did the remaining financial liabilities, which amounted to 9.9 million euros (September 30, 2016: 11.9 million euros). Tax liabilities totaled 34.9 million euros (September 30, 2016: 33.2 million euros). Equity increased in the first three months of the 2016/2017 financial year to 163.8 million euros (September 30, 2016: 159.3 million euros). Given the increase in the equity ratio by four percentage points to 64 percent (September 30, 2016: 60%) and the available credit lines, the Company has solid capital resources for future growth. As of December 31, 2016, ISRA held 3,000 own shares.

## Employees and Management

In the first three months of the 2016/2017 financial year, 628 employees (Q1 15/16: 607) on average worked at more than 25 locations of the Company worldwide. By the end of the first quarter on December 31, 2016, ISRA had a total of 666 employees. The Production and Engineering departments employed 49 percent of the workforce, whereas approximately 19 percent of the employees worked in Marketing and Sales and 19 percent in Research and Development. The percentage of employees in Administration amounted to 12 percent. Based on geographical distribution, roughly 70 percent of the employees work in Europe, roughly 20 percent in Asia and approx. 10 percent in North and Latin America.

Global expansion was advanced further as planned with the targeted strengthening of the worldwide team in Sales, Marketing and Service. In order to expand the market position in Asia and North America further, important management expansions are planned or have already been realized. The Company is endeavoring to implement its sustainable personnel strategy, particularly in the dynamically growing markets, with highly qualified employees.

The essential prerequisite for the success of the Company is to have motivated and qualified employees. For this reason, special attention is paid to well-trained employees with technical, social and interdisciplinary competency. The personnel strategy is directed at gaining and promoting highly qualified employees and creating a long-term bond between them and the Company. For this purpose, ISRA offers a wide-ranging package of services for training and continued education.

## Marketing and Sales

Attending internationally leading trade fairs is a central part of successful customer- and region-specific marketing for ISRA. As early as in the first quarter of the 2016/2017 financial year, the Company again exhibited its products at different leading trade fairs throughout the world for trade professionals and visitors and, in the process, successfully strengthened business contacts for existing customers as well as generating new customer contacts. In the first three months of the current financial year, latest technologies and solutions were exhibited at a total of 20 trade fairs in Asia, Europe as well as North and South America.

At MOTEK in Stuttgart, one of the internationally leading trade fairs for production and assembly automation, the Company presented its portfolio for 3D inspection and 3D robot guidance. The 3D portfolio comprises not only the fully automatic "Pick and Place", but also high-precision white-light interferometers as well as the universally applicable APS3D sensor. At K Trade Fair in Düsseldorf, the world's leading trade fair for the plastics industry, the Company successfully unveiled its connected inspection systems in the "Touch & Inspect" portfolio for highly efficient inspection of web goods. This technology was exhibited alongside new system enhancements ("Beyond Inspection" features), which enable users to improve the quality of their products – even after production is complete – through targeted repairs or intelligent roll-cutting. The Company's presence at VISION in Stuttgart – the internationally leading trade fair for image processing where it showcased its "Touch & Automate" portfolio of connectable 3D sensors – garnered a lot of attention from new and existing customers. The trade fair focused specifically on embedded technology, sensors and components – such as ISRA's APS3D or the new smart camera technology – that feature integrated computing power. As well as attending European trade fairs, in the first quarter of 2016/2017 the Company was also represented in the Asian growth markets, particularly in China. The new inspection options for innovative cell designs were very well received by the professional audience at PV Taiwan in Shanghai, one of the most important trade fairs of the photovoltaics industry. The range of comprehensive print inspection solutions were also given a positive reception at All in Print, the most influential trade fair of the printing industry in China and Asia. By attending China International Paper, the Company strengthened its specific targeting of manufacturers in the growing Chinese paper market. At C-Touch, one of the largest trade fairs for the international touchscreen industry, the Company presented its portfolio for the inspection of smartphones and touchscreen surfaces. With this

aggregation of different 3D inspection solutions, the Company is one of very few suppliers to deliver reliable quality assurance for touchscreen glass and flat screen surfaces, and it is continuing to develop further market potential.

As well as attending numerous internationally important trade fairs, internal workshops with local and international customers offer an important communication channel to understand the future needs and requirements of customers and their industry-specific processes. With a close relationship to the everyday challenges in many different industries, valuable insights are turned into new products in a targeted and timely way and introduced to the market.

## Research and Development

ISRA's expenditure on research and development forms the basis for the Company's high capacity for innovation to continuously develop new, forward-looking systems and solutions. This is why particular importance is placed on investments in this area: They lay the foundations for developing the Company's leading market position and are the core driving force of long-term growth. The development of new solutions and applications follows an innovation roadmap designed for sustainability, which also takes current trends in technology and market requirements into account. Consistent design-to-cost approaches secure a high level of competitiveness of the systems and a quick return-on-investment for customers. This provides users worldwide with consistently effective solutions so that they can increase the quality of their products and the productivity of their manufacturing processes.

In the first quarter of the 2016/2017 financial year, ISRA invested 4.9 million euros in research and development (Q1 15/16: 4.4 million euros). 3.0 million euros of this figure were attributed to products that are soon to be launched on the market (Q1 15/16: 2.4 million euros). In the reporting period, total investments in development projects amounted to 15 percent of total output (Q1 15/16: 15%). In this respect, management is pursuing its medium-term goal of realizing an investment rate of 14 percent in relation to total output.

Alongside continuously developing already established systems, in the first quarter of the new 2016/2017 financial year ISRA focused on continuing its work to achieve a high level of sensor connectivity as well as comprehensive horizontal and vertical integration of its production data. The "Touch & Automate" and "Touch & Inspect" product portfolios feature connected robot guidance and surface inspection systems to utilize production data collaboratively along a production line. This enables high-quality, adaptable production processes capable of utilizing information on defects when it comes to increasing process efficiency and yields – including through optimal cutting of web goods. These data volumes can also be used to ensure a high level of transparency in production processes and turned into productive knowledge by having the data analyzed by the superordinate software structure „EPROMI“. The outcomes are presented on the basis of individual requirements and made available at all levels of the Company in the interests of sound decision-making. With development projects that combine collaborative data use and analysis software, ISRA is underscoring the central role of its image processing systems in the vision for "INDUSTRIE 4.0". A compact sensor and system design featuring integrated computing power (embedded technology) and a high level of wireless connectivity for all systems are core development goals whereby ISRA is already preparing for market launch with its smart camera and smart sensor technology. The objective of these projects is to achieve extensive connectivity right down to the individual system components. This enables each sensor to be managed directly with utmost precision, which is a key condition for maximum flexibility and adaptability of the systems.

In its portfolio aimed at touchscreen inspection, ISRA combines various 3D inspection systems to ensure optimum quality for sensitive surfaces. The thin and highly reflective display glass is constantly in the user's field of vision, which means that it needs to possess superior aesthetic and functional qualities. The Company is currently working on expanding its portfolio through the addition of brand-new six-camera technology to allow for the inspection of curved reflective surfaces and, as a result, more complex touchscreen designs.

## Share

In the first three months of the 2016/2017 financial year, ISRA's share price fluctuated around the 100 euros mark, at the level of the previous year.

The price of the share based on the XETRA closing price on September 30, 2016, rose from 99.00 euros to 101.00 euros on December 30, 2016, giving the share an increase of almost 2 percent, while the DAX increased by roughly 9 percent and the TecDAX by almost 1 percent in the same period. In the first quarter of 2016/2017, the ISRA share traded its lowest value in the XETRA trading system based on the closing price on November 4, 2016, with 92.00 euros. The share reached its highest value of 107.75 euros on October 10, 2016.

During this period, an average of approximately 7,700 ISRA shares were traded on every trading day at all German stock exchanges (Q1 15/16: approximately 4,500 shares). As of the balance sheet date of December 31, 2016, market capitalization improved considerably compared to previous year to 442.5 million euros (December 31, 2015: 281.6 million euros).

The share is being tracked and assessed regularly by analysts from the investment companies M.M. Warburg, Hauck & Aufhäuser, Oddo Seydler and Matelan Research. Management attaches great importance to a sustainable and lasting dividend policy. At this year's Annual General Meeting of ISRA VISION AG for the 2015/2016 financial year on March 15, 2017, the Executive Board and the Supervisory Board will propose increasing the dividend by 0.07 euros to 0.48 euros to the shareholders' meeting (previous year: 0.41 euros per share).

## Outlook

Based on the last successful financial year of 2015/2016 with increased efficiency and profitability, ISRA is continuing its sustainable growth course in 2016/2017, as confirmed by the first quarter. After the strong revenue contributions from Asia in previous quarters, the company expects this dynamic to continue due to the high level of order entries. Intensive marketing and sales activities in the North and South American markets are planned to stimulate demand; an increase is expected in the second half the current financial year. In the region Europe, ISRA is planning on with further growth. The new locations in Mexico and Iran have already received their first order entries, a development that is currently expected to continue also in the second half of the year. In order to advance regional expansion continuously, management is currently analyzing new potential in the Southeast Asian economic area.

The strong growth of the Industrial Automation segment in the first three months of 2016/2017 has given the Company a positive outlook on the upcoming quarters: the increased demand, particularly for optical systems for 3D measurement and innovations for the international automotive industry, are expected to boost the revenue development in this area. A strategic large-scale order for 3D quality inspection is currently at an advanced stage of negotiation. Beyond that, a re-focused project for paint inspection of car bodies opens up huge revenue potential in the paint shop of the automotive industry and even further. In the Surface Vision segment as well, double-digit increases in the incoming orders of individual customer industries show a positive picture: an increase of this dynamic is expected in the further course of the financial year. In the glass market, ISRA anticipates a continuation of high demand, which is especially driven by new solutions for the inspection of float and display glass. The development in the metal industry is developing positively, especially due to the focus on intensive marketing and sales activities as well as due to the extension of the management. ISRA is intensively monitoring current market developments in the Solar business, and concentrating on strengthening regional sales activities and measures for optimizing production costs with a new generation of cost-optimized products. The increasing quality standards for plastic film and non-woven products also continue to generate additional business with plastic manufacturers. After the first strategic orders for the "smart" surface inspection of plastic film with the new INDUSTRIE-4.0-compatible "Touch & Inspect" system architecture, management sees further potential for growth in this area. The paper industry registered an in-

crease in order entries in the first quarter compared to the previous year, as a result of the optimization of cost structures. ISRA expects a continued improvement in the second half of the year. A good outlook is also anticipated in the print market; the expanded portfolio for the inspection of high-quality printed products is particularly well-received by international customers. High-precision inspection solutions for applications in the semiconductor market continue to offer growth potential, especially for wafer inspection. After first orders in Europe, Management now plans further steps into Asian markets. The company is also continuously working to increase service revenues disproportionately in the medium term through the expansion of the global team and a new strategic orientation that will especially emphasize regional activities.

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.

## Consolidated Total Operating Revenue EBITDA-EBIT statement <sup>1) 3)</sup>

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 <sup>2)</sup>	1.27		1.15	
Earnings per share in € <sup>2)</sup>	0.88		0.79	
Shares issued <sup>4)</sup>	4,378,240		4,381,151	

<sup>1)</sup> According to IFRS unaudited

<sup>2)</sup> Per-share result undiluted and diluted

<sup>3)</sup> 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.

<sup>4)</sup> 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 <sup>1) 3)</sup>

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 <sup>2)</sup>	1.27		1.15	
Earnings per share in € <sup>2)</sup>	0.88		0.79	
Shares issued <sup>4)</sup>	4,378,240		4,381,151	

<sup>1)</sup> According to IFRS unaudited

<sup>2)</sup> Per-share result undiluted and diluted

<sup>3)</sup> 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.

<sup>4)</sup> Weighted number of shares

## Consolidated Group Balance Sheet <sup>2)</sup>

at December 31, 2016 in € k

(in € k)	Dec. 31, 2016 <sup>1)</sup>	Sept. 30, 2016
<b>ASSETS</b>		
<b>Assets</b>		
<b>Short-term assets</b>		
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
<b>Total short-term assets</b>	<b>138,914</b>	<b>145,362</b>
<b>Long-term assets</b>		
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
<b>Total long-term assets</b>	<b>118,348</b>	<b>118,454</b>
<b>Total assets</b>	<b>257,262</b>	<b>263,816</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Short-term liabilities</b>		
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
<b>Total short-term liabilities</b>	<b>54,308</b>	<b>67,094</b>
<b>Long-term liabilities</b>		
Deferred tax liabilities	34,908	33,249
Pension provisions	4,205	4,134
<b>Total long-term liabilities</b>	<b>39,113</b>	<b>37,383</b>
<b>Total liabilities</b>	<b>93,421</b>	<b>104,477</b>
<b>Equity</b>		
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
<b>Share of equity capital held by ISRA VISION AG shareholders</b>	<b>162,335</b>	<b>157,843</b>
Equity capital accounted to non-controlling shareholders	1,506	1,495
<b>Total equity</b>	<b>163,841</b>	<b>159,338</b>
<b>Total equity and liabilities</b>	<b>257,262</b>	<b>263,816</b>

<sup>1)</sup> According to IFRS unaudited

<sup>2)</sup> 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 <sup>1) 2)</sup>

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

(in € k)	Oct. 01, 2016 - Dec. 31, 2016	Oct. 01, 2015 - Dec. 31, 2015
<b>Consolidated net profit</b>	<b>3,852</b>	<b>3,509</b>
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
<b>Cash flow from operating activities</b>	<b>1,971</b>	<b>4,939</b>
Payments for investments in tangible assets	-227	-53
Payments for investments in intangible assets	-3,027	-2,396
Company acquisition	0	0
<b>Cash flow from investment activities</b>	<b>-3,254</b>	<b>-2,449</b>
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
<b>Cash flow from financing activities</b>	<b>-5,129</b>	<b>651</b>
Exchange rate-based value changes of the financial resources	351	374
<b>Change of financial resources</b>	<b>-6,061</b>	<b>3,515</b>
<b>Net cash flow</b>		
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

<sup>1)</sup> According to IFRS unaudited

<sup>2)</sup> 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 <sup>1) 2)</sup>

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

<sup>1)</sup> According to IFRS unaudited

<sup>2)</sup> 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 <sup>1) 2)</sup>

for the period October 01, 2015 to December 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, 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

<sup>1)</sup> According to IFRS unaudited

<sup>2)</sup> 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 <sup>1) 2)</sup>

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

<sup>1)</sup> According to IFRS unaudited

<sup>2)</sup> 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.

## Explanatory notes

### Basic accounting and valuation methods

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.

Darmstadt, February 28, 2017

The executive board