

Quarterly Report Q2
Financial Year 2017 / 2018

Vision Competence For Automation Excellence



ISRA VISION AG: First half year 2017/2018 – revenues +10%, EBT +11%**Continued double-digit growth in the first half year of 2017/2018 – good start into the second half of the year confirms full year guidance – further acquisitions planned**

- Revenues at 64.7 million euros, plus 10% (Q2-YTD-16/17: 58.9 million euros)
- EBT growth of 11% to 12.7 million euros (Q2-YTD-16/17: 11.5 million euros)
- Earnings margins remain at high level:
 - EBITDA plus 11%, margin at 29% of total output (Q2-YTD-16/17: 28%) and 31% of revenues (Q2-YTD-16/17: 31%)
 - EBIT plus 10%, margin at 18% of total output (Q2-YTD-16/17: 18%) and 20% of revenues (Q2-YTD-16/17: 20%)
 - EBT plus 11%, margin at 18% of total output (Q2-YTD-16/17: 18%) and 20% of revenues (Q2-YTD-16/17: 19%)
- Gross margin remains at the level of the previous year of 61% to total output (Q2-YTD-16/17: 61%) and 57% to revenues (Q2-YTD-16/17: 57%)
- Net cash flow of 5.2 million euros (Q2-YTD-16/17: 1,4 Million euros)
- Positive net liquidity of 3.9 million euros (September 30, 2017: -1,3 Million euros)
- Integration of Polymetric GmbH at an advanced stage
- High gross order backlog currently over 95 million euros (PY: 90 million euros gross)
- Guidance for 2017/2018 financial year confirmed: Further profitable growth of approx. 10 percent with at least stable margins planned

In short form

(in € k)	HY1 2017/2018		HY1 2016/2017		Change
Revenues	64,701	91%*	58,909	91%*	10%
Gross Profit	43,387	61%*	39,754	61%*	9%
EBITDA	20,359	29%*	18,375	28%*	11%
EBIT	12,852	18%*	11,660	18%*	10%
EBT	12,702	18%*	11,472	18%*	11%
Net profit	9,024	14%*	7,894	12%*	14%
Earnings per share after taxes	2.05		1.79		15%

(in € k)	Q2 2017/2018		Q2 2016/2017		Change
Revenues	33,459	92%*	30,455	92%*	10%
Gross Profit	22,392	61%*	20,394	61%*	10%
EBITDA	10,408	28%*	9,300	28%*	12%
EBIT	6,589	18%*	6,002	18%*	10%
EBT	6,490	18%*	5,892	18%*	10%
Net profit	4,576	13%*	4,041	12%*	13%
Earnings per share after taxes	1.03		0.91		13%

*) Referenced 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, concludes the first half of the 2017/2018 financial year with double-digit growth rates in revenue and profit, thus creating optimum conditions for achieving the annual guidance. Year-on-year revenues increase by 10 percent to 64.7 million euros (Q2-YTD-16/17: 58.9 million euros), while EBT grows by 11 percent to 12.7 million euros (Q2-YTD-16/17: 11.5 million euros). The EBT margin to revenues thus increases by 1 percentage point, amounting to 20 percent (Q2-YTD-16/17: 19%), and 18 percent to total output respectively (Q2-YTD-16/17: 18%). After ISRA completely eliminated net debt (current and non-current financial liabilities minus cash and equivalents) in the previous quarter, the Company records a positive net liquidity (current and non-current financial liabilities minus cash and equivalents) of 3.9 million euros (September 30, 2017: -1.3 million euros). With the equity ratio improved by approx. 3 percentage points to 65 percent (September 30, 2017: 62%) and the available credit lines, ISRA has solid capital resources for future growth. With a high gross order backlog of over 95 million euros (PY: 90 million euros gross), the Company is starting off successfully into the second half of the year.

The development in earnings of the last six months underlines ISRA's sustained profitability: The high margin level of the first quarter was confirmed and extended. Compared to the same period of the previous year, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) increases by 11 percent to 20.4 million euros (Q2-YTD-16/17: 18.4 million euros), thus reaching an EBITDA margin of 31 percent to revenues (Q2-YTD-16/17: 31%) and 29 percent to total output (Q2-YTD-16/17: 28%). By rising to 12.9 million euros, EBIT (Earnings Before Interest and Taxes) is 10 percent higher compared to the figure of the previous year (Q2-YTD-16/17: 11.7 million euros). Thus, the EBIT margin amounts to 20 percent of revenues (Q2-YTD-16/17: 20%) and 18 percent of total output (Q2-YTD-16/17: 18%). EBT (Earnings Before Taxes) improves by 11 percent to 12.7 million euros (Q2-YTD-16/17: 11.5 million euros), corresponding to a slightly increased EBT margin of 20 percent to revenues (Q2-YTD-16/17: 19%) and 18 percent to total output (Q2-YTD-16/17: 18%). At 57 percent to revenues and 61 percent to total output, the gross margin (revenues/total output minus cost of materials and costs of labor in production and engineering) remains at the high level of the previous year (Q2-YTD-16/17: 57%/61%).

After the successful first half of the current financial year, inventories increase to 36.4 million euros in preparation for the second half of the year and considering the high order backlog (September 30, 2017: 32.7 million euros). Trade receivables reduce to 89.4 million euros (September 30, 2017: 98.0 million euros), including receivables from delivered and invoiced systems of 37.3 million euros (September 30, 2017: 50.6 million euros) and receivables according to the percentage of completion method of 52.1 million euros (September 30, 2017: 47.4 million euros). In the first half year, operational cash flow reaches 12.6 million euros (Q2-YTD-16/17: 15.0 million euros), while net cash flow totals 5.2 million euros (Q2-YTD-16/17: 1.4 million euros). Earnings per share (EPS) after taxes improved by 15 percent to 2.05 euros (Q2-YTD-16/17: 1.79 euros).

With the current gross order backlog of 95 million euros (PY: 90 million euros gross) and profitability remaining high, ISRA is focusing on preparations for the next revenue dimension of over 200 million euros. In the context of expansion activities – next to successful product launches in the areas of robot vision and 3D measurement – several acquisition projects with high synergy potential are being worked on, some of which are in an advanced stage. The management is planning to conclude at least one further project in the current financial year.

Regions and segments

With more than 25 locations worldwide, ISRA is one of the globally most broadly positioned machine vision providers. A strong international presence is a central element of the long-term corporate strategy to continuously leverage new market potential and generate future growth. In the second quarter of 2017/2018, the

dynamic business development in the regions continues. In the first six months of the financial year, demand in the Asian markets experiences strong year-on-year growth. In the Americas, particularly in North America, business also develops positively. In Europe, revenues reach the high level of the comparable period. In addition to its existing locations, the management is currently examining new opportunities for increased expansion in South East Asia and Eastern Europe.

A high level of diversification across different industries and markets – the so-called multi-branch strategy – creates a robust foundation for ISRA's continuous and sustainable growth. In the Industrial Automation segment, the Company counts a broad base of international premium car manufacturers and global industry-leading providers from other sectors to its customers. The revenues here amount to 15.9 million euros in the first half year of 2017/2018, an increase of 15 percent compared to the same period of the previous year (Q2-YTD-16/17: 13.8 million). EBIT grows by 16 percent to 3.1 million euros (Q2-YTD-16/17: 2.6 million euros). The segment result is driven by an increasing demand for ISRA's quick and easy to install Robot Vision solutions and the completion of a major order for 3D precision measurement technology for quality assurance of smartphones. Beyond that, the re-focused fully automated paint inspection on car bodies was successfully presented in major key projects.

Revenues in the Surface Vision segment amount to 48.8 million euros in the first six months of 2017/2018 (Q2-YTD-16/17: 45.1 million euros). EBIT is 9.8 million euros (Q2-YTD-16/17: 9.0 million euros), again corresponding to an EBIT margin of 18 percent (Q2-YTD-16/17: 18 %) to total output. One of the growth areas is the business unit metal inspection in which the international success of the complete portfolio for surface inspection and 3D measurement across the entire process chain is again confirmed. In the glass industry, the positive order situation continues; as already communicated, ISRA records rising demand regarding inspection solutions for display and touchscreen glass. Initial orders for the new systems to inspect latest cover glass designs with rounded edges are anticipated already for the current financial year. In the plastics industry, further revenue impulses are indicated on the basis of color camera technology and the targeted addressing of equipment providers in the production of non-woven materials. In the Solar unit, a large order is currently at an advanced stage of negotiation. In this area, management expects growth of 10 percent for the whole financial year. Revenues in the printing industry increase significantly, driven by the combined film and print inspection for packaging printing. In the paper industry, the Company is optimizing its current portfolio on an ongoing basis in respect to functionality as well as cost and intensifies addressing customers on an international basis. Embedded architectures for high-security printing are aiming to access new potential in the niche market of special (security) paper, additionally new business impulses are generated by participating in leading industry fairs. In the semiconductors unit which is currently being developed, ISRA is focusing on launching the products in Asia after orders from important initial customers in Europe. The service offers contribute to the positive revenue development with a double-digit share of revenues in the second quarter. The Company is systematically continuing the internationalization of its service strategy to improve the profit contribution of the service range more strongly in the medium term.

Revenue and profit situation

In the first six months of the 2017/2018 financial year, ISRA increases revenues by 10 percent year-on-year to 64.7 million euros (Q2-YTD-16/17: 58.9 million euros). Total output rises to 70.8 million euros (Q2-YTD-16/17: 64.7 million euros). As in the previous year, production costs amount to 39 percent of total output (Q2-YTD-16/17: 39%); costs of labor are again at 20 percent of total output (Q2-YTD-16/17: 20%) with the cost of materials at 19 percent being at the same level as the first six months of the previous year (Q2-YTD-16/17: 19%). The gross margin remains unchanged at 61 percent of total output and 57 percent of revenues (Q2-YTD-16/17: 61 % / 57 %).

Expenditures for research and development add up to 9,3 million euros (Q2-YTD-16/17: 9.0 million euros) and 13 percent to total output (Q2-YTD-16/17: 14%). Sales and marketing expenditures total 11.9 million euros (Q2-YTD-16/17: 11.6 million euros). Administrative costs increase by 2 percent, remaining at a ratio of 3 percent to total output (Q2-YTD-16/17: 3%).

For the second quarter, ISRA maintained its high profitability of the first three months in the current financial year. The Company achieves EBITDA of 20.4 million euros (Q2-YTD-16 / 17: 18.4 million euros), increasing the EBITDA margin to total output by 1 percentage point to 29 percent (Q2-YTD-16/17: 28%), related to revenues it is again at 31 percent (Q2-YTD-16/17: 31%). After depreciation and amortization of 7.5 million euros (Q2-YTD-16/17: 6.7 million euros), EBIT amounts to 12.9 million euros, corresponding to a 10 percent increase compared to previous year's period (Q2-YTD-16/17: 11.7 million euros). EBIT margin again lies at 18 percent (Q2-YTD-16/17: 18%) to total output and 20 percent to revenues respectively (Q2-YTD-16/17: 20%). Earnings before tax (EBT), an important key figure for the management of ISRA group, improves by 11 percent to 12.7 million euros (Q2-YTD-16/17: 11.5 million euros), leading to an EBT margin to revenues increased by 1 percentage point to 20 percent (Q2-YTD-16/17: 19%); to total output it remains constant at 18 percent (Q2-YTD-16/17: 18%). After taxes and minority interests the Company notes net profit of 9.0 million euros (Q2-YTD-16/17: 7.8 million euros), growing by 14 percent. Earnings per share improve to 2.05 euros (Q2-YTD-16/17: 1.79 euros).

Liquidity and financial situation

At the end of the first half year 2017/2018 on March 31, 2018, the Company notes operating cash flow of 12.6 million euros (March 31, 2017: 15.0 million euros). 7.3 million euros were expended for investments (March 31, 2017: 6.2 million euros). Cash flow from financing activities amounts to 0.5 million euros as of the reporting date (March 31, 2017: -6.9 million euros). Net cash flow therefore adds up to 5.2 million euros (March 31, 2017: 1.4 million euros), while the Company's positive net liquidity (short-term and long-term liabilities minus cash and equivalents) reaches 3.9 million euros at the end of the first half of 2017/2018 (September 30, 2017: -1.3 million euros). The further optimization of cash flow and working capital remains at the focus of management.

Total group assets reduce only slightly, amounting to 284.9 on March 31, 2018 (September 30, 2017: 285.0 million euros). On the assets side, inventories amount to 36.4 million euros (September 30, 2017: 32.7 million euros). Trade receivables are reduced further to 89.4 million euros (September 30, 2017: 98.0 million euros). This figure includes receivables from delivered and invoiced systems of 37.3 million euros (September 30, 2017: 50.6 million euros) and receivables according to the percentage of completion method amounting to 52.1 million euros (September 30, 2017: 47.4 million euros). Current assets thus rise to 167.5 million euros (September 30, 2017: 166.3 million euros). Intangible assets were subjected to an in-depth rotational examination which, based on current planning, did not result in a need for amortization – neither for goodwill, nor for other intangible assets. Non-current assets total 117.4 million euros (September 30, 2017: 118.7 million euros).

The liabilities side of the consolidated balance sheet as of the reporting date of March 31, 2018, shows increased trade payables of 13.6 million euros (September 30, 2017: 18.1 million euros). Short-term financial liabilities to banks again total to 31.0 million euro (September 30, 2017: 31.0 million euros). Other financial liabilities decrease to 7.8 million euros (September 30, 2017: 14.5 million euros), while tax liabilities amount to 4.7 million euros (September 30, 2017: 4.8 million euros) at the end of the second quarter. Non-current liabilities account for 40.0 million euros (September 30, 2017: 36.7 million euros). Equity increases in the first half of the 2017/2018 financial year to 185.4 million euros (September 30, 2017: 177.0 million euros). Given the equity increase of 3 percentage points to 65 percent (September 30, 2017: 62%) and the available credit lines, the Company has solid capital resources for future growth.

Employees and management

In the first six months of the 2017/2018 financial year, ISRA had an average of 684 employees worldwide (Q2-YTD-16/17: 639). At the end of the second quarter on March 31, 2018, the Company had a total of 739 employees, approx. 50 percent of which work in Production and Engineering, approx. 21 percent in Marketing and Sales and 19 percent in Research and Development. The percentage of employees working in Administration amounted to 11 percent. Based on geographical distribution, nearly 70 percent of the employees work in Europe, roughly 20 percent in Asia, and approx. 10 percent in North and Latin America.

ISRA is accompanying its ongoing growth path with successive structural expansion of all corporate areas. With various management extensions in business development, operations and marketing – digital as well as regional, mainly in Asia and North America – the Company is focusing on strategic organizational development. Furthermore, alongside expanded infrastructure capacities at the Berlin, Herten, Seoul and Shanghai subsidiaries, construction of a new headquarters in Darmstadt is planned.

Motivated and qualified teams are the fundamental basis for the Company's long-term success. ISRA's personnel strategy is therefore attaching value to highly educated as well as socially and interdisciplinary competent employees. These qualities are specifically encouraged through a wide ranging program of seminars and continued education as well as strategic management trainings, enabling a continuous professional and personal development for employees.

Trade fairs and international markets

For ISRA, key international fairs and specialist conferences are an effective way to address customers in various industries with a segment and region specific approach. In the financial year 2017/2018, the Company has already participated in over 40 fairs in Europe, Asia and America with the objective of maintaining and generating business-relevant contacts and informing customers from a diverse range of industries about the technologies and solutions of the current portfolio.

At Expoprint Latin America, the largest printing industry fair in South America, ISRA showcased the inspection combination for quality assurance across the entire production chain of printed plastic packaging. In the context of Security Printers, the most important international fair for security printing, manufacturers were able to obtain information on the complete portfolio for security paper and printing. For the first time, ISRA participated in the Paint Expo in Karlsruhe, the leading world fair for industrial paint technology, displaying the current status of paint inspection systems for automotive applications and further industries. A particular highlight was the presentation of product innovations at the HANNOVER MESSE. The exhibits there focused on 3D robot vision and inline precision measurement technology; three new innovations were introduced into the market. At the Control in Stuttgart, the world's leading fair for quality assurance, there were very positive reactions for the highly precise and optionally robot based inline measurement solutions for reflecting surfaces.

With the participation in fairs in Asia, ISRA is focusing on addressing customers directly in the growing producer markets so as to leverage the high local market potential. In the context of the first participation in the Battery Japan, the world's largest fair with a focus on battery technology, ISRA provided the specialist audience its various inspection possibilities for battery film. During the participation in the Printing South China (Sino Label), the focus was on inspection solutions for narrow web and label printing. ISRA took part for the first time at the Vision China, one of the main machine vision fairs in Asia. There it showed various solutions from the area of 3D robot guidance and 3D measurement technology. At the internationally relevant trade fair for glass production and processing CHINAGLASS in Beijing, the Company presented its product portfolio for the inspection of float, automobile and display glass. Trade fair activities in Asia were

rounded off by the participation in the CHINAPLAS, which as one of the largest Asian industry fairs for plastic web production targets manufacturing and processing companies. There specialist visitors gained an impression of ISRA's combination of plastic film and print inspection for quality assurance across the entire production chain of printed plastic packaging.

Research and development

As a technologically leading company in the area of industrial image processing, ISRA continuously invests in developing new technologies and products to secure a strong market position and generate long-term and sustained Company growth. The permanent new and further development of systems allows a sustained and attractive portfolio of solutions for customers in various target markets which can be deployed to optimize cost and quality in production in an efficient manner. Definition and development of new products follow ISRA's internal innovation roadmap which takes latest progress in the utilized technologies as well as impulses from customer industries into account. This way, customers benefit at all times from the maximum potential of the solutions. A consistent design-to-cost approach secures competitive pricing and a rapid return-on-investment.

In the first six months of the current financial year, ISRA invested 9.3 million euros (Q2-YTD-16/17: 9.0 million euros) or approx. 13 percent (Q2-YTD-16/17: 14%) of its total output in research and development. Of this amount, 6.1 million euros were attributed to products that are soon to be launched on the market (Q2-YTD-16/17: 5.8 million euros).

In the first half year of 2017/2018, ISRA's R&D teams achieved further progress in developing the smart sensor portfolio for integrated production - the future-oriented Touch & Automate portfolio is now fully equipped with embedded technology and WiFi. This has created an important foundation to address significant market potential in the area of INDUSTRIE 4.0 with an intelligent and adaptable sensor architecture. Part of these sensors designed to meet the demands of networked production are the first synergies created in development projects together with Polymetric GmbH. Especially an innovative 3D high performance inline measurement sensor which features fast measurement and an extra-large field of view combines the expertise of both companies. Additionally, the sensor family for flexible bin picking has also been supplemented with two completely new systems which also feature embedded technology. The new sensors achieve high speed in scanning and computing times and allow for the recognition and separation of even particularly small components. New systems in the area of 3D inline precision measurement technology which allow deployment directly on the line and mobile on robots are currently introduced into the market. Here a specific focus is on 3D inspection and quality assurance of molded reflecting surfaces, such as smartphone displays or trim and vehicle interior components.

The further developed systems of the Touch & Automate portfolio are explicitly designed to meet the needs of the smart factory. The main objective is to offer users an intelligent sensor architecture which provides and actively utilizes production and quality data across the entire process chain to react to changes quickly and automatically. Intelligent sensors and camera components, connected to a smart network, can be set up flexibly for new applications with the help of application-specific software packages. This high degree of system versatility and changeability and the adaptability of the sensor network is supported by innovative lighting concepts, ease of use and short computing times. Currently ISRA is also analyzing deployment options for sensor technology in connection with artificial intelligence, particularly in connection with machine and deep learning. At the SNEC fair, one of the world's largest photovoltaic trade shows, ISRA introduced the 'CONNECTED PHOTOVOLTAIC 4.0' strategy which offers networked process and quality optimization for solar production.

Share

In the first six months of the current financial year, the ISRA share again presented itself highly dynamic. The price of the share based on the XETRA closing price rose from 166.15 euros on October 2, 2017, to 171.00 euros on March 29, 2018. The security thus increased by 3 percent in the half year, while the DAX declined by 6 percent and the TecDAX increased 0.8 percent during the same period. In the first quarter of 2017/2018, the low for the ISRA share in the XETRA trading system was 162.00 euros on March 29, 2018. The share reached a high of 243.50 euros on January 8, 2018. An average of approx. 22.000 shares were traded on each trading day at all German stock exchanges, almost tripling the order volume compared to previous year's same period (Q2-YTD-16/17: 7.400 shares). On the balance sheet date of March 31, 2018, market capitalization of 749.2 million euros increased significantly compared to the same period of the previous year (March 31, 2017: 534.5 million euros). The ISRA share is tracked and assessed by analysts working for the investment companies M.M. Warburg, Hauck & Aufhäuser, Oddo Seydler and Matelan Research.

On March 28, 2018, the annual general meeting of ISRA VISION AG for the 2016/2017 financial year was held in Darmstadt. All proposals submitted by the administration were approved by the shareholders with the corresponding majority. The Company increased the dividend for the eighth time in a row and distributed 0.59 euros per share for the 2016/2017 financial year (PY: 0.48 euros), with a total payout of more than 2.5 million euros. ISRA is thus continuing its sustainable dividend strategy which allows investors to directly participate in the Company's success through a steady dividend development.

Since May 23, 2018, the ISRA shares are traded with a split ratio of 1:5, which was based on a capital increase from corporate funds, leaving the Company's equity unchanged. The conversion of shareholders' accounts was performed on May 25, 2018; all shares are fully entitled to dividends for the 2017/2018 financial year.

Report on opportunities and risks and risk management

The essential opportunities and risks of future Company development as well as the structure of the risk management system are presented in detail in the annual report for the 2016/2017 financial year, starting in chapter 3 of the group management report. It can be accessed via the homepage www.isravision.com.

To be able to adequately and quickly respond to emerging risks, the relevant markets are monitored very closely and possible scenarios created. This allows ISRA to quickly implement action alternatives. Potential risks, among others potential exchange rate fluctuations, are closely monitored by the management. In general, a special focus lies on revenue development, liquidity and cost control.

Overall, the general risk situation in the first half of the 2017/2018 financial year did not change substantially from that described in the group management report for the 2016/2017 financial year.

Outlook

With the profitable development of the first six months of the 2017/2018 financial year, ISRA has again demonstrated its planning consistency and is moving robustly into the second half of the year. The positive order trend in Asia leads to expect a continuation over the next months. In America investment readiness at a similar level to previous quarters is indicated. For business in Europe, ISRA is accompanying the current market situation with intensified activities in marketing and sales.

The Industrial Automation segment, in which ISRA includes in particular international premium car manufacturers develops with ongoing high demand for ISRA's easy-to-install robot vision systems and 3D measurement technology solutions. Management is anticipating further orders in the second half of the year. Additional revenue impulses are expected from the extended sensor series for the fully automated random bin picking.

After the refocused fully automated paint inspection was successfully presented in several projects with good prospects, the Company sees increasing demand from automotive manufacturers as well as for the quality assurance for painted parts outside the automotive industry.

In the Surface Vision segment, ISRA is anticipating the order situation to remain dynamic over the next few months. In the solar industry, considerable revenue opportunities are already indicated. In this business unit, management is anticipating growth exceeding 10 percent. In the metal area, the Company notes increasing demand and is expecting renewed growth. In the printing industry, more orders are becoming apparent from production equipment providers as well as through a continued customer interest in the inspection of flexible packaging. The Glass unit is also posting increasing incoming orders, driven by the rising need for systems for the inspection of display and thin glass. In the plastics industry, ISRA is intensifying its sales activities; Management sees new potentials in the areas of battery film, optical film and nonwovens. In the paper industry, customers are displaying great interest in ISRA's cost-optimized solutions for web and web break monitoring solutions. After participating in leading trade shows, the Company records high customer interest in the product extensions for quality assurance in high security printing. In the still new semiconductor business unit, the Company is focusing on launching the respective products in Asia.

In addition to consistent organic growth, acquisitions remain a key element in ISRA's expansion strategy. The activities are mainly targeting companies whose technical expertise will sustainably advance ISRA's products, strengthen the market position of the Company and open up new markets. Several acquisition projects are already in the stage of intensive analysis, one of them in an advanced stage of negotiating. If the results of the examination are positive, it is planned to conclude one of these projects in the current financial year.

The profitable result of the first six months of the 2017 / 2018 financial year again demonstrates ISRA's planning consistency and confirms the full-year guidance to achieve low double digit growth with increased or at least stable earnings margins. With the high gross order backlog of currently 95 million euros (PY: 90 million euros gross), the Company has a solid basis for a successful second half of the year. The expansion of the international presence, the optimization of operating productivity and cash flow as well as a strong market position remain the primary strategic targets of management in order to reach the next revenue dimension of more than 200 million euros in the medium term.

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

from October 01, 2017 to March 31, 2018 in € k

(in € k)	FY 2017/2018 6 months (Oct. 01, 2017 - Mar. 31, 2018)		FY 2016/2017 6 months (Oct. 01, 2016 - Mar. 31, 2017)		FY 2017/2018 3 months (Jan. 01, 2018 - Mar. 31, 2018)		FY 2016/2017 3 months (Jan. 01, 2017 - Mar. 31, 2017)	
Net sales	64,701	91%	58,909	91%	33,459	92%	30,455	92%
Capitalized work	6,144	9%	5,803	9%	3,094	8%	2,777	8%
Total output	70,845	100%	64,713	100%	36,554	100%	33,232	100%
Cost of materials	13,158	19%	11,977	19%	6,790	19%	6,146	18%
Cost of labour excluding depreciation	14,300	20%	12,981	20%	7,373	20%	6,692	20%
Cost of production excluding depreciation	27,458	39%	24,959	39%	14,162	39%	12,838	39%
Gross profit	43,387	61%	39,754	61%	22,392	61%	20,394	61%
Research and development Total	9,281	13%	9,001	14%	4,310	12%	4,140	12%
Sales and marketing costs	11,917	17%	11,616	18%	5,946	16%	6,057	18%
Administration	2,164	3%	2,115	3%	936	3%	971	3%
Sales and administration costs excluding depreciation	14,081	20%	13,731	21%	6,882	19%	7,028	21%
Other revenues	333	0%	1,353	2%	-792	-2%	74	0%
EBITDA	20,359	29%	18,375	28%	10,408	28%	9,300	28%
Depreciation and amortization	7,507	11%	6,716	10%	3,819	10%	3,299	10%
Total costs	30,868	44%	29,447	46%	15,011	41%	14,466	44%
EBIT	12,852	18%	11,660	18%	6,589	18%	6,002	18%
Interest income	26	0%	8	0%	1	0%	1	0%
Interest expenses	-176	0%	-196	0%	-99	0%	-111	0%
Financing result	-150	0%	-188	0%	-98	0%	-109	0%
EBT	12,702	18%	11,472	18%	6,490	18%	5,892	18%
Income taxes	3,678	5%	3,578	6%	1,915	5%	1,851	6%
Consolidated net profit	9,024	13%	7,894	12%	4,576	13%	4,041	12%
Of which accounted to non-controlling shareholders	58	0%	59	0%	45	0%	48	0%
Of which accounted to shareholders of ISRA VISION AG	8,967	13%	7,834	12%	4,531	12%	3,994	12%
Earnings per share in € before income taxes ²⁾	2.90		2.62		1.48		1.35	
Earnings per share in € ²⁾	2.05		1.79		1.03		0.91	
Shares issued ⁴⁾	4,379,914		4,378,240		4,381,240		4,378,240	

¹⁾ According to IFRS/IAS 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 statement 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, 2017 to March 31, 2018 in € k

(in € k)	FY 2017/2018 6 months (Oct. 01, 2017 - Mar. 31, 2018)		FY 2016/2017 6 months (Oct. 01, 2016 - Mar. 31, 2017)		FY 2017/2018 3 months (Jan. 01, 2018 - Mar. 31, 2018)		FY 2016/2017 3 months (Jan. 01, 2017 - Mar. 31, 2017)	
Net sales	64,701	100%	58,909	100%	33,459	100%	30,455	100%
Cost of sales	27,863	43%	25,329	43%	14,359	43%	13,022	43%
Gross operating result (gross profit)	36,838	57%	33,580	57%	19,101	57%	17,433	57%
Research and development	9,785	15%	9,118	15%	4,656	14%	4,284	14%
Total costs	9,281	14%	9,001	15%	4,310	13%	4,140	14%
Depreciation and amortization	6,702	10%	5,953	10%	3,441	10%	2,920	10%
Grants	-54	0%	-32	0%	0	0%	0	0%
Capitalized work	-6,144	-9%	-5,803	-10%	-3,094	-9%	-2,777	-9%
Sales and marketing costs	12,254	19%	11,948	20%	6,103	18%	6,224	20%
Administration	2,225	3%	2,175	4%	961	3%	997	3%
Sales and administration costs	14,480	22%	14,123	24%	7,064	21%	7,221	24%
Other revenues	279	0%	1,321	2%	-792	-2%	74	0%
Interest income	26	0%	8	0%	1	0%	1	0%
Interest expenses	-176	0%	-196	0%	-99	0%	-111	0%
Financing result	-150	0%	-188	0%	-98	0%	-109	0%
Earnings before taxes (EBT)	12,702	20%	11,472	19%	6,490	19%	5,892	19%
Income taxes	3,678	6%	3,578	6%	1,915	6%	1,851	6%
Consolidated net profit	9,024	14%	7,894	13%	4,576	14%	4,041	13%
Of which accounted to shareholders of ISRA VISION AG	8,967	14%	7,834	13%	4,531	14%	3,994	13%
Of which accounted to non-controlling shareholders	58	0%	59	0%	45	0%	48	0%
Earnings per share in € before income taxes ²⁾	2.90		2.62		1.48		1.35	
Earnings per share in € ²⁾	2.05		1.79		1.03		0.91	
Shares issued ⁴⁾	4,379,914		4,378,240		4,381,240		4,378,240	

¹⁾ According to IFRS/IAS 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 March 31, 2018 in € k

(in € k)	Mar. 31, 2018 ¹⁾	Sept. 30, 2017
ASSETS		
Assets		
Short-term assets		
Inventories	36,350	32,667
Trade receivables	89,369	98,049
Cash and cash equivalents	34,907	29,728
Financial assets	5,069	3,146
Other receivables	1,133	1,954
Income tax receivables	661	747
Total short-term assets	167,489	166,291
Long-term assets		
Intangible assets	110,762	111,682
Tangible assets	5,203	5,219
Shareholdings in associated companies	12	12
Financial assets	1,155	1,083
Deferred tax claims	304	730
Total long-term assets	117,436	118,728
Total assets	284,926	285,019
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	13,554	18,064
Financial liabilities to banks	30,993	30,980
Other financial liabilities	7,810	14,450
Other accruals	1,070	945
Income tax liabilities	4,729	4,832
Other liabilities	1,338	1,952
Total short-term liabilities	59,494	71,223
Long-term liabilities		
Deferred tax liabilities	36,570	33,358
Pension provisions	3,452	3,390
Total long-term liabilities	40,022	36,747
Total liabilities	99,516	107,970
Equity		
Issued capital	4,381	4,381
Capital reserves	39,247	38,800
Profit brought forward	131,395	110,886
Net profit accounted to the shareholders of ISRA VISION AG	8,967	20,508
Other comprehensive income	-347	921
Own shares	0	-159
Share of equity capital held by ISRA VISION AG shareholders	183,643	175,338
Equity capital accounted to non-controlling shareholders	1,768	1,710
Total equity	185,410	177,049
Total equity and liabilities	284,926	285,019

¹⁾ According to IFRS/IAS 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, 2017 to March 31, 2018 in € k

(in € k)	Oct. 01, 2017 - Mar. 31, 2018	Oct. 01, 2016 - Mar. 31, 2017
Consolidated net profit	9,024	7,894
Income tax payments	-2,530	-2,511
Changes in deferred tax assets and liabilities	3,639	3,238
Changes in accruals	187	282
Depreciation and amortization	7,507	6,716
Changes in inventories	-3,493	-1,545
Changes in trade receivables and other assets	7,712	5,045
Changes in trade payables and other liabilities	-9,617	-4,313
Financial result	150	189
Other non-cash changes	68	40
Cash flow from operating activities	12,646	15,034
Payments for investments in tangible assets	-438	-442
Payments for investments in intangible assets	-6,510	-5,803
Company acquisition	-317	0
Cash flow from investment activities	-7,266	-6,245
Deposits from sales of own shares	606	0
Dividend payouts	0	-2,102
Deposits from the assumption of financial liabilities	14	0
Repayments of financial liabilities	0	-4,590
Interest income	26	8
Interest expenses	-176	-197
Cash flow from financing activities	469	-6,881
Exchange rate-based value changes of the financial resources	-672	-460
Change of financial resources	5,179	1,447
Net cash flow		
Financial resources on 30.09.2017/30.09.2016	29,728	16,919
Financial resources on 31.03.2018/31.03.2017	34,907	18,366

¹⁾ According to IFRS/IAS unaudited

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

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

for the period October 01, 2017 to March 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, 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	-1,268	0	8,967	7,699	58	7,756
As of Mar. 31, 2018	4,381	39,247	0	-347	131,395	8,967	183,643	1,768	185,410

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 March 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, 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	-2,102	0	-2,102	0	-2,102
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	-161	0	7,834	7,673	59	7,732
As of Mar. 31, 2017	4,381	38,800	-159	1,672	110,886	7,834	163,414	1,554	164,968

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, 2017 - Mar. 31, 2018	Oct. 01, 2016 - Mar. 31, 2017	Oct. 01, 2017 - Mar. 31, 2018	Oct. 01, 2016 - Mar. 31, 2017
Revenues	15,930	13,816	48,770	45,094
EBIT	3,051	2,636	9,801	9,025

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.

Explanatory information

Basic Principles of Accounting and Assessment

The company's quarterly consolidated financial statements were prepared in line with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB). In the year under review the IFRSs and SICs which must compulsorily be applied were followed.

Transactions with closely affiliated persons and companies

In a lease dated August 12, 1998 the Company leased administration, storage, and development premises at the Company's registered office in Darmstadt from ISRA Bau-Mitarbeiter-Beteiligungsgesellschaft GbR, Darmstadt. Two members of the Executive Board of ISRA VISION AG are partners of this GbR (civil law partnership). The addendum to the lease dated October 01, 2012 has a fixed initial term of ten years – it may not be terminated during this period. The monthly rent amounts to 10,200.26 euros plus a lump-sum for ancillary costs of 805.29 euros. The terms and provisions of the rental agreement were negotiated at arm's length. As of the balance sheet date, liabilities to ISRA Bau-Mitarbeiter-Beteiligungsgesellschaft GbR amounted to €0k (PY: €0k). In the year under review, rental expenditure for GbR amounted to €66k (PY: €66k).

Audit review

The consolidated interim financial statements as of March 31, 2018 and the interim group management report were not audited in accordance with § 317 HGB and were not audited by an auditor.

Declaration of the legal representatives

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report of the group includes a fair view of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Darmstadt, May 30, 2018

The Executive Board

ISRA VISION AG

Industriestraße 14
64297 Darmstadt
Germany

Tel.: +49 (6151) 948 - 0
Fax: +49 (6151) 948 - 140
investor@isravision.com

WWW.ISRAVISION.COM