ISRA VISION AG: 3rd quarter 2017/2018 – Revenues +10%, EBT +13%

Forecast confirmed: Double-digit growth dynamics continue -
On the way to the midterm goal 200+: Further growth steps planned for 2018/2019

- Revenues rise 10% to 102.8 million euros (Q3-YTD-16/17: 93.3 million euros)
- Significant EBT growth of plus 13% to 20.5 million euros (Q3-YTD-16/17: 18.1 million euros), EBT margin on revenues at record level of 20%
- All earnings margins remain at high level:
  - EBITDA plus 13%, margin 29% of total output and 31% of revenues (Q3-YTD-16/17: 28% and 31%)
  - EBIT plus 13%, margin 18% of total output and 20% of revenues (Q3-YTD-16/17: 18% and 20%)
  - EBT plus 13%, margin 18% of total output and 20% of revenues (Q3-YTD-16/17: 18% and 19%)
- Gross margin 61% of total output (Q3-YTD-16/17: 61%) and 57% of revenues (Q3-YTD-16/17: 57%)
- Net cash flow rises slightly to 5.6 million euros (Q3-YTD-16/17: 5.3 million euros)
- Net liquidity increases to 4.4 million euros (September 30, 2017: -1.3 million euros)
- Strong order backlog of approx. 90 million euros gross (PY: 83 million euros gross)
- Customer service and support expands again – double-digit contribution to revenues
- Next acquisition in preparation
- New products and innovation roadmap boost demand
- Business segment “Advanced Materials” (former “Plastics”) broadens market positioning
- Profitable growth for the financial year of approx. 10% expected, earnings margins at least at the high level of previous quarters

ISRA VISION AG (ISIN: DE 0005488100) – the TecDAX company for industrial image processing (machine vision) and one of the world's leading suppliers of surface inspection solutions for web materials and of 3D machine vision applications – continues its profitable growth also in the third quarter of the 2017/2018 financial year with double-digit improvements in revenues and earnings and thus successfully maintains the dynamic of the first half of the financial year. As forecasted, revenues increase by 10 percent against the same period of the previous year to 102.8 million euros (Q3-YTD-16/17: 93.3 million euros), while EBT rise significantly by 13 percent to 20.5 million euros (Q3-YTD-16/17: 18.1 million euros). The EBT margin was thus one percentage point higher at 20 percent of revenues (Q3-YTD-16/17: 19%), thereby achieving the long-term target for the first time. In respect to total output, the EBT margin is 18 percent, just as in the previous year (Q3-YTD-16/17: 18%).

The net cash flow was up slightly at 5.6 million euros (Q3-YTD-16/17: 5.3 million euros). With the equity ratio higher by 3 percentage points at 65 percent (September 30, 2017: 62%) and the available credit lines, ISRA has solid capital resources for future growth and is optimally prepared for potential acquisition projects. With a high order backlog of approx. 90 million euros gross (PY: 83 million euros gross), the Company can confirm its targets for the financial year and is set for a good start to the traditionally strong fourth quarter.
ISRA continues to increase its profitability also in the first nine months of the 2017/2018 financial year. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) rise by 13 percent to 32.1 million euros (Q3-YTD-16/17: 28.5 million euros), resulting in an EBITDA margin of 31 percent of revenues (Q3-YTD-16/17: 31%) and 29 percent of total output (Q3-YTD-16/17: 28%). EBIT (Earnings Before Interest and Taxes) also increase by 13 percent to 20.7 million euros (Q3-YTD-16/17: 18.4 million euros), with an EBIT margin of 20 percent of revenues (Q3-YTD-16/17: 20%) and 18 percent of total output (Q3-YTD-16/17: 18%). EBT (Earnings Before Taxes) likewise grow significantly by 13 percent to 20.5 million euros (Q3-YTD-16/17: 18.1 million euros), with the EBT margin thus amounting to 20 percent of revenues (Q3-YTD-16/17: 19%) and 18 percent of total output (Q3-YTD-16/17: 18%). At 61 percent of total output (Q3-YTD-16/17: 61%) and 57 percent of revenues (Q3-YTD-16/17: 57%), the gross margin (revenues / total output less cost of materials and costs of labor in production and engineering) is again at the high level of the same period of the previous year.

Against the backdrop of the dynamic order situation and in preparation for the anticipated strong fourth quarter, inventories rise to 38.3 million euros (September 30, 2017: 32.7 million euros). Trade receivables, which comprise systems already delivered and invoiced of 39.8 million euros in addition to receivables according to the percentage-of-completion method of 53.2 million euros, decline to 93.0 million euros (September 30, 2017: 98.0 million euros). Operating cash flow amounts to 18.3 million euros in the reporting period (Q3-YTD-16/17: 23.3 million euros). Continued measures to enhance productivity and efficiency in production processes and to specifically expand regional management in the area of “Operations and Production” are already planned and will allow additional potential to be leveraged in the coming quarters.

The Company paid out a dividend in the total amount of 2.6 million euros – 0.5 million euros higher than in the previous year – and achieves a slightly increased net cash flow of 5.6 million euros (Q3-YTD-16/17: 5.3 million euros). Following the complete reduction of net debt in the preceding quarters, net liquidity also rises further to 4.4 million euros (September 30, 2017: -1.3 million euros). Earnings per share (EPS) after taxes increase by 16 percent to 0.66 euro (Q3-YTD-16/17: 2.85 euro or 0.57 euro adjusted for the higher number of shares following the stock split on May 23, 2018 for improved comparability).

ISRA’s strong international corporate footprint makes it one of the best positioned providers in the machine vision industry. In the future, its global network of more than 25 locations worldwide will be extended further as continuous international expansion in key industrial centers is a major factor for long-term success. Earnings in all regions are once again at a high level after the third quarter, and the Company is recording strong double-digit growth rates in Europe. In Asia as well, revenues are outperforming the already successful previous year. The dynamic on the American markets is similar to that in the same period of the previous year. By expanding its management, ISRA is planning to tap further revenue potential in a currently positive market environment – particularly in North America.

Both Surface Vision and Industrial Automation once again achieve significant growth in the reporting period. With its innovative robot vision and inline measurement products in the Industrial Automation segment, ISRA delivers to a broad customer base of international automotive manufacturers – including renowned premium producers – and leading companies in other industries. Significant revenue impulses were generated at this year’s AUTOMATICA, one of the most important trade fairs for industrial automation. In addition to successful solutions for 3D assembly, fully automated paint inspection on car bodies, 3D inline measurement technology and adhesive seam inspection, there was particularly strong demand for “TOUCH & AUTOMATE” products prepared specially for INDUSTRIE 4.0 with a new multi-stereo approach. Revenues rose by 12 percent
Ad hoc announcement
August 31, 2018

compared to the same period of the previous year to 25.5 million euros (Q3-YTD-16 / 17: 22.8 million euros).
Segment EBIT grows by 14 percent to 5.1 million euros (Q3-YTD-16 / 17: 4.5 million euros) – a margin of 18
percent to total segment output (Q3-YTD-16 / 17: 18%).

Revenues in the Surface Vision segment increase by 10 percent to 77.4 million euros (Q3-YTD-16 / 17: 70.5
million euros). EBIT rises to 15.7 million euros (Q3-YTD-16 / 17: 13.9 million euros), giving the segment a
margin of 19 percent of total output (Q3-YTD-16 / 17: 18%). In addition to the large scale order for thin glass
inspection for display applications (press release dated April 26, 2018), the management of the glass business
unit record further order entries from Asia in particular. In the metals industry, the process analysis modules
for quality enhancement and production optimization as well as 3D inspection solutions that are used at the
beginning of the value chain and minimize downstream rejects are achieving further revenue growth. For his-
torical reasons, revenues generated from more than 40 different materials – including some not directly from
the plastics industry – have been aggregated in the plastics business unit. ISRA is now strategically repositioning
the Plastics business, putting it up even broader and with an extended focus on innovative materials, which
is reflected in the name change to Advanced Materials. With this extended focus, the Company addresses
additional revenue potential, while simultaneously strengthening international sales for a targeted approach of
these customers. The product innovations for the inspection of printed products have been well received on
the market, and the dynamic of this business is at a high level. Cost-optimized products in the paper industry
are resulting in significant growth in revenues and, last but not least, the business unit’s performance is also
benefiting from the augmentation of management. The security business unit – formerly specialty paper – is
expanding its product portfolio of specialized inspection solutions for high-security paper to include fully
automated quality assurance for high-security printing, and is currently witnessing further growth. Solar industry
revenues develop positively; further potential is anticipated from the "CONNECTED PHOTOVOLTAICS 4.0"
software tools for high product quality in multi-line-production, even spread over different locations. In the
relatively new semiconductor business unit, the Company has successfully acquired further strategic orders
and continues its focus on the market launch in Asia. Service products again contribute with double-digits
to revenues in the third quarter; to increase the unit’s contribution to total revenues, management is being
enhanced in the next months.

ISRA is constantly consolidating its continuous operational growth by expanding its personnel structures and
positioning experienced managers in strategic key areas. Along the value chain – including at global level – in
Supply Chain, Production and Operations, Digital Business Development, Marketing and Sales in particular,
the Company is creating the functional and organizational prerequisites for achieving the revenue target of
more than 200 million euros.

In the regions, a further focus lies on the expansion of the infrastructure as well as recruiting further specialists
and executive staff: Together with additional office and production capacities at the branches in Shanghai, São
Paulo, Berlin, Herten and Darmstadt the departments Sales, Operations as well as the local management are
being stepped up at the global locations, including Brazil, the UK, India and the US in particular.

In addition to organic growth, acquisitions are a key component of the long-term strategy, with a focus on
target companies that strategically add to ISRA’s technology portfolio, grow its market share and tap new
markets. Management is currently analyzing several acquisition projects; for one of these projects – target
compamy generating revenues in the mid-double digit million euros range – the evaluation process is in an
advanced stage. Given ISRA’s strong financial position and high equity share, it is a realistic option to finance
the acquisition with own funds and borrowed capital.
The current innovation dynamics which is generating further demand with new products, the expansion of branches in various regions, investment in strategically important market areas and the high order backlog of approx. 90 million euros gross (previous year: 83 million euros gross) form a good basis for the traditionally strong fourth quarter and a positive performance in the months ahead. For the financial year, the Company is expecting growth in revenues and EBT at a low double-digit percentage range. In terms of earnings, management is planning to achieve increased or at least stable margins on the current high level. International expansion, operational productivity and cash flow optimization and a strong market position remain top priorities to achieve the revenue dimension of more than 200 million euros through both organic and anorganic growth in the medium term.