ISRA VISION AG (ISIN: DE 0005488100) – the TecDAX and SDAX company for industrial image processing (machine vision), one of the world’s leading providers of surface inspection and 3D machine vision applications – is continuing its profitable growth strategy as planned in the first half of the 2018 / 2019 fiscal year. With a revenue increase of around 10 percent to 70.9 million euros (Q2-YTD-17 / 18: 64.7 million euros), a strong EBT growth of 17 percent to 14.9 million euros (Q2-YTD-17 / 18: 12.7 million euros), and a related EBT margin of 21 percent of revenues (Q2-YTD-17 / 18: 20 %), the company is taking a further step towards its medium-term sales target of “200+”. EBITDA increased significantly by 20 percent with a margin of 34 percent of revenues (Q2-YTD-17 / 18: 31 %), while EBIT improved by 17 percent and reached a margin of 21 percent of revenues (Q2-YTD-17 / 18: 20 %). In addition to a significant increase in operating cash flow to 16.3 million euros (Q2-YTD-17 / 18: 12.6 million euros), ISRA recorded a net cash flow of 9.0 million euros and net liquidity of 4.1 million euros (September 30, 2018: 1.8 million euros). Unless otherwise stated, this document includes EBITDA, EBIT and EBT before one-time acquisition costs (0.9 million euros).

As described in the previous section, the positive margin level in operating business was successfully increased further in the second quarter of the current financial year. The gross margin (total output minus material and labor costs of production) rose by 2 percentage points to 63 percent of total output (Q2-YTD-17 / 18: 61 %). EBITDA (earnings before interest, taxes, depreciation and amortization) increased by

**ISRA right on track: Strong first half-year and high backlog confirm annual guidance**

- Revenues rise to 70.9 million euros, up 10% (Q2-YTD-17/18: 64.7 million euros)
- EBT growth of 17% to 14.9 million euros (Q2-YTD-17/18: 12.7 million euros)
  (Unless otherwise stated, this document shows EBITDA, EBIT and EBT before one-time acquisition costs.)
- Earnings margins further increased at high level:
  - EBITDA up 20%, margin at 34% of revenues and 31% of total output
    (Q2-YTD-17/18: 31 % and 29%)
  - EBIT up 17%, margin at 21% of revenues and 19% of total output
    (Q2-YTD-17/18: 20% and 18%)
  - EBT up 17%, margin at 21% of revenues and 19% of total output
    (Q2-YTD-17/18: 20% and 18%)
- Gross margin rises to 63% of total output (Q2-YTD-17/18: 61%) and 57% of revenues
  (Q2-YTD-17/18: 57%)
- Operating cash flow rises to 16.3 million euros (Q2-YTD-17/18: 12.6 million euros)
- Net liquidity of 4.1 million euros (September 30, 2018: 1.8 million euros)
- High order backlog of currently 98 million euros gross (PY: 95 million euros gross)
- Earnings per share after taxes increase by 12% to 0.46 euros (Q2-YTD-17/18: 0.41 euros)
- Guidance for the 2018/2019 financial year confirmed: Low double-digit growth in revenues and earnings
20 percent to 24.4 million euros (Q2-YTD-17/18: 20.4 million euros), the EBITDA margin in relation to total output reached 31 percent (Q2-YTD-17/18: 29%). EBIT (earnings before interest and taxes) rose by 17 percent to 15.0 million euros (Q2-YTD-17/18: 12.9 million euros), corresponding to a margin of 19 percent of total output (Q2-YTD-17/18: 18%). EBT (earnings before taxes) also improved by 17 percent to 14.9 million euros (Q2-YTD-17/18: 12.7 million euros), which corresponds to an EBT margin of 19 percent referenced to total output (Q2-YTD-17/18: 18%).

The half-year figures reflect good order entries and a strong order backlog of currently 98 million euros gross (PY: 95 million euros gross). Inventories increase slightly to 38.5 million euros (September 30, 2018: 36.9 million euros). Total trade receivables fall slightly to 104.5 million euros (September 30, 2018: 111.8 million euros) with cash receivables amounting to 38.8 million euros (September 30, 2018: 45.5 million euros) and contract assets to 65.7 million euros (receivables according to the percentage of completion method on September 30, 2018: 66.3 million euros). Net liquidity evolves to 4.1 million euros (September 30, 2018: 1.8 million euros). Continuing measures to improve efficiency, in particular in production, resulted in an increase in cash flow: Cash flow from operating activities totals 16.3 million euros (Q2-YTD-17/18: 12.6 million euros) and net cash flow 9.0 million euros after distribution of dividends to shareholders amounting to 3.3 million euros (Q2-YTD-17/18: 5.2 million euros prior to distribution). The earnings per share (EPS) after taxes hereby improved by 12 percent to 0.46 euros (Q2-YTD-17/18: 0.41 euros).

Shareholders also benefit from the positive development of the company: The Annual General Meeting adopted the proposal from the Executive Board and Supervisory Board on March 19 and approved the 27 percent increase in dividend to 0.15 euros per share for the 2017/2018 financial year. With significantly higher equity of 203.7 million euros (September 30, 2018: 197.8 million euros), an equity ratio up by 2 percentage points to 65 percent (September 30, 2018: 63%) and the available credit lines, ISRA has very good capital resources for future growth and for financing potential acquisition projects.

Consistent investments in the company’s global expansion, the extension of market shares in relevant industries and the strengthening of its international teams at over 25 locations all contributed to the positive business development in the first half of 2018/2019. ISRA has newly formed its business team in England and has intensified the market expansion in Eastern Europe. The management is also currently examining new opportunities for further growth in North and South America, as well as in India.

In the second quarter of 2018/2019, business development in the regions maintained the positive momentum of the first three months: In the European markets, ISRA recorded an increase in business in the reporting period, to which in particular successes in France contributed. Sales in Asia developed well in double-digit range compared with the second quarter of 2017/2018, amongst others backed by major orders from China. Business in North and South America is at a similarly good level as in the previous year and will be further expanded in the coming months by strengthening management and intensifying marketing and sales activities.

In the first half of 2018/2019, revenue in the Industrial Automation segment rose to 17.2 million euros, growing by 8 percent compared to the same period of the previous year (Q2-YTD-17/18: 15.9 million euros). EBIT increased by 18 percent to 3.6 million euros (Q2-YTD-17/18: 3.1 million euros) at an EBIT margin of 18 percent of total output (Q2-YTD-17/18: 18%). Machine Vision solutions for robot-guided assembly and measurement technology are the main drivers of the segment’s results. In the coming months additional momentum is expected to come from portfolio enhancements in the field of smart factory automation and a strengthened presence in new markets for connected automation. ISRA recently launched product innovations in the market for 3D surface inspection with integrated precision metrology for discrete industries, such as the automotive, electronics or display industries.
In the first half of 2018/2019, sales in the Surface Vision segment grew by 10 percent to 53.8 million euros (Q2-YTD-17 / 18: 48.8 million euros). EBIT rose to 11.4 million euros (Q2-YTD-17 / 18: 9.8 million euros), which corresponds to an EBIT margin of 19 percent of total output (Q2-YTD-17 / 18: 18%). One important growth area is the metal inspection business, which benefits from the complete portfolio strategy and strategic management reinforcement. The company is opening up additional market potential with the further development of INDUSTRIE 4.0 capable systems for networked production. In the glass industry, the positive order situation continues with product innovations for the inspection of thin glass for the display, solar and automotive industries. Extensions to the high-end inspection portfolio for the precise inspection of float glass are also expected to create further momentum. Advanced materials (formerly plastics) recorded strong growth with the development of new markets through the expanded focus on the inspection of innovative materials. In the print segment, the digital print inspection business achieved robust sales. Following the successful conclusion of a major order for the inspection of the cell production of a well-known Chinese manufacturer, additional growth impulses are emerging in the solar industry. In the paper sector, ISRA is concentrating on future markets such as the packaging industry and is optimizing its innovative portfolio with cost-reducing embedded technologies while simultaneously strengthening its activities in marketing and sales. Demand in the security business was similar to that of the previous year, with specialized inspection systems for high-security paper and printing. Following the successful closing of strategically important projects for leading European manufacturers, ISRA is concentrating on the Asian region in the still young semiconductor business segment. In the second quarter, the service business contributed a double-digit share of sales to the positive development of the company, which is to be increased further as part of the internationalization of customer service support and an expansion of management in the coming weeks.

ISRA started the 2018/2019 financial year well with highly profitable revenue performance during the first six months. In addition to consistent organic growth, acquisitions remain a key element of the expansion strategy. These activities are focused on target companies whose expertise will bring a sustained advance in ISRA’s technology leadership, strengthen its market position or open up new markets. In order to avoid possible acquisition risks the company examines every project with the necessary caution, which may lead to delays. In this context due diligence processes are sometimes time-consuming, not least due to market fluctuations and the associated valuation variations. Targets from the areas of industrial automation, production analytics and INDUSTRIE 4.0 sensors are currently being examined in more detail. In addition to organic and external growth, the management sees significant sales potential through the consistent expansion of the innovative product portfolio with INDUSTRIE 4.0 architecture for the expansion of the new business areas Smart Factory Automation and Production Analytics.

With its strategic focus on future-oriented expansion of the innovation portfolio, an enlargement of its activities in the global markets and a strong order backlog of currently 98 million euros gross, ISRA is well-positioned for a successful second half of the year. The focus will also be on expanding the international presence and global market position through new vertical industrial sectors. At the same time, management is concentrating on efficiently optimizing production and cash flow. The medium-term exceeding of the 200 million euros sales mark remains an important strategic goal of the company. In order to react appropriately and quickly to emerging global risks, the relevant markets are closely monitored, various scenarios are anticipated and marketing and sales are systematically expanded. Provided that the global economic environment does not deteriorate significantly – this also includes current trade policy tensions – ISRA still plans to achieve its projected low double-digit growth for revenues and earnings with at least stable margins.