

Quarterly Report Q2
Financial Year 2016 / 2017

Touching the Future of Vision Automation



ISRA VISION AG: 1st half year 2016/2017 – A further step to 150+: Revenues and EBT each grow by +11 %**Double-digit growth in the first six months – ISRA continues growth path with high order backlog**

- Revenues at 58.9 million euros, plus 11 % (Q2-YTD-15/16: 53.3 million euros)
- EBT growth of 11 % to 11.5 million euros (Q2-YTD-15/16: 10.3 million euros)
- Continued strong margin level to total output [to revenues]:
 - EBITDA margin at 28 % [31 %] (Q2-YTD-15/16: 28 %); plus 13 %
 - EBIT margin at 18 % [20 %] (Q2-YTD-15/16: 18 %); plus 10 %
 - EBT margin at 18 % [19 %] (Q2-YTD-15/16: 18 %); plus 11 %
- Gross margin remains at high level of 61 % to total output (Q2-YTD-15/16: 61 %)
- Operating cash flow improves to 15.0 million euros (Q2-YTD-15/16: 13.9 million euros)
- Net debt reduced by a total of 6.0 million euros
- High order backlog of currently 90 million euros gross (PY: 85 million euros gross)
- Customer service and support with increased revenue contribution
- Guidance for 2016/2017: Profitable revenue growth of approx. 10 percent with strong margins similar to previous year, focus on further increase

In short form

(in € k)	HY1 2016/2017		HY1 2015/2016		Change
Revenues	58,909	91 %*	53,301	91 %*	11 %
Gross Profit	39,754	61 %*	35,868	61 %*	11 %
EBITDA	18,375	28 %*	16,308	28 %*	13 %
EBIT	11,660	18 %*	10,589	18 %*	10 %
EBT	11,472	18 %*	10,323	18 %*	11 %
Net profit	7,834	12 %*	7,257	12 %*	8 %
Earnings per share after taxes	1.79		1.66		8 %

(in € k)	Q2 2016/2017		Q2 2015/2016		Change
Revenues	30,455	92 %*	27,346	91 %*	11 %
Gross Profit	20,394	61 %*	18,504	61 %*	10 %
EBITDA	9,300	28 %*	8,497	28 %*	9 %
EBIT	6,002	18 %*	5,396	18 %*	11 %
EBT	5,892	18 %*	5,280	18 %*	12 %
Net profit	3,994	12 %*	3,779	13 %*	6 %
Earnings per share after taxes	0.91		0.86		6 %

*) 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, has further increased its revenues and profitability in another successful quarter and sets a good basis for achieving its planned annual target. With a revenue growth of 11 percent to 58.9 million euros compared to the same period of the previous year (Q2-YTD-15/16: 53.3 million euros), the Company is continuously pursuing its growth objectives. EBT, a key indicator for group management, also improves by 11 percent to 11.5 million euros (Q2-YTD-15/16: 10.3 million euros) compared to the same period of the previous year. The EBT margin hereby amounts to 19 percent of revenues (Q2-YTD-15/16: 19%) and 18 percent to total output (Q2-YTD-15/16: 18%). Especially the optimization of cash flow and working capital will continue to stay in focus of management. The measures initiated in the previous quarters show their effect and lead to an improvement in operating cash flow to 15.0 million euros in the first half of the financial year (Q2-YTD-15/16: 13.9 million euros), while net debt (short-term and long-term financial liabilities minus cash and cash equivalents) was reduced by 6.0 million euros. With a high order backlog of 90 million euros gross (PY: 85 million euros gross) and an overall positive business climate in ISRA's target markets, the Company has a solid basis for a successful second half of the year.

The margin development of the past six months of the current financial year once again underlines the Company's sustainable profitability. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) increases by 13 percent to 18.4 million euros compared to the same period of the previous year (Q2-YTD-15/16: 16.3 million euros), resulting in an EBITDA margin of 31 percent to revenues (Q2-YTD-15/16: 31%) and 28 percent to total output (Q2-YTD-15/16: 28%). With 11.7 million euros, EBIT (Earnings Before Interest and Taxes) is 10 percent higher compared to the figure of the previous year (Q2-YTD-15/16: 10.6 million euros). Thereby, the EBIT margin again amounts to 20 percent of revenues (Q2-YTD-15/16: 20%) and 18 percent of total output (Q2-YTD-15/16: 18%). EBT (Earnings Before Taxes) improves by 11 percent to 11.5 million euros (Q2-YTD-15/16: 10.3 million euros), corresponding to an EBT margin of 19 percent to revenues (Q2-YTD-15/16: 19%) and 18 percent to total output (Q2-YTD-15/16: 18%). With 61 percent, the gross margin (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-15/16: 61%).

At the end of the first half year, the balance sheet shows an increased equity ratio, while other key positions display a structure of figures similar to the end of the first quarter. Inventories increase as planned underproportionally to revenues to 35.3 million euros (September 30, 2016: 33.7 million euros). At the same time, trade receivables decrease to 82.7 million euros (September 30, 2016: 88.5 million euros). This figure includes receivables from delivered and invoiced systems of 34.9 million euros and receivables according to the POC (Percentage Of Completion) method in the amount of 47.8 million euros. Net debt decreases by 6.0 million euros to 13.0 million euros (September 30, 2016: 19.0 million euros) following the repayment of financial liabilities in the amount of 4.6 million euros and a dividend distribution of 2.1 million euros. The net cash flow totals 1.4 million euros (Q2-YTD-15/16: -4.6 million euros) after financing activities amounting to -6.9 million euros (Q2-YTD-15/16: -12.4 million euros). The equity ratio once again increases and reaches 63 percent (September 30, 2016: 60%). Together with the available bank lines, ISRA is equipped with solid capital resources for further growth. Earnings per share (EPS) after taxes improve by 8 percent to 1.79 euros (Q2-YTD-15/16: 1.66 euros).

The results of the first half year 2016/2017 and the currently friendly investment climate in most markets and regions form a robust basis for further profitable growth. Sustainable optimization of cash flow as well as measures to increase efficiency remain in the focus of management. Additional key aspects are the activities regarding INDUSTRIE 4.0 as well as the continuous expansion of the global teams.

Regions and Segments

The expansion of the Company's global presence is a central element of its long-term strategy to continuously enter additional markets worldwide and to generate future growth. ISRA is represented at currently more than 25 locations in all important and relevant industrial countries, making it one of the globally most broadly positioned providers of its industry. The development in the regions maintains the positive dynamic recorded in the first quarter also in the second quarter of 2016/2017. Revenues on the American markets show double-digit growth rates. Also in Asia – and particularly in China – order entries continue on the high level of the first three months of the financial year. Beyond that, the expansions of sales management in Asia and North America will generate further revenue potential in both regions. In Europe, especially in Western Europe, the willingness to invest recorded in the first quarter currently continues in most countries and markets.

With its multi-branch strategy to grow diversified over different markets and regions, the management has established a robust and strategically very important foundation for sustainable growth. In the Industrial Automation segment, ISRA primarily focuses on a broad customer base of international car manufacturers – including renowned premium manufacturers – as well as many global companies which are leaders in their respective markets. Segment revenues amount to 13.8 million euros in the first half year of 2016/2017, an increase of 17 percent compared to the same period of the previous year (Q2-YTD-15/16: 11.8 million). EBIT grows by 16 percent to 2.6 million euros (Q2-YTD-15/16: 2.3 million euros). Segment results are overall driven by the high level of demand from automotive customers. German premium car manufacturers in particular are showing high interest in new products – both in the fields of 3D robot automation as well as surface inspection – for example in the paint quality control. Additional potential is generated by specifically targeting Asian and North American vehicle manufacturers with innovative solutions for flexible production automation – an important basis of the segment's future growth.

Revenues in the Surface Vision segment amount to 45.1 million euros in the first half of 2016/2017 (Q2-YTD-15/16: 41.5 million euros), an increase of 9 percent and 3.6 million euros respectively compared to the same period of the previous year. EBIT totals 9.0 million euros (Q2-YTD-15/16: 8.3 million euros), corresponding to an EBIT margin of 18 percent to total output (Q2-YTD-15/16: 18%). The glass unit continues the strong growth of the first quarter with additional order entries – besides quality assurance systems for float glass, customers are particularly demanding products for the inspection of display glass and, increasingly, solar and automotive glass. Further revenue potentials in the plastics industry are expected due to product extensions for the comprehensive control of film and non-woven materials. The Company recorded an initial success with a multi-line order for installing sensors with embedded system architecture on several production lines. In the metal industry, ISRA expects the business dynamic of the first half year to proceed, especially the strategy “product portfolio for the inspection along the whole production chain” will be intensified with yield management software modules. In the paper business unit, management notes stronger order entries; the implemented design-to-cost measures to optimize production costs are showing effect. Innovations and concentrated marketing activities for the Asian and North-American print markets have created important potentials with global players in the printing industry. With the successful introduction of the new system concept for high-security printing, additional revenue potential is addressed in the niche market specialty (security) paper. In the solar industry, ISRA is focusing on systematic design-to-cost measures for the Asian market in order to participate in the current rise in demand. In the new semiconductor unit, the Company is concentrating on the market launch in Asia after first successful steps in Europe. Service offers contribute to the positive development and again account for a double-digit share of revenues in the second quarter.

Revenue and profit situation

In the first six months of the 2016/2017 financial year, ISRA increases revenues by 11 percent to 58.9 million euros (Q2-YTD-15/16: 53.3 million euros), whereby total output grows to 64.7 million euros (Q2-YTD-15/16: 58.5 million euros). At 25.0 million euros (Q2-YTD-15/16: 22.6 million euros), cost of production account for a share of 39 percent to total output as in the same period of the previous year. Cost of labor also remain stable at 20 percent to total output, cost of materials at 19 percent. With again 61 percent to total output (Q2-YTD-15/16: 61%), the gross margin underscores ISRA's overall good margin level. Investments in research and development amount to 9.0 million euros (Q2-YTD-15/16: 8.6 million euros), corresponding to a share of 14 percent to total output. Management plans to stabilize the investment rate in this department at this exact share of total output in the medium term. Sales and marketing expenditures total 11.6 million euros (Q2-YTD-15/16: 10.4 million euros). As in the previous year, Administrative costs remain at 3 percent to total output. The high level of the earnings margins was improved also in the half year. ISRA achieves an EBITDA of 18.4 million euros (Q2-YTD-15/16: 16.3 million euros), which corresponds to an EBITDA margin of 28 percent to total output (Q2-YTD-15/16: 28%) and 31 percent to revenues (Q2-YTD-15/16: 31%). After depreciation and amortization of 6.7 million euros (Q2-YTD-15/16: 5.7 million euros), the Company achieves EBIT of 11.7 million euros (Q2-YTD-15/16: 10.6 million euros). This again brought the EBIT margin to 18 percent of total output (Q2-YTD-15/16: 18%) and 20 percent to revenues (Q2-YTD-15/16: 20%). Earnings before taxes (EBT), a key ratio for management of the Group, increase by 11 percent to 11.5 million euros (Q2-YTD-15/16: 10.3 million euros), whereas the EBT margin reaches 18 percent to total output (Q2-YTD-15/16: 18%). To revenues, it again amounts to 19 percent (Q2-YTD-15/16: 19%). After taxes and minority interests, the Company records a net profit of 7.8 million euros for the first half of 2016/2017 (Q2-YTD-15/16: 7.3 million euros), which corresponds to a growth of 8 percent compared to previous year's first six months. Earnings per share after taxes also improve by 8 percent to 1.79 euros (Q2-YTD-15/16: 1.66 euros).

Liquidity and financial situation

As of March 31, 2017, the Company achieves a cash flow from operating activities of 15.0 million euros (March 31, 2016: 13.9 million euros). Expenditures for investments thereby amount to 6.2 million euros (March 31, 2016: 5.5 million euros). Cash flow from financing activities total -6.9 million euros as of the reporting date (March 31, 2016: -12.4 million euros). Of this value, financial liabilities of 4.6 million euros were paid back as scheduled and the dividend resolved on March 15, 2017 from the general meeting in the amount of 2.1 million euros was paid out. As a result, net cash flow at the end of the quarter amounts to 1.4 million euros (March 31, 2016: -4.6 million euros), while net debt (short-term and long-term financial liabilities minus cash and cash equivalents) was reduced by 6.0 million euros to 13.0 million euros (September 30, 2016: 19.0 million euros). Management consistently continues the measures initiated for sustainable cash flow optimization.

As of March 31, 2017, group total assets decrease to 261.3 million euros (September 30, 2016: 263.8 million euros). On the assets side of the balance sheet, inventories increase, disproportionally to revenues, to 35.3 million euros as of the reporting date (September 30, 2016: 33.7 million euros). Trade receivables decline by 7 percent to 82.7 million euros (September 30, 2016: 88.5 million euros). Short-term financial assets decrease to 143.3 million euros (September 30, 2016: 145.4 million euros). Intangible assets were subjected to an indepth rotational examination which, based on current planning, did not result in a need for amortization – neither for goodwill, nor for other intangible assets. The long-term assets slightly reduce to 118.0 million euros (September 30, 2016: 118.5 million euros).

On the liabilities side of the balance sheet, trade payables decrease to 8.8 million euros as of March 31, 2017 (September 30, 2016: 12.4 million euros). Short-term liabilities to banks reduce to 31.4 million euros (September 30, 2016: 36.0 million euros). Other financial liabilities decrease to 9.0 million euros (September 30, 2016: 11.9 million

euros), while tax liabilities total 3.0 million euros (September 30, 2016: 3.5 million euros). At the end of the second quarter 2016/2017, the long-term liabilities amount to 40.5 million euros (September 30, 2016: 37.4 million euros). Equity increases in the first half of the financial year to 165.0 million euros (September 30, 2016: 159.3 million euros). Given the increase in the equity ratio by three percentage points to 63 percent (September 30, 2016: 60%) and the available credit lines, the Company is equipped with good capital resources to achieve its further growth. As of March 31, 2017, ISRA held 3,000 own shares.

Employees and Management

In the first six months of the 2016/2017 financial year, ISRA employed an average of 639 people at more than 25 locations worldwide (Q2-YTD-15/16: 604). By the end of the second quarter on March 31, 2017, the Company counted a total of approx. 670 employees. Roughly 50 percent of them worked in the Production and Engineering departments, about 19 percent in Marketing and Sales, and 19 percent were employed 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 worked in Europe, roughly 20 percent in Asia, and approx. 10 percent in North and Latin America.

In the context of its growth strategy, the Company continued the expansion of global teams in the Sales, Marketing and Service departments as planned. The role of regional managers in particular is being strengthened more and more to leverage new market potential at a local level and to generate additional growth. Central personnel extensions in the management were implemented in Asia and North-America to reinforce the market position in these regions.

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

Marketing and Sales

Attending internationally leading trade fairs is a central part of the industry- and region-specific marketing activities. In the first six months of the current financial year, the Company presented its latest products at the leading trade fairs of different industries worldwide, thereby promoting new and follow-up business as well as establishing close customer contacts. From January to May 2017, ISRA exhibited at more than 20 additional trade fairs and industry events in Asia, Europe, as well as North and South America, and presented various innovations and products for the automotive, metal, glass, solar, paper, plastics and printing industries.

At ICE Europe in Munich and ICE USA in Orlando, ISRA offered a diverse collection of solutions for the print and plastic sector. Next to web monitoring products, a new software application for offline recipe management and the new management intelligence software "EPROMI" also received a very positive response from the professional visitors. At INDEX in Geneva, international customers took the chance to get an impression of the various inspection solutions for efficient production of non-woven materials. At TISSUE WORLD in Milan and PAPERCON in Minneapolis, tissue and paper producers were presented reliable surface inspection and web break monitoring solutions. One of the world's key industrial trade fairs, HANNOVER MESSE, was once again a key highlight in ISRA's marketing activities: the Company successfully introduced a new system range for even more flexible robot guidance in automated bin picking. As part of the innovative 3D portfolio, a new generation of sensors equipped with embedded technology was also presented to the specialist audience. At METPACK in Essen and INTERPACK in Dusseldorf, the Company informed potential customers about its diverse solutions for the printing industry.

In the first half of the year 2016/2017 ISRA was again able to generate wide interest at numerous trade fairs in Asia. At SNEC in Shanghai, the largest trade fair for the solar industry in Asia and particularly in China, manufacturers gathered information about promising future-oriented products for quality inspection of solar wafers, cells and modules. At CHINAGLASS in Beijing, one of the most important international trade fairs for glass production and processing, the Company offered its product range for flat glass inspection to interested professional visitors. The range of solutions for the printing industry displayed at CHINAPRINT in Beijing also garnered a lot of interest from the audience.

In addition to trade fair exhibitions, ISRA also offers numerous workshops, which are well received by interested customers. They represent an important communication channel for better understanding the requirements of users and to help shape their industry-specific processes. This close contact to customers supports the Company in developing relevant solutions in a targeted and timely way and in integrating the requirements of customers directly into new market-ready products.

Research and Development

A focus on Research and Development forms the basis of ISRA's high innovative strength to continuously develop future-oriented solutions for the various target markets and to globally offer an attractive portfolio. Therefore, the company places particular importance on investments in this area: they represent the consistent new and further development of systems and applications and are a vital driver for future growth. With innovative solutions for new and existing markets, the Company continuously opens up additional future potential and secures its strong market position. In engineering and realization of ideas, ISRA follows an innovation roadmap designed for sustainability while also taking current market requirements as well as the latest advancements in technology into account. A consistent design-to-cost approach enables market adaptive pricing, a high level of competitiveness for the systems and a rapid return-on-investment for customers.

In the first six months of the current financial year, the Company invested 9.0 million euros or approx. 14 percent of its revenues, in R&D activities (Q2-YTD-15/16: 8.6 million euros). Of this amount, 5.8 million euros were attributed to products that are soon to be launched on the market (Q2-YTD-15/16: 5.1 million euros). In the first half of 2016/2017, development activities focused in particular on network capability and connectivity and the integration of embedded technology. An intelligent and wirelessly connected sensor technology providing comprehensive process data and actively using it is specifically tailored to the requirements of the "smart factory". As a high-performing and adaptive architecture, the technology addresses considerable business potential related to INDUSTRIE 4.0. In addition to wireless capability, the extensive connectivity of all systems and components requires an integrated design with embedded technology, which ISRA provides with its smart camera architectures and its Touch & Automate and Touch & Inspect product portfolios. In combination, these features allow sensors and components to cooperate as an intelligent network that can be adapted quickly and flexibly for changing tasks and new applications with the help of software packages. This high degree of changeability and versatility is supported by innovative lighting concepts, ease of use and short computing times. Other current development activities are putting emphasis on core themes of artificial intelligence in production, like machine learning, high end classification and deep learning.

Beyond that, the superordinate software structure "EPROMI", which is currently introduced into the market, prepares and structures gathered process data for well-informed decision-making on every enterprise level. As a Big Data solution, the software analyzes large amounts of data from different sources along the entire production chain and thus makes potentials for process optimization visible.

In addition to current topics relating to the future of industrial manufacturing, the company is pursuing other innovative projects aiming to enable customers of an efficient and high-quality production process. With a re-focused project ISRA combines its competencies in surface inspection and robot vision for reliably inspecting the paintwork on car bodies. The advanced system is currently successfully launched on the market.

Share

In the first six months of the current financial year, the ISRA share again followed its dynamic overall trend. The price of the share based on the XETRA closing price rose from 104.00 euros on October 4, 2016, to 122.00 euros on March 31, 2017. Over the six-month period, the share price thus improved by more than 17 percent, while the DAX and TecDAX gained approx. 16 percent and 13 percent respectively. In the second quarter, the share traded its lowest level on the XETRA trading system on January 23, 2017, at 96.32 euros, and reached its high of 127.30 euros on February 22, 2017. In the quarter under review an average of approx. 7,400 shares were traded every trading day at all German stock exchanges (Q2 15/16: 5,330) – a significant increase in trade volume. As of the balance sheet date of March 31, 2017, market capitalization doubled to around 534.5 million euros compared to the previous year (March 31, 2016: 266.2 million euros).

The ISRA share is tracked and assessed in regular publications by analysts working for the investment companies M.M. Warburg, Hauck & Aufhäuser, Oddo Seydler and Matelan Research.

On March 15, 2017, the annual general meeting of ISRA VISION AG for the 2015/2016 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 seventh time in a row and distributed 0.48 euros per share for the 2015/2016 financial year (PY: 0.41 euros), with a total payout of more than 2.1 million euros. ISRA is thus continuing its sustainable dividend strategy, which not only focuses on continuity, but also on adjusting the dividend amount based on the course of business.

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 2015/2016 financial year, starting on page 26. 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 2016/2017 financial year did not change substantially from that described in the group management report for the 2015/2016 financial year.

Outlook

With another increase in efficiency and profitability and a high order backlog, ISRA continued its sustainable growth course in the first half of the financial year 2016/2017 as forecast. Management plans on a continued positive dynamic in the various regions for the course of the current year. In North America, further order entries point to additional revenue potential in the second half of the year. The Company expects good results also in Asia, estimated to rise above the level of the compared prior-year period. In most countries and markets in Europe, especially in Western Europe, an equally high willingness to invest is estimated. Continuous regional expansion remains a central element of the Company's strategy to successively open up new markets and to secure its medium and long term growth.

In the Industrial Automation segment, the demand for innovative and flexible 3D robot automation solutions as well as 3D measurement systems for precise surface inspection is anticipated to contribute to positive order entry dynamics in the second half of the current financial year. New sales potentials are set to be provided by a re-focused technology for inspecting the paintwork on vehicle bodies, which is attracting wide interest in particular among German premium car manufacturers. In addition, the conclusion of a strategic large-scale order for the 3D inspection of touch devices serves to underline ISRA's growing role as a reliable provider of inspection solutions for high resolution measurement tasks in this market. In order to expand its

market position, the management plans to strengthen its presence in Asian producer markets and to implement the respective measures for this ready to contribute to revenues in this financial year.

In Surface Vision, ISRA notes order entries with in some cases double-digit growth rates from various industries, giving reason to expect a positive development in the second half of the year. The growing need for inspection solutions for float and display glass in the glass industry is anticipated to continue in the second half of the financial year. In the field of plastics, marketing and sales measures are being intensified, specifically by targeting decision-makers in foil and non-woven production to generate further potential from the niche markets for carbon fiber and battery film. In the metal sector, the strategic portfolio providing inspection for the entire process chain contributes to new order entries, prospectively having an impact on revenues in the second half of the financial year. With innovative solutions for print inspection and focused marketing activities, ISRA targets Global Players of the printing industry to receive additional orders. Due to measures designed to optimize the costs for paper inspection products, management plans on rising order entries in this business unit in the second half of the year. The outlook is also positive for the specialty paper unit, where increasing revenues are expected due to new system architectures for high security printing. After having delivered the first systems, sales structures in the growing semiconductor business are expanded with a focus on Asian markets. The solar market, in China in particular, is showing a rising investment readiness at the end of the first half of the current financial year, in which the Company aims to participate with systematic design-to-cost measures for innovative products.

The expansion of customer service and support is being driven by the international service strategy and will remain in the focus of management in the second half of the year. By extending the global team and a new strategic positioning focusing on regional activities, ISRA is aiming to increase the revenue share of service business overproportionally in the medium term.

With the further development of intelligent sensors and a new generation of systems with high connectivity for the smart sensor portfolio, management sees considerable opportunities for future growth in the field of INDUSTRIE 4.0. In particular, the new software tool for production management "EPROMI" for improving productivity on automated production lines is expected to open up additional impulses. To realize these growth opportunities, ISRA is investing specifically in personnel extensions for Digital Business Development.

Besides strengthening organic growth, acquisitions remain a key element of the Company's strategy. The activities are focusing on target companies that will sustainably advance ISRA's technology leadership, market position or expansion into new markets. Several potential acquisition objects from different industries are being examined at present. If the results of due diligence are positive, the conclusion of one project can indeed be expected in the current financial year.

The profitable result of the first six months of the current 2016/2017 financial year again shows the planning consistency and underscores the forecast for the full year. In order to achieve its medium-term revenue target, the Company continues to focus on the expansion of its international presence, on core business and on product innovations. With a high order backlog of currently 90 million euros gross (PY: 85 million euros gross), ISRA had a strong start into the second half of 2016/2017. Provided that the economic conditions do not significantly change, management is forecasting further revenue growth of approx. 10 percent accompanied by strong margins at least in the level of the previous year. Optimizing operational productivity and cash flow remain one of the management's key strategic objectives. The focus of the Company will remain to grow diversified across industries and regions and to exceed its revenue target of 150 million euros in the medium term.

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

from October 01, 2016 to March 31, 2017 in € k

(in € k)	FY 2016/2017 6 months (Oct. 01, 2016 - Mar. 31, 2017)		FY 2015/2016 6 months (Oct. 01, 2015 - Mar. 31, 2016)		FY 2016/2017 3 months (Jan. 01, 2017 - Mar. 31, 2017)		FY 2015/2016 3 months (Jan. 01, 2016 - Mar. 31, 2016)	
Net sales	58,909	91 %	53,301	91 %	30,455	92%	27,346	91 %
Capitalized work	5,803	9%	5,149	9%	2,777	8%	2,753	9%
Total output	64,713	100%	58,450	100%	33,232	100%	30,099	100%
Cost of materials	11,977	19%	11,137	19%	6,146	18%	5,640	19%
Cost of labour excluding depreciation	12,981	20%	11,445	20%	6,692	20%	5,955	20%
Cost of production excluding depreciation	24,959	39%	22,582	39%	12,838	39%	11,595	39%
Gross profit	39,754	61 %	35,868	61%	20,394	61%	18,504	61%
Research and development Total	9,001	14%	8,603	15%	4,140	12%	4,249	14%
Sales and marketing costs	11,616	18%	10,390	18%	6,057	18%	5,276	18%
Administration	2,115	3%	2,015	3%	971	3%	939	3%
Sales and administration costs excluding depreciation	13,731	21%	12,405	21%	7,028	21%	6,215	21%
Other revenues	1,353	2%	1,447	2%	74	0%	457	2%
EBITDA	18,375	28%	16,308	28%	9,300	28%	8,497	28%
Depreciation and amortization	6,716	10%	5,719	10%	3,299	10%	3,101	10%
Total costs	29,447	46%	26,727	46%	14,466	44%	13,565	45%
EBIT	11,660	18%	10,589	18%	6,002	18%	5,396	18%
Interest income	8	0%	11	0%	1	0%	8	0%
Interest expenses	-196	0%	-277	0%	-111	0%	-124	0%
Financing result	-188	0%	-266	0%	-109	0%	-116	0%
EBT	11,472	18%	10,323	18%	5,892	18%	5,280	18%
Income taxes	3,578	6%	3,017	5%	1,851	6%	1,483	5%
Consolidated net profit	7,894	12%	7,306	12%	4,041	12%	3,797	13%
Of which accounted to non-controlling shareholders	59	0%	49	0%	48	0%	17	0%
Of which accounted to shareholders of ISRA VISION AG	7,834	12%	7,257	12%	3,994	12%	3,779	13%
Earnings per share in € before income taxes ²⁾	2.62		2.36		1.35		1.21	
Earnings per share in € ²⁾	1.79		1.66		0.91		0.86	
Shares issued ⁴⁾	4,378,240		4,380,355		4,378,240		4,379,540	

¹⁾ According to IFRS unaudited

²⁾ Per-share result undiluted and diluted

³⁾ This pro forma statement is an additional presentation based on the comprehensive presentation given in previous years and not part of the IFRS consolidated financial statements.

⁴⁾ Weighted number of shares

ISRA VISION AG voluntarily publishes a consolidated total operating revenue EBITDA-EBIT statement typical for the industry oriented to the cost-summary method. The key differences between the cost of sales method and the pro forma consolidated total operating revenue/EBITDA-EBIT calculation are as follows: Profit margins increase because they are now associated with net sales instead of total output (net sales plus capitalized work). Capitalized work no longer appears in the cost of sales method and is assigned to the R&D functional area. Depreciation and amortization is now spread over the relevant functional areas. The EBIT earnings and the EBT earnings of the pro forma total output EBITDA-EBIT statement do not deviate from the consolidated income statement, which corresponds to IFRS.

Consolidated Income Statement ^{1) 3)}

from October 01, 2016 to March 31, 2017 in € k

(in € k)	FY 2016/2017 6 months (Oct. 01, 2016 - Mar. 31, 2017)		FY 2015/2016 6 months (Oct. 01, 2015 - Mar. 31, 2016)		FY 2016/2017 3 months (Jan. 01, 2017 - Mar. 31, 2017)		FY 2015/2016 3 months (Jan. 01, 2016 - Mar. 31, 2016)	
Net sales	58,909	100%	53,301	100%	30,455	100%	27,347	100%
Cost of sales	25,329	43%	22,730	43%	13,022	43%	11,552	42%
Gross operating result (gross profit)	33,580	57%	30,571	57%	17,433	57%	15,795	58%
Research and development	9,118	15%	8,422	16%	4,284	14%	4,297	16%
Total costs	9,001	15%	8,698	16%	4,140	14%	4,344	16%
Depreciation and amortization	5,953	10%	4,915	9%	2,920	10%	2,705	10%
Grants	-32	0%	-43	0%	0	0%	0	0%
Capitalized work	-5,803	-10%	-5,149	-10%	-2,777	-9%	-2,752	-10%
Sales and marketing costs	11,948	20%	10,918	20%	6,224	20%	5,625	21%
Administration	2,175	4%	2,048	4%	997	3%	934	3%
Sales and administration costs	14,123	24%	12,965	24%	7,221	24%	6,559	24%
Other revenues	1,321	2%	1,404	3%	74	0%	457	2%
Interest income	8	0%	11	0%	1	0%	8	0%
Interest expenses	-196	0%	-277	-1%	-111	0%	-124	0%
Financing result	-188	0%	-266	0%	-109	0%	-116	0%
Earnings before taxes (EBT)	11,472	19%	10,323	19%	5,892	19%	5,280	19%
Income taxes	3,578	6%	3,017	6%	1,851	6%	1,483	5%
Consolidated net profit	7,894	13%	7,306	14%	4,041	13%	3,797	14%
Of which accounted to shareholders of ISRA VISION AG	7,834	13%	7,257	14%	3,994	13%	3,779	14%
Of which accounted to non-controlling shareholders	59	0%	49	0%	48	0%	17	0%
Earnings per share in € before income taxes ²⁾	2.62		2.36		1.35		1.21	
Earnings per share in € ²⁾	1.79		1.66		0.91		0.86	
Shares issued ⁴⁾	4,378,240		4,380,355		4,378,240		4,379,540	

¹⁾ According to IFRS unaudited

²⁾ Per-share result undiluted and diluted

³⁾ The Company's quarterly consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Boards (IASB). In the year under review the IFRS and SICs which must compulsorily be applied were followed.

⁴⁾ Weighted number of shares

Consolidated Group Balance Sheet ²⁾

at March 31, 2017 in € k

(in € k)	Mar. 31, 2017 ¹⁾	Sept. 30, 2016
ASSETS		
Assets		
Short-term assets		
Inventories	35,271	33,726
Trade receivables	82,675	88,520
Cash and cash equivalents	18,366	16,919
Financial assets	4,947	2,707
Other receivables	584	1,645
Income tax receivables	1,466	1,845
Total short-term assets	143,309	145,362
Long-term assets		
Intangible assets	109,524	109,563
Tangible assets	5,425	5,700
Financial assets	1,193	1,194
Deferred tax claims	1,887	1,997
Total long-term assets	118,029	118,454
Total assets	261,338	263,816
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	8,825	12,422
Financial liabilities to banks	31,364	35,954
Other financial liabilities	8,964	11,922
Other accruals	1,815	1,568
Income tax liabilities	2,987	3,487
Other liabilities	1,869	1,741
Total short-term liabilities	55,824	67,094
Long-term liabilities		
Deferred tax liabilities	36,377	33,249
Pension provisions	4,169	4,134
Total long-term liabilities	40,546	37,383
Total liabilities	96,370	104,477
Equity		
Issued capital	4,381	4,381
Capital reserves	38,800	38,800
Profit brought forward	110,886	95,432
Net profit accounted to the shareholders of ISRA VISION AG	7,834	17,556
Other comprehensive income	1,672	1,833
Own shares	- 159	- 159
Share of equity capital held by ISRA VISION AG shareholders	163,414	157,843
Equity capital accounted to non-controlling shareholders	1,554	1,495
Total equity	164,968	159,338
Total equity and liabilities	261,338	263,816

¹⁾ According to IFRS unaudited

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

Consolidated Cash flow Statement ^{1) 2)}

from October 01, 2016 to March 31, 2017 in € k

(in € k)	Oct. 01, 2016 - Mar. 31, 2017	Oct. 01, 2015 - Mar. 31, 2016
Consolidated net profit	7,894	7,306
Income tax payments	-2,511	-1,153
Changes in deferred tax assets and liabilities	3,238	484
Changes in accruals	282	-637
Depreciation and amortization	6,716	5,719
Changes in inventories	-1,545	-2,709
Changes in trade receivables and other assets	5,045	8,673
Changes in trade payables and other liabilities	-4,313	-4,222
Financial result	189	266
Other non-cash changes	40	151
Cash flow from operating activities	15,034	13,878
Payments for investments in tangible assets	-442	-311
Payments for investments in intangible assets	-5,803	-5,149
Company acquisition	0	0
Cash flow from investment activities	-6,245	-5,460
Payments to company owners through acquisition of own shares	0	-159
Deposits from sales of own shares	0	83
Dividend payouts	-2,102	-1,795
Deposits from the assumption of financial liabilities	0	0
Repayments of financial liabilities	-4,590	-10,292
Interest income	8	11
Interest expenses	-197	-277
Cash flow from financing activities	-6,881	-12,429
Exchange rate-based value changes of the financial resources	-460	-550
Change of financial resources	1,447	-4,561
Net cash flow		
Financial resources on 30.09.2016/30.09.2015	16,919	15,161
Financial resources on 31.03.2017/31.03.2016	18,366	10,600

¹⁾ According to IFRS unaudited

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

Consolidated 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.

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

for the period October 01, 2015 to March 31, 2016 in € k

(in € k)	Issued capital	Capital reserves	Own shares	Other not-income-affecting changes in equity	Profit brought forward	Net profit of the period	Equity of shareholders ISRA VISION AG	Accounted to non-controlling shareholders	Equity
As of Sep. 30, 2015	4,381	38,623	83	2,890	82,406	14,821	143,204	1,294	144,498
Profit brought forward	0	0	0	0	14,821	-14,821	0	0	0
Acquisition of own shares	0	0	159	0	0	0	159	0	159
Sales of own shares	0	0	-83	0	0	0	-83	0	-83
Payout	0	0	0	0	-1,795	0	-1,795	0	-1,795
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	-750	0	7,257	6,507	49	6,556
As of Mar. 31, 2016	4,381	38,623	159	2,140	95,432	7,257	147,992	1,343	149,335

¹⁾ According to IFRS unaudited

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

Segment Reporting by Division ^{1) 2)}

for selected positions of the consolidated income statement in € k

(in € k)	Industrial Automation Division		Surface Vision Division	
	Oct. 01, 2016 - Mar. 31, 2017	Oct. 01, 2015 - Mar. 31, 2016	Oct. 01, 2016 - Mar. 31, 2017	Oct. 01, 2015 - Mar. 31, 2016
Revenues	13,816	11,789	45,094	41,512
EBIT	2,636	2,270	9,025	8,318

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.

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, 2017 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 31, 2017

The Executive Board