ISRA VISION

Annual Report 2019 / 2020

Vision Competence For Automation Excellence

Content

- Group Management Report
- Report of the Supervisory Board
- Corporate Governance Declaration
  incl. -Declaration of Conformity with the GCGC

2019 / 2020

Group Management Report ISRA VISION AG

Financial Year 2019 / 2020

Preliminary remarks

In 2020, ISRA entered into a strategic partnership with the Atlas Copco Group (Atlas Copco), which was initiated through a public tender offer announced by Atlas Copco on February 10, 2020 to acquire all ISRA shares at a price of EUR 50.00 per share which was executed on June 24, 2020. At an Extraordinary General Meeting on 15 December 2020, the ISRA shareholders resolved on a so-called merger squeeze-out with the transfer of all outstanding ISRA shares (7.81 %) to Atlas Copco Germany Holding AG in return for an appropriate cash compensation and the merger of ISRA VISION AG into Atlas Copco Germany Holding AG. The resolution and consequently the transfer of all ISRA shares to Atlas Copco Germany Holding AG and the merger of ISRA VISION AG into Atlas Copco Germany Holding AG will become effective upon entry of the resolution in the commercial register of ISRA VISION AG and Atlas Copco Germany Holding AG, which has not yet taken place at the time of the preparation of this report. This report and in particular the forward-looking statements describe the expectations and plans of the management for ISRA VISION AG as an independent entity, i.e. until the effective date of the merger. These assumptions may not apply in this form after the merger becomes effective, or may no longer apply in full.

1 Fundamental information about the Group

1.1 Business model

ISRA VISION – a Machine Vision Company

ISRA VISION AG, including all of its subsidiaries (ISRA), is one of the world's market leaders for surface inspection systems. Furthermore, it is among the globally leading providers of image processing systems, specializing in the field of 3D Machine Vision, particularly for 3D Robot Vision and 3D Precision Metrology.

On the one hand, the range of services includes application-specific products. With these products, ISRA addresses very demanding applications based on modular hardware and software, e. g. for automated optical quality assurance in the Glass, Paper, Printing, Solar, Advanced Materials, High-performance Materials and Metal Industries, or for the flexible automation of industrial robots for precise assembly or gripping processes in addition to inline measurement and quality control in automotive production. The application-specific products are marketed by way of industry-specific key account management and long-term cooperation with the global market leaders in the respective sectors.

On the other hand, ISRA offers a growing portfolio of generic standard products that are designed for broader use in various target markets. These standard products bundle technological expertise and are characterized by easy integration and operability. Examples include bin picking – the automated emptying of bulk containers with the help of robots – or the high-precision measurement of the shape and surface of various components with reflecting surfaces. Sales here are aimed at distributors, integrators and OEMs.

Furthermore, ISRA offers general production analytics software tools for the optimization of production, which are marketed as a supplement to both application-specific and generic products. With these software modules, ISRA enables users in all customer industries to centrally aggregate production data, to prepare for different issues and decisions and thus sustainably optimize the efficiency and productivity of the customer's entire production process.

Innovative solutions for smart production

The Company's core competencies are solutions for automating production processes and quality assurance based on intelligent Machine Vision systems. Machine Vision is a key technology in the field of seeing systems that imitates the human eye and is therefore one of the essential requirements for enhancing efficiency and flexibility in production. ISRA's solutions combine the scientific know-how of optics, sensor and lighting technology, measurement technology, physics, image processing and classification algorithms with a system architecture adapted to the processes and requirements of its customer industries. Combined with the ability to process and analyze large volumes of quality and production data, and the networking of sensors and IT systems, ISRA is able to develop innovative, comprehensive solutions for smart production in line with INDUSTRIE 4.0 and to market them in the various customer industries.

Today's ISRA applications primarily concentrate on the industrial automation of production and the automation of quality assurance of intermediate and end products that are supplied to large, promising mega markets such as energy, health care, food, mobility and information technology. In the Industrial Automation segment, ISRA primarily addresses companies with automatable processes such as those in automotive and electronic production, and other industries with similar processes. In the Surface Vision segment, the customers primarily come from the glass, solar, plastic web and innovative high-performance materials, print, paper, security paper and metal industry. In newer areas, ISRA also serves customers in specialized industries such as semiconductor manufacturing.

Group, subsidiaries and branch locations

In 2020, ISRA entered into a strategic partnership with the Atlas Copco Group (Atlas Copco), which was initiated through a public tender offer announced by Atlas Copco on February 10, 2020 to acquire all ISRA shares at a price of EUR 50.00 per share which was executed on June 24, 2020. The objective of this strategic partnership for ISRA is, among other aims, to generate additional growth and to continue the company's innovation course.

Atlas Copco has customers in over 180 countries and employs approximately 39,000 people. Sales in 2019 were SEK 104 billion (approximately EUR 10 billion). To strengthen its Industrial Technique division, Atlas Copco intends to establish ISRA as a new division, a global market leader in machine vision. With the Surface Inspection and 3D Machine Vision divisions, ISRA is part of its new partner's long-term strategy.

ISRA currently has more than 25 locations in all relevant industrialized countries, making it one of the most broadly positioned suppliers to the Machine Vision industry. ISRA guarantees the efficiency of its global service network and reliable support for global customers at all its worldwide locations through this strong international presence.

Germany

ISRA is represented throughout Germany. The Group's headquarters are located in Darmstadt. The departments of Finance, Marketing and Purchasing are concentrated at this location. Darmstadt is also home to the central development department. All development work within the Group is planned and coordinated from here. The Industrial Automation segment, in which ISRA develops optical solutions for robot automation and inline measurement for the automotive industry among other products, in addition to further applications and products for production automation and 3D measuring technology, is also controlled from Darmstadt. The development and marketing of generic standard products for smart production automation in the areas of “Touch & Automate” and “Touch & Inspect” are also based in Darmstadt. Furthermore, the Company serves customers from the print industry in the Surface Vision segment with the help of a team based in Darmstadt. These activities are supported by the Karlsruhe location. The Group's hardware development team is also represented at the Darmstadt and Karlsruhe locations.

The Mainz site specializes in production analytics tools and 3D quality software for car body construction in the automotive industry. The Erlangen site complements the portfolio in the Industrial Automation segment with its products from the field of 3D metrology. In addition, the location with its experienced technical experts and specialized three-dimensional measurement methods supports the further development of products for other target industries in the Surface Vision segment.

The Surface Inspection business for Glass, Advanced Materials, Innovative High-performance Materials and Security Paper and Printing is concentrated at the Herten site. In addition, Herten manages the central production for all areas. Employees at the Bielefeld site develop the Surface Vision system for security paper. The Aachen location serves customers from the metal and paper industries. Here, ISRA is developing a full portfolio of inspection solutions for the entire production of steel, aluminum and other metals, which enables quality assurance from the raw material to the finished coil. The Company also markets products for paper web inspection and for web break monitoring here.

The Munich, Constance and Berlin teams are responsible for activities in the photovoltaics and solar thermal energy industries. The portfolio includes solutions for the inspection of silicon-based wafers, solar cells and modules on a silicon basis as well as for the inspection of modules based on thin-film technology and test devices for lab equipment in the solar industry. The new business field of wafer inspection for electronic assemblies is also managed by these locations.

Outside of Germany, ISRA has subsidiaries and branch locations in all regions essential to its operating activities.

Europe

The UK site in Hemel Hempstead and the teams in Paris (France), Rovereto (Italy) and Barcelona (Spain) address customers in almost all of ISRA's target industries. The site in Istanbul (Turkey) serves as a development location and a basis for the Turkish market, and as a springboard to the Middle East. The Russian market for inspection solutions is served by ISRA from its Moscow office. ISRA's development activities in the field of embedded vision sensors are being driven forward at the two locations in Zurich (Switzerland) and Barcelona (Spain).

America

ISRA is represented in the North American market with two locations. All Surface Vision activities have been brought together under one roof in Berkeley Lake (Georgia), USA. The entire automotive business of the Industrial Automation segment is coordinated from Bloomfield Hills (Michigan), USA. São Paulo (Brazil) is responsible for the South American region. The focus here is on sales, service and engineering for customers from the Automotive, Metal, Advanced Materials, Printing and Paper Industry.

Asia

In Asia, ISRA is represented in the two segments of Industrial Automation and Surface Vision in Shanghai (China). Glass industry business is managed at the Tianjin site. Activities in the Glass, Solar, Metal, Advanced Materials and Print Industry are supported by the Taiwan office. The activities in Mumbai and Calcutta (India) also target customers in the glass, metal, plastics and printing industry. In Seoul (Korea) and Tokyo (Japan), ISRA serves not only customers in the current target industries, but is also expanding its business with regional industrial centers, e. g. for optical films and lithium-ion batteries.

1.2 Objectives and strategies

ISRA's strategy continues to be directed at sustainably expanding its market position and increasing revenues – while optimizing costs and cash flow at the same time – to the mark of 200 million euros in the medium term. For this purpose, the focus will remain directed on the application of Machine Vision as the Company's core competence.

Continuous growth

Innovations remain important drivers of organic growth. As a technologically leading Company in the area of Machine Vision, Research and Development have the highest priority for ISRA. The investments in R&D are the cornerstone for innovative products that enable new applications and solutions for customers all over the world. This creates the prerequisite for future profitable growth. For this reason, the Management concentrates on a sustainable innovation road map for new products and applications that are continuously adapted to customer needs and market requirements in order to further increase the return on investment for customers.

In addition, the multi-branch strategy is an important factor to continue the course of the double-digit percentage growth. The Company not only diversifies itself via the two application fields Surface Inspection and Production Automation, but also via different customer industries in the strategic mega markets energy, health, food, transportation and information in different geographic regions. The 2008 / 2009 economic crisis has already shown that the broad strategic positioning made ISRA even stronger and independent of economic and regional fluctuations. Consequently, projects on developing new customer industries, geographic regions or application fields will continue to be examined and implemented provided they offer goods chances of being successful.

Optimization of cash flow and margins

By relying on economies of scale in all areas and achieving efficiency increases in production, the Management sees optimization and growth potentials for cash flow as well as margins. To prepare the organization for continued revenue growth beyond 200 million euros, the Management concentrates on measures for increasing the cost efficiency of internal processes. The activities for making processes leaner and for reducing lead times are being continued in production. In the same way, the cost optimization of products and applications is a fundamental part of ISRA's R&D strategy.

Targeted acquisitions help to expand the portfolio

Besides organic growth, external growth through acquisitions of suitable companies is another important part of the long-term strategy. Meaningful expansion of the technology and product portfolio, an increase in market share, the development of new markets and effective integration are at the center of the audits of the target companies in advance of an acquisition.

1.3 Internal management system

The economic planning and management of the Group takes place centrally via the targets calculated by the Executive Board that are coordinated with the segments and functional units during the strategy process. On the basis of these targets, business development is continuously reviewed using regularly updated estimates of the control and performance indicators, in which the implementation of the strategic goals is monitored and measures are introduced to counteract deviations from plan.

The Company's key performance indicators stem from the Consolidated Total Output EBITDA / EBIT Statement.[1] They provide an industry-specific view of the Company's efficiency and profitability. The main key performance indicators are revenues, gross margin (gross profit to revenue), EBITDA, EBIT and EBT.

ISRA is a market-oriented Company, and the forecasts of sales are an additional foundation for managing the Company. The forecasts are created on a continuous basis by the sales department. Based on this foundation, decisions are made on further personnel requirements in the areas of marketing, sales, service, production and engineering. The estimated quarterly and annual revenue, which is continually adapted based on the sales forecasts, serves as leading target achievement indicator.

1 The Consolidated Total Output EBITDA / EBIT Statement is a supplementary representation in the style of the previous years and, as such, not a component of the ISRA Consolidated Financial Statements.

1.4 Research and Development as a catalyst for the growth strategy

Research and Development are an important foundation for innovations and, therefore, the prerequisite for the future growth of ISRA. This also applies to economically difficult times, as currently caused by the global COVID 19 pandemic. In order to be able to expand product offerings for existing and new customers and develop new applications for potential markets, ISRA constantly invests in Research and Development. In the year under review, 25.5 million euros were invested for this purpose, 3% more than in the previous year (24.8 million euros).[2]

Through the successive further development of its established products that are successful on the market, ISRA aims both at follow-up and replacement investments as well as at the initial equipment of new factories and production lines for established applications. Thus, in the area of Surface Inspection and Precision Metrology, the focus was on increasing the resolution and inspection speed, and in the area of Robot Vision, on higher speeds and shorter cycle times. In addition to the improved performance of the new system generations, optimal pricing for customers also plays a special role, particularly in an economically challenging environment. The ongoing optimization of the product portfolio with the aid of a consistent design-to-cost approach supports customers' investment decisions through a high return on investment.

In addition, the application portfolio in the individual target industries was expanded on the basis of available technologies for the purpose of growth and diversification of sales. The goal is to configure existing standard modules from camera technology, lighting and sensor technology together with existing software modules for new applications with similar requirements and thus to exploit synergies in R&D. This will enable a short time-to-market and a rapid ramp-up in new markets.

Against the backdrop of the current economic development, there is an even greater interest on the part of the industry to significantly increase efficiency and flexibility through ever more advanced, "extreme" automation. This results in great potential for ISRA both in the area of Smart Factory Automation and in the area of simpler inspection tasks for continuous processes. In the past financial year, a special focus was therefore on the development of embedded vision systems for this area.

From the integration of Photonfocus AG and its competencies in the area of sensor development, the first, significant development results could already be achieved and new products prepared. The introduction of the new product families with smart sensors for robot guidance tasks and 3D measurement technology to the market has been successfully launched with the help of digital campaigns and product demonstrations. As embedded systems, they combine powerful 3D sensor technology with dedicated algorithms for 3D image processing with generic application software. Combined with comprehensive connectivity - via integrated WLAN interfaces, for example - the sensors can be used for a wide range of tasks in assembly processes, material handling, inline metrology and 3D metrology in smart production networks that extend beyond factory boundaries.

While customers were mainly from the automotive industry in the past, the new embedded products open up further industries with discrete production processes and increasing automation needs and quality requirements. Sales are carried out via a multi-channel strategy both by means of key account management in the regional core markets for strategic customers in the automotive industry and market leaders in other industries, and by means of a distribution network for other sectors and smaller distribution markets.

2 Economic Report

2.1 Macroeconomic and sector-specific conditions

According to the economic reports published by banks and economic research institutes at the end of 2020[3], global economic momentum had gone through a historic recession in the course of the year due to the COVID-19 pandemic. In the advanced economies in particular, the economy had deteriorated massively, while some emerging markets, especially in North Asia, were able to report a relatively stable development. Overall, depending on the source, this would result in a year-on-year decline of around 3.3 to 3.8% in 2020. In addition to the corona pandemic, uncertainties in connection with the Brexit negotiations and the U.S. presidential election are cited as factors influencing the course of the global economy.

Contradictory signals from the regions

As the main sales markets of ISRA, the development in Germany, North America and China is of particular interest for the business development of the Company. The growth in these three countries varies. With a GDP development of approx. minus 5.2 to minus 5.8%, Germany is showing a very significant decline. This was due in particular to the economic damage caused by the first wave of infection and the resulting lockdown, whereas the second wave has so far had a less drastic impact on large parts of the economy. For the United States, a decline in economic output of around 3.5% can be expected. The less sharp cut is due to the fact that fiscal policy in the United States has been eased even more significantly than in Europe against the backdrop of the presidential election. For China, economic growth in the range of 1.7 to 2.7% can even be expected for 2020, as the country has succeeded in preventing a second wave of the pandemic, the service sector has recovered very quickly and the production level of the fourth quarter of 2019 has been exceeded again in some areas.

2 Information on capitalized developments can be found in the section "Earnings situation" in the Economic Report.

3 Cf. e. g.: Institute for the World Economy, World Economy in Winter 2020; Institute for the World Economy, German Economy in Winter 2020; Berenberg Bank, Horizons Q1 2021; Berenberg Bank, Outlook 2021, New Upswing in Spring; Commerzbank, Week in Focus, November 27, 2020, Outlook 2021/22: State of Emergency Becomes Normality; Commerzbank, Week in Focus, December 18, 2020, How Much Will the Rise in New Infections Slow the Economy? Deutsche Bank, Global Economic Outlook: Hope on the Horizon.

Weaker development in the sector

Machine vision is a key technology that is used in nearly all industries. The industry benefits fundamentally from an increasing degree of automation in industrial manufacturing, combined with permanent optimization of productivity and production quality. Machine vision also plays an important role in ensuring sustainability in machine manufacturing processes, as it helps companies to conserve resources and minimize their environmental impact.

The competitive structures of the industry are characterized by a high degree of fragmentation in the form of many suppliers with relatively small market shares. The majority of companies are smaller niche providers with few employees, operating mainly locally or focused on specific customer applications. However, consolidation within the industry is progressing increasingly.

The VDMA expects German industry sales in the area of robotics and automation, of which the machine vision industry is a part, to decline by approximately 20% in 2020. According to the VDMA, a smaller decline is expected for the machine vision industry.[4] For the North American machine vision industry, the industry association AIA has reported an 8% decline in industry sales for the first half of 2020; no figures have yet been published for the full year. Likewise, no statements are available for the Asian region for the year 2020.

2.2 Course of business and situation

ISRA's business development in 2019/2020 is clearly characterized by the COVID-19 pandemic. Due to the global economic impact, the Company experienced an interruption in its many years of profitable growth with a 16% year-on-year decline in revenues to 129.3 million euros (previous year: 153.9 million euros).

Management countered the observed caution on the part of customers to make new investments and the partial postponement of projects with targeted measures to generate new market momentum. Thus, even in the challenging economic environment, the focus was on the consistent implementation of the innovation roadmap to tap new sources of revenue. In addition, initiatives aimed at optimizing the costs of the product portfolio and in the areas of production efficiency, cost control and process optimization were systematically implemented. Under these conditions the Company secured profitability at a level appropriate to the circumstances for the full financial year 2020/2021. EBT[5] (earnings before taxes) of 17.3 million euros (previous year: 33.7 million euros) represents a margin of 14% on sales (previous year: 22%).

In addition to organic growth, external growth through acquisitions of suitable companies is another important component of the long-term strategy. In the past financial year, a further project was initiated together with Atlas Copco and finalized in December 2020. With the acquisition of Perceptron, Inc. (Perceptron) by Atlas Copco, the Machine Vision Solutions division within the Industrial Technique business area at Atlas Copco will be further expanded, resulting in additional growth potential and synergies for ISRA. Perceptron is a leading provider of automated metrology solutions headquartered in Plymouth, Michigan, USA. The product portfolios of the two companies will complement each other and customers will receive increased support in the transition to smart manufacturing and flexible automation.

The pandemic-related development of the global economy in financial year 2019/2020 is also reflected in the results of the segments. In the area of Industrial Automation, whose customer base includes in particular premium automotive manufacturers and global players from a wide range of industries, momentum weakened and orders were postponed, resulting in sales of 35.7 million euros (previous year: 39.1 million euros).

The segment result is largely driven by machine vision solutions for robot-guided assembly and solutions for fully automated paint inspection in the automotive industry. There continues to be good demand for the easy-to-use, INDUSTRY 4.0-capable systems from the “Touch & Automate” family. In the course of the year, the market launch of product innovations for 3D surface inspection with integrated precision measurement technology for discrete industries such as the automotive, electronics and display industries continued, which is expected to generate additional momentum in the coming months.

In the Surface Vision segment, sales amounted to 93.6 million euros (previous year: 114.8 million euros). In the Metal division, one of the growth drivers of the past financial years, the Company countered the delays in incoming orders with marketing and sales intensifications as well as innovations in the field of 3D inspection. There are already signs of an improvement in order intake momentum. The Advanced Materials business recorded sales growth even under the impact of the COVID-19 pandemic over the entire financial year 2019/2020. The development of new niche markets for innovative materials, combined with increasing quality requirements in the respective end markets, is ensuring sustained order intake. Business in the Glass segment showed weaker development with restrained customer demand. With the focus on high-end applications for demanding markets such as the display or solar industries, significant growth is already expected again for the current financial year. The Print segment performed well on the market in the course of 2019/2020 and will be further strengthened by targeted investments in marketing and sales. In the solar industry, as in the previous year, important major orders were concluded in financial year 2019/2020; the fundamentally growing photovoltaics market in China also offers further potential in 2020/2021, which will be increasingly supplemented by potential in Europe due to technological developments. In the Paper segment, ISRA countered the worldwide pandemic with a further optimization of the portfolio with cost-reducing embedded technologies and by focusing on high-margin industries such as the packaging sector. The Security segment with specialized inspection systems for high-security paper showed a declining development. In the still young business area for semiconductor inspection, the range of applications was supplemented with new technological approaches. In addition, a strategic order was won in Asia during the course of the year, contributing to the development of the Asian market. The important Service area (Customer Support & Service Center) was strategically strengthened in the financial year through, among other things, intensified internationalization and expansion of the management team.

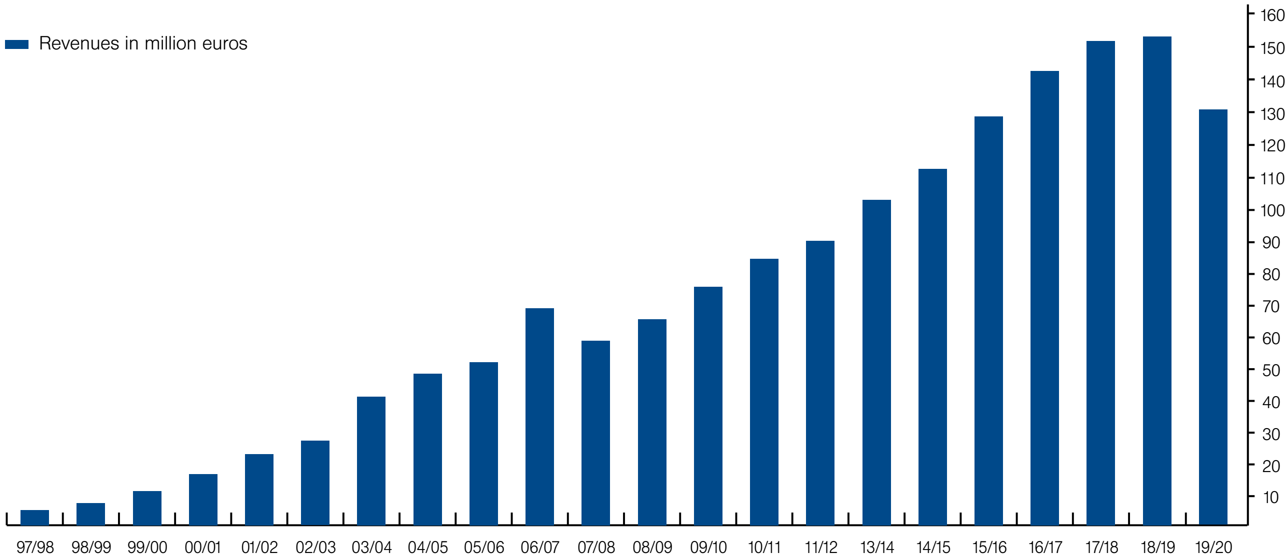
4 Cf. VDMA: Corona pandemic slows down robotics and automation more than expected, press release dated June 17, 2020; VDMA: R+A Newsletter 4/2020: The year of imponderables, press release dated December 15, 2020. 2020; VDMA Robotics + Automation Association, press release dated Oct. 22, 2020; AIA, Year-to-Date Numbers Show Decline in Robotics (18%), Machine Vision (8%), and Motion Control (6%) Orders Compared to 2019, press release dated Aug. 28, 2020.

5 EBITDA, EBIT, EBT and costs in this report are adjusted for non-recurring costs unless otherwise stated. These are non-recurring transaction costs of 1.4 million euros for financial year 2019/2020 and non-recurring acquisition costs of 1.6 million euros for financial year 2018/2019.

2.2.1 Results of operations

Moderate increase in sales under challenging market conditions

Against the backdrop of the worldwide COVID-19 pandemic, ISRA recorded a decline in revenues of 16% to 129.3 million euros (previous year: 153.9 million euros) in the financial year 2019/2020. Order intakes planned for the 3rd or 4th quarter could only be won at a late stage in the financial year or were even postponed into the new financial year, as a result of which only part of these could be realized as sales. The readiness for new or replacement investments in the various target industries of ISRA has an influence on the order backlog and the subsequently achievable revenues. The current order backlog of approx. 82 million euros gross (previous year: approx. 87 million euros gross) and the prospect of a recovery of the economic environment due to the expected containment of the COVID-19 pandemic represent a good basis for the current financial year.



Consolidated Total Output EBITDA/EBIT Statement[6, 7]

Total output rose to 150.9 million euros in financial year 2019/2020, which is 12% less than in the previous year (171.9 million euros). Own work capitalized increased by 20% to 21.6 million euros (previous year: 18.0 million euros). The cost share of production was further reduced to 56.2 million euros (previous year: 65.4 million euros) in the year under review through ongoing optimization of products and production processes and now amounts to 37% of total operating performance. This led to a gross margin of 63% (previous year: 61%). With respect to revenues, the margin amounted to 73% (previous year: 69%).

Sales, Marketing, Administration and R&D

Sales and marketing expenses amounted to 26.2 million euros in the reporting period (previous year: 28.0 million euros). Administrative expenses increased slightly to 5.6 million euros (previous year: 5.5 million euros) and amounted to 4% of total operating performance (previous year: 3%). The Company spent 25.5 million euros on R&D in the reporting year (previous year: 24.8 million euros). This represents an increase of 3%. The development of new products that are about to be launched on the market accounted for 21.6 million euros (previous year: 18.0 million euros). These expenses were capitalized in accordance with IAS 38.

6 This pro forma presentation is an additional presentation based on the previous years and therefore not part of the ISRA Consolidated Financial Statements.

7 EBITDA, EBIT and EBT figures and costs have been adjusted in this report – unless stated otherwise – for one-time costs. These are one-time transaction costs of 1.4 million euros for the 2019/2020 financial year and one-time acquisition costs of 1.6 million euros for the 2018/2019 financial year.

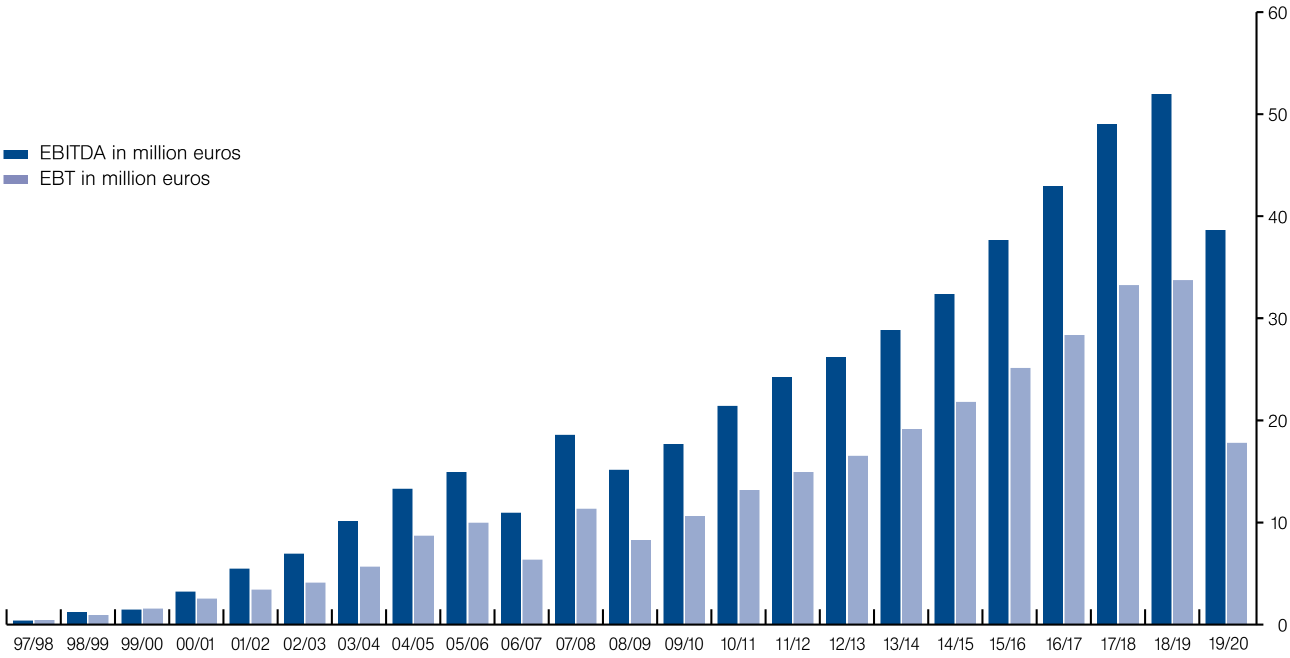
(in € k)	Oct. 01, 2019 to Sept. 30, 2020		Oct. 01, 2018 to Sept. 30, 2019	
Sales revenues	129,309	86 %	153,901	90 %
Own work capitalized	21,640	14 %	18,036	10 %
Total output	150,948	100 %	171,937	100 %
Cost of materials	28,082	19 %	33,545	20 %
Cost of labor exculding depreciation	28,116	19 %	31,897	19 %
Cost of production exculding depreciation	56,199	37 %	65,441	38 %
Gross profit	94,750	63 %	106,495	62 %
Research and Development total	25,487	17 %	24,849	14 %
Sales and Marketing	26,243	17 %	27,958	16 %
Administration	5,611	4 %	5,469	3 %
Sales and Administration exculding depreciation	31,854	21 %	33,428	19 %
Other revenues	1,177	1 %	3,763	2 %
EBITDA before transaction costs	38,585	26 %	51,982	30 %
Depreciation	20,838	14 %	18,116	11 %
Total costs	78,179	52 %	76,392	44 %
EBIT before transaction costs	17,747	12 %	33,866	20 %
Financing income	89	0 %	221	0 %
Financing expense	-502	0 %	-386	0 %
EBT before transaction costs	17,334	11 %	33,701	20 %
Transaction costs	-1,357	-1 %	-1,563	-1 %
EBT	15,977	11 %	32,138	19 %
Income taxes	6,523	4 %	9,511	6 %
Group result	9,453	6 %	22,627	13 %
of which attributable to non-controlling shareholders	27	0 %	67	0 %
of which attributable to shareholders of ISRA VISION AG	9,426	6 %	22,560	13 %

Positive development of the margins

EBITDA (earnings before interest, taxes, depreciation and amortization) decreased to 38.6 million euros (previous year: 52.0 million euros) in line with the cost development outlined above. This resulted in a margin of 26% (previous year: 30%) in relation to total output. Depreciation and amortization in the year under review increased by approx. 15% to a total of 20.8 million euros (previous year: 18.1 million euros). Of this amount, 17 million euros (previous year: 16.8 million euros) related to amortization of capitalized developments in previous years and in the year under review, as well as to software and licenses. Other depreciation and amortization increased by 92% to 3.8 million euros (previous year: 1.3 million euros). This includes depreciation for leasing usage rights in the amount of 2.5 million resulting from the first-time application of IFRS 16. Thus, ISRA generated EBIT (earnings before interest and taxes) of 17.7 million euros related to 33.9 million euros the previous year. The financing result amounts to minus 0.4 million euros (previous year: minus 0.2 million euros). Earnings before tax (EBT) decreased by 49% to 17.3 million euros (previous year: 33.7 million euros). In relation to total output, this equates to a margin of 11%, and in relation to sales, 13% (previous year: 20% and 22% respectively). Tax expenses amounted to 6.5 million euros (previous year: 9.5 million euros). Taking into account transaction costs in the amount of 1.4 million euros, ISRA achieved a consolidated result attributable to the shareholders of ISRA VISION AG of 9.4 million euros (previous year: 22.6 million euros). Based on the weighted average number of shares[8] of 21,886,744 (previous year: 21,889,900), this results in EPS (earnings per share) of 0.43 euros (previous year: 1.03 euros).

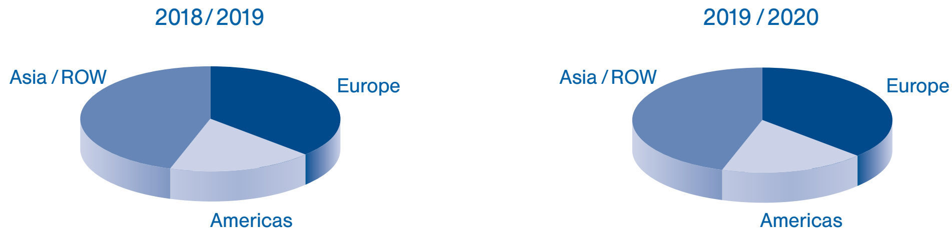
6 This pro forma presentation is an additional presentation based on the previous years and therefore not part of the ISRA Consolidated Financial Statements.

8 The number of shares is the weighted average number of shares held by third parties during a financial year and does not include shares repurchased by the Company.



Development in the segments and regions

In the Industrial Automation segment, in which sales activities are mainly directed at the automotive industry, sales in the current reporting period fell to 35.7 million euros (previous year: 39.1 million euros), EBIT to 6.1 million euros (previous year: 9.2 million euros); the EBIT margin fell accordingly to 13% of total output (previous year: 20%). Sales in the Surface Vision segment fell to 93.6 million euros (previous year: 114.8 million euros), EBIT to 11.7 million euros (previous year: 24.7 million euros). This resulted in an EBIT margin of 11% of total output (previous year: 20%).



As one of the globally most broadly positioned machine vision providers, ISRA is represented at more than 25 locations in all relevant countries. The broad international presence and diversification across various future-oriented markets proved its value in financial year 2019/2020, even under the influences of the COVID-19 pandemic. While the effects of the pandemic as well as the economic recovery in Asia started relatively early, a delayed course has been shown for Europe and America, so that ISRA was able to benefit from its global positioning in the course of the year. Compared to the previous financial year, a decline in revenues is evident for all regions, whereby Europe was able to slightly increase the share of total revenues and Asia was able to keep the share of revenues constant.

2.2.2 Financial Position

The top priority of financial management is to ensure sufficient liquidity for the Company at all times. The liquidity reserves are therefore invested in such a way that all payment obligations can be met on time. The financing of the Group is generally coordinated centrally by the parent company ISRA VISION AG in Darmstadt. Liquidity is secured on the basis of detailed financial planning. A key task for the future remains the systematic optimization of the working capital, i.e., the increase of the operating cash flow with a simultaneous reduction of the net debt.

Capital structure

The total assets of the ISRA Group increased by 6.8 million euros to 352.0 million euros (previous year: 345.1 million euros) in financial year 2019/2020. On the liabilities side of the balance sheet, trade payables decreased by 6.8 million euros to 16.6 million euros (previous year: 23.4 million euros). Current liabilities to banks decreased to 38.0 million euros (previous year: 40.6 million euros). At 14.2 million euros, other financial liabilities are at approximately the same level as in the previous year (13.8 million euros). Income tax liabilities increased to 8.3 million euros (previous year: 4.0 million euros). Current provisions amounted to 0.8 million euros (previous year: 1.3 million euros).

Under non-current liabilities, deferred tax liabilities increased to 41.6 million euros (previous year: 40.7 million euros), while non-current provisions in the form of pension provisions increased from 4.1 million euros to 4.5 million euros. As in the previous year, there were no non-current liabilities to banks. Leasing liabilities resulting from the first-time application of IFRS 16 amount to 7.2 million euros (previous year: 0.0 euros).

At the end of financial year 2019/2020, the equity ratio amounted to 62% (previous year: 62%). Subscribed capital remained constant at 21.9 million euros (previous year: 21.9 million euros). The use of off-balance sheet financing instruments plays only a minor role at ISRA. Only assets with a short useful life and without reference to the core competence are made available for business operations as part of leasing transactions.

Capital expenditures

ISRA invested 8.2 million euros in property, plant and equipment in the reporting year (previous year: 2.4 million euros). The investments in intangible assets amounted to 23.5 million euros (previous year: 19.3 million euros). These are largely attributable to own work capitalized from development. The first-time inclusion of leasing rights in accordance with IFRS 16 resulted in an increase in leasing rights of 9.6 million euros. In the reporting period, investments in non-current assets in the Industrial Automation and Surface Vision segments amounted to 12.1 million euros and 29.3 million euros respectively (previous year: 15.2 million euros and 16.5 million euros). This includes 2.4 million euros and 7.2 million euros, respectively, for leasing rights due to the first-time application of IFRS 16.

ISRA continues to invest continuously in new products and the development of new applications and markets to increase revenues. Ongoing operating cash flow is the basis for financing the organic growth. The investments planned for the various areas of the operating business are also made from these funds. In the case of acquisitions, further financing requirements may arise depending on the volume, whereby smaller acquisitions can be financed from operating cash flow.

Liquidity

As of the reporting date September 30, 2020, ISRA generated operating cash flow of 37.2 million euros (previous year: 33.7 million euros). Trade receivables and other assets decreased by 11.4 million euros (previous year: increase by 4.4 million euros). The items depreciation and amortization of 20.8 million euros (previous year: 18.1 million euros), including depreciation for leasing rights of use in the amount of 2.5 million euros, income tax payments of 2.5 million euros (previous year: 6.3 million euros), decrease in trade accounts payable and other liabilities of 0.1 million euros (previous year: increase of 11.5 million euros), increase in inventories of 3.2 million euros (previous year: 7.7 million euros) and changes in deferred tax assets and liabilities of 0.7 million euros (previous year: 1.1 million euros).

Cash flow from investing activities totaled minus 31.7 million euros (previous year: minus 31.3 million euros) and is mainly based on investments in intangible assets and in the planned new main building. The cash flow from financing activities in the amount of minus 9.5 million euros (previous year: plus 3.0 million euros) is based in particular on the repayment of financial debt of 2.7 million euros (previous year: borrowing of financial debt of 7.8 million euros) in conjunction with profit distributions of 3.9 million euros (previous year: 3.3 million euros) resulting from the dividend of 0.18 euros/share (previous year: 0.15 euros/share) and payments from the repayment of leasing liabilities amounting to 2.4 million euros (previous year: 0 euros) in connection with the first-time application of IFRS 16. Taking into account exchange rate-related changes in value amounting to minus 0.7 million euros (previous year: minus 0.3 million euros), cash and cash equivalents decreased overall by 4.8 million euros (previous year: plus 5.2 million euros) to 35.1 million euros (previous year: 39.9 million euros) as of September 30, 2020.

A good availability of financial resources is ensured throughout the Group. ISRA can access unused cash credit lines in the amount of 46.0 million euros and unused guarantee credit lines in the amount of 8.6 million euros (as of September 30, 2020). With its positive operating cash flow and the available cash and cash equivalents as well as the available credit lines, ISRA has a solid capital base for future growth. Interest risks from previous acquisitions are explained in Sections 4.5 and 6.

2.2.3 Net assets

On the assets side, ISRA reported cash and cash equivalents in the amount of 35.1 million euros (previous year: 39.9 million euros) on the balance sheet date of September 30, 2020. Current assets accounted for 56% of total assets (previous year: 61%). Trade accounts receivable decreased by 10% to 103.8 million euros (previous year: 115.8 million euros). Of this amount, 49.3 million euros (previous year: 66.9 million euros) related to receivables from work in progress measured using the percentage-of-completion method. This decrease was due to late or postponed orders in light of the COVID-19 pandemic. In this context, inventories increased to 50.1 million euros (previous year 46.9 million euros).

Non-current assets amounted to 155.3 million euros as of the balance sheet date (previous year: 135.4 million euros). Due to the continued positive development opportunities in both business segments, there was no need for an impairment test to correct goodwill. Other intangible assets increased by 6.3 million euros to 91.2 million euros (previous year: 84.9 million euros), due to the decrease in concessions, industrial property rights and similar rights and assets from 15.5 million euros to 14.7 million euros and the increase in own work capitalized as internally generated intangible assets from 69.4 million euros to 76.5 million euros. Tangible assets increased to 12.1 million euros (previous year: 5.9 million euros), among other things in connection with the construction of the new company headquarters. The first-time application of IFRS 16 resulted in leasing rights of use amounting to 7.1 million euros (previous year: 0.0 euros).

The tax loss carryforwards of ISRA amounted to 0.0 million euros (previous year: 0.1 million euros) as of the reporting date of September 30, 2020. Deferred tax assets were recognized for tax loss carryforwards in the amount of 0.0 million euros.

2.2.4 Non-financial key performance indicators and sustainability

ISRA VISION AG is a globally active company whose market environment is characterized by increasingly high dynamics and complexity. This requires sustainable company processes, which are characterized by responsible handling of economic, ecological and social resources. Besides efficient, value-oriented corporate management, the non-financial performance indicators and sustainability aspects presented below play an important role in ISRA's consistent success. Further information on the topic of sustainability and corporate social responsibility can be found in the summarized non-financial statement, which is published on the website of ISRA VISION AG (https://www.isravision.com/csr-berichte). In addition, reference can be made to the Sustainability Report of Atlas Copco, which can be accessed as part of the Annual Report on the website of the Atlas Copco Group (https://www.atlascopcogroup.com/en/investor-relations).

Customer benefits

For products and solutions from ISRA, the benefits to customers are at the center of attention. Important indicators include the return on investment (amortization time) of investments. Continuous Research and Development work increases the efficiency of ISRA solutions and continually reduces the costs of the systems. This results in short amortization times which are often only a few months and allow customers to make budget-independent investments. Resulting low total costs of ownership contribute to a higher operating margin.

Ecological and social benefits

Machine Vision also plays an important role with respect to a sustainable development in industrial production since it helps companies to conserve resources and minimize environmental pollution. ISRA offers solutions that address not only economic customer benefits, but also the ecological and social dimension of sustainability. The systems provide customers with support, e. g. for complex assembly and testing processes in the automotive industry, which otherwise would be dependent on physical, non-ergonomically strenuous activities without ISRA's automation solutions. The applications reduce physical stress, thereby benefiting employees who work in production. In the Surface Vision segment, automated surface inspection enables customers in the Glass, Solar, Advanced Materials, High-performance Materials, Printing, Paper, Security Paper and Metal Industry to immediately detect any quality defects during the manufacturing process. As a result, it is possible to initiate countermeasures early, which reduce production waste and undesired further refinement and processing of defective products.

High level of innovation

A high level of innovation, based on innovations and new technologies that are both market-oriented and future-oriented, is an important pillar of further strategic development and essential for the profitable growth of the ISRA Group. Based on the needs of its customers, the Company attaches great importance to continually improving its technology position. In the year under review, ISRA successfully placed a large number of product innovations in the various application sectors on the market.

The permanent goal is to develop new applications and open up related earnings potentials and sales markets, to expand the technological advantage in order to create market entry barriers for competitors, and to shorten time to market. For this purpose, ISRA uses innovation roadmaps to ensure early identification of future requirements of the market and to acquire and utilize the necessary technologies.

Knowledge of the markets

Considering that ISRA and its predecessor companies have been in business for more than 30 years, the Company has gained a position of trust with its customers. As such, ISRA has sound knowledge of the customer processes in the framework of production and is capable of continuously aligning its products with the requirements and needs of customers. Focusing on individual industries and close contact with customers secure the required technology transfer to offer the products that the customer needs, both today and in the future. Customer loyalty, which manifests itself in many years of trustworthy business relationships, is a clear indicator of its knowledge of the markets.

One important goal in the area of market expertise is further increasing market penetration and market share. This also includes transferring the know-how to solutions for customers in industries that have not yet been supplied to and expansion into additional geographical markets. To support this process, positions in sales and product management are regularly filled with experienced personnel from relevant target industries and regions.

Customer proximity

The products sold by ISRA are generally used in systems that manufacture around the clock. For this reason, local presence and short response times in service are of great importance to customers. As a result, ISRA manages a worldwide infrastructure and is represented in essential local markets with its own sales and service personnel. This allows the Company to respond in the best possible way to regionally specific requirements and to offer optimal service for the operation of its systems.

Today, ISRA is already one of the best globalized companies for Machine Vision. The established infrastructure and the international team will continue to play an important role in the future in supporting global customers who themselves are largely market leaders in their respective industries. To secure and intensify customer proximity, emerging markets are developed quickly and, if the need arises, supported locally by ISRA's own subsidiaries or operating facilities.

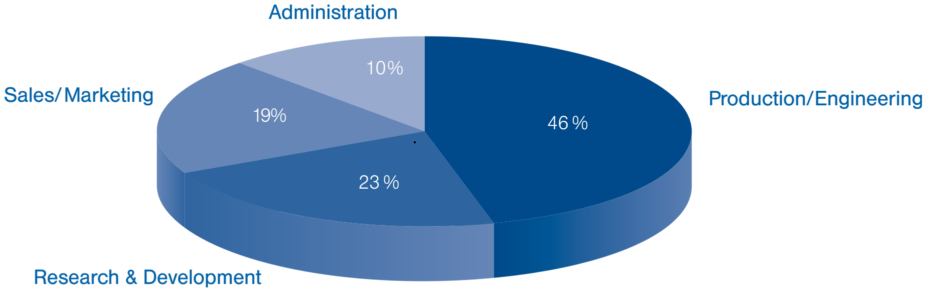
Efficiency of business processes

ISRA continuously works on improving the efficiency of its business processes. Continued cost reduction measures have already resulted in sustained productivity gains. Part of the fundamental management tasks is to continuously and critically check efficiency in production as well as Research and Development and to ensure lean processes (Lean Production). Furthermore, the Company has established additional programs that, for example, are continuously probing and optimizing the cost structures and workflow management in its administration.

Personnel development and securing specialists

Employees with skills and personal qualities are an essential prerequisite for the success of ISRA. Continuous investments are made in Human Resource Management to always ensure adequate staffing and personnel development.

In financial year 2019/2020, the ISRA Group employed an average of 820 people worldwide (previous year: 772). 834 people were employed as of September 30, 2020 (previous year: 861). Most of its employees work at locations in Germany (61 %). Europe (excluding Germany) accounted for 9%, North and South America for 9% and Asia for 21 % of its employees.



Of the employees worldwide as of September 30, 2020, 46% worked in production and engineering, around 23% in research and development (R&D), 19% of ISRA employees worked in the area of sales and marketing, 10% in administration. In view of the great challenges posed by the COVID-19 pandemic, new hires were largely suspended in the past financial year; essentially, only positions necessary for the strategic development of the Company were filled.

ISRA already pays special attention to well-trained technical personnel with social and interdisciplinary skills in its international employee recruitment process. This is manifested in the large percentage of employees with an academic degree.

Cooperation with universities and technical colleges enables ISRA to gain qualified young academics. For example, ISRA is involved as part of the Deutschlandstipendium (scholarship program). In addition, cooperation with universities and higher education institutions offers the opportunity to specifically promote the scientific establishment of industrial image processing in academic education in order to attract young talents to this innovative industrial sector at an early stage. ISRA is continuously expanding these collaborations and developing them at the international level as well. Furthermore, ISRA also acts as a vocational training company and introduces young employees to different tasks in the technical and commercial business divisions.

To expand the personal qualifications of its current employees even further, the Company supports its employees on a regular basis through internal education as well as targeted external measures for individual positions. Human Resource Management continuously accompanies employees and supports them to expand their skills according to their assignments and to motivate them to take responsibility. This allows ISRA to secure its long-term success and create secure high-quality jobs.

Management expertise

The high degree of innovation of products and markets as well as the ambitious growth objectives of ISRA demand a high degree of expertise at the Management level. In this context, ISRA was again able to significantly reinforce the well-established Management which is closely tied to the Company with selective, target-oriented employment. The additions to Customer Support and Service Center, technical operations and finance operations in particular deserve special mention in this regard.

Besides the organic growth that is being sought, the acquisition and integration of companies in order to be able to expand market shares and develop new markets poses a special challenge for Management. As part of the successful acquisitions of recent years, ISRA was already able to demonstrate its extensive knowledge in the area of Mergers and Acquisitions.

Social commitment

As a successful globally operating company, ISRA bears social responsibility. Social commitment is important to ISRA and centrally anchored in its corporate mission. A matter of special concern lies in supporting the development and education of children and adolescents, e. g. in the form of monetary donations, but also through the personal commitment on the part of the Management. In accordance with the global orientation of the Company, the charitable efforts also cover various projects all over the world through local social and cultural initiatives at our various sites.

2.2.5 Assessment of the course of business

In view of the economic environment, ISRA's management assesses the completed financial year as a sufficiently successful year. Against the backdrop of the global COVID-19 pandemic, the long-term growth could temporarily not be continued and the original expectations could therefore not be achieved. Nevertheless, the Company was able to maintain order intake, sales and profitability at an appropriate level in view of the overall economic situation and the postponement of orders by customers by means of targeted measures in sales and distribution while at the same time intensively controlling costs. In addition, a strong strategic partner was gained in Atlas Copco. In conjunction with the continued consistent implementation of the innovation roadmap and strategic measures to increase efficiency in almost all areas of the business, the conditions for future profitable growth were created.

With regard to non-financial performance indicators, in financial year 2019/2020, among other things, customer service was strategically expanded and the operating areas optimized, among other ways through new processes and infrastructure in conjunction with intensive training. The employee base was strengthened through selective, targeted recruitment and training programs to promote individual potential.

Based on the net assets, financial position and results of operations described above, management considers the economic situation of the Group to be positive overall. On the basis of the operating cash flow in connection with the good equity capitalization and the Atlas Copco Group as a strategic partner, there is a large degree of freedom of action for ISRA, which allows it to continue to pursue the growth course it has embarked upon.

With regard to the supplementary reporting on any events of particular importance that may have occurred after the end of the reporting period, reference is made to the explanations contained in the Notes.

3 Forecast Report

The following Forecast Report and in particular the forward-looking statements describe the expectations and plans of the management for ISRA as an independent Group. As soon as the merger of ISRA VISION AG into Atlas Copco Germany Holding AG, which was resolved by the Extraordinary General Meeting on December 15, 2020, becomes effective, these assumptions may not apply or may no longer fully apply.

ISRA bases its forecast, among other things, on the statements of economic research institutes and banks regarding the development of the global economy[9]. According to their forecasts published in December 2020, they expect a strong recovery in 2021 with low inflation and supportive monetary and fiscal policies as soon as the second wave of the pandemic subsides.

According to the institutes and banks, the actual course of economic development will depend to a large extent on how quickly the COVID-19 pandemic can be brought under control and the extent to which monetary and fiscal policy continues to support the economy. Besides catch-up effects in spending and business investment, a calmer trade policy in the USA under a new President Biden could have a positive impact. Key downside risks cited include a lack of or delayed success of the global COVID-19 vaccination campaigns, an increase in global trade tensions between the USA and China, and the possibility of a financial crisis due to increasing asset overvaluation and rising debt.

Assuming that the pandemic situation develops as expected and the other risks do not materialize, significant economic growth of approximately 4.1 to 5.7% can be expected worldwide for 2021, whereby ISRA's management calculates more cautiously at the lower end of this range.

9 Cf. e. g.: Institute for the World Economy, World Economy in Winter 2020; Institute for the World Economy, German Economy in Winter 2020; Berenberg Bank, Horizons Q1 2021; Berenberg Bank, Outlook 2021, New Upswing in Spring; Commerzbank, Week in Focus, November 27, 2020, Outlook 2021/22: State of Emergency Becomes Normality; Commerzbank, Week in Focus, December 18, 2020, How Much Will the Rise in New Infections Slow the Economy? Deutsche Bank, Global Economic Outlook: Hope on the Horizon.

Framework conditions in Germany, China and the United States

Economists see similarly positive prospects for ISRA's main sales markets. In Germany, a significant recovery could start under the above-mentioned conditions and GDP could reach the pre-pandemic level again by the third quarter of 2021. However, due to renewed restrictions on the occasion of the second corona wave, strong growth is not expected until the summer half-year, resulting in growth of 3.1 to 4.5% for the year as a whole. For the USA, as well, the economy is expected to return to pre-corona levels before the end of 2021. Growth rates of 3.7 to 4.0% could also be realized thanks to the supportive effect of a second government aid program and expansionary monetary policy. The forecasts for China are particularly positive. Supported by the early containment of the COVID-19 pandemic in the country as well as an expansive credit policy, the country would for the time being remain a driving force for the global economy. Assuming that there is no second wave of the pandemic in China, growth of between 8.2 and 9.5% is forecast.

Image processing industry expects a positive development

According to initial internal VDMA forecasts, industrial image processing will return to a growth path in Germany and Europe in 2021. A cautious recovery is expected, which will be supported by the upswing in the overarching robotics and automation sector and the forecast growth of 2 to 4% in the entire mechanical and plant engineering sector. In terms of prospects, the robotics and automation sectors are said to have particularly high growth potential. The COVID-19 pandemic and the resulting reorganization of supply chains in particular, but also the ongoing megatrends of e-mobility and sustainability, have highlighted additional demand for automation and further reinforced the need for digitalization in production[10]. The American industry association AIA has not yet published an outlook; likewise, specific forecasts for the Asian market are not currently available.

Lean global structures and synergy effects as a basis for future profitable growth

ISRA continued to implement its growth strategy in financial year 2019/2020, even under the impressions of the COVID-19 pandemic, and adjusted the internal structures to prepare the organization for the next revenue dimension of 200+. By selectively strengthening its teams at its more than 25 sites, e. g., targeted additions to the management for the Smart Factory Automation area or in the Customer Support and Service Center, ISRA is investing in the global expansion of the Company worldwide. Thus, ISRA is one of the best globalized companies in its respective target markets.

By continuously expanding its Digital Business Development, ISRA is realizing a future-oriented digital strategy for market and customer communication and - e. g., with the further development of the sales-oriented IT systems (website, Customer Relationship Management, social media) - is setting a decisive course for the development of additional sales opportunities. Management is responding to the current market situation, which is dominated by the COVID-19 pandemic, with targeted measures to generate new market momentum. The measures already implemented to optimize the costs of the product portfolio and in the areas of production efficiency, management reorganization and process optimization will be systematically continued.

As a driving force for further organic growth, ISRA continues to invest continuously in new products and the development of new applications and markets to increase revenues. The management focuses here on the innovation roadmap, which is regularly adapted to customer needs and market requirements. The strategic partnership with Altlas Copco will enable additional growth potential to be tapped. The expected synergies relate on the one hand to joint sales activities (cross selling), which aim at being able to sell existing ISRA solutions to Atlas Copco customers with whom ISRA has had no or only little business so far, and on the other hand to the indirect sale of ISRA technologies by integrating them into Atlas Copco products (integrated offering).

The ongoing expansion of the Customer Support and Service Center can increasingly contribute to the development of sales. A coordinated marketing offensive as well as the strengthening of the service management form an important basis for the success of a proactive service business on the market.

ISRA with growth opportunities in both segments

In both the Industrial Automation and Surface Vision segments, the Company expects the market environment to recover, with demand picking up again and, in some cases, catch-up effects from customer investments postponed in financial year 2019/2020.

In the Industrial Automation segment, growth will be driven primarily by business with leading international automotive manufacturers and market leaders in other industries. They continue to show high interest in innovative solutions from 3D technologies in the production line. In addition to planned orders from the automotive industry, e. g. for fully automated paint inspection and inline measurement technology, additional growth potential is expected in the coming months from portfolio expansions in the Smart Factory Automation segment and from joint sales activities and product developments with Atlas Copco and Perceptron. The product innovations for 3D surface inspection with integrated precision measurement technology and for 3D Robot Vision applications address not only the automotive industry but also other sectors with discrete manufacturing, such as the electronics or display industry.

10 Cf. VDMA: Corona pandemic slows down robotics and automation more than expected, press release 17.06.2020; VDMA: R+A Newsletter 4/2020: The year of imponderables, press release 15.12.2020; information provided by the VDMA Robotics + Automation Association on 22.10.2020.

In the Surface Vision segment, the Metal business unit, one of the strategic growth drivers of recent years, is already showing signs of an improvement in order intake momentum thanks to the intensification of marketing and sales activities and innovations in the area of 3D inspection and production analytics tools. The Advanced Materials business performed positively in the past fiscal year, even under the impact of the COVID-19 pandemic. Increasing quality requirements in existing markets and the development of new niche markets for innovative materials should ensure strong order intake and continued growth in financial year 2020/2021. For the Glass division, the Company is planning on good development and orders from the thin glass and display glass segments, as well as the development of new potential through product innovations for the inspection of float glass and smart touch devices. In the Print segment, the increasing use of embedded technologies enables optimal pricing of products to expand volume business with the printing industry. In the solar industry, the market in China continues to offer potential for follow-up orders on the basis of already concluded major orders. ISRA is specifically countering the increasing local competition in Asia with offensive sales activities. In addition, market opportunities are increasingly opening up again in the European photovoltaics market in connection with new technologies. In the Paper segment, the management's focus is on high-margin niche markets such as the packaging sector. The further optimization of the portfolio with cost-reducing embedded technologies in conjunction with production analytics tools to increase yields will enable a high return on investment for customers. Additional sales impetus is expected from the planned increased addressing of the Scandinavian market. A moderate level of growth with high margin shares is planned for the Security unit with specialized inspection systems for high-security paper (Specialty Paper). Additional potential is offered by a gradual expansion of the business into the area of high-security printing. In the still young business area for semiconductor inspection, the focus in financial year 2020/2021 will again be on marketing the new technology approaches for additional areas of application and further development of the Asian market.

In the further development of the networked smart sensor portfolios with high connectivity, the Company is tapping into extensive sales opportunities in the area of INDUSTRY 4.0. The management expects additional potential from production analytics software tools that enable efficient process control and yield maximization on the basis of inspection and automation data.

The company is systematically expanding its customer service and support activities internationally. The goal is to increase the contribution of service sales to the Company's total sales disproportionately in the medium term by offering a diversified range of support services.

For the coming months, the Company anticipates an initially moderate, but then accelerating positive business trend on the European markets. In Asia, management anticipates a further increase in demand from individual strategic countries in the coming quarters. The marketing and sales measures to increase demand from America will be systematically continued. Regional expansion and the strengthening of international sites remain an important part of the corporate strategy. Planned measures address India, Eastern Europe, Southeast Asia and MENA.

Strategic acquisitions possible

Apart from organic growth, external growth through acquisitions of companies with promising synergy potentials is also an important component of ISRA's long-term strategy. The focus of these activities is on target companies that sustainably advance ISRA's technology leadership, market position or expansion into new markets. The management continuously observes and analyzes potential targets from the areas of 3D Machine Vision, Industrial Automation, Production Analytics and INDUSTRY 4.0 software.

Continuation of growth path

The Company's focus remains on growing in a diversified manner across industries and regions and exceeding the revenue mark of 200 million euros in the medium term. Management is continuing its long-term strategy of driving the expansion of its market position through both organic growth and the integration of innovative companies. The strengthening of digital marketing and the expansion of the software portfolio for production analytics remain in focus. In conjunction with the strong innovation roadmap, the main focus is on reviving order intake momentum. Additional potential will arise from the increasing cooperation with Atlas Copco in the form of joint sales activities (cross-selling) and joint product developments. On the cost side, the previous optimization measures in the areas of production efficiency, management reorganization and process optimization will be continued unabated. Based on the current order backlog of approx. 87 million euros gross (as of January 14, 2021; previous year: 82 million euros gross) and the significant recovery of the economic environment forecast by the banks and economic institutes, ISRA assumes a gradual improvement of the sector economy in the customer industries and an increasingly positive business development in the course of the year.

As long as the merger of ISRA VISION AG into Atlas Copco Germany Holding AG, which was resolved by the Extraordinary General Meeting on December 15, 2020, does not yet take effect, and provided that trade and monetary policies develop in line with the forecasts and the expected successes in containing the COVID-19 pandemic are confirmed, ISRA's management plans a return to low, double-digit growth rates in revenues and earnings for the full year 2020/2021, both in the Group and in both segments. In view of the only gradual recovery of the international markets, the level of the realizable profitable growth will depend on the actual development in the spring months. The level may range between growth in the lower double-digit percentage range and lighter growth, with planning in the Company focusing on the former. Based on the high margin level of the years prior to 2019/2020, comparably high margins should result from growth in the lower double-digit range.

The strategic and operational planning is already directed towards the next medium-term targeted revenue mark of 200 million euros with sales and regional expansions as well as the expansion of structures in all divisions. The financial situation of the ISRA Group is stable. A high equity ratio, the operating cash flow, the liquid assets and Atlas Copco as a strategic partner as well as the available credit lines from financial partners form a reliable basis for a positive development beyond the current financial year into the year 2022. The optimization of the operating productivity as well as the continuous cash flow and working capital improvement are in the strategic focus of the management. As in previous years, ISRA will provide a detailed forecast for the current financial year in February 2021, if necessary.

4 Opportunity and Risk Report

Business activities go hand in hand with risks. A company's success is characterized by successful opportunities exceeding the downside risks with all important decisions after detailed consideration. Owing to the global positioning of ISRA and the growing number of markets, sites and employees, it is becoming increasingly difficult to promptly procure, distribute and process detailed information. For this reason, ISRA uses a qualified risk management system based on ISO 31000 that is described in a risk management manual that is accessible to all employees.

4.1 Opportunity and risk management

The risk management system of ISRA is operated centrally by departments that report directly to the Executive Board. It is continuously examined in line with the insights from previous years, new legal requirements and changes according to the German Corporate Governance Code. Furthermore, it is audited and adjusted, if necessary. The goal is to be able to recognize, analyze and evaluate the main chances and risks for the business development of ISRA early and as completely as possible, and to initiate the required measures on this basis.

For this purpose, the overriding risk management process consisting of risk identification, analysis and evaluation is subjected to different functional and risk areas on a regular basis, e. g. in the context of the strategic planning and the Annual Financial Statements. Control measures are defined for risks that are assessed to be serious and cannot easily be borne by the Company. For risks that occur more on a strategic or administrative level and that can be intercepted by employing individual measures, measures aimed at risk avoidance, reduction or transfer are initiated. This includes, for example, measures on limiting interest rate risks or proactive Human Resource Management for controlling personnel risks. For risks and opportunities that occur situationally from the operative business or outside of the Company, ISRA has institutionalized various instruments and processes that enable continuous monitoring of the risk development and quickly present changes of the risk situation. For this reason, a Group-wide reporting and messaging system as well as continuous oral and written queries by the risk management officer inform on the current risk situation of the Group. Depending on the type and effect of the risk, the Executive Board is informed ad hoc or periodically via direct communication.

In accordance with the current assessment by the Management, the risks and opportunities presented below are essential for the further development of the Company. Under consideration of the current control and management measures, neither one of the individual risks is seen as a threat to the existence of the Group, nor a composite effect threatening the existence of the Group upon simultaneous occurrence of several individual risks.

4.2 Market risks and opportunities

General business environment and industry-specific risks

The regional and industry-specific target markets of the Company will develop at a different dynamics. It remains to be seen in the weeks and months ahead to what extent demand for ISRA systems on the global automation markets normalizes at its usual level in view of the uncertainty in conjunction with the COVID-19 pandemic. For this purpose, ISRA continues to maintain its risk management system which has already been further improved since the last economic crisis.

Reporting intervals have been significantly shortened to allow risks to be detected early on. This is why quarterly reports have been changed to a monthly cycle, and monthly reports to a bi-weekly interval. These stringent controls will also be kept in place in the current financial year. They pertain to all of the Company's key performance indicators such as revenue forecasts, liquidity planning, as well as receivables and production capacity planning. Thus, customers and markets are being monitored with much closer scrutiny. New customers in particular will be subject to a stricter credit check. The measures implemented to boost productivity and efficiencies will also be continued.

If the economic trend does not turn significantly positive in the course of 2021, the economic situation of our customers and therefore the demand for the products ISRA offers. This could result in corresponding risks to revenue and profits. For this reason, the Management has simulated different risk scenarios in order to be prepared accordingly. Simulations have been performed, especially with regard to delays / drops in orders, bad debts, overdue incoming payments, and delays in the commissioning of systems.

Development of new applications, technologies and regional markets

Generally speaking, the strategic alignment of ISRA provides it with extensive opportunities. The customer industries have been selected so that they are directly associated with at least one of the expanding energy, healthcare, food, mobility or information technology markets. The constant increase of the world population and the resulting increase in demand will result in permanent growth in these markets. The accompanying increasing demand in ISRA's customer industries offers the Company opportunities for future revenue growth. Additional potentials can be found in the development of innovative new products and new technologies as well as additional regional markets and in common activities with Atlas Copco.

ISRA plans to open up additional industries in the future with its current and new technologies and products. The overall market for Machine Vision, including all of the different application areas, is worth approximately 9 billion euros. Many of the possible problems customers face and applications that can be solved by using Machine Vision have not yet been completely identified and filled. As a result, extensive opportunities, but also risks, arise for the industry and the ISRA Group. Business Development is responsible for the strategic development of new markets and monitoring of existing markets. The monitoring of existing sales regions and industries, market studies on emerging new markets and industry sectors as well as regular reports to senior management guarantee early identification of new sales potentials.

The development of new applications and technologies implies, in particular, that the Company succeeds in building the special application know-how required for new target markets, successfully developing corresponding products and introducing them to the market. Successes in product development, especially for new application areas, cannot be predicted with certainty. Hence, it cannot be ruled out that new products may result in technical application problems or that products in the new target markets are not at all, not fast enough or not sufficiently accepted. To avoid risks that could have negative effects on net assets, the Financial Position and results of operations, the Management successfully concentrates on areas of core competence and direct cooperation with customers concerning new applications.

In addition, ISRA intends to develop additional geographic markets in the future by setting up its own sites. ISRA is thus strengthening its local presence, thereby optimizing its access to new customers in the industries in the regions that the Company addresses. The success of such expansion depends on a large number of factors and is accompanied by uncertainties. The continued internationalization could be associated with risks on these new markets. If these risks should become a reality, in whole or in part, and the Company were to fail in developing these new geographic markets, this could have a negative impact on the results of operations, Financial Position, and net assets. ISRA has already established its own subsidiaries for the structural reinforcement of market activities on many strategic growth markets such as China, Brazil, Turkey and Taiwan. In this way, ISRA is creating a strong base in emerging countries to be able to benefit from market opportunities that accompany the increased use of automation technologies in industrial production in these regions. At the present time, substantial opportunities are emerging in Eastern Europe and Southeast Asia. For this reason, an intensive examination of these opportunities and consideration of any risks in establishing ISRA's own local sites is being carried out.

Continuous innovations for quick technological change

The core technology of ISRA is Machine Vision technology for industry, i.e. the use of electronic image generation, image processing and image analysis technologies for the inspection and control of processes in the manufacturing industry. The basis of this technology is the combination of specialized knowledge of basic and application technology in the fields of robotics and image processing, as well as process knowledge, with software technology in marketable standard hardware and software components. These technologies and the industry standards based on it are characterized by continuous further development. Thus, the requirements that intelligent Machine Vision systems must meet in the area of automating production processes and quality assurance systems are also subject to rapid change. Therefore, the software solutions developed by ISRA based on these technologies and standards require continuous further development.

For this reason, ISRA's success depends on its ability to continuously improve its current products and to develop or acquire new products and technologies to keep step with the constantly changing technological developments and industry standards so that it can meet the constantly changing requirements of customers. This requires the use of significant personnel and financial resources in the Research and Development area. ISRA's success depends on its ability to develop and bring to market new and improved products in a timely manner that conform to changes in technology and meet customer demands. Technological progress by one or several of the Company's competitors or new future market players in this field can cause current or future products of the Company to become less competitive or outdated. If the Company should develop or acquire technological improvements too late or not at all or adjust its products to the technological change too late or not at all, this would negatively impact net assets, the Financial Position and results of operations at a significant level.

The previous success of ISRA shows that the Company has been strategically and operationally capable of applying the corresponding Research and Development investments in a targeted manner, recognize risks in time and initiate the required countermeasures early enough.

Competition

The Company competes with a number of vendors of Machine Vision systems in all business areas. It is possible that competitors who have been forced into the defensive may temporarily attempt to offer a challenging price strategy in order to gain market shares. Furthermore, it cannot be ruled out that additional vendors will enter the market in the various industries in the future. Several companies currently produce complete solutions for high-end applications that are similar to ISRA's products. These manufacturers have access to technologies that allow their products to be adapted in a relatively short time and with comparatively little effort for use in the target markets of ISRA, e. g. in the Automotive, Plastics and Glass Industries. Hence, it cannot be ruled out that these companies, in particular, will become direct competitors of ISRA. In the Surface Vision segment, it is also possible that such competitors, who have been offering only systems for checking homogeneous surfaces, e. g. of steel strip or paper, will also offer systems for the significantly more demanding structure and texture inspection.

The Company must assert itself successfully against current and future competition – including in the target countries – that will be increasing. As such, one major goal of the Management is for ISRA to further expand its strategic competitive advantages and the barriers for competitors looking to enter the market. This applies to Research and Development as well as to customer relationships and customer satisfaction. To achieve this, ISRA will continue to invest, in sales and customer support, in particular.

Dependency on certain customers

In all business areas, ISRA primarily addresses the leading companies of the respective target market (key accounts and OEM customers). As such, many customers are global players. In the future, the Company's strategy will continue to be directed at retaining and gaining primarily global companies in the respective target market as its customers. Consequently, the loss of one of these customers and any reactions of other customers could decisively impact the net assets, Financial Position and results of operations of the Company. ISRA's consistent goal is to set up a revenue structure at the Group level that is independent of this risk by assigning no more than a 5% share of total revenues to a single customer outside of the ISRA Group. The Management was able, with the exception of one single case of a share just above 5%, to successfully achieve this goal in the past financial year.

4.3 Operational risks

Risks from project business

ISRA achieves a share of its revenues in the project business with individual customers. In this case, fixed prices are partially agreed on for a defined scope of services and a fixed completion date. In many cases, meeting the agreements is subject to uncertainties, especially with respect to the complexity of customer-specific projects. Furthermore, errors cannot be ruled out in the planning, calculation, controlling and execution of these projects. If errors happen to occur in projects during planning, calculations prove to be incorrect, executions defective or late, such projects cannot be executed at a profit or at cost or could lead to loss of reputation. This could have a significant negative impact on the net assets, Financial Position and results of operations of ISRA. The Management is working to counteract these risks through intensive and rigorous controlling of quotations and project costs.

Liability risks

Software developed or used by ISRA as well as products or services provided may be defective. This can negatively impact the market acceptance of the products and services ISRA offers in addition to the actual liability risk. Due to market conditions, it cannot always be ruled out that the contracts concluded with customers contain provisions that would limit the possible liability for defective products or services. Although no liability claims have been filed against the companies of the ISRA Group due to defective products or services until now, it cannot be ruled out that ISRA will not be exposed to such a risk in the future.

4.4 Administrative-organizational risks and opportunities

Dependency on qualified personnel in key positions

ISRA's success depends, among other things, on having qualified Executive Board members, managers and employees below the level of the Executive Board and management. Such key positions pertain to Research and Development and Sales, in particular. The loss of managers or employees in key positions could negatively impact ISRA's net assets, Financial Position and results of operations. The Management meets these risks by taking appropriate measures. Human Resource Management will continue to strategically build up the future and succession planning in the coming years.

Management of growth

The Company intends to continue its global expansion in Germany and abroad by using internal growth as well as strategic alliances, legal mergers and acquisitions of companies or parts of companies. Organic growth and acquisitions under a continuously close focus on the core competence in Machine Vision provide the opportunity to utilize economies of scale due to a disproportionately low development of costs as well as increase profitability and efficiency in the Company. Expenditures for Research and Development can lead to innovations that can be applied in different target industries. It is no longer necessary to separately undertake each development for individual, segmented industries. In order to take advantage of these opportunities, it is necessary to hire qualified managers and employees, select strategic partners and merger or acquisition candidates, and raise the necessary funds. Furthermore, this requires sensible expansion of the appropriate organizational structures, particularly in the accounting, planning, controlling and human resources divisions. The past has shown that the Management knows the growth opportunities and risks and, among other things, has successfully managed them through forward-thinking planning and efficient cost controlling.

Mergers and Acquisitions as well as strategic alliances are also associated with significant integration risks. In particular, this includes the risk that the Company cannot retain the personnel of the newly acquired companies or parts of companies and is unable to integrate the business relationships into the ISRA Group. Until now, the Management has sufficiently considered such risks of acquisitions. The last acquisitions of ISRA are good examples of successful integrations.

Protection of intellectual property

The protection of intellectual property, particularly know-how and software, is very important to ISRA. In setting up and protecting its rights to intellectual property, the Company systematically registers trademarks and patents as well as confidentiality and other contractual agreements about the use of intellectual property for the products and services ISRA offers. These mechanisms provide the chance to expand the technological edge over the competition so that existing sales potentials can be protected. But trademarks and patents can offer only limited protection, particularly in the case of software solutions. Furthermore, failures to take the necessary measures to protect rights to intellectual property can significantly affect the competitiveness as well as the net assets, Financial Position and results of operations. Besides, there is the risk that the current or future patent, trademark and copyrights of ISRA or its other rights to intellectual property can be contested, declared null and void or circumvented. In addition, third parties can develop similar products and services without violating rights to intellectual property of ISRA. Despite ISRA's endeavors to protect its rights to intellectual property, it cannot be ruled out that competitors copy or use products or services from ISRA and, as a result, affect the net assets, Financial Position and results of operations. To counter these risks, the innovation speed is kept high within the Company to be able to maintain a technological advantage over the competition at all times.

Information technology risks

For ISRA, information technology is an integral component, not only for the provision of internal services and administration, but also in the products and applications that are delivered to the customer industries. The net assets, Financial Position and results of operations of ISRA greatly depend on applications and infrastructure to be operational and available. For this reason, ISRA protects itself against unauthorized data access, data manipulations and data losses. Various instruments, such as redundantly designed IT systems, backup procedures, anti-virus and access protection as well as encryption systems are utilized here. The effectiveness of the measures is continually checked. The occurrence of individual risk cases with an effect on the net assets, Financial Position and results of operations of ISRA cannot be ruled out completely.

4.5 Financial risks and opportunities

Market assessment risks

Among other things, own work capitalized as well as goodwill from the acquisitions of the preceding years are entered into the Consolidated Statement of Financial Position. Own work capitalized reflects investments in market-near product developments that represent great potential for the coming years and are intended to ensure additional revenue growth. The Company's assets reflect special technological know-how and patents as assets that can be used to expand the product portfolio, gain market shares or develop new markets.

Both items interact with the development of the business and market success and, as such, are accompanied by uncertainty. To reduce these market assessment risks, the recoverability and the underlying approaches are checked by conducting regular impairment tests. If recoverability differences should occur, extraordinary depreciations must be posted.

Interest risks and follow-up financing risks

The liability items of the ISRA Consolidated Statement of Financial Position include bank liabilities. Change in the future interest rate level can lead to additional cash flow fluctuations for variable-interest liabilities. In case of extreme changes of the general interest rate level, they can lead to further risks. The same applies to any necessary follow-up financing.

4.6 Other risks

General legal and economic risks

The opportunities and risks described here can have a significant impact on the revenues and results of operations of the Group. These are the risks that have been identified and are considered to be significant. In addition, ISRA is exposed to general legal and economic risks in countries that certain Group companies operate in. This does not preclude the existence of other risks not yet recognized as important by the Management, nor does it preclude the possibility of these risks being underestimated.

As a listed stock corporation, ISRA is subject to various regulatory risks. In this context, risks from the regulation of the commercial and accounting law, the stock corporation law as well as international standards must be mentioned which could have an effect on the net assets, Financial Position and results of operations in the future.

5 Internal control system and risk management system related to the Group accounting process

Risk management at ISRA also covers the Group accounting process. The goal of the accounting process-based internal control system is to ensure the regularity and reliability of Group accounting (Group accounting, Consolidated Financial Statements and the Group Management report) by implementing appropriate and effective regulations and controls. For this purpose, central organization and control as well as local responsibility for individual partial processes are interconnected.

The control and risk management system includes all of the measures, structures and processes with the objective of prompt, uniform and correct accounting recording of business activities and transactions. In the process, it is ensured that the legal standards, accounting regulations and internal control guidelines are being followed. They are binding for all companies included in the Consolidated Financial Statements. Among other things, completeness of the financial reporting, the same balance sheet and valuation standards throughout the Group, authorization and access rules of IT accounting systems, as well as the proper, complete elimination of transactions within the Group are checked. In addition, manual samples for the plausibility check of the completeness and correctness of data and calculations at all Group levels are also taken outside the software systems. Using Group-wide standardized monthly reporting allows for recognizing plan-actual variances during the year. All Individual Financial Statements of Group companies that are entered in the Group consolidation are subject to an audit by the ISRA auditor.

By employing qualified personnel in controlling, in financial accounting and in Group accounting as well as through continuous sampling-based control of received and forwarded accounting data for completeness and correctness, ISRA ensures rigorous adherence to the national and international accounting regulations with regard to its Individual and Consolidated Financial Statements.

Standard software (Axapta) is predominantly used for important accounting processes in the Group. Integrated plausibility checks perform the main control function. The software systems used are protected against unauthorized access.

Group companies prepare the Annual Financial Statements at the respective sites according to local law. They are prepared by local management in larger companies. After transmitting the Annual Financial Statements to the Group headquarters, they are checked for completeness of financial reporting and adherence to the same balance sheet and valuation standards throughout the Group by Group accounting. After this check has been completed, the Annual Financial Statements are reconciled and then consolidated according to the general Group principles and IFRS regulations. During consolidation, an additional check of the Individual Annual Financial Statements takes place. This multi-tier check system of the Annual Financial Statements ensures that the statutory and Group stipulations are followed and concurrently ensures the quality of the Annual Financial Statements.

6 Risk reporting on the use of financial instruments

The use of financial instruments is regulated by internal guidelines in the context of risk management. These guidelines set limits for underlying transactions, define authorization procedures, exclude the use of derivatives for speculative purposes, minimize credit risks, and regulate internal reporting and segregation of functions. If necessary, hedging transactions are undertaken exclusively via the Group's central finance department for the purposes of hedging against fluctuations in market interest rates.

The risks from using financial instruments essentially result in liquidity risks, counterparty credit risks, creditworthiness risks, interest risks and cash flow fluctuation risks, currency and price fluctuation risks as well as acquisition financing risks.

Liquidity risks

To guarantee ISRA's ability to pay and be financially flexible at all times, a liquidity reserve in the form of credit lines and cash is being held in reserve. Until now, credit lines and cash flows have secured sufficient reserves at all times. The Company will continue to maintain the credit lines required for this purpose with a volume adjusted to the respective operating business.

Default risks

In all areas of its business, ISRA has customer relationships with many large companies. These companies are primarily multinationals in the Automotive, Glass, Paper, Security Paper, Print, Advanced Materials, Metal, Solar and automation industries. The Company strategy is to minimize dependency on individual customers and to successively increase the number of new customers. In the year under review, no customers accounted for a share of revenues exceeding 5 % of the Group's total revenues with the exception of one single case of a share just above 5 %. While the increased acquisition of new customers will also increase the risk of individual defaults, the relevance of a single case will be reduced in this way. Specific default risks are to be reduced through prior analyses of new customers.

Creditworthiness risks

Most of ISRA's customers show a high degree of creditworthiness. Splitting the overall receivable into smaller amounts (e. g. payable prior to work being conducted, during system installation and after commissioning) works against a total loss of receivables. The insolvency risk of multinational customers is regarded to be low. Nevertheless, this risk must be monitored very closely. Expansion of the business to new countries throughout the world can further increase this risk. In the past financial year, the level of bad debt was less than 1 % of the revenue and thus in line with the average of the past few years.

Interest risks and cash flow fluctuation risks

To counter the risks associated with interest rates and cash flow fluctuations, interest rate hedging instruments are concluded for variable interest rate bank loans. In managing interest risks, ISRA limits itself to instruments commonly used on the market. Such instruments are employed exclusively to hedge existing loans and not for speculative purposes. Changes in the future interest rate level can lead to additional cash flow fluctuations for variable-interest liabilities. In case of extreme changes of the general interest rate level, they can lead to further risks. Additional explanations are listed in the notes.

Currency and price fluctuation risks

In general, customer orders are processed in euros. ISRA products are offered in national currencies only in the United States and in China. The Management regularly adjusts sales calculations to changes in the exchange rates in order to minimize currency risks. Furthermore, basic risks exist towards local providers and the competitors from the dollar region if the dollar exchange rate were to change significantly. These risks can be partly reduced by operating production sites in China and the United States. Currency risks in purchasing goods are mainly US dollar risks at the present time that are secured through long-term contracts. This risk is limited, however, because the administrative and sales costs in the USA are also in dollars.

Acquisition risks

The Company intends to continue its global expansion, not only through internal growth, but also by means of strategic alliances, legal mergers and the acquisition of companies or parts of companies. With the acquisitions of the past few years, ISRA has demonstrated its ability to also integrate large companies successfully, thus making a considerable contribution to the growth of both revenue and profit. Any acquisitions could be financed via long-term loans with variable interest rates. ISRA possibly bears the risk of changes in the interest rate. Because of the current development in the capital markets and because of the expected cash flow, the Management considers this type of financing to be optimal at present. There is, however, still the possibility that acquired companies will not immediately earn back interest expenses through their operating business. The Management currently estimates this probability to be low, however.

7 Remuneration Report

The members of the Executive and Supervisory Boards are remunerated in appropriate proportion to their tasks and responsibilities. Performance-based remuneration of Executive Board members reflects the Company philosophy on management remuneration within the entire ISRA Group. Members of the Executive Board and other managers within the Company receive remuneration consisting of both fixed and variable components.

The structure of the remuneration system for the Executive Board is determined by the Supervisory Board. Criteria used to assess the appropriateness of remuneration include the tasks of the respective Executive Board member, his personal performance, the performance of the entire Executive Board, as well as the Company's economic position, success and future prospects – all in comparison to the relevant peer group.

The remuneration of Executive Board members comprises short-term components as well as long-term incentives. The short-term components contain non-performance-based and performance-based elements. Non-performance-based components include fixed remuneration, payments in kind and other types of benefits. The non-performance-oriented, fixed base remuneration is paid monthly as a salary and is reviewed on a yearly basis. Executive Board members also receive other benefits, such as allowances for health insurance and benefits in kind that primarily involve the use of a company car. As performance-based elements, payments to the members of the Executive Board include variable components which may amount to up to 50% of their base salary. These are defined anew every year by the Supervisory Board based on objectives that generally are also based on the development of revenues, EBITDA and EBIT. To create a lasting remuneration system, the remuneration for the members of the Executive Board includes a performance-based component based on the Company's development over a period of three years. No variable amounts were paid out in financial year 2019/2020 due to the Covid 19 pandemic. The members of the Supervisory Board receive adequate remuneration for their membership on the Supervisory Board every full financial year. This remuneration is determined by the Annual General Meeting and is payable after the end of the financial year. The Chairman receives double the amount; the Vice Chairman 1.5 times the amount. Supervisory Board members who have not belonged to the Board for a full financial year are remunerated based on the duration of their membership on the Supervisory Board. The members of the Supervisory Board are also reimbursed for all expenses and for the value-added tax that they must pay on their remuneration and expenses.

8 Acquisition-related disclosures

Disclosures in accordance with Section 289a and Section 315a of the German Commercial Code (HGB)

As of the balance sheet date, the Company's share capital totaled 21,914,444.00 euros. It is divided into 21,944,444 shares of bearer common stock with a par value of one euro each. Each share conveys one vote. It is not permitted to securitize the shares. The information required according to Section 315a Para. 1 Clause 1 of the German Commercial Code (HGB) is listed in the Group notes.

Atlas Copco Germany Holding AG, headquartered in Darmstadt, Germany, held an interest of more than 10% in ISRA VISION AG as of the end of the reporting period.

Pursuant to Section 84, 85 of the German Stock Corporation Act (AktG) in conjunction with Section 6 of the Company's Articles of Association, the Executive Board is appointed and dismissed by the Supervisory Board. According to Section 19 of the Articles of Association, changes to the Articles of Association must be ratified at the Annual General Meeting by a simple majority of the share capital entitled to vote that is represented at the adoption of the resolution. According to Section 179 of the German Stock Corporation Act (AktG), changes to the Articles of Association that pertain to the objective of the Company must be ratified at the Annual General Meeting by at least a three-fourths majority of the share capital entitled to vote that is represented at the adoption of the resolution. Pursuant to Section 15 of the Articles of Association, the Supervisory Board of the Company is furthermore authorized to make modifications to the Company's Articles of Association that concern its wording.

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital until March 16, 2025, once or on multiple occasions by issuing new no-par value shares against cash or non-cash contributions, but by a maximum amount of 6,574,333.20 euros (Authorized Capital). The subscription rights of shareholders are also served with an indirect subscription right in accordance with Section 186 Para. 5 Sentence 1 of the German Stock Corporation Act. With the agreement of the Supervisory Board, the Executive Board is authorized to exclude the statutory subscription rights of shareholders

- for fractional amounts,
- to provide shares in return for contributions of fixed assets, in particular in the context of mergers with other companies or the purchase of other companies, parts of companies or of an interest in other companies,
- if the capital increase takes place by means of an equity contribution and the issued value is not, at the time of the final determination of the issued value by the Executive Board, significantly less than the share price of the shares of a similar nature and scope which are already quoted on the stock markets, when judged in terms of the provisions of Section 203 Para. 1 and 2, 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG) and the amount of the share capital attributable to the shares issued under exclusion of the statutory subscription rights according to Section 186 Section 3 Clause 4 does not exceed 2,191,444.40 euros or – if this amount is less – 10% of the existing base capital at the time of the issue of the new shares. When using this authorization under exclusion of subscription rights pursuant Section 186 Para. 3 Sentence 4 AktG, the exclusion of subscription rights on the basis of other authorizations pursuant to Section 186 Para. 3 Sentence 4 AktG shall be taken into account.

However, the total proportionate amount of the share capital attributable to new shares for which subscription rights are excluded on the basis of these authorizations, together with the proportionate amount of the share capital attributable to own shares or to which conversion and/or option rights or obligations from bonds relate that were sold or issued after the beginning of May 14, 2020 with an exclusion of subscription rights, may not exceed 10% of the share capital. The relevant amount shall be either the share capital existing on May 14, 2020, the share capital existing at the time of the registration of the authorization or the share capital existing at the time of the issuance of the new shares, whereby of the three aforementioned points the point in time at which the share capital is the lowest is to be taken into account. It shall also be considered an exclusion of subscription rights if the sale or issue is carried out by analogous or mutatis mutandis application of Section 186 Para. 3 Sentence 4 AktG.

Subject to agreement by the Supervisory Board, the Executive Board is authorized to determine the further details of implementing the increase in capital stock from Authorized Capital.

The share capital has been conditionally increased by up to 10,453,100.00 euros by issuing up to 10,453,100 no-par value bearer shares (Conditional Capital II). The conditional capital increase may only be carried out to the extent that the holder or creditor (jointly: Holders) of convertible or negotiable option bonds, issued up to March 16, 2020, on the basis of the authorization given to the Executive Board by the Annual General Meeting on March 17, 2015, in its original form or by way of the resolution of the Annual General Meeting on March 28, 2018, makes use of this conversion right or option right, or to the extent that the holders, who are obliged to make the conversion fulfill their obligation to undertake the conversion and that no other means of performance are applied in these cases. The new shares shall be issued at the option or conversion price to be determined in accordance with the aforementioned authorization resolutions. The new shares will begin participating in Company profits as of the start of the financial year in which they are created (by exercising options / conversion rights and / or fulfilling options / conversion obligations).

9 Corporate Governance Declaration

The Corporate Governance Declaration is publicly accessible via the website of ISRA VISION AG (www.isravision.com/corporate-governance).

Darmstadt, January 26, 2021

The Executive Board

Report of the Supervisory Board

Financial Year 2019/2020

Composition of the Supervisory Board

From October 2019 to July 2020, the Supervisory Board of ISRA VISION AG consisted of the six members Dr.-Ing. h. c. Heribert J. Wiedenhues (Chairman of the Supervisory Board), Prof. em. Dr. rer. Nat. Henning Tolle (Deputy Chairman of the Supervisory Board), Dr. Burkhard Bonsels (Deputy Chairman of the Supervisory Board), Stefan Müller, Susanne Wiegand and Dr.-Ing. Hans Peter Sollinger. Since September 2020, the Supervisory Board of ISRA VISION AG has consisted of the six members Henrik Elmin (Chairman of the Supervisory Board), Dr.-Ing. h. c. Heribert J. Wiedenhues (Deputy Chairman of the Supervisory Board), Kurt Vandingenen, Dr. Burkhard Bonsels, Hendrikus Brouwer and Lars Eklöf.

Cooperation between the Executive Board and the Supervisory Board

In financial year 2019/2020, the Supervisory Board again performed the duties incumbent upon it under the law and the Articles of Association properly and with great care. The Supervisory Board's cooperation with the Executive Board was characterized by intensive and trusting dialog. The Executive Board provided the Supervisory Board with regular, timely and comprehensive written and verbal reports on all significant transactions and developments. Communication focused on the company's financial and earnings situation and business development. The Supervisory Board discussed the reports of the Executive Board in detail and obtained additional information as required. It continuously monitored the work of the Executive Board on the basis of this reporting and advised it on the management and strategic development of the company. A catalog drawn up by the Supervisory Board lists the types of transactions for which the Executive Board requires the approval of the Supervisory Board. The Supervisory Board approved the following transactions submitted to it for approval by the Executive Board.

The yardsticks for the monitoring of the Executive Board by the Supervisory Board were in particular the lawfulness, orderliness, expediency and economic efficiency of the Group-wide management of the business by the Executive Board. The subject matter and scope of reporting by the Executive Board met the requirements imposed on it by law, by the principles of good corporate governance, and by the Supervisory Board. In particular, the Chairman of the Supervisory Board also maintained regular contact with the Executive Board, mainly with its Chairman, between Supervisory Board meetings and discussed with it issues of strategy, acquisitions, planning, business development, expansion of management personnel, the risk situation, risk management and compliance of ISRA VISION AG and the Group.

The Supervisory Board was always involved at an early stage in decisions of major importance. The Chairman of the Supervisory Board was always informed without delay by the Chairman of the Executive Board of important events that were of material significance for the assessment of the situation and development as well as for the management of the company.

In the past financial year, the Supervisory Board passed resolutions on the following topics:

December 10, 2019

- Resolution on the Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz, AktG).

January 28, 2020

- The Supervisory Board approved the annual financial statements and the Management Report for ISRA VISION AG as well as the Consolidated Financial Statements and the Group Management Report, in each case for financial year 2018/2019, without objections, whereby the annual financial statements are adopted.
- The Supervisory Board gives the Executive Board the freedom to contract out business consulting services and tax consulting services within the framework of EU laws. The Supervisory Board thus approves the provision of business consulting services and tax consulting services within the meaning of Article 5.1.2a, clauses i and iv to vii) of EU Regulation No. 537/2014 in the period October 1, 2019, to September 30, 2020, by RSM at ISRA VISION AG.
- The Supervisory Board resolves to endorse the Executive Board's proposal for the appropriation of profits and to propose to the Annual General Meeting the distribution of a dividend in the amount of 0.18 EUR per share.
- The Supervisory Board adopts the Report by the Supervisory Board.
- The Supervisory Board adopts its proposed resolutions on the agenda for the 2020 Annual General Meeting.
- Appointment of Sandra Cameron as a member of the Executive Board.

February 10, 2020

- Approval to enter into a Business Combination Agreement with Atlas Copco AB (publ) and Atlas Copco Germany Holding AG.

March 10, 2020

- Resolution on the joint statement in accordance with Section 27 of the German Securities Acquisition and Takeover Act (Wertpapierübernahmegesetz, WpÜG) with respect to Atlas Copco Germany Holding AG's voluntary takeover offer.

March 16, 2020

- Resolution by the Supervisory Board on its proposed resolutions for the agenda of the 2020 Annual General Meeting, which was initially postponed due to the COVID-19 pandemic.

April 6, 2020

- Approval of the payment of a portion of the unappropriated net profit to the shareholders.
- Approval of the holding of a virtual Annual General Meeting and its structure, as well as of the proposed resolutions for the Annual General Meeting on May 14, 2020.

May 14, 2020

- Election of the Chairman and Vice Chairman of the Supervisory Board as well as the replacement of the Main and Audit Committees.

July 10, 2020

- Approval of the acquisition of a shareholding in GFRT-Fortschrittliche Robotertechnologie GmbH & Co.KG and GFRT-Verwaltungs-GmbH.

September 24, 2020

- Election of the Chairman and Vice Chairman of the Supervisory Board and of the members of the Main and Audit Committees as well as of the newly formed Related Parties Transactions Committee.

Summary of key points in consultations by the Supervisory Board

The focal points of the Supervisory Board's deliberations at all meetings in the reporting period were as follows:

- The strategic partnership with Atlas Copco and the corresponding takeover offer,
- The strategy, planning and business development,
- The development of sales and the net assets, financial position and results of operations,
- The shareholdings and acquisition projects,
- The risk situation, risk and opportunity management, and compliance,
- The international development of the markets for industrial image processing, especially taking into account the global situation,
- The expansion of the technological portfolio with a focus on Big Data, as well as
- The expansion opportunities and risks for ISRA VISION AG and the Group.

Meetings of the Supervisory Board

The Supervisory Board held four ordinary meetings in financial year 2019/2020. The following topics in particular were discussed in detail at the meetings and the following resolutions were adopted.

Supervisory Board meeting on December 10, 2019

Five out of six members of the Supervisory Board attended the Supervisory Board meeting on December 10, 2019. Susanne Wiegand was noted as absent. A quorum of the Supervisory Board was present. The preliminary 2018/2019 financial statements were explained and discussed at this Supervisory Board meeting. In addition, the Executive Board provided a forecast for the first quarter of 2019/2020 and an outlook for the full financial year 2019/2020. The Declaration of Conformity with the Corporate Governance Code was discussed, justified deviations were noted in the Declaration of Conformity, and the declaration was finally adopted. The statements by the Chairman of the Executive Board on several possible acquisition projects were noted by the Supervisory Board. In addition, the amount of the next dividend payment was discussed in detail.

Supervisory Board meeting on January 28, 2020

The Supervisory Board meeting on January 28, 2020, was attended by all members of the Supervisory Board with the exception of Susanne Wiegand, who was excused from attending. A quorum of the Supervisory Board was present. In this meeting, the Audit Committee reported from its meetings on December 10, 2019, and January 28, 2020. The annual financial statements, the Consolidated Financial Statements, the Management Reports for ISRA VISION AG and the Group and the separate Non-financial Report for financial year 2018/2019, as well as the Executive Board's proposal for the appropriation of net retained profits were examined in detail by the Supervisory Board. This meeting was attended by the Chairman of the Executive Board and – in the person of the two auditors signing the audit certificate – the auditors. The auditors explained the main points of the audit of the parent-company and Consolidated Financial Statements, the results of the audit of the parent-company financial statements, the associated Management Report, the Consolidated Financial Statements and the corresponding Group Management Report. The audit did not lead to any findings. According to the results of these audits, the Consolidated Financial Statements are free of errors, there were no objections to the internal control system, and the risk early warning system is suitable for identifying risks to the continued existence of the company at an early stage. The questions from the members of the Supervisory Board were subsequently answered in detail by the auditors and individual issues were discussed in depth. Following the final results of the audit conducted by the Supervisory Board, the Supervisory Board determined that there were no objections to be raised. The annual financial statements and management reports for the company and the Group presented by the Executive Board for financial year 2018/2019 were therefore approved by the Supervisory Board. The annual financial statements of the company were thus adopted. In line with the recommendation of the Audit Committee, the Supervisory Board also approved the Executive Board's proposal for the appropriation of net income after detailed discussion.

The Chairman of the Supervisory Board explained that the board had duly and diligently performed the duties incumbent upon it under the law and the Articles of Association. The Supervisory Board adopted the report of the Supervisory Board for financial year 2018/2019 as presented. The Supervisory Board then discussed the organization and conduct of the Annual General Meeting and adopted its proposed resolutions on the agenda for the 2020 Annual General Meeting.

In addition, the Executive Board gave the Supervisory Board an overview of the first quarter of financial year 2019/2020, and the forecast to September 30, 2020, was explained and discussed. In addition, the Supervisory Board discussed potential acquisitions. Furthermore, the Supervisory Board discussed the findings of the Main Committee on Executive Board remuneration and approved in its entirety the figures proposed by the Main Committee. At the Supervisory Board meeting on January 28, 2020, the Supervisory Board was also informed in detail about the takeover offer by Atlas Copco AB.

Supervisory Board meeting on May 14, 2020

Due to the COVID-19 pandemic, the Supervisory Board meeting was held in virtual form via video conference. All members of the Supervisory Board attended this meeting. Following the Annual General Meeting, at which Dr.-Ing. h.c. Heribert Wiedenhues and Dr. Bonsels were re-elected as members of the Supervisory Board, a constituent meeting of the Supervisory Board was held at which the two aforementioned gentlemen were unanimously elected Chairman and Vice Chairman of the Supervisory Board respectively. In addition, a new composition of the Main and Audit Committees was resolved. The current status of the acquisition by Atlas Copco AB was then explained to the Supervisory Board by the Chairman of the Executive Board. The Board of Directors also reported on the second quarter of 2019/2020, gave a preview of the third quarter of 2019/2020 and an outlook for the full financial year 2019/2020, with the Supervisory Board taking note of the Executive Board's planning and forecasts with approval. The CEO further explained current acquisition projects and informed the Supervisory Board about further details. The Supervisory Board took note of the explanations.

Supervisory Board meeting on September 24, 2020

All members of the Supervisory Board attended the virtual Supervisory Board meeting on September 24, 2020. At this meeting, the Chairman and Vice Chairman of the Supervisory Board as well as the members of the committees were newly elected. The Supervisory Board replaced the Audit Committee and the Main Committee and formed a new Related Party Transactions Committee. The committees each consist of three members.

Activities of the committees

The Supervisory Board had three committees in financial year 2019/2020: the Main Committee, the Audit Committee, and the Related Party Transactions Committee.

The Main Committee is responsible for preparing Supervisory Board meetings and dealing with ongoing matters. It deals with the Declaration of Conformity with the Corporate Governance Code and handles the composition of the Executive Board as well as the remuneration and service contracts with members of the Executive Board and represents the company in concluding them (unless the full Supervisory Board is responsible by law). In addition, it was tasked in financial year 2019/2020 with proposing suitable candidates to the Supervisory Board for its recommendation to the Annual General Meeting for the election of Supervisory Board members.

The Audit Committee deals in detail with the issues of accounting, risk management and compliance, the necessary independence of the auditor, the issuing of the audit engagement, the determination of the focal points of the audit and the fee agreement.

The Related Party Transactions Committee newly formed in financial year 2019/2020 deals in detail with the review of related party transactions and approves them.

The Audit Committee dealt with audit issues at its meeting on December 10, 2019. At its meeting on January 28, 2020, it examined the financial statement documents for financial year 2018/2019 and the Executive Board's proposal for the appropriation of net income from this financial year and submitted its recommendations in this regard to the full Supervisory Board. The Audit Committee submitted its recommendation to the full Supervisory Board regarding the proposal for the election of the auditor and also dealt extensively with risk management and compliance.

At its meeting on December 10, 2019, the Main Committee focused on preparations for the Main Committee meeting on January 28, 2020. At the meeting of the Main Committee on January 28, 2020, the committee members discussed in particular the amount of the Executive Board's fixed and variable compensation for the 2018/2019 financial year. In addition, the Executive Board's targets for financial year 2019/2020 were discussed. The compensation for 2018/2019 and the targets for 2019/2020 were approved and the related documents signed by the Chairman of the Main Committee.

The Related Party Transactions Committee had not yet held a meeting in financial year 2019/2020.

Corporate Governance and Declaration of Conformity

In financial year 2019/2020, the Supervisory Board again dealt in detail with corporate governance issues and the German Corporate Governance Code. On December 14, 2020, the Supervisory Board adopted a resolution on the Declaration of Conformity pursuant to Section 161 AktG with the German Corporate Governance Code (GCGC) as amended on December 16, 2019. This Declaration of Conformity is included in the Corporate Governance Statement and, like the previous declarations of the last five years, is permanently available on the company's website. No conflicts of interest arose in the Supervisory Board during financial year 2019/2020. Apart from Susanne Wiegand, no member of the Supervisory Board attended fewer than half of the meetings. In accordance with the Corporate Governance Code, the Supervisory Board regularly reviewed and increased the efficiency of its work. Furthermore, the Supervisory Board took responsibility for the training and continuing education measures required for its duties. In this respect, the company enabled members of the Supervisory Board to participate in external training events.

Audit of the Annual Financial Statements and the Consolidated Financial Statements for Financial Year 2019/2020

The annual financial statements prepared in accordance with the rules of the German Commercial Code (HGB) and the Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, as well as the supplementary provisions of commercial law to be applied in accordance with Section 315e HGB, as well as the Management Report and the Group Management Report of ISRA VISION AG for financial year 2019/2020 have been audited by the auditor elected by the Annual General Meeting on May 14, 2020, and commissioned in writing by the Supervisory Board on October 22, 2020, RSM GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (RSM), and have each been issued with an unqualified audit opinion. The report by the Executive Board on relationships with affiliated companies (dependent company report) was likewise audited by RSM. The auditors conducted their audit in accordance with Section 317 of the German Commercial Code (HGB) and the EU Regulation on the Audit of Annual Financial Statements in compliance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the International Standards on Auditing (ISA).

Before the Supervisory Board proposed RSM as auditor to the Annual General Meeting, RSM had confirmed to the Chairman of the Supervisory Board and the Audit Committee that there were no circumstances that could impair its independence as auditor or give rise to doubts about its independence. RSM also explained the extent to which other services had been provided for the company in the previous financial year or had been contractually agreed for the following year. The Supervisory Board has agreed with RSM, among other things, that RSM will inform the Supervisory Board and make a note in the audit report if facts are ascertained during the performance of the audit that reveal a misstatement in the Declaration of Conformity with the German Corporate Governance Code issued by the Executive Board and Supervisory Board.

The aforementioned financial statement documents and the combined separate non-financial report for financial year 2019/2020, the dependent company report, the auditor's reports and the Executive Board's proposal for the appropriation of net income were transmitted to the members of the Supervisory Board in a timely manner. In preparation for the review of these documents in the full Supervisory Board meeting, the Audit Committee of the Supervisory Board dealt with the aforementioned financial statement documents and the auditor's reports at its meeting on January 21, 2021.

At the meeting of the Audit Committee on January 21,2021 and the subsequent plenary meeting of the Supervisory Board on January 27, 2021, the Executive Board explained the documents relating to the financial statements and its proposal for the appropriation of net income. The Executive Board also answered questions from the committee and Supervisory Board members.

The Audit Committee and the Supervisory Board examined the financial statement documents after they had been explained by the Executive Board, taking into account the audit reports of RSM. The auditors present at the Audit Committee meeting and at the Supervisory Board meeting on the financial statements - in the person of the two auditors signing the audit opinion - reported in detail on the audit and the audit results and explained the audit report.

The main focus of the audit by the Audit Committee and the Supervisory Board was on consistency of recognition and measurement, intercompany eliminations, impairment of investments, and percentage-of-completion and impairment testing of goodwill in accordance with IAS 36. In their report to the Audit Committee meeting on January 21, 2021 and the Supervisory Board's financial statements meeting on January 27, 2021, the auditors also informed the Supervisory Board that their audit had not identified any material weaknesses in the internal control and risk management systems relating to the accounting process. The auditor was questioned in detail by both the Audit Committee and the Supervisory Board about the audit findings and the nature and scope of the audit work. Furthermore, the Audit Committee reported to the Supervisory Board on its own review of the financial statements, its discussions with the Executive Board and the auditor, and its monitoring of the financial reporting process.

The committee also reported that it had dealt with the effectiveness of the internal control, risk management and internal audit systems of ISRA VISION AG and the Group as part of its monitoring function and had satisfied itself of their effectiveness; on the basis of the relevant committee report, the Supervisory Board also came to the conclusion that the systems in question were effective.

The committee also informed the Supervisory Board plenum about its information provided by RSM that there were no circumstances indicating their bias and which services were provided by RSM outside of the audit of the financial statements. The committee also reported on its monitoring of the independence of the auditor, taking into account the non-audit services provided, and its assessment that the auditor has the necessary independence; on the basis of this committee report, the Supervisory Board also reached this assessment.

The Audit Committee and the Supervisory Board were able to satisfy themselves that the audit was properly conducted by RSM. In particular, they came to the conclusion that the audit reports - as well as the audit itself - complied with the legal requirements. The Supervisory Board then gave its approval to the result of the audit on the basis of the report and the recommendation of the Audit Committee and, since no objections were to be raised even after the final result of its own audit, approved the Annual Financial Statements, the Consolidated Financial Statements as well as the Management Report and the Group Management Report (including the combined separate non-financial report) for financial year 2019/2020. The annual financial statements of the company are thus adopted.

The Supervisory Board concurred in its assessment of the situation of the company and the Group with that of the Executive Board in its management reports. The Supervisory Board examined in detail the proposal for the appropriation of the balance sheet profit explained by the Executive Board, in particular from the point of view of the distribution policy, the liquidity of the ISRA Group and the shareholders' interests - which included a discussion with the auditor - and endorsed this proposal.

The Executive Board prepared the aforementioned dependent company report for financial year 2019/2020 in accordance with Section 312 AktG and issued following final declaration:

"As the Executive Board of ISRA VISION AG, we declare that in the financial year 2019/2020, in which Atlas Copco Germany Holding AG was the controlling company within the meaning of Section 17 of the German Stock Corporation Act (AktG), i.e. in the period from June 24, 2020 to September 30, 2020, ISRA VISION AG received appropriate consideration for each of the legal transactions disclosed in the report on relationships with affiliated companies according to the circumstances known to us at the time at which the legal transactions were carried out, received appropriate consideration for each legal transaction. According to the circumstances known to us at the time when the measures were taken, the measures taken were not to the disadvantage of ISRA VISION AG due to the synergy effects and savings achieved."

The auditor issued the following opinion on the results of the audit:

"Following our audit and assessment in discharge of our duties we confirm that

1. The factual information of the report is correct,
2. The performance of the legal transactions listed in the report Society was not inappropriately high,
3. No circumstances for one of the measures listed in the report speak significantly different assessment than that of the board of directors."

The dependent company report was also discussed in the Supervisory Board meeting held on January 27, 2021, and it was in particular reviewed for completeness and accuracy. The auditor reported on the key findings of the audit of the dependent company report and was available to the Supervisory Board for questions and supplementary information.

Following the final results of its review, the Supervisory Board did not raise any objections to the Executive Board's final declaration in the report regarding relationships with related parties and concurred with the results of the audit by the auditor.

Our Thanks

The Supervisory Board would like to thank the Executive Board and all employees of ISRA VISION AG and its Group companies for their hard work, personal commitment and innovations that made ISRA VISION AG so successful in the past financial year 2019/2020.

Darmstadt, January 27, 2021

Henrik Elmin
Chairman of the Supervisory Board

Corporate Governance Declaration

Disclosures pursuant to Section 289f of the German Commercial Code (HGB)

This Corporate Governance Declaration pursuant to Section 289f of the German Commercial Code (HGB) includes in particular the Declaration of Conformity pursuant to Section161 of the German Stock Corporation Act (AktG), the relevant disclosures on corporate governance practices, which are applied beyond the statutory requirements, a description of the working methods of the Executive Board and Supervisory Board as well as the composition and working methods of the Supervisory Board committees, the stipulations pursuant to Section 76 Para. 4 and Section 111 Para. 5 of the German Stock Corporation Act (AktG), as well as the disclosures on the achievement of the stipulations.

Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act (AktG)

The German Corporate Governance Code provides legal regulations for managing and monitoring publily listed German companies and contains internationally and nationally recognized standards of good and responsible corporate governance in the form of recommendations and suggestions. In accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board declare annually that ISRA has complied and will continue to comply with the recommendations of the German Corporate Governance Code or which recommendations have not been or will not be applied and why not.

The current Declaration of Compliance with the Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG), which the Executive Board and Supervisory Board of ISRA issued in December 2020, reads as follows:

The Executive Board and the Supervisory Board of ISRA VISION AG have complied with all recommendations of the “Government Commission on the German Corporate Governance Code” in the version of February 7, 2017 (“Code 2017”) published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette since issuing the last Declaration of Conformity on December 1, 2019. The following recommendations were not or not fully complied with:

Section 3.8 Para. 3 GCGC

The D&O insurance policies for the members of the Supervisory Board do not provide for a deductible. The Executive Board and the Supervisory Board do not believe that the responsibility with which the members of the Supervisory Board perform their duties is improved by such a deductible. Rather, there is a risk that the agreement of a deductible would run counter to ISRA VISION AG’s efforts to recruit highly qualified individuals for the Supervisory Board.

Section 4.2.3 Para. 2 GCGC

The service contracts of the Executive Board members contain maximum limits with regard to the variable compensation components, but do not specify maximum limits in terms of amount for the total compensation, including fringe benefits. It is not intended to amend the existing service contracts of the Executive Board members. This is because the limitation of the variable compensation components ensures to a sufficient extent that the total compensation will also always remain within an appropriate and predictable range. The Supervisory Board does not consider it imperative that both positive and negative developments be taken into account when structuring the variable compensation components. Even without such a provision, the Supervisory Board is of the opinion that, taking into account the circumstances of the individual case and the structure of the variable compensation components, it is ensured that the compensation of the Executive Board members is geared overall to sustainable corporate development.

Section 4.2.3 Para. 4 GCGC

The employment contracts of the Executive Board members of ISRA VISION AG do not contain a severance payment cap, because the amount of a possible severance payment is the subject of a termination agreement to be concluded upon termination of the Executive Board activity and is thus dependent on an agreement with the Executive Board member. ISRA VISION AG is also convinced that, even without such a clause, the Supervisory Board will take sufficient account of the company’s interests when negotiating with a departing Executive Board member and will not grant excessive severance payments.

Section 4.2.5 Para. 3 and 4 GCGC

According to Section 4.2.5 Para. 3 GCGC, the remuneration for each Executive Board member should be presented in the remuneration report with specific details and using sample tables. The remuneration of the Executive Board is disclosed at ISRA VISION AG in accordance with the statutory provisions. ISRA VISION AG is convinced that the remuneration of the Executive Board can be presented in a clear and comprehensible manner for the shareholders without a complex and elaborate breakdown and without using rigid model tables.

Section 5.1.2 GCGC

The objective of the appointment of the Executive Board of ISRA VISION AG is that the members have the knowledge, skills and professional experience required for the proper performance of the tasks. The Supervisory Board - in agreement with the Executive Board - and in accordance with the General Equal Treatment Act (AGG), does not wish to be bound by predetermined criteria such as gender or an age limit when selecting candidates for the Executive Board, but instead to be able to decide freely in the specific decision-making situation for those persons available who appear to it to be best suited for the office of Executive Board member. For this reason, the Supervisory Board does not set an age limit for Executive Board members within the meaning of Section 5.1.2 Para. 2 Sentence 3.

Section 5.3.2 Para. 2 and 3 Sentence 3 GCGC

Issues relating in particular to the monitoring of accounting, the accounting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, the audit of the financial statements here in particular the independence of the auditor, as well as compliance and the other points listed in the Code are of such fundamental importance that they are not discussed in a committee of the Supervisory Board, but are reserved for the full Supervisory Board. The Chairman of the Audit Committee is appointed in particular on the basis of his particular experience and knowledge in the application of accounting principles and internal control procedures. Against this background, it cannot be ruled out that the Chairman of the Supervisory Board will also be elected Chairman of the Audit Committee.

Section 5.3.3 GCGC

The Supervisory Board of ISRA VISION AG consists of six members. Due to the small number of Supervisory Board members, the formation of a nomination committee was refrained from for a long time. In the meantime, a nomination committee has been formed.

Section 5.4.1 Para. 2, 4 and 5 Sentence 2 GCGC

The objective of the composition of the Supervisory Board of ISRA VISION AG is that its members as a whole have the knowledge, skills and professional experience required to properly perform their duties. In doing so, the Supervisory Board will always also ensure its sufficient independence. However, the Supervisory Board must regularly decide on the most suitable candidates from its point of view when a new election is due. In this respect, the Supervisory Board has not drawn up a formal competence profile for the entire Board and does not intend to do so. The Supervisory Board - in agreement with the Executive Board - does not consider it appropriate for it to be bound by abstract targets formulated in advance when selecting candidates, instead of being able to decide freely in the specific decision-making situation for those persons available who appear to it to be best suited for the office. For this reason, the Supervisory Board does not specify concrete targets within the meaning of Section 5.4.1 Para. 2 GCGC, nor does it set an age limit for Supervisory Board members or a standard limit for the length of membership of the Supervisory Board in accordance with the AGG. As a result, such targets are neither taken into account in election proposals to the relevant election bodies nor are they reported on and the status of their implementation. The Company complies with all legal requirements and also complies with the recommendations of the GCGC with regard to the publication of detailed information on the candidates proposed to the Annual General Meeting for election to the Supervisory Board. In addition, it complies with the requirement to provide a comprehensive, annually updated presentation of all Supervisory Board members and their respective mandates in the notes to the annual financial statements and the notes to the consolidated financial statements. The Company does not see any added value in publishing an annually updated overview of the significant activities in addition to the Supervisory Board mandates for all Supervisory Board members on the Company's website.

Section 5.4.6 Para. 1 Sentence 2 GCGC

The compensation of the Supervisory Board members takes into account chairmanship and vice-chairmanship of the Supervisory Board. Separate compensation for chairmanship and membership of the committees is not considered appropriate due to the size of the committees, the size of the Company and the level of Supervisory Board compensation.

Section 5.4.6 Para. 3 GCGC

The compensation of the Supervisory Board is disclosed in the consolidated financial statements. This takes appropriate and sufficient account of the shareholders' justified need for information. Individualized information on the compensation of Supervisory Board members is therefore not provided.

Section 7.1.2 Sentence 2 and 3 GCGC

The Supervisory Board regularly discusses the interim financial information with the Executive Board. In the interests of streamlined processes, financial information relating to periods of less than one year is not discussed again with the Executive Board after completion of the reports. The Company complies with the current legal requirements and publishes the consolidated financial statements and interim financial information within the legally prescribed periods after the end of the reporting period. Regular publication within the period recommended by the Corporate Governance Code would only be possible with an increase in the size of the internal accounting system and the associated higher costs. This would not be in line with the objective of lean management structures.

The Executive Board and the Supervisory Board of ISRA VISION AG comply with all recommendations of the "Government Commission on the German Corporate Governance Code" in the version of December 16, 2019 ("Code 2019") published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette and will continue to comply with them in the future, with the following exceptions:

Section B.3 GCGC

The members of the Executive Board of ISRA VISION AG are appointed in accordance with the German Stock Corporation Act for periods of office of up to five years each. A general shortening of the term of office in the case of the first appointment is not provided for. The Supervisory Board - in agreement with the Executive Board - considers it preferable not to restrict the flexibility opened up by the law in order to be able to determine the duration of the term of office appropriately depending on the individual case. In particular, limiting the duration of the initial appointment cannot be in the interests of the Company if the Executive Board members have already worked for the Company prior to their appointment to the Executive Board.

Section B.5 GCGC

The objective of the appointment of the Executive Board of ISRA VISION AG is that the members have the knowledge, skills and professional experience required for the proper performance of the tasks. The Supervisory Board - in agreement with the Executive Board - and in accordance with the General Equal Treatment Act (AGG), does not wish to be bound by predetermined criteria such as gender or an age limit when selecting candidates for the Executive Board, but instead to be able to decide freely in the specific decision-making situation for those persons available who appear to it to be best suited for the office of Executive Board member. For this reason, the Supervisory Board does not set an age limit for Executive Board members and will not state this in the corporate governance statement.

Section C.1 and C.2 GCGC

The objective of the composition of the Supervisory Board of ISRA VISION AG is that its members as a whole have the knowledge, skills and professional experience required to properly perform their duties. In doing so, the Supervisory Board will always also ensure its sufficient independence. However, the Supervisory Board must regularly decide on the most suitable candidates from its point of view when a new election is due. In this respect, the Supervisory Board has not drawn up a formal competence profile for the entire Board and does not intend to do so. The Supervisory Board - in agreement with the Executive Board - does not consider it appropriate for it to be bound by abstract targets formulated in advance when selecting candidates, instead of being able to decide freely in the specific decision-making situation for those persons available who appear to it to be best suited for the office. For this reason, the Supervisory Board neither specifies concrete targets nor sets an age limit for Supervisory Board members in accordance with the AGG. As a result, such targets are neither taken into account in the election proposals to the relevant election bodies nor are they reported on and the status of their implementation. The Supervisory Board complies with all legal requirements and also complies with the recommendations of the GCGC with regard to the publication of detailed information on the candidates proposed to the Annual General Meeting for election to the Supervisory Board. In addition, it complies with the requirement to provide a comprehensive, annually updated presentation of all Supervisory Board members and their respective mandates in the notes to the annual financial statements and the notes to the consolidated financial statements, and to disclose their respective length of service.

Section C.10 GCGC

The Chairman of the Audit Committee is appointed in particular on the basis of his particular experience and knowledge in the application of accounting principles and internal control procedures. Supervisory Board members who are not independent of the controlling shareholder also have such experience and knowledge. Against this background, it cannot be ruled out that the Chairman of the Audit Committee is not independent of the controlling shareholder.

Section C.14 GCGC

The Company complies with all legal requirements and also complies with the recommendations of the GCGC with regard to the publication of detailed information on the candidates proposed for election to the Supervisory Board at the Annual General Meeting. In addition, it complies with the requirement to provide a comprehensive, annually updated presentation of all Supervisory Board members and their respective mandates in the notes to the annual financial statements and the notes to the consolidated financial statements. The Company does not see any added value in publishing an annually updated overview of the significant activities in addition to the Supervisory Board mandates for all Supervisory Board members on the Company's website.

Section D.1 GCGC

The Rules of Procedure of the Supervisory Board will not be made available on the Company's website. Insofar as their content is not already apparent from the declaration on corporate governance, they contain the usual rules on the internal organization of the Supervisory Board. We see no added value in making these rules publicly accessible.

Section D.7 GCGC

The cooperation between the Supervisory Board and the Executive Board is characterized by a trusting and open relationship. For this reason, it is not planned for the Supervisory Board to meet regularly without the Executive Board, but only to the extent that it actually deals with Executive Board matters itself. Involving the Executive Board as far as possible in Supervisory Board meetings serves to ensure effective cooperation for the benefit of the Company.

Section E.3 GCGC

It is at the discretion of each member of the Executive Board of ISRA VISION AG which sideline activities he exercises and which Supervisory Board mandates he accepts and does not require the prior approval of the Supervisory Board. Should a corresponding external mandate or secondary activity lead to a conflict of interest, this must be reported to the Supervisory Board without delay and discussed with the Supervisory Board as to whether the exercise of the mandate appears to be reasonable.

Section F.2 GCGC

The Company complies with the current legal requirements and publishes the consolidated financial statements and interim financial information within the legally prescribed periods after the end of the reporting period. Regular publication within the period recommended by the Corporate Governance Code would only be possible with an increase in the size of the internal accounting system and the associated higher costs. This would not be in line with the objective of lean management structures.

Section G.10 GCGC

Due to the planned squeeze-out under conversion law, it is not expected that share-based compensation will be provided for in the case of new contracts or extensions to contracts for the employment of members of the Management Board.

Section G.13 GCGC

The employment contracts of the Executive Board members of ISRA VISION AG do not contain a severance payment cap, because the amount of a possible severance payment is the subject of a termination agreement to be concluded upon termination of the Executive Board activity and is thus dependent on an agreement with the Executive Board member. ISRA VISION AG is also convinced that, even without such a clause, the Supervisory Board will take sufficient account of the company's interests when negotiating with a departing Executive Board member and will not grant excessive severance payments.

Relevant disclosures on corporate governance practices that are applied beyond the statutory requirements

Corporate governance through value-oriented management

An essential factor for a company's success is its management. ISRA has always placed great importance on responsible, value-oriented, effective corporate governance. For this purpose, ISRA orients itself, among other things, towards the relevant legal regulations for managing and monitoring publicly listed German companies and towards internationally and nationally recognized standards of good corporate governance (German Corporate Governance Code - accessible on the Internet at www.dcgk.de). The Executive Board and Supervisory Board are particularly committed to responsible corporate governance and long-term value-enhancing corporate governance.

Compliance Code of Conduct

ISRA VISION AG and all of its employees worldwide have committed themselves to essential basic principles for responsible action within the framework of a Compliance Code of Conduct. In addition to the basic presentation of general principles of conduct such as equal opportunities, fair treatment of business partners and careful handling of confidential data, the Compliance Code of Conduct also contains general requirements for avoiding corruption and bribery, as well as regulations on transactions with related parties and the applicable insider guidelines. In addition, there is also a Supplier Code of Conduct, i.e. a code of conduct for our suppliers, which describes important standards that correspond to the company values of ISRA VISION and which must be followed.

Managing risks effectively

Doing business as an entrepreneur means taking risks. Effective management of these risks will determine the success of a company. ISRA's risk management system ensures that these risks are handled in a responsible manner. It is especially designed to promptly recognize, evaluate and manage risks. The risk management system is continually readjusted in line with the insights gained from previous years, new legal requirements and changes according to the German Corporate Governance Code. The Executive Board reports in detail about risks and future trends in the Management Report.

Description of the working methods of the Executive Board and Supervisory Board

The Executive Board manages the business independently

Good corporate governance at ISRA means first and foremost constructive, trusting cooperation between the Executive Board and the Supervisory Board with the goal of corporate governance targeted towards value enhancement. The Executive Board develops the Company's strategic orientation in consultation with the Supervisory Board and manages the ISRA Group on its own responsibility. The rules of procedure for the Executive Board regulate the internal order of the Executive Board, the distribution of responsibilities within the Executive Board and define transactions and measures that require the approval of the Supervisory Board.

The Chairman of the Executive Board, Mr. Enis Ersü, coordinates the Executive Board and with it the management of the Company with respect to the overall goals and plans of the Executive Board. Mr. Hans Jürgen Christ is responsible for Sales and Strategic Operations and Dr.-Ing. Johannes Giet for Research and Development.

The Supervisory Board monitors and advises the Executive Board

The Supervisory Board appoints the members of the Executive Board and advises the Executive Board with respect to the management of the Company. It monitors and checks the Executive Board in its management activities. The Rules of Procedure for the Supervisory Board govern the internal organization of the Supervisory Board. The Supervisory Board reports annually to the Annual General Meeting in a written report on its activities in the past financial year and on its examination, in particular, of the Annual and Consolidated Financial Statements for the past financial year.

The Chairman of the Supervisory Board coordinates the work on the Supervisory Board, chairs its meetings, and externally represents the interests of the Supervisory Board. The Chairman of the Supervisory Board keeps in regular contact with the Executive Board including in between meetings of the Supervisory Board, particularly with its Chairman, and also discusses with him questions concerning the strategy, business development, risk situation, risk management and the Company's compliance. The Chairman of the Executive Board informs the Chairman of the Supervisory Board without delay about important events that are of material importance for the assessment of the situation and development as well as the management of the Company.

Composition of the Supervisory Board

The objective of the composition of the Supervisory Board of ISRA VISION AG is to ensure that its members as a whole have the knowledge, skills and professional experience required to properly perform their duties. In doing so, the Supervisory Board will also always ensure its sufficient independence. However, the Supervisory Board must decide on the most suitable candidates from its point of view in this respect on a regular basis when a new election is due. In this respect, the Supervisory Board has not drawn up a formal competence profile for the full Board and does not intend to do so. The Supervisory Board - in agreement with the Executive Board - does not consider it appropriate for it to be bound by abstract targets formulated in advance when selecting candidates, instead of being able to decide freely in the specific decision-making situation for those individuals available who appear to it to be best suited for the office. For this reason, the Supervisory Board neither specifies concrete targets nor sets an age limit for Supervisory Board members in accordance with the General Equal Treatment Act (AGG). As a result, such goals are neither taken into account in the election proposals to the responsible election bodies nor are they and the status of their implementation reported on. The composition of the Supervisory Board members of ISRA VISION AG takes into account the ownership structure as well as the appropriate number of independent members. The members of the Supervisory Board of ISRA VISION AG, in particular the members who do not belong to the (indirect) shareholder Atlas Copco AB, are classified as independent by the Company or the Supervisory Board, despite the existence of one individual criterion from item C.7 of the recommendation of the GCGC in each case. The reasons for this are as follows: Although Dr.-Ing. h. c. Heribert J. Wiedenhues has been a member of the Supervisory Board for more than 12 years, but neither holds shares in the Company nor has any further dealings with the Company. In particular, he is not financially dependent on his activities as a Supervisory Board member. In view of his professional past, his knowledge and experience, he is held in high esteem by ISRA VISION and is able to make a correspondingly independent contribution to the work of the Supervisory Board. In the past financial year, Dr. Burkhard Bonsels still had a consulting agreement with ISRA VISION AG, but was not financially dependent on it in any way. The Supervisory Board had also approved the consulting agreement in accordance with Section 114 (1) of the AktG.

Cooperation between the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board work together closely in the best interests of the Company and keep in regular contact. In the process, the Executive Board reports to the Supervisory Board on a regular basis, timely and extensively in written and verbal form, particularly about all questions relevant to the Company concerning strategy, planning, business development, the risk situation, risk management and compliance.

Avoidance of conflicts of interest

Conflicts of interest on the part of members of the Executive Board or Supervisory Board are immediately disclosed to the Supervisory Board. The acceptance of activities by members of the Executive Board that are not part of the scope the Executive Board mandate are subject to the approval of the Supervisory Board.

Working methods and composition of the committees of the Executive Board and Supervisory Board

To increase efficiency, the work of the Executive Board is organized into departments unless the law, the Articles of Association or the management stipulates that the entire body is responsible as a whole. However, the Executive Board has not formed any committees.

The Supervisory Board has formed committees in order to increase its efficiency. In financial year 2019/2020, the Supervisory Board had three committees, the Main Committee, the Audit Committee and the Related Party Transactions Committee.

Audit Committee

The Audit Committee consists of three members of the Supervisory Board:

- Mr. Kurt Vandingenen (Chairman of the Audit Committee)
- Dr. Burkhard Bonsels
- Mr. Lars Eklöf

The Audit Committee deals in detail with the issues of accounting, risk management and compliance, the necessary independence of the auditor, the issuing of the audit engagement, the determination of the focal points of the audit and the fee agreement.

Main Committee

The Main Committee comprises three members of the Supervisory Board:

- Mr. Henrik Elmin (Chairman of the Main Committee)
- Dr.-Ing. h. c. Heribert J. Wiedenhues
- Mr. Kurt Vandingenen

The Main Committee is responsible for preparing Supervisory Board meetings and dealing with ongoing matters. It deals with the Declaration of Conformity with the Corporate Governance Code and handles the composition of the Executive Board as well as the remuneration and service contracts with members of the Executive Board and represents the company in concluding them (unless the full Supervisory Board is responsible by law). In addition, it was tasked in financial year 2019/2020 with proposing suitable candidates to the Supervisory Board for its recommendation to the Annual General Meeting for the election of Supervisory Board members.

Related Party Transactions Committee

The Related Party Transactions Committee comprises three members of the Supervisory Board:

- Dr.-Ing. h. c. Heribert J. Wiedenhues (Chairman of the Committee for Related Party Transactions)
- Mr. Henrik Elmin
- Mr. Burkhard Bonsels

The Related Party Transactions Committee deals in detail with the review of the Company's transactions with related parties and approves them.

The committees regularly report to the Supervisory Board about their work. The Chairman of the Audit Committee has special knowledge and experience in the area of financial reporting, auditing and internal auditing methods. The Chairman is not a former member of the Executive Board of the Company whose appointment ended less than two years ago.

The Supervisory Board performs efficiency checks on a regular basis.

Determination to promote the participation of women in management positions

In September 2015, the Executive Board of ISRA VISION AG, in complying with Section 76 Para. 4 of the German Stock Corporation Act (AktG), determined a target figure of 5 % for the share of women in the first management level below the Executive Board by June 30, 2017. Due to the flat hierarchical structure of the Company, the target figure refers to one management level below the Executive Board. This target figure was achieved at the end of the target attainment period. The Executive Board has decided to continue to set the target for the percentage of women in the first management level below the Executive Board at 5 percent. The share of women at the first management level beneath the Executive Board is currently 15 %. The Company will work to increase the share of women in management levels below the Executive Board.

The Supervisory Board of ISRA VISION AG has, in complying with Section 111 Para. 5 of the German Stock Corporation Act (AktG) and under consideration of the current contract situations, determined a target figure of 16.67 % for the share of women on the Supervisory Board and of 0 % for the share of women on the Executive Board by June 30, 2017. These target figures were achieved at the end of the target attainment period. Against the backdrop of the expiry of the first target attainment periods as of June 30, 2017, new targets were defined for ISRA VISION AG. The Supervisory Board has resolved to set the target for the share of women on the Supervisory Board at 16.67 % and the Executive Board level at 0 %. In the past financial year, the acquisition of the majority of shares by Atlas Copco Germany Holding AG fundamentally changed the ownership structure of ISRA VISION AG. These changes are also reflected in the changed composition of the Supervisory Board. The selection of the new members was based primarily on their experience in the business area of ISRA VISION AG or related business areas. As a result, however, the share of women on the Supervisory Board did not increase, but actually decreased.

The deadline for achieving the new targets was set as June 30, 2022.

Diversity concept and succession planning

ISRA VISION AG relies on diversity in the selection of its employees. In this respect, internationality, as well as a balanced ratio of age, gender, origin and professional experience characterize the lived objective for the balanced composition of the teams worldwide, even though there is no formal diversity concept.

Besides diversity, this type of management composition described above also serves for the long-term succession planning, which is regularly discussed by the Executive Board and Supervisory Board. Just as the Executive Board does when filling management positions, the Supervisory Board pays attention to diversity when appointing Executive Board members.

Reassuring and expanding Trust

By providing open information and transparent decision-making structures, the Management aims to confirm and further develop the trust of customers, employees, business partners, shareholders and the public. The Company communicates proactively, openly, regularly and completely. Information relevant to the share price is reported immediately via ad hoc announcements. All mandatory publications, Company reports, essential notifications and press releases are published promptly on ISRA's website. In this way, the company ensures equal treatment of all shareholders.

The Executive Board

Pro Forma Consolidated Total Operating Revenue EBITDA-EBIT Statement *

ISRA VISION AG voluntarily publishes a pro forma consolidated total operating revenue EBITDA-EBIT statement typical for the industry oriented to the nature of expense method. The main 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 revenues 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 are now spread over the relevant functional areas. The EBIT earnings reported in the pro forma Consolidated Total Operating Revenue EBITDA-EBIT Statement do not deviate from the Consolidated Statement of Income, which corresponds to IFRS.

(in € k)	Oct. 01,2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Sales revenues	129,309	153,901
Own work capitalized	21,640	18,036
Total output	150,948	171,937
Cost of materials	28,082	33,545
Cost of labor exculding depreciation	28,116	31,897
Cost of production exculding depreciation	56,199	65,441
Gross profit	94,750	106,495
Research and Development total	25,487	24,849
Sales and Marketing	26,243	27,958
Administration	5,611	5,469
Sales and Administration exculding depreciation	31,854	33,428
Other revenues	1,177	3,763
EBITDA before transaction costs	38,585	51,982
Depreciation	20,838	18,116
Total costs	78,179	76,392
EBIT for transaction costs	17,747	33,866
Financing income	89	221
Financing expense	- 502	-386
Result of financing	-413	- 164
EBT before transaction costs	17,334	33,701
Transaction costs	- 1,357	- 1,563
EBT	15,977	32,138
Income taxes	6,523	9,511
Group result	9,453	22,627
of which attributable to non-controlling shareholders	27	67
of which attributable to shareholders of ISRA VISION AG	9,426	22,560
Group earnings per share in euros	0.43	1.03
Number of shares in circulation	21,886,744	21,889,900

* This pro forma presentation is an additional presentation based on the previous years and therefore not part of the ISRA Consolidated Financial Statements. These are not IFRS key financial figures.

- Consolidated Financial Statements (IFRS)

2019 / 2020

Consolidated Statement of Income

(in € k)	Note	Oct. 01,2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Sales revenues		129,309	153,901
Cost of sales	2	56,893	65,935
Gross result from sales (gross margin)		72,416	87,966
Research and Development		21,280	23,305
Total costs		25,487	24,849
Depreciation	13	18,074	17,105
Grants		- 642	- 613
Own work capitalized	13	- 21,640	- 18,036
Sales and Marketing	3	27,948	28,391
Administration	4	5,975	5,554
Sales and Administration		33,924	33,945
Miscellaneous other income	6	535	3,150
Financing income		89	221
Financing expense		- 502	- 386
Result of financing		- 413	- 164
EBT before transaction costs		17,334	33,701
Transaction costs	7	- 1,357	- 1,563
EBT		15,977	32,138
Income taxes	8	6,523	9,511
Group result		9,453	22,627
of which attributable to shareholders of ISRA VISION AG		9,426	22,560
of which attributable to non-controlling shareholders		27	67
Group earnings per share in euros (undiluted and diluted)		0.43	1.03
Number of shares in circulation		21,886,744	21,889,900

Consolidated Statement of Comprehensive Income

(in € k)	Oct. 01,2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Group earnings	9,453	22,627
Amounts to possibly be reclassified to profit and loss		
Currency translation difference	- 2,119	229
Amounts not to be reclassified to profit and loss		
Change in actuarial gains and losses for pension provisions	- 67	- 482
Effect of taxes	20	145
Total gains/losses recognized directly in equity	- 2,165	- 108
Total Group result	7,288	22,519
of which attributable to shareholders of ISRA VISION AG	7,260	22,452
of which attributable to non-controlling shareholders	27	67

Consolidated Statement of Financial Position

(in € k)	Note	Sept. 30, 2020	Sept. 30, 2019
ASSETS			
Assets			
Current assets			
Inventories	10	50,075	46,893
Trade receivables	9	54,495	48,875
Contract assets	9	49,308	66,885
Cash and cash equivalents	26	35,083	39,890
Financial assets	11	2,182	2,258
Other receivables	12	3,523	2,805
Income tax receivables		2,017	2,108
Total current assets		196,683	209,713
Non-current assets			
Intangible assets	13	134,089	127,709
Property, plant and equipment	14	12,125	5,917
Leasing rights-of-use	15	7,074	0
Shares in associated companies	28	0	12
Financial assets	11	1,356	1,321
Deferred income tax assets	22	651	475
Total non-current assets		155,295	135,434
Total assets		351,978	345,147
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables	17	16,583	23,427
Financial liabilities to credit institutions	16	37,964	40,629
Other financial liabilities	19	14,192	13,815
Provisions	18	804	1,344
Income tax liabilities		8,277	4,029
Total liabilities	20	2,757	2,441
Leasing liabilities	21	2,149	0
Total current liabilities		82,725	85,684
Non-current liabilities			
Deferred tax liabilities	22	41,551	40,678
Leasing liabilities	21	5,053	0
Pension provisions	23	4,537	4,067
Total non-current liabilities		51,140	44,746
Total liabilities		133,866	130,430
Equity	24		
Subscribed capital		21,914	21,914
Capital reserve		21,111	21,111
Treasury shares		-233	-233
Cumulative other result		-1,912	253
Profit carried forward		166,225	147,557
Group earnings attributable to the shareholders of ISRA VISION AG		9,426	22,560
Equity share attributable to the shareholders of ISRA VISION AG		216,531	213,163
Equity attributable to non-controlling shareholders		1,582	1,554
Total equity		218,113	214,717
Total equity and liabilities		351,978	345,147

Consolidated Statement of Cash Flows

(in € k)	Oct. 01,2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Group result	**9,453**	**22,627**
Income tax payments	-2,495	-6,335
Change in the net amount of deferred tax assets and deferred tax liabilities	696	1,081
Change in provisions	-69	-493
Depreciation of tangible and intangible assets	18,358	18,116
Depreciation of leasing rights of use	2,480	0
Change in inventories	- 3,182	-7,718
Changes in trade receivables and other assets	11,382	-4,359
Change in liabilities to suppliers and other liabilities	-78	11,477
Financial result	413	161
Other non-cash changes	237	-817
Cash flow from operating activities	**37,195**	**33,740**
Cash outflow for capital expenditure related to property, plant and equipment	-8,205	-1,814
Cash outflow for investments in intangible assets	-23,540	-19,279
Company acquisition	0	-10,179
Cash flow from investing activities	**-31,745**	**-31,271**
Cash outflow to the owner of the company by acquiring own shares	0	-836
Distributed profits	-3,940	-3,286
Acquisition of non-controlling interests in subsidiaries	0	-500
Cash inflow from taking out financial liabilities	0	7,757
Repayment of financial debt	-2,664	0
Interest income	89	219
Interest payments	-502	-379
Interest payments for leasing liabilities	-139	0
Repayment of leasing liabilities	-2,377	0
Cash flow from financing activities	**-9,532**	**2,974**
Effects of foreign exchange rates on cash and cash equivalents	-724	-269
Change in cash and cash equivalents	**-4,807**	**5,174**
Cash and cash equivalents on 30/09/2019	39,890	34,716
Cash and cash equivalents on 30/09/2020	35,083	39,890
Change in cash and cash equivalents	**-4,807**	**5,174**

Consolidated Statement of Changes in Equity

for the period of October 1, 2019, to September 30, 2020

(in €k)	Subscribed capital	Capital reserve	Treasury shares	Other changes in equity not recognized in profit or loss	Profit carried forward	Result for the year after minority interests	Equity of the shareholders of ISRA VISION	Other shareholders' interests	Equity
Balance on Oct. 01, 2019 before adjustment	21,914	21,111	-233	253	147,557	22,560	213,163	1,554	214,717
Effect of converting over to IFRS 16					47		47		47
Balance on Oct. 01, 2018 after adjustment	21,914	21,111	-233	253	147,605	22,560	213,211	1,554	214,765
Profit carried forward					22,560	-22,560	0		0
Capital increase (conversion of the capital reserve due to a share split)		0					0		0
Own shares acquired							0		0
Own shares sold							0		0
Distribution of profit					-3,940		-3,940		-3,940
Change in shares of non-controlling shareholders							0		0
Total result				-2,165		9,426	7,260	27	7,282
- Actuarial profits/ losses				-47			-47		-47
- Currency translation differences				-2,119			-2,119		-2,119
Balance on Sept. 30, 2020	21,914	21,111	-233	-1,912	166,225	9,426	216,531	1,582	218,113

The change in own shares was presented using the gross method.

Consolidated Statement of Changes in Equity

for the period of October 1, 2018, to September 30, 2019

(in € k)	Subscribed capital	Capital reserve	Treasury shares	Other changes in equity not recognized in profit or loss	Profit carried forward	Result for the year after minority interests	Equity of the shareholders of ISRA VISION	Other shareholders' interests	Equity
Balance on Oct, 01, 2018 before adjustment	21,906	21,722	0	361	128,810	23,108	195,907	1,862	197,769
Effect of converting over to IFRS 9					-90		-90		-90
Effect of converting over to IFRS 15					-880		-880		-880
Balance on Oct, 01, 2018 after adjustment	21,906	21,722	0	361	127,839	23,108	194,937	1,862	196,799
Profit carried forward					23,108	-23,108	0		0
Capital increase (conversion of the capital reserve due to a share split)	8	-8					0		0
Own shares acquired		-603	-233				-836		-836
Own shares sold							0		0
Distribution of profit					-3,286		-3,286		-3,286
Change in shares of non-controlling shareholders					-104		-104	-376	-480
Total result				-108		22,560	22,452	67	22,520
- Actuarial profits/ losses				-337			-337		-337
- Currency translation differences				230			230		230
Balance on Sept, 30, 2019	21,914	21,111	-233	253	147,557	22,560	213,163	1,554	214,717

The change in own shares was presented using the gross method.

Notes of the Consolidated Financial Statements as of September 30, 2020

1. General

ISRA VISION AG, Darmstadt (hereinafter “ISRA” or “Company”) was established on September 23, 1997, and entered in the commercial register of the Local Court of Darmstadt under the name ISRA VISION SYSTEMS AG and the registration number HRB 6820 on September 25, 1997. ISRA shares were first listed on the Frankfurt Stock Exchange on April 20, 2000. A resolution to change the Company’s name from ISRA VISION SYSTEMS AG to ISRA VISION AG was adopted at the General Meeting on March 28, 2006, and was entered into the commercial register on November 15, 2006. The Company’s head office is located in Darmstadt.

In 2020, ISRA entered into a strategic partnership with the Atlas Copco Group (Atlas Copco), which was initiated through a public tender offer announced by Atlas Copco on February 10, 2020 to acquire all ISRA shares at a price of EUR 50.00 per share which was executed on June 24, 2020. At an Extraordinary General Meeting on December 15 2020, the ISRA shareholders resolved on a so-called merger squeeze-out with the transfer of all outstanding ISRA shares (7.81 %) to Atlas Copco Germany Holding AG in return for an appropriate cash compensation and the merger of ISRA VISION AG into Atlas Copco Germany Holding AG. The resolution and consequently the transfer of all ISRA shares to Atlas Copco Germany Holding AG and the merger of ISRA VISION AG into Atlas Copco Germany Holding AG will become effective upon entry of the resolution in the commercial register of ISRA VISION AG and Atlas Copco Germany Holding AG, which has not yet taken place at the time of the preparation of this report.

The financial year runs from October 1 to September 30. For the companies ISRA VISION (Shanghai) Co. Ltd., ISRA VISION YAPAY GÖRME VE OTOMASCON SAN. VE TiC. A.S., ISRA VISION COMÉRCIO, SERVIÇOS, IMPORTAÇÃO E EXPORTAÇÃO LTDA, ISRA VISION LLC, ISRA VISION INDIA Private Ltd., ISRA Immobilie Darmstadt GmbH and Photonfocus AG that are included in the Consolidated Financial Statements, the financial year deviates from the calendar year of ISRA VISION AG. An interim balance sheet is being prepared for these companies for the purposes of the Consolidated Financial Statements.

The purpose of the Company is to develop, market, employ, distribute and sell products, systems, equipment, and services in the areas of machine vision, automation, software and robot technology.

The Consolidated Financial Statements of ISRA VISION AG were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as they are applied in the European Union. Since all IFRS applied by ISRA VISION AG have been adopted by the European Commission for application in the EU, the consolidated financial statements of ISRA VISION AG also comply with the IFRS published by the IASB. The term IFRS is therefore used uniformly in the following.

The Consolidated Financial Statements are prepared in euros. Compared to the previous year, the scope of consolidation includes ISRA VISION s.r.o. and ISRA VISION S. de R.L. de C.V.. Minority interests held by other shareholders are stated according to their respective pro-rata share of the subsidiary’s net assets. The consolidation includes 31 subsidiaries.

2. Accounting methods

Unless stated otherwise, all figures are rounded off to thousand euros in the Consolidated Financial Statements. Rounding differences may occur in percentages and figures.

Individual items of the Consolidated Statement of Financial Position and the Consolidated Statement of Income have been combined to improve the clarity of presentation. The Consolidated Statement of Income is structured according to the cost of sales method.

New or changed accounting standards applied for the first time

IFRS 16 leases

In the 2019/2020 reporting period, ISRA will apply the accounting standard IFRS 16 “Leases” for the first time, which replaces the previous standard on lease accounting IAS 17 “Leases” as well as IFRIC 4 “Determining whether an Arrangement contains a Lease”. The transition to IFRS 16 was made using the modified retrospective approach, and the previous year’s figures were not adjusted accordingly.

From October 1, 2019, the previous classification between finance and operating leases according to IAS 17 will no longer apply to ISRA as a lessee. Instead, a right of use asset and a corresponding lease liability must be recognized for all leases, while a financing transaction is shown in the income statement in which the right of use asset is amortized on a straight-line basis and the lease liability is amortized using the effective interest method.

As of October 1, 2019, the outstanding obligations from previous operating leases were discounted for this purpose using the marginal borrowing rate applicable to ISRA and recognized as a lease liability. The weighted average incremental borrowing rate used was 1.9 %. ISRA has recognized the rights of use from real estate leases at an amount equal to the lease liabilities, adjusted for lease payments already deferred as assets or liabilities. The rights of use from other leases accounted for in accordance with IFRS 16 (mainly car leases) are recognized at their carrying amounts as if IFRS 16 had been applied since the provision date, with discounting at the marginal borrowing rate at the time of initial application.

ISRA makes use of the application relief to waive the recognition of right of use and lease liability for low-value leased assets and short-term leases. In addition, ISRA has exercised various simplification options during the transition to the new accounting standard:

- The capitalized leasing rights of use are reported as a separate balance sheet item under non-current assets.
- Depending on their maturity, the leasing liabilities are recognized under current or non-current other financial liabilities.
- IFRS 16 is not applied to intangible assets at ISRA.
- Contracts that were concluded before October 1, 2019 and were still valid at the time of transition were not assessed as to whether they contain a lease in accordance with IFRS 16, but their previous lease classification was retained.
- Contracts with a remaining term of no more than twelve months at the date of transition were treated as short-term leases, which eliminates the need to recognize a right of use asset and a liability.
- No impairment test was performed for the rights of use recognized for the first time. There were no provisions for contingent losses to be deducted.
- For the determination of the lease terms, ISRA has taken into account subsequently obtained better knowledge. This also relates to new information on the exercise of agreed contract options.

In the statement of financial position, the first-time application of the standard resulted in the recognition of rights of use in the amount of 8,799 thousand euros and lease liabilities in the amount of 8,736 thousand euros. Taking into account deferred taxes, retained earnings increased by 47 thousand euros. From the date of transition, depreciation and interest expenses are recognized in the income statement instead of other operating expenses, as described above, unless they relate to expenses for short-term and low-value leases.

In the reporting period, this resulted in an increase in depreciation and amortization of 2,480 thousand euros, an increase in interest expense of 139 thousand euros, and a decrease in other operating expenses of 2,435 thousand euros. Due to the changed reporting of lease payments, the operating cash flow of ISRA improved; in contrast, the cash flow from financing activities deteriorated. ISRA reports the interest payments in the cash flow from financing activities.

In the following, the operating lease obligations as of September 30, 2019 are reconciled to the opening balance sheet value of the lease liabilities as of October 1, 2019:

(in €K)	
Operating lease obligations as of September 30, 2019	9,401
Application relief for short-term & low-value leases	-296
Others	0
Gross lease liability as of October 1, 2019	9,105
Discounting	-369
Lease liability as of October 1, 2019	8,736

In the financial year 2019/2020, the following additional new or amended standards and interpretations were mandatory for the first time, which had no significant impact on the net assets, financial position and results of operations of the ISRA Group:

Standard or interpretations		Endorsement	Obligation to apply for fiscal year from
IFRS 9	Financial instruments- prepayment arrangements with negative compensation	done	Jan. 1, 2019
IAS 28	Shareholdings in associated companies and joint ventures	done	Jan. 1, 2019
IAS 19	Employee benefits	done	Jan. 1, 2019
	Annual improvements to the IFRS cycle 2015-2017 regarding amendments to IFRS 3 “Business Combinations,“ IFRS 11 “Joint Arrangements,“ IAS 12 “Income Taxes,“ and IAS 23 “Borrowing Costs“	done	Jan. 1, 2019
IFRIC 23	Uncertainty regarding the income tac treatment	done	Jan. 1, 2019

New or changed accounting standards published, but not yet applied

In addition, the IASB and the IFRIC issued the following new or amended standards and interpretations, the application of which was not yet mandatory in the 2019/2020 financial year and some of which had not yet been adopted by the European Union as of the reporting date:

Standard or interpretations		Obligation to apply[1]	Probable impact
IFRS 3[2]	Amendment to IFRS 3: Business Combinations - Clarifications on the Definition of a Business Operation	Jan. 1, 2020	none
IFRS 3, IAS 16 and IAS 37[2]	Amendments to IFRS 3, IAS 16 and IAS 37: Annual Improvements	Jan. 1, 2020	case-by-case review
IFRS 4[2]	Amendments to IFRS 4: Insurance Contracts - Deferral of IFRS 9	Jan. 1, 2021	none
IFRS 7, IFRS 9 and IAS 39	Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	Jan. 1, 2020	none
IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39[2]	Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: Interest Rate Benchmark Reform - Phase 2	Jan. 1, 2021	none
IFRS 16[2]	Amendments to IFRS 16: COVID-19-dependent rental concessions	June 1, 2020	case-by-case review
IFRS 17[2]	Insurance contracts including amendments to IFRS 17	Jan. 1, 2023	none
IAS 1 and IAS 8[2]	Amendments to IAS 1 and IAS 8: Definition of materiality	Jan. 1, 2020	currently under review
IAS 1[2]	Amendments to IAS 1: Classification of liabilities as current and non-current	Jan. 1, 2023	currently under review
Improvement of IFRS	Changes to the Conceptual Framework of IFRS Standards[2]	Jan. 1, 2020	case-by-case review

1 Fiscal years beginning on or after the date indicated.

2 Not yet approved by the EU.

The new or amended standards and interpretations mentioned in the table above have no material relevance for ISRA with the exception of the following comments on IFRS 16. ISRA has not voluntarily applied any of the new or amended regulations mentioned ahead of time.

a) Discretionary decisions

When preparing the Consolidated Financial Statements, the management of ISRA VISION AG made estimates and assumptions which had an impact on the amounts of the figures presented in the Consolidated Financial Statements and the statements contained in the notes.

Pension commitments

The amount of benefits is determined based on actuarial calculations. These are based on extensive assumptions, the discount rate, mortality rate and future pension increases, for example.

Accounting for business combinations

During the initial consolidation of companies in the Consolidated Financial Statements, company values are generally disclosed. In this context, all identifiable assets, liabilities and contingent liabilities are recorded at fair values at the date of acquisition. For this purpose, determining the fair value represents an estimate. The fair values are largely determined using assessment methods that require forecasting expected future cash flows. The assessment technique as well as the forecast depend on assumptions made by the Management.

Impairment of goodwill

The Management reviews at least once a year whether a decrease in value of recognized goodwill has occurred. In this context, the attainable amount of the cash generating unit must be determined. This determination also requires forecasts for expected future cash flows and assumptions concerning their discounting. The Management considers the assumptions and estimates made to be appropriate. However, due to unforeseen events, the assumptions made by the Management may not occur or may differ and thus lead to a decrease in value.

Impairment of assets

On each balance sheet date, the Group must estimate whether indications exist that could point to an impairment of assets. If such an indication exists, the recoverable amount of the asset is estimated. This estimate requires forecasts for expected future cash flows and assumptions concerning their discounting as well as future sales prices. Management considers the assumptions and estimates made to be appropriate. However, due to unforeseen events, the assumptions made by the Management may not occur or may differ and thus lead to a decrease in value.

Realization of sales of production orders

ISRA VISION AG generates most of its revenues from production orders that are recorded based on the percentage of completion method. This method requires an assessment of the percentage of completion as of the balance sheet date. The percentage of completion is determined in accordance with the status of the work performed. To determine the percentage of completion, the progress of order processing is calculated as the ratio between the expenses incurred in the financial year, hours actually worked, and the total expected expenses and total hours, as the share of sales to be realized is based on this. In this context, significant effects are exercised by the assessment of total contract costs, the costs that could still be incurred until completion, the total of the contract revenues as well as other contract risks. The time of occurrence of the material costs is not representative for the determination of the order progress. The procedures for determining this assessment are constantly being reviewed.

Taxes on income and earnings

ISRA VISION AG and its Group companies operate in many countries which are naturally subject to different fiscal framework conditions. Determining the tax liabilities and deferred taxes is subject to the assessment of certain facts that could be interpreted differently by local tax authorities which could affect the actual amount of tax liabilities in the Group.

On every balance sheet date, the Management assesses the realizability of future tax advantages with regard to the balancing of deferred tax assets. This assessment requires an estimate of the probability of future taxable income. Effects on the recoverability of deferred tax assets can occur if the estimated tax income is not being realized as planned or if pertinent deviating changes of the tax legislation occur.

b) Estimates and assumptions in the application of accounting principles

The preparation of Consolidated Financial Statements requires assumptions and estimates that have an effect on the measurement of the amount of assets and liabilities in the Consolidated Statement of Financial Position or on the recognition of expenditures and income in the Consolidated Statement of Income as well as the Consolidated Statement of Comprehensive Income. The actual figures may deviate from the amounts shown. Essentially, assumptions and estimates concern the assessment of tangible assets and intangible assets, particularly the verification of the recoverability of goodwill, the valuation of inventories, the assessment of the realizability of receivables and deferred tax assets as well as the valuation of accruals.

In particular, the assessment of assets – tangible and intangible – requires an estimate of expected useful life. Verifying the recoverability is based on future-oriented assumptions regarding expected cash flows and discount rates. Many different factors can affect them, causing the actual cash flows to deviate significantly from the underlying future cash flows. This applies particularly to the goodwill impairment test.

Self-created intangible assets are capitalized in accordance with IAS 38 during the development phase upon meeting certain requirements. This includes the technical realizability, the intention of completing the developed intangible asset, the ability to use it or to dispose of it, as well as the substantiation of how the asset will be generating an anticipated future economic benefit. Estimates are primarily based on the decision with respect to future utilization or the assumption of the future sale as well as future benefits resulting from it.

Value adjustments on receivables are determined taking into account the creditworthiness of customers, historical default probabilities and future macroeconomic factors.

Deferred tax assets are recorded if the use of the future tax advantages appears to be predominantly probable. The assessment of the usability of loss carryforwards is subject to estimates regarding the future tax result situation of the companies concerned, which may deviate from the actual future results.

To evaluate its pension commitments, ISRA utilizes actuarial calculations from experts to estimate the effects of future developments on the expenditures and income to be recognized from these plans as well as commitments and claims. Among other things, the calculations are based on assumptions regarding the accounting interest rate, increases to salaries and pensions as well as biometric probabilities.

The application and evaluation of provisions as well as the determination of contingent liabilities are also greatly influenced by the estimates of the Management.

c) Consolidation

In addition to ISRA's Individual Financial Statements, the Consolidated Financial Statements include the Individual Financial Statements of the subsidiaries, which were also prepared in accordance with the provisions of IFRSs. As a rule, the date of initial consolidation is the date on which ISRA gained the controlling interest. Companies are included in the Consolidated Financial Statements until the date of their sale. During the initial consolidation, the assets and liabilities are valued at their fair value on the purchase date insofar as they qualify for recognition under IFRS 3. Goodwill is determined as the difference between the (full) revalued net assets on the one hand and the amount of consideration provided plus the fair value of interests formerly held in the acquisition object. Transactions between consolidated companies are eliminated during consolidation.

d) Associated companies

An associate is a company on which ISRA VISION AG has a significant influence, but which is not controlled or jointly controlled by ISRA VISION AG. A significant influence is assumed, among other things, if ISRA VISION AG directly or indirectly holds 20% or more of the voting rights.

Shares in associates are accounted for according to the equity method. As such, shares in associates are initially carried at their purchase costs. On the following balance sheet dates, ISRA VISION AG carries forward the amount initially recognized according to its share of overall earnings of the associate. Distributions received from associates reduce the carrying amount.

Material unrealized interim results from transactions with associates are eliminated in proportion to the interest held.

The carrying amount of an associate is compared to its recoverable amount by conducting impairment tests. If the carrying amount exceeds the recoverable amount, ISRA VISION AG recognizes a decrease in value on the recoverable amount.

e) Foreign currency conversion

The national currencies of the consolidated companies are their functional currencies. The reporting currency is the euro. The Individual Financial Statements of the companies included in the Group with a functional currency other than the euro are converted into euros for inclusion in the Consolidated Financial Statements. Assets and liabilities are converted using the mean exchange rate on the balance sheet date. Items contained in the Consolidated Statement of Income are converted at the average exchange rate. Equity capital is converted using historical exchange rates. Currency differences from conversion are recorded as equity so that they will not affect the net profit for the period and are only realized (pro rata) when the relevant financial interest is (partially) disposed.

Foreign currency entries in the Individual Financial Statements are converted into the functional currency of the consolidated companies during the year in which they occur. Currency-based gains or losses have been entered at the exchange rate at the time of acquisition and converted at the exchange rate on the balance sheet date.

The currencies for the ISRA Group, US dollar and renminbi, were converted at the following exchange rates:

	Rate on the reporting date Sept. 30, 2020	Average exchange rate Oct. 01, 2019 - Sept. 30, 2020
1 EUR = USD	1.1708	1.1199
1 EUR = CNY	7.9720	7.8460

f) Realization of sales and other revenue

Revenues from the sale of goods (e. g. spare parts) are recorded at the point of time at which the control over the respective asset is transferred to the buyer. Revenues from services are recorded as soon as the services have been provided. Revenues are not recognized if the contract has no commercial substance or if or when there are significant risks associated with the receipt of the consideration. Revenues are recorded less any reductions such as bonuses, cash discounts or rebates.

Revenues from production orders are generally recognized over a specific period of time according to their stage of completion, as assets that have no alternative use are created regularly and for which ISRA has a legal claim to payment for services already rendered.

The percentage of completion is determined on an input-related basis in accordance with the status of the work performed. To determine the percentage of completion, the progress of order processing is calculated as the ratio between the expenses incurred in the financial year, hours actually worked, and the total expected expenses and hours. The time of occurrence of the material costs is not representative for the determination of the order progress. The contract revenue and contract costs attributable to the unfinished projects must then be determined as of the balance sheet date.

If the services performed as of the balance sheet date (contract costs consisting of cost of materials and hours, and contract profit/loss) exceed the advance payments received, the construction contracts are reported separately on the assets side of the Consolidated Statement of Financial Position as “contract assets.” If, on the other hand, the advance payments received exceed the services performed to date, they are reported on the liabilities side of the Consolidated Statement of Financial Position as a “contractual liability” under other liabilities. Contract assets mainly arise from the continuous rendering of services in relation to fixed milestone payments for the construction contracts.

Rework is carried out promptly so that there are no obligations to take back or refund goods and no warranties that exceed the statutory period of 24 months.

g) Capitalized work, research costs as well as company and product advertising

Expenses for in-house product development in accordance with IAS 38

In accordance with IAS 38, expenditures for product development are capitalized subject to defined preconditions and depreciated over the normal useful operating life. The conditions for capitalization were examined and found to be fulfilled.

The developments finished in the course of the year were depreciated pro rata over time from the moment of completion. Non-completed development work is written off only from the time of its completion. The scheduled depreciation and amortization are carried out on a linear basis over the course of a useful life, generally six years. ISRA VISION AG records the corresponding depreciation and amortization under Research and Development in the Consolidated Statement of Income (see also Notes, part 12). The retention of the carrying amount is ensured by a continuous process of monitoring and managing development projects. Each year, the retention of the carrying amount for capitalized balance sheet items is verified by means of a comparison with the present value of future cash flows associated with a development project (impairment test). Impairment losses are recognized if the capitalized carrying amounts exceed the respective present value.

Research costs

Research is the search for new insights that are then used to develop new products and processes as well as improve existing ones. Costs arising in this context are carried as expenses at the time they are incurred.

The costs of company and product-related advertising are recorded as expenses at the time they are incurred.

h) Goodwill, impairment test, software and other intangible assets

The impairment of balanced goodwill is reviewed at least once a year as part of impairment testing. Impairment tests are also conducted if there is any indication of a decrease in value.

For business divisions representing the segments, the value in use is determined using DCF models and then applied as the basis for the impairment tests.

Based on the internal monitoring by the Executive Board and the internal reporting structures of ISRA VISION AG, the cash-generating units in the context of the goodwill impairment test represent the operative segments in accordance with IFRS 8.

The intangible assets identified when purchasing a company are subject to scheduled depreciation over their envisaged useful life or at most until the right expires.

Software that has been acquired by purchase is capitalized and written off over an estimated useful life of four years proportionate to all functional areas. Other intangible assets that have been acquired by purchase are carried at their acquisition cost and are subject to planned depreciation over their envisaged useful life or at most until the respective right expires.

i) Cash and cash equivalents

The financial resources in the Consolidated Statement of Cash Flows comprise checks, cash and credit balances at banks. Cash and cash equivalents are measured at amortized cost.

j) Trade receivables and other financial assets

Customer receivables and other financial assets are measured at amortized cost. Possible bad debts are taken into account by way of individual allowances. Other assets include travel expenses advanced to employees, lease down payments, rent deposits, pension plan re-insurance claims, as well as other assets.

The carrying amounts of trade receivables and other financial assets on the balance sheet date are nearly the same as their respective fair value.

k) Contract assets

Contracts in progress requiring engineering, assembly and commissioning work are assessed according to the percentage of completion method and reported as contract assets in a separate balance sheet position.

l) Inventories

These items are valued at acquisition and production costs or at the lower realizable market value on the balance sheet date. Elements of production expenses include direct material costs, direct costs of conversion, overheads for materials and production and depreciation of equipment. Financing and Sales and Marketing costs are not included in the manufacturing costs. An average cost method is used to determine the manufacturing costs.

m) Tangible assets

Plant and office equipment is carried on the balance sheet at its acquisition or production costs less planned depreciation. The repair and maintenance costs are carried as an expense at the time at which they are incurred. Planned depreciation is performed using the straight-line method over the expected useful life of the respective assets.

Assets subject to wear and tear are written off over the useful life listed below:

	Expected useful life
Plant	4 years
Office equipment/furnishings	3 - 10 years
Buildings	40 years

n) Value impairments

On each balance sheet date, the Group examines the carrying amounts of intangible assets and tangible assets as to whether indications exist that a decrease in value may have occurred. In this case, the amount recoverable of the respective asset is determined to establish the scope of value adjustment that might need to be performed. The amount recoverable corresponds to the fair value less the costs of disposal or the value in use; the higher value is authoritative. The value in use corresponds to the present value of the expected cash flows. An interest rate before taxes that corresponds to the market conditions is used as the discount rate. If no amount recoverable can be established for an individual asset, the amount recoverable for the lowest identifiable group of assets (cash-generating unit) is determined to which the corresponding asset can be allocated.

Company values resulting from company acquisitions are allocated to the identifiable groups of assets (cash-generating units) that are intended to draw a benefit from the synergies of the acquisition. Such groups represent the lowest reporting level in the Group at which company values are monitored by the Management for internal control purposes. The amount recoverable of a cash-generating unit containing a company value is examined every year on September 30 for recoverability and additionally if indications of a possible decrease in value exist at other times.

If the amount recoverable of an asset is less than the carrying amount, an immediate value adjustment of the asset affecting earnings is recognized.

In the case of value adjustments in conjunction with cash-generating units that contain a Company value, existing Company values are reduced first. If the value adjustment need exceeds the carrying amount of the Company value, the difference is generally distributed proportionally to the remaining long-term assets of the cash-generating units.

If a value impairment has been performed and a higher amount recoverable of the asset or cash-generating unit is obtained at a later time, a reversal of an impairment loss up to the maximum amount of the amount recoverable is carried out. The reversal of an impairment loss is limited to the continued carrying amount which would have resulted in the past without the value adjustment. The write-up is reported as affecting earnings. Reversals of an impairment loss of previous value adjustments to Company values are not allowed.

o) Trade payables and other financial liabilities

Trade payables and other financial liabilities are valued at the continued purchase costs using the effective interest method. Since these are exclusively non-interest-bearing short-term items, the continued acquisition costs regularly correspond to the cost of repayment and nearly to the fair value on the balance sheet date.

p) Financial liabilities

For the year under review, financial liabilities were owed to the following credit institutions: Baden-Württembergische Bank AG, Deutsche Postbank AG, Norddeutsche Landesbank -Girozentrale- (Nord / LB), DZ Bank AG and Sparkasse. They are valued at the continued purchase costs using the effective interest method.

q) Employer pension plans in accordance with IAS 19

The valuation of employer pension commitments in accordance with IAS 19 is carried out in line with the projected unit credit method allowing for future increases to salaries and pensions (IAS 19). Actuarial profits and losses are accounted for immediately neutral in their effects in the Consolidated Statement of Comprehensive Income. Interest costs are included in the financial result.

r) Provisions

Provisions are formed for liabilities recorded on the balance sheet date which will most likely lead to an outflow of economic resources and whose amount can be reliably determined. Their assessment is based on the best possible estimate for the amount that reflects the most likely outflow of resources.

s) Deferred taxes

The formation of deferred taxes follows the balance sheet-oriented liabilities method. According to this method, deferred taxes are assessed for temporary differences between the IFRS carrying amount and the tax value of assets and liabilities existing on the balance sheet date. In addition, ISRA VISION AG forms deferred tax assets for tax losses carried forward that can most likely be used.

Deferred taxes are assessed in the amount of the reduced or additional tax burden which is likely to arise if the temporary differences are reduced or the tax losses carried forward are utilized. The Company and its subsidiaries are legally independent units and their registered offices are not at the same location. This means that the parent Company and its subsidiaries are subject to different fiscal jurisdictions. The individual tax situations of the various companies are authoritative for the tax deferral. This applies to the tax rate applied in particular. Netting out of deferred tax assets and liabilities is only possible within the same fiscal jurisdiction and if the company is legally entitled to the settlement of corresponding current tax assets and liabilities.

t) Other taxes

Other taxes comprise solely motor vehicle tax – this is shown under other operating expenses.

u) Government grants

Government grants awarded for the compensation of specific expenditures of the Company are recorded by ISRA VISION AG in so far as income as the respective expenditures arise. They are recorded in the income statement under other revenue. In the event of grants being awarded for investments, the grant is accounted for as a liability and amortized affecting earnings over the envisaged useful life of the capital goods. Subsidies for short-time working reduced personnel expenses by a low single-digit million figure.

v) Financial instruments

Financial instruments are contracts that simultaneously create financial assets for one company and financial liabilities for another company or that create an equity instrument. When first applied, the financial instrument is classified according to the financial substance of the contractual agreement and according to the definitions for financial assets, financial liabilities and equity instruments.

In particular, financial assets include cash as well as loans granted and receivables.

Financial liabilities regularly necessitate that cash or other financial assets be devoted to them. Financial liabilities, in particular, include liabilities from goods and services, bank liabilities and derivative financial liabilities.

A financial asset or a financial liability is created in the Consolidated Statement of Financial Position if ISRA becomes party to the respective financial instrument. The initial accounting of the settlement date is relevant for purchases and sales typical in the market; this is the day on which the asset is delivered by or to ISRA.

The classification of financial assets and thus their measurement depends on the business model operated and the structure of the cash flows. The classification and subsequent measurement of financial liabilities depends on the respective purpose.

Financial assets are measured at fair value upon initial recognition.

Subsequent measurement is either at amortized cost, fair value through profit and loss or fair value through OCI. At ISRA, financial assets are generally measured at amortized cost or in exceptional cases at fair value.

Accounting ends when the contractual right to cash flows expires or is transferred or ISRA has transferred all risks and rewards associated with ownership.

ISRA does not make use of the option to designate financial assets as assets to be measured at fair value through profit or loss upon initial recognition.

On each balance sheet date, ISRA VISION AG checks whether there are substantial indications of impairment. Any impairment loss is calculated as the difference between the carrying amount of the financial asset and the present value of the future cash flows expected from it. Impairment losses are recognized in the Consolidated Statement of Income according to their respective functional areas.

Impairment losses are recorded in a value adjustment account. ISRA depreciates the asset when the loss is certain.

Value impairment

A forward-looking model of expected credit losses is used to measure impairment of financial assets measured at amortized cost or FVOCI.

Impairment losses are measured on one of the following bases:

- 12-month loan defaults: Expected loan defaults resulting from default events that are possible within the twelve months after the reporting date.
- Lifelong loan defaults: The expected loan defaults that result from all possible default events over the expected lifetime of a financial instrument.

Measurement under the lifelong loan default concept is to be applied when the risk of a default occurring at the end of the reporting period has increased significantly since initial recognition; otherwise measurement under the 12-month loan default concept is applied. An entity can specify that the credit risk of a financial asset has not increased significantly if the asset has a low credit risk at the end of the reporting period. However, measurement under the lifelong loan default concept always applies to trade receivables and contract assets without a significant financing component; the Group has resolved to also apply this method to trade receivables and contract assets with a significant financing component.

The estimated expected loan defaults on trade receivables and other receivables, including contract assets, will be calculated on the basis of the creditworthiness of customers, historical default probabilities and future macroeconomic factors.

Cash and cash equivalents are deposited with banks or financial institutions. Based on the external ratings of the banks and financial institutions, ISRA sees a low risk of default for its cash and cash equivalents and has therefore not recognized any impairment. Primary financial liabilities are measured at fair value upon initial recognition. Subsequent measurement is at amortized cost using the effective interest method.

Derivative financial statements are first recorded at current market value, which is also used for subsequent reporting.

When accounting for the cash flow hedge, the effective part of the change to the fair value of the hedging instrument is initially recorded in equity without affecting the income statement. A reclassification of these amounts is carried out in so far as the hedged cash flows are recorded in the income statement as expenditure or revenue. The ineffective part of the value change of the hedging instrument must be recorded as immediately affecting profit. ISRA VISION did neither engage in hedge accounting in the financial year nor the previous year.

w) Accounting for leases

A lease is established by a contract that transfers the right to use an identified asset to its user (lessee) for a certain period of time in return for payment. In this sense, the companies of the ISRA Group are exclusively lessees.

ISRA recognizes a right of use and a lease liability for a lease at the inception of the lease. ISRA recognizes the corresponding lease payments on a straight-line basis over the respective lease terms.

Exceptions to this are short-term leases and leases of low-value assets, whose lease payments are recognized as other operating expenses over the term of the agreement.

The initial value of a lease liability is determined by discounting the fixed lease payments and those variable lease payments that are linked to an index or interest rate. If the variable lease payment changes as a result of a change in the relevant index or interest rate, the lease liability is remeasured at the effective date of the change. The lease payments relevant to the measurement are discounted using risk-, term- and country-specific incremental borrowing rates of up to 10 years, as the interest rates underlying the individual leases cannot regularly be determined.

Interest expenses for lease liabilities are recognized in financial expenses. The lease term comprises the non-cancelable basic lease term of a lease. Periods covered by renewal or termination options are only taken into account if their exercise is sufficiently probable.

The initial measurement of a right of use asset is the amount of the related lease liability plus initial direct costs and less any lease incentives received. Abandonment or removal costs relating to the underlying asset are included in the cost of acquisition. The capitalized rights of use assets are subsequently amortized on a straight-line basis over the lease term. The amortization expense is recognized within the cost of the functional area to which the right of use is allocated.

3. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements were approved for publication by the Executive Board on January 26, 2021.

Explanatory Notes

1. Segment reporting

In accordance with IFRS 8, the identification of reporting segments is based on the management approach. The valuation principles for segment reporting are based on the IFRS utilized in the Consolidated Financial Statements. ISRA assesses the performances of the segments based on EBIT, which is being reported to the Executive Board as a measure of earnings. The segment investments include the additions to the intangible assets and tangible assets. A representation of the segment debts was omitted since they are not relevant to Group Management and reporting.

The segment definition is based on the alignment of the Group structure into a market-oriented organization. The reporting segments reflect the business divisions that sell specific products in certain markets. The operative segments reflect the reporting structure of ISRA VISION AG. In accordance with the internal reporting structures, the business segments correspond to the reporting segments.

The types of products that represent the foundation of the revenues of the segments are as follows:

- INDUSTRIAL AUTOMATION
  The target markets of this division are primarily the automotive industry, machine tool manufacturers, the automation industry, general industry, plant and system manufacturers as well as the OEM markets in which ISRA products are integrated into customers' products as OEM systems. In these cases, ISRA applies the entire range of its technologies, utilizing surface inspection products in addition to the primary products from Robot Vision and Quality Vision.
- SURFACE VISION
  This business division concentrates on surface inspection technology. This primarily concerns web materials which are checked for defects during the production process. The main focus is on flat glass, solar, foil, nonwovens, metal, paper and print industries.

(in €k)	Industrial Automation		Surface Vision		Total	
	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Sales revenues	35,675	39,127	93,634	114,773	129,309	153,901
EBIT	6,072	9,214	11,675	24,651	17,747	33,866
Financing result					- 413	- 164
Transaction costs					- 1,357	-1,563
Income taxes					6,523	9,511
Group result					9,453	22,627

There was no interdivisional revenue. There were no earnings from associated companies.

(in €k)	Industrial Automation		Surface Vision		Total	
	as of Sept. 30, 2020	as of Sept. 30, 2019	as of Sept. 30, 2020	as of Sept. 30, 2019	as of Sept. 30, 2020	as of Sept. 30, 2019
Investments in non-current assets in the reporting year	12,085	15,239	29,301	16,497	41,386	31,736
Investments accounted for using the equity method	0	0	0	0	0	0
Impairment						
Goodwill	0	0	0	0	0	0
Depreciation						
Other intangible assets	2,661	2,300	14,381	14,538	17,042	16,838
Property, plant and equipment	208	177	1,107	1,101	1,315	1,278
Leasing rights-of-use	620	0	1,860	0	2,480	0
Assets	86,970	91,565	265,008	253,582	351,978	345,147

Regional representation of net sales

(in € k)	Germany		Europe		America		Asia, ROW *	
	Oct. 01, 19 - Sept. 30, 20	Oct. 01, 18 - Sept. 30, 19	Oct. 01, 19 - Sept. 30, 20	Oct. 01, 18 - Sept. 30, 19	Oct. 01, 19 - Sept. 30, 20	Oct. 01, 18 - Sept. 30, 19	Oct. 01, 19 - Sept. 30, 20	Oct. 01, 18 - Sept. 30, 19
Sales revenues	24,483	26,155	26,975	31,058	19,239	27,415	58,612	69,272

* ROW = Rest of the World

Sales are reported based on the recipient country. ISRA VISION AG generates more than 10 % of its total sales in the following countries: Germany (24,483 thousand euros), China (40,808 thousand euros), US (14,600 thousand euros).

Regional representation of the asset situation

(in € k)	Germany		Europe		America		Asia		Total	
	as of Sept. 30, 2020	as of Sept. 30, 2019	as of Sept. 30, 2020	as of Sept. 30, 2019	as of Sept. 30, 2020	as of Sept. 30, 2019	as of Sept. 30, 2020	as of Sept. 30, 2019	as of Sept. 30, 2020	as of Sept. 30, 2019
Assets										
Intangible assets and property, plant and equipment	134,769	121,012	9,157	10,131	1,232	1,428	1,057	1,055	146,214	133,626

2. Cost of sales

(in € k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Materials	-28,082	-33,545
Personnel	-28,810	-32,390
Total	**-56,892**	**-65,935**

The cost of sales decreased by 9,043 thousand euros compared to the previous year, and includes depreciation of 694 thousand euros (previous year: 494 thousand euros) in costs of labor.

3. Cost of sales and marketing

(in € k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Sales	-27,948	-28,391

The cost of sales and marketing decreased by 443 thousand euros (previous year: 1,054 thousand euros). The cost of sales and marketing includes depreciation and amortization in the amount of 1,705 thousand euros (previous year: 433 thousand euros).

4. Administrative costs

(in € k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Administration	-5,975	-5,554

Administrative costs rose by 421 thousand euros (previous year: 413 thousand euros). The administrative costs include depreciation and amortization in the amount of 365 thousand euros (previous year: 85 thousand euros).

5. Total depreciation / amortization

(in € k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Depreciation on intangible assets	- 17,042	- 16,838
Depreciation on property, plant and equipment	- 1,315	- 1,278
Depreciation on leasing rights-of-use	-2,480	0
Total according to fixed asset schedule	**- 20,838**	**- 18,116**

Of the depreciation and amortization of intangible assets, 14,544 thousand euros (previous year: 14,899 thousand euros) is accounted for by capitalized developments that are to be depreciated over a period of six years after completion.

6. Other revenues

Other revenues consist of the following items:

(in € k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Freight income	37	12
Income from exchange rate differences	0	1,858
Income from insurance compensation payments	141	504
Other operating income	357	776
Subtotal	535	3,150
Grants (in R&D)	642	613
Total	**1,177**	**3,763**

No unfulfilled conditions or potential liabilities existed with respect to grants.

7. Transaction costs

These expenses are the costs incurred in connection with the Atlas Copco transaction. The previous year shows acquisition costs incurred in vain. As significant irregular income components, these facts must be disclosed in a separate expense item. For a better understanding of the earnings situation, a corresponding subtotal was added to the structure of the Consolidated Statement of Income.

8. Income taxes

The tax expenses shown in the Comprehensive Statement of Total Income are attributable to Germany and foreign countries as well as to current tax expenses and deferred tax expenses as follows:tax expenses and deferred tax expenses as follows:

(in € k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Current income taxes		
Germany	4,387	7,129
Abroad	1,528	1,188
	5,915	**8,317**
Deferred tax expense		
Germany	499	1,302
Abroad	109	-108
	608	**1,195**
Total	**6,523**	**9,511**

The tax charges based on the tax rate applicable to ISRA as the parent Company and the actual tax charges of the Group can be reconciled as follows:

(in € k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Result before income taxes	15,977	32,138
Expected income tax expense	4,950	9,956
Effect from foreign income tax rates	-286	-256
Tax losses without capitalization of deferred taxes	4	23
Tax effects from non-deductible operating expenses and other tax modifications	802	0
Consolidation-related and other effects	1,053	-212
Reported income tax expense	**6,523**	**9,511**

In financial year 2019/2020, the corporate tax rate totaled 15.0%, plus the German Solidarity Surcharge of 5.5% of corporate tax. This resulted in an effective corporate tax rate of 15.83%. Taking into account the local business taxes – which amounted to 15.15% weighted – this resulted in an overall tax rate of approximately 30.98% (previous year: 30.98%).

The taxes in the Individual Financial Statements of ISRA VISION LLC, ISRA VISION SYSTEMS Inc. and ISRA SURFACE VISION Inc. were determined at a tax rate of around 28%, while a tax rate of 16.2% was applied to ISRA VISION Parsytec Inc. A tax rate of 19.0% was applied to ISRA VISION Ltd. and ISRA VISION Parsytec Ltd. while a tax rate of 25.0% was applied for ISRA VISION (Shanghai) Co. Ltd. A uniform tax rate of 31.07% was applied for the German Parsytec Group. A tax rate of 20.0% was applied for the Finnish company ISRA VISION FINLAND Oy. A uniform tax rate of 16.92% was applied for the Swiss Photonfocus Group.

9. Receivables

(in € k)	Sept. 30, 2020	Sept. 30, 2019
Trade receivables of domestic Group companies	37,128	36,945
Trade receivables of foreign Group companies	17,367	11,930
Carrying value	**54,459**	**48,875**

(in € k)	Sept. 30. 2020	Sept. 30, 2019
Contract Assets	49,308	66,885
Carrying value	**49,308**	**66,885**

Due to the COVID-19 pandemic, contract assets have decreased.

The value adjustments on receivables and contract assets developed as follows:

(in € k)	2019/2020	2018/2019
Balance of valuation allowances on October 1	2,636	2,839
IFRS 9 adjustments on October 1	-56	129
Usage	357	789
Release	25	676
Addition	1,518	1,124
Exchange rate differences	-7	10
Impaiment losses as of September 30	3,766	2,636

The devaluations for receivables disclosed as other income were made exclusively on a case-by-case basis. To determine expected credit defaults, the credit ratings of customers, historical default probabilities, country-specific characteristics and future macroeconomic factors are taken into account. The check of the receivables disclosed on the balance sheet date did not result in any other recognizable risks for the Company's receivables.

The receivables are structured according to maturity dates as follows:

(in €k) Trade receivables	Carrying amount	thereof not overdue and not impaired as of the balance sheet date	Net value of impaired receivables	thereof not impaired as of the balance sheet date and overdue in the following time frames			
				< 31 days	31-60 days	61-90 days	> 90 days
as of Sept. 30, 20	99,134	88,266	340	3,729	926	617	5,256
as of Sept. 30, 19	115,760	98,258	1,713	6,428	2,831	2,759	3,772

With regard to overdue, but non-value-impaired receivables, there are no indications that the debtors will not ultimately meet their payment obligations.

10. Inventories

The inventory includes:

(in €k)	Sept. 30, 2020	Sept. 30, 2019
Raw materials and supplies	17,039	14,104
Unfinished goods	26,030	25,516
Finished goods	7,005	7,273
Carrying value	**50,075**	**46,893**

In financial year 2019/2020, impairment losses on inventories amounted to 442 thousand euros (previous year: 340 thousand euros).

11. Financial assets

This category comprises the following current and non-current financial assets:

(in €k)	Sept. 30, 2020		Sept. 30, 2019	
	current	non-current	current	non-current
Loans to employees and other receivables from employees	708	0	293	0
Insurance claims	0	970	297	958
Security deposit	0	386	0	363
Other receivables	1,056	0	0	0
Other	418	0	1,668	0
Carrying value	**2,182**	**1,356**	**2,258**	**1,321**

The long-term insurance claims arise from re-insurance policies.

12. Other receivables

This category comprises the following current and non-current receivables:

(in €k)	Sept. 30, 2020		Sept. 30, 2019	
	current	non-current	current	non-current
Advance payments made	910	0	457	0
Sales tax receivables	2,613	0	2,347	0
Carrying value	**3,523**	**0**	**2,804**	**0**

13. Intangible assets

Intangible assets include:

(in € k)	Goodwill	Software, licenses	Own work capitalized	Total
Acquisition and production costs				
October 1, 2019	44,911	35,695	116,418	197,024
Additions	0	1,854	21,685	23,540
Additions from company acquisition	0	0	0	0
Disposals	0	4,197	3,998	8,194
Reclassifications	0	6	0	6
Exchange rate differences	0	-231	-19	-250
September 30, 2020	44,911	33,128	134,087	212,125
Write-offs				
October 1, 2019	2,061	20,240	47,014	69,316
Additions	0	2,499	14,544	17,042
Additions from company acquisition	0	0	0	0
Disposals	0	4,132	3,998	8,130
Reclassifications	0	0	0	0
Impairment	0	0	0	0
Reversal of impairment losses	0	0	0	0
Exchange rate differences	0	-171	-19	-191
September 30, 2020	2,061	18,435	57,541	78,038
Carrying value of intangible assets				
October 1, 2019	42,850	15,455	69,404	127,708
September 30, 2020	42,850	14,692	76,546	134,088

(in € k)	Goodwill	Software, Licenses	Own work capitalized	Total
Acquisition and production costs				
October 1, 2018	40,997	32,677	121,573	195,246
Additions		1,605	18,096	19,701
Additions from company acquisition	3,894	5,745	0	9,639
Disposals	0	4,399	23,344	27,742
Reclassifications	0	0	0	0
Exchange rate differences	20	67	93	180
September 30, 2019	44,911	35,695	116,418	197,024
Write-offs				
October 1, 2018	2,061	22,664	55,365	80,090
Additions	0	1,939	14,899	16,838
Additions from company acquisition	0	0	0	0
Disposals	0	4,362	23,344	27,706
Reclassifications	0	0	0	0
Impairment	0	0	0	0
Reversal of impairment losses	0	0	0	0
Exchange rate differences	0	0	93	93
September 30, 2019	2,061	20,240	47,014	69,316
Carrying value of intangible assets				
October 1, 2018	38,936	10,013	66,208	115,156
September 30, 2019	42,850	15,455	69,404	127,709

The item “Software and Licenses” includes the software purchased, the costs of licenses, and the intangible assets acquired as part of the acquisitions that can be identified in the purchase price allocation.

The cumulative depreciation of own work capitalized amounted to a total of 57,541 thousand euros (previous year: 47,014 thousand euros), 14,544 thousand euros of which relates to amortization in the reporting year (previous year: 14,899 thousand euros). Own work capitalized was not value impaired (previous year: 0.0 euros). Own work capitalized also includes additions from capitalized patent costs in the amount of 46 thousand euros (previous year: 60 thousand euros) and depreciation and amortization for patents in the amount of 2,548 thousand euros (previous year: 2,206 thousand euros).

The goodwill impairment test is conducted on the basis of the cash-generating units (CGU) by comparing the amount recoverable with the carrying amount, whereby the amount recoverable is based on the value in use.

The value in use has been calculated using a discounted cash flow method that is subject to the following premises:

- Cash flows are based on the Management’s current planning for a period of five years. Significant planning assumptions have been made regarding sales growth, the working capital ratio and the EBIT margin. The Management bases its planning on historical data as well as external market studies.
- For the periods that extend beyond the planning period, growth rates of 1.5% (previous year: 1.5%) have been assumed.
- A weighted average cost of capital before taxes (WACC) of 10.91% was assumed (previous year: 12.87%)

The impairment tests for the goodwill have not resulted in the need for a goodwill impairment. If the underlying working capital ratio had been 2 percentage points higher for the goodwill impairment tests of the cash-generating units, this would have resulted in no value impairment. If the underlying revenue growth rates had been 3 percentage points lower for the goodwill impairment tests, this would have resulted in no value impairment. If the underlying EBIT ratios had been 1 percentage point lower for the goodwill impairment tests, this would have resulted in no value impairment.

Goodwill by segments is as follows:

(in € k)	Sept. 30, 2020	Sept. 30, 2019
Goodwill Industrial Automation	9,804	9,804
Goodwill Surface Vision	33,045	33,045
Goodwill	42,850	42,850

ISRA VISION AG records the provision for depreciation for intangible assets in the positions cost of sales, Research and Development, and sales and general administrative costs, according to the use of the intangible asset.

As of September 30, 2020, there were no contractual obligations to acquire intangible assets (as in the previous year).

14. Tangible assets

Total tangible assets include:

(in € k)	Land and buildings	Technical equipment	Office furnishings	Assets under construction	Total
Acquisition and production costs					
October 1, 2019	2,617	5,276	8,917	925	17,735
Additions	2,781	2,559	514	2,352	8,205
Additions from company acquisition	0	0	0	0	0
Disposals	208	48	507	67	830
Reclassifications	0	-3	-3	0	-6
Exchange rate differences	-111	-2	-139	-42	-293
September 30, 2020	5,079	7,782	8,782	3,168	24,811
Write-offs					
October 1, 2019	746	4,428	6,456	188	11,818
Additions	62	316	782	155	1,315
Additions from company acquisition	0	0	0	0	0
Disposals	0	0	309	0	309
Reclassifications	0	0	2	0	2
Impairment	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0
Exchange rate differences	-39	-1	-99	-2	-141
September 30, 2020	770	4,742	6,832	341	12,685
Carrying value of property, plant and equipment					
October 1, 2019	1,870	849	2,461	737	5,917
September 30, 2020	4,308	3,040	1,950	2,828	12,125

The increase in property, plant and equipment for land and buildings results from the purchase of land in the amount of 2,768 thousand euros for the construction of the new company headquarters in Darmstadt. The corresponding planning and construction support work as well as preparatory work increase the acquisition and production costs for assets under construction by 2,223 thousand euros.

As in the previous year, there were no contractual obligations for the acquisition of property, plant and equipment as of September 30, 2020.

(in € k)	Land and buildings	Technical equipment	Office furnishings	Assets under construction	Total
Acquisition and production costs					
October 1, 2018	2,457	5,135	8,030	256	15,878
Additions	11	245	1,202	739	2,196
Additions from company acquisition	0	31	169	0	200
Disposals		135	464	0	598
Reclassifications	32	0	-32	0	0
Exchange rate differences	117	1	12	-70	59
September 30, 2019	2,617	5,277	8,917	925	17,735
Write-offs					
October 1, 2018	619	4,253	6,037	154	11,063
Additions	65	309	867	36	1,278
Additions from company acquisition					0
Disposals		135	406	0	541
Reclassifications	32	0	-32	0	0
Impairment	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0
Exchange rate differences	30	1	-11	-2	18
September 30, 2019	746	4,428	6,456	188	11,818
Carrying value of property, plant and equipment					
October 1, 2018	1,838	882	1,992	102	4,815
September 30, 2019	1,870	849	2,461	737	5,917

15. Leasing rights of use

From October 1, 2019, the fixed assets of ISRA also include assets from rights of use in connection with leases.

These rights of use from capitalized leases of ISRA relate to buildings and cars.

Leases for operating and office equipment, on the other hand, are exclusively the subject of low-value leases, which are recognized exclusively as expenses. For short-term leases for which no rights of use and no lease liability were recognized, ISRA incurred expenses of 482 thousand euros in the reporting period, and 60 thousand euros for leases of low-value assets.

The assets from rights of use totaled 7,075 thousand euros at the end of the reporting period. The following table shows the additions to rights of use and the depreciation charged on rights of use:

(in € k)	Depreciation	Additions	Balance sheet value Sept. 30, 2020
Buildings	2,136	745	6,740
Vehicles	344	97	335
Sum	2,480	842	7,075

16. Financial liabilities to banks

As of the balance sheet date, ISRA had non-current bank liabilities of 0 thousand euros (previous year: 0.0 euros).

Current bank liabilities total 37,964 thousand euros (previous year: 40,629 thousand euros).

The weighted average interest rate over the 2019/2020 financial year for bank liabilities amounts to 0.50%.

Liquidity risks

The following tables present the contractually stipulated (undiscounted) cash flows of the interest and repayments of the financial liabilities that fall within the scope of IFRS 7:

2019/2020 (in €k)	Balance sheet value	Cash flows 2020/2021		Cash flows 2021/2022		Cash flows from 2022/2023	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Liabilities to banks	37,964	11	37,964	0	0	0	0
Trade payables	16,583		16,583				
Financial liabilities	14,192		14,192				
Other liabilities	2,757		2,757				

2018/2019 (in €k)	Balance sheet value	Cash flows 2019/2020		Cash flows 2020/2021		Cash flows from 2021/2022	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Liabilities to banks	40,629	39	40,629	0	0	0	0
Trade payables	23,427		23,427				
Financial liabilities	13,815		13,815				
Other liabilities	2,441		2,441				

All liabilities as of the balance sheet date of September 30, 2020, and for which payments were contractually agreed, have been taken into consideration. No assumption of new liabilities has been taken into account. The variable interest rate payments associated with financial instruments were calculated on the basis of an average interest rate for financial year 2019/2020, assuming medium-term refinancing by the Atlas Copco Group.

The future cash outflow expected from the financial liabilities will be covered by the operating business, receivables and the lines of credit available.

17. Trade payables

Trade payables amount to 16,583 thousand euros (previous year: 23,427 thousand euros). The liabilities are being paid off regularly, taking full advantage of the discount terms offered. The liabilities are free of interest and payable within one year.

18. Provisions

Provisions include the following items:

(in €k)	Sept. 30, 2019	Additions	Usage	Release	Exchange rate differences	Sept. 30, 2020	thereof due within the next financial year
Warranties	513	224	154	162	0	421	421
Severely handicapped compensation levy/ Pension guarantee association	77	258	433	2	149	48	48
Other provisions	754	1,887	1,923	451	68	335	335
Carrying value	**1,344**	**2,368**	**2,510**	**615**	**217**	**804**	**804**

Other provisions also include provisions for work outstanding, vacation leave and work on the Annual Financial Statements.

19. Other financial liabilities

(in € k)	Sept. 30, 2020	Sept. 30, 2019
Wages & salaries, performance-related remuneration and related social security contributions and remaining vacation	11,751	11,802
Miscellaneous other financial liabilities	2,440	2,013
Carrying value	**14,192**	**13,815**

20. Other liabilities

(in € k)	Sept. 30, 2020	Sept. 30, 2019
Contractual liabilities	2,757	2,441
Carrying value	**2,757**	**2,441**

Another contractual liability was created for prepayments from customers for maintenance contracts for the remaining term of the contracts, which will be reversed over the term of the contracts.

21. Leasing liabilities

With the first-time application of IFRS 16 as of October 1, 2019, additional lease liabilities of 8,736 thousand euros (previous year: 0.0 euros) were recognized.

The total lease liabilities as of September 30, 2020 amount to 7,202 thousand euros. The payments to be made to settle these liabilities are due in the following periods:

	Balance sheet value	Payout			
(in € k)	Sept. 30, 2020	in 20/21	in 21/22	from 22/23	Sum
Leasing liabilities	7,202	2,122	1,770	3,420	7,312

Interest expenses for lease liabilities amounted to 139 thousand euros in the 2019/20 reporting period.

The payments for the repayment of lease liabilities amounted to 2,373 thousand euros.

For short-term leases for which no rights of use and no lease liability were recognized, ISRA incurred expenses of 482 thousand euros in the reporting period, and 60 thousand euros for leases of low-value assets.

The total cash outflows from all leases amounted to 3,054 thousand euros in the reporting period 2019/20. The measurement of leasing liabilities did not take into account possible future cash outflows due to extension options of 3.2 million euros and due to leases not yet commenced in the amount of 0.4 million euros.

22. Deferred tax assets / deferred tax liabilities

The calculation of the deferred taxes is based on average income tax rates of 30.98% (previous year: 30.98%) for Germany and 28% (previous year: 28%) for the United States. Deferred taxes are allocated to the balance sheet items as follows:

(in € k)	Sept. 30, 2020	Sept. 30, 2019
Intangible assets	26,570	23,384
Inventories	-6,095	-6,702
Receivables Contract assets (previous year: Receivables, POC)	21,076	23,710
Miscellaneous items	0	287
Deferred tax liabilities	**41,551**	**40,678**
Loss carryforward	4	19
Pension provisions	624	517
Other provisions	23	-61
Deferred tax assets	**651**	**475**

The deferred tax assets realized after more than 12 months amounts to 651 thousand euros (previous year: 475 thousand euros). The deferred tax liabilities realized after more than 12 months amount to 12,860 thousand euros (previous year: 12,540 thousand euros). The change in the balance of the deferred taxes amounts to 696 thousand euros (previous year: 1,418 thousand euros).

Tax losses carried forward totaled 13 thousand euros as of September 30, 2020 (previous year: 60 thousand euros). Deferred tax assets were set aside for all tax losses carried forward. The Executive Board has assessed the usability of the losses carried forward based on the Company's planning for 2021-2025.

There are no losses that can be carried forward indefinitely. 13 thousand euros in losses carried forward will expire within 8 years.

23. Pension provisions

The provisions for employee benefits from the Company pensions plan have been assessed on the basis of the projected unit credit method (current one-off premium payment procedure) in accordance with IAS 19. In the process, the defined benefit obligation (DBO) and the current service cost are calculated precisely for each beneficiary according to the respective individual commitment. The pension obligations were calculated in 2018 by using the mortality tables published by Dr. Heubeck.

The pension liabilities arise from the pension obligations of ISRA VISION LASOR GmbH based on a pension scheme terminated as of July 31, 2004, of FELDMÜHLE Aktiengesellschaft as well as ISRA VISION PARSYTEC AG and ISRA PARSYTEC GmbH on the basis of formal individual commitments.

The pension plans from the terminated pension scheme consisted of a base amount and increments calculated based on the number of years of service to be taken into account. Based on individual commitments, former senior executives were granted pension commitments in the form of proportional fixed monthly pensions upon reaching the age limit or survivor's benefits.

In the Consolidated Statement of Financial Position, pension obligations were combined based on similar agreements and are explained together accordingly.

The retirement benefits include 36 eligible persons in total, 12 of whom are retirees, 9 active employees and 15 former employees. Since no new benefits can be earned, the risk for the Company results exclusively from the development of interest rates, the expected age of retirement as well as the life expectancy of the eligible individuals.

The determination of the obligations as per September 30, 2020, is based on independent actuarial opinions by experts for company pension schemes.

The assessments for ISRA VISION LASOR GmbH are based on the following assumptions: Discount rate 1.22 % (previous year: 1.09 %), projected pension increase 1.70 % p. a. (previous year: 1.70 %).

The following assumptions were made in assessing the provisions of ISRA VISION PARSYTEC AG and ISRA PARSYTEC GmbH: Discount rate 1.22 % (previous year: 1.09 %), projected pension increase 1.70 % p. a. (previous year: 1.70 %).

The "Reference Guidelines 2018 G" from Dr. Klaus Heubeck were used as the calculation basis. Fluctuation was assessed taking into account the relative frequency of staff turnover by age and gender.

The cash values of performance-based pension obligations developed as follows during financial year 2019/2020:

(in € k)	2019/2020	2018/2019
Cash value of defined benefit obligations at the beginning of the financial year	3,376	2,993
Actuarial (gains) losses	67	482
Interest expense	35	67
Past service costs	467	0
Gains / losses from settlements	0	-33
Pension payments	-210	-133
Total at the end of the financial year	3,735	3,376

Interest costs are included in the financial result of the respective financial year.

The actuarial gains and losses, adjusted for the income tax effect, are recognized directly in equity with no impact on result. The total amount of actuarial gains and losses for the financial year is attributable to changes in the financial assumptions.

A change in the above-mentioned key actuarial assumptions by half a percentage point on each balance sheet date would have led to the following changes in the present value of the defined benefit obligation:

Sensitivity of the DBO in €k, as of Sept. 30, 2020 3,735 €k	Sept. 30, 2020	Sept. 30, 2019
Interest rate +0.5%	-245	-224
Interest rate -0.5%	273	249
Pension increases (pension trend) 0.5%	193	166
Pension increases (pension trend) -0.5%	- 177	- 152

The following pension payments to eligible persons are expected for the next years:

Expected pension payments in €k	
Financial year 2020/2021	119
Financial year 2021/2022	127
Financial year 2022/2023	149
Financial year 2023/2024	167
Financial year 2024/2025	171
Financial year 2025/2026 - 2029/2030	876

Due to legal requirements in South Korea, there is a provision for pension-related obligations on the basis of a pension plan for severance payments. The commitment in South Korea represents a statutory obligation to make a one-time payment in the event of the termination of the employment relationship by way of a retirement pension and in the case of termination. The amount of the provision-financed obligation is based on the average monthly salary per year of employment and length of service. In total, the obligation amounted to 802 thousand euros (previous year 691 thousand euros) on September 30, 2020.

In financial year 2019/2020 2,564 thousand euros (previous year: 2,911 thousand euros) were recorded as incurred as contribution-oriented pension provisions to the statutory pension insurance.

24. Equity

a) Share capital

As of the balance sheet date, the Company's share capital amounts to 21,914,444.00 euros. The share capital is divided into 21,914,444.00 shares. It concerns bearer shares with a nominal value of one euro each.

Capital developed as follows during the current financial year:

The subscribed capital amounts to 21,914,444.00 as of the balance sheet date (previous year: 21,914,444.00).

The Company holds 27,700 own shares (previous year: 27,700).

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the Company's share capital until March 16, 2025, once or on multiple occasions by issuing new no-par value shares against cash or non-cash contributions, but by a maximum amount of 6,574,333.20 euros (Authorized Capital).

The subscription rights of shareholders are also served with an indirect subscription right in accordance with Section 186 Para. 5 Sentence 1 of the German Stock Corporation Act. With the agreement of the Supervisory Board, the Executive Board is authorized to exclude the statutory subscription rights of shareholders

- for fractional amounts,
- to provide shares in return for contributions of fixed assets, in particular in the context of mergers with other companies or the purchase of other companies, parts of companies or of an interest in other companies,
- if the capital increase takes place by means of an equity contribution and the issued value is not, at the time of the final determination of the issued value by the Executive Board, significantly less than the share price of the shares of a similar nature and scope which are already quoted on the stock markets, when judged in terms of the provisions of Section 203 Para. 1 and 2, 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG) and the amount of the share capital attributable to the shares issued under exclusion of the statutory subscription rights according to Section 186 Section 3 Clause 4 does not exceed 2,191,444.40 euros or – if this amount is less – 10% of the existing base capital at the time of the issue of the new shares. When using this authorization under exclusion of subscription rights pursuant Section 186 Para. 3 Sentence 4 AktG, the exclusion of subscription rights on the basis of other authorizations pursuant to Section 186 Para. 3 Sentence 4 AktG shall be taken into account.

However, the total proportionate amount of the share capital attributable to new shares for which subscription rights are excluded on the basis of these authorizations, together with the proportionate amount of the share capital attributable to own shares or to which conversion and/or option rights or obligations from bonds relate that were sold or issued after the beginning of May 14, 2020 with an exclusion of subscription rights, may not exceed 10% of the share capital. The relevant amount shall be either the share capital existing on May 14, 2020, the share capital existing at the time of the registration of the authorization or the share capital existing at the time of the issuance of the new shares, whereby of the three aforementioned points the point in time at which the share capital is the lowest is to be taken into account. It shall also be considered an exclusion of subscription rights if the sale or issue is carried out by analogous or mutatis mutandis application of Section 186 Para. 3 Sentence 4 AktG.

Subject to agreement by the Supervisory Board, the Executive Board is authorized to determine the further details of implementing the increase in capital stock from Authorized Capital.

The share capital has been conditionally increased by up to 10,453,100.00 euros by issuing up to 10,453,100 no-par value bearer shares (Conditional Capital II). The conditional capital increase may only be carried out to the extent that the holder or creditor (jointly: Holders) of convertible or negotiable option bonds, issued up to March 16, 2020, on the basis of the authorization given to the Executive Board by the Annual General Meeting on March 17, 2015, in its original form or by way of the resolution of the Annual General Meeting on March 28, 2018, makes use of this conversion right or option right, or to the extent that the holders, who are obliged to make the conversion fulfill their obligation to undertake the conversion and that no other means of performance are applied in these cases. The new shares shall be issued at the option or conversion price to be determined in accordance with the aforementioned authorization resolutions. The new shares will begin participating in Company profits as of the start of the financial year in which they are created (by exercising options / conversion rights and / or fulfilling options / conversion obligations).

b) Capital reserve

The capital reserve mainly contains premiums from the IPO and capital increases; in addition, expenses from capital measures were offset against the capital reserve.

The capital reserve amounted to 21,111 thousand euros as of September 30, 2020 (previous year: 21,111 thousand euros).

c) Own shares

No own shares were purchased in financial year 2019/2020 (previous year: 27,700). The purchase costs of the treasury shares were -233 thousand euros (previous year: -233 thousand euros).

d) Equity attributable to non-controlling shareholders

Besides ISRA VISION AG, other non-controlling shareholders have an interest in the subsidiary ISRA VISION PARSYTEC AG. Their share of the net assets of the respective subsidiary is recorded in the item designated accordingly in Group equity.

The influence of other shareholders in these subsidiaries as of September 30, 2020, is presented below:

2019/2020 (in €k)	Share	Result of the non-controlling shareholders in 2019/2020	Cumulative non-controlling shares as of September 30, 2020
ISRA VISION PARSYTEC AG	96,07%	27	1,582

The disclosures for the previous year are as follows:

2018/2019 (in €k)	Share	Result of the non-controlling shareholders in 2019/2020	Cumulative non-controlling shares as of September 30, 2020
ISRA VISION PARSYTEC AG	96,07%	67	1,554

The financial information of the subsidiaries as of September 30, 2020, is summarized as follows:

	Assets as of Sept. 30, 2020		Liabilities as of Sept. 30, 2020	
(in €k)	Current	Non-current	Current	Non-current
ISRA VISION PARSYTEC AG	60,960	13,465	23,231	6,091

The following information is reported for the previous year:

	Assets as of Sept. 30, 2019		Liabilities as of Sept. 30, 2019	
(in €k)	Current	Non-current	Current	Non-current
ISRA VISION PARSYTEC AG	39,961	13,260	2,946	5,453

e) Currency translation differences

The currency translation differences in equity serve to record the differences that result from the currency conversions in the financial statements of foreign subsidiaries. The balancing items for currency translation differences changed in financial year 2019/2020 from 1,172 thousand euros to -946 thousand euros.

f) Dividend

In financial year 2019/2020, ISRA paid out dividends for financial year 2018/2019 in the amount of 3,940 thousand euros. This equates to a dividend of 0.18 euros per share.

25. Contingent liabilities and other financial liabilities

Due to the first-time application of IFRS 16 "Leases" in the 2019/2020 year under review and the associated capitalization of the respective right of use and the respective recognition of the corresponding debt obligation from the leasing transaction as a liability, the previous disclosure as other financial obligations no longer applies.

A letter of comfort in the amount of 7,300 thousand euros was issued to Sparkasse Darmstadt for ISRA Immobilien Berlin GmbH. We consider the risk of utilization to be extremely low. This assessment is based on our valuation of the rental property.

26. Notes to the Consolidated Statement of Cash Flows

Cash and cash equivalents comprise cash in hand and bank deposits available at short notice in the amount of 35,083 thousand euros (previous year: 39,890 thousand euros). The change in cash and cash equivalents amounts to 4,807 thousand euros (previous year: 5,174 thousand euros).

As of the balance sheet date, ISRA had no non-current liquid funds.

27. Transactions with affiliated companies or related parties

In a lease dated August 12, 1998, the Company leased administrative, 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 in this GbR (common-law company). The addendum to the lease dated October 1, 2012, has a fixed initial term of ten years. 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 0.0 euros (previous year: 0.0 euros). In the year under review, rental expenditure for the GbR amounted to 132 thousand euros (previous year: 132 thousand euros).

The lease agreement was transferred to the City of Darmstadt, Eigenbetrieb Immobilienmanagement der Wissenschaftsstadt Darmstadt on October 10, 2020 on the basis of a purchase agreement between ISRA-Bau-Mitarbeiter-Beteiligungsgesellschaft GbR and the City of Darmstadt.

In a lease dated April 1, 2019, ISRA VISION Graphikon GmbH in Berlin has rented administration, storage and development space at the company's headquarters in Berlin from ISRA Immobilie Berlin GmbH, Darmstadt. The lease has a non-cancellable basic term of 10 years. The rent amounts to 16,089.40 euros per month plus a lump sum for incidental expenses in the amount of 3,991.38 euros. The terms of the lease correspond to those agreed upon with third parties. On the reporting date September 30, 2020, there were receivables of 587 thousand euros (previous year: 10 thousand euros) to ISRA Immobilie Berlin GmbH. In the year under review, rental expenses for ISRA Immobilie Berlin GmbH amounted to 241 thousand euros (previous year: 120 thousand euros).

Future minimum lease payments under non-cancellable operating leases (in €k)	Reporting year	Previous year
up to one year	246	373
longer than one year and up to five years	964	1,228
longer than five years	1,084	1,084

28. Shareholdings in associated companies

ISRA Immobilie Berlin GmbH, Darmstadt, was founded on March 14, 2017. The purpose of the Company is to establish, operate and possibly dispose of an office property located in Berlin. The balance sheet date of the Company is December 31. ISRA VISION AG's share of the period result amounts to 49.99%. The period result amounted to -14 thousand euros. The book value of the associated company amounts to 0.0 euros, the proportionate equity amounts to -315 thousand euros. The assets amount to 7,447 thousand euros and the balance sheet total to 8,076 thousand euros.

29. Classes of financial assets / liabilities and reconciliation statement

The classes of financial assets and liabilities correspond to the balance sheet items as follows:

		Balance sheet valuation according to IFRS 9		
in €k	Carrying amount on Sept. 30, 2020	fair value	amortized acquisition costs	fair value not affecting income
Assets				
Cash and cash equivalents	35,083	0	35,083	0
Trade receivables	99,134	0	99,134	0
other assets	7,049	0	7,049	0
Liabilities				
Trade liabilities	16,583	0	16,583	0
Liabilities to credit institutes	37,964	0	37,964	0
Other liabilities	14,192	0	14,192	0

The following information is provided for the previous year:

in €k	Carrying amount on Sept. 30, 2019	Balance sheet valuation according to IFRS 9 fair value	amortized acquisition costs	fair value not affecting income
Assets				
Cash and cash equivalents	39,890	0	39,890	0
Trade receivables	115,760	0	115,760	0
Other assets	6,383	0	6,383	0
Liabilities				
Trade liabilities	23,427	0	23,427	0
Liabilities to credit institutes	40,629	0	40,629	0
Other liabilities	13,815	0	13,815	0

The cash and cash equivalents, the trade receivables / trade payables and other receivables / payables primarily have a short term to maturity. Their carrying amounts as of the balance sheet date of September 30, 2020, are therefore nearly the same as their current fair value. The carrying amount of the bank liabilities is the same as its fair value since the revaluation of future interest payments will generally not significantly affect the fair value of the liability with regard to bank liabilities that have a variable interest rate.

All items shown here under assets are to be allocated to the measurement category at amortized cost in accordance with IFRS 9.

All items shown here under liabilities are measured at amortized cost in accordance with IFRS 9.

30. Net profit / net loss

The net results of the financial instruments according to analysis categories are as follows:

in €k	from interest and divi-dends	From the follow-up evaluation: at fair value	Currency conver-sion	Value ad-justment	from a disposal	Net result 2019/20	2018/19
Financial assets measured at amortized cost	-226		1,584	-1,549	-205	-396	1,120
Liabilities carried at amortized cost	-7		2,777			2,770	-759

31. Personnel

In financial year 2019/2020, the number of employees averaged 854 (previous year: 815).

	Reporting year	Previous year
Employees	793	755
Temporary staff	61	60
Total	**854**	**815**

Personnel expenses:

(in €k)	Oct. 01, 2019 - Sept. 30, 2020	Oct. 01, 2018 - Sept. 30, 2019
Wages and salaries	-47,394	-49,571
Social security costs, pension costs	-7,557	-7,294
Total	**-54,951**	**-56,864**

32. Information on capital management

Capital management essentially covers cash and cash equivalents (35,083 thousand euros) as well as financial liabilities to banks (see 16) and equity (see 24).

The primary objective of capital management is to guarantee liquidity at all times. The Group's financing and liquidity is safeguarded centrally through in-depth financial planning.

33. Earnings per share

Earnings per share in the amount of 0.43 euros (previous year: 1.03 euros) calculated according to IAS 33 are based on the division of the consolidated net profit attributable to the parent Company of 9,426 thousand euros (previous year: 22,560 thousand euros) by the 21,886,744 shares on average circulating during the financial year (previous year: 21,889,900 shares).

There is no difference between the diluted and undiluted earnings per share.

	Number of shares in circulation
September 30, 2019	21,886,744
Treasury shares acquired	
Shares issued	
Treasury shares sold	
September 30, 2020	21,886,744

34. Notifications in accordance with Section 33 Para. 1 and Section 34 Para. 1 and Section 38 Para. 1 Nr. 1 and 2 of the German Securities Trading Act WpHG

ISRA VISION AG has been notified of the existence of shareholdings in accordance with Section 33 Para. 1 and Section 34 Para. 1 and Section 38 Para. 1 Nr. 1 and 2 of the German Securities Trading Act (Wertpapierhandelsgesetz). The contents of the notifications are contained in the Notes to the Individual Financial Statements.

35. Declaration of conformity to the Corporate Governance Code

ISRA VISION AG is the only Company currently publicly listed in Germany that is included in the Consolidated Annual Financial Statements that has submitted the Declaration of Conformity prescribed by Section 161 of the German Stock Corporation Act (AktG) and made it accessible to shareholders under https://www.isravision.com/de/investor-relations/corporate-governance in the Investor Relations area.

36. Auditors' fees

The following fees have been accrued in the ISRA Group for auditing services and additional services by the auditor (RSM) and other companies of the worldwide association of RSM rendered in financial year 2019/2020 as well as in the prior financial year:

(in €k)	Reporting year/RSM	Previous year/ RSM
Audit of the financial statements	285	243
Other certification and valuation services	77	12
- of which for previous years	0	0
Tax advisory services	44	22
Other services	10	42
Total amount	**417**	**319**

37. Risk management

Principles of Risk Management

In terms of its business, ISRA is subject to market risks, in particular currency, interest, liquidity and credit risks. The objective of risk management is to counter these risks by taking active measures and limiting them as far as possible.

Exchange rate risks

Exchange rate risks mainly result from investments and operating activities.

A 10% increase in the EUR / USD exchange rate would lead to the results being reduced by 717 thousand euros (previous year: -1,416 thousand euros). A 10% decrease in the EUR / USD exchange rate would lead to the results being increased by 894 thousand euros (previous year: 1,731 thousand euros). Equity would have changed by 495 thousand euros and 617 thousand euros, respectively.

A strong dollar contributes to sales for ISRA VISION, while negative effects can be expected only from a disproportionately strong euro. In this case, currency hedging must be performed.

Currencies other than the USD do not play a significant role for the ISRA Group.

The currency sensitivity analysis is subject to the following assumptions:

The currency sensitivity analysis on the reporting date of September 30, 2020, is based on the foreign currency receivables and payables may be considered representative for the entire financial year.

Interest risks

Interest risks result from original financial instruments with variable or fixed interest rates if they are assessed at their fair value. Accordingly, interest change risks as defined in IFRS 7 do not therefore affect any financial instruments with fixed interest that are valued at amortized cost.

ISRA VISION AG is subject to interest risks only in the euro zone. The main share of bank liabilities is designed to bear interest at a variable rate.

An interest sensitivity analysis using interest rates from 2019/2020 yields the following results:

If the market interest level as of September 30, 2020, had been 100 base points higher (lower), the result before taxes would have been 380 thousand euros (0.0 euros) lower (higher) (previous year: 304 thousand euros, 0.0 euros). The equity capital would have dropped (risen) by 262 thousand euros (0.0 euros) (previous year: 210 thousand euros, 0.0 euros).

The interest sensitivity analysis is subject to the following assumptions:

The bank liabilities existing as of the reporting date of September 30, 2020, can be considered representative for the entire financial year. The analysis only involves original financial instruments that bear variable interest.

Liquidity risks

Among other things, liquidity risks result from financial bank liabilities (item 16). Additional liquidity risks result from the contingent liabilities and other financial liabilities (item 25), trade payables (item 17) and other financial liabilities (item 19).

Price risks

There were no significant price risks as of the balance sheet date.

Credit risks

ISRA conducts business solely with creditworthy third parties. Multinational companies with a high level of creditworthiness account for the majority of its customers. By splitting the total receivables into various sub-areas and due to constant monitoring of the inventory of receivables, there is no significant risk of payment default. The maximum risk of default is limited to the carrying amount reported. There are no significant concentrations of payment default risks. Due to its customer structure, there is similarly no concentration of risks. For other financial assets, such as cash and cash equivalents, the maximum credit risk matches the carrying amount of these instruments if the contracting party fails to pay.

The maximum default risk to be reported is determined by the carrying amounts of the financial assets and the current financial guarantees.

The default risk is taken into account by means of individual and lump-sum individual value adjustments and trade credit insurance.

Financing risks

The loans granted by banks are subject to contractually agreed terms and key figures. These key figures are verified each quarter based on the quarterly results published on the Internet as well as on each balance sheet date based on the results published in the Consolidated Financial Statements. In the event of a breach of the agreed terms, the creditors have the right to demand immediate repayment of their claims.

38. Supplementary Report

After the end of the financial year 2019/2020, a resolution was passed by the ISRA shareholders at an Extraordinary General Meeting on December 15, 2020 for a so-called merger squeeze-out with the transfer of all outstanding ISRA shares (7.81%) to Atlas Copco Germany Holding AG in return for an appropriate cash compensation and the merger of ISRA VISION AG into Atlas Copco Germany Holding AG. The resolution and consequently the transfer of all ISRA shares to Atlas Copco Germany Holding AG and the merger of ISRA VISION AG into Atlas Copco Germany Holding AG will become effective upon entry of the resolution in the commercial register of ISRA VISION AG and Atlas Copco Germany Holding AG, which has not yet taken place at the time of the preparation of this report.

39. Remuneration of the members of the Executive and Supervisory Board

The remuneration of Executive Board members comprises short-term components as well as long-term incentives. The short-term components comprise performance-based and non-performance-based elements. Non-performance-based components include fixed remuneration, payments in kind and other types of benefits. Executive Board members also receive other benefits, such as allowances for health insurance and benefits in kind that primarily involve the use of a company car. As a performance-based element, payments to the members of the Executive Board include variable components which may amount to as much as 50% of their base salary. The non-performance-based fixed remuneration and the performance-based remuneration are revised annually by the Supervisory Board on the basis of objectives. To create a lasting remuneration system, performance-based remuneration based on the development of the Company over a period of three years is intended for members of the Executive Board.

In the financial year 2019/2020, the following non-performance-based parts of the remuneration have been promised to the Executive Board members: 326 thousand euros for Mr. Christ (previous year: 306 thousand euros), 581 thousand euros for Mr. Ersü (previous year: 555 thousand euros), 312 thousand euros for Dr.-Ing. Giet (previous year: 280 thousand euros) and 133 thousand euros for Mrs. Cameron (previous year: 0.0 euros). Of these amounts - due to corona measures - 300 thousand euros was paid to Mr. Christ, 494 thousand euros to Mr. Ersü and 287 thousand euros to Dr.-Ing. Giet. The unpaid remuneration portions are planned with corresponding provisions for payment in the following fiscal year once the corona measures have been completed. Due to the corona measures, no variable performance-based compensation components were paid to the Executive Board members for fiscal year 2019/2020. In the previous fiscal year 2018/2019, the variable performance-based compensation components amounted to 55 thousand euros for Mr. Christ, 140 thousand euros for Mr. Ersü and 60 thousand euros for Dr.-Ing. Giet, and the variable performance-based components with long-term incentive effect amounted to 25 thousand euros for Mr. Christ, 35 thousand euros for Mr. Ersü and 20 thousand euros for Dr.-Ing. Giet. The benefits in kind and allowances, which included the use of a company car and allowances for health insurance, amounted to 28 thousand euros for Mr. Christ (previous year: 29 thousand euros), 28 thousand euros for Mr. Ersü (previous year: 28 thousand euros), 23 thousand euros for Dr.-Ing. Giet (previous year: 22 thousand euros) and 12 thousand euros for Mrs. Cameron (previous year: 0.0 euros). The remuneration of the Executive Board totaled 1,499 thousand euros (previous year: 2,360 thousand euros).

A D&O insurance policy has been taken out for the members of the Executive Board, which meets the legal requirements regarding the deductible for Executive Board members in accordance with the VorstAG.

The payments to the members of the Supervisory Board for their activities totaled 309 thousand euros (previous year: 153 thousand euros).

Supervisory Board

Period October 2019 until August 2020:

Dr.-Ing. h. c. Heribert J. Wiedenhues, Lahnstein; Chairman of the Supervisory Board of the Schwing-Stetter Group, Herne / Memmingen; Chairman of the Board of Trustees of Peter Böttger Stiftung, Montabaur; Chairman of the Supervisory Board of ISRA VISION AG from September 2007 until August 2020

Prof. Dr. rer. nat. Dipl.-Ing. Henning Tolle, Roßdorf; Professor Emeritus, Roßdorf; formerly the Chairman of the Supervisory Board of ISRA VISION AG from February 2000 to September 2007; Deputy Chairman of the Supervisory Board of ISRA VISION AG from February 2018 until July 2020

Dr. Burkhard Bonsels, Seeheim; Managing Director of Athanor Capital Partners GmbH, Seeheim; Deputy Chairman of the Supervisory Board of ISRA VISION AG from February 2018 until August 2020

Mr. Stefan Müller, Königsbrunn; former Managing Director of KUKA Roboter GmbH; Member of the Supervisory Board of ISRA VISION AG from July 2007 until June 2020

Ms. Susanne Wiegand, Schönaich; Member of the Divisional Board of Rheinmetall Defence, Düsseldorf; CEO Division Electronic Solutions for the Rheinmetall Group; Chairman of the Board of Rheinmetall Electronics GmbH, Bremen; President of the Board of Directors of Rheinmetall Air Defence AG, Zurich, Switzerland; President of the Board of Directors of Rheinmetall Italia S.p.A., Rome, Italy; Member of the Supervisory Board of ISRA VISION AG from March 2015 until June 2020

Dr.-Ing. Hans-Peter Sollinger, Heidenheim an der Brenz; former member of the Board of Management of Voith AG; member of the Supervisory Board of LEIPA Group GmbH, Schwedt/Oder; member of the Administrative Board of Bartholet Maschinenbau AG, Flums, Switzerland; member of the Advisory Board of montratec GmbH, Niedereschach; member of the Supervisory Board of ISRA VISION AG from March 2019 until July 2020

Period since September 2020:

Mr. Henrik Elmin, Bromma (Sweden); President of the Business Area „Industrial Technique“ within the Atlas Copco Group, Chairman of the Supervisory Board of ISRA VISION AG since September 2020

Dr.-Ing. h. c. Heribert J. Wiedenhues, Lahnstein; Chairman of the Supervisory Board of the Schwing-Stetter Group, Herne / Memmingen; Chairman of the Board of Trustees of Peter Böttger Stiftung, Montabaur; Deputy Chairman of the Supervisory Board of ISRA VISION AG since September 2020

Mr. Kurt Vandingenen, Lidingo (Sweden); Vice President Business Control of the Business Area „Industrial Technique“ within the Atlas Copco Group, Member of the Executive Board of ISRA VISION AG since September 2020

Dr. Burkhard Bonsels, Seeheim; Managing Director of Athanor Capital Partners GmbH, Seeheim; Member of the Supervisory Board of ISRA VISION AG since February 2018

Mr. Lars Eklöf, Stockholm (Sweden); Divisional President Motor Vehicle Industry within the Atlas Copco Group, Member of the Executive Board of ISRA VISION AG since September 2020

Mr. Hendrikus Brouwer, Swalmen (The Netherlands); Vice President Holding DACH within the Atlas Copco Group, Member of the Executive Board of ISRA VISION AG since September 2020

Executive Board

Mr. Enis Ersü, Graduate Engineer, Darmstadt (Chairman)
Mr. Hans Jürgen Christ, Graduate Engineer, Ober-Ramstadt (Deputy Chairman)
Dr.-Ing. Johannes Giet, Graduate Engineer, Eggenstein (Deputy Chairman)
Mr. Karl Tomas Lundin, Oberursel im Taunus, since October 2020
Ms. Sandra Cameron, Frankfurt am Main, from February 2020 until November 2020

Darmstadt, January 26, 2021

ISRA VISION AG
The Executive Board

List of shareholdings of subsidiaries as of September 30, 2020

Name und registered office of the comany		Shareholding (%)	Indirect shareholding via no.
Parent Company			
ISRA VISION AG, Darmstadt, Deutschland			
Overview of affiliated companies			
1.	ISRA VISION SYSTEMS Inc., Auburn Hills / Michigan, USA	100	
2.	ISRA SURFACE VISION GmbH, Herten, Germany	100	
3.	ISRA VISION LASOR GmbH, Bielefeld, Germany	100	
4.	ISRA SURFACE VISION Inc., Berkeley Lake / Georgia, USA	100	3.
5.	ISRA VISION (Shanghai) Co. Ltd., Shanghai, China [a)]	100	
6.	ISRA VISION Ltd., London, UK	100	
7.	ISRA VISION PARSYTEC AG, Aachen, Germany	96.07	
	ISRA PARSYTEC GmbH, Aachen, Germany	96.07	7.
	ISRA VISION JAPAN Co., Ltd., Yokohama, Japan	96.07	7.
	ISRA VISION Korea Co., Ltd., Seoul, South Korea	96.07	7.
	ISRA VISION PARSYTEC Inc., Berkeley Lake / Georgia, USA	96.07	7.
	ISRA VISION PARSYTEC Ltd., Eastleigh, UK	96.07	7.
8.	metronom Automation GmbH, Mainz, Germany	100	
9.	ISRA VISION Graphikon GmbH, Berlin, Germany	100	
10.	ISRA VISION GmbH, Darmstadt, Germany	100	
11.	ISRA VISION INDIA Private Limited, Mumbai, India [a)]	100	
12.	ISRA VISION Finland Oy, Helsinki, Finland	100	
13.	3D-Shape GmbH, Erlangen, Germany	100	
14.	ISRA VISION COMÉRCIO, SERVIÇOS, IMPORTAÇÃO E EXPORTAÇÃO LTDA, Sao Paulo, Brazil [a)]	100	
15.	ISRA VISION LLC, Moscow, Russia [a)]	100	
16.	GP Solar GmbH, Neuried, Germany	100	
	GP Inspect GmbH, Neuried, Germany	100	16.
17.	ISRA VISION YAPAY GÖRME VE OTOMASYON SAN. VE TİC. A.Ş. Istanbul, Turkey [a)]	100	
18.	Vision Experts GmbH, Karlsruhe, Germany	100	
19.	ISRA Immobilie Berlin GmbH, Darmstadt, Germany [a)]	49.99	
20.	ISRA Immobilie Darmstadt GmbH, Darmstadt, Germany [a)]	100	
21.	ISRA VISION s.r.o., Bratislava, Slowakei	100	
22.	ISRA VISION S. de R.L. de C.V., Queretaro, Mexico	100	
23.	ISRA VISION POLYMETRIC GmbH, Darmstadt, Germany	100	
24.	Photonfocus AG, Lachen, Switzerland	100	
	Photonfocus Imaging Ltd., Oakville / Ontario, Canada	100	24.
	Photonfocus Spain, S.L., Barcelona, Spain	100	24.

a) Balance sheet date differs from that of the parent company

The following companies exercised exemption under Section 264 Para. 3 German Commercial Code (HGB): ISRA SURFACE VISION GmbH, ISRA VISION LASOR GmbH and metronom Automation GmbH.

Independent auditor's report

Audit Opinions

We have audited the consolidated financial statements of ISRA VISION AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 October 2019 to 30 September 2020, and the notes to the consolidated financial statements, including a description of the accounting policies. We have also audited the group management report of ISRA VISION AG for the fiscal year from 1 October 2019 to 30 September 2020. In accordance with German legal requirements, we have not audited the content of the disclosures made in the "Other information" § of our audit opinion.

In our opinion, based on the findings of our audit, the consolidated financial statements are

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law pursuant to § 315e (1) HGB and give a true and fair view of the financial position of the Group as at 30 September 2020 and of its financial performance for the financial year from 1 October 2019 to 30 September 2020 in accordance with German principles of proper accounting; and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropirately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the components of the group management report mentioned in the § "Other information".

In accordance with § 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any reservations concerning the correctness of the consolidated financial statements and the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and the group management report in accordance with § 317 HGB and the EU Regulation on Auditing (No. 537/2014; hereinafter "EU-APrVO") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities according to these regulations and principles are further described in the § "Auditor's responsibility for the audit of the consolidated financial statements and the group management report" of our auditor's report. We are independent of the group entities in accordance with German commercial law and professional regulations and we have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services as defined in Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2019 to 30 September 2020. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

We have structured our presentation of these key audit matters as follows:

1. facts and problem definition
2. audit approach and findings
3. reference to further information

In our view, the following matters were most significant in our audit:

Valuation of the contract assets

1. In the consolidated financial statements of ISRA VISION AG, Darmstadt, as of 30 September 2020, contract assets amounting to KEUR 49,308 are reported. The share of the balance sheet total amounts to around 14%. The item includes contract assets from period-based performance obligations that are recognised in accordance with their percentage of completion. The percentage of completion is calculated as the ratio between the expenses incurred in the financial year and the hours actually worked as well as the total expected expenses and total hours. Advance payments received and contract assets are netted against these if they can be offset. Due to the inherent uncertainty in estimates and the significance of the item for the consolidated financial statements, this item was of particular importance in the context of our audit.

2. As part of our audit, we assessed, among other things, the methodological procedures, the internal processes and controls for determining the total costs and the expected revenues. Furthermore, we assessed the procedure and the technical system design for recording the actual costs incurred, examined the manual controls and the controls implemented in the system for the respective contracts, and traced the audit steps and controls set up to determine any impairments.

   In our opinion, the systems, procedures and controls established by the legal representatives, taking into account the available information, are, on the whole, suitable for carrying out a proper and consistent valuation of the contract assets. Based on our audit procedures, we were able to satisfy ourselves that both the estimates and the events and measures leading to possible changes in estimates are adequately documented.

3. The Company's disclosures on contract assets are included in note 2 and note 9 to the consolidated financial statements.

Impairment of goodwill

1. In the consolidated financial statements as of 30 September 2020, goodwill with a carrying amount of KEUR 42,850 is reported, which is spread over several cash-generating units. Goodwill must be tested for impairment if there is an indication of possible impairment, but at least once a year. This impairment test is carried out on the basis of cash-generating units by comparing the recoverable amount with the carrying amount. The recoverable amount corresponds to the higher of the fair value less costs to sell (net selling price) and the value in use of a cash-generating unit and is determined on the basis of the multi-year plan prepared by the legal representatives and using a discounted cash flow method. The derivation of the recoverable amount is complex and highly dependent on the estimates of the legal representatives, particularly with regard to future price and volume developments, the timing of operating cash flows, the discount factors used and the long-term growth rate.

2. In our audit, we have, among other things, reviewed the methodical procedure for carrying out the impairment tests and assessed the determination of the weighted average cost of capital. Furthermore, we assessed the appropriateness of the future cash flows used in the valuation, in particular by reconciling this information with the multi-year planning as well as with general and industry-specific market expectations. Against the background that even relatively small changes in the discount rate used can have a significant impact on the amount of the value in use determined in this way, we dealt intensively with the parameters used to determine the discount rate and understood the calculation scheme. In addition, we performed a detailed examination of the valuation model and planning for the cash-generating units as at the balance sheet date. The selection was based on qualitative aspects and the extent to which the respective carrying amount was exceeded by the value in use. In this context, we analysed, among other things, the consistency of the planning assumptions and the feasibility of planned measures to increase future cash flows on the basis of further evidence and discussed them critically in discussions with the respective management. We assessed the feasibility of the main value-affecting measures, among other things, against the background of the previous business concept and the current and expected market conditions. We determined that the respective goodwill and overall the carrying amounts of the cash-generating units are covered by the discounted future cash flows as of the balance sheet date.

3. The Company's disclosures on goodwill are included in note 2 and note 13 to the consolidated financial statements.

Impairment of intangible assets in the form of capitalised development costs that are not yet fully available for use

1. In the consolidated financial statements as at 30 September 2020, intangible assets (capitalised development costs) in module groups that are not yet fully available for use are recognised with a carrying amount of KEUR 76,546, spread across several cash-generating units.

   Capitalised development costs that are not yet available for use must be tested for impairment if there is an indication of possible impairment, but at least once a year. This impairment test is carried out on the basis of cash-generating units (module groups) by comparing the recoverable amount with the book value. The recoverable amount corresponds to the higher of the fair value less costs to sell (net selling price) and the value in use of a cash-generating unit and is determined on the basis of the multi-year plan prepared by the legal representatives and using a discounted cash flow method. The derivation of the recoverable amount is complex and highly dependent on the estimates of the legal representatives, particularly with regard to future price and volume developments, the timing of operating cash flows, the discount factors used and the long-term growth rate.

2. In our audit, we have, among other things, reviewed the methodology used to perform the impairment tests and assessed the determination of the weighted average cost of capital. In addition, we examined the evidence of compliance with the capitalisation criteria according to IAS 38.57. Furthermore, we assessed the appropriateness of the future cash flows used in the valuation, in particular by reconciling this information with the multi-year planning as well as with general and industry-specific market expectations. Against the background that even relatively small changes in the discount rate used can have a significant impact on the amount of the value in use determined in this way, we dealt intensively with the parameters used in determining the discount rate used and comprehended the calculation scheme. In addition, we performed a detailed examination of the valuation model and planning for selected groups of cash-generating units as at the balance sheet date. The selection was based on qualitative aspects and the amount of overcoverage of the respective carrying amount by the value in use. In this context, we analysed, among other things, the consistency of the planning assumptions and the feasibility of planned measures to increase future cash flows on the basis of further evidence and discussed them critically in discussions with the respective management. We assessed the feasibility of the main value-affecting measures, among other things, against the background of the previous business concept and the current and expected market conditions. We determined that the capitalised development costs and overall the carrying amounts of the relevant groups of cash-generating units are covered by the discounted future cash flows as of the balance sheet date.

3. The Company's disclosures on intangible assets (capitalised development costs) not yet available for use are included in note 2 and note 13 to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information comprises the following unaudited components of the group management report:

- the combined non-financial statement of ISRA VISION AG and the sustainability report of Atlas Copco, to which reference is made in the group management report
- the corporate governance statement referred to in the group management report

Other information also includes the other parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of conclusion thereon.

In connection with our audit, we have a responsibility to read the other information and, in doing so, consider whether the other information is

- are materially inconsistent with the consolidated financial statements, the group management report or our knowledge obtained in the course of the audit; or
- otherwise appear to be materially misrepresented.

Responsibility of the Executive Directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation and fair presentation of these consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial positions and financial performance of the Group. In addition, executive directors are responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, executive directors are responsible for assessing the group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for accounting on a going concern basis unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, executive directors are responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position and is consistent in all material respects with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Furthermore, executive directors are responsible for such arrangements and measures (systems) that they have deemed necessary to enable the preparation of a group management report in accordance with the applicable German legal requirements and to provide sufficient appropriate evidence for the assertions made in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and is consistent, in all material respects, with the consolidated financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements and the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and EU-APrVO and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and group management report.

During the audit, we exercise professional judgement and maintain a professional scepticism. Furthermore we

- Identify and assess the risks of material misstatement of the consolidated financial statements and the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements is higher in the case of non-compliance than in the case of misstatements, as non-compliance may involve fraud, forgery, intentional omissions, misleading representations or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.

- Assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRSs as adopted by the EU, and the additional requirements of German law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- Assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the view of the group's position conveyed by it.
- Perform audit procedures on the forward-looking statements made by management in the group management report. On the basis of sufficient appropriate audit evidence, we in particular verify the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events may differ materially from the forward-looking statements.

We discuss with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We make a declaration to those charged with governance that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and the safeguards that have been put in place to address them.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure of the matter.

Other statutory and other legal requirements

Other information according to Article 10 EU-APrVO

We were elected as auditors by the Annual General Meeting on 14 May 2020. We were engaged by the Supervisory Board on 22 October 2020. We have served as auditors of the consolidated financial statements of ISRA VISION AG without interruption since the fiscal year from 1 October 2018 to 30 September 2019. We declare that the audit opinions contained in this audit opinion are consistent with the additional report to the Supervisory Board pursuant to Article 11 EU-Audit Regulation (audit report).

Auditor in charge

The auditor responsible for the audit is Arno Kramer.

Frankfurt am Main, 27 January 2021

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Markus Riedhammer	Arno Kramer
German Public Auditor	German Public Auditor

Responsibility statement by the legal representatives

To the best of our knowledge, and in accordance with the applicable accounting principles, the Consolidated Financial Statements give a true and fair view of the Group's net assets, financial position and earnings situation, and the Group Management Report provides a fair review 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, January 26, 2021

The Executive Board

Forward-looking statements

This Annual Report contains forward-looking statements that are based on assumptions and estimates by the Management of ISRA VISION AG. Even if the Company's Management is of the opinion that these assumptions and estimates are correct, actual developments and actual results in the future may differ considerably from these assumptions and estimates on account of many different factors. These factors could include changes in the overall economic situation, exchange rates, interest rates and in the Machine Vision industry, for example.

ISRA VISION AG provides no guarantees and accepts no liability that future developments and the actual results achieved in the future will correspond to the assumptions, estimates and projections made in this Annual Report. ISRA VISION neither intends to nor assumes any special obligation to update the assumptions and estimates expressed in this Annual Report in order to adapt them to events or developments after the publication of this Annual Report.

The Annual Financial Statements and Management Report are also available in German. In the event of any deviations, the German version takes precedence over the English translation.

ISRA VISION AG

Industriestraße 14
64297 Darmstadt
Deutschland

Tel.: +49 (6151) 948 - 0
Fax: +49 (6151) 948 - 140

investor@isravision.com