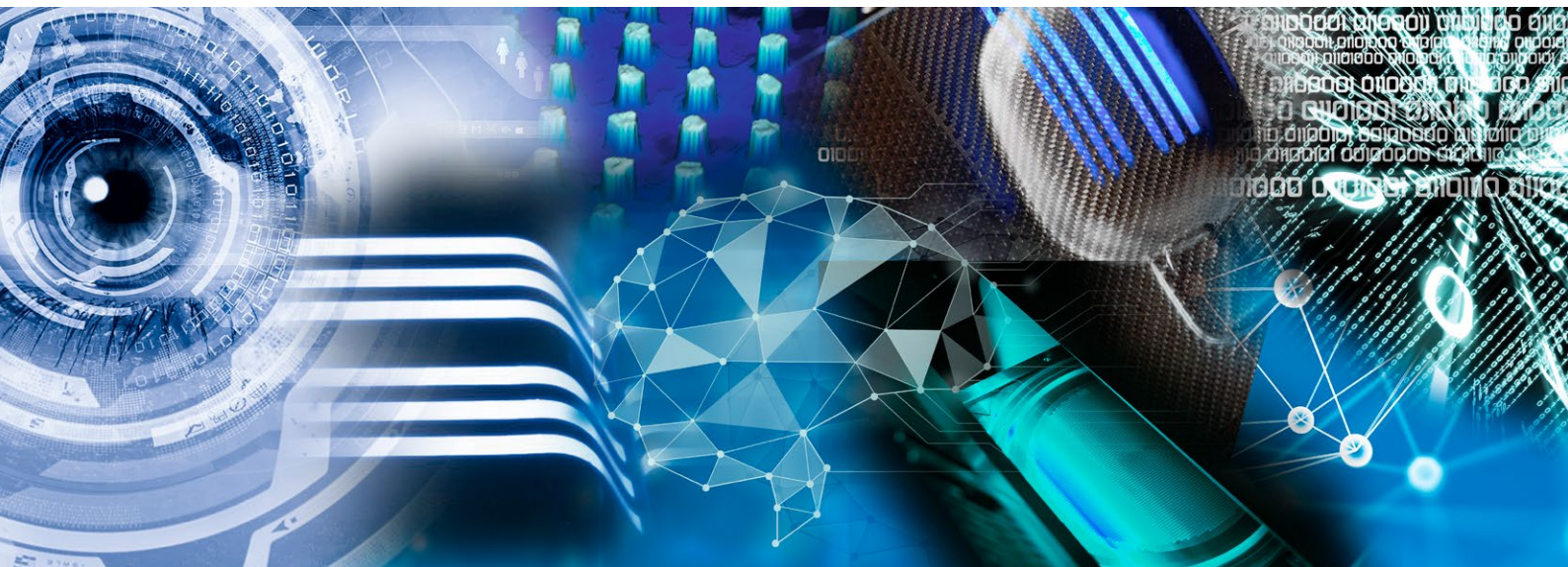


Quarterly Report Q2
Financial Year 2019 / 2020



Preparing Future Growth with Vision Excellence

ISRA VISION AG: First half-year 2019/2020 – COVID-19 pandemic impacts quarterly figures and results with a decline in revenues and earnings

COVID-19 interrupts long-term growth path; forecast for the current financial year challenging – hoping for trend reversal in the last quarter

- Revenues at 64.6 million euros, minus 9% (Q2-YTD 18/19: 70.9 million euros)
- Industrial Automation segment grows by 14%
- Earnings margins remain positive:
(Unless stated otherwise, the EBITDA, EBIT and EBT figures included in this document are adjusted for one-time transaction costs)
 - EBITDA minus 7%, margin at 35% to revenues and 30% to total output (Q2-YTD 18/19: 34% and 31%)
 - EBIT minus 20%, margin at 19% to revenues and 16% to total output (Q2-YTD 18/19: 21% and 19%)
 - EBT minus 21%, margin at 18% to revenues and 16% to total output (Q2-YTD 18/19: 21% and 19%)
- Gross margin stable at 63% to total output (Q2-YTD 18/19: 63%) and 57% to revenues (Q2-YTD 18/19: 57%)
- Operating cash flow compared to Q1 19/20 increases to 2.8 million euros (Q1 19/20: -4.3 million euros); net debt decreases to -10.1 million euros (Q1 19/20: -11.0 million euros)
- Cost optimization activities introduced immediately in Q2, effects expected in Q3/Q4
- Order backlog of currently 85 million euros gross (PY: 98 million euros gross)
- Acceptance period for the voluntary offer of the Atlas Copco Group expired on April 29 – high acceptance rate of 78.51%, plus 13.68% shareholding adds up to a share of 92.19% after conclusion of the tender offer
- Growth forecast for 19/20 challenging due to low order entry dynamics; trend reversal expected towards the end of the financial year

In short form

(in € k)	HY 1 2019/2020		HY 1 2018/2019		Change
Revenues	64,586	86% ¹⁾	70,926	89% ¹⁾	-9%
Gross Profit	47,391	63% ¹⁾	49,839	63% ¹⁾	-5%
EBITDA	22,688 ²⁾	30% ¹⁾	24,362 ²⁾	31% ¹⁾	-7%
EBIT	11,990 ²⁾	16% ¹⁾	14,998 ²⁾	19% ¹⁾	-20%
EBT	11,765 ²⁾	16% ¹⁾	14,853 ²⁾	19% ¹⁾	-21%
Net profit	7,639	10% ¹⁾	10,165	13% ¹⁾	-25%
Earnings per share after taxes	0.35		0.46		-24%

¹⁾ Referenced in relation to total output

²⁾ Adjusted for one-time costs; in 2019/2020 these are one-time transaction cost of 0.95 million euros

(in € k)	Q2 2019/2020		Q2 2018/2019		Change
Revenues	31,526	85 % ¹⁾	36,703	89 % ¹⁾	- 14 %
Gross Profit	23,267	62 % ¹⁾	26,095	63 % ¹⁾	- 11 %
EBITDA	10,405 ²⁾	28 % ¹⁾	12,401 ²⁾	30 % ¹⁾	- 16 %
EBIT	5,164 ²⁾	14 % ¹⁾	7,798 ²⁾	19 % ¹⁾	- 34 %
EBT	5,053 ²⁾	14 % ¹⁾	7,696 ²⁾	19 % ¹⁾	- 34 %
Net profit	2,786	7 % ¹⁾	5,076	12 % ¹⁾	- 45 %
Earnings per share after taxes	0.13		0.23		- 43 %

¹⁾ Referenced in relation to total output

²⁾ Adjusted for one-time costs; in 2019/2020 these are one-time transaction cost of 0.95 million euros

Business activities

ISRA VISION AG (ISIN: DE0005488100) – one of the world's top companies for industrial image processing (Machine Vision) as well as a global leader for the surface inspection of web materials and 3D machine vision applications, publishes its half-year results in a challenging COVID-19 environment. With a nine percent decline in revenues to 64.6 million euros (Q2-YTD 18/19: 70.9 million euros) compared to the same period of last year, the company is currently experiencing an interruption of its long-term profitable growth. The EBT margin declines by three percentage points to 18 percent of revenues and 16 percent of total output (Q2-YTD 18/19: 21 % and 19 %), while EBITDA (earnings before interest, taxes, depreciation and amortization) remained with an almost stable margin at a high level of 35 percent of revenues (Q2-YTD 18/19: 34 %) and 30 percent of total output (Q2-YTD 18/19: 31 %). During the reporting period, the individual regions and customer industries were affected differently by COVID-19 implications. The recovery at the end of the second quarter that was forecasted at the beginning of the year failed to materialize due to the global spread of the pandemic. Instead, the COVID-19 restrictions in Asia from January on led to a decline in orders and further postponements of previously announced orders. Towards the end of the second quarter, this trend also intensified in the American and the European markets. There were an increasing number of postponed orders - hardly any cancellations. It is currently not predictable how much longer the realization of these projects will be postponed. The cost optimization programs that have been initiated are supporting efficiency and will have a positive effect on cash flow in the second half of the year.

Regions and Segments

The company's consistent global expansion, the extension of market shares in relevant fields and the strengthening of the international teams at its more than 25 locations in recent years represent important strategic assets in the current challenging market environment. Although the recovery did not set in at the end of the second quarter, as one had hoped, due to the COVID-19 pandemic, orders were still booked and revenues generated in certain regions, while regional lockdowns in Asia, and China in particular, have already led to a decline in incoming orders and the postponement of deliveries of systems that have already been manufactured. In the European markets, ISRA still recorded good demand in nearly all business units in the first half of the second quarter, which also declined towards the end of the reporting period. Currently initial positive impulses again become noticeable in China. Sales in North and South America were significantly lower than in the previous year. By implementing significant cost optimization measures and simultaneously focusing on marketing and sales, the company is creating the requirements to benefit from emerging market recoveries as quickly as possible.

Revenues of 19.5 million euros were generated in the Industrial Automation segment, whose customer base includes primarily well-known premium manufacturers from the automotive industry as well as global players from a wide variety of industries. This represents an increase of 14 percent over the same period last year (Q2-YTD 18/19: 17.2 million euros). EBIT (earnings before interest and taxes) even increased by 19 percent to 4.3 million euros (Q2-YTD 18/19: 3.6 million euros), with an EBIT margin to total output of 18 percent (Q2-YTD 18/19: 18%). With an anticipated incipient recovery of the European markets in the fourth quarter of 2019/2020, the strengthening of the management team and portfolio expansions in the Smart Factory Automation segment and the resumption of production hoped for in the global automotive plants, the company expects demand to develop positively in this segment in the months to come. The innovations in the area of embedded systems for Smart Factory Automation that were initiated together with Photonfocus will also contribute to this development.

Revenues in the Surface Vision segment amounted to 45.1 million euros in the first half year of 2019/2020 (Q2-YTD 18/19: 53.8 million euros), a decline of 16 percent compared to the same period last year. Thereby EBIT declined to 7.7 million euros (Q2-YTD 18/19: 11.4 million euros), which represents an EBIT margin of 15 percent to total output (Q2-YTD 18/19: 19%). The company recorded mixed demand in the reporting period in the segment's individual customer industries. The Metals Inspection business that recently benefited from the complete portfolio strategy and innovations in the area of INDUSTRY 4.0-capable systems was already experiencing a decline in the period under review, partly due to relatively strong exposure to Asia. The Glass unit still recorded significant growth at the beginning of the financial year and also benefited from a number of larger orders in the second quarter. The company has a significant number of further offers placed in the market. The date of assignment however at this moment is not foreseeable. The Advanced Materials unit, with its expanded focus on innovative materials, is also making good contributions to revenues; expected follow-up projects in the lower single-digit million euro range have been partially booked and have the potential to support growth in the coming months. Demand from the printing industry, including digital printing applications, continues to develop positively. Following the design-to-cost measures implemented in the paper segment, the company continues to concentrate on growth sectors such as the packaging industry and is stepping up its marketing and sales activities. The security business unit is developing according to plan. The expected revenue impulses for the solar industry, whose customer base is largely based in Asia, were affected by the COVID-19 restrictions, whereas individual orders were received in the still young field of semiconductors.

Even in the current tense global economic situation, the company is consistently expanding its Customer Support and Service Center internationally and plans to increase the contribution of high-margin service revenues to total revenues disproportionately in the medium term with a diversified range of products and a strengthening of management.

Revenue and profit situation

In the first half-year of the 2019/2020 financial year, ISRA recorded a decline in revenues of nine percent to 64.6 million euros (Q2-YTD 18/19: 70.9 million euros), while total output decreased by six percent to 74.9 million euros (Q2-YTD 18/19: 79.7 million euros). Production costs amounted to 27.5 million euros (Q2-YTD 18/19: 29.9 million euros) and thus account for 37 percent of total output (Q2-YTD 18/19: 37%). These expenses are attributable to personnel expenses of 19 percent of total output (Q2-YTD 18/19: 19%) and material expenses of 18 percent of total output (Q2-YTD 18/19: 18%). The gross margin (total output minus material and labor costs of production) remains constant at 63 percent of total output (Q2-YTD 18/19: 63%). EBITDA declined by 7 percent to 22.7 million euros (Q2-YTD 18/19: 24.4 million euros), with a strong margin of 35 percent to revenues (Q2-YTD 18/19: 34%) and 30 percent to total output (Q2-YTD 18/19: 31%), while EBIT fell by 20 percent to 12.0 million euros (Q2-YTD 18/19: 15.0 million euros) and achieved reduced margins of 19 percent of revenues (Q2-YTD 18/19: 21%) and 16 percent of total output (Q2-YTD 18/19: 19%).

EBT (earnings before taxes) loses around 21 percent and amounted to 11.8 million euros (Q2-YTD 18/19: 14.9 million euros), which equates to an EBT margin of 18 percent to revenues and 16 percent to total output (Q2-YTD 18/19: 21% and 19%, respectively). All 2019/2020 EBITDA, EBIT and EBT figures are adjusted for one-time transaction costs of 0.95 million euros, unless otherwise stated.

At 11.2 million euros (Q2-YTD 18/19: 10.7 million euros), research and development expenses in the first half-year of the financial year amount to 15 percent of total output (Q2-YTD 18/19: 13%) and underscore the company's focus on innovation as the basis for future growth. Sales and marketing expenses, which amounted to 11.8 million euros (Q2-YTD 18/19: 14.1 million euros), reflect the postponement or cancellation of trade shows due to the COVID-19 pandemic and the limited travel opportunities. Here ISRA benefits from its investments in digital marketing: customer communication was expanded at this level and digital sales channels were increasingly used. Administrative costs amounted to 2.6 million euros, a share of 3 percent of total output (Q2-YTD 18/19: 4%).

After taxes and minority interests, consolidated net income for the first half-year of 2019/2020 amounted to 7.6 million euros (Q2-YTD 18/19: 10.1 million euros), a year-on-year change of -25 percent. Accordingly, earnings per share decreased by 24 percent to 0.35 euros (Q2-YTD 18/19: 0.46 euros).

Liquidity and financial situation

The half-year results reflect the decline in order entries and more difficult shipping conditions for systems that have already been manufactured, especially towards the end of the second quarter. Inventories rose to 53.5 million euros (September 30, 2019: 46.9 million euros). Trade receivables decreased to 107.6 million euros (September 30, 2019: 115.8 million euros), with cash receivables amounting to 46.2 million euros (September 30, 2019: 48.9 million euros) and contract assets of 61.3 million euros (September 30, 2019: 66.9 million euros). The consolidated balance sheet total as of March 31, 2019, was 341.8 million euros (September 30, 2019: 345.1 million euros). Current assets amount to 196.3 million euros (September 30, 2019: 209.7 million euros), non-current assets amount to 145.5 million euros (September 30, 2019: 135.4 million euros). 11.0 million euros (March 31, 2019: 10.2 million euros) were spent on investments. On the liabilities side of the balance sheet, trade payables as of March 31, 2020, decreased significantly to 11.4 million euros (September 30, 2019: 23.4 million euros). Current financial liabilities to banks and financial institutions also fell to 36.9 million euros (September 30, 2019: 40.6 million euros), while non-current liabilities to banks were fully repaid. Other financial liabilities decreased to 10.4 million euros (September 30, 2019: 13.8 million euros), and the tax liabilities to 2.8 million euros (September 30, 2019: 4.0 million euros).

Net debt amounted to -10.1 million euros (Q1-19/20: -11.0 million euros). Compared to the first quarter of the financial year, operating cash flow improved slightly to 2.8 million euros in the first half of financial year (Q1-19/20: -4.3 million euros), while net cash flow came to -13.1 million euros after repayment of 3.7 million euros in financial liabilities (Q2-YTD 18/19: 9.0 million euros). Earnings per share (EPS) after taxes amounted to 0.35 euros (Q2-YTD 18/19: 0.46 euros). With an increased equity of 221.9 million euros (September 30, 2019: 214.7 million euros), a strong equity ratio of 65 percent (September 30, 2019: 62%) and free credit lines, ISRA is well capitalized during the current COVID-19 crisis and has good prospects for further growth.

Employees and management

In the first half of financial year 2019/2020, ISRA employed an average of 819 people worldwide at more than 25 locations (Q2-YTD 18/19: 762). At the end of the second quarter on March 31, 2020, the company had 856 employees (Q2-YTD 18/19: 801): Around 46 percent of them worked in production and engineering, around 21 percent in marketing and sales and roughly 21 percent in research and development. Administration accounted for approximately 11 percent. In terms of geographical distribution, nearly 70 percent of ISRA's employees worked in Europe, around 20 percent in Asia and about 10 percent in North and South America.

Qualified and motivated teams form the fundamental basis for the company's long-term success. ISRA's personnel strategy therefore attaches particular value to highly educated, socially competent employees, who excel in multiple disciplines. These qualities are specifically encouraged through a wide-ranging package of further education and training offerings, thereby enabling continuous professional and personal development. Alongside excellent training, ISRA also focuses on international and social skills in order to foster diversity and personal responsibility as the backbone of a motivational corporate culture.

In addition to an expansion of the product portfolio for the future orientation of the company for the areas General Industries and Smart Factory Automation, the strategic expansion of the structures is an important step for long-term business success. With an experienced manager, the expansion of these units with a focus on international sales will be driven forward in a targeted manner over the next few quarters. The high-margin Customer Support and Service Center, which is expected to make a higher contribution to total revenues in the future, has also been strengthened on the management side.

Trade fairs and international markets

Leading international trade fairs, conferences and workshops are productive opportunities for ISRA to address specific industries and regions. They provide an effective opportunity to place products and technological innovations on the market. Due to the COVID-19 pandemic, significantly fewer on-site events were held in the last quarter than in previous years. In the current situation, ISRA is benefiting from the consistent establishment and expansion of digital marketing. Existing and potential new customers are informed about innovations in a targeted and individualized manner using digital channels. Virtual product presentations, online expert discussions and webinars are important tools to place product innovations on the market in the current situation and to stay or enter into an exchange with customers. Through direct contact, the future needs and requirements of industry-specific processes and solutions can continue to be discussed and new products can be developed in a targeted manner. For the period after the pandemic restrictions, the management plans the company's physical presence at international trade fairs and resumption of customer workshops as well as the expansion of the efficient use of the digital marketing channels that have now proven themselves.

Research and Development

Continuous investment in research and development is of strategic importance for ISRA's growth course. This also applies to economically difficult times, as currently caused by the global COVID-19 pandemic. The Company's product roadmap takes into account both impulses from applied technologies as well as new needs and requirements from the various customer markets. As a result, ISRA is thus able to anticipate new trends and offer innovative solutions at an early stage that meet huge market potential in the specific fields of application. The company invested 11.2 million euros in the first six months of financial year 2019/2020 (Q2-YTD 18/19: 10.7 million euros), or around 15 percent of its total output, in research and development. Of this amount, 10.3 million euros (Q2-YTD 18/19: 8.8 million euros) are attributable to products soon to be launched.

ISRA's continued further development of its existing products that are successful on the market is aimed at follow-up and replacement investments as well as the initial equipping of new factories and production lines for established applications. Thus, in the surface inspection and precision metrology area, the focus is on increasing resolution and inspection speed, and in the robot vision area on higher speeds and shorter cycle times. In addition to the improved performance of the new system generations, the Company is also placing particular emphasis on optimal pricing for customers, especially in an economically challenging environment. The ongoing optimization of the product portfolio with the help 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 is to be expanded on the basis of existing technologies for the purpose of growth and sales diversification. The goal is to configure existing standard modules from camera technology, lighting and sensor technology together with existing software components to create new applications with similar requirements, and thus to use synergies in R&D. This will enable short time-to-market and rapid ramp-up in new markets.

Against the backdrop of the current economic development, the industry is showing great interest in significantly increasing efficiency and flexibility by continuing to implement “extreme” automation. This opens up high potential for ISRA in the fields of Smart Factory Automation and more basic inspection tasks for continuous processes. In the current financial year, a special focus will therefore lie on the development of embedded vision systems for this area.

The integration of Photonfocus AG and its expertise in the field of sensor development has already yielded initial, significant development results and paved the way for new products. The market launch of the new product families with smart sensors for robot guidance tasks and 3D measurement technology 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. In conjunction with comprehensive connectivity – via integrated WLAN interfaces, for example – the sensors can be used for a wide range of tasks in the fields of assembly processes, material handling, inline measurement 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 and distributions are made 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 industries and smaller sales markets.

Share

The ISRA share proved very dynamic since the beginning of the financial year. The share started at a XETRA closing price of 43.80 euros on October 1, 2019, and closed at 49.78 euros on March 31, 2020. The ISRA share recorded its high for the reporting period on XETRA at 50.75 euros on February 10, 2020, and a low of 33.82 euros on January 30, 2020.

The ISRA share recorded a XETRA closing price of 34.92 euros on February 7. After the Swedish industrial group Atlas Copco announced a public offer of 50.00 euros per ISRA share on February 10, the share rose to slightly above the offer price. It represents an EV/EBIT multiple of approximately 33 based on the EBIT that ISRA VISION reported for 2018/2019. The extended acceptance period for the Atlas Copco Group’s voluntary public takeover bid for ISRA VISION AG expired on April 29. ISRA shareholders have tendered a total of 17,205,199 shares. This represents 78.51 percent of ISRA’s share capital. With an acceptance rate of 78.51 percent and a shareholding of 13.68 percent (as of May 5, 2020), Atlas Copco will hold 92.19 percent of ISRA VISION’s shares after completion of the tender offer. The Atlas Copco Group’s offer is still subject to approval by the Committee on Foreign Investment in the United States (CFIUS).

Due to the fact that the free float fell to less than 10 percent of the share capital, the ISRA share was removed from the SDax and TecDax at the beginning of May by extraordinary resolution of the German Stock Exchange. The trading volume of the ISRA share was also influenced by the public offering and rose on average to over 155.696 shares during the reporting period from October 1, 2019, to March 31, 2020, on all stock exchanges (previous year: 118,000).

ISRA VISION AG's virtual Annual General Meeting for financial year 2018/2019 took place in Darmstadt on May 14, 2020. The company made use of the option provided for in Section 1 (4) sentence 1 of the German Act on Measures in Corporate, Cooperative, Association, Foundation and Home Ownership Law to combat the effects of the COVID-19 pandemic. In order to allow shareholders to participate directly in the company's success in the past year, ISRA already made an advance payment on the net profit for the year 2018/2019 of 0.18 euros per share (previous year: 0.15 euros) on April 9, 2020, based on a resolution passed by the Executive and Supervisory Boards. At the virtual Annual General Meeting, the shareholders voted for a dividend in this amount.

Report on Opportunities and Risks and Risk Management

The main opportunities and risks for the company's future development and the structure of the risk management system are described in detail in the Annual Report for financial year 2018/2019 in Chapter 4 of the Management Report. This can also be accessed via the homepage www.isravision.com.

The respective markets are monitored closely and possible scenarios are drawn up in order to be able to react to emerging risks appropriately and quickly. ISRA is thus able to implement different alternatives for action very quickly. Potential risks, including those arising from possible exchange rate fluctuations, are monitored closely by management. Special attention is always paid to revenue development, liquidity and cost control.

In the reporting period, ISRA identified the COVID-19 pandemic as a further significant risk besides the risks described in the 2018/2019 Annual Report. The specific risks of the COVID-19 crisis include the duration of the pandemic and a possible repeat wave of infection, combined with high economic costs and a possible global recession. The impact of the COVID-19 pandemic on the operating business varies between the individual regions. Besides the fundamental risks to the global economy, which are difficult to foresee, ISRA could face unexpected temporary closures of individual production lines or entire sites at its suppliers and customers, but also business interruptions within the ISRA Group itself, which could affect supply chains and the handling of projects.

The company already felt the gradual effects of the crisis in Asia in January of this year, when a few customer orders were postponed. Towards the end of the second quarter, this trend also intensified in the American and European markets. There were an increasing number of postponed orders – hardly any cancellations. It is currently not predictable how much longer the realization of these projects will be postponed. Should there be further significant delays in the awarding or completion of projects, this could lead to a later onset of the growth momentum and a slower development of revenues for the entire financial year. Management already initiated measures at the beginning of the pandemic to mitigate the effects of the Coronavirus and to support the company's liquidity and cash flow.

Outlook

After the first quarter of the financial year 2019/2020, in which the company, despite the challenging market conditions achieved a good result compared to the rest of the segment, ISRA was affected by the effects of COVID-19 in the second quarter. Due to the fact that the consequences of the Corona-virus on the global economy, supply chains and the completion of projects at ISRA's customers cannot yet be conclusively assessed, the visibility for the second half of the current financial year is very limited. In an untroubled economic environment, the offers placed on the market and the number of major orders to be negotiated for future projects still would have the potential to generate profitable revenues and earnings growth in the lower double-digit percentage range. These will continue to shift, however, due to the massive global impact of the COVID-19 pandemic, which means that a realization of revenues in the current financial year until (September 30, 2020) cannot be forecasted with certainty, although order entries from Asia, especially China, are already showing initial signs of recovery. The company expects a turnaround in the order intake dynamics at the end of the third quarter or in the fourth quarter. The necessary operating resources are being prepared in terms of planning.

The management took action to mitigate the impact of the COVID-19 pandemic and to optimize the company's liquidity and cash flow. In principle, ISRA's strategy remains focused on sustainably expanding its global market position through product innovations for industrial automation while simultaneously increasing efficiency, as well as growing revenues –including optimization of costs and working capital –over the mark of 200 million euros in the medium term.

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

from October 01, 2019 to March 31, 2020 in €k

(in €k)	FY 2019/2020 6 months (Oct. 01, 19 - Mar. 31, 20)		FY 2018/2019 6 months (Oct. 01, 18 - Mar. 31, 19)		FY 2019/2020 3 months (Jan. 01, 20 - Mar. 31, 20)		FY 2018/2019 3 months (Jan. 01, 19 - Mar. 31, 19)	
Net sales	64,586	86%	70,926	89%	31,526	85%	36,703	89%
Capitalized work	10,337	14%	8,805	11%	5,718	15%	4,745	11%
Total output	74,923	100%	79,731	100%	37,244	100%	41,448	100%
Cost of materials	13,314	18%	14,408	18%	6,616	18%	7,571	18%
Cost of labour <i>excluding depreciation</i>	14,218	19%	15,485	19%	7,360	20%	7,781	19%
Cost of production <i>excluding depreciation</i>	27,532	37%	29,892	37%	13,976	38%	15,352	37%
Gross profit	47,391	63%	49,839	63%	23,267	62%	26,095	63%
Research and development <i>Total</i>	11,226	15%	10,682	13%	6,058	16%	5,503	13%
Sales and marketing costs	11,844	16%	14,091	18%	5,744	15%	7,457	18%
Administration	2,576	3%	2,827	4%	1,418	4%	1,562	4%
Sales and administration costs <i>excluding depreciation</i>	14,420	19%	16,918	21%	7,162	19%	9,020	22%
Other revenues	943	1%	2,123	3%	357	1%	828	2%
EBITDA before one-time costs	22,688	30%	24,362	31%	10,405	28%	12,401	30%
Depreciation and amortization	10,697	14%	9,364	12%	5,241	14%	4,602	11%
Total costs	36,344	49%	36,963	46%	18,461	50%	19,125	46%
EBIT before one-time costs	11,990	16%	14,998	19%	5,164	14%	7,798	19%
Interest income	74	0%	55	0%	37	0%	1	0%
Interest expenses	-299	0%	-200	0%	-147	0%	-103	0%
Financing result	-225	0%	-145	0%	-110	0%	-102	0%
EBT before one-time costs	11,765	16%	14,853	19%	5,053	14%	7,696	19%
One-time costs	-946	-1%	-900	-1%	-838	-2%	-638	-2%
EBT	10,819	14%	13,953	18%	4,215	11%	7,058	17%
Income taxes	3,180	4%	3,788	5%	1,429	4%	1,982	5%
Consolidated net profit	7,639	10%	10,165	13%	2,786	7%	5,076	12%
Of which accounted to non- controlling shareholders	50	0%	18	0%	15	0%	11	0%
Of which accounted to shareholders of ISRA VISION AG	7,589	10%	10,147	13%	2,771	7%	5,065	12%
Earnings per share in € before income taxes ²⁾	0.49		0.64		0.19		0.32	
Earnings per share in € ²⁾	0.35		0.46		0.13		0.23	
Shares issued ⁴⁾	21,886,744		21,893,091		21,886,744		21,906,200	

¹⁾ According to IFRS/ IAS unaudited

²⁾ Per-share result undiluted and diluted

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

⁴⁾ Weighted number of shares

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

Consolidated Income Statement ^{1) 3)}

from October 01, 2019 to March 31, 2020 in €k

(in €k)	FY 2019/2020 6 months (Oct. 01, 19 - Mar. 31, 20)		FY 2018/2019 6 months (Oct. 01, 18 - Mar. 31, 19)		FY 2019/2020 3 months (Jan. 01, 20 - Mar. 31, 20)		FY 2018/2019 3 months (Jan. 01, 19 - Mar. 31, 19)	
Net sales	64,586	100%	70,926	100%	31,526	100%	36,703	100%
Cost of sales	27,925	43%	30,306	43%	13,850	44%	15,543	42%
Gross operating result (gross profit)	36,662	57%	40,621	57%	17,676	56%	21,159	58%
Research and development	9,801	15%	10,226	14%	4,959	16%	4,882	13%
Total costs	11,226	17%	10,682	15%	6,058	19%	5,503	15%
Depreciation and amortization	9,165	14%	8,498	12%	4,779	15%	4,188	11%
Grants	-253	0%	-149	0%	-160	-1%	-64	0%
Capitalized work	-10,337	-16%	-8,805	-12%	-5,718	-18%	-4,745	-13%
Sales and marketing costs	12,779	20%	14,467	20%	6,216	20%	7,642	21%
Administration	2,780	4%	2,902	4%	1,534	5%	1,601	4%
Sales and administration costs	15,559	24%	17,370	24%	7,751	25%	9,243	25%
Other revenues	689	1%	1,974	3%	197	1%	764	2%
Interest income	74	0%	55	0%	37	0%	1	0%
Interest expenses	-299	0%	-200	0%	-147	0%	-103	0%
Financing result	-225	0%	-145	0%	-110	0%	-102	0%
Earnings before taxes (EBT)								
before one-time costs	11,765	18%	14,853	21%	5,053	16%	7,696	21%
One-time costs	-946	-1%	-900	-1%	-838	-3%	-638	-2%
Earnings before taxes (EBT)	10,819	17%	13,953	20%	4,215	13%	7,058	19%
Income taxes	3,180	5%	3,788	5%	1,429	5%	1,982	5%
Consolidated net profit	7,639	12%	10,165	14%	2,786	9%	5,076	14%
Of which accounted to shareholders of ISRA VISION AG	7,589	12%	10,147	14%	2,771	9%	5,065	14%
Of which accounted to non-controlling shareholders	50	0%	18	0%	15	0%	11	0%
Earnings per share in € before income taxes ²⁾	0.49		0.64		0.19		0.32	
Earnings per share in € ²⁾	0.35		0.46		0.13		0.23	
Shares issued ⁴⁾	21,886,744		21,893,091		21,886,744		21,906,200	

¹⁾ According to IFRS/ IAS unaudited

²⁾ Per-share result undiluted and diluted

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

⁴⁾ Weighted number of shares

Consolidated Group Balance Sheet²⁾

at March 31, 2020 in €k

(in €k)	Mar. 31, 2020 ¹⁾	Sep. 30, 2019
ASSETS		
Assets		
Short-term assets		
Inventories	53,475	46,893
Trade receivables	107,570	115,760
Cash and cash equivalents	26,835	39,890
Financial assets	5,103	2,258
Other receivables	1,421	2,805
Income tax receivables	1,884	2,108
Total short-term assets	196,289	209,713
Long-term assets		
Intangible assets	129,626	127,709
Tangible assets	6,322	5,917
Shareholdings in associated companies	12	12
Rights-of-use assets	7,792	0
Financial assets	1,267	1,321
Deferred tax claims	447	475
Total long-term assets	145,467	135,434
Total assets	341,756	345,147
EQUITY AND LIABILITIES		
Short-term liabilities		
Trade payables	11,382	23,427
Financial liabilities to banks	36,930	40,629
Other financial liabilities	10,448	13,815
Other accruals	968	1,344
Income tax liabilities	2,806	4,029
Other liabilities	3,228	2,441
Lease liabilities	2,180	0
Total short-term liabilities	67,942	85,684
Long-term liabilities		
Deferred tax liabilities	42,065	40,678
Lease liabilities	5,595	0
Pension provisions	4,225	4,067
Total long-term liabilities	51,885	44,746
Total liabilities	119,828	130,430
Equity		
Issued capital	21,914	21,914
Capital reserves	21,111	21,111
Own shares	-233	-233
Other comprehensive income	-175	253
Profit brought forward	170,118	147,557
Net profit accounted to the shareholders of ISRA VISION AG	7,589	22,560
Share of equity capital held by ISRA VISION AG shareholders	220,324	213,163
Equity capital accounted to non-controlling shareholders	1,604	1,554
Total equity	221,928	214,717
Total equity and liabilities	341,756	345,147

¹⁾ according to IFRS/ IAS unaudited

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

Consolidated Cash Flow Statement ^{1) 2)}

from October 01, 2019 to March 31, 2020 in €k

(in €k)	Oct 01, 2019 - Mar 31, 2020	Oct 01, 2018 - Mar 31, 2019
Consolidated net profit	7,639	10,165
Income tax payments	-2,911	-2,945
Changes in deferred tax assets and liabilities	1,414	2,624
Changes in accruals	-217	796
Depreciation and amortization	10,697	9,364
Changes in inventories	-6,582	-1,109
Changes in trade receivables and other assets	7,005	7,297
Changes in trade payables and other liabilities	-14,499	-10,032
Financial result	225	145
Other non-cash changes	-18	45
Cash flow from operating activities	2,753	16,349
Payments for investments in tangible assets	-525	-1,091
Payments for investments in intangible assets	-10,503	-9,072
Cash flow from investment activities	-11,029	-10,163
Payments to company owners through acquisition of own shares	0	-836
Dividend payouts	0	-3,286
Deposits from the assumption of financial liabilities	0	6,677
Repayments of financial liabilities	-3,698	0
Interest income	74	55
Interest expenses	-299	-200
Cash flow from financing activities	-3,923	2,410
Exchange rate-based value changes of the financial resources	-857	383
Change of financial resources	-13,055	8,978
Net cash flow		
Financial resources on Sept. 30, 2019 / Sept. 30, 2018	39,890	34,716
Financial resources on Mar. 31, 2020 / Mar. 31, 2019	26,835	43,695

¹⁾ According to IFRS/ IAS unaudited

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

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

from October 01, 2019 to March 31, 2020 in €k

(in €k)	Issued capital	Capital reserves	Own shares	Other not-income-affecting changes in equity	Profit brought forward	Net profit of the period	Equity of shareholders ISRA VISION AG	Accounted to non-controlling shareholders	Equity
As of Sep. 30, 2019	21,914	21,111	-233	253	147,557	22,560	213,163	1,554	214,717
Profit brought forward	0	0	0	0	22,560	-22,560	0	0	0
Capital increase (conversion of capital reserve due to stock split)	0	0	0	0	0	0	0	0	0
Acquisition of own shares	0	0	0	0	0	0	0	0	0
Sales of own shares	0	0	0	0	0	0	0	0	0
Payout	0	0	0	0	0	0	0	0	0
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	-428	0	7,589	7,161	50	7,211
As of Mar. 31, 2020	21,914	21,111	-233	-175	170,118	7,589	220,324	1,604	221,928

¹⁾ According to IFRS/IAS unaudited

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

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

from October 01, 2018 to March 31, 2019 in €k

(in €k)	Issued capital	Capital reserves	Own shares	Other not-income-affecting changes in equity	Profit brought forward	Net profit of the period	Equity of shareholders ISRA VISION AG	Accounted to non-controlling shareholders	Equity
As of Sep. 30, 2018	21,906	21,722	0	361	128,810	23,108	195,907	1,862	197,769
Conversion effect IFRS 9	0	0	0	0	-90	0	-90	0	-90
Conversion effect IFRS 15	0	0	0	0	-880	0	-880	0	-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 brought forward	0	0	0	0	23,108	-23,108	0	0	0
Capital increase (conversion of capital reserve due to stock split)	8	-8	0	0	0	0	0	0	0
Acquisition of own shares	0	-808	-28	0	0	0	-836	0	-836
Sales of own shares	0	0	0	0	0	0	0	0	0
Payout	0	0	0	0	-3,286	0	-3,286	0	-3,286
Changes in shares of non-controlling shareholders	0	0	0	0	0	0	0	0	0
Overall earnings	0	0	0	883	0	10,147	11,030	18	11,048
As of Mar. 31, 2019	21,914	20,906	-28	1,244	147,662	10,147	201,845	1,880	203,725

¹⁾ According to IFRS/IAS unaudited

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

Segment Reporting by Division ^{1) 2)}

for selected positions of the consolidated income statement in € k

(in €k)	Industrial Automation Division		Surface Vision Division	
	Oct. 01, 2019 - Mar. 31, 2020	Oct. 01, 2018 - Mar. 31, 2019	Oct. 01, 2019 - Mar. 31, 2020	Oct. 01, 2018 - Mar. 31, 2019
Revenues	19,488	17,168	45,098	53,759
EBIT ³⁾	4,276	3,589	7,714	11,410

¹⁾ According to IFRS/IAS unaudited

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

³⁾ Adjusted for one-time costs; in 2019/2020 these are one-time transaction cost of 0.95 million euros

Explanatory information

Basic Principles of Accounting and Assessment

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

Transactions with closely affiliated persons and companies

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

Audit review

The consolidated interim financial statements as of March 31, 2020 and the interim group management report were not audited in accordance with § 317 HGB and were not audited by an auditor.

Declaration of the legal representatives

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

Darmstadt, June 02, 2020

The Executive Board

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