First Sensor

We lead the future

Interim Report as of June 30, 2018

First Sensor in figures

in € million, unless otherwise indicated*	H1 2013	H1 2014	H1 2015	H1 2016	H1 2017	H1 2018
Sales revenues	53.4	59.3	67.2	75.9	68.9	74.4
Industrial	–	32.8	37.8	35.2	36.1	37.3
Medical	–	9.8	10.9	16.3	12.8	16.3
Mobility	–	16.6	18.7	24.4	20.0	20.7
EBITDA	6.1	6.8	7.6	10.1	7.8	8.4
EBITDA margin (%)	11.8	11.1	11.0	13.2	11.3	11.3
EBIT	3.1	3.8	2.9	5.5	3.4	4.1
EBIT margin (%)	6.0	6.2	4.3	7.2	4.9	5.5
Net profit for the period	2.4	2.4	1.8	4.2	2.1	2.3
Earnings per share (€)	0.24	0.23	0.17	0.38	0.19	0.22
Cash flow from operating activities	7.0	3.6	-7.1	3.6	1.8	-1.9
Free cash flow	1.7	1.2	-9.8	1.5	-3.2	-5.8
Balance sheet total	151.8	148.8	149.6	152.9	153.1	156.9
Shareholders' equity	70.7	72.0	74.3	75.2	79.4	82.8
Equity ratio (%)	46.6	48.4	49.7	49.2	51.8	52.8
Net debt	37.3	34.6	40.3	32.1	28.0	30.5
Working Capital	28.8	31.3	42.1	39.4	38.8	43.4
Incoming orders	66.3	78.8	78.2	80.2	79.5	83.7
Orders on hand	78.8	93.5	98.7	101.2	90.7	102.1
Book-to-bill-ratio	1.24	1.33	1.16	1.06	1.15	1.13
Employees (FTE, average of the period)	679	702	764	785	782	818
Sales per employee (thousand €)	78.6	84.5	88.0	96.7	88.1	91.0
Number of shares (thousand)	9,940	10,093	10,152	10,171	10,211	10,216

*Rounding differences may arise.

Contents

2 Foreword by the executive board

Dear shareholders and partners,

74.4

million €
Sales

5.5

percent
EBIT margin

After having generated sales at the previous year's level in the first quarter of this year as a result of reduced output in connection with the introduction of a new ERP system for company management, we gained ground in the second quarter as planned. We achieved the highest quarterly sales in the company history at EUR 39.9 million. The total figure for the first six months of the year is therefore EUR 74.4 million, corresponding to year-on-year growth of 7.9%.

We generated roughly 50% of our half-year sales in the industrial target market, followed by the automotive sector and medical technology. The strongest growth driver was the medical target market, which grew by 27.5% to achieve half-year sales of EUR 16.3 million. This growth was driven by increasing demand for integrated manufacturing services relating to optical sensors as well as for pressure and flow sensors from the H series and L family of our standard portfolio. In addition in the medical target market, the sales postponed in the previous year due to customer decisions have now been generated. Sales in the industrial target market grew by 3.4% to EUR 37.3 million in the first six months of the year, while in the mobility target market they were up 3.6% at EUR 20.7 million. Here, too, growth was especially driven by pressure sensors, for example for industrial process automation or

Dr. Dirk Rothweiler,
CEO (right)
and **Dr. Mathias Gollwitzer,**
CFO (left)

electrohydraulic steering, and by optical solutions for process control or distance detection. Based on the order backlog and incoming orders, we anticipate higher growth rates over the course of the year for the target markets industrial and mobility, too.

After an unsatisfactory EBIT margin of 3.1% in the first quarter of 2018, we generated an EBIT margin of 7.5% in the second quarter thanks to the higher overall business volume as well as improved product contribution margins. We are thus within the target corridor for our EBIT margin of between 7% and 9% for the year as a whole. In the first half of the year the EBIT margin achieves 5.5% compared to 4.9% in the previous year.

Continued high demand for sensors, sensor solutions and integrated manufacturing services from First Sensor gives us a tailwind for further positive development of sales and earnings over the rest of the year. As of June 30, 2018, we thus recorded an order backlog of EUR 102.1 million, up 12.5% on the previous year. More than half of this is scheduled for 2018. The remaining sales required to reach our target range of between EUR 150 million and EUR 160 million will be generated from incoming orders from monthly call-ups under our framework agreements and from additional business with new and existing customers. As at the reporting date, incoming orders amounted to EUR 83.7 million, corresponding to a 5.3% increase compared to the previous year and an increase of 12.8% compared to March 31, 2018. Our book-to-bill ratio, an important growth indicator, came to 1.13 as at the reporting date.

On this basis, we still anticipate sales between EUR 150 million and EUR 160 million and an EBIT margin between 7% and 9% for 2018 as a whole and are confirming our guidance, subject to continuing economic momentum in our target markets. We would greatly value your support on our path to profitable growth.

The Executive Board

Dr. Dirk Rothweiler
CEO

Dr. Mathias Gollwitzer
CFO

102.1

million €
Orders on hand

83.7

million €
Incoming orders

3 First Sensor Share

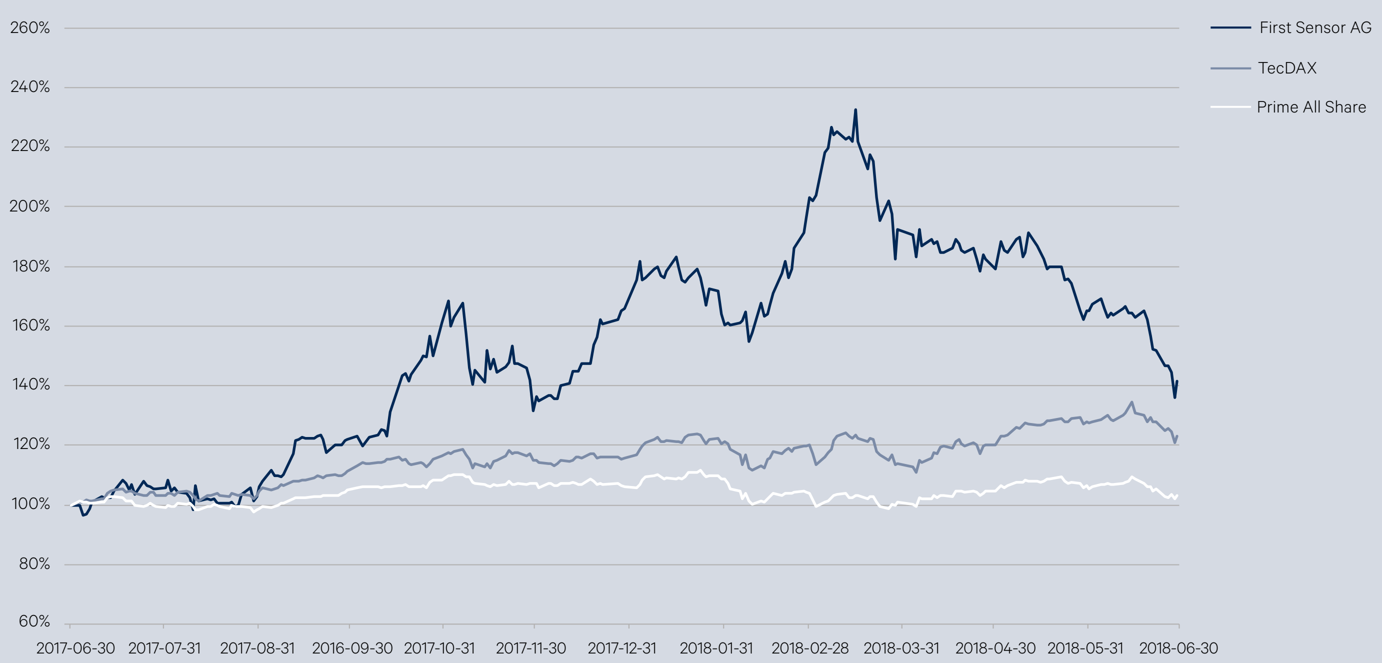
Ups and downs shape the first half of 2018

After initially continuing the price increases from December at the start of the year and reaching a new high of EUR 23.40 on January 12, the First Sensor share then entered a period of consolidation in a range of EUR 20 to EUR 25 that lasted from the middle of January until mid-February. The ad-hoc report of net income above the guidance brought the share price up to the EUR 30 mark in March, and on March 15 it marked intraday its highest level in the year to date at EUR 31.80.

However, the correction on the global stock markets that began in March, fueled by Donald Trump's punitive tariff debate, also left its mark on First Sensor's share price performance. The first downward movement brought the share price down to the EUR 25 mark in April. This was followed by a second consolidation in a narrow range between EUR 23 and EUR 25, until the EUR 23 mark was breached in May and gave way to downward momentum that was attributable not only to the unstable political environment but also to the lower-than-expected quarterly figures. The dividend payment of EUR 0.16 per share that was resolved in May also could not prevent this.

The lowest price during the reporting period was recorded on June 28 at EUR 17.30, and the closing price at the end of June was EUR 18.40. This corresponds to a performance of -15% in the first half of the year. Compared to the closing price on June 30, 2017, it represented a performance of more than 40% and thus indicated growing interest in the First Sensor share from the capital market. This is also reflected in the average trading volume on XETRA, which more than doubled year-on-year to 27,647 shares in the first half of 2018.

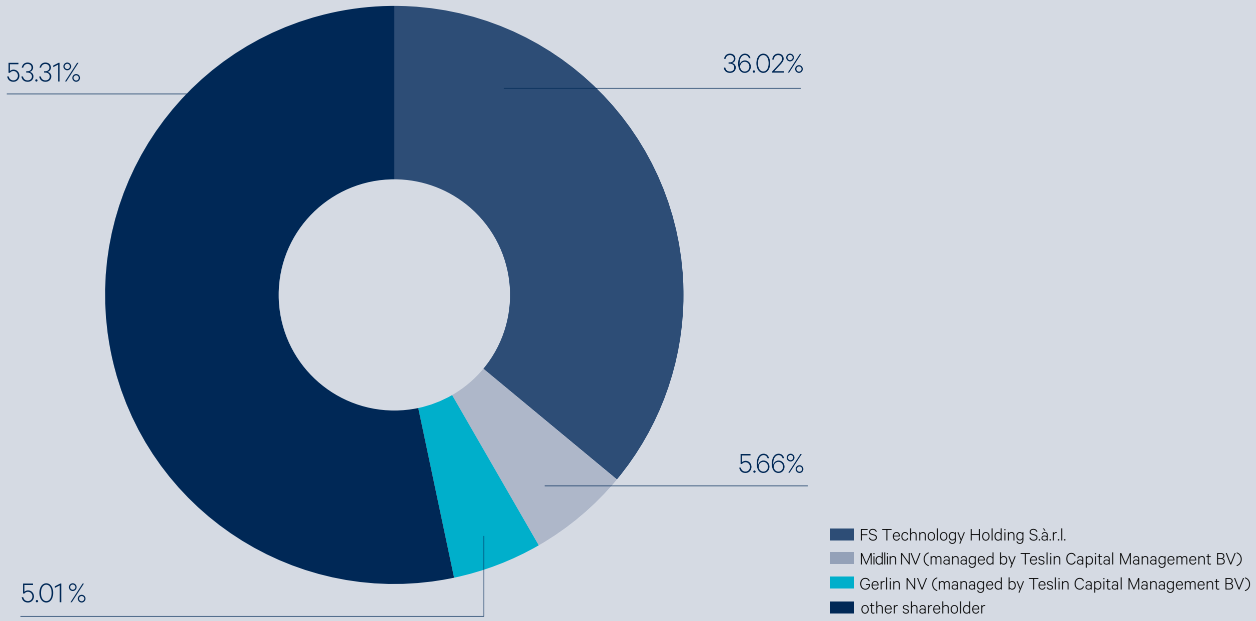
Performance from July 1, 2017 to June 30, 2018



Key figures

in € thousand, unless otherwise indicated	June 30, 2017	June 30, 2018	Δ absolute	in %
Share capital (€)	51,056,980	51,081,980	25,000	0.1
Market capitalization	133,394	187,982	54,588	40.9
Share price (€), XETRA closing price	13.11	18.40	5.29	40.4
Net profit attributable to shareholders	1,967	2,135	168	8.5
Number of shares, weighted	10,174,979	10,216,396	41,417	0.4
Earnings per share (€)	0.19	0.22	0.03	15.8

Shareholder structure according to available voting rights notifications



4 Interim Group Management Report (IFRS)

Economic report

General economic and sector conditions

Development of the economy

According to the Kiel Institute for the World Economy (IfW), the global economic upswing lost momentum at the start of the year. Risks for the global economy are posed firstly by the trade conflicts with the USA and secondly by political uncertainty in the euro zone, particularly in relation to the change in government in Italy. Another cause for concern is the significant overloading of capacity, which could exacerbate price increases.
The upswing is also continuing at a slower pace in the euro zone and Germany: After the substantial increase in production last year, economic momentum has declined since the start of the year but will still continue due to the ECB's highly expansionary policy and the upward trend in the global economy.

Development of the sensor market

Based on a survey of members, the German Association for Sensors and Measurement (AMA) determined 9.0% growth in the first quarter of 2018. This corresponds to the growth rate for 2017 as a whole, which exceeded the previous average of 6.0% for the first time. At the same time, there was a 5.0% increase in incoming orders. The AMA attributes this positive development to the growth drivers of digitalization and automation.

Target market Industrial

German industry displayed a restrained development in the first few months of 2018. It was unable to gain a foothold until well into April. According to the German Federal Ministry of Economics and Technology, businesses needed the time to assess the new foreign policy and trade situation and get past their initial wait-and-see response. There were then substantial increases in industrial production in May, coming to a total of 2.7%. After a weak phase from January to April, incoming orders recorded a significant rise in May, with orders from the non-euro area increasing substantially while orders from Germany and the euro zone declined.

Target market Medical

The medical technology sector remains an important factor for the economy and the labor market. This was the conclusion of a study by the economic research institute WifOR that was commissioned by the German Federal Ministry of Economics and Technology (BMWi) and presented in Berlin in May 2018. The report indicates that the sector still acts as a growth driver for the German economy, with average annual growth of 3.8%. According to official economic statistics, total sales of medical technology manufacturing companies in Germany increased by 2.4% to EUR 29.9 billion in 2017. Globally, sales generated by medical technology companies are growing by an average of 6.0%.

Target market Mobility

In the first half of the year, the overall situation on the global automotive markets was positive. A total of 28.8 million vehicles were sold in the US, China and Europe, thus exceeding the previous year's figures by around 3.6%. Russia, Brazil and India all posted double-digit growth. Looking to the near future, the IfW is warning of the potential consequences for the automotive sector from the tariffs on cars and car parts imposed by the United States.

Results of operations

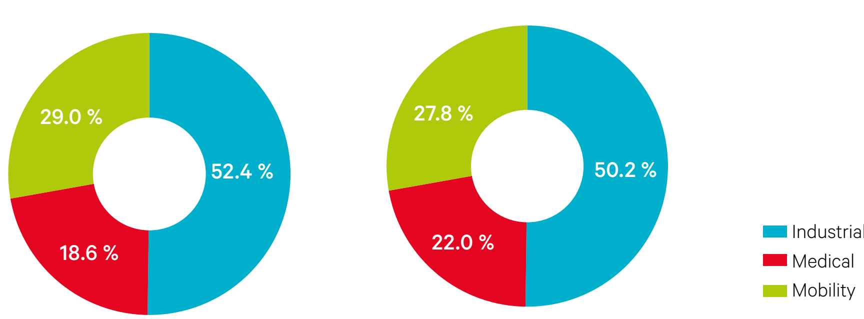
Sales development

In the first half of 2018, sales of EUR 74.4 million were generated in the First Sensor Group (previous year: EUR 68.9 million). This increase of EUR 5.4 million corresponds to a growth rate of 7.9%. The sales growth of EUR 3.5 million mainly comes from the medical target market, while the industrial target market, which posted growth of EUR 1.2 million, was not yet able to eliminate all of the backlog from the first quarter. Sales in the mobility target market rose by EUR 0.7 million or 3.6% year-on-year in the first half of the year.

in € thousand	H1 2017	H1 2018	Δ absolute	in %
Industrial	36,121	37,340	1,220	3.4
Medical	12,789	16,325	3,524	27.5
Mobility	20,020	20,694,	722	3.6
Total	**68,930**	**74,359**	**5,429**	**7.9**

The target markets' shares of the First Sensor Group's total sales remained unchanged. The industrial target market contributes around 50% of total sales, followed by the mobility target market with just under 30% and the medical target market with a little over 20%.

H1 2017 **H1 2018**

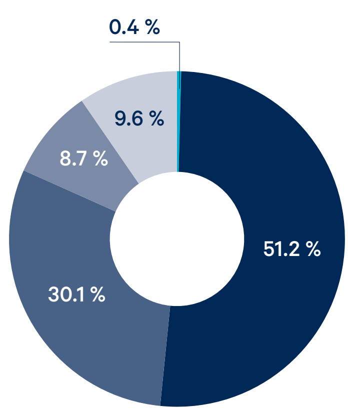


In the DACH region, an 11.0% sales increase to EUR 39.2 million was generated. This is still the strongest sales region, accounting for almost 53% of total sales. As a result of efforts to further internationalize the company, sales in the North America and Asia regions were increased further. Each of these regions accounts for slightly over 10% of total sales.

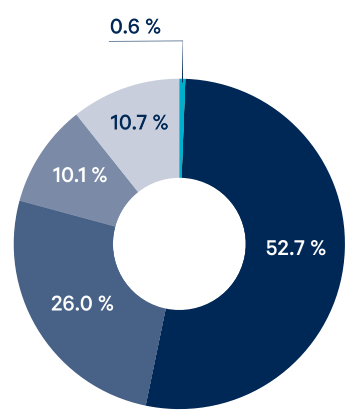
Sales in € thousand	H1 2017	H1 2018	Δ absolute	in %
DACH*	35,286	39,176	3,890	11.0
Other Europe	20,773	19,305	-1,468	-7.1
North America	5,989	7,502	1,513	25.3
Asia	6,630	7,933	1,303	19.7
Other	252	443	191	75.8
Total	**68,930**	**74,359**	**5,429**	**7.9**

* Germany, Austria, Switzerland, Liechtenstein

H1 2017



H1 2018



DACH · Other Europe · North America · Asia · Other

Within the DACH region, the domestic market Germany is still the country with the strongest sales, followed by the USA and China, where optical sensors for distance detection (LiDAR) and pressure sensors are making significant contributions to sales.

Sales in € thousand	H1 2017	H1 2018	Δ absolute	in %
Germany	29,439	32,808	3,369	11.4
USA	4,166	5,863	1,697	40.7
China	4,382	5,115	733	16.7
Hungary	5,073	4,914	-159	-3.1
Schweiz	4,250	4,347	97	2.3
Great Britain	3,640	3,219	-421	-11.6
Benelux	2,870	2,681	-189	-6.6

Order situation

At EUR 83.7 million, incoming orders as of June 30, 2018, were considerably higher than at the same date in the previous year (EUR 79.5 million). The order backlog for the first half of the year is EUR 102.1 million, around EUR 11.4 million higher than at the same date in the previous year. Roughly half of the order backlog will be converted to sales this year. At 1.13, the book-to-bill ratio is similar to the previous year's level.

in € thousand	Δ H1 2017	Δ H1 2018	Δ absolute	in %
Sales revenues	68,930	74,359	5,429	7.9
Incoming orders	79,508	83,683	4,175	5.25
Ordes on hand (previous year as at Dec. 31)	90,732	102,086	11,354	12.51
Book-to-Bill-Ratio	1.15	1.13	-0.02	-

Earnings

The Group's total operating performance in the first half of the year amounted to EUR 75.4 million, thus exceeding the previous year's figure of EUR 69.6 million by 16.7%. Sales revenues, a component of this figure, increased by a total of EUR 5.4 million from EUR 68.9 million in the same period of the previous year to EUR 74.4 million.

Sales per employee displayed a positive development from EUR 88.1 thousand in the previous year to EUR 91.0 thousand, although the average number of employees rose by 4.3%. At EUR 35.7 million, the cost of materials was up EUR 2.8 million year-on-year in line with the development of sales.

Personnel expenses climbed by EUR 1.0 million in comparison to the previous year. This increase was chiefly due to hiring new employees in the areas of production and development (+36 FTEs) to secure further growth. As a result of the significant increase in the sales volume, the personnel expenses ratio improved by 1.1% to 31.4% in the first half of the year (previous year: 32.5%) despite higher expenses.

Other operating expenses increased by EUR 0.6 million year-on-year to EUR 8.5 million in the first half of the year. This was mainly attributable to higher maintenance expenses as a result of increased utilization of machinery and equipment, as well as higher expenses for searching for suitable specialist staff.

EBITDA was up slightly year-on-year at EUR 8.4 million, corresponding to an EBITDA margin of 11.3%. EBIT of EUR 4.1 million resulted in an EBIT margin of 5.5% (previous year: 4.9%).

The financial result declined by around EUR 0.5 million year-on-year to EUR -0.9 million (previous year: EUR -0.4 million). This was chiefly due to exchange rate changes with a negative impact on the company.

Consolidated profit before taxes for the first half of the year amounted to EUR 3.2 million, thus exceeding the previous year's figure by EUR 0.3 million. Net profit for the first half of the year amounted to EUR 2.3 million. Earnings per share in circulation thus came to EUR 0.22 (previous year: EUR 0.19).

Financial position and net assets

Financial position

As a result of the reclassification of the EUR 12 million promissory note loan due in December 2018 from non-current to current financial liabilities, there was a shift on the equity and liabilities side of the balance sheet compared to the previous year. Loans borrowed in the first half of the year in the amount of EUR 0.9 million were offset by repayments of EUR 1.3 million. Repayments were down EUR 0.4 million year-on-year due to the termination of loans. As a result of the 7.9% increase in sales compared to the same period of the previous year, trade payables rose by EUR 0.7 million.

The 10.2% decline in cash and cash equivalents year-on-year and the 8.9% increase in net debt are primarily due to the dividend distribution and to the increase in trade receivables, which will even out again over the remainder of the year given a good business situation. Further information can be found in the notes to the cash flow statement. The available funds are still regarded as sufficient to finance the planned growth.

in € thousand	June 30, 2017	June 30, 2018	Δ absolute	in %
Non-current financial liabilities	42,793	31,572	-11,221	-26.2
Current financial liabilities	4,569	16,320	11,751	257.2
Cash and cash equivalents	-19,328	-17,363	1,965	-10.2
Net debt	**28,034**	**30,529**	**2,495**	**8.9**

Capital expenditure, depreciation and amortization

In the first half of the year, EUR 1.1 million was invested in intangible assets and EUR 3.0 million in technical equipment and machinery, the majority of which was used to increase capacity and efficiency at the Berlin Oberschöneweide location. Investment activity over the remainder of the year is planned in line with the first half. The amount of depreciation and amortization is unchanged year-on-year at EUR 4.4 million and includes straight-line depreciation and amortization of EUR 1.1 million on a purchase price allocation in the Group.

in € thousand	H1 2017	H1 2018	Δ absolute	in %
Investments intangible assets	-847	-1,076	-229	27.0
Investments in property, plant and equipment	-4,337	-2,969	1,368	-31.5
Investments	**-5,184**	**-4,045**	**1,139**	**-22.0**
Disposal of non-current assets and investments	1	2	1	100.0
Investment grants	202	46	-156	-77.2
Other effects	31	125	94	303.2
Cash flow from investment activities	**-4,950**	**-3,872**	**1,078**	**-21.8**
Amortization of intangible assets	-1,771	-1,738	33	-1.9
Depreciation of property, plant and equipment	-2,673	-2,640	33	-1.2
Depreciation and amortization	**-4,444**	**-4,378**	**66**	**-1.5**

Cash flow

Operating cash flow recorded a negative year-on-year change of EUR 3.7 million. One reason for this change was the increase in inventories from EUR 24.6 million as of December 31, 2017, to EUR 27.6 million as of June 30, 2018, in order to ensure a reliable supply in the context of rising sales. In addition, the highest sales in the first half of the year were generated in the last third of the second quarter of 2018, which was reflected in an increase in trade receivables as of June 30, 2018, and a temporarily higher level of tied-up liquidity. The dividend payment in May 2018 reduced cash and cash equivalents by EUR 1.6 million. In addition, the utilization of loss carryforwards in the previous year resulted in a EUR 1.4 million increase in income taxes paid to EUR 2.1 million (previous year: EUR 0.7 million).

Cash flow from investing activities fell by EUR 1.1 million to EUR 3.9 million in the first half of the year (previous year: EUR 5.0 million) and will continue to develop steadily over the year as a whole.

The cash flow from financing activities shows the regular repayments of loan liabilities in the amount of EUR 1.3 million and a new loan of EUR 0.9 million in the period under review and thus developed almost in step with the same period of the previous year. The difference from the end of the previous year in the amount of EUR -1.2 million was chiefly due to the dividend payment.

in € thousand	H1 2017	H1 2018	Δ absolute	in %
Cash flow from operating activities	1,783	-1,940	-3,723	-208.8
Cash flow from investment activities	-4,950	-3,872	1,078	-21.8
Cash flow from financing activities	-1,226	-2,385	-1,159	94.5
Change in cash and cash equivalents	-4,393	-8,197	-3,804	86.6
Exchange differences	-71	55	125	-178.6
Cash and cash equivalents at the beginning of the financial year	23,791	25,505	1,714	7.2
Cash and cash equivalents at the end of the period under review	19,328	17,363	-1,965	-10.2
Free cash flow	-3,167	-5,812	-2,645	-83.5

Net assets

The company still has a sound balance sheet structure. Total assets changed slightly by EUR 2.7 million to EUR 156.9 million compared to EUR 159.6 million as of December 31, 2017. This change was due to the reduction of current liabilities.

Non-current assets amounted to EUR 85.0 million as of June 30, 2018 (December 31, 2017: EUR 85.4 million). As at the reporting date, investments in property, plant and equipment amounted to EUR 4.1 million were almost entirely offset by scheduled depreciation in this period. The amount of goodwill remained unchanged at EUR 29.8 million.

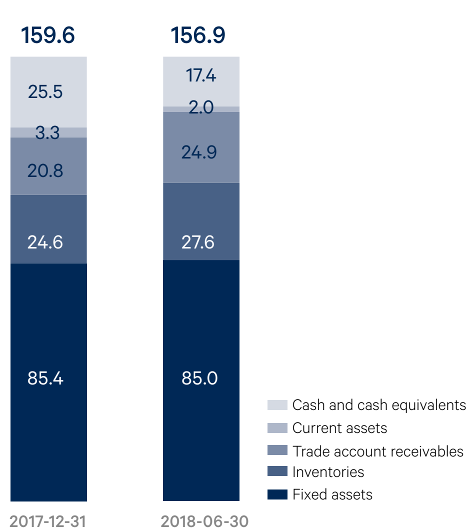
Current assets decreased by EUR 2.3 million to EUR 71.9 million as of June 30, 2018 (December 31, 2017: EUR 74.2 million). This change was mainly attributable to the dividend payment in May 2018, which reduced cash and cash equivalents.

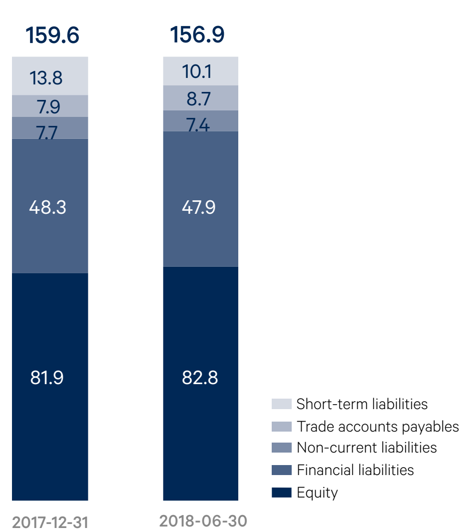
Equity climbed from EUR 81.9 million to EUR 82.8 million. This increase was due to the change in retained earnings as of June 30, 2018.

In line with the resolution adopted by the Annual General Meeting on May 23, 2018, a total of EUR 4.1 million from retained earnings was used for allocation to the revenue reserves and for the dividend payment. Further information can be found in the statement of changes in equity.

Working capital, i.e. the ratio of inventories plus trade receivables less trade payables and advance payments received, amounted to EUR 43.4 million as of the middle of 2018 (December 31, 2017: EUR 37.5 million). As a result, capital employed posted a year-on-year increase of EUR 122.9 million to EUR 128.4 million.

Net debt increased by EUR 7.7 million to EUR 30.5 million. The ratio of net debt to equity (gearing) amounted to 36.9% as of June 30, 2018 (December 31, 2017: 27.8%).





Overall statement

After a rather modest start, business performance in the first six months of fiscal 2018 was in line with the Executive Board's expectations overall. The business performance in the second quarter of 2018 with the highest quarterly sales ever generated at EUR 39.9 million demonstrates the company's potential and the market's receptiveness to products and services from the First Sensor Group. Incoming orders are progressing further and were higher than the sales figures in this half-year period, too. Together with the high level of the order backlog, most of which will result in sales during the second half of the year already, the conditions are in place to achieve the sales target of between EUR 150 million and EUR 160 million for the year as a whole.

The positive developments in the second quarter of the year, combined with the ongoing efficiency enhancement projects, resulted in EBIT of EUR 3.0 million. This corresponds to an EBIT margin of 7.5% in the second quarter of 2018. With the efficiency projects being implemented further and the business forecasts for the second half of the year increasingly proving accurate, the Executive Board is therefore confident of achieving the target of an EBIT margin between 7% and 9% as of the end of the year.

Supplementary report

The company is not aware of any significant events after the end of the reporting period that will affect the net assets, financial position and results of operations.

Report on risks and opportunities

In connection with the reporting on risks and opportunities, please also refer to the information published in the Annual Report 2017. With regard to strategic risks, First Sensor is observing the current trade conflicts very carefully. The company does not currently expect these to have any major effects on the business performance this year. With regard to operational risks, First Sensor is currently recording delays in the delivery of some products. This is due to the shortages of resources already described in the Annual Report 2017, the switch to a new ERP system, and the strong growth in demand. The company expects the situation to improve as a result of the measures initiated, including increased shift work and optimized production management using SAP. In addition, First Sensor is observing shortages of some electronic components at suppliers. As a result of the measures already implemented, this market situation probably will not have any negative effects on the business performance. There were no significant changes in the other matters described in the Annual Report 2017 in the first six months of fiscal 2018.

Forecast report

Expected conditions

Developments in the economy as a whole

Although the global economic upswing lost momentum at the start of the year according to the IfW, growth is still forecast for the economy as a whole. Following a reduction of 0.2 percentage points for both 2018 and 2019, an increase in production of 3.8% is anticipated for 2018 and 3.6% for 2019. The increase in production in the euro zone is also likely to be somewhat lower than in the past year at 2.1% in 2018 and 2.0% in 2019, but it should still be higher than the growth rate for production potential. The IfW has therefore also revised its forecast for Germany down by 0.5 percentage points to 2.0% for this year. However, greater economic momentum can be expected again in the second half of the year – as indicated in particular by favorable economic fundamentals such as low interest rates, wage increases, growth in employment, good sales prospects in Germany and abroad, and approximate price stability.

Development of the sensor market

In its study “Status of the MEMS Industry 2018” published in May, Yole Développement forecasts that the international market for MEMS chips, sensors and actuators will grow from around USD 53.7 billion in 2018 to around USD 101.7 billion in 2023. This is equivalent to a CAGR of 15.0% and is around 3.0% more growth than was forecast in the previous year.

Although the relevant market for First Sensor is not expanding quite as fast with a growth rate of 9.0%, it nonetheless offers a lot of potential still. Trends such as the Internet of Things (IoT), Industry 4.0, the digitalization of medical technology and autonomous driving represent the main driving factors. The AMA industry association also anticipates further steady growth in the sector as a result of the growth drivers of digitalization and automation. For the current calendar year, it anticipates a total increase of 8.0% along with a rise in investments and staff to underpin this growth.

Target market Industrial

Given that the manufacturing industry still has a very good order backlog with a reach of more than five months despite the modest start to the year and that the business climate is still better than average, the German Federal Ministry for Economic Affairs anticipates a moderate upward trend in industry over the next few months.

Target market Medical

According to a study by the German Medical Technology Association, the medical target market is still a growth market. This is attributable to factors such as progress in medical technology, the demographic development, and increased health awareness among the population. As a result, a global annual growth rate of around 5.0% can still be expected.

Target market Mobility

Although the first half of the year developed positively for the automotive industry, the IfW is warning of the potential consequences in the near future from the tariffs on cars and car parts imposed by the United States. Even just fears of an escalation in the trade conflict could hold back investments and significantly curb the economy. In addition, the unresolved emissions issues and people’s loss of trust in German brands could still potentially curb growth. At the same time, the number of sensors in vehicles and their value are constantly increasing. According to a recent study by Yole Développement, the market value of sensors in the automotive sector will more than double by 2023 with an annual growth rate of 12.7%. In addition to radar with average annual growth of 16.0% by 2023, this report states that the future technologies particularly include LIDAR and cameras, which are set to grow by an average of 44.0% and 15.0% respectively per year in the same period.

Development of the First Sensor Group

Sales and earnings

In a generally positive macroeconomic environment with intact trends that will boost demand for First Sensor's standard products, sensor solutions and integrated manufacturing services in the medium and long term, sales and earnings up until the middle of 2018 were in line with our expectations. The company was not yet able to make up for all of the backlog resulting from reduced output in connection with SAP in the first quarter. However, the month of June, when the First Sensor Group generated the highest monthly sales in its history, shows that production is not only at its normal level but also the investments in staff and machinery to expand production capacity are starting to take effect. The positive upward trend in the second quarter and our customers' trust in our products, which is reflected in consistently high order backlogs and incoming orders, allow for a positive forecast for the business development over the remainder of the year.

A more dynamic business performance in the second half of 2018 will also have a positive effect on the earnings situation. This is indicated by the development of the EBIT margin in the second quarter of 2018 as against the first quarter in line with the sales increase and by further improvements in efficiency.

Financial position and net assets

Particular attention will be paid to accounts receivable management over the remainder of the year, meaning that a decrease in trade receivables and a positive operating cash flow can be expected in the further course of business. Investments are expected to remain constant in a range between EUR 8 million and EUR 10 million. Constant depreciation and amortization is also anticipated.

Overall statement

For fiscal year 2018, the Executive Board still anticipates sales of between EUR 150 million and EUR 160 million and an EBIT margin of between 7% and 9% and is thus confirming its guidance for the year as a whole from March.

5 Consolidated statement of financial position (IFRS)

Consolidated balance sheet ASSETS

ASSETS in € thousand	Dec. 31, 2017	June 30, 2018	Δ absolute	in %
Intangible assets	13,984	13,119	-865	-6.6
Internally-generated intangible assets	5,107	5,332	225	4.2
Goodwill	29,816	29,816	0	0.0
Property, plant and equipment	36,443	36,750	307	0.8
Total non-current assets	**85,350**	**85,017**	**-333**	**-0.4**
Inventories	24,626	27,597	2,971	10.8
Trade accounts receivables	20,766	24,890	4,124	16.6
Tax refund claims	11	5	-6	-120.0
Other current assets	3,319	2,004	-1,315	-65.6
Cash and cash equivalents	25,505	17,363	-8,142	-46.9
Total current assets	**74,227**	**71,859**	**-2,368**	**-3.3**
TOTAL ASSETS	159,577	156,876	-2,701	-1.7

Consolidated balance sheet EQUITY AND LIABILITIES

EQUITY AND LIABILITIES in € thousand	Dec. 31, 2017	June 30, 2018	Δ absolute	in %
Share capital	51,082	51,082	0	0.0
Capital reserves	16,863	16,951	88	0.5
Revenue reserves	1,004	3,431	2,427	70.7
Currency translation	-552	-417	135	-32.4
Revaluation reserves	-38	-27	11	-40.7
Retained earnings	12,363	10,560	-1,803	-17.1
Minority interest	1,177	1,235	58	4.7
Total equity	**81,899**	**82,815**	**916**	**-1.1**
Non-current post-employment benefit obligation	277	264	-13	-4.9
Long-term loans, excluding current portion	32,184	31,572	-612	-1.9
Other non-current liabilities	3,537	3,533	-4	-0.1
Deferred tax liabilities	3,913	3,569	-344	-9.6
Total non-current liabilities	**39,911**	**38,938**	**-973**	**-2.5**
Income tax provisions and liabilities	1,415	786	-629	-80.0
Other current provisions	1,259	1,188	-71	-6.0
Short-term loans and current portion of long-term loans	16,115	16,320	205	21.3
Payments received on account of orders	401	386	-15	-3.9
Trade accounts payables	7,885	8,726	841	9.6
Other current liabilities	10,692	7,717	-2,975	-38.6
Total current liabilities	**37,767**	**35,123**	**-2,644**	**-7.5**
TOTAL EQUITY AND LIABILITIES	**159,577**	**156,876**	**-2,701**	**-1.7**

Consolidated Statement of Comprehensive Income

Consolidated income statement

in € thousand	6M 2017	6M 2018	Δ absolute	in %
Sales revenues	68,930	74,359	5,429	7.9
Other operating income	1,604	914	-690	-43.0
Change in inventories of finished goods and work in progress	-50	383	433	-866.0
Other own work capitalized	762	677	-85	-11.2
Costs of materials and purchased services	-32,922	-35,700	-2,778	8.4
Personnel expenses	-22,633	-23,677	-1,044	4.6
Other operating expenses	-7,875	-8,523	-648	8.2
Profit from operations (EBITDA)	**7,816**	**8,433**	**617**	**7.9**
Depreciation of property, plant and equipment and amortization of intangible assets	-4,444	-4,378	66	1.5
Earnings before interest and tax (EBIT)	**3,372**	**4,055**	**683**	**20.3**
Interest income	31	13	-18	-58.1
Interest expenses	-796	-821	-25	3.1
Currency gains	774	454	-320	-41.3
Currency losses	-432	-526	-94	21.8
Income before tax and minority interest	**2, 949**	**3,175**	**226**	**7.7**
Income tax expenses	-863	-859	4	-0.5
Net profit for the period	**2,086**	**2,316**	**230**	**11.0**
Net profit for the period attributable to First Sensor AG shareholders	1,967	2,258	291	14.8
Net profit for the period attributable to minority interest	119	58	-61	-51.3
Earnings per share in € (basic=diluted)	0.19	0.22	0.03	14.3

Other comprehensive income

in € thousand	6M 2017	6M 2018	Δ absolute	in %
Net profit for the period	**2,086**	**2,316**	**230**	**11.0**
Actuarial gains and losses on defined benefit plans	0	0	0	0
Taxes on other comprehensive income	0	0	0	0
Items not subsequently reclassified to the income statement	0	0	0	0
Changes from currency translations	-232	135	367	-158.2
Revaluation of derivative financial instruments	-364	-15	349	-95.8
Revaluation of derivative financial instruments taxes on other comprehensive income	118	5	-113	-95.8
Items that can be subsequently reclassified to the income statement	**-478**	**125**	**603**	**-126.1**
Total comprehensive income	**1,608**	**2,441**	**833**	**51.8**
Thereof attributable to shareholders of First Sensor AG	1,489	2,260	771	51.8
Thereof attributable to minority interest	119	181	62	52.1

Consolidated statement of changes in equity

June 30, 2017

in € thousand	Number of shares in thou.	Capital stock	Capital reserves	Earning reserves	Currency translation	Revaluation reserves	Retained earnings	Minority interest	Total sharehol-ders‘ equity
As at January 1, 2017	**10,208**	**51,042**	**16,707**	**1,004**	**-108**	**-347**	**8,232**	**935**	**77,465**
Net profit for the period							1,968	119	**2,087**
Other comprehensive income					-232	-11			**-243**
Total comprehensive income					**-232**	**-11**	**1,968**	**119**	**1,844**
Share-based remuneration			45						**45**
Capital increase	3	15	5						**20**
Appropriation of earnings									**0**
As at June 30, 2017	**10,211**	**51,057**	**16,757**	**1,004**	**-340**	**-358**	**10,200**	**1,054**	**79,374**

June 30, 2018

in € thousand	Number of shares in thou.	Capital stock	Capital reserves	Earning reserves	Currency translation	Revalua-tion reserves	Retained earnings	Minority interest	Total sharehol-ders‘ equity
As at January 1, 2018	**10,216**	**51,082**	**16,863**	**1,004**	**-552**	**-38**	**12,363**	**1,177**	**81,899**
Net profit for the period							2,259	58	**2,317**
Other comprehensive income					135	11			**146**
Total comprehensive income					**135**	**11**	**2,259**	**58**	**2,463**
Share-based remuneration			88						**88**
Capital increase									**0**
Appropriation of earnings				2,427			-4,062		**-1,635**
As at June 30, 2018	**10,216**	**51,082**	**16,951**	**3,431**	**-417**	**-27**	**10,560**	**1,235**	**82,815**

Consolidated statement of cash flows

in € thousand	6M 2017	6M 2018	Δ absolute	in %
Income before tax and minority interest	**2,949**	**3,175**	**226**	**7.7**
Interest paid	408	808	400	98.0
Depreciation of property, plant and equipment and amortization of intangible assets	4,444	4,378	-66	-1.5
Income from investment grants	-202	-46	156	-77.2
Gains and losses on disposal of fixed assets	9	-2	-11	-122.2
Other non-cash expenses and income	27	88	61	225.9
Changes in provisions	-168	-84	84	-50.0
Changes in working capital	-3,130	-6,269	-3,139	100.3
Changes in other assets and liabilities	-1,855	-1,886	-31	1.7
Income tax paid	-699	-2,102	1,403	200.7
Cash flow from operating activities	**1,783**	**-1,940**	**-3,723**	**-208.8**
Payments for investments in property, plant and equipment and intangible assets	-5,184	-3,933	1,251	-24.1
Proceeds from disposal of property, plant and equipment, intangible assets and investments	1	2	1	100.0
Proceeds from investment grants	202	46	-156	-77.2
Interest received	31	13	-18	-58.1
Cash flow from investment activities	**-4,950**	**-3,872**	**1,078**	**-21.8**
Proceeds from shareholders	20	-1,577	-1,597	-7,985,0
Repayments from financial liabilities	-1,713	-1,305	408	-23.8
Proceeds from loans	836	868	32	3.8
Interest paid	-369	-371	-2	0.5
Cash flow from financing activities	**-1,226**	**-2,385**	**-1,159**	**94.5**
Net change in cash and cash equivalents	**-4,393**	**-8,197**	**-3,804**	**86.6**
Currency differences from converting funds	-70	55	125	178.6
Cash and cash equivalents at the beginning of the financial period	**23,791**	**25,505**	**1,714**	**7.2**
Cash and cash equivalents at the end of the financial period	**19,328**	**17,363**	**-1,965**	**-10.2**

6 Notes to the consolidated financial statements (IFRS)

The notes to the consolidated financial statements of First Sensor AG as of June 30, 2018, like the consolidated financial statements as of December 31, 2017, were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations effective as of the end of reporting period. These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the consolidated financial statements published by the company for fiscal 2017. All interim financial statements of the companies included in the interim consolidated financial statements have been prepared in accordance with uniform accounting policies, on which the consolidated financial statements as of December 31, 2017 were also based. The accounting policies and consolidation methods applied are the same as those used for fiscal 2017. Please see the notes to the consolidated financial statements as of December 31, 2017 for further information. The consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the reporting periods ended as of June 30, 2018 and June 30, 2017 and the notes have not been audited or reviewed.

Consolidated group

The First Sensor Group consists of the parent company First Sensor AG, based in Berlin, and 10 subsidiaries in which First Sensor AG holds majority interests. There were no changes in the consolidated group in the period from January 1 to June 30, 2018. Non-current assets and investments in non-current assets relate almost exclusively to Germany, and to only a small degree to North America.

Non-current assets in € thousand	June 30, 2017	June 30, 2018	Δ absolute	in %
Germany	81,679	84,511	2,832	3.5
Europe	111	77	-34	-30.6
North America	792	429	-363	-45.8
Total	**82,582**	**85,017**	**2,435**	**2.9**

Investments in € thousand	H1 2017	H1 2018	Δ absolute	in %
Germany	5,069	3,999	-1,070	-21.1
Europe	31	-15	-46	-149.1
North America	84	61	-23	-27.7
Total	**5,184**	**4,045**	**-1,139**	**-22.0**

Employees (FTE, closing date)	June 30, 2017	June 30, 2018	Δ absolute	in %
Germany	724	771	47.0	6.5
Europe	35	34	-1.0	-2.9
North America	25	25	0.0	0.0
Total	**784**	**830**	**46.0**	**5.9**

7 Responsibility statement

In accordance with section 297(2) sentence 4 and section 315(1) sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, these half-year financial statements give a true and fair view of the assets, financial position and profit or loss of the group, and the management report includes 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.

Berlin, August 10, 2018

First Sensor AG

Dr. Dirk Rothweiler
CEO

Dr. Mathias Gollwitzer
CFO

8 Further information

Legal disclaimer

This report contains statements of a predictive nature. All future-oriented specifications in this consolidated financial report were produced on the basis of a probability-based plan and represent statements regarding the future which cannot be guaranteed.

Financial calendar

Date	Topic	Details
August 13, 2018 2 p.m. CEST	Presentation of the results for the first half of 2018	https://webcasts.eqs.com/firstsensor20180813
November 12, 2018	Publication of the interim report for Q3 2018	www.first-sensor.com
November 12, 2018 2 p.m. CEST	Presentation of the results for Q3 2018	https://webcasts.eqs.com/firstsensor20181112
November 26 to 27, 2018	German Equity Forum 2018 (Analysts Conference)	Sheraton Frankfurt Airport Hotel & Conference Center
March 21, 2019	Publication of Annual Report 2018 and annual press conference	www.first-sensor.com
May 3, 2019	Annual General Meeting 2019	Penta Hotel, Grünauer Str. 1, 12557 Berlin

As we cannot rule out the possibility of delays, we recommend that you consult the latest set of dates at **www.first-sensor.com** in the section Investor Relations, Financial Calendar.

This report has been neither audited nor subjected to any other formal audit examination. Rounding differences may arise.

This consolidated half-year financial report is available in German and in English.
Both versions can be downloaded online at **www.first-sensor.com**.

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