

# 2019

## Interim Report Q3

## To our Shareholders



## Dear shareholders and business partners,

In a challenging business environment, we are benefiting from our broad positioning on the Industrial, Medical and Mobility target markets and our ongoing internationalization in Asia and North America in line with our strategy for profitable growth. On this basis, we generated sales of EUR 41.6 million in the third quarter of 2019, up 4.3% compared to the second quarter and up 2.0% compared to the very good figure for the same quarter of the previous year. Overall, sales after the first nine months of 2019 amounted to EUR 122.9 million, which was 6.7% higher than in the previous year.

Profitability developed in line with the satisfactory sales. Adjusted for the special effects in connection with the planned combination with TE Connectivity Sensors Germany Holding AG, operating EBIT after nine months improved by 16.1% compared to the same period of the previous year. The operating EBIT margin reached 8.2% and was thus slightly below the target range. Our task now is not to let up in our efforts so that we stay on track for the year as a whole.

The figures for the first three quarters provide a sound basis for achieving the sales and earnings targets for 2019, albeit at the lower end of the range due to changes in the ordering behavior of some key customers, provided that there is no further deterioration in the economic environment. We are thus narrowing down our statement in the six-month interim report. Nonetheless, incoming

orders are not in line with our expectations and we are carefully monitoring the market for possible signs of a further economic slowdown

Sensor technology will continue to be an innovation driver for our sales markets, which are influenced by megatrends, in the medium and long term. We intend to tap this potential together with TE as a strategic investor and partner. We are pleased that the majority of our shareholders supported this proposal and submitted a total of 71.87% of outstanding shares to TE's takeover bid. Its implementation is still dependent on approval under foreign trade law in Germany and the United States. The transaction is expected to be completed by mid-2020 at the latest.

We would greatly value your continued support on our path to profitable growth.

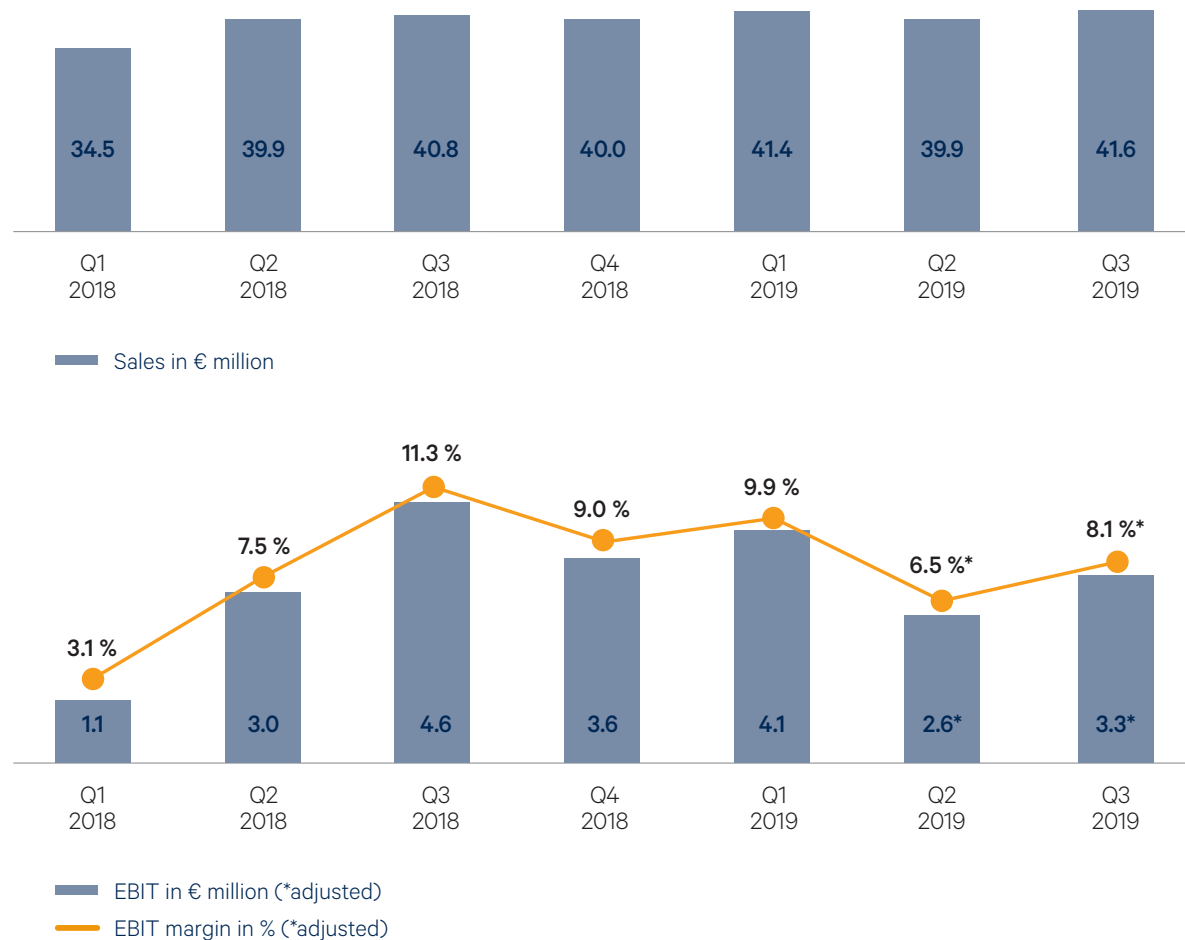
Your Executive Board

**Dr. Dirk Rothweiler**  
CEO

**Dr. Mathias Gollwitzer**  
CEO

## First Sensor on track operationally with sales and earnings\*

Sales/quarter and EBIT margin in € million



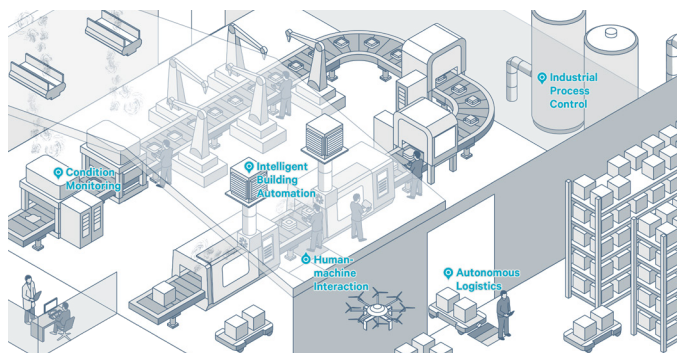
With sales of EUR 41.6 million in the third quarter of 2019, First Sensor surpassed its good performance in the same quarter of the previous year. Consolidated sales after nine months amounted to EUR 122.9 million, corresponding to growth of 6.7% as against the previous year's figure of EUR 115.1 million. Around two-thirds of the quarterly sales were generated with customer-specific sensor solutions.

Profitability developed in line with the satisfactory sales. Adjusted for the special effects in connection with the planned combination with TE Connectivity Sensors Germany Holding AG, operating EBIT after nine months improved by 16.1% compared to the same period of the previous year. The operating EBIT margin reached 8.2% in this period and was thus slightly below the target range still. In the third quarter of 2019, an operating EBIT margin of 8.1% was achieved, thus failing to match the previous year's excellent figure of 11.3%.

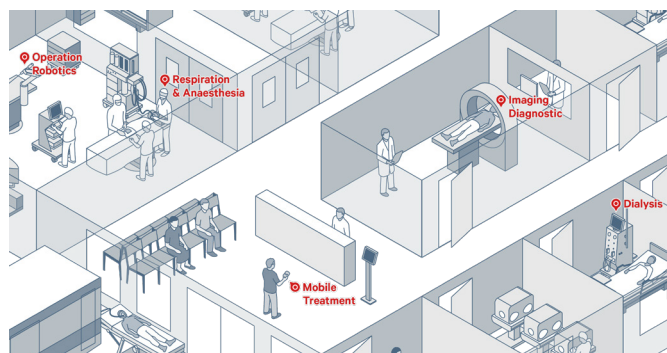
\* The following results are presented in accordance with IFRS and additionally adjusted for transaction costs and accruals in connection with the planned combination with TE Connectivity Sensors Germany Holding AG. Adjusted key figures are shown by the addition "operating".

## Sales development benefits from Industrial and Mobility

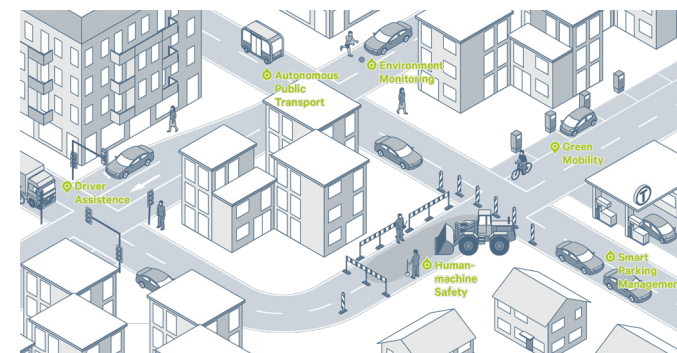
in € thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Industrial	16,319	20,740	20,694	22,634	22,183	21,362	21,745
Medical	7,357	8,968	9,519	8,715	9,760	8,825	8,887
Mobility	10,818	10,158	10,548	8,679	9,454	9,692	10,949
<b>Total</b>	<b>34,494</b>	<b>39,865</b>	<b>40,761</b>	<b>40,027</b>	<b>41,397</b>	<b>39,879</b>	<b>41,581</b>



In the **Industrial** target market, sales rose by 5.1% to EUR 21.7 million in the third quarter of 2019 (previous year: EUR 20.7 million). Sales after nine months of the year amounted to EUR 65.3 million, up EUR 7.5 million or 13.1% on the previous year (EUR 57.7 million). This growth was due to growing demand from Asian customers for pressure transmitters for industrial process control and for optical sensor chips. With a 53.1% share of sales (previous year: 50.2%), this target market has once again increased in importance for First Sensor.

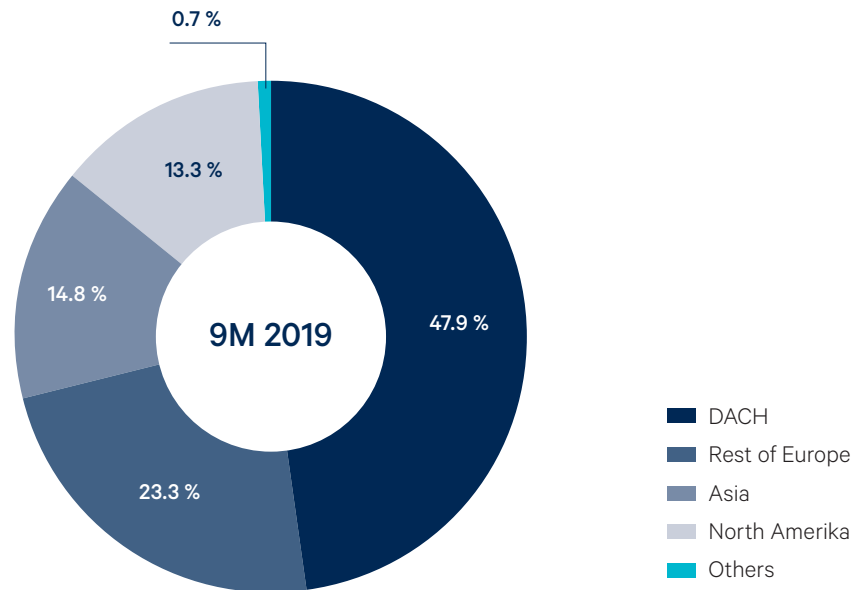


The **Medical** target market reported sales on a par with the previous quarter at EUR 8.9 million in the third quarter of 2019. Compared with the prior-year quarter (EUR 9.5 million), this represents a decline of 6.6 percent, resulting from inventory corrections by some key customers. Sales after nine months of the year came to EUR 27.5 million (previous year: EUR 25.8 million), representing an increase of 6.3%. In particular, this growth was attributable to demand for optical sensors for medical imaging. This target market accounts for a 22.4% share of total sales (previous year: 22.4%).



In the **Mobility** target market, sales posted a slight increase of 3.8% to EUR 10.9 million in the third quarter (previous year: EUR 10.5 million), driven by OEM pressure sensor solutions for fuel-efficient mobility and the expansion of camera business. After nine months of the year, sales came to EUR 30.1 million (previous year: EUR 31.5 million). This corresponds to a share of total sales of 24.4% (previous year: 27.4%).

## Above average growth in Asia and North America



First Sensor is continuing to benefit from its targeted expansion in regions with high growth potential. Over the first nine months of the year, sales in Asia climbed by EUR 4.5 million or 33.0% to EUR 18.2 million (previous year: EUR 13.7 million). This growth was driven by further increases in demand for optical sensors and high-quality pressure sensors. Sales in North America also recorded strong growth of 19.0% to EUR 16.3 million (previous year: EUR 13.7 million). In the rest of Europe, sales declined to EUR 11.2 million (previous year: EUR 14.2 million) as a result of the ailing automotive sector. The German-speaking region remains First Sensor's largest market with sales of EUR 58.8 million (previous year: EUR 57.2 million).

## Order situation signals stable business development

In € thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Incoming orders	39,329	44,354	39,524	36,427	42,284	35,623	41,514
Orders on hand	97,300	102,086	100,648	97,619	98,393	94,180	94,292
Book-to-bill-ratio	1,22	1,11	0,97	0,91	1,02	0,89	1,00

After nine months, First Sensor's order backlog amounted to EUR 94.3 million and was thus virtually unchanged compared to the previous quarter but lower than the very good figure for the same period in the previous year (EUR 100.7 million). As before, a little over one-third of existing orders are expected to impact sales before the end of 2019. As was the case around this time last year, two-thirds of the order backlog has already been scheduled for next year. After the somewhat weaker level of incoming orders in the second quarter, this figure increased to EUR 41.5 million in the third quarter. The rolling book-to-bill ratio increased slightly compared to the previous quarter and came to 1.00.

## Consolidated income statement (IFRS)

in € thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
<b>Sales revenues</b>	<b>34,494</b>	<b>39,865</b>	<b>40,761</b>	<b>40,031</b>	<b>41,397</b>	<b>39,879</b>	<b>41,581</b>
Other operating income	370	544	644	341	644	581	459
Changes in inventories	1,062	-679	1,573	2,515	1,397	729	-1,028
Other own work capitalized	211	466	504	784	772	1,029	755
Cost of material	-17,455	-18,245	-20,219	-20,179	-20,551	-19,268	-18,599
<b>Gross profit</b>	<b>18,682</b>	<b>21,951</b>	<b>23,263</b>	<b>24,182</b>	<b>23,355</b>	<b>22,950</b>	<b>23,169</b>
Personnel expenses	-11,792	-11,885	-12,319	-13,053	-12,943	-16,168	-14,043
Other operating expensed	-3,626	-4,897	-4,004	-5,247	-4,035	-5,426	-5,287
<b>Operating result (EBITDA)</b>	<b>3,264</b>	<b>5,169</b>	<b>6,940</b>	<b>5,882</b>	<b>6,376</b>	<b>1,356</b>	<b>3,838</b>
Depreciation and amortization	-1,649	-1,613	-1,794	-1,738	-1,708	-2,586	-2,248
<b>Operating result before goodwill amortization (EBITA)</b>	<b>1,615</b>	<b>3,556</b>	<b>5,146</b>	<b>4,144</b>	<b>4,668</b>	<b>-2,345</b>	<b>1,591</b>
Goodwill amortization	-558	-558	-558	-558	-558	-558	-558
<b>Earnings before interest and tax (EBIT)</b>	<b>1,057</b>	<b>2,998</b>	<b>4,588</b>	<b>3,586</b>	<b>4,110</b>	<b>-1,787</b>	<b>1,033</b>
Financial result	-437	-443	-363	-599	-218	-618	-209
<b>Income before tax (EBT)</b>	<b>620</b>	<b>2,555</b>	<b>4,225</b>	<b>2,987</b>	<b>3,893</b>	<b>-2,405</b>	<b>824</b>
Taxes	-397	-462	-824	-1,184	-1,176	452	153
<b>Net income</b>	<b>223</b>	<b>2,093</b>	<b>3,401</b>	<b>1,803</b>	<b>2,717</b>	<b>-1,953</b>	<b>977</b>

In fiscal year 2019, the First Sensor Group generated third-quarter sales of EUR 41.6 million, an increase of 2.0% as compared to the same quarter of the previous year (EUR 40.8 million). Sales after nine months of the year amounted to EUR 122.9 million after EUR 115.1 million in the previous year. This corresponds to growth of EUR 7.7 million or 6.7%.

After nine months of the year, gross profit amounted to EUR 69.5 million (previous year: EUR 63.9 million), thus improving at an above average rate of 8.7% and causing the gross profit margin to rise 1.1 percentage points to 53.8% (previous year: 52.7%). This improvement was largely due to a significantly optimized material usage ratio of 44.7% in the third quarter (previous year: 49.6%) and a slight increase in own work capitalized as a result of intensified R&D activities.

After nine months of the year, operating personnel expenses were up by EUR 3.7 million as a result of having successfully filled vacancies over the past 12 months and due to regular wage adjustments. Operating EBITDA improved to EUR 18.2 million (previous year: EUR 15.4 million), corresponding to a stable operating EBITDA margin after nine months of 14.8% (previous year: 13.4%).

The main effect of the first-time application of IFRS 16 in fiscal year 2019 was that depreciation and amortization after nine months climbed by EUR 1.5 million to EUR 6.5 million. This ultimately resulted in operating EBIT after nine months of EUR 10.0 million (previous year: EUR 8.6 million), equating to

an operating EBIT margin of 8.2%. Although this did not match the outstanding figure for the third quarter of 2018 of 11.3%, it shows that First Sensor has the potential to keep increasing profitability significantly.

The First Sensor Group's operating profit for the nine-month period amounted to EUR 8.5 million (previous year: EUR 5.7 million). This corresponds to operating earnings per share in circulation of EUR 0.82 (previous year: EUR 0.55). The third quarter accounted for EUR 0.32 of this (previous year: EUR 0.33).

Extraordinary expenses in connection with the planned acquisition by TE Connectivity Sensors Germany Holding AG were incurred again in the third quarter. Overall, the adverse impact from transaction costs and accruals came to almost EUR 6.7 million after nine months of the year. The main items affected were personnel expenses (EUR 3.7 million) and other operating expenses (EUR 1.7 million). Taking account of these extraordinary adverse effects, EBITDA after nine months amounted to EUR 11.6 million (previous year: EUR 15.4 million), corresponding to a margin of 9.4% (previous year: 13.4%). Operating earnings in accordance with IFRS (EBIT) totaled EUR 3.4 million (previous year: EUR 8.6 million), corresponding to an EBIT margin of 2.7% (previous year: 7.5%). As of September 30, 2019, the result for the period after special effects amounted to EUR 1.7 million (previous year: EUR 5.7 million). This results in earnings per share in circulation of EUR 0.17 (previous year: EUR 0.55).



## Consolidated Balance Sheet (IFRS)

### ASSETS

in € thousand	Dec. 31, 018	Sep. 30., 2019
Non-current assets	85,881	94,938
Inventories	32,194	38,163
Trade accounts receivables	17,885	11,560
Current assets	3,889	4,017
Cash and cash equivalent	28,534	30,074
<b>Total ASSETS</b>	<b>168,383</b>	<b>178,751</b>

Since December 31, 2018, total assets have increased by EUR 10.4 million to EUR 178.8 million. This increase largely resulted from the first-time application of IFRS 16, as the rights of use from leases must be reported as assets here. By contrast, the increase in inventories is intended to ensure supply capacity and partly results from changes in customers' call-up patterns under existing framework agreements. In line with the decrease in trade receivables, cash and cash equivalents improved to EUR 30.1 million.

### EQUITY AND LIABILITIES

in € thousand	Dec. 31, 2018	Sep. 30, 2019
Equity	88,767	89,673
Financial liabilities	44,111	44,197
Non-current liabilities	7,236	6,998
Current financial liabilities	3,891	11,992
Trade accounts payables	12,558	11,321
Current liabilities	11,820	14,571
<b>Total EQUITY AND LIABILITIES</b>	<b>168,383</b>	<b>178,751</b>

On the equity and liabilities side of the balance sheet, equity increased slightly again by EUR 0.9 million to EUR 89.7 million as a result of retained earnings in the reporting period. The equity ratio of 50.2% is somewhat lower than it was as of December 31, 2018 (52.7%) due to the first-time application of IFRS 16 and the associated effects on current and non-current financial liabilities. As a result of the rise in cash and cash equivalents, net debt decreased to EUR 17.6 million (December 31, 2018: EUR 19.5 million). Gearing – the ratio of net debt to equity – came to 19.6 (December 31, 2018: 21.9).

## Optimization of working capital gradually becoming visible

in € thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Working capital	38,388	43,375	44,489	37,255	36,088	38,407	38,195
Capital employed	123,617	128,392	129,233	123,136	122,178	125,045	124,667

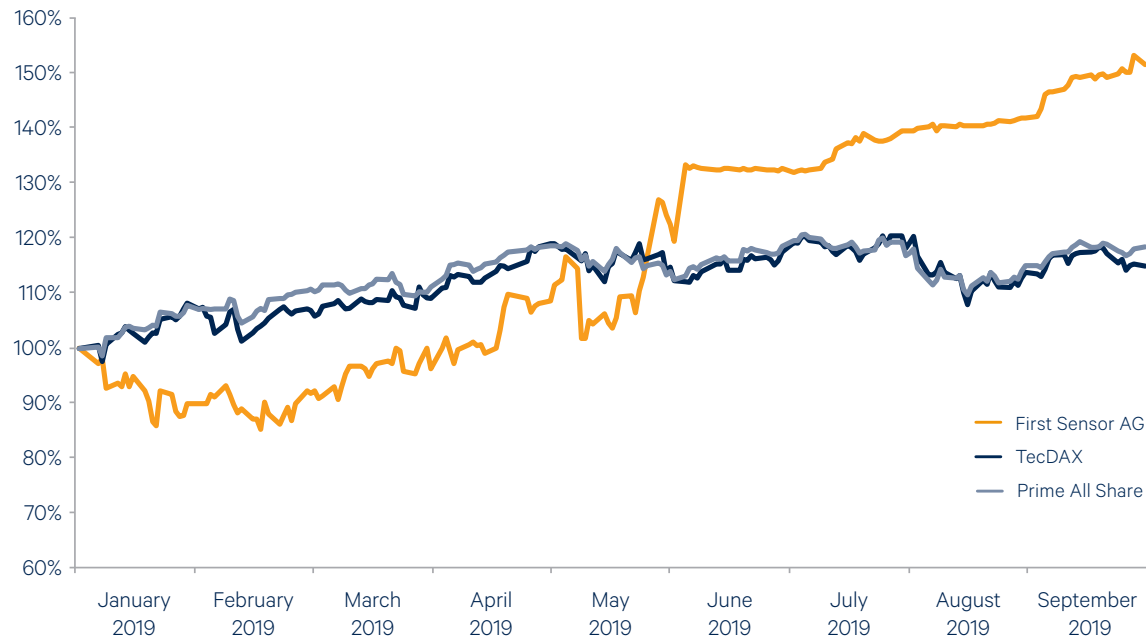
Compared to the sales growth of 6.7%, working capital increased only marginally by EUR 0.9 million or 2.5% to EUR 38.2 million in the reporting period. This mainly resulted from the slight decline in trade payables. By contrast, capital employed rose from EUR 123.1 million to EUR 150.1 million over the first nine months of 2019. This increase was also primarily due to the first-time application of IFRS 16 and the associated increase in assets.

## Improved working capital results in positive development of cash flow

in € thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Cash flow from operating activities	69	-1,940	4,077	15,923	5,506	6,790	12,967
Cash flow from investing activities	-2,008	-3,872	-6,042	-9,671	-2,462	-5,290	-7,478
Cash flow from financing activities	-600	-2,385	-2,974	-3,409	-799	-4,517	-4,133
Free cash flow	-1,939	-5,812	-1,965	6,252	3,044	1,500	5,489

After nine months of the year, cash flow from operating activities amounts to EUR 13.0 million. This represents a significant improvement compared to the same period of the previous year (EUR 4.1 million), mainly as a result of more stable working capital. Cash flow from investing activities reflects the investments made and planned for 2019. Borrowings and repayments of loans roughly balanced each other out in the reporting period. Cash flow from financing activities also changed primarily as a result of the first-time application of IFRS 16. Free cash flow after nine months was clearly positive at EUR 5.5 million (previous year: EUR -2.0 million).

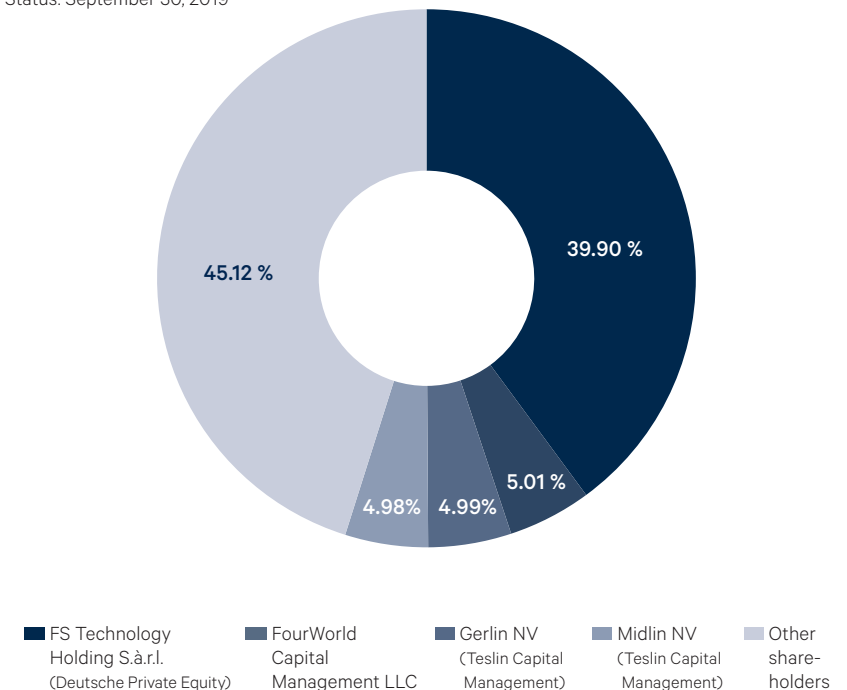
## First Sensor share benefits from takeover bid



First Sensor shares started the third quarter at a price of EUR 27.90. On July 8, 2019, details of the takeover bid by TE Connectivity Sensors Germany Holding AG were published. The bidder offered First Sensor shareholders EUR 28.25 per share, with the acceptance period initially ending on September 2, 2019. Already on the next day, the price on the Xetra trading system exceeded this mark at EUR 28.30. Over the course of this offer phase, the price climbed further, initially reaching EUR 30.05. On September 5, 2019, it was published that 71.9% of shares had already been submitted to the voluntary takeover bid. At the same time, another acceptance period lasting until September 19, 2019, was announced. During this period, the price climbed further to EUR 31.70. By the end of the acceptance period, another 4,584 shares had been submitted, meaning that TE Holding ultimately holds 71.87% of the shares and voting rights in First Sensor AG. The difference from the first sum is attributable to an increase in the total number of voting rights during the offer period as a result of rights exercised under the company's employee participation programs. The share finally closed the quarter at a price of EUR 32.05, a level that was probably driven by speculation in connection with the planned acquisition. With this price development, First Sensor's shares performed better overall than the relevant indices, which hardly changed or even declined slightly.

## Shareholder structure according to voting rights announcements

Status: September 30, 2019



## Key figures

	Dec. 31, 2018	Sep. 30, .2019	Δ absolute	Δ in %
Share capital (€)	51,112,000	51,346,980	234,980	0.46
Number of shares, non diluted	10,222,396	10,269,396	47,000	0.46
Number of shares, diluted	10,355,012	10,365,219	10,207	0.10



## First Sensor News

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### Connected camera system for innovative aviation

In line with its platform strategy, First Sensor is applying its camera expertise from automotive applications to the aerospace industry. On behalf of a European company, the sensor technology expert is developing an “area view” sensor system that will be used by innovative helicopters and airplanes to keep track of their surroundings. All-round visibility in the air is made possible by five cameras from the “Blue Next” family that are all connected via an embedded electronic control unit (ECU). They also improve safety during take-off and landing. Developed and produced at First Sensor Mobility GmbH in Dresden, they can be flexibly integrated in connected systems with a large selection of digital interfaces.

### Collaboration with automation specialists expanded

Series production of a customer-specific pressure sensor solution has begun for a German corporation operating in the field of control and automation technology that First Sensor has been supplying with standard products from pressure and advanced electronics for around ten years. Equipped with evaluation electronics, the sensors monitor the flow of compressed air in industrial pneumatic applications. The key customer intends to reach an initial volume target before the end of this year and more than triple its purchases by 2022. The sensors are produced at the location in Berlin-Weißensee, where development of the follow-up product integrating a customer-specific sensor chip from First Sensor has already begun.

### Chinese key customer increases order volume

With the follow-up order for 2020 and 2021, First Sensor is expanding its footprint in the growth market China, where the key customer has responded to growing demand for industrial process control with a significant increase in unit quantities. The business relationship with the industrial group has been in place since 2012 and is based on supplying pressure sensor components from the K series for use in high-precision pressure transmitters. The standard products led to demand for a customer-specific solution for even higher stability and measuring quality. For this purpose, sensor chips from semiconductor production in Berlin-Oberschöneweide are used. The customer-specific sensors are packaged at the location in Berlin-Weißensee.

### First Sensor strengthens its training for junior staff

At the start of the apprenticeship period, the First Sensor Group welcomed a total of 13 career starters into its ranks throughout Germany. Its commitment to training the specialists of the future is thus well above the average level of 4.9% calculated by the German Federal Institute for Vocational Education and Training at the end of 2018. In Berlin, the apprentice ratio at the locations in Oberschöneweide and Weißensee rose from 5.6% with 20 apprentices to 6.1% with 24 apprentices. In Dresden, First Sensor Microelectronic Packaging GmbH achieved a strong level of 5.4%. Throughout Germany, First Sensor is training 33 future experts in six professions and was recently named as one of Germany's best employers by the newspaper “Die Welt.”

### Presence at international trade fairs

At trade fairs and conferences, First Sensor focuses on the dialog with customers and partners. The sensor specialist will be presenting its product range in photonics, pressure and advanced electronics at the medical technology trade fair Compamed in Düsseldorf from November 18 to 21, 2019. At the trade conference tank.tech 2019 for the automotive, supplier and petroleum industry, to be held in Unterschleißheim near Munich from December 3 to 4, 2019, the focus will be on future issues such as green mobility. Over the past months, First Sensor has also particularly focused on internationalization, participating in events such as the CIOE – China International Optoelectronic Expo in Shenzhen and the Image Sensors Americas in San Jose, USA.

### First Sensor shareholders support takeover bid

As of the end of the additional acceptance period on September 19, 2019, shareholders of First Sensor AG had submitted a total of 7,380,905 shares to the voluntary public takeover bid by TE Connectivity Sensors Germany Holding AG. This corresponds to 71.87% of the First Sensor's total share capital and voting rights. Since the end of the acceptance period, no further shares can be submitted to the offer. Its implementation is still dependent on approval under foreign trade law in Germany and the United States. The acquisition is expected to be completed by mid-2020 at the latest. The Executive Board and the Supervisory Board of First Sensor AG welcome and support the takeover bid.

# Financial calendar 2020

## March 25

### **FINAL RESULTS 2019**

Publication of Annual Report 2019 /  
Annual Press Conference  
First Sensor AG, Peter-Behrens-Straße 15, 12459 Berlin

## May 7

### **Q1 RESULTS 2020**

Publication of Q1 Interim Report 2020

## May 12

### **ANNUAL GENERAL MEETING 2020**

Penta Hotel, Grünauer Str. 1, 12557 Berlin

## August 13

### **HALF YEAR RESULTS 2020**

Publication of 6M Interim Report 2020 /  
Analyst Conference

## November 12

### **Q3 RESULTS 2020**

Publication Q3 Interim Report 2020

# First Sensor AG

## Investor Relations

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FURTHER INFORMATION AND FINANCIAL CALENDAR 2019 AT [WWW.FIRST-SENSOR.COM/EN/INVESTOR-RELATIONS](http://WWW.FIRST-SENSOR.COM/EN/INVESTOR-RELATIONS)

First Sensor prepares the Interim Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS). Nevertheless this report does not meet the requirements of IAS 34 "Interim financial reporting" and has been neither audited nor subjected to any other formal audit examination. In the presentation, rounding differences to the mathematically exact values may occur. The interim 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.