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We empower  
the future

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Interim Report Q3 2017

## To our shareholders

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

## Dear shareholders and business partners,

As anticipated, our business performance was already more dynamic at the beginning of the second half of 2017: Revenue increased by 1.3% year-on-year to EUR 39.3 million in the third quarter of 2017, and by 13.6% compared to the previous quarter. Quarterly revenue also benefited from catch-up effects after the slow start to the year and, in some cases, deliveries were brought forward in connection with the production shutdown in the second half of December due to the rollout of SAP.

Not only did revenue climb to a new high in the third quarter of 2017, but there was also a significant improvement in EBIT, which rose to EUR 4.1 million (EBIT margin: 10.4%). This good performance was mainly thanks to the higher and the product mix. Our projects under the banner of “Operational Excellence” and strict cost control have also made their first contributions.

Furthermore, this result also reflects the first effects of the economies of scale that we will be strategically addressing even more closely moving ahead. It is intended that the product mix will continue to evolve in the direction of high-volume products.

With our successes in the third quarter, we are therefore well on our way to achieving our medium-term corporate goals. Trends such as Industry 4.0 or autonomous driving are leading to ever more specialized applications in which sensor technology plays a key role. Demand for our sensors and sensor solutions will therefore continue to grow in the future. Our current development projects ensure that First Sensor will benefit greatly from this growth.

Regarding the remaining months of the current financial year, we expect that the fourth quarter will continue the positive performance of the third. Although production time in the final quarter will be shorter on account of the holiday season on the one hand and internal organizational changes on the other due, we expect to be at the upper end of our guidance for the year as a whole – revenue in the range of EUR 140 to EUR 145 million and an EBIT margin of between 5% and 6%.

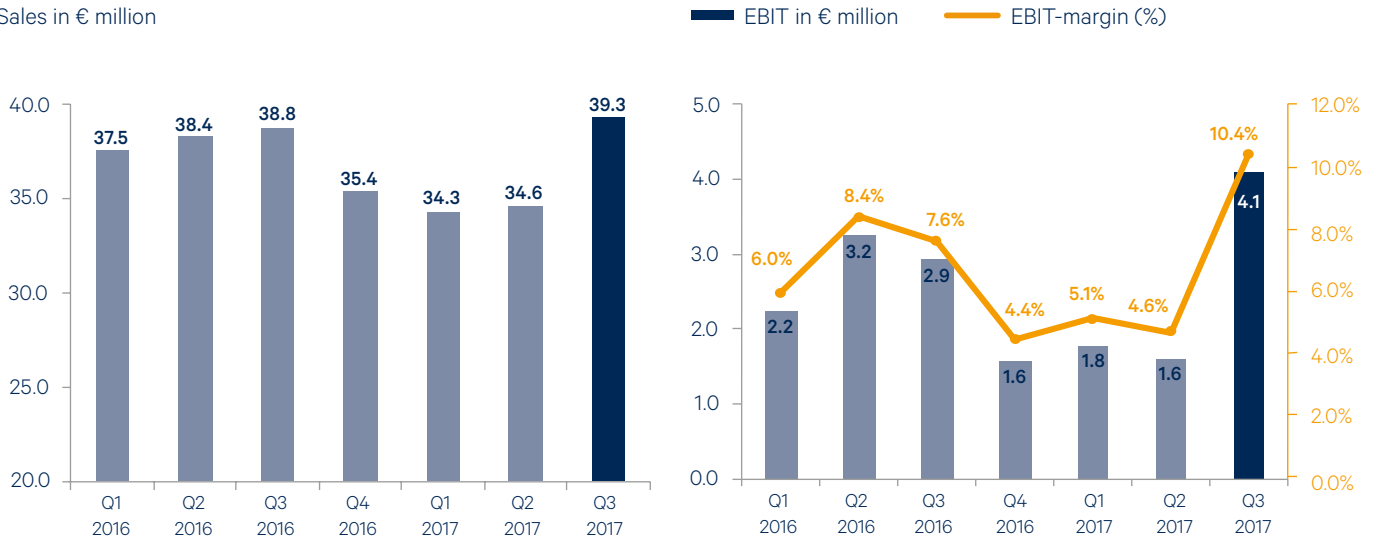
The Executive Board

**Dr. Dirk Rothweiler**  
CEO

**Dr. Mathias Gollwitzer**  
CFO

## First Sensor begins second half of year with surge in revenue and earnings

Sales in € million



After the modest start to fiscal 2017, the development in revenue and earnings was more dynamic in the third quarter as expected. Revenue was even 1.3% higher than the same quarter of the previous year at EUR 39.3 million, therefore amounting to EUR 108.2 million after the first nine months (previous year: EUR 114.8 million).

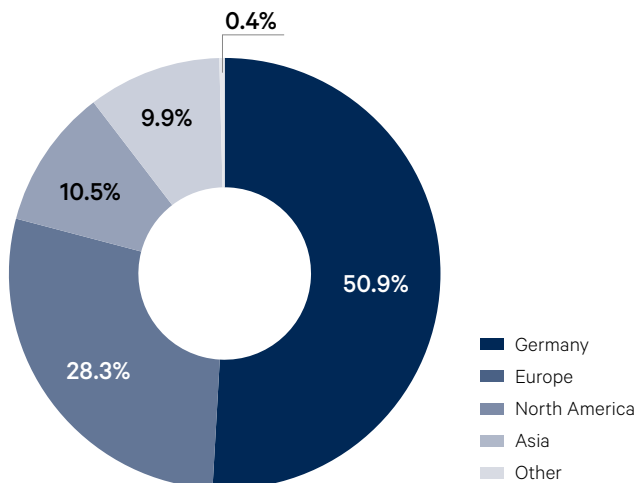
EBIT also developed positively, rising to EUR 4.1 million (same quarter of previous year: EUR 2.9 million), an increase of 39.3% as against the same period of the previous year.

The margin was 10.4%, which is line with the company's medium-term goals. EBIT for the first nine months now amounts to EUR 7.5 million (margin: 6.9%) after EUR 8.4 million in the same period of the previous year (margin: 7.3%).

Revenue performance was dynamic compared to the previous quarters on all three target markets. This is due to a more extensive customer base and higher purchase quantities. In addition, the first product postponements on the Medical target market have been resolved as anticipated.

Overall, business performance has been in line with the original forecasts with significantly brisker business in the second half of the year, including the corresponding effects on earnings. The forecast for the fiscal year is therefore confirmed at the upper end of the range.

## Germany still most important market, North American and Asian business continue to grow



While the revenue generated in Germany accounts for around half of all revenue, the rest of Europe generates slightly more than a quarter. Business in North America was particularly dynamic. Revenue here has doubled over the last two years. Business in Asia was also up on the previous year.

## Sales development in target markets varies



**We are there,**  
when smart things  
become standard.

On the **Industrial** target market First Sensor is benefiting from the excellent state of the industry and its broader customer base. Revenue increased by 4.1% year-on-year to EUR 19.4 million in the third quarter. EUR 55.5 million was therefore generated in total in the first nine months, EUR 1.7 million or 3.2% more than in the previous year.



**We are there,**  
when little miracles start  
being taken for granted.

Revenue on the **Medical** target market also picked up in the third quarter after the slower start to the year as the first product postponements have been resolved as anticipated. The level is only 3.0% below the figure for the same quarter of the previous year at EUR 7.6 million. Revenue thus amounted to EUR 20.4 million after nine months as compared to EUR 24.1 million in the same period of the previous year.



**We are there,**  
when mobility  
is redefined.

Revenue also developed positively on the **Mobility** target market, amounting to EUR 12.3 million in the third quarter of 2017 (previous year: EUR 12.4 million). The figure was EUR 32.3 million after nine months (previous year: EUR 36.8 million). A large share of the major order that expired at the end of 2016 has therefore already been compensated for. Further growth is expected over the course of 2018.

## Consolidated income statement (IFRS)

in € thousand	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
<b>Sales revenues</b>	<b>37.549</b>	<b>38.384</b>	<b>38.817</b>	<b>35.361</b>	<b>34.337</b>	<b>34.593</b>	<b>39.310</b>
Other operating income	475	677	738	1.023	1.093	511	451
Changes in inventories	-354	-115	802	-1.584	10	-60	298
Other own work capitalized	276	309	231	607	299	463	522
Cost of material	-17.534	-19.655	-19.610	-15.583	-16.257	-16.665	-18.983
<b>Gross profit</b>	<b>20.412</b>	<b>19.600</b>	<b>20.978</b>	<b>19.824</b>	<b>19.482</b>	<b>18.842</b>	<b>21.598</b>
Personnel expenses	-10.696	-11.105	-11.156	-11.172	-11.426	-11.207	-11.332
Other operating expenses	-5.199	-2.948	-4.447	-4.676	-4.049	-3.826	-3.972
<b>Operating result (EBITDA)</b>	<b>4.517</b>	<b>5.547</b>	<b>5.375</b>	<b>3.976</b>	<b>4.007</b>	<b>3.809</b>	<b>6.294</b>
Depreciation and amortization	-1.680	-1.713	-1.834	-1.820	-1.646	-1.636	-1.619
<b>Operating result before goodwill amortization (EBITA)</b>	<b>2.837</b>	<b>3.834</b>	<b>3.541</b>	<b>2.156</b>	<b>2.361</b>	<b>2.173</b>	<b>4.675</b>
Goodwill amortization	-593	-593	-593	-593	-593	-569	-569
<b>Earnings before interest and tax (EBIT)</b>	<b>2.244</b>	<b>3.241</b>	<b>2.948</b>	<b>1.563</b>	<b>1.768</b>	<b>1.604</b>	<b>4.106</b>
Financial result	-153	-602	-375	-138	-348	-75	-1.934
<b>Income before tax (EBT)</b>	<b>2.091</b>	<b>2.639</b>	<b>2.573</b>	<b>1.425</b>	<b>1.420</b>	<b>1.529</b>	<b>2.172</b>
Taxes	-351	-227	-824	-1.229	-175	-688	-1.231
<b>Net income</b>	<b>1.740</b>	<b>2.412</b>	<b>1.749</b>	<b>196</b>	<b>1.245</b>	<b>841</b>	<b>941</b>

Revenue increased by 1.3% compared to the previous year's record figure to EUR 39.3 million in the third quarter of 2017, and by 13.6% compared to the previous quarter. This confirms the assumptions of a more dynamic performance in the second half of the year. Revenue amounted to EUR 108.2 million after nine months, a decline of only 5.7% on the previous year (EUR 6.5 million). Given the lower cost of materials ratio (48.3%; same quarter of previous year: 50.5%) and otherwise largely unchanged

expense items, the higher revenue level had a very positive effect on earnings. EBIT rose in the third quarter of 2017 to a new high of EUR 4.1 million and the margin climbed to 10.4% (previous year 7.6%). However, with EBIT of EUR 7.5 million and a margin of 6.9% after nine months, as expected the figures are below those of the previous year (EUR 8.4 million, 7.3%). The unexpected development of the US dollar since the start of the year resulted in extraordinary currency losses in the third quarter.

As a result of the extraordinary effect arising from the remeasurement of currency hedges and tax payments, net profit for the third quarter amounts to just EUR 0.9 million (previous year: EUR 1.7 million), or earnings of EUR 0.09 per share outstanding (previous year: EUR 0.16). Net profit after nine months therefore amounts to EUR 3.0 million (previous year: EUR 5.9 million) with earnings per share of EUR 0.28 (previous year: EUR 0.54).

## Consolidated balance sheet (IFRS)

ASSETS			EQUITY AND LIABILITIES		
in € thousand	Dec. 31, 2016	Sep. 30, 2017	in € thousand	Dec. 31, 2016	Sep. 30, 2017
Non-current assets	82,117	83,772	Equity	77,465	80,222
Inventories	25,856	27,274	Financial liabilities	43,599	44,585
Trade accounts receivables	18,426	22,755	Non-current liabilities	8,402	7,581
Current assets	3,851	3,341	Current financial liabilities	4,640	4,080
Cash and cash equivalents	23,791	21,164	Trade accounts payables	8,611	8,889
<b>Total ASSETS</b>	<b>154,041</b>	<b>158,306</b>	Current liabilities	11,324	12,949
			<b>Total EQUITY AND LIABILITIES</b>	<b>154,041</b>	<b>158,306</b>

Total assets have increased by 2.8% since December 31, 2016. This was largely due to changes in working capital as a result of the growth in revenue. Inventories and trade receivables climbed by EUR 5.7 million in total. The

rise in non-current assets due to investment corresponds to the decline of EUR 2.6 million in cash and cash equivalents and, on the other side of the statement of financial position, an increase in non-current financial liabilities.

Net debt amounts to EUR 27.5 million. Equity improved to EUR 80.2 million thanks to retained earnings, with an equity ratio of 50.7% (previous year: 50.3%).

## Working capital and capital employed rise as a result of revenue

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q 12017	Q2 2017	Q3 2017
Working Capital in € thousand	38,294	39,373	40,004	35,671	38,313	38,801	41,140
Capital employed in € thousand	122,199	122,139	122,091	117,788	120,423	121,648	124,912
ROCE	1.8%	2.7%	2.4%	1.3%	1.5%	1.3%	3.3%

The revenue growth in the third quarter drove up trade receivables and inventories, the latter also as a result of the consistently good order situation. Capital employed was therefore higher as well. The good profitability was also reflected in ROCE, which was 3.3% in the third quarter.

## Free cash flow negative due to investments

in € thousand	3M 2016	6M 2016	9M 2016	12M 2016	3M 2017	6M 2017	9M 2017
Cash flow from operating activities	3,416	3,626	8,831	16,568	-218	1,783	5,637
Cash flow from investment activities	-929	-2,113	-3,854	-6,529	-2,235	4,950	7,943
Cash flow from financing activities	-3,788	-5,018	-7,060	-7,770	-1,036	-1,226	-412
Free cash flow	2,487	1,513	4,977	10,039	-2,453	-3,167	-2,306

With earnings approximately 30% lower than in the same period of the previous year, operating cash flow amounted to EUR 5.6 million after nine months (previous year: EUR 8.8 million, down 36.2%). In addition to the rise in working capital of EUR 5.5 million, earnings were also reduced by tax payments of EUR 1.4 million. The investment volume increased significantly in 2017 in line with planning. Scheduled repayments of financial liabilities were therefore only slightly higher than the new funds raised for investment. As in the previous quarters, free cash flow is thus negative at EUR -2.3 million after nine months (previous year: EUR 5.0 million).

## Sharp rise in sales per employee

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Sales in € thousand	37,549	38,384	38,817	35,361	34,337	34,593	39,310
Employees (FTE)	783	792	796	804	783	784	784
Sales per employee in € thousand	48,0	48,5	48,8	44,0	43,9	44,1	50,1

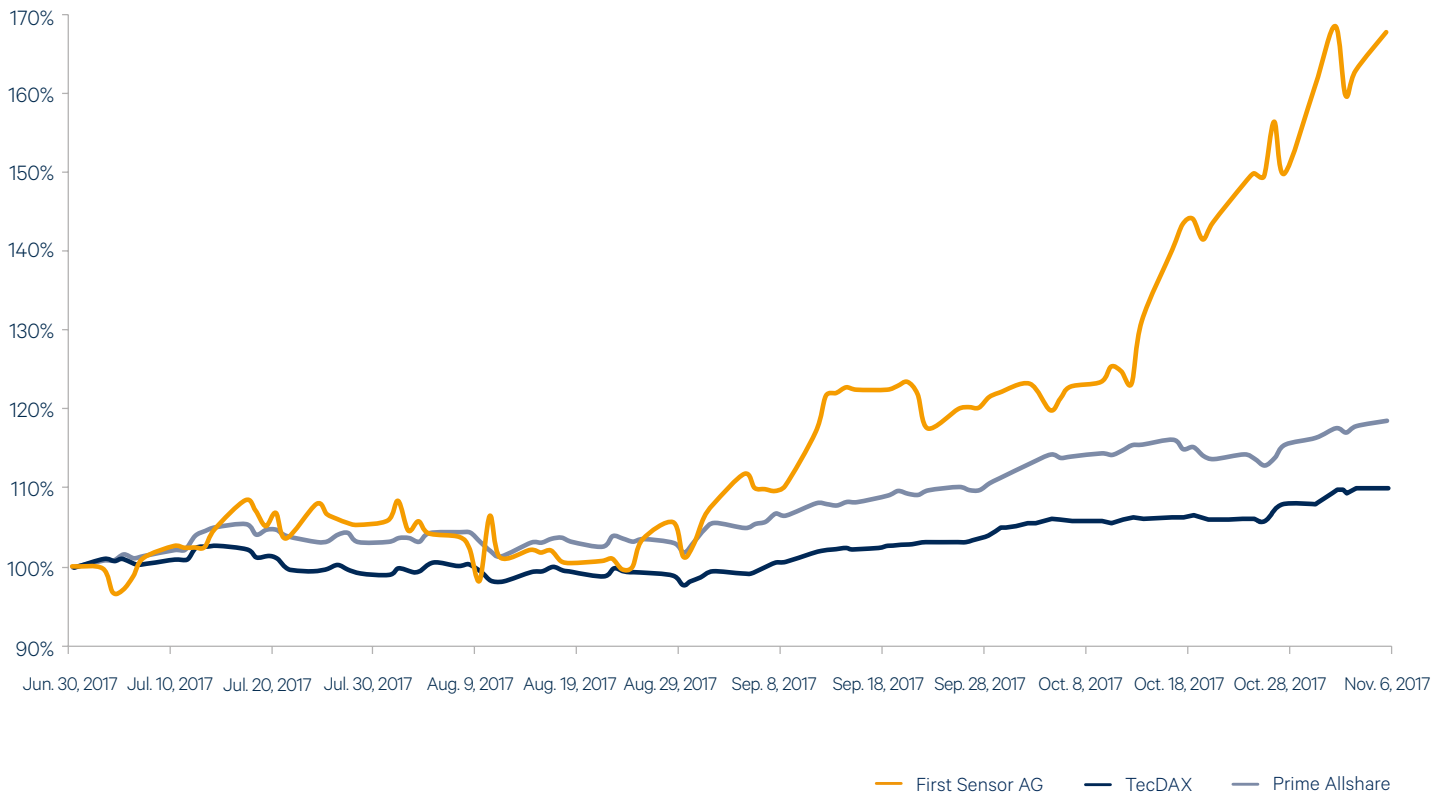
As a result of the high revenue level in the third quarter, revenue per employee climbed to EUR 50.1 thousand with the same number of employees. This figure is further proof of the diminishing effects arising from higher capacity utilization.

## Order situation still at high level

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
Incoming orders in € thousand	31,373	48,181	24,027	28,708	35,067	44,441	42,023
Orders on hand in € thousand	84,354	101,226	77,265	82,232	88,867	90,732	96,527
Book-to-bill-ratio	0.84	1.26	0.62	0.81	1.02	1.28	1.07

Incoming orders almost matched the high level of the previous quarter in the third quarter, now amounting to EUR 121.5 million for the first nine months (previous year: EUR 103.6 million). The order backlog continued to improve accordingly, providing a good basis for business performance in the quarters ahead.

## First Sensor shares climb to highest level since 2003



The stock markets continued their positive development and saw significant increases in the third quarter of 2017. First Sensor shares benefited from the good sentiment on the stock markets: The share price rose by more than 9% at the beginning of the quarter and climbed to EUR 14.38. The North Korea conflict and low activity on the stock markets due to the summer vacations brought a lull that was shared by First Sensor's shares, and for a time the share price tracked sideways at a high level. However, the European Central Bank's raised growth forecast for the euro area convinced investors of the healthy state of the economy.

Following the publication of solid figures for the first half of the year and the presentation of a strategy for profitable growth on August 10, coupled with a strong capital market presence due to roadshows and conferences, First Sensor shares climbed to EUR 16.42 in September, their highest level since the start of 2003.

The intense media coverage of the megatrend of driverless cars and the technologies needed for it bolstered this, with the result that First Sensor ended the third quarter with an excellent result of growth of 22% to EUR 16.00. This positive development continued after the

end of the quarter as well. First Sensor shares hit an intraday high of EUR 22.93 on November 2, 2017.

The number of First Sensor shares traded per day on Xetra doubled to 23,461 in the third quarter of 2017 after an average daily trading volume of 11,299 in the third quarter of 2016.

The TecDAX gained 10.28% in the third quarter and the Prime All Share Index rose by 3.83%. First Sensor is now ranked 54th in the TecDAX All Share Index in terms of trading volume and 61nd in terms of market capitalization.

## First Sensor News

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### First Sensor builds antenna for German communications satellite

When the German communications satellite “Heinrich Hertz” begins its work in space in 2021, First Sensor technology will ensure its contact with Earth. As part of the GeReLeo-MFA project funded by the Federal Ministry of Economics and Technology (BMWi), First Sensor Lewicki GmbH is developing a multifeed array antenna for the satellite. A German communications satellite will therefore enter service once again 16 years after the end of the last mission. More than 40 German companies and organizations in total are involved in the implementation of “Heinrich Hertz”. After its launch, the satellite is expected to be in service for 15 years at an altitude of around 36,000 kilometers.

### Ever greater demand for First Sensor’s photonics expertise

Engineering and natural sciences students were granted an insight into the world of light at the OpTecBB Summer School in September. In addition to witnessing cleanroom production, the program included a discussion with development experts on integrated photonic sensor systems. First Sensor gave presentations on LiDAR at congresses in Berlin and Munich in October. Marc Schillgalies gave a lecture on “LiDAR: Applications in autonomous systems” at Photonics Days in Berlin and Peter Krause presented sensor technology as a fundamental element of the hot technology at the Munich Microsystems Technology Congress. Together with radar and camera systems, LiDAR is of fundamental importance for autonomous driving.

### First Sensor and Berlin-Oberschöneweide in the spotlight

Light artists staged spectacular illuminations on buildings throughout Berlin at the “Berlin leuchtet” festival from October 1 to 7. For the first time, First Sensor worked with others in Berlin-Schöneweide on the city’s biggest festival of lights, ensuring that the production and science buildings were lit up in dazzling color. The aim of the project was to drum up interest in the historic industrial district and to bring visitors to Schöneweide, while at the same time promoting awareness of First Sensor.

### Further nomination for steer-by-wire pressure sensor

First Sensor AG has again been nominated to produce high-pressure sensors to assist electrohydraulic steering systems for a tier 1 US supplier. (Electrohydraulic steering systems are a precursor to autonomous driving.) The agreement covers the period from 2019 to 2024 and has an anticipated revenue volume of around EUR 2.5 million per year. First Sensor has already been supplying this customer since 2011. The new order will continue seamlessly from the existing supply agreement. In addition to the attractive price structure, the quality of the products delivered to date was also a deciding factor. The sensors are installed in the pick-ups of a global automotive corporation.

### First Sensor presents pressure and flow sensors at Compamed 2017

Compamed is the leading international trade fair for suppliers to the medical technology industry and, as every year, is held parallel to Medica in Düsseldorf. First Sensor AG will be presenting its entire range of sensor solutions, tailored to the needs and requirements of its medical technology customers. The company is particularly proud of a new version of its proven flow-based LMI low differential pressure sensors. Thanks to their extremely miniaturized flow channel, these sensors offer outstanding resistance to dust-laden and humid air, and are therefore particularly suitable for medical technology. LMI low differential pressure sensor applications include respirators, anesthesia machines and sleep apnea therapy.

### First Sensor discussing EU free trade with ASEAN nations

First Sensor experts are increasingly being invited to discuss the latest technical or political issues. This includes Vice President of Sales & Marketing Claus Biernoth, who took part in the event series “Debating Asia” on October 16, where he discussed the EU’s planned free trade agreement with the ASEAN nations and the challenges facing companies in Southeast Asia with Laurence Bay, Ambassador of the Republic of Singapore, and Member of the European Parliament Reinhard Bütikofer. The evening, which was attended by around 200 international guests, was organized by the Asia-Pacific Forum of Berlin and Daimler AG.



## Financial calendar

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### 2017

Date	Topic	Details
November 09, 2017 2 p.m.	Presentation Q3 Interim Report	<a href="http://www.first-sensor.com">www.first-sensor.com</a>
November 16, 2017	Warburg Investor Conference "Meet-the-Future"	Bankhaus Löbbecke, Behrenstraße 36, 10117 Berlin
November 27 to 28, 2017	German Equity Forum 2017	Sheraton Frankfurt Airport Hotel & Conference Center

### 2018

Date	Topic	Details
February 21 to 22, 2018	Small & Mid Cap Conference Oddo Seydler Bank AG	Frankfurt am Main
March 22, 2018	Publication Annual Report 2017	
March 22, 2018	Annual press Conference 2018	
May 23, 2018	Annual General Meeting 2018	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](http://www.first-sensor.com).

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. Rounding differences may arise.

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