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# We sense the future

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Interim Report Q3 2016

## To our shareholders

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Dr. Mathias Gollwitzer  
CFO First Sensor AG

Dear shareholders and business partners,

When a handful of employees of the former television electronics factory founded Silicon Sensor GmbH on August 12, 1991, with the vision of supplying the technology market of reunited Germany with innovative sensors, nobody suspected that in just 25 years the start-up would become what is now First Sensor AG, an international group of companies with 800 employees and sites and subsidiaries in Germany and abroad.

In the third quarter of 2016, however, our 25th anniversary is not the only reason to celebrate – our figures are another. Sales amount to €38.8 million, 9.6% more than in the same quarter of the previous year (€35.4 million). For the first nine months of the current fiscal year, this means sales of €114.7 million (previous year: €102.6 million). In the third quarter of 2016, the EBIT margin exceeded the expected level and reached around 7.4%. This equates to EBIT of €2.9

million (previous year: €-0.7 million due to non-recurring effects). After nine months, EBIT amounts to €8.4 million (previous year: €2.3 million); the margin totals 7.3%.

On the basis of these figures and with an eye on the months ahead, we expect, as reported in October, to exceed our EBIT forecast from March 2016. We now anticipate an EBIT margin of 6 to 7% for fiscal year 2016. This positive development is due to the efficiency improvements now taking effect. We have thus come a good way closer to our goal of achieving an EBIT margin of 10% in the medium term. Of course, there is plenty to do with regard not only to earnings but also to sales, which must be generated afresh each year. Due to an order scheduled to end in 2017, our incoming orders as of September 30, 2016, are down year on year but within the range expected for 2016 and only slightly below the level on the same date of the previous year. At the same time, new development projects and further insourcing measures along the value chain are already up and running.

Our Supervisory Board has also set First Sensor's future course, selecting Dr. Dirk Michael Rothweiler as the new CEO in August. Dr. Rothweiler has a high level of technical expertise and many years of management experience in an international, publicly traded company. He has been appointed for three years and will start work on January 1, 2017.

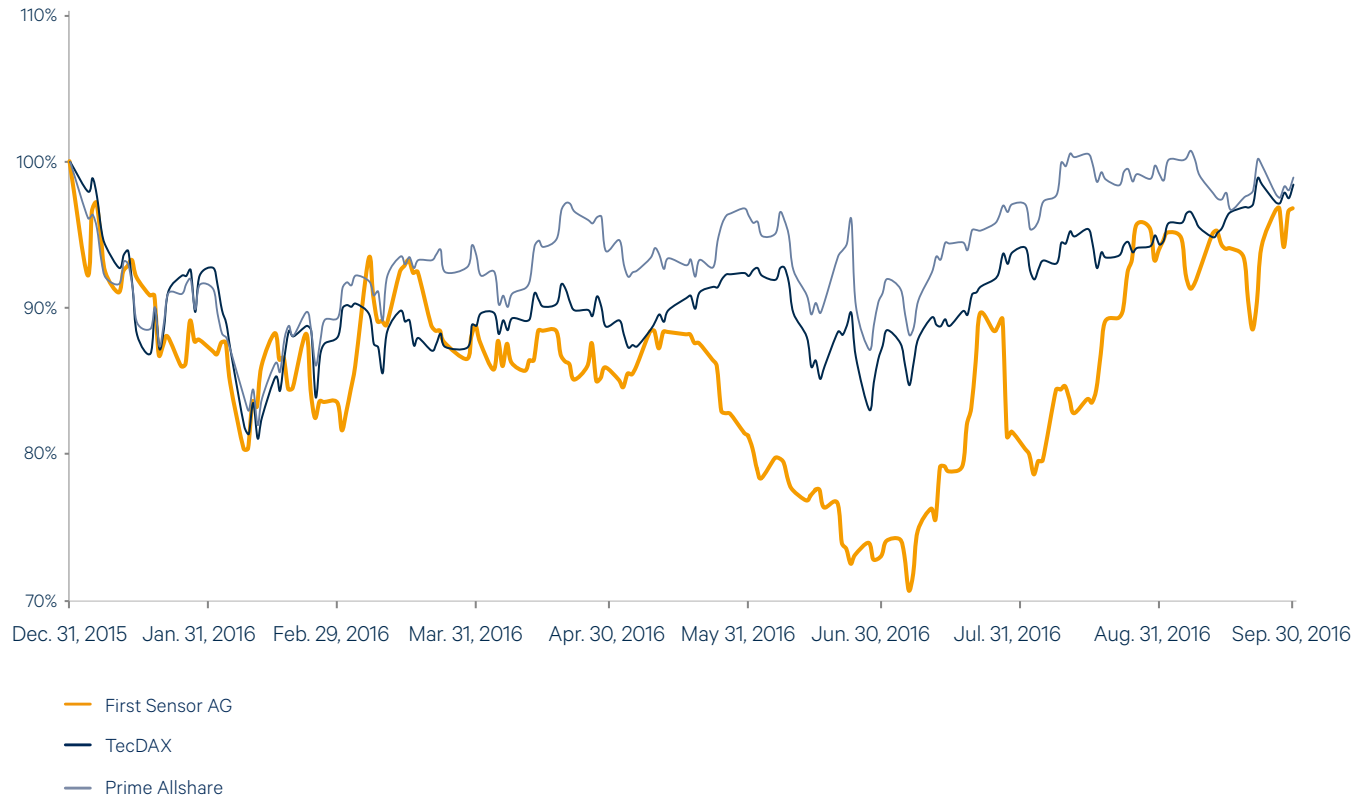
Further figures and news regarding our current business performance can be found on the following pages.

The Executive Board

  
Dr. Mathias Gollwitzer

## First Sensor share sees positive trend reversal in the third quarter of 2016

Performance of the First Sensor share from January 1 to September 30, 2016



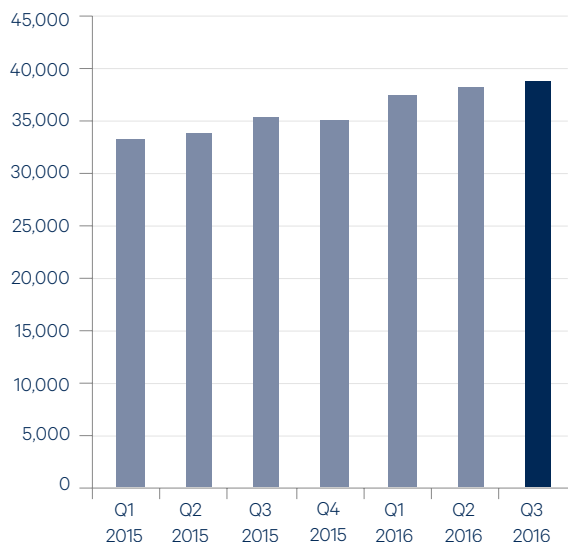
After the surprise of Brexit sent the markets plummeting after June 23, the DAX recovered already in July. In contrast, First Sensor AG's share first marked its low for the year on July 11 at €8.64, before the price launched a volatile but very clear comeback. With very high trading volumes, the share initially climbed to over €11.00 and thus grew by nearly 27% in just 12 trading days before consolidation then set in. The half-year figures published on August 11 spurred on the First Sensor share's

upward trend. The price rose continuously and reached its preliminary high of €12.20 on September 1, before a further phase of consolidation began. The performance of the market as a whole in September was defined by the sometimes contradictory statements from the central banks regarding interest rate policy. Even the First Sensor share was unable to elude the resulting volatility on the stock exchanges. However, First Sensor AG's share price grew, especially in the final days of trading, and

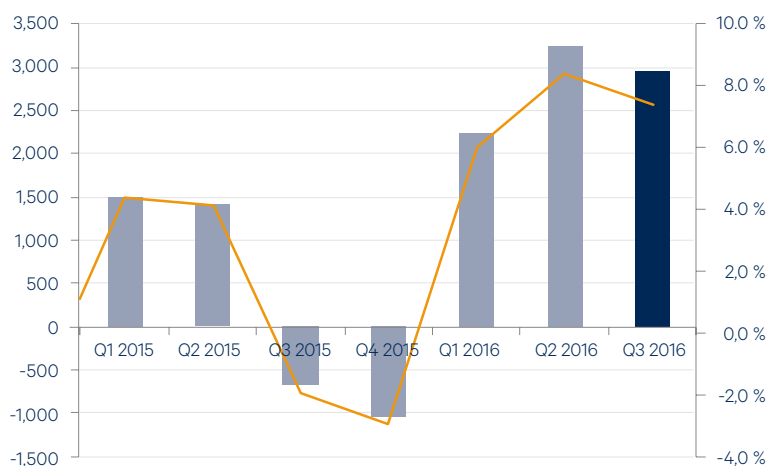
ended the month of September with an increase. In the third quarter, the First Sensor share therefore not only recouped the losses of the preceding months but also gained 30.87% all in all, while the TecDAX lagged notably behind with 12.57%. The trading volume (XETRA) in the third quarter averaged 13,884 shares traded per day, more than twice as many as in the first half of the year (5,612).

## First Sensor successfully closes the first nine months of 2016

Sales in € thousand



EBIT in € thousand EBIT-margin (%)



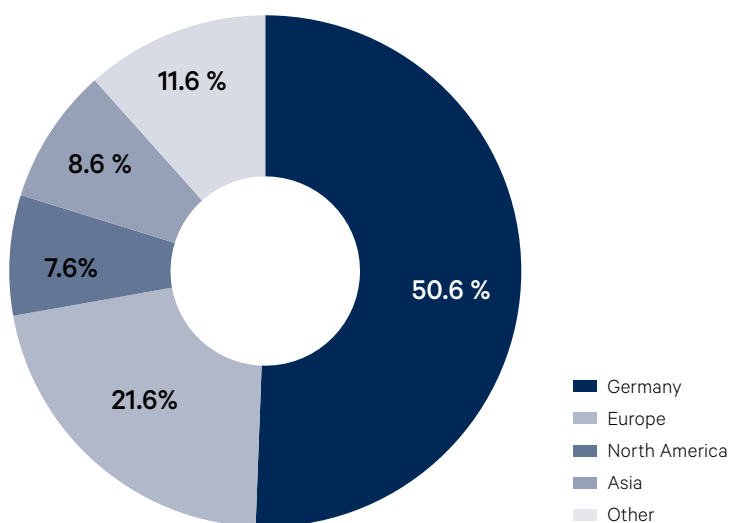
The positive sales and earnings development continued in the third quarter of 2016. Sales rose by 9.6% on the same quarter of the previous year (€35.4 million) to €38.8 million and were thus even slightly higher than the very good figure for the second quarter again. The effects of the Russia embargo or the lower growth rates of the Chinese economy that some of our customers are reporting have not

yet made an impact on the course of business. Instead, we saw robust demand from our target markets, e.g. for optical sensor solutions for CT scanners and X-ray machines and for pressure sensor solutions for ventilators. The rise in sales and the ongoing optimization in the value chain helped the EBIT margin exceed the expected 5% to 6% again and reach 7.4% in the third quarter of 2016. This equates to EBIT

of €2.9 million (previous year: €-0.7 million).

Against this backdrop and with an eye on further business development up to the end of the year, the Executive Board raised the earnings forecast for the fiscal year to an EBIT margin of 6% to 7% overall.

## Sales distribution by regions nearly unchanged compared to mid-year



In the first nine months of fiscal year 2016, half of the sales were generated in the home market of Germany. Europe is the second-largest market with nearly 22%.

In spite of the faltering Chinese economy, the sales level in Asia and North America was largely maintained or increased slightly, respectively, compared to mid-year.

## Consolidated income statement (IFRS)

| in € thousand                                  | Q1 2015       | Q2 2015       | Q3 2015       | Q4 2015       | Q1 2016       | Q2 2016       | Q3 2016       |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Sales revenues</b>                          | <b>33,303</b> | <b>33,912</b> | <b>35,420</b> | <b>35,107</b> | <b>37,549</b> | <b>38,384</b> | <b>38,817</b> |
| Other operating income                         | 581           | 799           | 737           | 727           | 475           | 677           | 738           |
| Changes in inventories                         | 846           | 168           | -2,006        | -230          | -354          | -115          | 802           |
| Other own work capitalized                     | 60            | 298           | 346           | 339           | 276           | 309           | 231           |
| Cost of material                               | -16,888       | -17,346       | -17,673       | -17,375       | -17,534       | -19,655       | -19,610       |
| <b>Gross profit</b>                            | <b>17,902</b> | <b>17,831</b> | <b>16,824</b> | <b>18,568</b> | <b>20,412</b> | <b>19,600</b> | <b>20,978</b> |
| Personnel expenses                             | -10,513       | -9,926        | -10,571       | -10,895       | -10,696       | -11,105       | -11,156       |
| Other operating expenses                       | -3,490        | -4,240        | -4,579        | -5,539        | -5,199        | -2,948        | -4,447        |
| <b>Profit from operations (EBITDA)</b>         | <b>3,899</b>  | <b>3,665</b>  | <b>1,674</b>  | <b>2,134</b>  | <b>4,517</b>  | <b>5,547</b>  | <b>5,375</b>  |
| Depreciation and amortization                  | -2,403        | -2,247        | -2,331        | -3,175        | -2,273        | -2,306        | -2,427        |
| <b>Earnings before interest and tax (EBIT)</b> | <b>1,496</b>  | <b>1,418</b>  | <b>-657</b>   | <b>-1,041</b> | <b>2,244</b>  | <b>3,241</b>  | <b>2,948</b>  |
| Financial result                               | -20           | -805          | -748          | -816          | -153          | -602          | -375          |
| <b>Income before tax</b>                       | <b>1,476</b>  | <b>613</b>    | <b>-1,405</b> | <b>-1,857</b> | <b>2,091</b>  | <b>2,639</b>  | <b>2,573</b>  |
| Taxes  | -394          | 53            | 74            | -88           | -351          | -227          | -824          |
| <b>Annual result</b>                           | <b>1,082</b>  | <b>666</b>    | <b>-1,331</b> | <b>-1,945</b> | <b>1,740</b>  | <b>2,412</b>  | <b>1,749</b>  |

In the first nine months of fiscal year 2016, First Sensor AG generated sales growth of 11.8% compared to the same period of the previous year. The increase from €102.6 million to now €114.7 million is based in particular on the rising demand for products in the medical and mobility target markets. The cost of materials rose by just 9.4% in the same period, so the improved

gross margin is the main driver for the improvement in earnings. The personnel expenses changed by €1.9 million year on year due to increased recruitment. Earnings before interest and taxes (EBIT) for the first nine months amounted to €8.4 million (previous year: €2.3 million). Together with the sales growth, this disproportionately high increase is due prima-

rily to an optimization of the value chain. In the first nine months, the company generated an EBIT margin of 7.3% (previous year: 2.2%). Net profit after taxes amounted to €5.9 million at the reporting date (previous year: €0.4 million).

This corresponds to earnings per share in circulation of €0.54 (previous year: €0.02).

## Consolidated balance sheet (IFRS)

### ASSETS

| in € thousand              | Dec. 31, 2015  | Sep. 30, 2016  |
|----------------------------|----------------|----------------|
| Non-current assets         | 85,076         | 82,087         |
| Inventories                | 27,135         | 28,038         |
| Trade accounts receivables | 17,004         | 21,048         |
| Current assets             | 2,758          | 4,016          |
| Cash and cash equivalents  | 21,523         | 19,425         |
| <b>Total ASSETS</b>        | <b>153,496</b> | <b>154,614</b> |

### EQUITY AND LIABILITIES

| in € thousand                       | Dec. 31, 2015  | Sep. 30, 2016  |
|-------------------------------------|----------------|----------------|
| Equity                              | 71,271         | 76,838         |
| Financial liabilities               | 46,543         | 44,498         |
| Non-current liabilities             | 8,753          | 7,926          |
| Current financial liabilities       | 7,987          | 4,352          |
| Trade accounts payables             | 7,612          | 9,082          |
| Current liabilities                 | 11,330         | 11,918         |
| <b>Total equity and liabilities</b> | <b>153,496</b> | <b>154,614</b> |

The small increase in total assets is due largely to the rise in trade receivables as a result of the sales growth. Net debt fell by €3.6 million

compared with year-end to total €29.4 million. The equity of €76.8 million, which increased as a result of the positive results of the first nine

months of 2016, corresponds to an equity ratio of 49.7% (previous year: 46.4%).

## An overview of our target markets



In the **Industrial** segment, sales of €18.6 million were generated in the third quarter (previous year: €18.4 million). The sales of €53.8 million achieved in the first nine months therefore remain €2.3 million or 4.1% down on the previous year's figure after the weaker first quarter. This was due to a shift in the pattern of delivery call-offs to existing customers.

With sales of €7.8 million in the third quarter (previous year: €6.4 million), the **Medical** segment is successfully continuing its growth trajectory, even though the level of sales in the outstanding second quarter of 2016 could not be reached again. But with sales of €24.1 million after nine months, sales were increased by €6.8 million (+39.3%) year on year.

The **Mobility** segment generated sales of €12.4 million in the third quarter (previous year: €10.6 million), again proving one of First Sensor's main growth drivers. For the first nine months, this results in growth of over 26% or €7.6 million on the previous year's figure to €36.8 million (previous year: €29.2 million).

## Consolidated statement of cash flow (IFRS)

| in € thousand                        | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Cash flow from operating activities  | -1,017  | -6,128  | 6,050   | 6,074   | 3,416   | 210     | 5,205   |
| Cash flow from investment activities | -1,709  | -987    | -1,508  | -2,534  | -929    | -1,184  | -1,741  |
| Cash flow from financing activities  | -698    | 5,449   | -2,399  | 6,364   | -3,788  | -1,230  | -2,042  |
| Free cash flow                       | -2,726  | -7,115  | 4,542   | 3,540   | 2,487   | -974    | 3,464   |

Cash flow from operating activities also developed markedly positively in the third quarter of 2016 and amounted to €5.2 million. The low investment volume of €1.7 million remains rather below average and is due to postponements of

investment projects. Cash flow from financing activities mainly reflects the steady repayment of money market loans, which accounts for €1.5 million of the €2.0 million total. After the third quarter free cash flow was about € 3.5 million,

after the first nine months of 2016, free cash flow was almost exactly €5 million (previous year: €-5.3 million).

## Further rise in sales per employee

|                                  | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Sales in € thousand              | 33,303  | 33,912  | 35,420  | 35,107  | 37,549  | 38,384  | 38,817  |
| Employees                        | 767     | 774     | 779     | 773     | 783     | 792     | 796     |
| Sales per employee in € thousand | 43.4    | 43.8    | 45.5    | 45.4    | 48.0    | 48.5    | 48.8    |

The growing productivity of First Sensor AG and the effect of economies of scale are also reflected in the sales per employee, which are increasing steadily. They saw another increase to €48.8 thousand in the third quarter.

## Book-to-bill ratio down on previous year due to order scheduled to end

| in € thousand      | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 |
|--------------------|---------|---------|---------|---------|---------|---------|---------|
| Incoming orders    | 34,891  | 43,329  | 28,581  | 35,518  | 31,373  | 48,181  | 24,027  |
| Orders on hand     | 90,588  | 98,693  | 90,970  | 90,724  | 84,354  | 101,226 | 77,265  |
| Book-to-bill-ratio | 1.0     | 1.3     | 0.8     | 1.0     | 0.8     | 1.3     | 0.6     |

Incoming orders declined to €24.0 million in the third quarter. This was influenced by an order from an OEM in the automotive sector that is known to be expiring, which would have been booked at €5.6 million on this date. At €103.6 million, however, incoming orders after nine months were not materially below the figure for the previous year (€106.8 million). Incoming orders of course affected the orders on hand, which fell to around €77.3 million. This resulted in a book-to-bill ratio of 0.6; including the expiring order it would have been 0.8. Development projects that will offset this effect are already up and running. The book-to-bill ratio has no impact on short-term sales development.

## Working capital and capital employed remain at expected level

| in € thousand    | Q1 2015 | Q2 2015 | Q3 2015 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| Working Capital  | 31,777  | 42,067  | 39,193  | 36,527  | 38,294  | 39,373  | 40,004  |
| Capital employed | 119,957 | 129,226 | 125,885 | 121,603 | 122,199 | 122,139 | 122,091 |

In the third quarter, working capital increased by €3.4 million on the end of 2015 to €40.0 million. Meanwhile, inventories increased only by a moderate €0.9 million, but trade receivables rose by €4.0 million as a result of the sales growth. Trade payables outstanding likewise rose by €1.5 million compared with the end of the previous fiscal year. The working capital cycle improved by 10.2 days compared with the end of 2015 and now amounts to 78.1 days.

## First Sensor News

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### Optical sensors from First Sensor lift off

In June, DLR (German Aerospace Center) launched BIROS, the second satellite of its FireBIRD mission, into space. The two small FireBIRD satellites were developed under the leadership of the DLR Institute of Optical Sensor Systems in Berlin. They are equipped with highly sensitive hotspot-sensor systems for the early detection of fires from space. First Sensor developed, produced and delivered central CCD and electronic components for these systems. BIROS can target its highly sensitive sensors at smaller areas of the globe and thus provide infrared images of even the smallest fires in resolutions never before achieved. Fires can thus be located and better fought long before they spread.

### First Sensor now speaks French

Since August 2016, First Sensor AG has also provided its entire website in French in order to support the recently established First Sensor France SAS, based in Paris. This is an important step with regard to further market expansion in France, one of the leading industrial countries for German industrial goods, for example. With the aim of making better use of this potential in the future, First Sensor is continuously expanding its sales structure in the French market and has already recruited three additional sales employees in France this year.

### First Sensor supports commercial vehicle sector

Mobility from a different perspective. First Sensor presented the solution for this in September at IAA Commercial Vehicles 2016, the leading trade fair for mobility, transport and logistics: A dynamic camera system that allows a 360-degree view around a vehicle. The system makes it easier for the driver to park and maneuver and is another milestone on the road to autonomous driving. Such systems are already in use in cars; they are gradually coming into play in the commercial vehicle sector as well.

### First Sensor presents at electronica 2016

For more than 50 years, electronica has been an international meeting place for the electronics industry and the leading trade platform for electronic components and systems. It exhibits key technologies from renowned manufacturers from all over the world. For these reasons, First Sensor will also be in Munich with its own trade fair stand from November 8 to 11 in order to present its expertise along the entire sensor technology value chain, from sensor chips and sensors to sensor systems.

## Financial calendar and contact

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| Date                    | Topic                                | Details   |
|-------------------------|--------------------------------------|---|
| November 10, 2016, 2 pm | Presentation of Q3 financial figures | <a href="http://firstsensor101116-live.audio-webcast.com">http://firstsensor101116-live.audio-webcast.com</a> |
| November 21-22, 2016    | German Equity Forum                  | Sheraton Airport Hotel, Frankfurt am Main   |
| November 21, 2016, 3 pm | Analysts conference                  | Room London, German Equity Forum  |

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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