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We empower  
the future

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Interim Report Q1 2017

## To our shareholders

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

## Dear shareholders and business partners,

The start to the new fiscal year was modest but in line with expectations. As you know, after the dynamic development in 2016 we must first generate strong internal growth to compensate for the shortfall resulting from the expiration of a major order at the end of 2016. We have made good progress in this respect, although this is not reflected directly in the figures for the first quarter.

Sales in the first quarter of 2017 amounted to €34.3 million and were thus almost unchanged compared to the final quarter of 2016. However, incoming orders climbed by more than €6.0 million in comparison to the fourth quarter to €35.1 million. And the EBIT margin of 5.1% was

also within our target range of 5.0% to 6.0% in the first quarter already. This, combined with the growing momentum in recent weeks, makes us confident of achieving our sales and earnings targets for the fiscal year.

By focusing on three target markets – Industrial, Medical and Mobility – we combine our strengths within the company. The biggest segment, Industrial, recently came under the spotlight again. At the Hanover trade fair at the end of April, countless examples were presented that illustrated how sensors and software will be key elements of future production. We will play an active role in shaping this future. The other two segments, Medical and Mobility,

are also influenced by trends that will increase demand for our solutions. First Sensor therefore has very good growth prospects in the medium and long term, too.

We would be delighted if you would continue to support us on our journey into this exciting future. But first, we hope you enjoy reading this quarterly report.

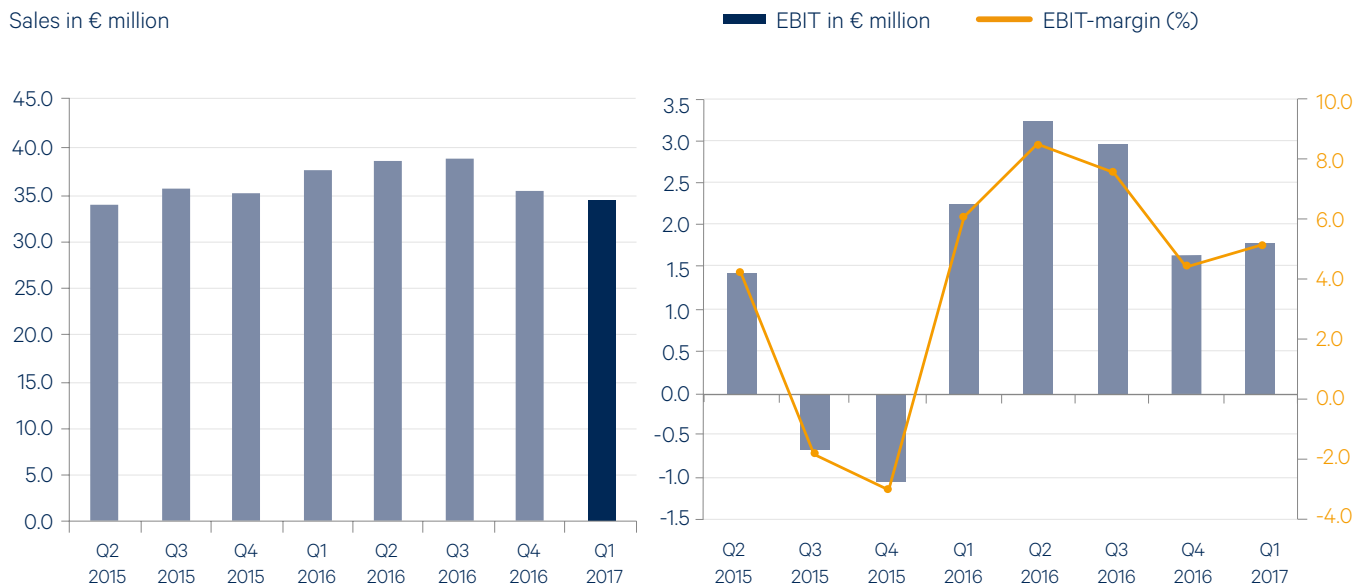
The Executive Board

**Dr. Dirk Rothweiler**  
CEO

**Dr. Mathias Gollwitzer**  
CFO

## First Sensor makes modest start to fiscal year in line with expectations

Sales in € million

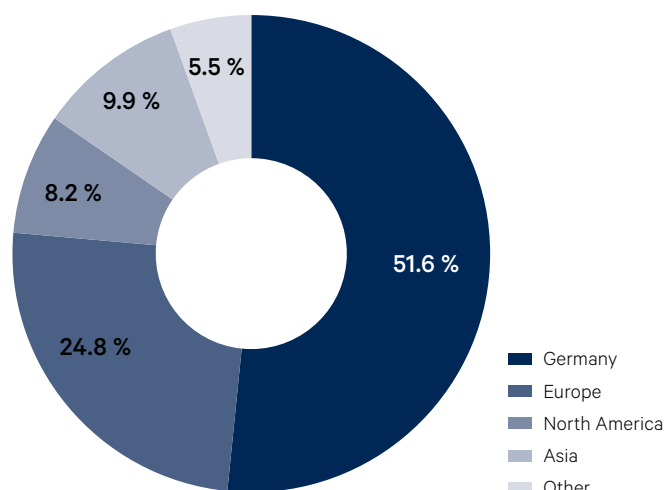


As expected, the start to the new fiscal year was modest. There had already been an indication of this in the orders on hand at the end of the previous year, which were considerably lower due to the expiration of a major order in the Mobility segment at the end of 2016. With sales of €34.3 million in the first quarter, there was consequently a slight sequential decrease in comparison to the previous quarter (€35.4 million, 3.1% decrease) and also in comparison

to the same quarter of the previous year (€37.5 million, 8.6% decrease). Overall, the business development thus fitted with the common pattern of weaker first quarters which then gain momentum again in their last few weeks. Demand from the Asian market has developed particularly well recently and customer orders in the Medical segment also increased again toward the end of the quarter. Although EBIT improved from €1.6 million to €1.8 million in

comparison to the previous quarter, it was down €0.4 million on the figure for the same quarter of the previous year (€2.2 million) in line with the sales development. The EBIT margin therefore came to 5.1% after 6.0% in the same quarter of the previous year. Overall, the business development is entirely in line with expectations and the forecast for the fiscal year is therefore being confirmed.

## Germany remains the most important market



As before, First Sensor generates roughly half of its sales in its domestic market of Germany. The shares attributable to the other regions changed significantly year-on-year in some cases: The share of sales generated in the rest of Europe fell from 31.2% to 24.8%. This was largely due to the major order that expired at the end of 2016. Sales in Asia increased significantly year-on-year to €3.4 million (previous year: €2.5 million). This corresponds to a share of sales of 9.9% after 6.7% in the same quarter of the previous year.

## Sales development in target markets varies

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

In the **industrial** target market, First Sensor generated sales of €17.8 million in the first quarter of 2017, representing an increase of €0.8 million compared to the same quarter of the previous year. This is attributable to the positive development of demand on the Asian market.



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

In the **medical** target market, sales of €6.4 million were generated. They were thus roughly on a par with the previous quarter, but €0.8 million lower than in the same quarter of the previous year. This was due to postponements of orders by customers, which are expected to be compensated for over the remainder of the year.



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

In the **mobility** target market, sales of €10.1 million were generated. This is €3.3 million less than in the same quarter of the previous year and attributable to the expiration of a major order at the end of 2016. Projects that are compensating for this decrease in the foreseeable future are developing according to plan.

## Consolidated income statement (IFRS)

in € thousand	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
<b>Sales revenues</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>	<b>35,361</b>	<b>34,337</b>
Other operating income	799	737	727	475	677	738	1,023	1,093
Changes in inventories	168	-2,006	-230	-354	-115	802	-1,584	10
Other own work capitalized	298	346	339	276	309	231	607	299
Cost of material	-17,346	-17,673	-17,375	-17,534	-19,655	-19,610	-15,583	-16,257
<b>Gross profit</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>	<b>19,824</b>	<b>19,482</b>
Personnel expenses	-9,926	-10,571	-10,895	-10,696	-11,105	-11,156	-11,172	-11,426
Other operating expenses	-4,240	-4,579	-5,539	-5,199	-2,948	-4,447	-4,676	-4,049
<b>Profit from operations (EBITDA)</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>	<b>3,976</b>	<b>4,007</b>
Depreciation and amortization	-2,247	-2,331	-3,175	-2,273	-2,306	-2,427	-2,413	-2,239
<b>Earnings before interest and tax (EBIT)</b>	<b>1,418</b>	<b>-657</b>	<b>-1,041</b>	<b>2,244</b>	<b>3,241</b>	<b>2,948</b>	<b>1,563</b>	<b>1,768</b>
Financial result	-805	-748	-816	-153	-602	-375	-138	-348
<b>Income before tax</b>	<b>613</b>	<b>-1,405</b>	<b>-1,857</b>	<b>2,091</b>	<b>2,639</b>	<b>2,573</b>	<b>1,425</b>	<b>1,420</b>
Taxes	53	74	-88	-351	-227	-824	-1,229	-175
<b>Annual result</b>	<b>666</b>	<b>-1,331</b>	<b>-1,945</b>	<b>1,740</b>	<b>2,412</b>	<b>1,749</b>	<b>196</b>	<b>1,245</b>

In the first quarter of 2017, sales decreased by €3.2 million year-on-year. This decline was attributable to the expiration of a major order in the Mobility segment at the end of last year. Owing to the product mix, the cost of materials ratio amounted to 47.3% after 46.7% in the

same quarter of the previous year. However, with an unchanged gross margin in relation to the total operating performance, both EBITDA and EBIT decreased by only €0.5 million and the EBIT margin was 5.1% (same quarter of the previous year: 6.0%). Net profit after taxes

amounted to €1.2 million (same quarter of the previous year: €1.7 million). This corresponds to earnings per share in circulation of €0.13 (previous year: €0.17).

## Consolidated balance sheet (IFRS)

### ASSETS

in € thousand	Dec. 31, 2016	Mar. 31, 2017
Non-current assets	82,117	82,110
Inventories	25,856	26,607
Trade accounts receivables	18,426	20,165
Current assets	3,851	5,431
Cash and cash equivalents	23,791	20,302
<b>Total ASSETS</b>	<b>154,041</b>	<b>154,615</b>

Total assets changed only minimally in comparison to December 31, 2016. Inventories and trade receivables increased due to reporting-date factors, as demand picked up significantly in the final weeks of the quar-

### EQUITY AND LIABILITIES

in € thousand	Dec. 31, 2016	Mar. 31, 2017
Equity	77,465	78,696
Financial liabilities	43,599	43,382
Non-current liabilities	8,402	8,108
Current financial liabilities	4,640	4,192
Trade accounts payables	8,611	8,459
Current liabilities	11,324	11,778
<b>Total EQUITY AND LIABILITIES</b>	<b>154,041</b>	<b>154,615</b>

ter. Primarily for this reason, cash and cash equivalents decreased by €3.4 million to €20.3 million. This in turn led to a rise in net debt to €27.3 million (previous year: €24.4 million). As a result of the retained earnings for the first

quarter, equity improved to €78.7 million and the equity ratio climbed to 50.9% (as at previous year's reporting date: 50.3%).

## Working capital and capital employed increase due to reporting-date factors

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Working Capital in € thousand	42,067	39,193	36,527	38,294	39,373	40,004	35,671	38,313
Capital employed in € thousand	129,226	125,885	121,603	122,199	122,139	122,091	117,788	120,423
ROCE	1.1%	-0.5%	-0.9%	1.8%	2.7%	2.4%	1.3%	1.5%

As a result of growing demand in the final weeks of the quarter, inventories and trade receivables increased due to reporting-date factors. Capital employed consequently also increased, resulting in a ROCE of 1.5% in relation to EBIT for the first three months of the year.

## Cash flow from operating activities still slightly negative due to rise in working capital

in € thousand	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Cash flow from operating activities	-6,128	6,050	6,074	3,416	210	5,205	7,737	-218
Cash flow from investment activities	-987	-1,508	-2,534	-929	-1,184	-1,741	-2,675	-2,235
Cash flow from financing activities	5,449	-2,399	6,364	-3,788	-1,230	-2,042	-710	-1,036
Free cash flow	-7,115	4,542	3,540	2,487	-974	3,464	5,062	-2,453

Primarily due to the €2.6 million rise in working capital over the first three months of the year, cash flow from operating activities was with €-0.2 million slightly negative in this period (same quarter of the previous year: €+3.4

million). After a below-average investment volume in the first quarter of the previous year, the investment level normalized again at €2.2 million in the first quarter of 2017. Cash flow from financing activities consists

of scheduled repayments only. Overall, free cash flow for the first quarter of 2017 was therefore still negative at €-2.5 million (same quarter of the previous year: €+2.5 million).

## Sales per employee reflect top-line development

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Sales in € thousand	33,912	35,420	35,107	37,549	38,384	38,817	35,361	34,337
Employees (FTE)	774	779	773	783	792	796	804	783
Sales per employee in € thousand	43.8	45.5	45.4	48.0	48.5	48.8	44.0	43.9

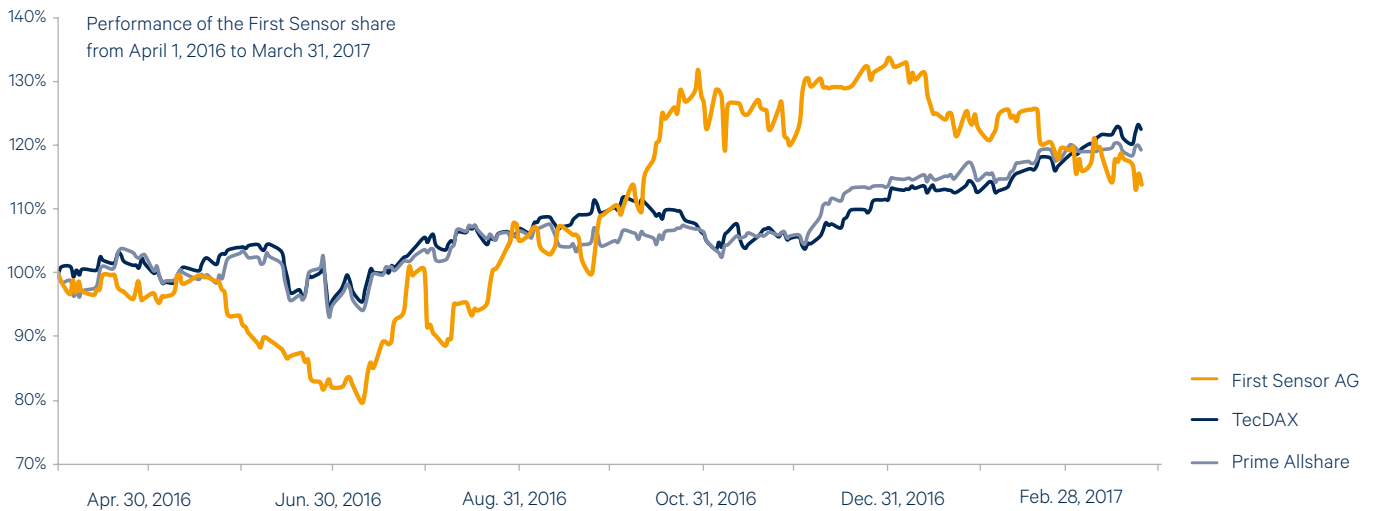
With the same number of employees, sales per employee decreased year-on-year to €43.9 thousand; this too was attributable to the expiration of a major order in the Mobility segment at the end of 2016.

## Significant improvement in incoming orders and orders on hand

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Incoming orders in € thousand	43,329	28,581	35,518	31,373	48,181	24,027	28,708	35,067
Orders on hand in € thousand	98,693	90,970	90,724	84,354	101,226	77,265	82,232	88,867
Book-to-bill-ratio	1.28	0.81	1.01	0.84	1.26	0.62	0.81	1.02

Incoming orders improved significantly compared to the past two quarters and amounted to €35.1 million. Orders on hand went also up. Compared to the end of the previous fiscal year, this figure increased by €6.6 million to €88.9 million. This resulted in a book-to-bill ratio of 1.02. The current order situation and order pipeline are a good basis for achieving the targets for the fiscal year.

## First Sensor share ends Q1 at closing price of €13



Despite considerable uncertainty at first, particularly with regard to the new US president's policies, the capital markets developed very positively in the first quarter. After an extremely dynamic share price performance in the second half of 2016, the First Sensor share started the new year at €14.60 and reached its intra-day

high for the year of €15.36 on January 3 already. However, profit-taking soon began. Over the remainder of the quarter, the share price remained generally volatile and had fallen to €12.05 by the beginning of March. The First Sensor shares thus only temporarily benefited from the positive trend on the financial markets

and ended the quarter at €13. With a 10.3% decrease, the overall result for the quarter is therefore disappointing. The average number of shares traded per day in the first quarter of 2017 came to 10,432 and was thus considerably higher than in the first quarter of 2016, when an average of 6,932 shares were traded per day.

## First Sensor News

### Our "eyes" make transport safer

Each year, more than a million people die in road accidents. For this reason, First Sensor's optical sensors are used in speed cameras and mobile measuring instruments to help improve safety for road users. First Sensor produces a total of around 4,000 sensors a year for speed measurement. This is roughly equivalent to the number of permanently installed speed cameras in Germany now. The sensors detect invisible light signals to measure distances that are used to calculate vehicles' speed. In the future, this LiDAR technology will also be combined with camera and radar systems to make partially and fully autonomous driving possible.

### First Sensor Expands Cooperation with Velodyne

At the world's largest trade fair for optical technologies, the SPIE Photonics West, the sensor specialist First Sensor and Velodyne LiDAR Inc. announced an expansion of their cooperation for Avalanche photodiodes (APD), which has been in place since 2005. The strategic supply cooperation has a volume in the millions over the next three years. Velodyne LiDAR uses Avalanche photodiodes (APD) from First Sensor in its entire product range of LiDAR scanners. Velodyne LiDAR is the recognized global leader in Light, Detection and Ranging (LiDAR) technology. Together with radar and camera systems, LiDAR is of fundamental importance for autonomous driving.

### Trade fair season at First Sensor

First Sensor will be exhibiting at a total of six trade fairs in May and June. First up, our Integrated Manufacturing Services (IMS for short) will be under the spotlight at SMT Hybrid Packaging in Nuremberg, while our sensor solutions for medical technology will be showcased simultaneously at Intermeditec in Paris. At the end of May, we will be exhibiting our product and service portfolio at Sensor+Test. Then in June, our trade fair program includes the Paris Air Show and LASER World of PHOTONICS in Munich, before moving on to the Sensors Expo & Conference in San Jose at the end of the month – one of the leading industrial events for sensors and sensor systems in North America.

### First Sensor presents new employer image

Whether it is automated driving, intelligent production, or personalized medical technology – First Sensor is right at the forefront when it comes to the digital future of business and society. The sensor technology specialist has now launched a new employer image for presenting itself to talented young people who want to be involved when sensors shape the future. The focus here is on the employees, who provide insights into their work on the careers website, in an employer brochure and at careers fairs and events such as the Long Night of Industry and Girls' Day. First Sensor has a total of approximately 850 employees worldwide.



## Financial calendar

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Date	Topic	Details
May 18, 2017	Interim Report Q1 2017	<a href="http://www.first-sensor.com">www.first-sensor.com</a>
May 18, 2017 2 p.m.	Presentation Q1 Interim Report	<a href="http://firstsensor180517-live.audio-webcast.com">http://firstsensor180517-live.audio-webcast.com</a>
May 24, 2017	Annual General Meeting 2017	Penta Hotel, Grünauer Str. 1, 12557 Berlin
August 10, 2017	6-Month Financial Report	<a href="http://www.first-sensor.com">www.first-sensor.com</a>
August 10, 2017 2 p.m.	Presentation 6-Month Financial Report	<a href="http://firstsensor100817-live.audio-webcast.com">http://firstsensor100817-live.audio-webcast.com</a>
November 09, 2017	Interim Report Q3 2017	<a href="http://www.first-sensor.com">www.first-sensor.com</a>
November 09, 2017 2 p.m.	Presentation Q3 Interim Report	<a href="http://firstsensor091117-live.audio-webcast.com">http://firstsensor091117-live.audio-webcast.com</a>
November 27 to 29, 2017	German Equity Forum 2017, Frankfurt am Main	Sheraton Frankfurt Airport Hotel & Conference Center

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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