First Sensor

We empower the future

Interim Report as of June 30, 2017

First Sensor in figures

in € million, unless otherwise indicated	2012	2013	2014	2015	2016	H1 2017
Sales revenues	111.9	108.5	124.0	137.7	150.1	68.9
Industrial	–	–	68.4	74.1	72.5	36.1
Medical	–	–	20.4	23.8	30.7	12.8
Mobility	–	–	35.2	39.8	46.9	20.0
EBITDA	13.4	11.6	13.5	11.4	19.4	7.8
EBITDA margin (%) as compared to total output	11.6	10.6	10.8	8.3	12.9	11.3
EBIT	3.6	2.7	4.1	1.2	10.0	3.4
EBIT margin (%) as compared to total output	3.1	2.5	3.2	0.9	6.7	4.9
Net profit for the period	0.5	-0.5	0.4	-1.5	6.1	2.1
Earnings per share (€)	0.05	-0.05	0.02	-0.17	0.57	0.19
Cash flow from operating activities	10.0	13.1	12.2	4.2	16.6	1.8
Free cash flow	-2.9	5.9	7.5	-1.8	10.0	-3.2
Balance sheet total	158.6	144.9	144.9	153.5	154.0	153.1
Shareholders' equity	69.9	70.0	72.0	71.3	77.5	79.4
Equity ratio (%)	44.1	48.3	49.7	46.4	50.3	51.8
Net debt	39.0	35.8	29.7	33.0	24.4	28.0
Working Capital	36.3	28.6	30.3	36.5	35.7	38.8
ROCE	2.6	2.3	3.4	1.0	8.5	2.8
Incoming orders	117.8	121.4	139.3	142.3	132.9	79.5
Orders on hand	73.4	73.7	86.4	90.7	82.2	90.7
Book-to-bill-ratio	1.05	1.11	1.12	1.03	0.89	1.15
Employees (average of the period)	691	686	719	770	791	782
Sales per employee in thousand €	161.9	158.2	172.5	178.8	186.7	88.1
Number of shares in thousand as at June 30, 2017	9,940	9,981	10,131	10,167	10,208	10,211

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2 Foreword by the executive board

68.9

million €
Sales

4.9

percent
EBIT margin

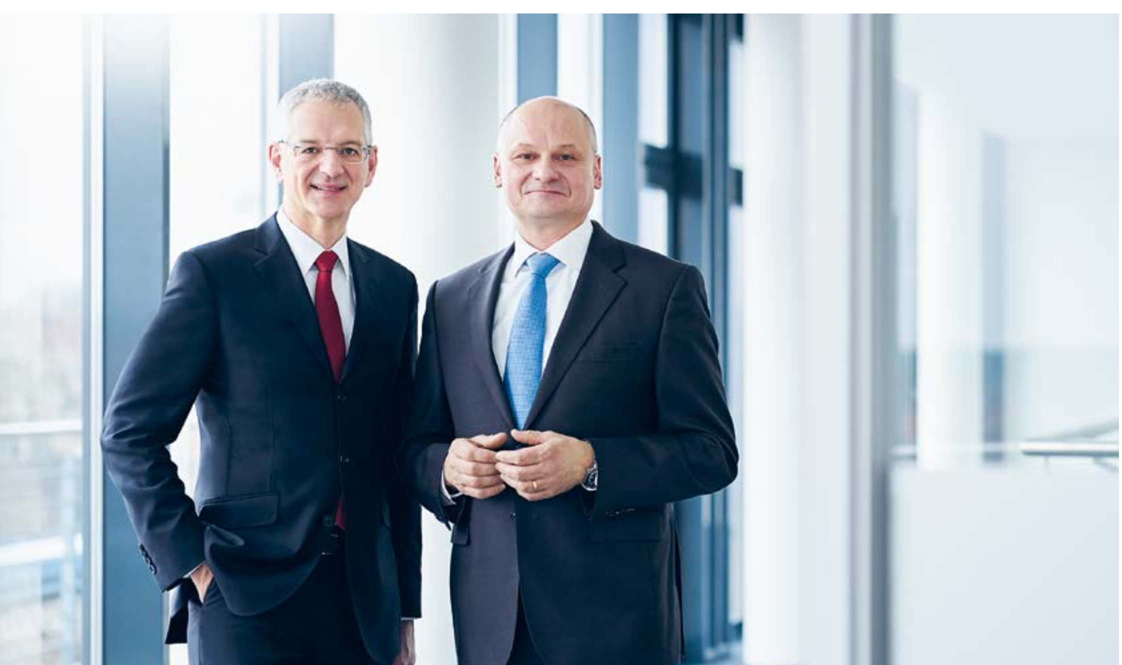
Dear shareholders and partners,

The economy developed as expected on our target markets in the first half of 2017. This created the requirements for our business to progress in line with planning. Revenue was slightly higher than the first quarter's level at EUR 34.6 million in the second quarter. The total figure for the first six months of the current fiscal year is therefore EUR 68.9 million. The decline of EUR 7.0 million compared to the same period of the previous year firstly reflects the expiry of the major Mobility contract. Secondly, this was due to the postponement of two product launches by our Medical customers.

While these circumstances will no doubt affect the current fiscal year, we still expect a more dynamic business performance in the second half of the year. This is confirmed by incoming orders of EUR 44.4 million in the second quarter and a book-to-bill ratio of 1.15 as of June 30, 2017.

After EBIT of EUR 1.8 million in the first quarter, the figure was EUR 1.6 million in the second quarter at the current revenue level. This corresponds to an EBIT margin after six months of 4.9%. We do not find this earnings situation satisfactory, but it is also due to stock clearances. In total, we actually improved our gross margin. In conjunction with the expected revenue performance in the coming months, we therefore feel that our earnings trajectory is on course.

Overall, we are still confident that we will be able to achieve our revenue and earnings targets for fiscal 2017 – revenue in the range of EUR 140 to 145 million and an EBIT margin of between 5% and 6%.



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

The first half of the year has been highly successful in terms of sales. We have not just expanded our sales team in Germany, Europe, North America and Asia, but have also already signed further long-term framework agreements in recent months. These will allow us to expand our strategic competitive position on all three target markets well beyond 2018.

On the one hand, we are doing well in optical pattern recognition with our photodiodes, which form the basis for new mobility and for automated production. On the other, we are expanding our position as an expert in pressure sensors and pressure sensor solutions.

One particular highlight is the contract renewal by an international automotive supplier, a tier-one supplier that has been using our T-bridge sensor in adaptive steering since 2011. The new agreement now covers a delivery period running until 2024, and entails a revenue volume of provisionally EUR 2.5 million per year. At the same time, we are experiencing growing demand for our tank pressure sensors for petrol engines as a result of the diesel affair. We will therefore deliver the ten millionth of these products this fall. Furthermore, we have further improved our range in differential pressure sensors with the launch of the LMI sensor, the latest addition to our family of pressure sensors. This sensor is used both in medical technology and in the smart building growth sector of our industrial target market.

In addition to these sales and development successes, we also worked on the future orientation of First Sensor and our operational challenges in the first six months of the year. The foundation for improved operational excellence was laid in 2016 with projects such as Group-wide initiatives in purchasing, the standardization of operational workflows in our core processes and measures to improve the quality of products and processes with the motto “Quality First”. We are making great progress and are consistently pursuing activities to reduce throughput times and ensure delivery reliability.

Furthermore, we are currently reviewing and streamlining our product portfolio. This will create a launchpad for economies of scale in production, from which all customers will benefit as a result of competitive prices. At the same time, we are also revising our product and technology roadmaps – optimizing them selectively in close coordination with our key customers. These key customers will get even better support in the future from new key account teams.

Through these measures, we are further honing our profile as a provider of sensors and sensor solutions for detecting light, radiation, pressure, flow, fill level and incline, ensuring that we continue to offer our customers the perfect sensor or bespoke solution at the right time in line with our corporate values of innovation, excellence and proximity.

We will further expand this strength and push our forward integration even more. The goal is to offer our customers more and more services from a single source.

The fact that we can already do this today is shown by the cooperation with a Scandinavian company in the field of building automation. While the relationship only began as a chip delivery request, the customer has since received product samples for a differential pressure module that combines our company’s two core competences: the production of sensor chips and the layout and connection technology for the production of sensors and sensor solutions.

As you can see, we are not only looking at fiscal 2017, but are also making active changes to guarantee the company’s success in the medium and long term as well. We are confident that First Sensor is on the right track and we will continue to aim for average growth of around 10% in the medium term while gradually increasing the EBIT margin to 10%. We would be delighted by your continued constructive support in the future.

The Executive Board

Dr. Dirk Rothweiler
CEO

Dr. Mathias Gollwitzer
CFO

3 First Sensor Share

First Sensor shares still on the rise

There is a saying on the stock markets that politics don't last long. This proved true in the second quarter of 2017 as well. After the Dutch did not hand right-wing populists a mandate to govern in March, the anti-European Front Nationale was also forced out in France's elections.

On the other hand, the future of the Brexit negotiations is uncertain again after the elections in the UK, in which the Conservative party lost its majority. Unanswered questions about the economic policy goals of the US president, the North Korean conflict and the crisis in Qatar – all this unsettled the financial markets only temporarily.

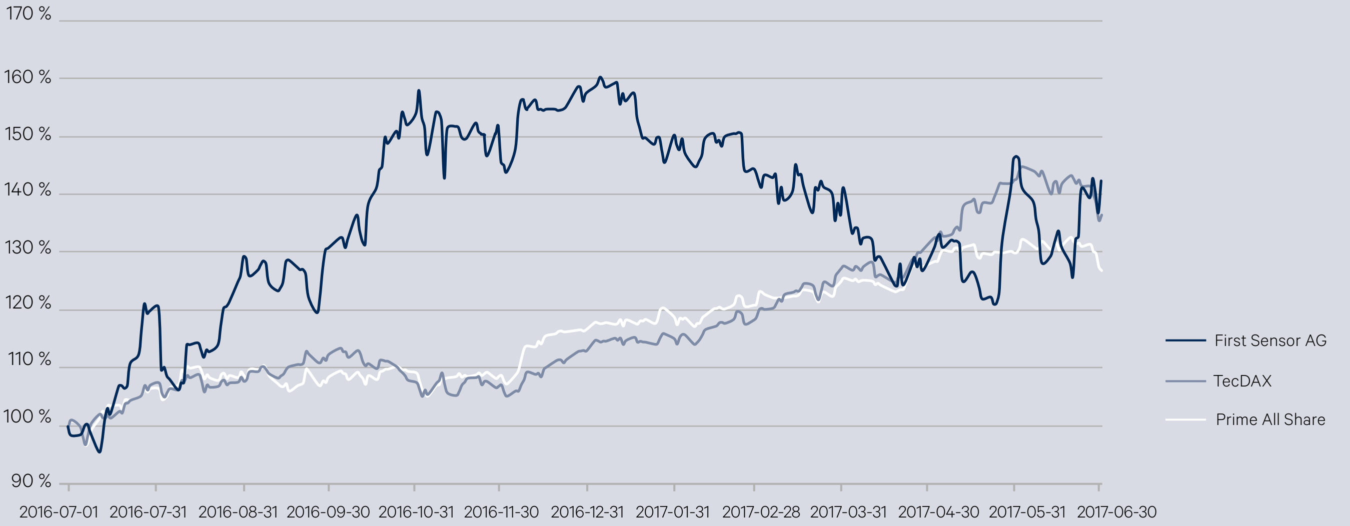
First Sensor's share began the second quarter at EUR 12.28. Unaffected by the publication of the report on business performance in the first quarter, the price declined slowly but steadily to EUR 11.15 on May 23, 2017. A trend reversal began after the Annual General Meeting on May 24, 2017. The share price improved by more than 24% in the space of just a few days, almost reaching its highest point for the year at EUR 13.88 intraday on May 31.

Massive losses on the international technology markets then triggered weaker prices worldwide at the beginning of June. Not just technology sector shares, but second-line stocks outside the tech industry as well were hit by heavy profit-taking. In this volatile stock market environment, First Sensor shares were then able to hold their ground in part against the negative trend on the financial markets towards the end of the first half of the year, and were rallying again as of the end of the reporting period. The closing price at the end of June was EUR 13.11.

The average number of First Sensor shares traded per day on Xetra improved to 10,852 in the first half of 2017 after an average daily trading volume of 5,612 in the first half of 2016.

The TecDAX gained 20.8% in the first half of 2017 and the Prime All Share Index rose by 8.7%.

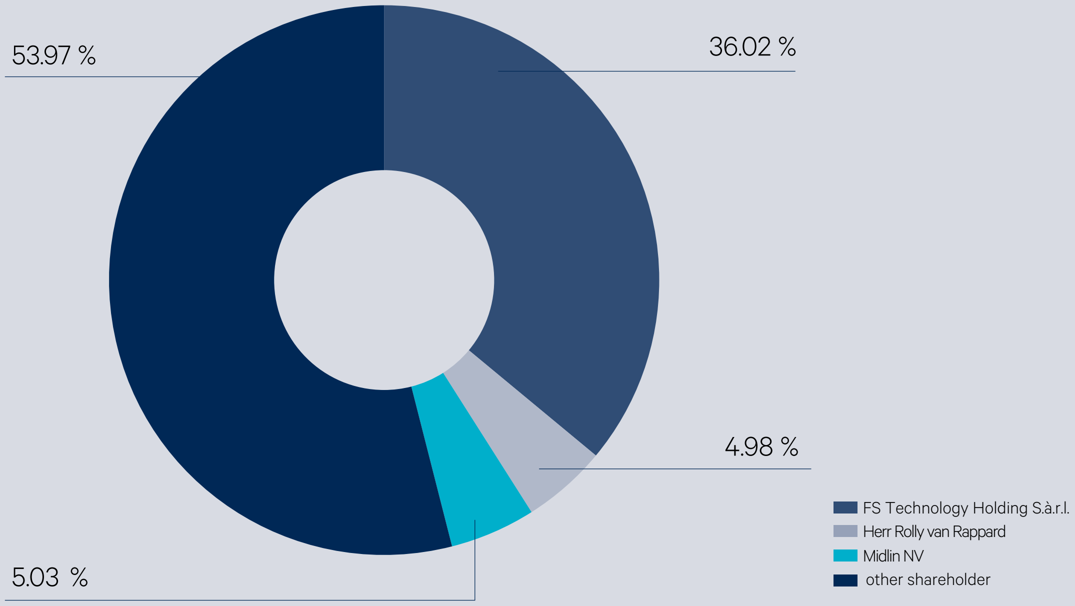
Performance from July 01, 2016 to June 30, 2017



Key figures

in € thousand, unless otherwise indicated	December 31, 2016	June 30, 2017	Δ absolute	in %
Share capital (€)	51,041,980	51,056,980	15,000	2.9
Market capitalization	148,002	133,394	-14,608	-9.9
Share price (€), XETRA closing price	14,50	13,11	-1,39	-9.6
Net profit attributable to shareholders	5,756	1,967	-3,789	-65.8
Number of shares, weighted	10,171,979	10,174,979	3,000	2.9
Earnings per share (€)	0.57	0.19	-0.38	-66.7

Shareholder structure according to available voting rights notifications as at June 30, 2017



4 Interim Group Management Report (IFRS)

Economic report

General economic and sector conditions

Development of the economy

The Kiel Institute for the World Economy (IfW) has slightly raised its forecast for world economic growth in 2017 and 2018 in its most recent analysis. In the opinion of its experts, the global economy is undergoing an upswing in the middle of 2017. Economic sentiment is good in the advanced economies especially, but the economic situation has also improved tangibly on the emerging markets. While the uncertainty over future economic policy is prevalent, it is apparently not having an overly negative effect on economic activity at this time. Growth in global production, calculated on the basis of purchasing power parity, is expected to rise from 3.1% last year to 3.6% and 3.7% in 2017 and 2018 respectively.

The IfW is also optimistic about the German economy. It assumes that its gross domestic product will expand by 1.7% in the current year and by 2.0% in 2018. This means that overall economic production would grow at a faster pace than production potential over the forecast period as a whole. With capacity levels already well in excess of normal levels, Germany is therefore on the brink of a boom. Given this, the downside risks to the economy are also increasing more and more. Overall, the German economy is expanding on a broad front. Exports are thus accelerating again as the global economy is revitalized.

Development of the sensor market

The German Association for Sensors and Measurement (AMA) forecast growth of 5% for the industry in fiscal 2017. These expectations were surpassed at the start of the year; companies in the association reported a 9% increase in revenue in the first quarter and growth of 10% in incoming orders. Sensors and measurement technology thus also reflected the development of the economy in Germany as a whole, which continued to recover in the fourth quarter of 2016 and expanded significantly in the first quarter of 2017. According to association members, the industry is currently benefiting considerably from the increased digitization of the industry. Forecasts such as those from World Semiconductor Trade Statistics (WSTS) suggest even higher growth rates, though these are heavily driven by consumer products and thus do not relate directly to First Sensor's business.

Target market Industrial

The economic barometer of the German Institute for Economic Research (DIW Berlin) is pointing to strong growth for the German economy in the second quarter. Gross domestic product is thought to have risen by 0.5% as against the previous quarter. It is expected that the German economy will be able to maintain the fast pace of the first quarter of the year.

Target market Medical

According to a survey conducted by the Association of German Chambers of Commerce and Industry (DIHK), manufacturers of capital goods are rating their situation much more positively in 2017 than last fall. The medical technology sector is one of the winners in this segment, according to DIHK. Only 2% of companies in this sector are currently dissatisfied with their business situation.

Target market Mobility

The situation on the world markets has been predominantly positive in the first six months, according to the German Association of the Automotive Industry (VDA). Sales figures on the key markets are apparently defying the greater political risks and debates at home and abroad. Production and exports were slightly lower than the previous year's high level. The growth momentum of recent years has slowed on the major markets – the US, China and Europe. It is possible that what has been referred to as the "diesel affair" is playing a part in this decline.

Results of operations

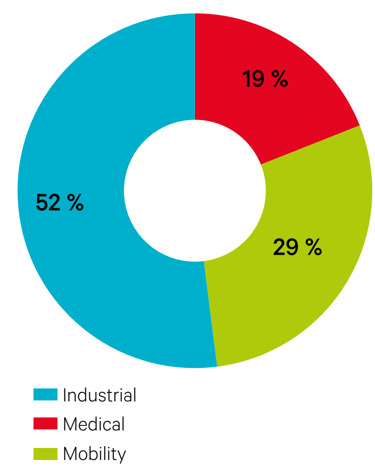
Revenue development

The First Sensor Group generated revenue of EUR 34.6 million in the second quarter of 2017 (previous year: EUR 38.4 million), a decline of EUR 3.8 million or 9.9%. Total revenue amounts to EUR 68.9 million after six months, EUR 7.0 million or 9.2% below the figure for the previous year (EUR 75.9 million).

While sales in the Industrial target market increased slightly by 2.7%, the decline was caused by the expiry of a major order in the Mobility target market and product postponements by two key customers on the Medical target market. The revenue volume after six months is therefore still slightly below the target level for the year as a whole (EUR 140 to EUR 145 million). However, business is expected to be more dynamic in the second half of the year.

in € thousand	H1 2016	H1 2017	Δ absolute	in %
Industrial	35,170	36,121	951	2.7
Medical	16,314	12,789	-3,525	-21.6
Mobility	24,449	20,020	-4,429	-18.1
Total	**75,933**	**68,930**	**-7,003**	**-9.2**

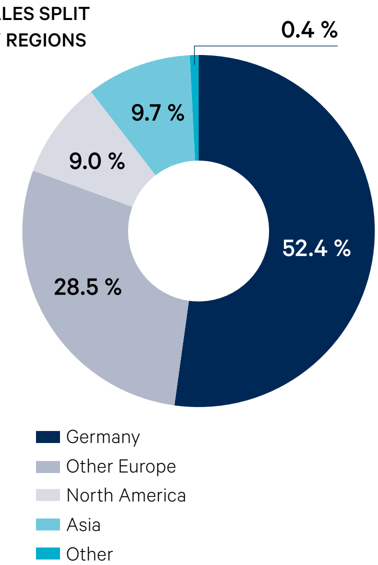
SALES SPLIT
BY TARGET MARKETS



The downturn in revenue in the first half of the year affected the regions of Germany and Scandinavia in particular. While the postponement of products by customers in the Medical sector impacted Germany, the drop in Scandinavia is due to the expiry of a major order. By contrast, Asia, Hungary and the UK reported double-digit growth, largely due to shifts in orders between different delivery regions.

Sales in € thousand	H1 2016	H1 2017	Δ absolute	in %
Germany	38,666	36,121	-2,545	-6.6
Asia	5,877	6,707	830	14.1
North America	5,816	6,216	400	6.9
Benelux	4,629	5,266	637	13.8
Great Britain	3,116	3,788	672	21.6
Scandinavia	8,496	3,707	-4,789	-56.4
Benelux	3,337	3,096	-241	-7.2
France	1,182	1,261	79	6.7
Italy	468	450	-18	-3.8
Other	4,346	2,318	-2,028	-46.7
Total	**75,933**	**68,930**	**-7,003**	**-9.2**

SALES SPLIT
BY REGIONS



Order situation

Despite the lower revenue volume of EUR 68.9 million for the first half of the year, **incoming orders** were almost just as high as the previous year at EUR 79.5 million as of June 30 (EUR 80.2 million), even though the major order had ended. The **order backlog** for the first half of the year is EUR 90.7 million, around EUR 10.5 million lower than at the same date in the previous year. This reflects the expiry of the major order in Mobility and postponements in Medical. The **book-to-bill ratio** rose to 1.15 after six months (previous year: 1.05), its highest level for the past eight quarters. This is a positive signal for ongoing business development.

in € thousand	Δ H1 2016	Δ H1 2017	Δ absolute	in %
Sales revenues	75,933	68,930	-7,003	-9.2
Incoming orders	80,200	79,508	-692	-0.9
Ordes on hand (previous year as at Dec. 31)	101,226	90,732	-10,494	-10.4
Book-to-Bill-Ratio	1.05	1.15	0.10	9.5

Earnings

Starting with revenue of EUR 34.6 million in the second quarter of 2017, the net contribution from other operating income, changes in inventories of finished goods and work in progress and other own work capitalized was positive at EUR 914 thousand. **Total operating performance** therefore amounts to EUR 35.5 million for the second quarter (previous year: EUR 39.3 million) and EUR 71.2 million overall for the first half of the year (previous year: EUR 77.2 million). The rise in other operating income by EUR 0.4 million to EUR 1.6 million (previous year: EUR 1.2 million) primarily results from insurance compensation.

The decline in revenue of EUR 3.8 million in the second quarter as against the same period of the previous year is offset by a drop in the **cost of materials** of EUR 3.0 million. The cost of materials ratio in the second quarter was therefore 48.2%. The ratio for the first six months of 2017 was 47.5% and thus improved by 0.7 percentage points. One reason for this is the higher share of revenue attributable to products with a generally lower cost of materials ratio. Successes in procurement also contributed to this. This good ratio was achieved in spite of the increased use of temporary workers, which is also reported as a direct cost under this line item.

Staff costs changed only insignificantly in the second quarter compared to the first quarter of 2017. Year-on-year, they rose by 3.8% from EUR 21.8 million to EUR 22.6 million. However, as a result of the lower revenue volume, the staff cost ratio was up by 3.8 percentage points at 32.5% (previous year: 28.7%).

Other operating expenses were down by EUR 0.3 million at EUR 7.9 million in the first half of 2017. This is predominantly due to lower consulting contracts of EUR 0.4 million compared to the previous year.

EBITDA amounted to EUR 3.8 million in the second quarter of 2017 after EUR 5.5 million in the same quarter of the previous year. EBITDA for the first half of the year amounted to EUR 7.8 million (previous year: EUR 10.1 million), corresponding to an EBITDA margin of 11.3% (previous year: 13.3%). Depreciation and amortization includes impairment on inventories of EUR 250 thousand. EBIT amounted to EUR 1.6 million in the second quarter, or EUR 3.4 million in total for the first half of the year after EUR 5.5 million for the first six months of the previous year. This corresponds to an EBIT margin of 4.9% halfway through the year, which is already almost within the target corridor for fiscal 2017 as a whole (5% to 6%).

Net finance costs improved by EUR 0.3 million to EUR -0.4 million in the reporting period (previous year: EUR -0.7 million). This is due to currency gains, lower interest payments on account of regular repayments and interest income for tax refunds. The development of the dollar exchange rate was compensated by currency hedges.

Consolidated earnings before taxes amounted to EUR 1.5 million in the second quarter after EUR 1.4 million in the first quarter. After the first six months of 2017, this therefore amounts to EUR 2.9 million (previous year: EUR 4.7 million EUR) as a result of the anticipated short-term decline in revenue with largely unchanged staff costs to ensure medium and long-term growth.

Net profit after taxes amounted to EUR 2.1 million for the first half of the year (previous year: EUR 4.2 million). This corresponds to earnings per outstanding share of EUR 0.19 (previous year: EUR 0.38). The Group's tax rate is currently 33%.

Financial position and net assets

Financial position

The decline in **non-current financial liabilities** by EUR 1.6 million as against the end of the year is due to regular repayments from the financing of current assets. This item includes the promissory note loans borrowed. They all have a term of more than one year.

Current financial liabilities include the loans due within one year. In line with the revenue decrease, primarily trade payables fell by EUR 0.6 million.

Net debt is shown in the table below:

in € thousand	Dec. 31, 2016	June 30, 2017	Δ absolute	in %
Non-current financial liabilities	43,599	42,793	-806	-1.8
Current financial liabilities	4,640	4,569	-71	-1.5
Cash and cash equivalents	-23,791	-19,328	4,463	18.8
Net debt	**24,448**	**28,034**	**3,586**	**14.7**

It can also be assumed for the future that First Sensor will be able to finance its operating activities and its planned growth from the funds at its disposal. Recourse to the capital market is not currently planned.

First Sensor does not use off-balance sheet financing instruments.

Capital expenditure, depreciation and amortization

in € thousand	H1 2016	H1 2017	Δ absolute	in %
Investments intangible assets	-1,057	-847	210	19.9
Investments in property, plant and equipment	-1,089	-3,248	1,260	-298.3
Investments	**-2,146**	**-5,184**	**-3,038**	**-141.6**
Disposal of non-current assets and investments	11	1	-10	-90.9
Investment grants	0	202	202	-
Other effects	22	31	9	40.9
Cash flow from investment activities	**-2,113**	**-4,950**	**-2,837**	**-134.3**
Amortization of intangible assets	-1,828	-1,771	57	3.1
Depreciation of property, plant and equipment	-2,751	-2,673	78	2.8
Depreciation and amortization	**-4,579**	**-4,444**	**135**	**2.9**

The **cash flow from investing activities** of EUR -5.0 million consists of investments in equipment and machinery, including for the further efficiency enhancement of production processes, the capacity expansion at the Oberschöneweide site and the launch of ERP software throughout the Group. EUR 0.3 million was invested in software projects at the Oberschöneweide site. The company continues to assume that investments will exceed depreciation and amortization in the current year. Amortization of intangible assets includes amortization under the PPA method for the acquisition of the Sensortechnics Group, which amounts to EUR 1.1 million in the first six months of each year.

Cash flow

The following table shows the condensed consolidated statement of cash flows:

in € thousand	H1 2016	H12017	Δ absolute	in %
Cash flow from operating activities	3,626	1,783	-1,843	-50.8
Cash flow from investment activities	-2,113	-4,950	-2,837	-134.3
Cash flow from financing activities	-5,018	-1,226	3,792	75.6
Change in cash and cash equivalents	-3,505	-4,393	-888	-25.3
Exchange differences	-6	-71	-65	-1083.3
Cash and cash equivalents at the beginning of the financial year	21,523	23,791	2,268	10.5
Cash and cash equivalents at the end of the financial year	18,012	19,328	1,316	7.3
Free cash flow	1,513	-3,167	-4,680	-

Operating cash flow halved year-on-year to EUR 1.8 million. The key factors affecting this in the first six months were the lower operating earnings and a slight increase in working capital.

There was a clear increase **in cash flow from investing activities** in the first six months. Investment of a similar amount is planned for the second half of the year.

The **cash flow from financing activities** has normalized compared to the previous year and reflects the regular repayments. There were only minor equity additions due to stock options being exercised.

As a result of higher investment activity, **free cash flow,** the total of operating cash flow and cash flow from investing activities, declined by EUR 4.7 million to EUR -3.2 million in the reporting period (previous year: EUR 1.5 million).

Net assets

Total assets have remained virtually unchanged since December 31, 2016 at EUR 153.1 million (EUR 154.0 million). The structure of the company's statement of financial position is balanced.

Non-current assets amounted to EUR 82.9 million at the end of the first half of 2017 (December 31, 2016: EUR 82.1 million). Depreciation and amortization was more than compensated by investments in this period. Goodwill was unchanged at EUR 29.8 million.

At the same time, **current assets** declined by EUR 1.7 million to EUR 70.3 million (December 31, 2016: EUR 71.9 million). The rise in working capital, the higher capital expenditures and the lower operating earnings contributed to a reduction in cash and cash equivalents of EUR 4.5 million year-on-year to EUR 19.3 million.

On the equity and liabilities side, **equity** climbed from EUR 77.5 million to EUR 79.4 million as a result of the net retained profits for the first half of 2017. The equity ratio increased from 50.3% to 51.8%. Further information can be found in the statement of changes in equity. 3,000 new shares were issued from Contingent Capital 2009/II under the stock option plan in the first six months of the reporting year.

Working capital (inventories plus trade receivables less trade payables) amounts to EUR 38.8 million after the first half of 2017 (December 31, 2016: EUR 35.7 million). **Capital employed** also rose from EUR 117.8 million to EUR 121.4 million. In conjunction with the weaker profitability, this led to a drop in return on capital employed (**ROCE)** to 2.8% for the first half of the year (previous year: 4.5%).

Net debt increased by EUR 3.6 million to EUR 28.0 million. The ratio of net debt to equity (gearing) was 35.3% as of the end of the reporting period (previous year: 31.5%).

Overall statement

Business performance in the first six months of fiscal 2017 was in line with the Executive Board's expectations. The decline in revenue from EUR 75.9 million to EUR 68.9 million had been included in planning at this amount. This was primarily due to the expiry of a major order on the Mobility target market and product postponements by customers on the Medical target market. At the same time, strong incoming orders in the second quarter shored up the expectation that business performance will be more dynamic in the second half of the year. The conditions are therefore good for the company to achieve its revenue target of EUR 140 million to EUR 145 million for the year as a whole.

Profitability was affected by the lower revenue level. EBIT declined from EUR 5.5 million in the previous year to EUR 3.4 million in 2017. This corresponds to an EBIT margin of 4.9% halfway through the year, which is already almost within the target corridor for the year as a whole. Given the good prospects for the second half of the year, the Executive Board is therefore confident of achieving its target of an EBIT margin of between 5% and 6% at the end of the year.

Overall, the revenue and earnings forecasts for fiscal 2017 have therefore proved correct so far.

Supplementary report

The company is not aware of significant events after the end of the reporting date affecting the net assets, financial position or results of operations.

Report on risks and opportunities

Please see the information published in the 2016 annual report in March 2017 for the report on risks and opportunities. There have been no material changes to the circumstances described there in the first six months of fiscal 2017.

Forecast report

Expected conditions

Development of the economy

Given the good start to the year, the Kiel Institute for the World Economy (IfW) has slightly raised its forecast for world economic development in 2017, from 3.1% last year to 3.6% and 3.7% in 2017 and 2018 respectively. While these expansion rates are low measured against the increases in the upswing phases of the 1990s and 2000s, the utilization of global production capacity is set to grow significantly over the next two years. However, the German Institute for Economic Research (DIW Berlin) is skeptical as to whether this situation will be lasting. It seems that companies' expectations are not nearly as optimistic as their assessment of the current situation. They therefore suspect that the German economy cannot sustain the current high increases for long.

Development of the sensor market

The members of the German Association for Sensors and Measurement (AMA) are forecasting revenue growth of provisionally 4% for the remainder of 2017.

Target market Industrial

According to the German Mechanical Engineering Industry Association (VDMA), sentiment is good among its members halfway through the year. The hard indicators – incoming orders, production, revenue – have also improved in many countries. VDMA economists are predicting an increase of 4% in global engineering revenue. We therefore anticipate a willingness to invest in new products and improved process automation, and therefore further interest in new applications for sensor technology in industry in the long term.

Target market Medical

The global market for electromedical technology will grow by 6% in both 2017 and 2018, according to the German Electrical and Electronic Manufacturers' Association (ZVEI). The association is forecasting growth of 5% this year and next year for Germany. 7% (2017) and 8% (2018) are forecast for America and Asia. Here, too, we therefore expect interest in product differentiation using new sensor technology, though the introduction of new products by customers may take some time.

Target market Mobility

A recent study by the consulting firm Berylls suggests that growth in the automotive sector and the supplier industry specifically will continue undiminished. They predict an increase of up to 10% this year and next year. The consistently positive economic figures from Europe, coupled with robust growth in the US and solid figures from China, are ensuring highly positive sentiment among car manufacturers. This is also largely due to improved conditions for autonomous driving as a result of new laws and guidelines. The consulting firm Bain & Company has calculated that the global market for automated vehicles and driver assistance systems will reach a volume of between USD 22 and USD 26 billion dollars by 2025 with annual growth rates of between 12% and 14%. It remains to be seen whether and to what extent the current diesel problems and antitrust accusations will affect this.

Expected development of the First Sensor Group

Revenue and earnings

In a positive general economic environment with intact trends that will drive First Sensor's business in the medium and long term, revenue and earnings were in line with expectations after the first half of 2017. Incoming orders picked up significantly in the second quarter, bringing the order backlog to EUR 90.7 million after six months. However, this level cannot entirely be compared to previous years. Firstly, the major order that contributed around EUR 8.9 million in the previous year has expired. Secondly, the accounting for incoming orders has been revised, with the result that this figure no longer includes the entire volume of framework agreements and instead only the respective deliveries under these contracts.

A more dynamic business performance in the second half of the year will also have a positive effect on the earnings situation. The planning for the year as a whole is therefore unchanged, and the company is targeting an EBIT margin of between 5% and 6%.

Financial position and net assets

It is still expected that First Sensor will generate a positive operating cash flow in fiscal 2017 as well. As is already clear from the first half of the year, investment volumes are rising again in 2017 and are expected to amount to between EUR 8 and EUR 10 million. By contrast, depreciation and amortization will be largely unchanged.

Overall statement

The Executive Board is forecasting revenue between EUR 140 and EUR 145 million for fiscal 2017. It is still planning an EBIT margin of between 5% and 6% in fiscal 2017. In the medium and long term, the company is aiming for revenue growth of around 10% while gradually improving its EBIT margin to 10%.

5 Consolidated statement of financial position (IFRS)

Consolidated balance sheet ASSETS

ASSETS in € thousand	Dec. 31, 2016	June 30, 2017	Δ absolute	in %
Intangible assets	14,433	13,354	-1,079	-7.5
Internally-generated intangible assets	4,903	5,102	199	4.1
Goodwill	29,816	29,816	0	0.0
Property, plant and equipment	32,965	34,575	1,610	4.9
Total non-current assets	**82,117**	**82,847**	**730**	**0.9**
Inventories	25,856	27,285	1,429	5.5
Trade accounts receivables	18,426	19,522	1,096	5.9
Tax refund claims	593	56	-537	-90.6
Other current assets	3,258	4,061	803	24.6
Cash and cash equivalents	23,791	19,328	-4,463	-18.8
Total current assets	**71,924**	**70,252**	**-1,672**	**-2.3**
TOTAL ASSETS	**154,041**	**153,099**	**-942**	**-0.6**

Consolidated balance sheet EQUTY AND LIABILITIES

EQUITY AND LIABILITIES in € thousand	Dec. 31, 2016	June 30, 2017	Δ absolute	in %
Share capital	51,042	51,057	15	0.0
Capital reserves	16,707	16,757	50	0.3
Revenue reserves	1,004	1,004	0	0.0
Currency translation	-108	-340	-232	-214.8
Revaluation reserves	-347	-358	-11	-3.2
Retained earnings	8,232	10,200	1,968	23.9
Minority interest	935	1,054	119	12.7
Total equity	**77,465**	**79,374**	**1,909**	**2.5**
Non-current post-employment benefit obligation	300	294	-6	-2.0
Long-term loans, excluding current portion	43,599	42,793	-806	-1.8
Other non-current liabilities	4,241	3,663	-578	-13.6
Deferred tax liabilities	3,861	3,683	-178	-4.6
Total non-current liabilities	**52,001**	**50,433**	**-1,568**	**-3.0**
Income tax provisions and liabilities	1,057	1,224	167	15.8
Other current provisions	1,502	1,340	-162	-10.8
Short-term loans and current portion of long-term loans	4,640	4,569	-71	-1.5
Payments received on account of orders	910	690	-220	-24.2
Trade accounts payables	8,611	8,006	-605	-7.0
Other current liabilities	7,855	7,463	-392	-5.0
Total current liabilities	**24,575**	**23,292**	**-1,283**	**-5.2**
TOTAL EQUITY AND LIABILITIES	**154,041**	**153,099**	**-942**	**-0.6**

Consolidated Statement of Comprehensive Income

Consolidated income statement

in € thousand	6M 2016	6M 2017	Δ absolute	in %
Sales revenues	75,933	68,930	-7,003	-9.2
Other operating income	1,152	1,604	452	39.2
Change in inventories of finished goods and work in progress	-469	-50	419	89.3
Other own work capitalized	585	762	177	30.3
Costs of materials and purchased services	-37,189	-32,922	4,267	11.5
Personnel expenses	-21,801	-22,633	-832	-3.8
Other operating expenses	-8,147	-7,875	272	3.3
Profit from operations (EBITDA)	**10,064**	**7,816**	**-2, 248**	**-22.3**
Depreciation of property, plant and equipment and amortization of intangible assets	-4,579	-4,444	135	2.9
Earnings before interest and tax (EBIT)	**5,485**	**3,372**	**-2,113**	**-38.5**
Interest income	22	31	9	40.9
Interest expenses	-963	-796	167	17.3
Currency gains	340	774	434	127.6
Currency losses	-154	-432	-278	-180.5
Income before tax and minority interest	**4,730**	**2, 949**	**-1,781**	**-37.7**
Income tax expenses	-578	-863	-285	-49.3
Net profit for the period	**4,152**	**2,086**	**-2, 066**	**-49.8**
Net profit for the period attributable to First Sensor AG shareholders	3,888	1,967	-1,921	-49.4
Net profit for the period attributable to minority interest	264	119	-145	-54.9
Earnings per share in € (basic=diluted)	0.38	0.19	-0.19	-50.0

Other comprehensive income

in € thousand	6M 2016	6M 2017	Δ absolute	in %
Net profit for the period	**4,152**	**2,086**	**-2,066**	**-49.8**
Actuarial gains and losses on defined benefit plans	0	0	0	0.0
Taxes on other comprehensive income	0	0	0	0.0
Items not subsequently reclassified to the income statement	0	0	0	0.0
Changes from currency translations	-18	-232	-214	-1.188.9
Revaluation of derivative financial instruments	-291	-364	-73	-25.1
Revaluation of derivative financial instruments taxes on other comprehensive income	45	118	73	162.2
Items that can be subsequently reclassified to the income statement	**-264**	**-478**	**-214**	**-81.1**
Total comprehensive income	**3,888**	**1,608**	**-2,280**	**-58.6**
Thereof attributable to shareholders of First Sensor AG	3,624	1,489	-2,135	-58.9
Thereof attributable to minority interest	264	119	-145	-54.9

Consolidated statement of changes in equity

June 30, 2016

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, 2016	**10,167**	**50,835**	**16,527**	**1,004**	**62**	**-227**	**2,476**	**594**	**71,271**
Net profit for the period							3,889	264	**4,153**
Other comprehensive income					-18	-246			**-264**
Total comprehensive income					**-18**	**-246**	**3,889**	**264**	**3,889**
Share-based remuneration			46						**46**
Capital increase	4	20	9						**29**
Appropriation of earnings									**0**
As at June 30, 2016	**10,171**	**50,855**	**16,582**	**1,004**	**44**	**-473**	**6,365**	**858**	**75,235**

June 30, 2017

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, 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**	**1,968**
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**

Consolidated statement of cash flows

in € thousand	6M 2016	6M 2017	Δ absolute	in %
Income before tax and minority interest	**4,730**	**2,949**	**-1,781**	**-37.7**
Interest paid	941	408	-533	-56.6
Depreciation of property, plant and equipment and amortization of intangible assets	4,579	4,444	-135	-2.9
Income from investment grants	0	-202	-202	-
Gains and losses on disposal of fixed assets	-134	9	143	-
Other non-cash expenses and income	0	27	27	-
Changes in provisions	-19	-168	-149	784.2
Changes in working capital	-2,846	-3,130	-284	-10.0
Changes in other assets and liabilities	-2,135	-1,855	280	-13.1
Income tax paid	-1,490	-699	791	53.1
Cash flow from operating activities	**3,626**	**1,783**	**-1,843**	**-50.8**
Payments for investments in property, plant and equipment and intangible assets	-2,146	-5,184	-3,038	141.6
Proceeds from disposal of property, plant and equipment, intangible assets and investments	11	1	-10	-90.9
Proceeds from investment grants	0	202	202	-
Interest received	22	31	9	40.9
Cash flow from investment activities	**-2,113**	**-4,950**	**-2,837**	**134.3**
Proceeds from shareholders	29	20	-9	-31.0
Repayments from financial liabilities	-4,489	-1,713	2,776	61.8
Proceeds from loans	405	836	431	106.4
Interest paid	-963	-369	594	61.7
Cash flow from financing activities	**-5,018**	**-1,226**	**3,792**	**75.6**
Net change in cash and cash equivalents	**-3,505**	**-4,393**	**-888**	**-25.3**
Currency differences from converting funds	-6	-70	-64	-1,066.7
Cash and cash equivalents at the beginning of the financial period	**21,523**	**23,791**	**2,268**	**10.5**
Cash and cash equivalents at the end of the financial period	**18,012**	**19,328**	**1,316**	**7.3**

6 Notes to the consolidated financial statements (IFRS)

The notes to the consolidated financial statements of First Sensor AG as of June 30, 2017, like the consolidated financial statements as of December 31, 2016, 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 2016.

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, 2016 were also based. The accounting policies and consolidation methods applied are the same as those used for fiscal 2016. Please see the notes to the consolidated financial statements as of December 31, 2016 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, 2017 and June 30, 2016 and the notes have not been audited or reviewed.

Consolidated group

The First Sensor Group (hereinafter also referred to as the "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, 2017.

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	Dec. 31, 2016	June 30, 2017	Δ absolute	in %
Germany	81,256	81,679	423	0.5
Europe	104	111	7	6.7
North America	757	792	35	4.6
Total	**82,117**	**82,582**	**465**	**0.6**

Investments in € thousand	6M 2016	6M 2017	Δ absolute	in %
Germany	1,988	5,069	3,081	155.0
Europe	15	31	16	106.7
North America	143	84	-59	-41.3
Total	**2,146**	**5,184**	**3,038**	**141.6**

Investments in € thousand	Dec. 31, 2016	June 30, 2017	Δ absolute	in %
Germany	747	724	-23	3.1
Europe	34	35	1	2.9
North America	23	25	21	8.7
Total	**804**	**784**	**-20**	**-2.5**

7 Responsibility statement

In accordance with section 264(2) sentence 3 and section 289(1) sentence 5 HGB

To the best of our knowledge and in accordance with the applicable accounting principles, the half-year financial statements give a true and fair view of the net assets, financial position and results of operations 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, 2017

First Sensor AG

Dr. Dirk Rothweiler	**Dr. Mathias Gollwitzer**
CEO	CFO

8 Further information

Legal disclaimer

This report contains statements of a predictive nature and does not represent any incitement to purchase shares of First Sensor AG, but rather is intended exclusively for information purposes with regard to possible future developments at the company.

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

This document is published in a non-binding convenience translation.

Financial calendar 2017

Date	Topic	Details
May 18, 2017	Interim Report Q1 2017	www.first-sensor.com
May 18, 2017 2 p.m.	Presentation Q1 Interim Report	http://firstsensor180517-live.audio-webcast.com
May 24, 2017	Annual General Meeting 2017	Penta Hotel, Grünauer Str. 1, 12557 Berlin
August 10, 2017	6-Month Financial Report	www.first-sensor.com
August 10, 2017 10 a.m.	Presentation 6-Month Financial Report	http://firstsensor100817-live.audio-webcast.com
November 09, 2017	Interim Report Q3 2017	www.first-sensor.com
November 09, 2017 2 p.m.	Presentation Q3 Interim Report	http://firstsensor091117-live.audio-webcast.com
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**.

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.

This consolidated interim financial report is available in German and English.
Both versions are also available for download on the Internet at **www.first-sensor.com**.

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