
We lead
the future

Interim Report Q1 2018

To our shareholders



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

Dear shareholders and business partners,

after having full order books as at December 31, 2017, we could not yet realize our full economic potential in the first three months of the current year. We are currently at the previous year's level with sales of €34.5 million. Due to reporting date factors, output decreased in connection with the introduction of a new ERP system for company management as at January 1, 2018. This is also evident in our order backlog, which at €97.3 million is €4.8 million up on the fourth quarter of 2017.

Due to sales-related decrease in economies of scale combined with increased material and

personnel expenses to secure further growth, our EBIT margin is 3.1% after the first three months.

Continued high demand for sensors and integrated manufacturing services from First Sensor gives us a tailwind for the rest of the year. Thus incoming orders amounts to €39.3 million. As an important growth indicator, our book-to-bill-ratio thus came to 1.14 as at the reporting date.

On this basis, we will keep advancing our business. In addition, we are successively working off the order load which had build up from the

first quarter. For 2018 as a whole, we therefore continue to expect sales between €150 million and €160 million and an EBIT margin between 7% and 9%.

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

The Executive Board

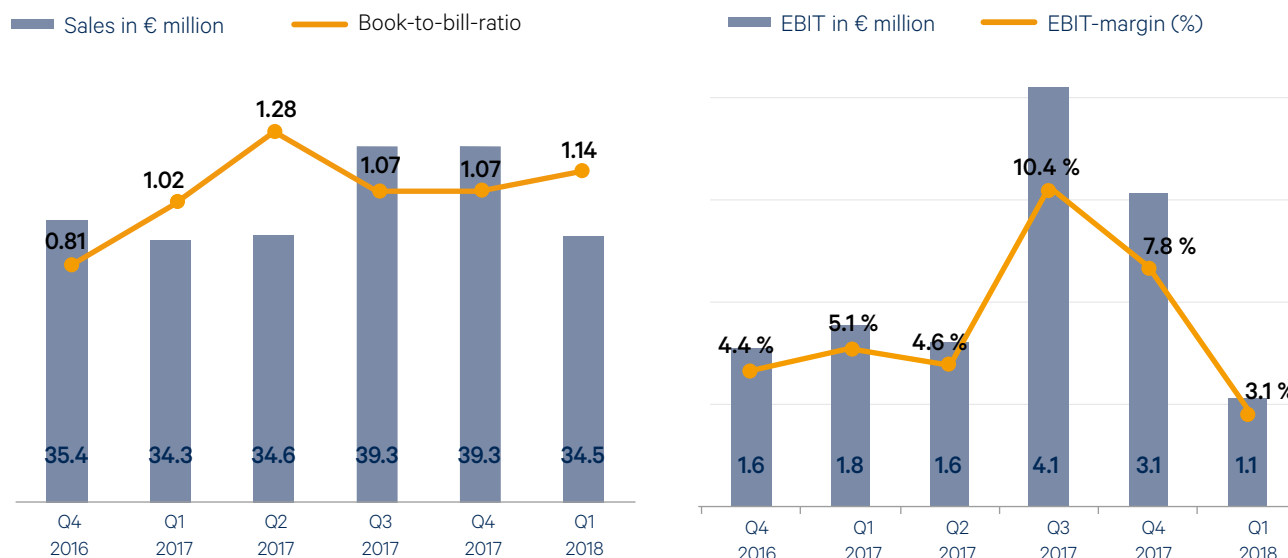


Dr. Dirk Rothweiler
CEO



Dr. Mathias Gollwitzer
CFO

Revenue and earnings still down on planning on the reporting date



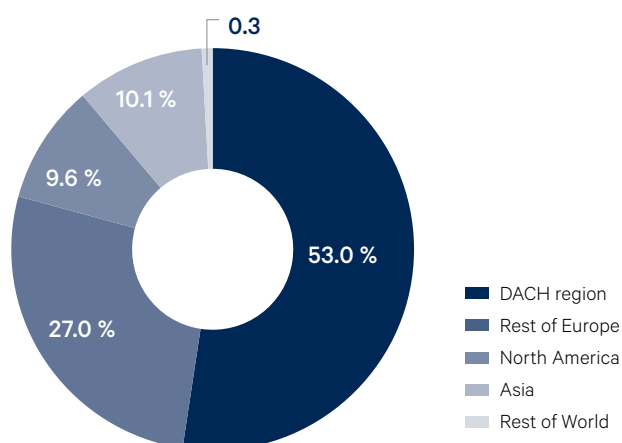
After the new software system for company management went live as at January 1, 2018, First Sensor started 2018 with quarterly sales of €34.5 million. This is in line with the level of the previous year (€34.3 million), but is not at the peak level of the previous quarter (€39.3 million), as production in January recorded decreased output due to the introduction of a new ERP system for company management. As a result the booked order volume was not produced in full. This is also evident in our order backlog, which at €97.3 million is €4.8 million up on the fourth quarter of 2017.

Incoming orders at €39.3 million were also up year-on-year (€35.1 million). As an important growth indicator, our book-to-bill ratio thus came to 1.14 as at the reporting date.

The changeover of the IT landscape is also reflected in EBIT. At €1.1 million in the first quarter of 2018 (PY: €1.8 million), it resulted in an EBIT margin of 3.1% (PY: 5.1%). This was impacted by higher personnel expenses and cost of materials associated with growth and a sales-related decrease in economies of scale.

All in all, the business performance in the first quarter of 2018 does not reflect the expectations and potential for the year as a whole. At the same time, the order backlog and incoming orders support the Executive Board's forecasts of closing 2018 as a whole with sales between €150 million and €160 million and an EBIT margin between 7% and 9%.

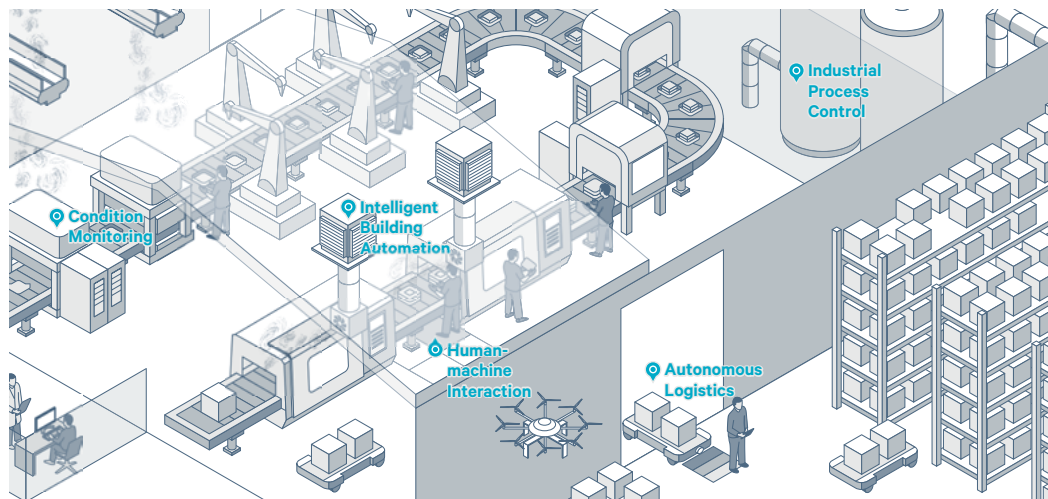
German-speaking area still the most important market



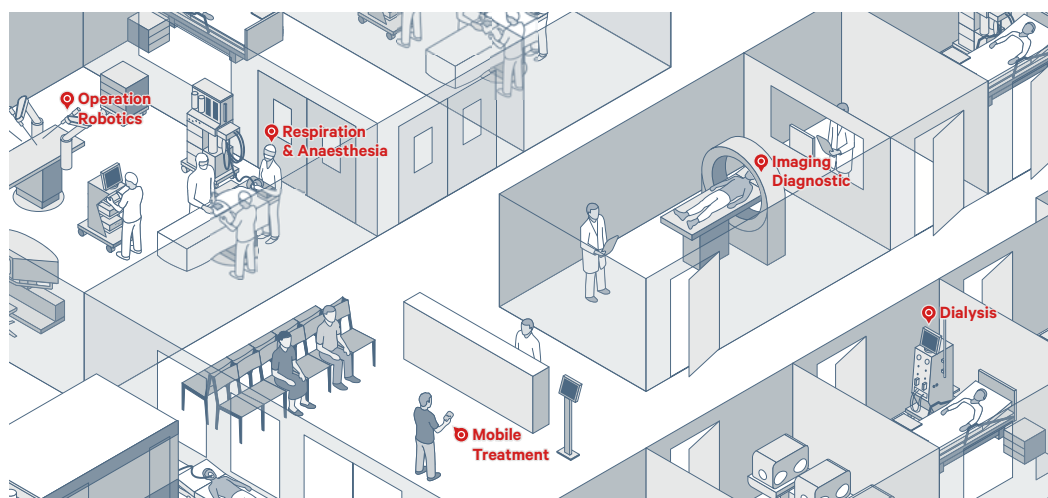
With sales of €18.3 million (PY: €17.7 million) and a share of sales of 53.0% (PY: 51.5%), the German-speaking area is still the most important sales market. The share of sales attributable to North America and to Asia also increased further to 9.6% (PY: 8.2%) and 10.1% (PY: 9.9%) respectively. In Europe, sales generated in the first quarter of 2018 were €1.0 million lower at €9.3 million (PY: €10.3 million). This was due to shifts in supplier countries on the part of customers. However, Europe is still the second most important market with a share of 27.0%.

Sales development in target markets

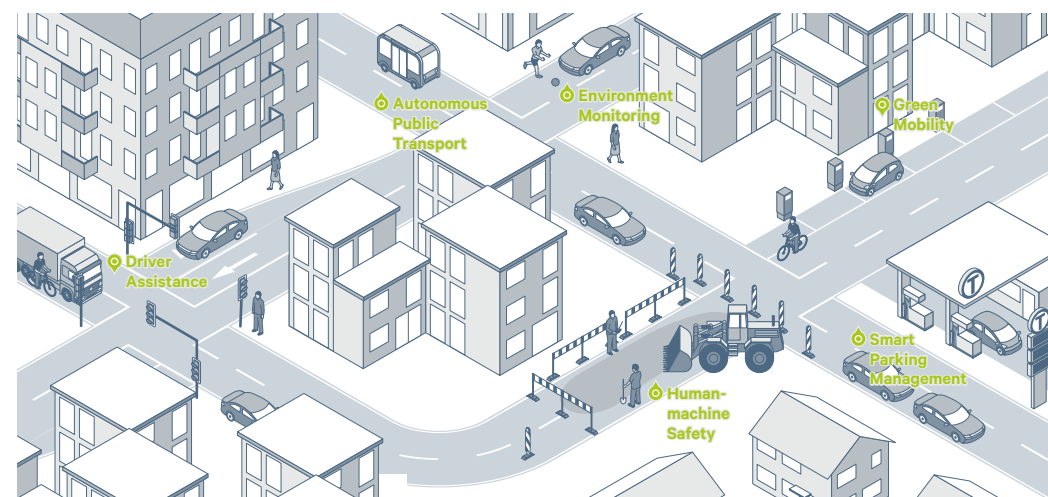
In the **Industrial** target market, First Sensor generated sales of €16.3 million in the first quarter of 2018. This was €1.5 million lower than in the previous year (€17.8 million). Based on the order backlog and incoming orders, sales are expected to increase over the course of the year. The Industrial target market accounted for 47.3% of total sales as at the reporting date.



In the **Medical** target market, sales amounted to €7.4 million in the first quarter of 2018. Compared to the first quarter of 2017 (€6.4 million), a sales increase of €1.0 million was achieved. This is primarily due to optical diagnostics customers. All in all, the share of total sales attributable to Medical was 21.3% as at the reporting date.



In the **Mobility** target market, sales amounted to €10.8 million in the first quarter of 2018, accounting for 31.4% of total sales. This represents an increase of €0.7 million compared to the first quarter of 2017 (€10.1 million). This is primarily due to a greater demand in the area of pressure sensor technology.



Consolidated income statement (IFRS)

in € thousand	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Sales revenues	35,361	34,337	34,593	39,310	39,260	34,494
Other operating income	1,023	1,093	511	451	1,276	370
Changes in inventories	-1,584	10	-60	298	-1,733	1,062
Other own work capitalized	607	299	463	522	1,223	211
Cost of material	-15,583	-16,257	-16,665	-18,983	-17,409	-17,455
Gross profit	19,824	19,482	18,842	21,598	22,617	18,682
Personnel expenses	-11,172	-11,426	-11,207	-11,332	-12,621	-11,792
Other operating expenses	-4,676	-4,049	-3,826	-3,972	-4,468	-3,626
Operating result (EBITDA)	3,976	4,007	3,809	6,294	5,528	3,264
Depreciation and amortization	-1,820	-1,646	-1,636	-1,619	-1,894	-1,649
Operating result before goodwill amortization (EBITA)	2,156	2,361	2,173	4,675	3,634	1,615
Goodwill amortization	-593	-593	-569	-569	-558	-558
Earnings before interest and tax (EBIT)	1,563	1,768	1,604	4,106	3,076	1,057
Financial result	-138	-348	-75	-1,934	-1,046	-437
Income before tax (EBT)	1,425	1,420	1,529	2,172	2,030	620
Taxes	-1,229	-175	-688	-1,231	-684	-397
Net income	196	1,245	841	941	1,346	223

The decreased output due to the implementation of a new ERP system is reflected not only in the sales level for the first quarter of 2018, but also in higher inventories as well as the cost of materials and purchased services of approximately €17.5 million being higher than the previous year (PY: €16.3 million). Personnel expenses also increased to €11.8 million compared to the first quarter of 2017 (€11.4 million).

This was driven by new sales and production staff to secure future growth as well as general wage adjustments. Together with revenue-related lower economies of scale, these effects resulted in the gross profit being €0.8 million lower and EBIT arriving at €1.1 million. Although net interest improved slightly compared to the first quarter of 2017 as a result of repayments, these were more than offset by the effect of

significant changes in the euro/dollar exchange rate since 2017 on the financial result in a total amount of €-0.4 million. Income taxes increased by €0.2 million year-on-year to €-0.4 million compared to the previous year (€-0.2 million). This effect resulted from taxable profits of subsidiaries and the usage of tax-effective loss carryforwards. Net profit for the first quarter of 2018 totaled €0.2 million, with earnings per share of €0.02 (PY: €0.13).

Consolidated balance sheet (IFRS)

ASSETS

in € thousand	Dec. 31, 2017	Mar. 31, 2018
Non-current assets	85,350	85,229
Inventories	24,626	27,407
Trade accounts receivables	20,766	21,171
Current assets	3,330	2,428
Cash and cash equivalents	25,505	22,940
Total ASSETS	159,577	159,175

EQUITY AND LIABILITIES

in € thousand	Dec. 31, 2017	Mar. 31, 2018
Equity	81,899	82,053
Financial liabilities	32,184	31,870
Non-current liabilities	7,727	7,479
Current financial liabilities	16,115	16,312
Trade accounts payables	7,885	9,734
Current liabilities	13,767	11,727
Total EQUITY AND LIABILITIES	159,577	159,175

At €159.2 million, total assets were almost unchanged as against December 31, 2017. One significant change is the increase in the inventories item, which allows for an improvement in delivery capability. The increase of around €2.8 million was financed with cash and cash equivalents. Net debt amounts to €25.2 million and is thus slightly lower than in the previous year (PY: €27.3 million). Compared to the first quarter of 2017, equity increased to €82.1 million (PY: €78.7 million), with an equity ratio of 51.5% (PY: 50.9%).

Working capital and capital employed almost constant

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Working Capital in € thousand	35,671	38,313	38,801	41,140	37,507	38,388
Capital employed in € thousand	117,788	120,423	121,648	124,912	122,857	123,617

Despite the impetus from the development of inventories, the working capital of €38.4 million and consequently also the operating assets of €123.6 million rose only moderately, as trade payables also increased during the period.

Cash flow items improve year-on-year

in € thousand	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Cash flow from operating activities	7,737	-218	2,001	3,854	10,368	69
Cash flow from investment activities	-2,675	-2,235	-2,715	-2,993	-4,590	-2,008
Cash flow from financing activities	-710	-1,036	-190	814	-1,292	-600
Free cash flow	5,062	-2,453	-714	861	5,778	-1,939

With roughly constant sales and a significant increase in inventories, cash flow from operating activities improved slightly compared to the same period of the previous year. Moderate additions to investments in the first quarter of 2018 curbed the outflow of cash in comparison to the same period of the previous year. Therefore the free cash flow with €1.9 million improved slightly year-on-year (PY: €-2.5 million). The negative cash flow from financing activities of €-0.6 million was also lower than in the first quarter of 2017 as a result of the more usual financing activities from repayments in a small amount and interest payments.

Growth-driven investments in expanding personnel levels pushes down revenues per employee

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Sales in € thousand	35,361	34,337	34,593	39,310	39,260	34,494
Employees (FTE)	804	783	784	784	798	811
Sales per employee in € thousand	44.0	43.9	44.1	50.1	49.2	42.5

The increase in employees at the First Sensor Group from 783 FTEs (full-time equivalents) in the first quarter 2017 compared to 811 FTEs in the first quarter 2018 is attributable to additional requirements for services to be performed in the current fiscal year. In relation to the current sales level, sales per employee have therefore decreased.

Order situation supports targets for 2018

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Incoming orders in € thousand	28,708	35,067	44,441	42,023	42,143	39,329
Orders on hand in € thousand	82,232	88,867	90,732	96,527	92,465	97,300
Book-to-bill-ratio	0.81	1.02	1.28	1.07	1.07	1.14

Incoming orders totaled €39.3 million. As an important growth indicator, our book-to-bill ratio thus came to 1.14 as at the reporting date. Due to reporting date factors driven by the lower output in connection and the alignment of the ERP system, the order backlog also increased. It now totals €97.3 million.

First Sensor News

Campaign “We lead the future” starting now

“We lead the future”: First Sensor is implementing its annual topic for 2018 as an online campaign, too, and offering insights into its collaboration with customers. The reports show how working with key customers gives rise to the technologies of the future and how First Sensor gives companies an edge with highly efficient key products and innovative integrated manufacturing services (IMS). Visitors to the website will be kept informed with regular updates, as the next articles are already being planned. Find out more at www.first-sensor.com/en/we-lead-the-future.

First Sensor gets girls interested in micro-electronics

On April 26, 2018, female school students had the chance to discover Dresden's cleanest workplace at First Sensor Microelectronic Packaging GmbH as part of Girls' Day. The students found out about training as a microtechnology specialist at the First Sensor Group, which manufactures highly sensitive sensors in specially protected cleanrooms. Its sensors are used to steer satellites through space, provide artificial respiration for patients in intensive care, or x-ray suitcases at the airport, for example. The 10 available places were soon booked up – no wonder, given that First Sensor was rated as one of the best training companies in Germany by Deutschland Test and the business magazine Focus Money in April. The next opportunity to take a look behind the scenes at First Sensor will be on June 28, 2018, when the “Long Night of Industry” is taking place again in Dresden.

China specialist heads our Sales in Asia

Hubertus Edler von Janeczek has been our new Sales Director Asia since April 1. He comes to us from the Chinese start-up Nitetronic Shanghai Limited, which he founded himself. He managed development, manufacturing, and sales of IoT products at that company for six years until it was sold. Before that, he was a sales director at BOSCH Sensortec for five years and a member of the executive board at HL Planartechnik GmbH in Dortmund for two years. He has over 20 years of experience in international sales of semiconductors, sensors, and sensor systems and over 10 years of experience in the development of sensor technologies.

Industrial process control remains a focus

Focus of this year's Hannover Messe trade show was the increasing automation of processes and production. The Bitkom has calculated that sales with Industry 4.0 solutions will grow by more than a fifth to €7.2 billion in Germany alone in 2018. In 2017 First Sensor generated €32.7 million with products for industrial process control. This is about 45 percent of the 2017-sales in the Industrial target market. CEO Dr. Dirk Rothweiler was using the trade show to hold conversations with key customers. “Sensors play a key role in smart factories: Their data form the basis for the growing digitalization of industrial processes.

Start of series production of the “Blue Next” camera range

First Sensor AG is taking the next step towards volume production of cameras for driver assistance systems and adding the “Blue Next” industrialized camera generation to its product range. The cameras, equipped with the high-speed interface APIX for point-to-point connectivity in vehicles, replace traditional rear-view mirrors and help to prevent accidents caused by the blind spot. Being more aerodynamic, they also contribute to lower consumption costs. Putting the new ‘Blue Next’ camera range into series production for an international tier-1 supplier of driver assistance systems at the beginning of this year allows First Sensor to position itself as an affordable provider and to further grow in the mobility target market. Volume production of the second “Blue Next” model for a further customer is scheduled to start in summer 2018.

Compliance management system published

Based on the company's corporate culture, clear goals have been defined in First Sensor's compliance management to offer employees guidance on legally compliant and ethical conduct. It encompasses a code of conduct, supplementary guidelines, and a structure for dealing with compliance-related disclosures. This is intended to prevent discrimination, corruption and conflicts of interest and protect employee rights, data and the environment by means of sustainable business management. To ensure that suppliers also put First Sensor's values into practice, a supplementary supplier code will shortly be issued. Detailed information on this topic can be found online.

First Sensor share recorded a performance of 15.8% in Q1 2018



The 2018 stock market year initially began very positively for First Sensor, with the share price already reaching a new high of €25.50 on the second trading day of the year. This was followed by a consolidation phase lasting until February during which the share price decreased again to €19.35 at its lowest point. The share price then developed dynamically until mid-March and climbed to new levels, reaching its high of €31.80 on March 15. Market concerns about the risk of a trade war between China and the USA, fueled by the punitive tariffs brought into play by President Trump, caused volatility on the markets to shoot up. First Sensor's shares also could not escape this trend and recorded a closing price for the quarter of €25.20, representing a performance of 15.8% compared to the closing price at the end of 2017. The average number of shares traded per day in the first quarter of 2018 came to 37,269 and was thus considerably higher than in the same period of the previous year, when an average of 10,437 shares were traded per day.

Financial calendar 2018

Termin	Thema	Details
May 14, 2018	Q1 Interim Report	www.first-sensor.com
May 14, 2018 2 p.m. CEST	Presentation Q1 Interim Report 2018	https://webcasts.eqs.com/firstsensor20180514
May 15, 2018	German Spring Conference 2018	Marriott Hotel, Frankfurt am Main
May 23, 2018	Annual General Meeting 2018	Penta Hotel, Grünauer Str. 1, 12557 Berlin
June 1, 2018	Roadshow Oddo BHF	Paris
June 21. to 22, 2018	Berenberg Pan-European Discovery Conference	The Terre Blanche Hotel, Provence Côte d'Azur
August 13, 2018	6-Month Financial Report	www.first-sensor.com
August 13, 2018 2 p.m. CEST	Presentation 6-Month Financial Report 2018	https://webcasts.eqs.com/firstsensor20180813
November 12, 2018	Q3 Interim Report	www.first-sensor.com
November 12, 2018 2 p.m. CET	Presentation Q3 Interim Report 2018	https://webcasts.eqs.com/firstsensor20181112
November 26. to 27, 2018	German Equity Forum 2018	Sheraton Airport Hotel, Frankfurt am Main

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.

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