
We lead the future

Interim Report Q3 2018

To our shareholders



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

Dear shareholders,

“First Sensor is on track with sales revenues and earnings.” We shared this piece of good news with you two weeks ago based on our provisional figures. And the figures we published today underline it.

Our sensors and sensor solutions for B2B applications in our target markets of Industrial, Medical and Mobility generated sales of EUR 40.8 million in the third quarter of 2018. This is the first quarter in which we have surpassed the EUR 40 million mark. Our sales after nine months are at EUR 115.1 million, which equates to organic growth of 6.4% year-on-year.

We are proud to have generated these sales with a very good earnings quality. Our EBIT reached EUR 4.6 million in the third quarter. This puts our EBIT margin above 11% for the

first time, which shows that our strategy geared toward economies of scale and improved operational excellence is having an impact. As a result and regardless of any product mix fluctuations, our production locations have continued to improve their profitability by optimizing value chains and improvements in yield. At the same time, we are also seeing success in the strategy employed by our sales and development teams to focus on forward-integrated, customer-specific solutions and their continued efforts to differentiate our standard products on the market. Our EBIT margin after nine months is 7.5%, which is within our target range for the year as a whole.

Based on these achievements combined with incoming orders and orders on hand, we still expect to achieve sales of between EUR 150 million and EUR 160 million as well as an EBIT margin of between 7% and 9% for the year as a whole.

Sensor technology remains an important key technology in the medium to long term with respect to industry automation, the advancement of medical technology and the transition to a new era of mobility. After all, sensors are the only means of turning physical parameters into digital signals and data. We want to continue to generate profitable growth in this future market and believe that the combination of our analog chip know-how and microelectronic packaging expertise puts us in an excellent position to achieve this.

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

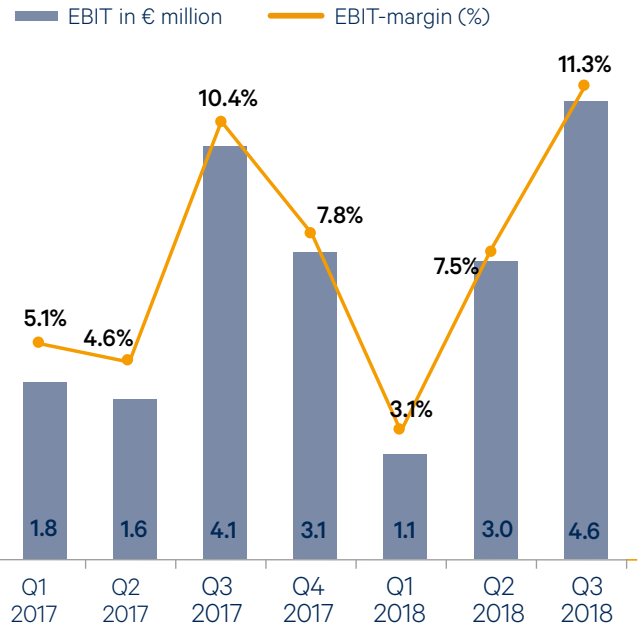
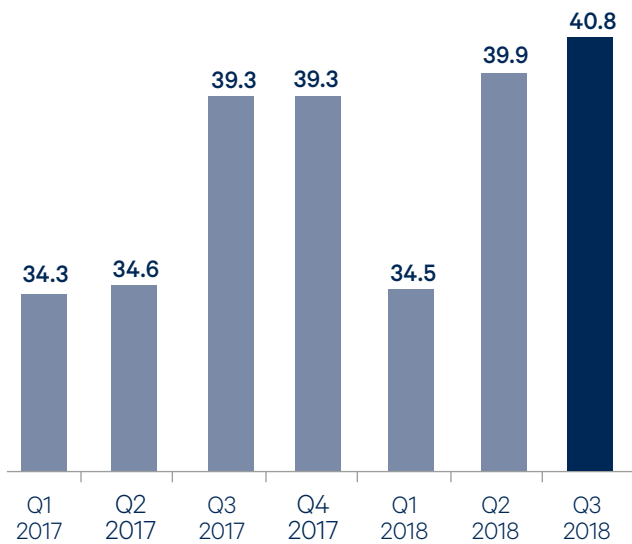
Your Executive Board

Dr. Dirk Rothweiler
CEO

Dr. Mathias Gollwitzer
CFO

First Sensor on track with sales revenues and earnings

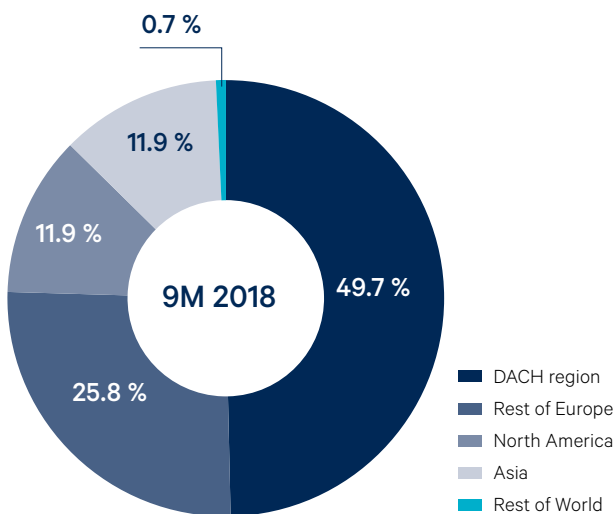
Sales in € million



First Sensor continued in the vein of the strong previous quarter in the third quarter of 2018, achieving total sales of EUR 40.8 million – the first time ever that the company has breached the EUR 40 million mark in a quarter. Consolidated sales amounted to EUR 115.1 million after nine months, up 6.4% on the previous year’s figure of EUR 108.2 million.

The company continued to improve its earnings quality with the sales it generated in the third quarter. EBIT climbed to EUR 4.6 million and produced an EBIT margin of 11.3%. The EBIT margin after nine months of the year stands at 7.5% (previous year: 6.9%) and is in the target range for the year as a whole.

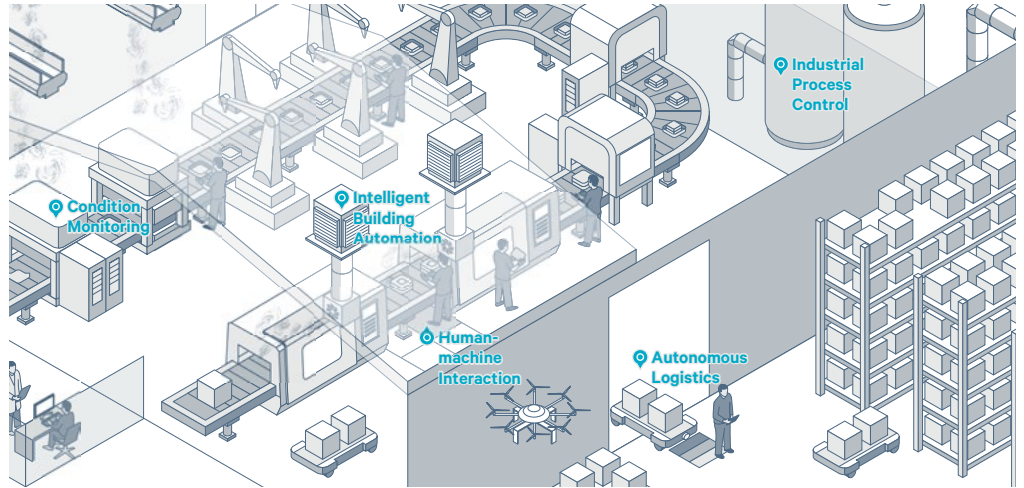
Internationalization moving forwards



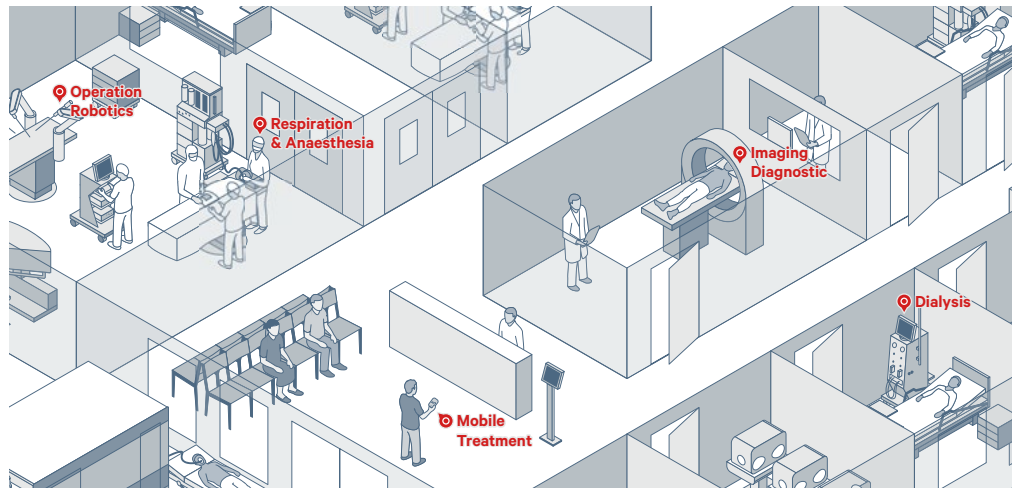
The decision to focus on internationalization as part of the strategy for profitable growth is continuing to bear fruit. Sales in Asia after nine months of the year, increased by approximately EUR 3 million year-on-year to EUR 13.7 million (previous year: EUR 10.7 million). This brought its share of total sales up by two percentage points to 11.9% (previous year: 9.9%). Optical sensor technology and growing demand for high-quality pressure sensors are the two factors that are driving growth. There was a similar picture in North America where sales increased EUR 2.3 million to EUR 13.7 million (previous year: EUR 11.4 million). This equates to a sales share of also 11.9% (previous year: 10.6%). The German-speaking area, which is dominated by B2B applications, remains First Sensor’s largest market with sales of EUR 57.2 million (previous year: EUR 55.0 million). Europe’s and German-speaking area’s shares of total sales have changed slightly, however, as a result of growth in Asia and North America.

Sales development by target markets

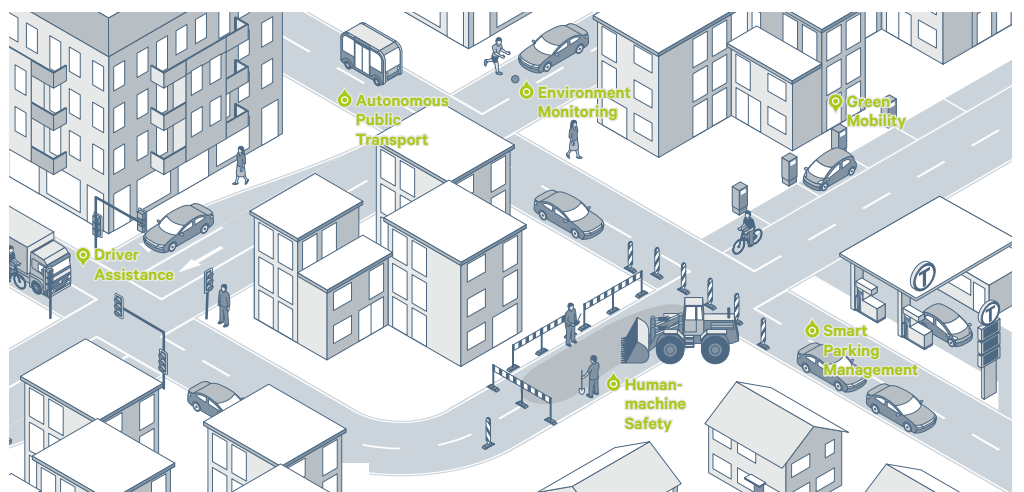
The **Industrial** target market generated sales of EUR 20.7 million in the third quarter of 2018 (previous year: EUR 19.4 million). Sales after nine months of the year amounted to EUR 57.8 million, up EUR 2.2 million on the previous year (EUR 55.5 million). The main factors that contributed to this growth are increasing demand for pressure sensor technology like the H series and the acquisition of new projects in the field of optical sensor technology. The Industrial target market is still First Sensor's largest market with a sales share of 50.2% (previous year: 51.3%).



The **Medical** target market reported year-on-year sales growth of EUR 1.9 million, bringing sales to EUR 9.5 million in the third quarter of 2018 (previous year: EUR 7.6 million). Sales after nine months of the year came to EUR 25.8 million, an increase of EUR 5.5 million compared to the same period of the previous year (EUR 20.4 million). This growth can be attributed to rising demand for pressure sensors and to growing orders for services relating to optical packaging. This growth brought Medical's share of total sales up to 22.4% (previous year: 18.8%).



Sales in the **Mobility** target market remained at a stable level of EUR 10.5 million compared to the first two quarters of the year. Sales after nine months of the year totaled EUR 31.5 million (previous year: EUR 32.3 million). This corresponds to a share of total sales of 27.4% (previous year: 29.9%).



Consolidated income statement (IFRS)

in € thousand	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Sales revenues	34,337	34,593	39,310	39,260	34,494	39,865	40,761
Other operating income	1,093	511	451	1,276	370	544	644
Changes in inventories	10	-60	298	-1,733	1,062	-679	1,573
Other own work capitalized	299	463	522	1,223	211	466	504
Cost of material	-16,257	-16,665	-18,983	-17,409	-17,455	-18,245	-20,219
Gross profit	19,482	18,842	21,598	22,617	18,682	21,951	23,263
Personnel expenses	-11,426	-11,207	-11,332	-12,621	-11,792	-11,885	-12,319
Other operating expenses	-4,049	-3,826	-3,972	-4,468	-3,626	-4,897	-4,004
Operating result (EBITDA)	4,007	3,809	6,294	5,528	3,264	5,169	6,940
Depreciation and amortization	-1,646	-1,636	-1,619	-1,894	-1,649	-1,613	-1,794
Operating result before goodwill amortization (EBITA)	2,361	2,173	4,675	3,634	1,615	3,556	5,146
Goodwill amortization	-593	-569	-569	-558	-558	-558	-558
Earnings before interest and tax (EBIT)	1,768	1,604	4,106	3,076	1,057	2,998	4,588
Financial result	-348	-75	-1,934	-1,046	-437	-443	-363
Income before tax (EBT)	1,420	1,529	2,172	2,030	620	2,555	4,225
Taxes	-175	-688	-1,231	-684	-397	-462	-824
Net income	1,245	841	941	1,346	223	2,093	3,401

The First Sensor Group achieved sales of EUR 40.8 million in the third quarter of fiscal year 2018. This means that sales revenues were up EUR 0.9 million on the previous quarter of the current fiscal year (EUR 39.9 million) and up EUR 1.5 million year-on-year (EUR 39.3 million). Sales after nine months of the year came to EUR 115.1 million. This equates to growth of EUR 6.9 million or 6.4% compared to the same period of the previous year (EUR 108.2 million).

Based on this sales volume, gross profit was EUR 23.3 million, an improvement of EUR 1.7 million on the previous year (EUR 21.6 million). Regardless fluctuations in the product mix traditionally associated with project business, this improvement is testament to the successful implementation of the strategy for profitable growth. First Sensor is experiencing increasing success in generating and utilizing economies of scale, which – combined with improvements in yield, optimized value chains, portfolio streamlining and material savings through bundling purchasing volumes – is enabling the company to improve its cost position. Advancing forward integration is also having a positive impact. Personnel expenses increased in relation to sales and growth, but cost structure stability was retained with other operating expenses at a stable level of EUR 4.0 million. EBIT improved as a result to EUR 4.6 million, corresponding to an EBIT margin of 11.3%. The EBIT margin after nine months of the year also went up year-on-year from 6.9% to 7.5%.

There was very positive development in the financial result during the year, which recovered by nearly EUR 1.6 million year-on-year to EUR -0.4 million (previous year: EUR -1.9 million). This is a result of the decision in 2017 to adjust an adverse hedge. The company has also engaged in secure short-term currency hedging transactions in the current fiscal year. New investments have also been financed to a lesser extent by loans and to an increasing extent by cash and cash equivalents.

Income after tax increased during the third quarter of 2018, from EUR 0.9 million to EUR 3.4 million. This corresponds to earnings per share in circulation of EUR 0.33 in the third quarter of 2018 (previous year: EUR 0.09). Earnings per share for the nine-month period came to EUR 0.55 (previous year: EUR 0.28).

Consolidated balance sheet (IFRS)

ASSETS			EQUITY AND LIABILITIES		
in € thousand	Dec. 31, 2017	Sep. 30, 2018	in € thousand	Dec. 31, 2017	Sep. 30, 2018
Non-current assets	85,350	84,744	Equity	81,899	86,321
Inventories	24,626	30,627	Financial liabilities	32,184	31,280
Trade accounts receivables	20,766	24,461	Non-current liabilities	7,727	7,080
Current assets	3,330	1,699	Current financial liabilities	16,115	16,207
Cash and cash equivalents	25,505	20,567	Trade accounts payables	7,885	10,359
			Current liabilities	13,767	10,851
Total ASSETS	159,577	162,098	Total EQUITY AND LIABILITIES	159,577	162,098

Total assets have increased by EUR 2.5 million since December 31, 2017 from EUR 159.6 million to EUR 162.1 million. This increase can be explained predominantly by the continued expansion of inventories by EUR 6.0 million with the aim of counteracting price changes on the markets and supplier shortfalls in good time and enabling the company to respond flexibly to customer requirements. Sales factors drove trade accounts receivables up by EUR 3.7 million. The EUR 4.9 million decrease in cash and cash equivalents can be accounted for on the one hand by the increase in working capital, which produces a temporarily higher level of tied-up liquidity, and on the other hand by the financing of investments through own funds and the payment of a dividend of EUR 1.6 million in May 2018.

On the equity and liabilities side of the balance sheet, growth in retained earnings over the reporting period drove equity up by EUR 4.4 million. The equity ratio reached 53.3%, two percentage points higher than the figure as of December 31, 2017 (51.3%). Net debt amounted to EUR 26.9 million as of September 30, 2018, which was EUR 4.1 million higher than the figure as of December 31, 2017 (EUR 22.8 million). This can be explained by the expansion of inventories of raw materials and supplies and by higher trade receivables in relation to sales. But the net debt position as of June 30, 2018 (EUR 30.5 million) already improved by repaying further loans in the amount of EUR 0.5 million and generating higher revenues.

Increasing inventories of raw materials drive up working capital

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Working Capital in € thousand	38,313	38,801	41,140	37,507	38,388	43,375	44,489
Capital employed in € thousand	120,423	121,648	124,912	122,857	123,617	128,392	129,233

Working capital went up by EUR 1.1 million compared to the previous quarter, from EUR 43.4 million to EUR 44.5 million. Capital employed increased by EUR 0.8 million, from EUR 128.3 million to EUR 129.2 million. The main explanation for this development is the drive to build up inventories of raw materials and supplies that began in previous quarters with a view to safeguarding a reliable supply in the context of rising sales.

Improved earnings result in positive development of the cash flow

in € thousand	3M 2017	6M 2017	9M 2017	12M 2017	3M 2018	6M 2018	9M 2018
Cash flow from operating activities	-218	1,783	5,637	16,005	69	-1,940	4,077
Cash flow from investment activities	-2,235	-4,950	-7,943	-12,533	-2,008	-3,872	-6,042
Cash flow from financing activities	-1,036	-1,226	-412	-1,704	-600	-2,385	-2,974
Free cash flow	-2,453	-3,167	-2,306	3,472	-1,939	-5,812	-1,965

After nine months of the year, cash flow from operating activities amounts to EUR 4.1 million. This improvement of EUR 6.0 million compared to the first half of 2018 (EUR -1.9 million) is the result of increased income before tax, and also compensates for the rise in working capital. Cash flow from investing activities has developed in a straight line with investments planned for 2018 and completed to date. These investments have been financed to only a limited extent by proceeds from new loans, which – combined with the dividend payment in the second quarter – puts cash flow from financing activities at EUR -3.0 million. Free cash flow improved by EUR 0.3 million to EUR -2.0 million compared to the previous year (EUR -2.3 million).

New employees in production and development support further growth

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Sales in € thousand	34,337	34,593	39,310	39,260	34,494	39,865	40,761
Employees (FTE)	783	784	784	798	811	830	845
Sales per employee in € thousand	43.9	44.1	50.1	49.2	42.6	48.0	48.2

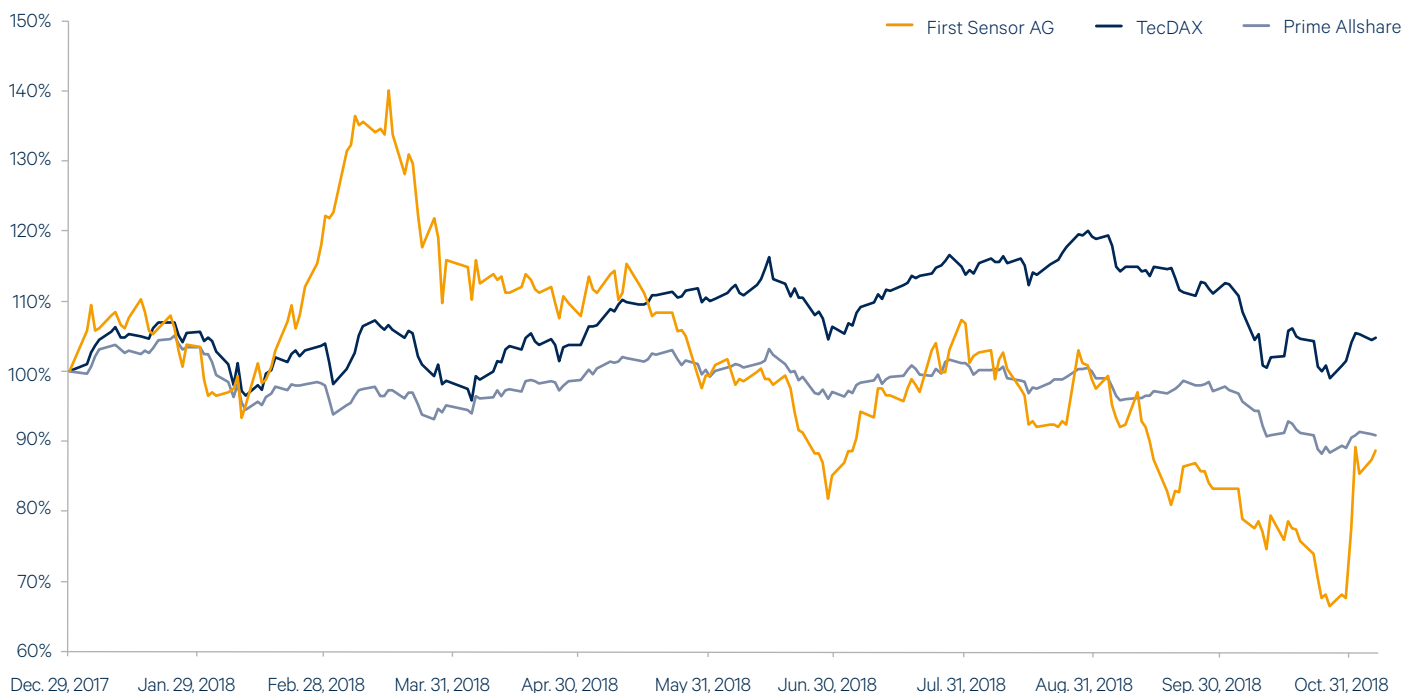
There was an increase in employees of 15 FTEs (full-time equivalents) in production, which took the First Sensor Group's headcount from 830 FTEs in the second quarter of 2018 to 845 FTEs in the third quarter of 2018. More new employees were hired within the scope of the demand-related capacity expansion to allow for a three-shift model to be introduced on six to seven days of the week. A total of 41 additional FTEs have been hired in production since the previous year's reporting date. Since then, 11 more FTEs have also joined the product and technology development team to expand business for customer-specific solutions and First Sensor LIDAR expertise. Increasing sales revenues drove sales per employee back up slightly over the course of 2018. The figure of EUR 48.2 thousand for the third quarter of 2018 was still below the previous year's figure of EUR 50.1 thousand.

Rolling book-to-bill ratio signals further growth

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Incoming orders in € thousand	35,067	44,441	42,023	42,142	39,329	44,354	39,524
Orders on hand in € thousand	88,867	90,732	96,527	92,465	97,300	102,086	100,648
Book-to-bill-ratio	1.02	1.28	1.07	1.07	1.22	1.11	0.97

First Sensor's order backlog remains at a high level of EUR 100.6 million. A third of existing orders are still scheduled for 2018, and two thirds already show good visibility for 2019. Although incoming orders declined to EUR 39.5 million due to reporting date factors, they remain at a high level. After nine months of the year the rolling book-to-bill ratio was 1.07, which is an indicator of further growth.

First Sensor shares back at Q2 price level



From their closing price of EUR 18.40 in June, First Sensor shares benefited initially from a brief period of market recovery, which took the share price to a provisional high of EUR 23.60 on July 30. Another recovery attempt failed toward the end of August, which saw the share price fall further. After hitting their lowest price of the third quarter (EUR 17.50) in mid-September, the shares eventually closed the third quarter at EUR 18.00. Successive events in

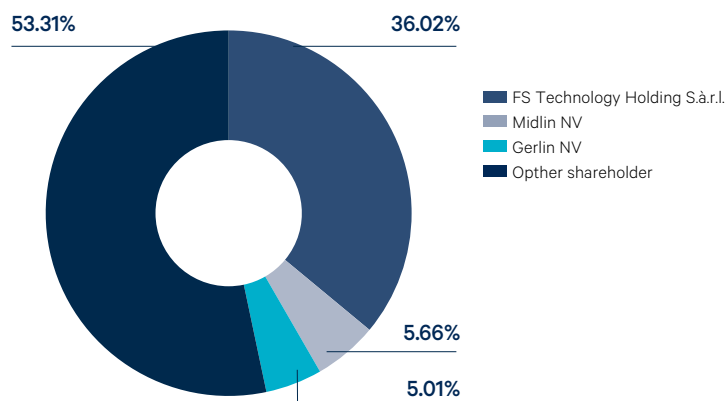
October, including never-ending news about Trump's trade war, Italy breaching the EU debt limit, banking stability in general, supply chain fears in the German automotive industry and – last but not least – a disappointing reporting season for many national and international companies, triggered substantial share price reductions on the stock market. The DAX tumbled 7% against the end of June, the TecDAX lost 2% and the Prime All Share fell

by nearly 7%. Despite publishing positive provisional figures, not even First Sensor AG shares could escape the overall market trend and plunged to a price of EUR 14.40. However, the news of increasing production capacity, a improved sentiment in the stock market and the announcement that major shareholder DPE is considering selling its shares triggered a new upward trend that resulted in a share price of EUR 19.20 as of November 6, 2018.

Key figures

in € thousand, unless otherwise indicated	June 30, 2018	Sep. 30, 2018
Share capital (€)	51,081,980	51,081,980
Market capitalization	187,982	183,895
Share price (€), XETRA closing price	18.40	18.00
Net profit attributable to shareholders	2,135	5,614
Number of shares, diluted	10,412,080	10,348,605
Number of shares, non diluted	10,216,396	10,216,396
Earnings per share (€)	0.22	0.55

Shareholder structure according to voting rights announcements



First Sensor News

Increased demand for the H series for medical and industrial applications

First Sensor is increasing its production capacity to cater to increased demand for standard sensors from the H series. The H series pressure sensors, which are used not only by medical technology manufacturers for breathing and respiration purposes but also in industrial applications such as HVAC and process control, measure ultra-low pressures of dry, non-corrosive gases. In addition to the introduction of a new shift model and installation of new equipment at the Berlin Weißensee location, additional calibration capacity has been built up at the location in Puchheim. By the end of the year, the weekly output for the H series will be increased by 70% in comparison to the previous year. Additional measures to increase capacity are in the pipeline for next year.

First Sensor obtains IATF 16949 certificate for the automotive industry

First Sensor has obtained IATF 16949 certification for its subsidiaries in Dresden and its Berlin Oberschöne-weide location, laying the foundation for further growth in the Mobility target market. This certification attests to First Sensor's ability to meet the high quality standards of the automotive industry. The IATF certificate, which is valid for three years, is used across the entire automotive industry supply chain. The goal of the IATF standard is to constantly improve quality in the management system, and achieve stable and efficient processes in order to increase customer satisfaction in the automotive industry.

First Sensor at electronica and COMPAMED

Trade fair electronica is the leading trade platform for electronic components and systems, and showcases key technologies from renowned manufacturers all over the world. At this year's electronica, First Sensor will present products covering the entire value creation chain – from components and modules through to sensors for the detection of light, radiation, pressure, fill level, flow and acceleration. The star attraction will be a new Embedded Electronic Control Unit, which combines signals from different sensors and works as a software platform for advanced driver assistance systems (ADAS). At COMPAMED, the leading international trade fair for suppliers to the medical technology industry, First Sensor AG will exhibit its range of sensors and sensor solutions and display its expertise in integrated manufacturing services. The pressure sensors and the First Sensor Group's imaging expertise are focus at this trade fair exhibit.

Continuous shift pattern introduced in MEMS segment at Berlin Oberschöne-weide

Since September 2018, the MEMS section of the Berlin Oberschöne-weide location has been implementing non-stop production. As more orders are coming in than could be managed with the previous shift system, production is now operating around the clock. In specific terms, this means that production employees work in a three-shift system on all seven days of the week. The approval sought from the Berlin Senate is initially valid for two years. The pressure sensor chips based on MEMS technology that are manufactured at the Berlin Oberschöne-weide location are used, inter alia, in a range of applications in the automotive industry, for example in the electro-hydraulic steering for hybrid vehicles.

Insights in production at Schöne-weide lining the walls of Berlins Senate Administration

On October 12, 2018, Secretary of State Henner Bunde officially opened the exhibition "Ongoing production – photographs from nine manufacturing companies in Berlin Schöne-weide" at the Senate Administration for Economic Affairs, Energy and Business. The exhibition shows images of semiconductor production at First Sensor. "Ongoing production" will be open to visitors free of charge Monday through Friday at the Senate Administration for Economic Affairs, Energy and Business, Martin-Luther-Straße 105, 10825 Berlin until mid-January 2019. The photographic exhibition is being organized as a partnership between Industriesalon Schöne-weide and Regionalmanagement Berlin Südost.

First Sensor is enhancing its apprenticeship staff

This year, 14 apprentices, 40% more than last year, started their careers at First Sensor. The company is offering a apprenticeship to a total of 30 job starters in five professions, including microtechnologist, industrial business manager, mechatronics technician, warehousing logistics specialist and – for the first time – specialized technician for system integration. By providing apprenticeships for microtechnologists in particular, First Sensor believes that it is engaged in an important undertaking to counteract the skills shortage and secure its growth. Microtechnologists at First Sensor manufacture sensor chips made from silicon in clean room facilities in Berlin Oberschöne-weide and process them into electronic components, sensors and complex sensor systems at the packaging sites in Berlin and Dresden. In Berlin the apprentice ratio is now 5.6%, across all its German locations First Sensor is now operating at a ratio of 4.1%.

Financial calendar

2018

Date	Topic	Details
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 (Analysts' conference)	Sheraton Frankfurt Airport Hotel, Frankfurt am Main

2019

Date	Topic	Details
January 9 to 11, 2019	ODDO BHF Forum 2019	Lyon
February 19 to 20, 2019	ODDO BHF German Conference 2019	Frankfurt am Main
March 21, 2019	Publication Annual Report 2018 & Annual press Conference	
May 3, 2019	Annual General Meeting 2019	Penta Hotel, Grünauer Str. 1, 12557 Berlin
May 14, 2019	Publication Q1 Interim Report 2019	
August 14, 2019	Publication 6M Interim Report 2019	
November 14, 2019	Publication Q3 Interim Report 2019	

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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