First Sensor is now part of TE connectivity

Interim Report as of June 30, 2021

FIRST SENSOR AG, BERLIN

ABOUT THIS REPORT

The reporting period is the six months from January 1 to June 30, 2021. To ensure this report is as current as possible, it includes all relevant information available up to the Responsibility Statement dated August 25, 2021.

Comparability of disclosures

The sale of Group companies in the second half of 2020 means that the figures in this interim report can be compared with the published figures for the first half of 2020 in the income statement and the cash flow statement only to a limited extent. To restore comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding previous year's figures were adjusted to reflect the Group structure applicable as of June 30, 2021 and are shown in the report with a star* (continued operations in accordance with IFRS 5). The previous year's figures therefore represent figures that would have resulted, had the Group structure in place on June 30, 2021 been in place on June 30, 2020.

Information on accounting

The interim consolidated financial statements and the consolidated interim report are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), as well as additional requirements pursuant to the German Commercial Code (Handelsgesetzbuch – HGB).
The internal control system (ICS) provides reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. To monitor the effectiveness of the ICS, accounting-related processes are regularly reviewed.

Information on formal presentation

This year, we are once again publishing our interim report exclusively in digital form. It is available as a full-content PDF in German and English. In the event of any discrepancies, the German version of the report shall take precedence over the English translation.
For better readability, we refrain from references to rounding differences in this publication and use only the masculine form. It refers to persons of any gender.

Disclaimer

This report contains statements which are forward-looking and do not represent any incitement to purchase shares of First Sensor AG, but rather are intended exclusively for information purposes with regard to possible future developments at the company. Forward-looking statements are those that address activities, events or developments that management intends, expects, projects, believes or anticipates will or may occur in the future. By their nature, forward-looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. Our results will be subject to many of the same risks that apply to the semiconductor, automotive, medical technology and industrial industries, such as general economic conditions, interest rate fluctuations, consumer spending patterns and technological changes.
All future-oriented specifications in this consolidated financial report were produced on the basis of a probability-based plan and represent reasonable forward-looking statements regarding the future which cannot be guaranteed. It should be noted that all forward-looking statements only speak as of the date of this report and that First Sensor AG does not assume any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or development.

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1. TO OUR SHAREHOLDERS

1.1 FOREWORD BY THE EXECUTIVE BOARD

Dear shareholders and business partners,

In recent months, we have experienced the recovery in many markets that we serve. In regional terms, conditions in and following the coronavirus waves still differ but the workplace at First Sensor is increasingly returning to normal too. We would like to thank all our employees for their flexibility, both our production employees, who work on site but also those employed outside production, who have had to work from home during the pandemic. Our priority was and remains the safety of our employees and that will not change in future either.

In operational terms, the coronavirus pandemic still impacted the first six months of 2021 However, following the anticipated subdued start to fiscal 2021, the second quarter rapidly gained momentum. With sales of €37.1 million, we have now generated total sales of €71.0 million after the first six months. This is only 0.7% down on the comparable figure for the previous year, which was supplemented in the account and reflects the sale of some subsidiaries last year. Operating profitability also developed pleasingly. This was particularly apparent in the second quarter, which was largely free from special effects. EBIT reached €4.2 million, which corresponds to an EBIT margin of 11.4%.

At this year's Annual General Meeting on June 24, 2021, which had to be held in virtual form again, the decision was made not only to pay a dividend of €0.56 per share. New members were also appointed to two positions on the Supervisory Board, including the chairman Michael Gerosa and the member Rob Tilmans. And last but not least, the Annual General Meeting approved the remuneration systems presented for the Executive Board and the Supervisory Board. Of course, the Executive Board and Supervisory Board answered all the questions that shareholders had submitted in due time. There were 36 questions in total, of which some related to identical issues, and were therefore answered collectively. Shareholders also approved changing the fiscal year of First Sensor AG to the fiscal year of the TE Group, meaning that the current fiscal year will be a short fiscal year and will end on September 30.

For this reason and taking account of the planned sale of First Sensor Mobility GmbH by August 31, 2021, we have adjusted the targets for the short fiscal year and now expect sales of between €100 million and €105 million and an adjusted EBIT margin between 2% and 4%.

Since March 2020, we have been working on all levels on our integration in the TE Group; for many months of this period, we have had to cope with the restrictions that the coronavirus pandemic has imposed upon us. Despite this, we have achieved a great deal: functional integration has been completed by changing reporting lines. Integration of the technical systems is proceeding as planned and the cultural integration is well on track because the entire First Sensor team is very open to the changes and is supporting them enthusiastically. Inclusion in the Global Job Framework will make the integration tangible for each employee. It guarantees remuneration in line with the market for internationally comparable positions and will help First Sensor in the competition for talented employees. And last but not least, the control and profit and loss transfer agreement with TE Connectivity Sensors Germany Holding GmbH has been in place since January 1, 2021.

We are also growing together continuously in production terms. Following the decision to close production at the TE site in Dortmund and to relocate it to Berlin Oberschöneweide, the significance of First Sensor as a location site in the TE Group has been increasing. At the same time, the decision was made to close our site near Munich and relocate production to our second Berlin site in Weißensee by December 2021. First Sensor Mobility GmbH will also be sold to TE Connectivity and integrated in the Global Automotive Business Unit there. We also expect benefits from relocating various administrative activities in TE Connectivity's Shared Service Center to Krakow (Poland). This centralization of accounting processes, for example, will guarantee efficient, speedy processes. By introducing a new joint SAP version S/4 HANA, we will also work with a joint IT infrastructure in future.

The achievements and successes of the integration process are also due to Marcus Resch, who has supported and directed the process from the beginning as a member of the Executive Board. He will continue to advise the company for a short period before taking on new challenges. We would like to thank him for his dedication and his commitment!

We shall update you on fiscal 2021 in our next report. The change of fiscal year means that the Q3 interim report will not be produced and the financial calendar on the website has been updated to reflect this. We are, however, convinced that although it will have been a shorter year, it will have been a good and very special year for First Sensor. And we will be delighted if you look forward to this report with interest.

Your Executive Board

Sibylle Büttner　　Robin Maly　　Dirk Schäfer

2. CONSOLIDATED INTERIM REPORT

2.1 ECONOMIC REPORT

2.1.1 General economic and sector conditions

Developments in the economy as a whole

Following the dramatic slump in the global economy in 2020 under the influence of the coronavirus pandemic, the International Monetary Fund (IMF) expects a dynamic recovery in 2021. A vigorous economic recovery was already apparent in many countries – depending on local infection rates and progress with vaccination campaigns – in the first two quarters. According to the IMF, growth worldwide is expected to reach 6% in total. For emerging countries, growth of 6.7% is even expected, while an increase of 5.1% is expected for developed economies. The US economy will probably be one of the largest winners. The government’s enormous aid programs are expected to increase growth to 7% in 2021. In contrast, countries where infection rates are only being brought under control sluggishly or vaccination campaigns have been slow to get off the ground are well down on this. These include Japan, for example, where growth of 3.3% is expected.

The Kiel Institute for the World Economy (IfW) expects economic output in the euro zone to increase significantly in the summer half-year and to have exceeded its pre-crisis level by the end of 2021. The lion’s share of the anticipated macroeconomic growth is expected to come from the service sectors that have been particularly hard hit by coronavirus. On the other hand the upturn in industry will only gradually pick up speed.

Development of the sensor market

According to the German Electrical and Electronic Manufacturers' Association (ZVEI), its members reported 23.9% more orders in the first months of the year than in the previous year. This considerably offset the losses in incurred in the same period in the previous year. Orders from Germany increased by 21.6% and those from abroad by 25.8%. There were 24.2% more orders from the euro zone than there were a year ago and 26.6% from third countries. Sales also developed correspondingly positively. Aggregate sector sales rose by 8.6% in the first months of the year. At 9.9%, income from abroad rose more sharply than income from Germany (+7.0%).

Members of the AMA Association for Sensors and Measurement expect an increase in sales of 9% for 2021 following a fall in sales of 2% in the previous year. For the first quarter of 2021 alone, they reported average growth of 13% compared with the previous quarter. The upturn is therefore following a similar path to that following the 2008/2009 slump. Despite this, approximately one third of businesses state that they still have parts of their workforce working short time.

Industrial

According to the German Mechanical Engineering Industry Association (VDMA), orders in the period from March to May 2021 rose by 47% in total compared with the previous year. There were 36% more orders from Germany, while orders from abroad increased 52%. An increase of 58% was posted from euro countries, while there were 50% more orders from non-euro countries. In April 2021, however, the industry reported fewer incoming orders than in the previous month for the first time. According to the German Federal Ministry for Economic Affairs and Energy, orders decreased by 0.2% due to weaker demand from Germany and fewer large orders. However, compared with April 2020, the first month of full lockdown in Germany, the increase amounts to 78.9%. The VDMA has therefore raised its production forecast for 2021 from the previous figure of +7% to +10% now.

Medical

According to an analysis by the Spectaris association, the medical technology sector closed the crisis-ridden year of 2020 positively. According to the German Federal Statistical Office, sales increased by 2.9% compared with 2019. The export ratio was unchanged, at 66%. The generally very positive sales result was due not least to very strong growth in some product groups of particular relevance to coronavirus, such as respirators, heart-lung machines (ECMO), masks, syringes and other consumables. Many smaller manufacturers were, on the contrary, hit hard by the crisis and the growth in sales is based on numerous investments that have been brought forward. Despite the many challenges, it looks as though the sector will grow in 2021. The current Business Climate Index produced by the ifo Institute shows a positive picture in most cases for German medical technology. This optimism is also reflected in the results of survey by the consultancy company Emergo, which indicate that 90% of manufacturers expect higher sales for the current year.

Mobility

According to the German Association of the Automotive Industry (VDA), 13% more new cars have been registered in Germany since the beginning of the year than in the same period in the previous year. However, in comparison with the same period in 2019, around 27% fewer new cars were registered. The German car market is therefore still far from its pre-crisis level. At 23.4%, the percentage of electric cars on the market as a whole hit a new peak. International sales were also very buoyant: here, German manufacturers posted 37% more orders. Production increased by 25% in the first months of the year. Supply bottlenecks affecting semiconductors are still preventing production from being ramped up more rapidly.

Following a sharp fall in the commercial vehicles sector, the VDA largely expects a recovery in 2021. Growth of 15% is expected for the commercial vehicle market in Europe and the US. China, on the other hand, is likely to experience a significant market correction with a fall of 25% in 2021. By and large, therefore, it will not be possible to compensate for the deficit from last year n 2021, and the high levels from 2019 are still far off. A fall of 4% is expected for the global commercial vehicle market – albeit an increase of 19% for the global market excluding China.

2.1.2 Financial position, net assets and results of operations

Preliminary remark: The sale of Group companies in the second half of 2020 means that the figures in this interim report can be compared with the published figures for the first half of 2020 in the income statement and the cash flow statement only to a limited extent. To restore comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding previous year's figures were also adjusted to reflect the Group structure applicable as of June 30, 2021 and are marked in the report with a star* (continued operations in accordance with IFRS 5). The previous year's figures therefore represent figures that would have resulted, had the Group structure in place on June 30, 2021 been in place on June 30, 2020. The following analysis is based on these (*) figures.

Sales development

At the beginning of 2021, many sales markets and customers were still affected by the coronavirus pandemic. However, as infection figures fell and significant progress was achieved with vaccination campaigns in various regions, First Sensor's business development gathered significant momentum in the second quarter. Sales reached €37.1 million and therefore significantly exceeded sales in the first quarter of 2021, at €33.9 million. The fall compared with the same period in the previous year (€71.6 million) to €71.0 million was therefore only 0.7%. This business development was therefore in line with expectations for the fiscal year 2021.

Sales development in the three target markets differs significantly. Following the perceptible fall in the **Industrial** target market last year and sales of only €16.6 million in the first quarter of 2021, sales in the second quarter increased to €19.6 million. This resulted in sales for the first six months of €36.2 million (previous year: €35.1 million), representing an increase of 3.1%. In contrast, sales in the **Medical** target market fell sharply, as expected. Compared with the same period in the previous year, they decreased by €5.7 million (27.5%) to €14.9 million (previous year: €20.6 million). Following €7.1

million in the first quarter of 2021, sales in the second quarter reached €7.8 million. This was the result of a customer product being discontinued and demand for pressure sensors and respirators normalizing in the first six months of 2021. In the **Mobility** target market, First Sensor benefited from activity in the automotive sector picking up. Here, sales increased by 25.4% to €19.9 million (previous year: €15.9 million). Following €10.2 million in the first quarter, sales in the second quarter reached €9.7 million and therefore as a whole exceeded the current capacity limit.

In € thousand	6M 2020	6M 2020*	6M 2021	Δ absolute	in %
Industrial	39,371	35,115	36,205	1,090	3.1%
Medical	21,066	20,585	14,932	-5,652	-27.5%
Mobility	16,493	15,871	19,900	4,030	25.4%
Total	**76,930**	**71,570**	**71,038**	**-533**	**-0.7%**

The international breakdown of sales has also been mixed. It was shaped firstly by regional differences in the course of the pandemic and reflects secondly the sale of foreign subsidiaries to TE Connectivity last year. The DACH region (Germany, Austria, Switzerland, Liechtenstein) and the rest of Europe developed well. Sales after six months of the year came to €39.5 million in the DACH region (previous year: €38.4 million) and therefore increased by 2.8%. A 12.4%, growth in the rest of Europe was even more marked, here sales reached €15.9 million (previous year: €14.1 million). The share of sales generated in Asia increased slightly by 1.3%. They reached €12.1 million (previous year: €11.9 million). In North America, on the contrary, a customer project expired as planned and this has not yet been compensated for by new orders. This is also why sales decreased by 56.0% to €3.0 million (previous year: €6.8 million).

In € thousand	6M 2020	6M 2020*	6M 2021	Δ absolute	in %
DACH[1]	38,157	38,412	39,484	1,072	2.8%
Rest of Europe	16,122	14,106	15,852	1,746	12.4%
Asia	12,212	11,909	12,061	152	1.3%
North America	9,932	6,811	2,997	-3,814	-56.0%
Others	506	333	644	311	93.5%
Total	**76,930**	**71,570**	**71,038**	**-533**	**-0.7%**

[1] Germany, Austria, Switzerland, Liechtenstein

Order situation

Incoming orders and the order backlog developed very pleasingly in the first six months of 2021. Following €44.8 million in the first quarter, orders worth a further €41.5 million were added to the books in the second quarter, among which were several larger framework agreements. This therefore resulted in incoming orders for the first six months of 2021 of €86.3 million (previous year: €67.4 million), equivalent to an increase of 28.0%.

The order backlog therefore increased by 20.5% compared with halfway through 2020 to €105.8 million (previous year: €87.8 million). Just over half of the order backlog will be reflected in sales in the current calendar year. The book-to-bill ratio improved to 1.21 (previous year: 0.94) and therefore indicated positive future business development.

In € thousand	6M 2020	6M 2020*	6M 2021	Δ absolute	in %
Incoming orders	75,117	67,438	86,328	18,891	28.0%
Orders on hand	91,645	87,802	105,812	18,010	20.5%
Book-to-bill-ratio	0.98	0.94	1.21	-	-

* In order to ensure comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding prior-year figures in this column have been adjusted to the Group structure applicable as of June 30, 2021 (continued operations in accordance with IFRS 5).

Result

First Sensor generated sales of €71.0 million in the first half of 2020 (previous year: €71.6 million). This is a fall of 0.7%. Following the expectedly subdued first quarter with sales of €33.9 million, sales in the second quarter reached €€37.1 million. Overall, this business development matches our expectations.

In connection with the general problems with delivery chains and to guarantee availability, inventories of finished goods and work in progress were increased by €1.9 million as a precaution over the course of the first six months of 2021. In contrast, other operating income and capitalized costs decreased in comparison with the same period in the previous year by €0.5 million in total, meaning that total operating performance amounted to €73.9 million (previous year: €74.2 million).

At this level, the cost of materials fell by 4.8% largely due to the product mix to €35.7 million (previous year: €37.4 million). This corresponds to a cost of materials ratio of 48.3% (previous year: 50.4%).
Having been relieved by the effects of short-time working in the first half of the previous year, personnel expenses normalized in the first half of 2021 and came to €24.8 million (previous year: €23.8 million). This corresponds to a personnel expenses ratio of 33.6% (previous year: 32.0%). In contrast, other operating expenses increased by €7.1 million to €14.4 million (previous year: €7.3 million), largely in connection with the planned closure of the Puchheim location. These charges that were posted in the first quarter of 2021 naturally had an impact on the other earnings figures.

Operating earnings (EBITDA) after six months of 2021 therefore came to €-0.5 million (previous year: €6.5 million), representing an EBITDA margin of -0.7%. EBITDA of €7.1 million was attributable to the second quarter, representing a very good EBITDA margin of 19.1% (previous year: 0.6%).

Depreciation and amortization rose slightly compared with the same period in the previous year (€5.3 million) to €5.6 million. This resulted in operating earnings (EBIT) of €-6.1 million for the first six months of 2021 (previous year: €1.2 million). EBIT of €4.2 million was generated in the second quarter, representing an EBIT margin of 11.4% (previous year: €-3.6 million, -9.5%). Profitability was therefore consistent with expectations by and large.

After six months, the charges in the financial result of €0.3 million were primarily due to currency losses, as they were in the same period in the previous year. Earnings before taxes for the first half of 2021 came to €-6.5 million (previous year: €0.9 million). The second quarter has therefore significantly reduced the very negative result from the first quarter. In addition, the profit and loss transfer agreement and the resulting reversal of deferred taxes will result in tax income of €2.6 million for the first half of 2021 (previous year: €-0.1 million). This resulted in €-3.9 million (previous year: €0.8 million) as the result for the period for the reporting period, corresponding to earnings per share in circulation of €-0.38 (previous year: €0.08).

In € thousand	6M 2020	6M 2020*	6M 2021	Δ absolute*	in %
Sales revenues	76,930	71,570	71,038	-533	-0.7%
Other operating income	672	767	481	-286	-37.3%
Changes in inventories in finished goods and work-in-progress	1,879	1,587	1,994	408	25.7%
Other own work capitalized	1,138	1,081	836	-245	-22.6%
Cost of material and purchased services	-38,786	-37,438	-35,651	1,787	-4.8%
Personnel expenses	-26,4321	-23,771	-24,837	1,066	4.5%
Other operating expenses	-7,635	-7,296	-14,364	-7,068	96.9%
PROFIT FROM OPERATIONS (EBITDA)	7,766	6,500	-504	-7,004	-
Depreciation of property, plant and equipment and amortization of intangible assets	-5,599	-5,256	-5,642	-386	7.3%
OPERATING RESULT (EBIT)	2,167	1,244	-6,146	-7,390	-%
Financial result	-988	-299	-304	-5	1.7%

EARNINGS BEFORE TAXES AND MINORITY INTERESTS	1,179	945	-6,450	-7,395	-
Income tax expenses	-352	-137	2,575	2,712	-
RESULT FOR THE PERIOD	827	809	-3,875	-4,683	-

[1] The repurchase of share options from the former Executive Board members in the context of their leaving the Board was corrected in accordance with IAS 8 and personnel expenses were reduced accordingly by €4,945 thousand.

Capital structure

As at the reporting date of June 30, 2021, the equity of the First Sensor Group decreased by 5.63% to €128.0 million (December 31, 2020: €135.6 million). The equity ratio declined accordingly and amounts to 70.8% against 75.4% at the reporting date.

In non-current liabilities, non-current financial liabilities have decreased by a further €2.9 million to €16.8 million since the beginning of the year (December 31, 2020: €19.7 million).

Current liabilities have increased by €13.2 million to €31.5 million since the beginning of the year (December 31, 2020: €18.3 million). There were significant changes to trade accounts payable (+€3.8 million to €9.6 million), which correspond admittedly to the increase in trade accounts receivable (+€3.9 million to €24.7 million). Other current liabilities also rose from €5.8 million to €13.9 million, largely in connection with the planned closure of the Puchheim location.

The fall in cash funds of €18.1 million to €31.3 million was primarily caused by substantial investments in the reporting period, the acquisition of the minority interests in First Sensor Mobility GmbH and payment of the dividend.

At the end of the second quarter of 2021, First Sensor had a net cash position of €8.5 million, €17.0 million less than at the last reporting date.

In € thousand	Dec. 31, 2020	June 30, 2021	Δ absolute	in %
Long-term loans, excluding current portion	19,675	16,802	-2,873	-14.6%
Short-term loans and current portion of long-term loans	4,168	5,961	1,792	43.0%
Cash and cash equivalents	49,349	31,287	-18,062	-36.6%
Net debt	25,506	8,524	16,982	-66.6%

It can also be assumed for the future that First Sensor will be in a position to finance operating business and planned growth from the resources at its disposal and in association with TE Connectivity.

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

Investments

Cash investments increased significantly in the first six months of 2021 to €8.0 million (previous year: €4.5 million). Among other factors, the increase was caused by the development of a third production line at the Dresden-Alberstadt location, which will bring rising demand from the Mobility target market in line with capacity.

* In order to ensure comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding prior-year figures in this column have been adjusted to the Group structure applicable as of June 30, 2021 (continued operations in accordance with IFRS 5).

At €5.6 million (previous year: €5.3 million) in total, depreciation was approximately at the level of the previous year and therefore remained well below investment in the reporting period.

In € thousand	6M 2020	6M 2020*	6M 2021	Δ absolute	in %
Investments in intangible assets	1,581	1,424	544	-879	-61.8%
Investments in property, plant and equipment	3,277	3,070	7,450	4,380	142.7%
Investments	4,606	4,493	7,994	3,501	77.9%
Sale of intangible assets and property, plant and equipment	0	51	2	-49	-96.4%
Other effects	93	17	24	7	40.9%
Cash flow from investment activities	-4,513	-4,426	**-7,968**	-3,542	80.0%
Amortization of intangible assets	-2,722	-2,425	-2,658	-233	9.6%
Depreciation of property, plant and equipment	-2,878	-2,831	-2,984	-153	5.4%
Depreciation	-5,600	-5,256	**-5,642**	-386	7.3%

Liquidity

Operating cash flow amounted to €2.9 million in the first six months of 2021 (previous year: €-5.1 million). Here, the effects from the change in working capital decreased to €3.3 million compared with the same period in the previous year. Provisions in connection with the planned closure of the Puchheim location had a positive impact among other factors.

Cash flow from investing activities (see above) increased to €8.0 million (previous year: €4.4 million).

Cash flow from financing activities totaled €-13.0 million (previous year: €-5.0 million) and was shaped by the acquisition of a minority stake in a subsidiary of €5.0 million and this year's dividend payment of €5.8 million (previous year: €2.1 million).

Free cash flow as the sum of operating cash flow and cash flow from investing activities was accordingly negative in the reporting period at €-5.1 million (previous year: €-9.5 million).

In € thousand	6M 2020	6M 2020*	6M 2021	Δ absolute	in %
Operating cash flow	-5,372	-5,068	2,899	7,967	-157.20%
Cash flow from investment	-4,513	-4,426	-7,968	-3,542	80.0%
Cash flow from financing activities	-5,090	-4,961	-12,989	-8,028	161.8%
Change in cash and cash equivalents	-14,975	-14,455	-18,058	-3,603	24.9%
Exchange differences	-7	-7	-4	3	-42.2%
Cash and cash equivalents at the beginning of the financial year	32,260	27,219	49,349	22,131	81.3%
Cash and cash equivalents at the end of the period under review	17,278	12,757	31,287	18,530	145.3%
Free-cash flow	-9,885	-9,494	-5,069	4,424	-46.6%

Net assets

In the course of the first half of 2021, total assets increased slightly by 0.5 percent to €180.8 million (Dec. 31, 2020: €179.8 million).

In non-current assets, intangible assets and rights of use under leasing agreements decreased by €0.5 million to €13.1 million as a result of scheduled depreciation. Property, plant and equipment rose by €4.9 million to €54.0 million as a consequence of the recent investments.

* In order to ensure comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding prior-year figures in this column have been adjusted to the Group structure applicable as of June 30, 2021 (continued operations in accordance with IFRS 5).

As far as current assets are concerned, inventories posted an increase of 9.6% to €31.8 million (December 31, 2020: €29.1 million). At the same time, trade receivables rose by 3.9% to €24.7 million (previous year: €20.7 million). Both are linked to increasing business volume and, at the same time, securing supply capacity.

Substantial investments in the reporting period and payment of the dividend were primarily responsible for the fall in cash funds, which decreased by €18.1 million to €31.3 million.

Working capital, i.e. the inventories plus the trade accounts receivable plus trade receivables less advance payments and trade payables, amounted to €46.6 million as at the middle of 2021 (December 31, 2020: €43.0 million). Likewise, capital employed as total assets less current liabilities increased from €132.9 million to €139.9 million.

2.1.3 Overall statement

Business development gained momentum over the course of the first half of 2021. Once the pandemic-induced restrictions were increasingly relaxed, the curbs on economic activity were reduced and the economic upturn could increasingly gather pace. Under these conditions, First Sensor achieved sales of €71.0 million as against €71.6 million in the previous year. This fall of 0.7% was consistent with expectations.

Operating profitability has improved: EBIT of €4.2 million was generated in the second quarter, representing an EBIT margin of 11.4% (previous year: €-3.6 million, -9.5%). However, after six months, EBIT was significantly affected by the planned closure of the Puchheim location and therefore came to €-6.1 million as against €-3.7 million in the previous year.

Sales and earnings were therefore in line with expectations for the fiscal year. Due to the short fiscal year 2021 (January 1 – September 30) and the planned sale of First Sensor Mobility GmbH to TE Connectivity as of August 31, 2021, total sales of between €100 million and €105 million and an adjusted EBIT margin of between 2% and 4% are expected.

2.2 FORECAST, OPPORTUNITY AND RISK REPORT

2.2.1 Forecast report

General economic and sector conditions

The International Monetary Fund (IMF) recently upgraded its forecast for economic growth. It confirmed its expectation that the global economy will continue to recover from the coronavirus crisis in 2021 thanks to strong growth in the industrialized economies and this recovery will gather further momentum in 2022. The IMF still expects growth of 6% for 2021. It expects global growth of 4.9% for 2022, an increase of 0.5 percentage points compared with its previous forecast in April. The US is expected to retain its role as the growth engine driving the global economy; it is expected to grow by 7% this year. The Fund cut its forecast for China for this year from 8.4% to 8.1% but raised it from 5.6% to 5.7% for 2022. The IMF also expects stronger growth in the euro zone: this year the euro zone economy is expected to grow by 4.6%, 0.2 percentage points more than was assumed in April. Growth is expected to amount to 4.3% for 2022 (up 0.5 percentage points). In Germany, gross domestic product (GDP) is expected to grow by 3.6% in 2021. The IMF now expects strong growth of 4.1% (up 0.7 percentage points) for next year.

Development of the sensor market

In a current report, the French market research company Yole Développement forecasts significant growth to the end of the decade for the industrial sensor market. It expects it to reach a volume of USD7.4 billion in 2031. The principal factor behind this positive outlook is sensors for autonomous vehicles, which will enjoy annual growth of 42% over the next 10 years. The German Electrical and Electronic Manufacturers' Association (ZVEI) expects growth of 9% worldwide for the current year, which will be driven by base effects. The global electrical market, which is one of the largest industrial goods markets, should grow by 6% in 2022.

Industrial

According to the German Federal Statistical Office, industrial order books are well filled halfway through the year. In some cases, production is being curbed by a shortage of materials and a lack of upstream products, which is also reflected in incoming orders. Buoyant economic activity is therefore expected to slow somewhat at least in the second half of the year and the exceptional demand will slowly peter out. The German Institute for Economic Research (DIW) also expects the German economy to lose momentum in the third quarter. Industry has been thwarted in the second quarter by a lack of intermediate products and there are no signs of the situation improving so far. This means that the recovery will enter somewhat calmer waters. The prospects of industrial activity picking up over the rest of the year point to momentum increasing at the turn of the year.

Medical

The coronavirus pandemic had a positive effect on the medical technology sector: it demonstrated very clearly how essential medical products are for people's healthcare provision. This involves different areas such as medical protection products, disinfection and hygiene products but also modern technologies for intensive care or telemedicine applications. The coronavirus crisis has made clear how complex the delivery chains and production networks in the medical products sector are. The free movement of goods around the world and global delivery chains, which are restricted by government interventions in some cases are therefore issues for this sector's future positive development.

Mobility

The German Association of the Automotive Industry has established that the European market improved in the first six months of 2021 compared with the previous year's historic low. New car registrations increased by 27% but despite the strong growth rate, the market remains around a quarter down on the same period in 2019. Persistent lockdowns, closed car dealers and incentive programs having expired at the turn of the year generated headwinds at the beginning of the year. The VDA emphasized that this development was not due to a lack of demand. Rather, a significant portion of the fall in German manufacturers' production was attributable to the shortage of semiconductors. Since German companies produced large numbers of electric and premium vehicles, involving the use of especially large numbers of semiconductors, the automotive industry in Germany has been particularly hard hit.

Forecast for the business development in 2021

Sales

First Sensor's business development gathered significant momentum in the second quarter of 2021. The year-on-year fall in sales of 0.7% to €71.0 million reflects the stabilization in the Group's business following the coronavirus-induced slump in the previous year. This is consistent with expectations for business development in 2021.
At this year's Annual General Meeting, the decision was made to change the fiscal year, meaning that 2021 (January 1 – September 30) will be a short fiscal year. In view of this decision and the planned sale of the Dresden location to TE Connectivity in the third quarter of 2021, the guidance regarding sales for the short fiscal year is specified at €100 million to €105 million (previously: fiscal year 2021 sales of €135 million to €140 million). The half-year figures and the current order situation support this guidance.

Result

The positive sales development in the second quarter of 2021 also had a pleasing impact on profitability. A double-digit EBIT margin was achieved for the first time in this period. Profitability was, however, still depressed by structural measures, such as the planned closure of the Puchheim location. In contrast, the planned sale of the Dresden location will lead to a positive special effect. In addition, expenses in connection with the business combination with TE Connectivity will also be incurred over the rest of the year. It is therefore expected that the adjusted EBIT margin for the short fiscal year 2021 will be between 2% and 4%.

Financial position and net assets

In the current situation, which is characterized by delivery bottlenecks for some raw materials and upstream products, optimization of working capital is not a priority. The planned sale of the Dresden location is expected to generate cash inflows, which will further improve liquidity, in addition to the effects on the balance sheet associated therewith.

Investment will therefore be significantly higher in fiscal year 2021 due to the capacity expansion needed and in connection with the business combination with TE Connectivity. The relocation of production lines to First Sensor and the ongoing harmonization of the IT infrastructure will also contribute to this. Depreciation and amortization will therefore probably increase moderately. Cash flow will be affected by the structural measures in particular.

Overall statement

As in the previous year, the first six months of 2021 were dominated by the coronavirus pandemic. Falling infection numbers in some major economies and progress with the vaccination campaigns have made the anticipated upturn following the pandemic a reality. In this environment, First Sensor posted stable business development and the management expects that this will also be the case for the third quarter of the short fiscal year (January 1 – September 30). Total sales of between €100 million and €105 million were are therefore expected. The profitability of the operating business has recently developed very positively and this trend is expected to continue. The structural measures associated with the integration in the TE Group will also results in special effects in 2021. This integration will offer First Sensor many opportunities to grow successfully in future too.

2.2.2 Report on risks and opportunities

The risks and opportunities for the Group are explained in detail in its Annual Report 2020. There have been no significant changes in the matters described there since publication.

3. CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 2021

3.1 CONSOLIDATED BALANCE SHEET (IFRS)

3.1.1 Assets

In € thousand	Dec. 31, 2020	June 30, 2021	Δ absolute
Intangible Assets	13,628	13,093	-535
Goodwill	15,979	15,979	0
Property, plant and equipment	49,171	54,034	4,862
Total non-current assets	**78,778**	**83,106**	**4,328**
Inventories	29,063	31,845	2,782
Trade accounts receivable	20,768	24,716	3,948
Tax refund claims	294	655	361
Financial assets	39,436	28,293	-11,143
Other current assets	1,406	9,030	7,624
Cash and cash equivalents	10,030	3,111	-6,920
Total current assets	**100,997**	**97,650**	**-3,347**
Total ASSETS	**179,775**	**180,755**	**981**

3.1.2 Equity and liabilities

In € thousand	Dec. 31, 2020	June 30, 2021	Δ absolute
Capital stock	51,444	51,452	8
Capital reserves	13,469	9,877	-3592
Revenue reserves	69,124	66,390	-2,734
Other reserves	7	7	0
Minority interest	1,579	302	-1,277
Total shareholders' equity	**135,623**	**128,029**	**-7,594**
Non-current post employment benefit obligation	315	315	0
Long-term loans, excluding current portion	19,675	16,802	-2,873
Other non-current financial liabilities	3,182	2,670	-512
Deferred tax liabilities	2,688	1,456	-1,232
Total non-current liabilities	**25,860**	**21,243**	**-4,617**
Provisions for taxes	916	1,256	340
Other current provisions	582	419	-163
Short-term loans and current portion of long-term loans	4,168	5,961	1,792
Advance payments received on orders	1,010	393	-616
Trade accounts payables	5,785	9,569	3,784
Other current financial liabilities	5,831	13,885	8,054
Total current liabilities	**18,292**	**31,483**	**13,191**
Total EQUITY AND LIABILITIES	**179,775**	**180,755**	**981**

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

3.2.1 Consolidated Income Statement

In € thousand	January 1 - June 30, 2020	January 1 - June 30, 2020*	January 1 - June 30, 2021	Changes
Sales revenues	76,930	71,570	71,038	-533
Other operating income	672	767	481	-286
Changes in inventories in finished goods and work-in-progress	1,879	1,587	1,994	408
Other own work capitalized	1,138	1,081	836	-245
Cost of material and purchased services	-38,786	-37,438	-35,651	1,787
Personnel expenses	-26,432[1]	-23,771	-24,837	-1,066
Other operating expenses	-7,635	-7,296	-14,364	-7,068
PROFIT FROM OPERATIONS (EBITDA)	7,766	6,500	-504	-7,004
Depreciation of property, plant and equipment and amortization of intangible assets	-5,599	-5,256	-5,642	-386
EARNINGS BEFORE INTEREST AND TAX (EBIT)	2,167	1,244	-6,146	-7,390
Financial result	-988	-299	-304	-5
Income before tax and minority interest	1,179	945	-6,450	-7,395
Income tax expenses	-352	-137	2,575	2,712
Result for the period	827	809	-3,875	-4,683
Net profit/loss for the period attributable to First Sensor AG shareholders	814	796	-3,969	-4,765
Net profit/loss for the period attributable to minority interest	13	13	94	81
Earnings per share in € (basic=diluted)	0.08	0.08	-0.38	-0.46

[1] The repurchase of share options from the former Executive Board members in the context of their leaving the Board was corrected in accordance with IAS 8 and personnel expenses were reduced accordingly by €4,945 thousand.

3.2.2 Other comprehensive income

In € thousand	January 1 - June 30, 2020	January 1 - June 30, 2020*	January 1 - June 30, 2021	Changes
Net profit/loss for the period	827	809	-3,875	-4,683
Actuarial gains and losses on defined benefit plans	0	0	0	0
Taxes on other comprehensive income	0	0	0	0
Items not subsequently reclassified to the income statement	0	0	0	0
Changes from currency translation	0	0	0	0
Revaluation of derivative financial instruments	0	0	0	0
Expenses transferred to the income statement (recycling)	0	0	0	0
Taxes on other comprehensive income	0	0	0	0
Items that can be subsequently reclassified to the income statement	0	0	0	0
Total comprehensive income	827	809	-3,875	-4,683
Thereof attributable to First Sensor AG shareholders	814	796	-3,969	-4,765
Thereof attributable to minority interests	13	13	94	81

* In order to ensure comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding prior-year figures in this column have been adjusted to the Group structure applicable as of June 30, 2021 (continued operations in accordance with IFRS 5).

3.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

In € thousand	Number of shares in thousand	Capital stock	Capital reserves	Revenue reserves	Other reserves	Minority interest	Total shareholders' equity
As at January 1, 2020	10.269	51.347	18.200	18.907	-52	1.479	89.881
Net profit/loss for the period	0	0	0	814[1]	0	13	827
Other comprehensive income	0	0	0	0	46	0	46
Total comprehensive income	0	0	0	814	46	13	873
Share-based remuneration	0	0	-4.855[1]	0	0	0	-4.855
Capital increase	0	0	0	0	0	0	0
Appropriation of net profit	0	0	0	-2.781	0	0	-2.781
As at June 30, 2020	10.269	51.347	13.345	16.940	-6	1.492	83.118

[1] The repurchase of share options from the former Executive Board members in the context of their leaving the Board was corrected in accordance with IAS 8 and personnel expenses were reduced accordingly by €4,945 thousand.

In € thousand	Number of shares in thousand	Capital stock	Capital reserves	Revenue reserves	Other reserves	Minority interest	Total shareholders' equity
As at January 1, 2021	10,289	51,444	13,469	69,124	7	1,579	135,623
Net profit/loss for the period	0	0	0	3,032	0	94	3,126
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income	0	0	0	3,032	0	94	3,126
Share-based remuneration	0	0	27	0	0	0	27
Distribution dividend	0	0	0	-5,762	0	0	-5,762
Capital increase	1	8	10	0	0	0	18
Purchase of minority interests	0	0	-3,629	0	0	-1,371	-5,000
Others	0	0	0	-5	0	0	-5
As at June 30, 2021	10,290	51,452	9,877	66,390	7	302	128,029

3.4 CONSOLIDATED STATEMENT OF CASH FLOW (IFRS)

In € thousand	Jan. 1 –June 30, 2020	Jan. 1 –June 30, 2020*	Jan. 1 –June 30, 2021	Changes
Income before tax and minority interest	1,179	945	-6,450	-7,395
Interest paid	768	768	314	-453
Depreciation of property, plant and equipment and amortization of intangible assets	5,599	5,256	5,642	386
Income/loss from the disposal of fixed assets	-36	-36	11	47
Other non-cash expenses and income	63	58	94	35
Changes in provisions	-3	-3	-163	-160
Changes in working capital	-6,915	-6,401	-3,252	3,150
Changes in other assets and liabilities	-5,557[1]	-5,450	6,613	12,064
Income tax paid	-469	-204	89	293
Cash flow from operating activities	**-5,372**	**-5,068**	**2,899**	**7,967**
Payments for investments in property, plant and equipment and intangible assets	-4,585	-4,493	-7,994	-3,501
Proceeds from disposal of property, plant and equipment, intangible assets and investments	53	51	2	-49
Interest received	20	17	24	7
Cash flow from investment	**-4,513**	**-4,426**	**-7,968**	**-3,542**
Proceeds from shareholders	-692	-692	18	710
Purchase of minority interests	0	0	-5,000	-5,000
Paid dividends	-2,054	-2,054	-5,762	-3,708
Payments from plan amendments Share-based payment	-1,047[1]	-1,047	0	1,047
Repayments for financial liabilities	-619	-619	-1,502	-883
Payments for the repayment of leasing liabilities	-822	-695	-640	56
Proceeds from loans	931	931	235	-696
Interest paid	-788	-785	-338	446
Cash flow from financing activities	**-5,090**	**-4,961**	**-12,989**	**-8,028**
Net change in cash and cash equivalents	**-14,975**	**-14,455**	**-18,058**	**-3,603**
Currency differences from converting funds	-7	-7	-4	3
Cash funds at the beginning of the period under review	**32,260**	**27,219**	**49,349**	**22,131**
Cash funds at the end of the period under review	**17,278**	**12,757**	**31,287**	**18,530**

[1] The repurchase of share options from the former Executive Board members in the context of their leaving the Board was corrected in accordance with IAS 8 and personnel expenses were reduced accordingly by €4,945 thousand. Of this amount, €1,047 thousand was distributed in cash during the period.

* In order to ensure comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding prior-year figures in this column have been adjusted to the Group structure applicable as of June 30, 2021 (continued operations in accordance with IFRS 5).

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This First Sensor AG Interim Report as of June 30, 2021, was prepared according to the International Financial Reporting Standards (IFRS) as applicable in the EU, observing the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The provisions of IAS 34 were complied with in the interim financial statements as of June 30, 2021. These are condensed financial statements that do not contain all the disclosures of IFRS consolidated financial statements, so these financial statements must be read in conjunction with the notes to the 2020 consolidated financial statements.

4.1.1 Development of the First Sensor Group

The First Sensor Group consists of the parent company First Sensor AG, based in Berlin, and 3 subsidiaries in which First Sensor AG is the sole shareholder. There were no changes in the consolidated group in the period from January 1 to June 30, 2021. Non-current assets and investments in non-current assets relate exclusively to Germany – because of the changes to the Group structure.

Non-current assets in € thousand	June 30, 2020	June 30, 2020*	June 30, 2021	Δ absolute	in %
Germany	94,734	91,519	83,106	-8,414	-9.2%
Rest of Europe	710	24	0	-24	-100.0%
North America	680	0	0	0	-
Total	**96,124**	**91,543**	**83,106**	**-8,437**	**-9.2%**

Investments in € thousand	June 30, 2020	June 30, 2020*	June 30, 2021	Δ absolute	in %
Germany	4,501	4,426	7,968	3,542	80.0%
Rest of Europe	13	0	0	0	-
North America	91	0	0	0	-
Total	**4,605**	**4,426**	**7,968**	**3,542**	**80.0%**

Employees (FTE)	June 30, 2020	June 30, 2020*	June 30, 2021	Δ absolute	in %
Germany	812	812	774	-38	-4.7
Rest of Europe	35	0	0	0	-
North America	25	0	0	0	-
Total	**872**	**812**	**774**	**-38**	**-4.7**

* In order to ensure comparability between the reporting periods 6M 2020 and 6M 2021, the corresponding prior-year figures in this column have been adjusted to the Group structure applicable as of June 30, 2021 (continued operations in accordance with IFRS 5).

4.1.2 Intangible Assets

In € thousand	Orders on hand	Concessions, licenses and similar	Internally generated intangible assets	Customer base/brand	Advance payments	Goodwill	Total
Cost of purchase							
January 1, 2020	**1,452**	**15,289**	**11,721**	**24,075**	**734**	**39,112**	**92,383**
Additions	0	623	1,879	0	50	0	2,552
Disposals	-1,452	0	-594	0	0	0	-2,046
Reclassifications	0	1,092	-757	0	-498	0	-163
Exchange differences	0	-1	0	0	0	0	-1
Changes in the consolidated group	0	-59	0	-4,502	0	-13,837	-18,398
December 31, 2020	**0**	**16,944**	**12,249**	**19,573**	**286**	**25,275**	**74,327**
Cumulative depreciation							
January 1, 2020	**1,452**	**11,818**	**3,477**	**19,469**	**44**	**9,296**	**45,556**
Additions	0	1,422	498	2,177	8	0	4,105
Disposals	-1,452	0	0	0	0	0	-1,452
Reclassifications	0	0	0	0	0	0	0
Exchange differences	0	-2	0	0	0	0	-2
Changes in the consolidated group	0	-59	0	-3,428	0	0	-3,487
December 31, 2020	**0**	**13,179**	**3,975**	**18,218**	**52**	**9,296**	**44,720**
Carrying amount as at January 1, 2021	**0**	**3,471**	**8,244**	**4,606**	**690**	**29,816**	**46,827**
Carrying amount as at December 31, 2020	**0**	**3,765**	**8,274**	**1,355**	**234**	**15,979**	**29,607**

In € thousand	Orders on hand	Concessions, licenses and similar	Internally generated intangible assets	Customer base/brand	Advance payments	Goodwill	Total
Cost of purchase							
January 1, 2021	**0**	**16,944**	**12,249**	**19,573**	**286**	**25,275**	**74,327**
Additions		14	531	0	0	0	5,522
Disposals		-1	0	0	0	0	-1
Reclassifications		0	-273	0	0	0	-5,250
Exchange differences		0	0	0	0	0	0
June 30, 2021	**0**	**16,957**	**12,507**	**19,573**	**286**	**25,275**	**74,597**
Cumulative depreciation							
January 1, 2021	**0**	**13,179**	**3,975**	**18,218**	**52**	**9,296**	**44,720**
Additions		555	568	915	0	0	2,038
Disposals		-1	0	0	0	0	-1
Reclassifications		0	0	0	0	0	0
Exchange differences		0	0	0	0	0	0
June 30, 2021	**0**	**13,734**	**4,543**	**19,133**	**52**	**9,296**	**46,757**
Carrying amount as at January 1, 2021	**0**	**3,765**	**8,274**	**1,355**	**234**	**15,979**	**29,607**
Carrying amount as at June 30, 2021	**0**	**3,223**	**7,964**	**440**	**234**	**15,979**	**27,840**

Intangible assets neither served as securities for liabilities nor were otherwise restricted at the balance sheet date.

4.1.3 Notes to the Statement of Changes in Equity

In 2021, the company made distributions to shareholders of €5,762 thousand (previous year: €2,054 thousand).

4.1.4 Related Party Transactions

Related parties within the meaning of IAS 24 are the majority shareholder TE Connectivity Sensors Germany Holding AG, TE Connectivity Ltd., Schaffhausen, Switzerland, and its subsidiaries and associates. Transactions with related parties mainly relate to the cash management system, current supply and clearing transactions and service contracts. By participating in the TE Group's cash management system, First Sensor makes use of potential economies of scale. All transactions with related companies have been contractually agreed and executed on terms that are also customary with third parties.

Transactions with individuals or companies who may be subject to the influence of First Sensor or who may exert an influence over First Sensor must be disclosed unless such transactions have already been reported in the consolidated financial statements through the inclusion of consolidated companies.

The following transactions were carried out with individuals and companies deemed parties related to First Sensor:

Deliveries and services between First Sensor and companies of the TE Group:

In € thousand	6M 2020	6M 2021
Sale of goods and services		
Sales revenues	753	1,116
Other operating income	164	1
Purchase of goods		
Other operating expenses	-853	-1,425
Financing		
Interest income	5	28

Receivables due from and liabilities owed to TE Group companies:

In € thousand	6M 2020	6M 2021
Trade accounts		
receivable	94	325
Trade accounts		
receivable	392	693

4.1.5 Supplementary Report

The decision by the Executive Board and Supervisory Board to sell First Sensor Mobility GmbH to TE Connectivity by August 31, 2021 is a key event following the end of the reporting period that will affect the net assets, financial position and results of operations. The agreed purchase price amounts to €33.34 million.

Berlin, August 25, 2021

First Sensor AG

Sibylle Büttner
Executive Board

Robin Maly
Executive Board

Dirk Schäfer
Executive Board

STATEMENT BY THE LEGAL REPRESENTATIVES (RESPONSIBILITY STATEMENT) IN ACCORDANCE WITH SECTION 297 (2) SENTENCE 4 AND SECTION 315 (1) SENTENCE 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the consolidated half-year financial statements give a true and fair view of the assets, financial position and profit or loss of the Group, and the interim Group 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 in the rest of the fiscal year.

Berlin, August 25, 2021
First Sensor AG

Sibylle Büttner	**Robin Maly**	**Dirk Schäfer**
Executive Board	Executive Board	Executive Board

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