First Sensor

is now part of

TE connectivity

Annual Report 2022

FIRST SENSOR AG, BERLIN

ABOUT THIS REPORT

The reporting period is the 2022 financial year from October 1, 2021 to September 30, 2022. To ensure this report is as current as possible, it includes all relevant information available up to the Responsibility Statement dated January 30, 2023.

Comparability of disclosures

In the past, the financial year of the First Sensor Group (First Sensor AG and its subsidiaries) was the calendar year. In conjunction with the integration into the TE Connectivity Group (TE Connectivity Ltd., Schaffhausen, Switzerland), the Annual General Meeting of First Sensor AG on June 24, 2021 resolved to change the financial year from October 1 to September 30 of the following year, effective October 1, 2021. The period from January 1 to September 30, 2021 therefore formed a short financial year. The current reporting period covers the financial year 2022 and thus a period of twelve months. Owing to the different lengths of the reporting and comparative periods, the amounts presented are not fully comparable.

Information on Accounting

First Sensor's consolidated financial statements have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) as of the end of the reporting period and as applicable in the European Union, and the additional requirements of German commercial law.

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 annual 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,

First Sensor has successfully completed the 2022 financial year. With sales of €115.4 million, we achieved the sales target we had set ourselves. In terms of profitability, however, we were unable to achieve our objectives. Significant cost increases ultimately led to an EBIT margin of -3.4 percent. The challenges in fiscal year 2022, such as disrupted supply chains as a result of the Corona pandemic, distortions in international trade relations as a result of the war in Ukraine, rapid increases in material and energy costs, and unusually high inflation, ultimately also left their mark on First Sensor's figures.

We also had to overcome a number of challenges internally in the past fiscal year. As part of the ongoing integration into the TE Connectivity Group, a new ERP software was introduced. In many areas, the changeover went smoothly; in other areas, improvements had to be made. This affected trade payables, for example, which were therefore temporarily increased as of the reporting date.

Another integration project will continue to have an impact beyond the reporting date: the relocation of production from the TE Connectivity site in Dortmund to First Sensor in Berlin. Step by step, the reserve areas that First Sensor still had are being filled with new machines. In some cases, new processes are also being introduced into production along the way, new materials are being applied and, of course, new employees are being recruited to cope with this increase in capacity. At the end of this journey, First Sensor will be the European center of excellence for wafer production in the TE Connectivity Group. We are proud of this position and we will work intensively to do our best for the success of the entire Group.

We will continue to pursue our growth course in the new fiscal year. By integrating into TE Connectivity's sales structures, First Sensor can now reach a much broader customer base than would have been possible on its own. We therefore anticipate significant sales growth to between €130 million and €140 million. Profitability should gradually improve once we have reached a steady state in production following the relocation. This will only occur in the course of the year, so we are initially only planning an EBIT margin of 3 to 5 percent for the fiscal year.

We would like to thank all employees who are driving the transformation of First Sensor into a member of the TE Connectivity Group with great commitment, thus laying the foundations for the company's future success. Together, we will ensure that First Sensor is well positioned to reap the rewards of these efforts in the future.

We are thus entering the new fiscal year with optimism and look forward to your continued constructive support.

The Management Board

Thibault Kassir　　Robin Maly　　Dirk Schäfer

1.2 REPORT OF THE SUPERVISORY BOARD

Ladies and Gentlemen,

In the reporting period, which comprises the 2022 financial year, and thereafter, the Supervisory Board performed its duties in accordance with law, the Articles of Association and its Rules of Procedure without restriction. It continuously monitored and advised the Management Board in its management of the company and regularly reviewed its activities. In addition, it was directly and closely involved in all decisions of strategic and fundamental importance to the company at an early stage. The Supervisory Board received all relevant information in this connection both comprehensively and promptly. Over the course of the financial year, the Management Board provided regular, prompt and comprehensive information both in writing and verbally on the status of the implementation of strategy and planning, the current business situation, business performance and the economic situation. Deviations from planning and changes to targets in relation to the forecast business performance and measures derived from them were communicated to the Supervisory Board by the Management Board, explained and discussed together. Regular reporting also included the risk situation and risk management as well as all relevant compliance and corporate governance issues. In the past financial year, there were no conflicts of interests on the part of Management Board or Supervisory Board members that would have to have been disclosed to the Supervisory Board without delay.

There were four ordinary meetings of the Supervisory Board in the 2022 financial year, primarily held as video conferences or in hybrid format. Resolutions were also adopted by way of circulation as necessary. In addition, resolutions were regularly prepared in advance by telephone. The meeting attendance of the members of the Supervisory Board is broken down by individual member below. The attendance rate was 91.7% (previous year: 89.7%).

	Ordinary meetings of the Supervisory Board	
	Number	in %
Michael Gerosa (member since February 18, 2021, Chairman since April 19, 2021)	4/4	100
Peter McCarthy (Deputy Chairman, since May 1, 2020)	2*/4	50
Stephan Itter (since May 1, 2020)	4/4	100
Rob Tilmans (since June 24, 2021)	4/4	100
Christoph Findeisen **	4/4	100
Olga Wolfenberg **	4/4	100

*) The members of the Supervisory Board were unable to attend the individual meetings in person. However, they submitted their votes on individual proposals in writing.
**) Employee representatives

While the members of the Management Board took part in the meetings of the Supervisory Board, the Supervisory Board also regularly convened without the Management Board to discuss agenda items that concerned the Management Board itself or internal Supervisory Board matters.

Supervisory Board issues

The new executive organization plan for the Management Board was presented and resolved at the meeting of the Supervisory Board on October 4, 2021. The new Code of Conduct, which will replace the existing compliance system once the corresponding works agreement has been signed, was then explained. Furthermore, the Supervisory Board was briefed on current legal disputes, the planned transition in sales as a result of the incorporation of TE Connectivity Solutions GmbH and the status of the SAP transition. The option to purchase the property of First Sensor Packaging GmbH was discussed and it was decided to leave the final decision in the approved framework to the Executive Board. The share capital of the company was increased as a result of stock options being exercised in the past financial year, leading to the resolution of a corresponding amendment to the Articles of Association. The meeting and financial calendar for the new financial year was also approved.

In December 2021, by way of circulation, the Supervisory Board approved the resolution by the Management Board to hold the Annual General Meeting in March 2022 as a virtual annual general meeting in accordance with the German Act on Measures Combat the Effects of the COVID-19 Pandemic. Moreover, an amendment to the Articles of Association was resolved in the same way as there was still authorized capital that it was no longer possible to exercise.

At the meeting of the Supervisory Board on January 24, 2022, the Management Board presented the planned business performance for the 2022 financial year (October 1, 2021 to September 30, 2022) and examined this in depth with the Supervisory Board. Other resolutions at this meeting concerned the report of the Supervisory Board, the corporate governance declaration and the report on the remuneration of the Management Board for the 2021 short financial year. The invitation to and the agenda for the Annual General Meeting were also resolved. The current business performance of the 2022 financial year was then discussed. Furthermore, the Supervisory Board was briefed on the status of the planned structural changes, the planned transition of the SAP system and the current risk situation of the Group. The form of the next efficiency review of the work of the Supervisory Board was then discussed and resolved. The annual financial statements and the consolidated financial statements were subsequently examined with the auditors in attendance. The Supervisory Board approved the audited annual financial statements and consolidated financial statements by way of circulation on January 28, 2022.

On April 12, 2022, the Supervisory Board resolved by way of circulation to appoint Thibault Kassir, Senior Vice President and General Manager of TE Sensors, as a new member of the Management Board of First Sensor AG effective April 14, 2022.

At the meeting of the Supervisory Board on May 9, 2022, the Supervisory Board resolved amended Rules of Procedure for the Management Board and a new executive organization plan. The current business performance of the 2022 financial year was then examined. Moreover, the Supervisory Board was briefed on the status of the planned relocation of production from the TE Connectivity site in Dortmund to Berlin and the SAP transition, and it approved the planned incorporation of TE Connectivity Solutions GmbH into the company's sales operations. Furthermore, the Supervisory Board was briefed on the future requirements of ESG reporting and examined the procedures necessary for this with the Management Board. An update of the skills profile for the members of the Supervisory Board was also resolved in this context. Finally, the Supervisory Board discussed the results of the review of the efficiency of its work and agreed on the improvements proposed.

The meeting of the Supervisory Board on July 28, 2022 initially examined the current business performance of the 2022 financial year. The Supervisory Board was then briefed on the since completed transition of the SAP system and the status of the planned relocation of production from the TE Connectivity site in Dortmund to Berlin. An updated declaration of compliance was also approved on the basis of the new version of the German Corporate Governance Code. Moreover, the Supervisory Board adopted the meeting calendar for the 2023 financial year and was briefed on the new legal situation for holding the Annual General Meeting the following year. Furthermore, the Supervisory Board looked at the necessary invitation to tender for the audit of the financial statements headed by the Audit Committee and its conclusive assessments of the audit firms. In line with the recommendation of the Audit Committee, a new auditor of the annual and consolidated financial statements for the 2023 financial year will be proposed to the Annual General Meeting on April 25, 2023.

The declaration of compliance with the German Corporate Governance Code was updated again by way of circulation in September.

In a further meeting after the end of the reporting period on November 24, 2022, the planning for First Sensor AG and the Group for the 2023 financial year (October 1, 2022 to September 30, 2023) was discussed and resolved. At the meeting of the Supervisory Board on January 24, 2023, the Supervisory Board examined the annual financial statements and the consolidated financial statements with the auditors in attendance. The auditors reported on their audits for the 2022 financial year. The members of the Audit Committee reported on their work in this context and confirmed that the auditors had answered all questions promptly and comprehensively. Moreover, material risks, the accounting and the internal control system (ICS) also were discussed. The Supervisory Board approved the annual financial statements and the consolidated financial statements by circular resolution after presentation of the audited financial statements on January 30, 2023. Furthermore, the Supervisory Board discussed the combined management report of First Sensor AG and the Group as of September 30, 2022 and the 2022 annual report, including the report of the Supervisory Board, the non-financial report (CSR report), the corporate governance report, the corporate governance declaration and the remuneration report. The Supervisory Board approved the proposal by the Management Board to hold the Annual General Meeting in person and the draft agenda.

Work of the Supervisory Board

Each meeting of the Supervisory Board discussed the Management Board's reporting on the business situation of First Sensor AG and of the Group, particularly the current sales and earnings development and the financial position and performance on the basis of the reporting formats defined by the Supervisory Board. The Supervisory Board received detailed information on and discussed the strategy and its implementation, key transactions and the company's risk management. The Chairman of the Supervisory Board also maintained regular contact with the Management Board. The Management Board promptly informed the Chairman of the Supervisory Board of key events of significance to the assessment of the company's situation, performance and management. In addition to the meetings, there were several discussions between the Management Board and members of the Supervisory Board on operational and strategic matters.

In accordance with the statutory regulations, the audit firm Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, was elected by the Annual General Meeting on March 15, 2022 and engaged by the Supervisory Board for the audit of the annual and consolidated financial statements for the 2022 financial year. The Supervisory Board then determined the key audit matters and the auditor's fee. The Supervisory Board also addressed the financial reporting and the financial reporting process, the effectiveness of the internal control system, the risk management system and the company's compliance.

The members of the Supervisory Board are responsible for ensuring that they receive the necessary training to perform their duties, for example regarding changes in the legal framework, and is assisted in this by the company. An efficiency review of the work of the Supervisory Board was performed in the reporting period; identified opportunities for improvement were implemented.

All members of the Supervisory Board have sufficient time to perform their duties. They always had sufficient opportunity to process and discuss the reports and draft resolutions submitted by the Management Board prior to and at their meetings.

Work of the committees

The Supervisory Board has established an Audit Committee and a Personnel and Nomination Committee. The committees each comprise two members of the Supervisory Board and prepare the resolutions of the Supervisory Board. The Audit Committee met four times in the reporting period. At its meeting on October 4, 2021, the Audit Committee prepared the resolution of the Supervisory Board for the audit scope and engagement and the key audit matters. It also looked at the anticipated key audit matters with the auditors in attendance. The current status of the preparation of the financial statements and of the audit for First Sensor AG and the Group was examined with the auditors at the meeting on December 15, 2021. These matters were regularly discussed further by telephone. On May 3, 2022, the Audit Committee looked at the draft half-year financial report in detail. Furthermore, it prepared the selection process for a new audit firm. At another meeting on July 14, 2022, the Audit Committee examined the selection process and resolved its recommendation for the Supervisory Board. In a further meeting on October 18, 2022, immediately after the end of the reporting period, the Audit Committee prepared the resolution of the Supervisory Board for the audit scope and engagement and the key audit matters. The current status of the preparation of the financial statements for First Sensor AG and the Group was examined with the auditors at the meeting on January 20, 2023. The Personnel and Nomination Committee did not meet in the reporting period.

Audit of the annual and consolidated financial statements

The audit firm, Ebner Stolz GmbH & Co. KG, Berlin, audited the financial statements of First Sensor AG, consolidated financial statements and the combined management report for First Sensor AG and the Group for the 2022 financial year and granted each an unqualified audit opinion. The audit firm Ebner Stolz GmbH & Co. KG has been the auditor for First Sensor AG and the Group since the 2013 financial year. Karsten Bender has signed as an auditor and Thorsten Sommerfeld has signed as the auditor responsible for the audit since the 2020 financial year. The financial statements of First Sensor AG and the combined management report for First Sensor AG and the Group were prepared in accordance with German statutory provisions.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and in accordance with the additional German legal regulations applicable in accordance with section 315 e(1) of the German Commercial Code. The auditors carried out their audit in accordance with section 317 of the German Commercial Code and the EU regulation on specific requirements regarding statutory audit of public-interest entities, taking into account the principles of proper accounting of the Institute of Public Auditors in Germany (IDW). These documents were distributed to the members of the Supervisory Board after the Audit Committee had examined them intensively at its meeting on January 20, 2023. The single-entity financial statements, the consolidated financial statements and the combined management report were dealt with at length at the Supervisory Board meeting on January 24, 2023. In this context, the members of the Audit Committee reported on their work closely overseeing the audit process, thereby contributing to the preparation of the resolution by the Supervisory Board. In particular, the Supervisory Board dealt with the key audit matters described in the respective audit opinion, including the audit procedures. The Supervisory Board's discussions also covered the non-financial information for First Sensor AG and the Group as well as the remuneration report. The CSR report and the remuneration report were not audited by third parties. However, the auditor was satisfied that the related information was available, and the Supervisory Board reviewed the legality, compliance and expediency of the sustainability reporting.

The auditor's audit reports were distributed to all members of the Supervisory Board and were based on draft versions discussed at length at the accounts meeting of the Supervisory Board with the auditor in attendance on January 24, 2023. The auditor also reported on the scope, main areas and key findings of the audit and was available for additional questions and information. The auditor's comments focused in particular on the key audit matters and the audit procedures. The report made no reference to material vulnerabilities in the internal control system or the risk management system. At this meeting, the Management Board discussed the financial statements of First Sensor AG and the Group and the risk management system. The Supervisory Board approved the results of the audit of the annual financial statements. Based on the final result of its own review, it made no objections. The Management Board prepared the annual financial statements and the consolidated financial statements. The Supervisory Board approved the audited annual financial statements and consolidated financial statements on January 30, 2023. The stand-alone financial statements of First Sensor AG have thus been adopted in accordance with section 172 of the German Stock Corporation Act. A resolution on the appropriation of profits is no longer required as there is now a control and profit transfer agreement with TE Connectivity.

Personnel changes in the Supervisory Board and the Management Board

As a First Sensor employee representative, Tilo Vollprecht was a member of the Supervisory Board until August 26, 2021. He left the body as a result of First Sensor Mobility GmbH's disposal. He was replaced by Christoph Findeisen.

Sibylle Büttner, who had assumed new duties within TE Connectivity and switched to the Automotive business unit in February, resigned on her own accord effective from the end of April 13, 2022. The Supervisory Board of First Sensor AG appointed Thibault Kassir, Senior Vice President and General Manager of TE Sensors, as a new member of the Management Board of First Sensor AG effective April 14, 2022.

I would like to take this opportunity – both personally and on behalf of my colleagues on the Supervisory Board – to thank the Management Board and all employees for their great commitment and outstanding performance over the past financial year, and to wish them every success in future projects and challenges.

We are also grateful to our shareholders for the trust they have shown in us. We would greatly value your continued support as an investor in First Sensor AG.

Berlin, January 30, 2023

Michael Gerosa

Chairman of the Supervisory Board

First Sensor is now part of TE connectivity

1.3 NON-FINANCIAL REPORTING (CORPORATE SOCIAL RESPONSIBILITY-REPORT)

Declaration of Compliance of First Sensor AG for the 2022 Financial Year (October 1, 2021 – September 30, 2022)

Dear Shareholders and Business Partners,

In 2022, climate change and climate protection became important issues for growing sections of the population. The looming energy supply crisis as a result of the sanctions against Russia forced governments to act. The greater independence from imports that is being sought, partly by way of a rapid expansion of renewable energy, will also lead to a gradual reduction in the use of fossil fuels. This will have a positive impact on climate protection, with harmful CO_2 emissions set to decrease significantly in the medium and long term. In summer 2022, we saw for ourselves how important this is. An unprecedented heat wave not only caused 40,000 deaths in Europe, but also turned even major rivers like the Rhine to a rivulet for weeks on end. So it is understandable that more and more people are interested to know what companies are doing to overcome these challenges.

In this non-financial declaration, we will also report on all areas of corporate social responsibility again. At First Sensor, sustainability includes not only environmental issues, but also social and governance aspects. We made progress in all three areas, partly as a result of the increasing integration into the TE Connectivity Group and its sustainability strategy. In addition, we are preparing to meet the future requirements of the European sustainability reporting guidelines. This is a challenge for a medium-sized company like First Sensor.

With these new guidelines on the horizon, we have also decided not to adapt our non-financial declaration temporarily to the format of new standards (GRI) or to the TE Connectivity reporting format. This does not detract from transparency or from the seriousness with which the topics at the company are tackled. On the contrary, we expanded this report with a number of important key figures for the first time. These originate from our data collection efforts aisted by the TE Connectivity Group-wide data collection process, but of course relate to the First Sensor locations only. And just be clear, we wish to inform you that neither this report nor its contents have undergone a formal review or audit.

In preparing this report for the period from October 1, 2021 to September 30, 2022, we were once again guided primarily by the format of the German Sustainability Code. However, as in the previous year, we also worked within the framework of the GRI standard; some references in the text therefore refer to this. The CSR report by First Sensor is published together with the 2022 annual report. Nevertheless, it is conceived as a self-contained report, which makes no reference to passages of the annual report. On the one hand, this complies with the format of the German Sustainability Code and, on the other, it makes the report more coherent for readers.

Thank you for your interest!

The First Sensor CSR Team

MAIN ISSUES

General information

On September 30, 2022, the First Sensor Group consisted of the parent company First Sensor AG, based in Berlin, and one subsidiary (GRI 102-1). The company has been listed since 1999. TE Connectivity Sensors Germany Holding AG has been the largest shareholder in First Sensor AG since 2020, with an interest of approximately 72% (GRI 102-5); there is a control and profit transfer agreement in place between the companies.

First Sensor generated total sales of €115,4 million with an average of 681 employees (632 FTEs) in the 2022 financial year (GRI 102-7). The DACH region (Germany, Austria, Switzerland) accounted for 70.1% of sales, while sales generated from customers in the rest of Europe accounted for 12.0%. 5.3% of sales were attributable to North America and 12.3% of sales were generated in Asia (GRI 102-6). As of September 30, 2022, the Group's Balance Sheet total amounted to €164.3 million with an equity ratio of 75.7% (GRI 102-7).

On the sensor systems growth market, First Sensor develops and produces standard products and customer-specific solutions for the ever-increasing number of applications on different target markets (GRI 102-6).

Throughout the value chain, two core competencies distinguish First Sensor as a company. Firstly, the Group has expert knowledge in detecting physical parameters through the design and production of silicon-based sensor chips. Secondly, First Sensor uses its expertise in microelectronic layout and connection technology to process these chips with the best form factor for the application in question. System solutions for new applications on various markets are an avenue for additional growth. Such sensor systems not only measure but also respond intelligently to the results and communicate with other systems (GRI 102-2).

The import and export of products are subject to regulation by the various jurisdictions where we conduct business. A small portion of our products, including defense-related products, may require governmental import and export licenses, whose issuance may be influenced by geopolitical and other events. We have a trade compliance organization and other systems in place to apply for licenses and otherwise comply with such regulations. Any failure to maintain compliance with domestic and foreign trade regulation could limit our ability to import and export raw materials and finished goods into or from the relevant jurisdiction (GRI 102-2).

Employees (GRI-102-8)

Predominantly as a result of the integration into the TE Group and the associated sale of various subsidiaries to TE, First Sensor's headcount continued to decline in 2022. The number of permanent employees decreased by 27.5% to 621 FTEs (full-time equivalents). The share of women remained largely stable at 35.6% (previous year: 34.9%). To handle fluctuations in utilization and temporarily fill vacant positions, First Sensor works with temporary employment agencies that meet general quality standards. Typically, around 10 percent of these employees are taken on as salaried employees in the course of a fiscal year.

Number of employees	Permanent employees (m/f/o)	Temporary employees (m/f/o)
Germany	455/221/0	32/5/0

As of September 30, 2022

As far as possible, First Sensor offers staff a variety of working time models to take into account the wishes and needs of employees due to the demands of family life or dependents requiring temporary care. This stems from our belief that the happiness of employees has a direct effect on their commitment and motivation. The share of part-time employees decreased slightly to 11.8% in the 2022 financial year (previous year: 13.4%).

Number of employees	Full-time employees (m/f/o)	Part-time employees (m/f/o)
Germany	430/166/0	25/55/0

As of September 30, 2022

STRATEGY

01 Strategic analysis and measures

As part of the TE Connectivity Group, First Sensor is included in its parent company's strategy for key sustainability areas. TE Connectivity has published its corporate strategy under the title "One Connected World." The aim of One Connected World is to create a safer, sustainable, productive and connected future. A materiality analysis conducted with customers, shareholders and employees determined the areas where its actions have the most impact. Three areas of focus were derived from this:

- Co-creating tomorrow: Promoting innovative and effective product development, supported by a collaborative supply chain that protects people
- Connecting sustainably: Continuously strengthening environmental management in our operations
- Empowering innovators: Enhancing our social performance, from integration and diversity (I&D) through to safety, human rights, and our community.

Strong governance principles and the commitment to ethical business underscore every aspect of this strategy.

One Connected World was introduced throughout the Group in 2020, allowing TE to identify where it can make progress and establishing how it will measure its success in sustainability. This included launching the One Connected World Network, which oversees the strategy's implementation and makes recommendations for better achieving our goals. The Network's members include executives who will lead and drive change throughout the enterprise as well as subject-matter experts and program managers.

The sustainability challenges, opportunities, and risks associated with First Sensor's core activities are still incorporated in the company through the implementation of the TE Connectivity sustainability strategy and are controlled and monitored by the management. As part of the TE Connectivity Group, First Sensor pursues the same goals and includes the entire value chain when it comes to social and environmental challenges, too.

The various aspects of sustainability can be seen in a variety of activities performed by the companies of the First Sensor Group. Long-term business success is thus combined with environmental and social responsibility, because sustainable business practices help to align the company for a successful future and make it an attractive employer and a good neighbor at its locations.

This is another reason why transparency on the various aspects of sustainability, with the help of this report, for instance, is a top priority for First Sensor. In addition, we actively seek a dialog with our stakeholders based on the belief that understanding and trust can only grow through dialog (GRI 103-2). In this context, the Group's locations engage in philanthropy and volunteer with various charities around the world within two main focus areas: education and technology and health and human services. I

First Sensor also uses its products to make a contribution to sustainable development, for example in monitoring water quality. Sustainability is also important because it provides business opportunities. The corresponding risks are carefully minimized and monitored.

The standards First Sensor applies are based on internationally recognized principles and guidelines (GRI 102-12). These include:

- the Guidelines for Multinational Enterprises of the Organisation for Economic Co-operation and Development (OECD)
- the fundamental conventions of the International Labour Organization (ILO)
- the UN Guiding Principles for Business and Human Rights
- the Ten Principles of the UN Global Compact
- the management guideline on the social responsibility of organizations and the environmental management standard of the International Organization for Standardization (ISO 26000 and ISO 14001)
- the German Corporate Governance Code

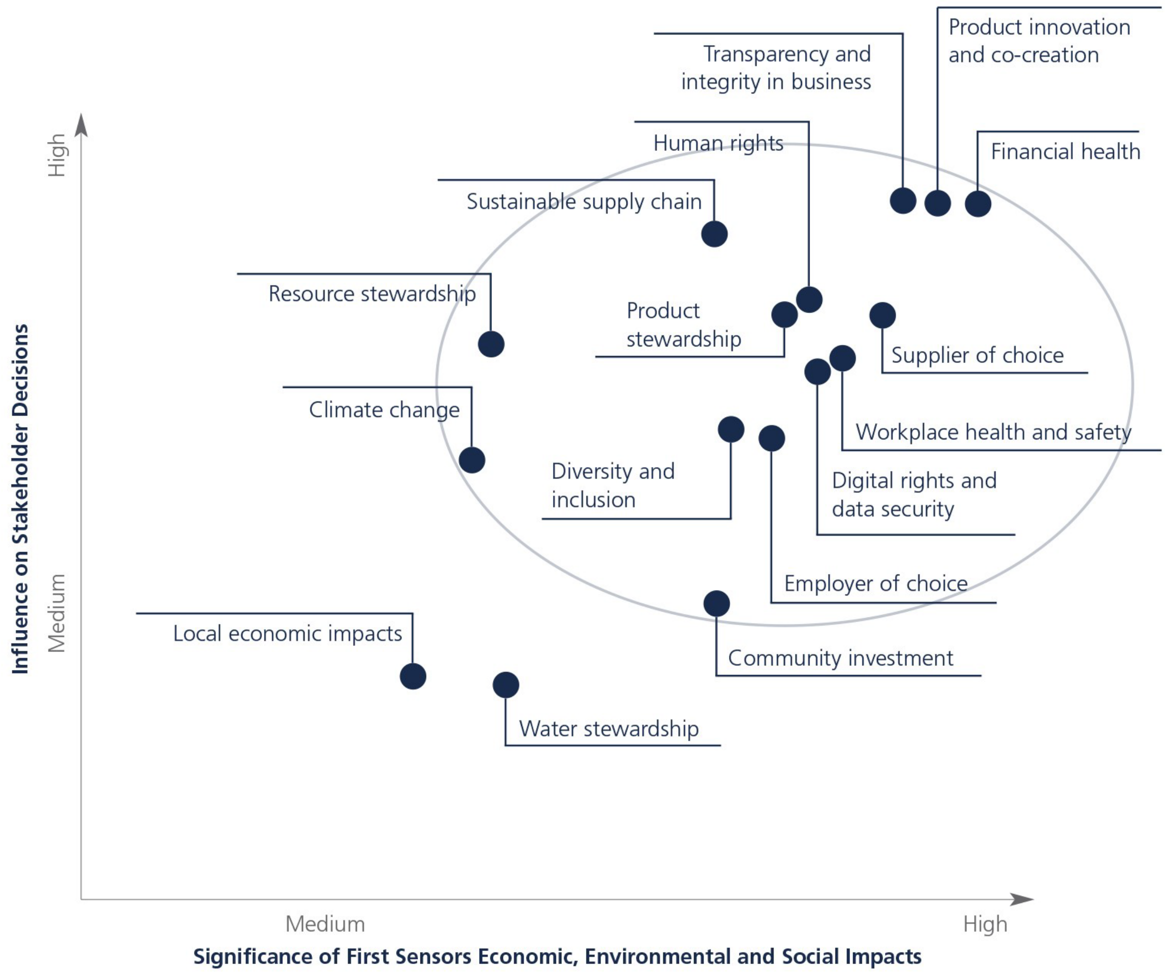
The Executive Board is responsible for the preparation of the non-financial declaration/the CSR report and presents this to the Supervisory Board in accordance with section 170(1) sentence 2 of the *Aktiengesetz* (AktG – German Stock Corporation Act). In accordance with section 171 AktG, the Supervisory Board is responsible for reviewing the content of the non-financial declaration/the non-financial report. The Supervisory Board must report the findings of this review to the Annual General Meeting in writing (section 171(2) AktG). The non-financial declaration is also audited by the auditor in accordance with section 317(2) sentence 4 of the *Handelsgesetzbuch* (HGB – German Commercial Code) (GRI-102-32).

Risks and opportunities

As a listed company, First Sensor has established a risk and compliance management system as an integral part of corporate governance. This also covers risks from the ESG (environmental, social, governance) topic area and applies to all locations and business areas (GRI 102-11). Details on this can be found in the risk report, which forms part of the combined management report of First Sensor AG. The risk management system provides indications of the company's current performance with regard to the defined topic areas and can reliably identify weaknesses. First Sensor AG's Executive Board is responsible for ensuring that the risk and compliance management system is effective, while the Supervisory Board guides and monitors this process. The Group's opportunity situation is also assessed quarterly in a systematic process alongside the risk situation and incorporated into business decisions.

02 Materiality

First Sensor last carried out its own materiality analysis by means of a structured survey of internal stakeholders (employees, managers, Works Council) and external stakeholders (representatives for customers and suppliers, partners, associations and politicians, the general public and the capital market) in 2018 (GRI 102-15). This is intended to ensure that the company addresses the sustainability topics on which it has the greatest influence with its business activities and that are particularly urgent for sustainable development. The topics identified based on the stakeholder surveys were subsequently weighted. The material topics that emerged from this materiality analysis were reviewed and validated on an annual basis. In this way, new developments could be taken into account and the analysis could be updated as necessary.



In the 2022 financial year, First Sensor's analysis was compared against TE Connectivity's materiality analysis. Here, too, the materiality of a sustainability topic is determined from two perspectives: firstly, whether First Sensor's business activities have an impact on this topic (inside-out perspective), and secondly, whether the topic has an influence on the business activities (outside-in perspective). Due to the close match, TE Connectivity's materiality analysis was largely adopted and was modified only in a few areas on account of specific aspects at First Sensor. This approach is in line with the ongoing integration into the TE Connectivity Group.

The topics assessed as material represent the main focuses of the non-financial reporting.

03 Goals

Building on the sustainability strategy, TE Connectivity formulated nine ambitions that will be achieved by 2030, together with the steps needed to do so. The ambitions are:

- Embed sustainability in product lifecycle
- Partner with direct and logistics suppliers to strengthen the sustainability of the supply chain
- Designated facilities in extremely high and high water-stressed locations meet reduction targets
- Reduce waste disposed
- 40%+ absolute scope 1 and scope 2 greenhouse gas (GHG) emissions reduction
- Zero-accident workplace
- Strengthen the workplace culture, in which all differences are valued and all opinions count
- Impact 3 million in next-generation technology education
- Implement a global human rights program

There are specific plans for these ambitions, which are clearly defined with a time frame for achievement of the ambitions. These goals of the TE Connectivity Group also take precedence for First Sensor and will be dealt with primarily. (GRI 103-2). The TE Connectivity Group issues an annual sustainability report detailing its strategy, goals, measures, and progress. First Sensor's goals and activities have been merged with those of TE Connectivity as part of the integration process. Achievement of the strategic sustainability goals is also monitored here.

Qualitative goals are increasingly being operationalized at First Sensor, too, to make them measurable. At the level of TE Connectivity, it is ensured that the data are objective, reliable, and sound. The data used in this report relate to the First Sensor locations only and are not audited.

04 Vertical integration

As a manufacturer of chips, sensors, and sensor solutions, First Sensor purchases considerable amounts of raw materials, components, and services from suppliers (GRI 102-9). The total volume amounted to €62.6 million in the 2022 financial year (previous year: €53.6 million). Sustainability plays an important role in First Sensor's business relationships, partly because customers are increasingly including the company in the implementation of their sustainability strategies. As part of the TE Connectivity Group, First Sensor focuses on the following goals for sustainable supply chains:

- Supply chain management, including ISO 9001, codes of conduct, due diligence, and supplier assessment taking account of environmental, social, and human rights aspects
- Emergency planning for the supply chain, transparency, and traceability
- Relevant policies, guidelines, and environmental management systems (GRI 103-2).

This ensures that sustainability aspects are actively embedded throughout the value chain.

Customers often expect a declaration of compliance with a code of conduct as soon as business relations are initiated, and also in contracts. In turn, First Sensor also includes its own suppliers in its sustainability strategy (GRI 103-2). TE Connectivity's guidelines on this were adopted in 2021 already. TE Connectivity works with more than 32,000 direct and indirect suppliers worldwide. The approach to responsible sourcing is detailed in TE Connectivity's Guide to Supplier Social Responsibility (the SSR Guide), which sets the expectations and ethical principles for suppliers. The SSR Guide was developed using best practices advocated by the Organization of Economic Co-operation and Development and the United Nations (UN) Global Compact, among others. First Sensor suppliers are assessed using a scorecard model or in supplier audits (GRI 102-10). Some high-risk suppliers are also monitored by third-party auditors to ensure that they operate to appropriate standards for the ethical treatment of their workers and a safe workplace (GRI 413-2).

Another positive aspect in terms of sustainability is the long service life of First Sensor products. As "distributors", at least in sense meant by regulations, customers are conscientiously informed about responsible disposal. In accordance with the requirements of the *Elektrogesetz* (ElektroG – German Electrical and Electronic Equipment Act), First Sensor has registered with the National Register for Waste Electric Equipment and is working with an external service provider to implement the legal requirements. The analysis did not identify any business activities of First Sensor with a significant actual or potential negative impact on the local community (GRI 413-2).

PROCESS MANAGEMENT

05 Accountability

The Executive Board is accountable for corporate social responsibility (CSR) and for implementing measures. The merger with TE Connectivity resulted in further harmonization of Group guidelines in this respect in the 2022 financial year. The large number of Group-wide activities is managed by various departments and, in some cases, by the TE Connectivity Group (GRI 102-20). The entire team helps the Executive Board to develop the sustainability strategy further, reporting regularly on the current status, proposing projects and measures, and coordinating implementation (GRI 102-26).

In accordance with the statutory provisions, the Supervisory Board reviews the lawfulness, compliance and expediency of the sustainability reporting (GRI 102-32). This also includes the annual review of the effectiveness of the risk management processes with regard to economic, environmental and social issues (GRI 102-30, -31).

06 Rules and processes

First Sensor is part of the TE Connectivity Group and thus included in its management structures and reporting lines. This also applies to the implementation of the sustainability strategy (GRI 103-2). General goals are pursued with the help of local rules, processes and structures. Guidelines and responsibilities are therefore clearly regulated throughout the Group.

First Sensor is subject to these regulations that set out TE Connectivity's values, principles, and standards and that are binding upon all employees (GRI 102-16). Details on this can be found in TE Connectivity's sustainability report (One Connected World). Many guidelines are referenced in the "TE Connectivity Guide to Ethical Conduct." These guidelines also include the supply chain, e.g. "TE Connectivity Guide to Supplier Social Responsibility".

07 Control

First Sensor introduced the TE Connectivity Guide to Ethical Conduct throughout the company in the 2022 financial year and trained its employees accordingly. These internal regulations on ethical conduct set out TE Connectivity's expectations and fundamental values as the basis for all employees' work. The corresponding regulations on the social responsibility of suppliers, which clarify the values and principles by which the company manages its business, also form part of the guidelines.

First Sensor's locations report various performance indicators for the areas identified by TE Connectivity as material (GRI 102-31). The data are gathered using the same methods at all company locations, meaning that they are consistent and can be combined. For example, these include managing and controlling the reduction of emissions or the consumption of resources. The First Sensor data are consolidated at the level of the TE Connectivity Group and are therefore included in TE Connectivity's reporting. Data in this report relate to the First Sensor locations only and have not been audited externally.

An essential requirement for business success is the responsible management and monitoring of the company. The guiding principle for this is the German Corporate Governance Code presented by the Government Commission, as currently amended. As a result of new principles and recommendations, environmental and social sustainability aspects of the management and monitoring of companies gained much more significance in the new version that came into force in 2022. First Sensor effectively fulfills the requirements of the Code, providing reasons for any deviations in its annual declaration of compliance.

In important cases, such as suspected compliance violations by members of the Executive Board, the Supervisory Board is informed directly. This also applies to any concerns that employees may have regarding the implementation of the sustainability system (GRI 102-33). No suspected cases or findings were reported to the Supervisory Board in the 2022 financial year (GRI 102-34).

08 Incentive systems

The remuneration system for the Executive Board of First Sensor AG is intended to promote value-driven management geared towards sustainably increasing the company's success. This includes remuneration in line with market levels and an incentive system based on the achievement of ambitious and not exclusively short-term targets. The Supervisory Board determines the remuneration, taking into account the duties of the respective member of the Executive Board, their personal performance and the financial situation and success of the company. It reviews the achievement of the agreed targets annually. The elements of the remuneration system also include a long-term component in the form of stock option plans or comparable instruments. Further details can be found in the remuneration report (GRI 102-35). A new remuneration system that will apply when new Executive Board contracts are entered into or existing contracts are renewed was put to the shareholders for their approval at the 2021 Annual General Meeting.

The members of the Executive Board did not have any contracts with First Sensor AG in the reporting period, but rather are managers within the TE Connectivity Group.

In addition to a fixed salary, the managers and some employees of the company also receive variable remuneration based on the achievement of the company's targets and on operating and personal goals. Members of the Supervisory Board are remunerated as established in the Articles of Association. A component geared towards sustainability is still not intended.

Performance-based remuneration in line with market levels is important to First Sensor (GRI 102-36). Otherwise, it would not be possible to satisfy the company's need for motivated staff when competing for talented employees. A vertical comparison of Executive Board remuneration and the remuneration of other employees at the company (GRI 102-38) was part of the process of developing the applicable remuneration system.

09 Stakeholder participation

All groups that were taken into account in the materiality analysis are regarded as stakeholders by First Sensor. Open and respectful dialog with these stakeholders on economic, environmental, and social issues is the responsibility of the Executive Board (GRI 102-21). If necessary, the Supervisory Board is also on hand to answer any questions, e.g. for investors, as stipulated in the Corporate Governance Code.

As a commercial enterprise, First Sensor is closely integrated into the value chain of its suppliers and customers. Supplier and customer audits help to create a tightly knit relationship that leads to the interactive sharing of information on sustainability issues.

As an employer, the Group has a social commitment and seeks to employ the best employees on a market where there is a shortage of specialists. The company takes part in job fairs to position itself as an attractive employer. In the 2022 financial year, the company presented itself at two job fairs. Thanks to its close cooperation with research institutions and membership of professional bodies, First Sensor is able to identify technological changes at an early stage and respond appropriately.

First Sensor is integrated into the respective immediate environment at its locations and maintains contact with the authorities and its neighborhoods. Various formats exist to keep these different stakeholder groups adequately informed and promote dialog. For the acquisition of young talent, these include Girls' Day, Parents on Tour activities, student internships, and open days. Various different measures were also implemented in the 2022 financial year, such as juror scholarships, participation in school career days, and close contact with local universities.

Finally, the capital market is informed about First Sensor's sustainability policy comprehensively and in good time. In accordance with the disclosure requirements relevant to listed companies, all relevant information is also available on the company's website. Shareholders can still exercise their codetermination and information rights directly at the Annual General Meeting. The company gives presentations on itself and also discusses sustainability aspects at events for investors and media representatives, such as the accounts press conferences and analyst events. The results of all forms of dialog are also used to develop the sustainability management system further.

10 Product and innovation management

First Sensor develops sensors and sensor solutions, from the chip to the entire sensor system. €5.3 million was invested in research and development in the 2022 financial year (previous year: €6.7 million). Through its products, the company also helps its customers to make their processes more efficient and environmentally friendly, for instance through greater energy efficiency or reduced emissions.

In several decentralized applications, energy consumption is a key criterion for fulfilling customer requirements and securing competitive advantages for both product buyers and the company itself. This is why great emphasis has been placed on the energy consumption of sensors and sensor systems in the development process. However, the sensors and sensor systems from First Sensor are a small component of the end product, whose energy consumption is often several times higher. Overall, First Sensor's contribution towards energy savings is therefore only within the per thousand range of the end products' energy requirements (GRI 302-4). The social and environmental impact of the key products has not yet been determined (GRI 416-1), though their EU Taxonomy-eligibility and alignment has been reviewed.

In its own activities as well, the company focuses on reducing its environmental impact by using energy, resources and materials as efficiently as possible, especially in production. Employees are particularly significant when it comes to potential improvements. Thanks to an extensive knowledge of the processes, their ideas can provide vital information. A company suggestion scheme is used here to provide a structure for reviewing employees' suggestions for improvements and to implement those deemed suitable for operations together with employees. The idea of incorporating employees' suggestions is not only intended to reduce the environmental impact of the company's activities but is, of course, also in the company's business interests.

Product specifications are very closely coordinated during development to prevent the use of products from having a negative impact on customers and the environment.

ENVIRONMENT

11 Use of natural resources

First Sensor AG's production locations already have an environmental management system in accordance with ISO 14001. Beyond this, however, First Sensor has limited options for influencing the rest of the value chain. For example, raw materials cannot be obtained from a recycling process (GRI 301-2). The company does not collect information on the consumption of resource by its products in customer applications, such as energy consumption (GRI 301-2).

The question of the environmental impact of the company's activities can also not be answered in detail at this time (GRI 103-2). As the materiality analysis has not given any indication of the increased relevance of issues such as input and output of water, land, waste, energy, surfaces, and emissions for the lifecycle of products and services, these issues have not been prioritized at this time. No measures for preserving species diversity or influencing biodiversity are currently defined.

However, data on certain aspects in the areas of water, waste, and energy have been regularly gathered and included in TE Connectivity's annual sustainability report.

The responsibility of suppliers for environmental issues is a fixed component of the procurement process (GRI 308-1). The concept for responsible sourcing is detailed in TE Connectivity's Guide to Supplier Social Responsibility (the SSR Guide), which sets the expectations and ethical principles for suppliers.

12 Resource management

The careful use of resources is a central aspect of the TE Connectivity sustainability strategy. This focuses on energy and water consumption. Operating standards for energy efficiency have been introduced by TE Connectivity. The respective energy consumption is tracked and the readings are used to identify the areas with the greatest potential for improvement. Options for the local use of renewable energy are also considered to do more for carbon-neutral energy.

To create the necessary transparency, First Sensor has now started to disclose associated key figures here and in the following sections in this report. Comparative figures will be added in the coming years.

Energy consumption at First Sensor AG (Group)	2022
Total energy [kWh]	14,882,273
Energy costs [€]	4,036,595

The reduction of water withdraw from targeted sites is another aspect of TE Connectivity's sustainability strategy. Production at TE Connectivity's locations is not particularly water-intensive in its own right, but water is required in various stages of production. Particular attention is therefore given to locations in water-stressed regions. Water stress occurs when demand for water exceeds the amount available over a specific period or when poor water quality limits the use of water. In its Corporate Responsibility Report, TE Connectivity has set a goal to reduce water consumption at .facilities in extremely high and high water-stressed areas.

Water consumption at First Sensor AG (Group)	2022
Water consumption [m^3]	51,754
Waste water [m^3]	52,258

As part of the TE Connectivity Group, First Sensor is integrated into its goals and measures. As before, no surface water, water from wetlands, rivers, lakes or oceans, groundwater, rainwater, or waste water from other companies is used at the Group's First Sensor locations – only water from the municipal suppliers (GRI 303-1). As First Sensor's production site in Berlin-Oberschöneweide is located in a water protection area, special measures have been taken to protect the water here.

13 Climate emissions

Reducing emissions that affect the climate is another component of TE Connectivity's sustainability strategy. TE Connectivity sees GHG emissions as the Group's most significant environmental impact. Around 95% of its Scope 1 and Scope 2 GHG emissions are currently from its energy usage. Corresponding goals for energy savings have been in action since 2009 and the goal is to continue to save more energy by 2030.

Another significant aspect is the reduction of sulfur hexafluoride (SF6) gas, which is used, for example, as an insulator in medium voltage switchgear, but also in electron beam technology as a basis for a variety of specialized applications in the manufacture of semiconductors and microelectromechanical systems. SF6 is the most potent known greenhouse gas and many times more harmful than carbon dioxide. Emissions have already been reduced significantly by way of targeted measures by the TE Connectivity Group (GRI 305-1).

The reduction of emissions is also an aspect of product creation. As reduced energy consumption of new products causes fewer emissions, it also contributes towards environmental protection.

Reducing greenhouse gas emissions as a result of energy consumption is a key aspect of climate protection and limiting climate change. Measures for saving energy are therefore incorporated at many points and in many processes at First Sensor, as this is necessary from an environmental and a business standpoint. To create the necessary transparency, First Sensor has now started to disclose associated key figures in this report. Comparative figures will be added in the coming years.

Greenhouse gas emissions at First Sensor AG (Group)	2022
Total Scope 1	297
Total Scope 2 [megatons of CO_2 equivalents]	4,847

Scope 1 emissions are emissions from sources that are under the direct responsibility or control of the company. Scope 2 emissions are indirect greenhouse gas emissions from purchased energy, such as electricity, steam, district heating or cooling, that is generated outside the limits of the company's own system but is consumed by the company.

SOCIETY

14 Employee rights

As part of the TE Connectivity Group, First Sensor is included in sustainability aspects that concern social and community issues. TE Connectivity's One Connected World strategy is focused on social performance, including inclusion and diversity (I&D), safety, human rights and communities. The strategy's ambitions include creating a zero accident workplace, implementing a global human rights program, strengthening the workplace culture so that all differences are valued and all opinions count, and impacting 3 million people in next-generation technology education.

First Sensor's materiality analysis indicated that employee rights issues are highly relevant. Employee rights are given high priority in Germany. Many of these are enshrined in law, and the corresponding frameworks are of course applied at First Sensor, too. Key topics here include fair pay, protection against termination, transparent disciplinary and dismissal practices, and agreements on working hours, vacation, and parental leave. Internationally, the fundamental conventions of the International Labour Organization (ILO) in particular are important in the context of employee rights. Compliance with relevant standards at suppliers, too, is described in the Guide to Supplier Social Responsibility (the SSR Guide).

The specific aspects at First Sensor include the application of the German Minimum Wage Act, experiences of parental leave, the involvement of the Works Council in key organizational decisions, training and continuing professional development, diversity within the executive bodies and among employees, the remuneration of male and female employees and discrimination in general (GRI 202-1, 401-3, 402-1, 404, 405, 406). First Sensor is fully aware of its responsibility and takes all the relevant regulations into account, which is also in its own interests. Since 2019, employees have been represented on the Supervisory Board by one man and one woman.

15 Equal opportunities

First Sensor's attractiveness as an employer is very important for its future success in order to ensure long-term loyalty to the company among its best and brightest. Highly qualified and motivated employees are a key factor, which is why First Sensor does not limit itself to compliance with just the minimum national and international standards. The health and professional development opportunities of employees are also central and highly important issues in the area of strategic HR management. Of course, this includes anti-discriminatory recruitment and a work environment in which diversity is seen as an asset every day (GRI 103-2, 406-1). The Diversity Charter was signed back in 2018. Furthermore, it is expressly stated that discrimination is not tolerated. No incidents of discrimination were reported in the reporting period.

First Sensor already supported initiatives that contribute to preserving and promoting equal opportunities and diversity within the company. In the 2022 financial year, a diversity concept that emphasizes this was adopted. Equal opportunities do not just apply in relation to men, women and other gender identities, but also in relation to younger and older employees and staff of different religions, cultural groups and skin colors, for example. The impartial integration of people with disabilities in the work process naturally contributes to this as well. These efforts are entirely in line with TE Connectivity's own ambitions: "We aim to embed a culture where everyone can bring their whole selves to work". In support of TE's purpose and values, we drive business outcomes globally by building a workforce and supplier network that represent our global markets and the customers we serve. We also strive to build a work environment where all employees are engaged and feel all differences are valued and all opinions count. We measure this success by setting aspirations for our workforce demographics and analyzing our engagement and inclusion indicators through our Every Voice Counts Survey.

In the medium and long term, the Supervisory Board also strives to appoint a woman to the Executive Board of the Company. To avoid setting a target that the Supervisory Board did not consider realistic to achieve with the resources available to it and not in the interests of the Company, it has limited itself to a target figure of 0 percent. The Executive Board of the Company has also resolved a target for the proportion of women in the two management levels below the Executive Board in accordance with Section 76 (4) of the German Stock Corporation Act (AktG). By June 30, 2027, the proportion of women here is to reach 28.6 percent. The first level below the Board of Management comprises 35 executives, of whom 6 are female, corresponding to 17.1 percent. This means that the target of 28.6 percent has not yet been met. A second management level below the Board of Management no longer exists in the current structure.

First Sensor is not party to collective wage agreements. As part of the integration, the TE Connectivity Global Job Framework was introduced at First Sensor. This guarantees comparable pay for comparable work, independently of gender, age or other personal features. Moreover, agreements are negotiated with the respective First Sensor employee representation bodies and recorded in works agreements (GRI 102-41).

Owing to the age structure, it is also important for First Sensor to create the conditions required to help employees find a healthy work-life balance. This includes efforts to make individual working hours more flexible through flextime, part-time and temporary home-working solutions. Furthermore, it goes without saying that women and men receive the same wages for the same work. 32.7% of First Sensor employees are women, which is an excellent ratio for a high-tech company. The global job framework also creates the conditions for continuing to assess all positions within the company with zero discrimination. This applies to all First Sensor locations (GRI 102-4).

No information was requested in accordance with the *Entgelttransparenzgesetz* (German Wage Transparency Act) in the 2022 financial year. Since 2019, further information on pay transparency at First Sensor has been provided in a report that can be accessed on the website.

The materiality analysis assigned high priority to the occupational health and safety aspect at First Sensor (GRI 403-1, -2, -3). The physical well-being of employees and safety at work play an especially important role in HR work at First Sensor as well. Measures for preventive healthcare are largely the responsibility of HR and include, for example, fruit and beverages, flu vaccinations, and measures to protect against coronavirus such as masks, working from home, social distancing, and plexiglass screens, as well as the popular company bicycle. This is similar to the TE Connectivity Safety Policy, which aims to operate facilities around the world in a manner that protects employees, public health and the environment. All applicable laws and regulations are complied with at every location where the First Sensor Group operates, and its own more stringent standards and policies are applied wherever necessary to protect employees and the environment.

All First Sensor employees are informed and made aware of the individual hazards at their place of work, which is supported by intensive training and seminars. First Sensor's health, safety and environmental (HSE) management has now been integrated into the TE Connectivity system that is described by its Environment, Health and Safety Policy (EHS Policy). This ensures that all First Sensor sites apply the same standards as other TE Connectivity locations.

Audits are carried out at First Sensor to identify potential for improvement. The findings, whether in the management system or at an operational level, are now being processed. As all areas of EHS management are heavily regulated, this is supported by the EHS software Quentic in practice. This database is a tool for providing the directory of authorization and permits as well as the directory of hazardous substances. The program is also used to carry out the risk assessments required by law and complements the TE Connectivity group EHS-solution Velocity. All employees can complete their compulsory annual general occupational health and safety courses online using Quentic, which ensures very high quality and saves resources. These instructions are supplemented by "lessons", on subjects such as work safety or unsafe situations.

Employees are provided with appropriate personal protective equipment where necessary. Hazardous substances, such as those used in production, are labeled appropriately and according to regulations. This is intended to prevent chronic and acute illnesses. Noise is avoided as far as possible or corresponding protective measures taken. Of course, every employee is entitled to refuse to perform any work that they consider to be dangerous. At the same time, information of this kind is valuable because it highlights opportunities to identify and remedy vulnerabilities as soon as possible.

First Sensor is required to report work accidents. However, the reporting obligation only applies to accidents that result in an inability to work for more than three days (GRI 403-2). As part of the integration into the TE Connectivity Group, the key figure system was harmonized. First Sensor now determines the “total recordable incident rate” (TRIR). The TRIR calculations reflect the number of recordable injuries per 100 full-time employees in a period of one year.

A recordable incident is any work-related injury or sickness that leads to death, loss of consciousness, absence from work, limited work activity, a transfer to a different job, or medical treatment that goes beyond first aid. The data for First Sensor’s locations are as follows:

Total recordable incident rate of First Sensor AG (Group)	2022
Total number of hours worked	1,333,638.88
Number of incidents	2
TRIR per 100 employees	0.3

First Sensor’s TRIR is thus well below the average for manufacturing companies (2.8), and instead is closer to the typical level for companies in the field of technical services (0.4).

A number of other activities for better health protection are carried out regularly. These include free fruit baskets and beverages, for example, and flu vaccinations.

Precautions to protect against COVID-19 infection were still necessary in the 2022 financial year as well. An operational coronavirus pandemic plan was implemented back in 2020. It is based on the Federal Office of Civil Protection and Disaster Assistance’s Corporate Pandemic Planning Manual, and covers team formation, risk analysis and assessment, action formulation and a communication concept. Building on that, a hygiene concept, corresponding checklists and information materials were developed and implemented. In line with the risk assessment, measures under the proven step-by-step plan were taken in 2022 as well, such as providing employees with face coverings, FFP2 masks, and rapid testing kits. Many areas introduced digital formats for meetings and remote working options in addition to observing basic precautions, such as social distancing, hygiene, masks, and ventilation.

16 Qualifications

Training and further professional development are highly valued at First Sensor as they ensure that employees can always rise to the growing challenges of their professional environment. However, under the ongoing circumstances dictated by the pandemic, only €220 thousand (previous year: €133 thousand) was spent on corresponding measures in the 2022 financial year (GRI 404-1). First Sensor is also a qualified training organization. Based on long-term personnel planning, the aim is to cover the requirements for talented young members of staff by also providing high-quality, needs-based training within the company existing workforce. First Sensor provides professional training for micro-technologists (24), specialists in warehouse logistics (3), industrial clerks (2), and mechatronics engineers (1). The company thus employed 30 apprentices as of September 30, 2022 (previous year: 28), and the training rate came to 4.4%.

Only 32% of employees at the First Sensor Group are over 50 years old. Nevertheless, the Executive Board is aware that this is no reason to ignore the challenges of demographic trends in the long term.

Below 30 years of age	16%
Aged 31 to 40	31%
Aged 41 to 50	21%
Over 51 years of age	32%

At 30.8%, First Sensor has a comparatively high share of academics for a production company due to the sophisticated technological demands.

17 Human rights

The company’s own Code of Conduct ensures that human rights, fundamental principles and employment rights are fully recognized, supported and promoted by First Sensor wherever possible. This Code is in accordance with TE Connectivity’s corresponding guidelines. These state that nobody will be employed against their will or forced to work involuntarily. TE Connectivity stands against and prohibits all forms of slavery or practices similar to slavery. This policy applies to all TE Connectivity employees and contractors in every country in which the TE Connectivity Group operates. All suppliers are expected to adhere to this policy as well as to TE's Supplier Guide to Social Responsibility (GRI 412-1, 2, 3).

First Sensor reviews suppliers from regions considered to be at risk of human rights violations in conjunction with supplier questionnaires (GRI 407-1). Corresponding audits reviews can be carried out in the context of supplier management (GRI 414-2).

18 Community

It is not just the shareholders of the listed stock corporation, but also many other groups that benefit from sustainable business development, including customers, employees, suppliers and, not least, society in general. The materiality analysis concluded that the economic performance of First Sensor is extremely relevant to internal and external stakeholders.

The economic value generated and its distribution are shown below in the statement of value added for the 2022 financial year below (economic value generated and distributed, GRI 201-1):

in € million	
Sales	115.4
Financial result	-0.8
Other operating income	2.7
Economic value generated	**117.3**
Operating expenses	-78.0
Depreciation and amortization	-7.6
Net economic value generated	**31.7**
Staff costs	-41.4
Financial expenditure	-0.5
Distribution to shareholders	-22.0
Payments to public authorities	0.0
Donations	0.0
Distributed economic value	**-63.9**
Difference retained by the company	**-32.2**

TE Connectivity also supports the communities at its business locations. For example, it empowers employees to pursue positive change in their communities through its Community Ambassador Program, which enables more than 100 ambassadors and local councils to make decisions about TE Connectivity's philanthropic spending and volunteer events. A large part of its corporate philanthropy is employee-driven through the Community Ambassador Program or employee matching gift and volunteer grants programs, allowing employees to personally engage in TE Connectivity's philanthropic giving.

19 Political influence

First Sensor does not exert political influence based on basic considerations and does not give donations to political parties (GRI 415-1). First Sensor is a member of various initiatives and associations. This network primarily serves for professional dialog and membership does not entail any political influence (GRI 102-13).

20 Compliance with the law and regulations

Compliance with the law is a top priority at First Sensor. In addition to the statutory framework, the company's specific expectations regarding compliance are enshrined in the Code of Conduct. The code thus combines the obligation to comply with the law with the particular requirements of ethical conduct as the basis for business activities.

As part of the TE Connectivity Group, First Sensor has adopted TE Connectivity's standards on ethics and compliance in this area, too. TE Connectivity's Guide to Ethical Conduct provides directors, officers and employees with the necessary information and resources to live by the company's values and make sound and ethical decisions every day. These values also apply to the company's partners, including contractors, vendors, suppliers and other stakeholders.

The Guide covers all relevant areas: diversity, equity, respect and trust, competition law, bribery and corruption, fraud, money laundering, import and export rules, conduct in the workplace and safety, conflicts of interest, gifts and entertainment, human rights, and social responsibility. The Guide serves as a binding framework for the activities of members of the Supervisory Board and the Executive Board, and of all employees and managers (GRI 102-17).

Compliance with the principles of the Code of Conduct is integrated in the structures and processes of First Sensor's risk and compliance management system (GRI 205-1). There is a procedure for reporting violations against the code (whistle-blowing), also confidentially or anonymously. No cases within the First Sensor Group were reported in the 2022 financial year (GRI 205-3).

The prevention of corruption is a particularly important area of compliance. Corruption is not just a trivial offense to give the company a supposed advantage in the short term, but rather a major risk as it can permanently damage the company's market position (GRI 205-1). Fairness towards all business partners, customers, suppliers and employees is essential for long-term business success. This is why a detailed section of the Code of Conduct has been dedicated to dealing with business partners and third parties. In particular, clear limits have been defined for giving and receiving benefits to rule out the possibility of corruption. This expectation is communicated not just to all members of the Supervisory Board and the Executive Board, all employees and managers, but also to suppliers through supplier management and the supplier code (GRI 205-2).

No sanctions within the First Sensor Group were imposed in connection with prosecuted legal violations or violations of economic or social provisions in the 2022 financial year (GRI 419-1).

EU Taxonomy

Quantitative and qualitative KPIs on sales, investments, and operating expenses had to be disclosed for the first time for the company's sustainability activities in the 2021 financial year. The transparency resulting from disclosure should allow comparisons of different business models in terms of the ecological sustainability, thereby contributing towards effective capital market allocation and thus sustainable development as defined by the EU Action Plan. For the current reporting period, these disclosure requirements relate to all six EU environmental goals. Up until the time of reporting, however, only criteria for the goals of climate protection and climate change adaptation were published.

First Sensor is aware of its responsibility for sustainable business practices and, as part of the TE Connectivity Group, will be included in the parent company's Corporate Responsibility Program. TE Connectivity reports on its sustainability strategy and its implementation in its annual Corporate Responsibility Report. This sets out the Group's progress in driving the corporate values of integrity, accountability, teamwork, and innovation in conjunction with global challenges in terms of social and ecological activism. The strategy is built around the ambitions for 2030, and the report covers the progress made in the reporting period and other activities in planning. First Sensor will be included in the reporting of performance indicators (see Performance Summary) and the relevant standards (GRI, SASB, TCFD).

First Sensor does not have separate reporting on Taxonomy-eligible and Taxonomy-aligned economic activities under the EU Taxonomy. Following a due review of the applicable technical assessment criteria, First Sensor therefore makes the following declaration:

Taxonomy-eligible economic activities	0%
Non-Taxonomy-eligible economic activities	100%

The Taxonomy-aligned investments thus amount to 0% and the operating expenses to 0% as well.

2 COMBINED CONSOLIDATED MANAGEMENT REPORT OF FIRST SENSOR GROUP AND FIRST SENSOR AG

2.1 BASIC INFORMATION ON THE FIRST SENSOR GROUP

2.1.1 Group structure and business activities

Group legal structure

In the 2022 financial year, the First Sensor Group (hereinafter also referred to as "First Sensor" or "the Group") consisted of the parent company First Sensor AG, based in Berlin, and the subsidiary First Sensor Lewicki GmbH at the reporting date in which First Sensor AG holds all shares or a majority interest. A subsidiary in Sweden that is no longer active was deconsolidated and liquidated in fiscal 2021/2022.

TE Connectivity Sensors Germany Holding AG has been the largest shareholder in First Sensor AG since 2020, with an interest of approximately 72%. There has been a control agreement between the companies since July 6, 2020 and there is a profit transfer agreement applicable beginning on January 1, 2021.

Segments

First Sensor develops, produces and distributes sensor chips, sensor components, sensors and sensor systems. Sales are reported geographically according to the origin of customers (DACH region, rest of Europe, North America, Asia, rest of the world). There is no segmentation in accordance with IAS 8 reflecting internal organizational and reporting structures or the Management Board's control structures.

Locations

The Group had four development and production locations in total in Germany in 2022. They specialize in different products and stages of the sensor systems value chain.

In the reporting period, there were locations in Berlin (Oberschöneweide and Weissensee), Dresden (Klotzsche) and Oberdischingen, plus a distribution company in Kungens Kurva (Sweden), which was closed during the financial year 2022.

Products, services and business processes

On the sensor systems growth market, First Sensor develops and manufactures standard products and customer-specific sensor solutions for the ever-increasing number of applications on different target markets.

Throughout the value chain, two core competencies distinguish First Sensor as a company. Firstly, the Group has expert knowledge in detecting physical parameters through the design and production of silicon-based sensor chips. Secondly, First Sensor uses its expertise in microelectronic layout and connection technology to process these chips with the best form factor for the application in question. System solutions for new applications on various markets are an avenue for additional growth. Such sensor systems not only measure but also respond intelligently to the results and communicate with other systems.

On this basis, First Sensor focuses on the product areas of pressure, photonics and advanced electronics. Overall, the Group therefore develops, produces and sells an extensive range of its own standard sensors. Thanks to its years of expertise in sensor systems, First Sensor is also able to offer bespoke sensor solutions to address the specific application challenges posed by key customers' products. The company also has a large number of technical solutions in the area of actuation systems and embedded software, which it uses to provide support for system approaches. For this reason, product and technology development is a vital core process.

Through its collaboration with TE Connectivity Solutions GmbH (Schaffhausen, Switzerland - TESOG), the Group can supply customers in more than 140 countries. On the basis of corresponding agreements, TESOG is also First Sensor's sales and distribution partner and has taken over the complete distribution as of June 1, 2022.

Sales markets

As a result of the disposal of First Sensor Mobility GmbH in the 2021 short financial year and the now close cooperation with TE Connectivity Solutions GmbH as a sales and distribution partner, First Sensor did not continue the breakdown of sales by target markets in the reporting period.

The development of sales in the various regional markets is only of limited informative value, as all significant sales have been generated via TESOG as a sales and distribution partner since June 1, 2022. These sales are allocated to the DACH region. Accordingly, the sales of the other regions are declining. As before, the largest sales volume was achieved in German-speaking countries. The share of sales attributable to the DACH region (Germany, Austria, Switzerland, Liechtenstein) was 70.1% (previous year: 53.0%) in the 2022 financial year. First Sensor generated 12.0% (previous year: 21.3%) of its sales in non-German-speaking countries in Europe. In North America, where it focuses on the United States, the Group generated just 5.3% of its sales (previous year: 5.4%). Asia, and mainly China, accounted for 12.3% (previous year: 19.0%) of sales.

The fundamental sales trend in the Group is also reflected accordingly at First Sensor AG as an individual company.

External influences

External influences that cause changes in customer demand behavior and regulatory frameworks are – in both a positive and a negative sense – of minor significance to First Sensor.

As a result of its integration into the TE Connectivity Group, First Sensor is not just benefiting from the rapid growth in the number of sensor applications that are being developed for new functions and for safety, comfort and efficiency. TE Connectivity's global reach is also significantly increasing the number of potential customers that can be served. This combination should also reduce potential fluctuations due to economic cycles.

2.1.2 Objectives and strategies

Strategic orientation of business units

First Sensor is part of TE Connectivity and is therefore incorporated into TE Connectivity's strategy for its Sensors business area. The strategy is to seamlessly connect people, machinery and the world so that everyone in the world can lead a better life. To this end, innovative sensor solutions are developed that add value for employees, customers and investors. They are intended to help make the networked world a safer, more productive and more reliable place.

This approach focuses on applications for medical technology, such as Diagnostics and patient monitoring. Moreover, the Group is focusing on industrial automation and condition monitoring as well as movement regulation. Its key USPs are application expertise, technical brilliance, customer experience and its global positioning. TE Connectivity's values are Integrity, Accountability, Teamwork, and Innovation. In its various action areas, TE Connectivity's medium-term focus is on a strong growth strategy.

Pressure sensors are a key component of its product portfolio. Here, First Sensor offers products suitable for industry and medical technology applications. Customers often seek bespoke solutions in these high-tech applications. Thanks to its wide-ranging and comprehensive application experience, First Sensor is able to create tailor-made solutions for a number of different sectors – from high-performance, platform-based pressure sensors for pneumatics and hydraulics, including for the automation of industrial system, to custom-made products for highly specialized medical technology applications.

The product range in the photonics area comprises LiDAR applications, imaging modules and light detectors. They are predominantly used in industrial, medical and transport applications. In this area, First Sensor primarily concentrates on industry and medical applications with the aim of focusing on high-growth applications and ongoing product portfolio optimization.

In the area of advanced electronics especially, First Sensor is focused on the rising demand for complex solutions that combine several functions in customer applications. This requires core competencies in chip design and production as well as in layout and connection technology. Not only this, but the company is also building and expanding its expertise in other process technologies, as well as in software and sensor communication. The cooperation with TE Connectivity is giving rise to additional options that are due to be validated further in the new financial year.

First Sensor develops not just products, but solutions as well. When selling solutions, it is important to develop a deep understanding for customers' systems and to identify trends and system problems that need to be solved. This frequently also entails an increased share of sensors in these applications and use cases. This way, customers receive a more comprehensive value proposition. At the same time, the procurement process can be streamlined and complexity and costs can be reduced, for example by using fewer suppliers.

Strategic financing measures

First Sensor primarily finances its business operations from its operating cash flow and cash funds or via the cash pool with TE Connectivity. Additional financing requirements could also be covered by the main shareholder in the future. There has been no strategic financing in the narrower sense to date, and there are also no such plans for the future.

2.1.3 Internal management system

The Management Board is responsible for the strategic orientation of the company. The Supervisory Board advises it and monitors the Management Board in line with the law and the Articles of Association. The interests of customers, employees, investors and suppliers are taken into account to the best possible extent when determining the company's strategic objectives. The medium-term planning for the next three years is derived from the strategic objectives once a year. The detailed planning for the following year is prepared on this basis. The Management Board coordinates this with the Supervisory Board and implements it.

The Management Board regularly discusses strategic and key operational issues with the employees of the first management level below the Management Board, analyzes the current business performance and discusses the handling of risks and opportunities. Moreover, these managers have reporting lines to the regional and global functional line managers at TE Connectivity.

The First Sensor Group is primarily managed by way of the continuous controlling of the achievement of goals in relation to annual and medium-term planning. The aim is to identify deviations as early as possible so that suitable measures can be implemented promptly.

Key performance indicators used

First Sensor AG and its subsidiaries are primarily managed based on the targets for sales and for the EBIT margin (EBIT = earnings before interest and taxes). These are the most significant financial performance indicators.

2.1.4 Research and development

Various new uses of sensors and sensor systems are the driving forces for the First Sensor Group's planned growth. Development activities are therefore highly relevant to the Group's success. Development defines the implementation of customer-specific solutions and is responsible for the production development process and the building of prototypes. Development also forms the basis for First Sensor's platform and technology strategy.

The Group's overall expertise comprises semiconductor development and sensor design, layout and connection technology through to prototype construction, sensor electronics, software and system integration. Project management coordinates the units within the product development projects to ensure that the defined project objectives are achieved.

In conjunction with the integration of First Sensor's development activities into those of TE Connectivity, adjustments were made to the organizational structure, and the process landscape and IT infrastructure were harmonized.

The organizational structure is geared towards sensor technology and is still spread across multiple locations. The photonics development area deals with the development of photodiodes and imaging sensors. The development of pressure sensors works together with the corresponding developers at TE Connectivity in the Pressure & Force development area. Given the calorimetric processes, the development of L series flow sensor systems is being continued in the Temperature development area.

In terms of processes, all development activities were converted to TE Connectivity's project governance process, "LEANPD" (Lean Enterprise Accelerated New Product Development). Projects to harmonize software solutions and document management in line with the TE Connectivity infrastructure were successfully completed. Also, 44 engineers were trained in TE's internal Design for Six Sigma Green Belt Program, which was rolled out further in the 2022 financial year.

Procedures and key areas

Regardless of whether the stimulus for a development project comes from a customer or from within the company, First Sensor's development activities operate according to a structured process. Before the project even begins, the first step is to review the business case. This means looking not only at the time frame and costs, but also at the project's potential for First Sensor. If the review reaches a positive conclusion, the project's implementation can begin. Development is organized on the basis of a multistage process from creating a design to producing prototypes all the way through to preparation for series production. The process uses pre-defined milestones and standardized reporting requirements to ensure that, at every stage of the development project, the results are in line with the desired aim and any deviations are identified, analyzed and processed in a timely manner.

First Sensor incorporates medium- and short-term development activities that fall under the overarching corporate strategy in a technology and product road map. This ensures that projects involving key customers or high sales volumes are prioritized. For this reason, one focus area is customer-specific sensor solutions and thus the development of new sensor chips. These are supplemented by innovative signaling electronic systems and layout and connection technologies. It is also important that products have the best form factor for the relevant application, i.e. to be particularly robust, for example. Furthermore, customers expect innovations that will still be state-of-the-art in three to five years' time while still being competitive in terms of price.

Cooperations

First Sensor follows an approach of opening up innovation processes and entering into strategic partnerships with strong industrial partners and research institutes. Each partner benefits from sharing expertise and can contribute its respective core competencies in the context of joint projects. Through regular close contact with research institutes, Development also plays its part in ensuring that scientific findings are applied in usable innovation.

The Group does not conduct its own research outside the existing cooperations.

R&D key figures

The annual R&D expenses are based on a budget. Project costs are determined within the context of internal orders and are included in the income statement as expenses. Costs for individual customer projects are recognized separately and are passed on or amortized over the useful life of the products, where this has been agreed. Strategic development projects are also recognized separately; these development costs are only capitalized if the criteria of IAS 38 are met.

In € thousand, unless otherwise indicated	SFY 2021*	2022
R&D expenses	6,703	3,633
R&D ratio in %	6.4	3.1
New capitalization of development costs	583	117
Carrying amounts of capitalized costs	3,021	2,144
Amortization of capitalized development costs	701	994
Number of R&D employees (FTEs)	86	45
Number of patents and licenses	26	18

* January 1 to September 30, 2021

R&D expenditure amounted to €3.6 million in the 2022 financial year. The R&D ratio was 3.1% of sales. 45 employees work in development.

R&D results

In the past financial year, development work mainly focused on products and technologies in the areas of photonic sensors and MEMS pressure and gas sensors.

The development of pressure sensors focused on gas supply applications in the semiconductor industry, which experienced strong demand in the last financial year. High-precision transmitters for process gases are the basis for stable, precise manufacturing processes.

In gas sensor technology, a simplified version of the gas property sensor was developed that measures oxygen concentration, e.g. for respirators. The non-consuming, rapid and energy-saving measurement principle provides a significant advantage.

In photonics, a number of customer-specific developments for photodiodes and imaging sensors were completed. The photodiodes were developed primarily for customer-specific infrared applications. These include aerospace applications in the 1064nm wavelength range, and APD LiDAR sensors at 905nm. For LiDAR applications, a demonstrator system was completed together with the partner Leddartech and made available to customers for evaluation.

Examples of other photodiode developments include optical encoder applications for high-precision mechanical engineering and diffraction sensors for analytical instruments.

In imaging sensors, solutions based on chip-on-board (COB) technology were developed for various customers. This technology combines scalable production, low-cost materials and the highest standards of position accuracy, planarity and purity, even for very large sensors. These solutions are used, for example, for high-end-machine-vision applications. In addition, projects were successfully completed for an optical system for a 3D camera and a module for a time-of-flight imager.

Development projects such as the above examples typically contribute to the Group's sales within six to 24 months. Patents and utility models are registered on a purely selective basis. The company firstly examines whether the benefits of an application outweigh the risks of disclosure, whether there is a strategic necessity and whether an application is required for competitive reasons. Patents are subsequently subjected to an annual review. If the market situation or the company's strategic focus have changed, or if their value can no longer be demonstrated, the company may decide to let certain patents expire.

2.2 ECONOMIC REPORT

2.2.1 General economic and sector conditions

Performance of the economy as a whole

The International Monetary Fund (IMF) lowered its estimates several times over the course of the year. In its most recent forecast, it noted that high inflation, Russia's war of aggression against Ukraine, and the effects of the coronavirus pandemic were weighing heavily on the global economy. This forecast is the weakest in around 20 years - with the exception of those issued during the pandemic and the global financial crisis. The IMF anticipates global growth of 3.2% in 2022. According to the experts, the Unites States - the world's biggest economy - is set to grow by 1.6% in 2022. In the euro area, gross domestic product (GDP) is expected to grow by just 3.1% in 2022. And for the German economy, it anticipates growth of just 1.5% in 2022.

The IMF views the energy crisis in Europe as a temporary phenomenon, as it anticipates a comprehensive and permanent geopolitical restructuring of the energy supply as a result of the Russian war of aggression. The high inflation is also having a negative impact. It therefore recommends that the central banks focus on containing inflation despite all the risks and maintain their course of interest rate hikes.

Developments on the sensor market

The market research institute WSTS has also lowered its forecast for the semiconductor market and now anticipates an increase of 13.9% in 2022. For the sensor market, it anticipates growth of 16.6% in 2022. According to WSTS, all regions are set to grow in 2022, although the growth rates will vary significantly in some cases. For example, the biggest region - Asia-Pacific - is expected to grow by 10.5%. This is a considerably lower growth rate than in America, where WSTS anticipates an increase of 23.5%. Europe comes to 14.0% and Japan to 14.2%.

Various industrial sectors continued to see shortages in the chip supply in 2022. Firstly, supply chain disruptions still had an impact here, for example due to China's restrictive coronavirus policy. Secondly, there will be a time lag before the capacity expansion that has begun contributes to easing the supply situation.

The German electronics industry benefited from the positive trend in demand as well. According to the German Electrical and Electronic Manufacturers' Association (ZVEI), sales rose by 11.6% year-on-year in the first three quarters of 2022. Adjusted for inflation, however, the increase came to just 3.5%. The order situation also developed positively. In the first three quarters of 2022, 11.7% more orders were received than in the previous year. Supply shortages still represent by far the biggest obstacle to production, while half of companies also complain of a shortage of specialist staff.

The members of the German Association for Sensors and Measurement, the AMA, report a positive business performance. Compared to the previous year, the sector increased its sales by 9% as of the middle of 2022.

2.2.2 Financial position and financial performance

Please note: The comparability of the figures for the Group income statement and the Group statement of cash flows in this report with those for the previous year is limited on account of the 2021 short financial year (January 1 to September 30), in which a subsidiary was sold which generated approximately 19 percent of Group sales in the short fiscal year. Looking purely at the time periods covered, an increase of around 33% in 2022 was caused by the change in financial year, hence an increase of less than 33% in the analysis below on the financial position and financial performance generally would indicate a decline, while an increase of more than 33% generally indicates an actual increase compared to the period of the 2021 short financial year. Taking into account the subsidiary included only in the previous year, an increase of less than 8 percent would tend to correspond to a decrease compared with the period of the short fiscal year 2021. The following analysis is partly based on the figures for the previous year adjusted for non-recurring effects (2021 annual report, page 35).

The reconciliation of reported operating profit to operating profit in the previous year was as follows:

in TEUR	01.01.-30.09.2021 wie berichtet	01.01.-30.09.2021 bereinigt	Δ absolut	in %
Sales	105,314	105,314	0	0.0
Gross revenue	109,966	109,966	0	0.0
Other operating income	25,091	1,589	-23,502	-93.7
Staff costs	-41,611	-34,851	6,760	-16.2
Other operating expenses	-13,496	-12,119	1,377	-10.2
EBITDA	26,379	11,014	-15,365	-58.2
EBIT	18,194	2,828	-15,366	-84.5

The difference in other operating income of €23.5 million resulted from the sale of the subsidiary. The difference of €6.8 million in personnel expenses resulted primarily from the initiated closure of the site in Puchheim. Structural adjustments to the TE Group, e.g. in the area of IT, resulted in the difference of €1.4 million. Adjusted for these amounts, the operating result (EBIT) for the short fiscal year was €2.8 million, corresponding to an EBIT margin of 2.7 percent.

In fiscal 2022, the structural adjustments to the TE Connectivity Group were continued. The additional expenses resulting from the integration into the TE Connectivity Group, the relocation of production from the TE Connectivity site in Dortmund to Berlin and the associated structural adjustments and capacity expansions at the production site have led to multi-layered non-recurring expenses that are difficult to quantify precisely. Due to the already limited comparability, an adjustment was therefore not made.

The position of the Group

Business performance in the 2022 financial year and comparison with forecast development

The First Sensor Group generated sales of €115.4 million in the 2022 financial year (previous year: €105.3 million). The increase in sales of just 9.5% is chiefly due to the fact that the previous year's sales still included contributions from a subsidiary that was sold in the previous year, as well as to changes in the sales structures. Sales were therefore at the upper end of the guidance range of €105 million to €115 million last updated in May 2022.

As a result of the sales performance and the significant increase in material costs, operating profitability achieved the latest adjusted guidance target range of -3.0% to -4.0% with an EBIT margin of -3.4% (previous year: adjusted 2.7%). In addition to increases in material costs, supply bottlenecks and additional expenses and delays in production relocations and integration measures resulted in EBIT of €-4.0 million, well below the previous year's figure of €18.2 million, which had been positively impacted by the disposal of a subsidiary. The previous year's adjusted EBIT of €2.8 million was thus also not achieved.

Overall, performance in the 2022 financial year was weaker than originally planned. In addition to the general economic environment, this is also attributable to internal factors such as the afore mentioned expenses and delays in connection with the integration measures, which will be addressed to a greater extent in the coming financial year.

Targets for key performance indicators for the 2022 financial year

Consolidated sales of between €110 million and €120 million were originally forecast for the 2022 financial year. An operating EBIT margin of between 5.0% and 7.0% was anticipated. These targets were published on January 31, 2022. The guidance was adjusted before the half-year report was published on May 13, 2022. Sales of between €105 million and €115 million were forecast for the 2022 financial year at that time. The EBIT margin was expected to be between -2.0% and +2.0%, primarily due to negative effects from supply bottlenecks and increases in the cost of materials. Based on preliminary figures for fiscal 2022, the EBIT margin target was ultimately lowered to -3.0 to -4.0 percent.

Comparison of target and actual figures for 2022

The following table shows the figure achieved in the 2021 short financial year, the guidance and the subsequently adjusted guidance for the 2022 financial year, and the figure achieved in the 2022 financial year:

	Jan. 1 to Sept. 30, 2021	Guidance I Oct. 1, 2021 - Sept. 30, 2022	Guidance II Oct. 1, 2021 - Sept. 30, 2022	Guidance III Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2021 - Sept. 30, 2022
Sales in € million	105.3	110 - 120	105 - 115	105 - 115	115.4
EBIT margin in %	2.7	5.0 - 7.0	-2.0 - +2.0	-3.0 - -4.0	-3.4

The most recent forecast for sales and earnings was therefore accurate, as both targets were achieved for the financial year.

Financial performance

Sales development

The First Sensor Group generated sales of €115.4 million in the 2022 financial year as compared to €105.3 million in the 2021 short financial year. The increase of just 9.5% is chiefly due to the fact that the previous year’s sales still included contributions from a subsidiary that was sold in the previous year, as well as to changes in the sales structures.

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 - Sept. 30, 2022	Absolute change	in %
DACH*	55,815	80,836	25.0218	44.8
Rest of Europe	22,447	13,802	-8,645	-38.5
North America	5,688	6,088	400	7.0
Asia	20,030	14,167	-5,863	-29.3
Others	1,334	477	-857	-64.2
Total	**105,314**	**115,370**	**-10,056**	**9.5**

*Germany, Austria, Switzerland, Liechtenstein

In addition to the disposals of subsidiaries, the shifts in the regional distribution of sales are also attributable to the change in the sales structure as all significant sales have been generated via TESOG as a sales and distribution partner since June 1, 2022, which belongs to the DACH region. The sales share in the DACH region thus increased by 44.8% and now represent 70.1% of total sales. Sales in the rest of Europe saw a 38.5% decline; 12.0% of total sales are generated here still. In North America, sales increased by 7.0% but declined in relative terms to a 5.3% share of sales. In Asia, by contrast, the decrease came to 29.3% and the share of sales is now 12.3%.

Order situation

The order situation developed very positively in the reporting period. Sales of €115.4 million were accompanied by incoming orders of €136.5 million. This resulted in an order backlog of €106.9 million euros and a book-to-bill ratio of 1.21 as of the reporting date, which signals promising prospects for the new financial year.

€ thousand	Jan. 1 to Sept. 30, 2021	Oct.. 1,2021 to Sept. 30, 2022	Δ absolute	in %
Sales	105,314	115,370	10,056	9.5
Incoming orders	119,618	136,453	16,835	14.1
Orders on hand	85,769	106,852	21,083	24.6
Book-to-bill ratio	1.14	1.21	0.07	6.1

Results

The First Sensor Group's sales amounted to €115.4 million in the 2022 financial year (previous year: €105.3 million). Other operating income amounted to €2.7 million (previous year, adjusted: €1.6 million). Inventories of finished goods and work in progress again rose by €3.6 million (previous year: €3.8 million). Own work capitalized decreased to €0.1 million (previous year: €1.0 million). Gross revenue (not including other operating income) accordingly increased by 10.9% to €120.3 million (previous year: €110.0 million).

The cost of materials rose at a higher rate of 15.6% to €61.9 million (previous year: €53.6 million), primarily due to increased procurement costs. This equates to a cost of materials ratio of 51.8% (previous year: 48.7%). The gross margin was 48.2% after 51.3% in the previous year.

Staff costs, which amounted to adjusted €34.9 million in the previous year, increased in the reporting period due to an increase in wages and salaries, additional employees and employee changes and totaled €40.3 million. Other operating expenses increased by 35.2% to €16.4 million (previous year, adjusted: €12.1 million). Accordingly, EBITDA amounted to €3.6 million after adjusted €11.0 million in the previous year. The EBITDA margin was 3.0% (previous year, adjusted: 10.0%).

Following depreciation on property, plant and equipment and amortization of intangible assets of €7.6 million (previous year: €8.2 million), EBIT amounted to €-4.0 million (previous year, adjusted: €2.8 million), corresponding to an EBIT margin of -3.4%. Adjusted, the previous year's EBIT margin was 2.6%.

At €-0.8 million, the financial and currency result in the reporting period remained almost at the level of the previous year (€-0.5 million). Unadjusted EBT consequently amounted to €-4.8 million (previous year: €17.7 million). After tax income of €0.3 million, there was a consolidated net loss of €-4.5 million (previous year: net income of €18.8 million). Earnings per share, based on the profit for the period, amounted to €-0.43 / €-0.43 (previous year, unadjusted: €1.82 / €1.82; diluted/basic respectively). In accordance with the terms of the control and profit transfer agreement, minority shareholders receive annual compensation in accordance with section 304 of the *Aktiengesetz* (AktG - German Stock Corporation Act), which is paid by the majority shareholder. First Sensor AG merely pays the tax incurred on this (€306 thousand).

Financial position

Principles and aims of financial management

The aim of First Sensor's financial management is to ensure the necessary liquidity for its production processes, growth and investments at all times. It is managed centrally by First Sensor AG. It primarily includes liquidity management, the borrowing of external funds and the management of interest and exchange rate risks. First Sensor has been part of the TE Connectivity cash pool since the 2020 financial year.

The risk of rising interest rates relates to borrowings that are now used only in a limited amount and mostly with fixed interest rates. The company therefore does not use interest rate swaps for floating-rate loans. First Sensor counteracts the foreign currency risks of purchased materials and services by agreeing customer payments in euro for preference.

The Group-wide Financial Risk Management Directive enables the early identification of exchange rate and interest risks and regulates the authorized hedging instruments. The risk and materiality limits determined did not require any hedges to be entered into as of September 30, 2022.

Capital structure

Consolidated equity amounted to €124.4 million as of September 30, 2022 (previous year: €122.0 million). Based on total assets of €164,3 million, the equity ratio thus amounts to 75.7% (previous year: 64.4%). This change mainly results from the reduction in total assets by €25.0 million, primarily due to the payment to TE Connectivity in connection with the profit and loss transfer agreement and the related decrease in current liabilities.

Non-current financial liabilities, including lease liabilities, were reduced significantly in the reporting period, amounting to €9.7 million (previous year: €17.1 million). The promissory note loan of €3.0 million matures in December 2022. First Sensor also utilizes a KfW loan of originally €13.0 million.

In connection with the KfW loan and the promissory note loan, compliance with covenants as of the end of a year has been agreed. First Sensor is expected to comply with all necessary covenants as of September 30, 2022.

	September 30, 2021	September 30, 2022
Leverage: net debt to EBITDA	-0.87	-2.8
Income coverage: EBITDA to interest expense	53.5	-11.6
Equity ratio	62.6	86.0

€ thousand	September 30, 2021	September 30, 2022	Absolute change	in %
Non-current financial liabilities (incl. lease liabilities)	17,103	9,738	-7,365	-43.1
Current financial liabilities (incl. lease liabilities)	27,278	6,271	-21,007	-77.0
Cash and cash equivalents	65,784	29,779	-36,005	-54.7
Net debt (+)/net cash (-)	-21,403	-13,770	-7,633	-35.7

Current financial liabilities decreased to €6.3 million as of the end of the reporting period (previous year: €27.3 million). The difference results mainly from the settlement of the profit transfer liability to TE Connectivity for the short fiscal year 2021.

In line with this profit transfer, cash and cash pool receivables (cash and cash equivalents) decreased. First Sensor has a net cash position of €13.8 million as of September 30, 2022.

First Sensor can utilize the credit facilities it has been granted, but can first take advantage of the financing options within the TE Connectivity Group if necessary. It can therefore also be assumed for the future that First Sensor will be able to finance its planned growth from the resources at its disposal. Recourse to the capital market is not planned for the foreseeable future.

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

Investments

Investments in intangible assets amounted to €0.2 million (previous year: €0.6 million). €10.7 million (previous year: €11.3 million) was invested in property, plant and equipment, above all in new machinery and equipment at the Berlin sites to increase capacity, to stabilize/improve processes, and in connection with the relocation of production from the TE Connectivity site in Dortmund.

Depreciation and amortization in the Group decreased slightly to €7.6 million (previous year: €8.2 million).

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 - Sept. 30, 2022	Absolute change	in %
Investments in intangible assets	-599	-200	-399	-66.6
Investments in property, plant and equipment	-11,310	-10,688	-622	-5.5
Investments	**-11,909**	**-10,888**	**-1,021**	**-8.6**
Sale of intangible assets and property, plant and equipment	11	672	661	>1,000.0
Other effects	39,172	2,616	-36,556	-93.3
Cash flow from investing activities	**27,274**	**-7,600**	**--34,874**	**-127.9**
Amortization of intangible assets	2,894	-2,272	-622	-21.5
Depreciation of property, plant and equipment	5,292	5,335	-43	0.8
- *of which due to leases in accordance with IFRS 16*	*853*	*661*	*-192*	*-22.5*
Depreciation and amortization	**-8,186**	**-7,607**	**-579**	**-7.1**

Liquidity

The operating cash flow declined from €2.6 million in the previous year to €-3.0 million. The main change in comparison to the previous financial year was the lower profit before taxes. Cash flow from investing activities amounted to €-7.6 million (previous year: €27.3 million). The change mainly results from the effects in connection with the disposal of a subsidiary in the previous year. Free cash flow, which represents the net remainder of operating cash flow and cash flow from investing activities, therefore amounted to €-10.6 million (previous year: €29.9 million).

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 - Sept. 30, 2022	Absolute change	in %
Operating cash flow	2,640	-3,015	-5,655	-214.2
Cash flow from investing activities	27,274	-7,600	-34,874	-127.9
Cash flow from financing activities	-13,472	-25,352	-11,880	88.2
Change in cash and cash equivalents	16,443	-35,967	-52,510	-318.7
Exchange differences	-8	-38	-30	374.7
Cash and cash equivalents at the beginning of the period	49,349	65,784	16,435	33.3
Cash and cash equivalents at the end of the financial year	65,784	29,779	-36,005	-54.7
Free cash flow	29,914	-10,615	-40,529	-135.5

Cash flow from financing activities amounted to €-25.4 million (previous year: €-13.5 million) and was largely defined by the profit transfer to TE Connectivity for the 2021 short financial year and the repayment of borrowings. Cash and cash equivalents decreased from €65.8 million to €29.8 million in the reporting period. The Executive Board therefore continues to consider the Group's liquidity position to be comfortable, also due to the financing options within the TE Connectivity Group. First Sensor will again be able to meet its payment obligations from operating activities and repay its debt financing at all times in the 2023 financial year.

To assess First Sensor's solvency, the following table shows the company's liquidity in the form of liquidity ratios. Cash and cash equivalents are shown in relation to current liabilities to calculate the cash ratio. The quick ratio includes current receivables and the current ratio also takes inventories into account. The changes primarily resulted from the decline in cash and cash equivalents and the increase in inventories.

in %	September 30, 2021	September 30, 2022	Change in pp
Cash ratio	143.5	112.6	-30.9
Quick ratio	186.7	202.9	16.2
Current ratio	252.6	352.4	99.8

Net assets

Total assets decreased to €164.3 million in the 2022 financial year (previous year: €189.4 million). The equity ratio rose to 75.7% (previous year: 64.4%). The change results predominantly from the balance sheet reduction of 25.0 million euros, primarily due to the payment to TE Connectivity in connection with the profit and loss transfer agreement and the associated decrease in current liabilities and the corresponding outflow of cash.

Assets

Non-current assets decreased by €1.3 million to €70.7 million (previous year: €72.0 million), mainly due to depreciation and amortization. Goodwill was unchanged at €16.0 million as of the end of the reporting period (previous year: €16.0 million). At €10.9 million, investment was higher than depreciation on property, plant and equipment and the amortization of intangible assets (€7.6 million). However, book value disposals of €4.4 million were also recorded, in particular for the rights of use allocated to property, plant and equipment at €3.9 million.

Total current assets also declined from €117.3 million to €93.6 million. Material changes here related to cash and the cash pool receivables reported under financial assets, which decreased to €29.9 million mainly as a result of the profit transfer to TE Connectivity in the amount of €67.4 million. By contrast, inventories increased significantly from €30.2 million to €39.7 million in the reporting period, while trade receivables declined from €18.6 million to €16.4 million.

Equity and liabilities

On the equity and liabilities side of the statement of financial position, equity increased to €124.4 million (previous year: €122.0 million). Issued capital rose as a result of the issue of 20,100 shares under stock option plans. The change in capital reserves of €0.6 million also results from the new shares. Due to the result in accordance with IFRS, retained earnings increased to €62.2 million (previous: €60.1 million).

Non-current financial liabilities were reduced to €9.7 million in the reporting period (previous year: €17.1 million). Non-current liabilities thus also declined to €12.5 million overall (previous year: €17.6 million). Current liabilities also decreased significantly to €27.5 million (previous year: €47.4 million), chiefly due to the profit transfer to TE Connectivity.

Working capital amounted to €44.2 million on September 30, 2022 (previous year: €43.2 million). Capital employed increased to €121.5 million (previous year: €115.2 million). This increase was mainly attributable to changes in relation to inventories and trade receivables. The return on capital employed (ROCE) was -3.3% (previous year: 15.8%) due to the negative earnings.

Net assets, financial position and results of operations of First Sensor AG (HGB)

First Sensor AG's results of operations

Please note: The comparability of the figures for the income statement in this report with those for the previous year is limited on account of the 2021 short financial year (January 1 to September 30), in which a subsidiary was sold. Looking purely at the time periods covered, an increase of around 33% in 2022 was caused by the change in financial year, hence an increase of less than 33% in the tables and passages below on the financial position and financial performance generally indicates a decline, while an increase of more than 33% generally indicates an actual increase compared to the period of the 2021 short financial year.

Income statement of First Sensor AG (HGB)

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 - Sept. 30, 2022	Absolute change	in %
Sales	80,105	101,332	21,227	26.5
Changes in inventories of finished goods and work in progress	3,656	4,030	374	10.2
Other own work capitalized	584	117	-467	-80.0
Gross revenue	**84,345**	**105,479**	**21,134**	**25.1**
Income from the sale of shares and receivables	28,210	0	-28,210	-100.0
Miscellaneous other operating income	1,553	2,940	1,387	89.3
Cost of materials	-34,287	-46,173	-11,886	34.7
Cost of purchased services	-6,614	-10,344	-3,730	56.4
Gross profit	**73,207**	**51,902**	**-21,305**	**-29.1**
Wages and salaries	-30,879	-31,709	-830	2.7
Social security contributions	-4,524	-5,904	-1,380	30.5
Miscellaneous other operating expenses	-12,420	-17,316	-4,896	39.4
EBITDA	**25,384**	**-3,027**	**-28,411**	**-111.9**
Amortization and impairment of intangible assets and depreciation of	-6,128	-8,857	-2,729	44.5
EBIT	**19,256**	**-11,884**	**-31,140**	**-161.7**
Income from profit transfer agreement	2,132	5,079	2,947	138.2
Income from participations	0	141	141	100.0
Other interest and similar income	43	41	-2	-5.0
Interest and similar expenses	-189	-232	-43	22.8
Profit before tax	**21,242**	**-6,855**	**-28,097**	**-132.3**
Income taxes	777	255	-522	-67.2
Other taxes	-25	-33	-8	-32.0
Income before profit transfer/loss absorption	**21,994**	**-6,633**	**-28,627**	**-130.2**
profit transfer/loss absorption	-21,994	6,633	28,627	-130.2
Profit or loss	**0**	**0**	**0**	**0.0**
Loss/profit carryforward	47,748	41,986	-5,762	-12.1
Appropriation/distribution of earnings	-5,762	0	5,762	-100.0
Net retained profits (after profit transfer)	**41,986**	**41,986**	**0**	**0.0**

Sales generated by First Sensor AG on a standalone basis increased by 26.5% to €101.3 million in the 2022 financial year (previous year: €80.1 million). To safeguard delivery capability, inventories of finished goods and work in progress were increased by another €4.0 million in the reporting period. Own work capitalized amounted to €0.1 million (previous year: €0.6 million). Gross revenue amounted to €105.5 million (previous year: €84.3 million). In the previous year, income recognized in profit or loss in the amount of €28.2 million was generated from the disposal of a subsidiary. Miscellaneous other operating income moved up by €1.4 million to €2.9 million.

The cost of materials rose significantly to €56.5 million (previous year: €40.9 million), primarily due to price increases. This corresponds to a cost of materials ratio of 53.6 percent (previous year: 48.5 percent). Gross profit amounted to €51.9 million (previous year: €73.2 million). Staff costs rose to €37.6 million (previous year: €35.4 million). This equates to a staff costs ratio of 35.7% (previous year: 42.0%).

Other operating expenses amounted to €17.3 million (previous year: €12.4 million). Depreciation and amortization amounted to €8.9 million (previous year: €6.2 million). EBIT amounted to €-11.9 million (previous year: €19.3 million, largely influenced by the proceeds from the disposal of the subsidiary).

There is a profit transfer agreement with First Sensor Lewicki GmbH that resulted in income of €5.1 million (previous year: €2.1 million). Net other interest and similar income and expenses amounted to €-0.2 million in total (previous year: €-0.1 million).

The profit before tax thus amounts to €-6.9 million (previous year: €21.2 million). Incomes taxes total €+0.3 million (previous year: tax income of €0.8 million). The profit transfer agreement in place with TE Connectivity Germany Sensors Holding AG leads to an adjustment of the net loss for the year. The loss adjustment by TE Connectivity amounts to €6.6 million (previous year: profit transfer of €-22.0 million).

As in the previous year First Sensor AG is reporting net income for the 2022 financial year of €0 million.

First Sensor is now part of TE connectivity

Financial position and net assets of First Sensor AG

ASSETS

€ thousand	September 30, 2021	September 30, 2022	Absolute change	in %
Intangible assets	2,747	1,672	-1,075	-39.1
Internally generated intangible assets	3,021	2,144	-877	-29.0
Goodwill	12,131	9,974	-2,157	-17.8
Payments on account	235	235	0	0
Property, plant and equipment	43,300	46,161	2,861	6.6
Shares in affiliated companies	8,068	7,912	-156	-1.9
Non-current assets	**69,501**	**68,097**	**-1,404**	**-2.0**
Inventories	28,003	37,308	9,305	33.2
Trade receivables	16,992	1,395	-15,597	-91.8
Due from affiliated companies	64,833	48,605	-16,228	-25.0
Other assets	862	863	1	0.1
Cash and cash equivalents	1,488	843.2	-645	-43.3
Total current assets	**112,178**	**89,023**	**-23,155**	**-20.6**
Prepaid expenses	352	162	-190	-54.0
ASSETS	**182,032**	**157,273**	**-24,759**	**-13.6**

Total assets decreased by 13.6% to €157.3 million as of September 30, 2022 (previous year: €182.0 million).

Within fixed assets, goodwill declined by €2.1 million to €10.0 million (previous year: €12.1 million), as a result of depreciation and amortization. Tangible assets increased by €2.9 million to €46.2 million as a result of investments in the reporting period. Fixed assets declined by €1.4 million to €68.1 million in total (previous year: €69.5 million).

Current assets decreased from €112.2 million to €89.0 million. Material changes related to inventories, which increased to €37.3 million (previous year: €28.0 million). Due to the changeover of distribution to the affiliated company TESOG as sole sales and distribution partner trade receivables decreased to €1.4 million (previous year: €17.0 million) as of the end of the reporting period. In addition to cash pool receivables from the shareholder, receivables from affiliated companies of €48.6 million (previous year: €64.8 million) also include receivables from TESOG and the entitlement to loss adjustment for the reporting period. The year-on-year decrease is partly due to the cash-effective profit transfer from the previous year to TE Connectivity. Cash and cash equivalents amounted to €0.8 million as of the end of the reporting period (previous year: €1.5 million).

Equity and liabilities

€ thousand	September 30, 2021	September 30, 2022	Absolute change	in %
Issued capital	51,512	51,612	100	0.2
Capital reserves	21,437	21,966	529	2.5
Retained earnings	6,004	6,004	0	0.0
Net retained profits	41,986	41,986	0	0.0
Equity	**120,939**	**121,568**	**629**	**0.5**
Special reserve for investment subsidies and grants	2,586	2,424	-162	-6.3
Provisions	8,307	10,088	-1,781	21.4
Promissory note loans	3,000	3,000	0	0.0
Liabilities to banks	12,047	8,545	-3,502	-29.1
Liability due to profit transfer	21,994	0	-21,994	-100.0
Advance payments received on orders	204	138	-66	-32.4
Trade payables	3,750	6,182	2,432	64.9
Liabilities to affiliated companies	1,746	3,170	1,423	81.5
Other liabilities	7,459	2,159	-5,300	-71.1
EQUITY AND LIABILITIES	**182,032**	**157,273**	**-24,759**	**-13.6**

The equity of First Sensor AG increased only slightly to €121.6 million as of the end of the reporting period (previous year: €121.0 million). The reduction in total assets caused the equity ratio to rise to 77.3% (previous year: 66.4%).

The provisions relate to outstanding invoices, personnel obligations, and possible warranty claims, and increased to €10.1 million (previous year: €8.3 million). Liabilities to banks decreased from €12.0 million to €8.5 million as a result of repayments. In the previous year, €22.0 million was reported as a liability on the basis of the control and profit transfer agreement with TE Connectivity and paid in the reporting period. Trade accounts payable increased to €6.2 million (previous year: €3.8 million) as a result of higher inventories and temporary changeover effects from the outsourcing of accounting to a shared service center as of the reporting date. Other liabilities decreased to €2.2 million (previous year: €7.5 million); the decrease is mainly due to the payment of the high personnel liabilities of the previous year.

Cash flow from operating activities amounted to €-6.8 million (previous year: €-1.9 million). Cash flow from investing activities amounted to €-7.7 million (previous year: €19.1 million) due to the investments made, whereas the previous year's figure included cash inflows from the sale of subsidiaries amounting to €33.3 million. Accordingly, free cash flow amounted to € -14.8 million (previous year: € 21.0 million).

Overall statement

The First Sensor Group generated sales of €115.4 million in the 2022 financial year after €105.3 million in the 2021 short financial year. This increase was in line with the most recently published expectations. The somewhat more modest business performance was largely due to adjustments in timing in the relocation of production from the TE Connectivity site in Dortmund to Berlin and changes in the sales structures.

The Group was therefore at the upper end of its adjusted sales guidance of €105 million to €115 million.

In view of the increased cost of materials and energy costs, profitability developed at the lower end of expectations. In addition, supply bottlenecks and additional expenses and delays in production relocations and integration measures resulted in further charges. The operating EBIT margin was -3.4% and thus within the latest adjustment of the target range of -3.0% to -4.0%.

First Sensor coped with the challenges of the financial year and has made good progress in its integration into the TE Connectivity Group. The foundations are therefore in place for increased business and a successful future.

Development of non-financial performance indicators

The separate non-financial report (CSR report) has been made permanently available on the company's website.

Employees

Predominantly as a result of the integration into the TE Connectivity Group and the disposal of a subsidiary in the previous year, First Sensor's headcount declined in the 2022 financial year. The number of full-time equivalents declined by 21.0% to 640 as of the reporting date on September 30, 2022. First Sensor also had 30 apprentices as of the end of the reporting period (previous year: 28). The percentage of women as a share of all permanent employees also decreased slightly to 32.7% (previous year: 35.6%).

To handle fluctuations in utilization and temporarily fill vacant positions, First Sensor works with temporary employment agencies that meet general quality standards. The number of temporary workers was 37 as of September 30, 2022 (previous year: 51). Usually, around 10% of these employees are taken on as permanent employees over the course of a financial year.

Share of employees in %	September 30, 2021	September 30, 2022
Less than 30 years of age	12	16
Between 31 and 40 years of age	34	31
Between 41 and 50 years of age	22	21
Over 51 years of age	32	32
Total	**100**	**100**

The age structure of employees is stable. 47% of employees are less than 40 years old. In view of demographic change and the resulting shortage of skilled workers, which is forecast to rise, an important part of our personnel strategy involves ensuring that we meet our requirements for skilled labor by providing in-house training for qualified employees. Based on long-term personnel planning, the aim is to cover the requirements for talented young members of staff by also providing high-quality, needs-based training within the company existing workforce. First Sensor provides professional training for micro-technologists (24), specialists in warehouse logistics (3), industrial clerks (2), and mechatronics engineers (1). The company thus employed 30 apprentices as of September 30, 2022 (previous year: 28) and the training rate came to 4.4%.

Given its role as the parent company of the Group, the above comments apply accordingly to First Sensor AG.

First Sensor AG had 581 employees (full-time equivalents; previous year: 614) as of the end of the reporting period.

Quality management

The Corporate QHSE (Quality, Health, Safety, Environment) unit was integrated into the TE Connectivity Group's structures for HSE topics and harmonized accordingly. The Quality function is assigned to Procurement within the TE Connectivity Group. Management at the level of the parent group ensures that all locations work according to the same rules and guidelines.

All First Sensor locations successfully passed the monitoring audits for the existing quality and environmental certifications in the reporting period. As of the end of the reporting period, they have the following certifications:

IATF 16949	Quality management systems for the automotive industry
EN ISO 13485	Quality management systems for medical products
DIN EN 9100	Quality management systems for the aerospace and defense industry
EN ISO 9001	Quality management systems
EN ISO 14001	Environmental management systems

2.3 FORECAST, OPPORTUNITY AND RISK REPORT

2.3.1 Forecast report

General economic and sector conditions

In view of the high inflation, Russia's war against Ukraine, and the effects of the coronavirus pandemic, the International Monetary Fund (IMF) has lowered its global growth forecast several times. It most recently anticipated global growth of 3.2% for 2022 and 2.7% for 2023. In the euro area, gross domestic product (GDP) is expected to grow by just 0.5% in 2023, which also represents a significant downgrade in comparison to the previous forecast. The forecasts for the German economy have also been lowered. Although the IMF still anticipates growth of 1.5% in 2022, it expects this to be followed by a decrease of 0.3% in 2023. The IMF has thus revised its latest forecast for 2023 down by a whole three percentage points.

It also emphasized that the forecasts are extremely uncertain, with the future development of the global economy largely depending on monetary policy, the development of Russia's war against Ukraine, and potential further disruptions due to the pandemic, for example in China.

Inflation has proved to be a persistent problem and the IMF expects a further slowdown. For 2022, the IMF anticipates an inflation rate of 7.2% in the industrialized nations, while for 2023 it is forecasting an inflation rate of "only" 4.4% on average. This is still considerably higher than its previous forecast, however.

As a result of the integration into the TE Connectivity Group, the effects of the economic development in some regions of the world on First Sensor have decreased. However, a negative development worldwide would also have adverse effects on First Sensor's business performance in the 2023 financial year (October 1, 2022 to September 30, 2023).

Development of the sensor market

As sensors are at the heart of most electronic, industrial, and consumer products, volatility in the consumer industries has a direct impact on the market. Technological developments with regard to improved efficiency and performance have boosted growth again. The increase in sophisticated electronic control systems has brought sensor users continuous improvements in terms of precision, reliability, reaction times, robustness, miniaturization, communication capabilities, and efficiency. This has boosted research and development in the sensor industry, which in turn is creating opportunities for technological progress and new applications for sensors. In addition, there are several important market drivers that influence and determine growth in the sensor markets, such as growing demand for automation, growth in applications and sectors, and increasing applications for smart cities. This is expected to be reflected in robust growth rates in the future, too. For example, bcc Research anticipates an average annual growth rate of 7.8% for pressure sensors up to 2026.

The shortage of microchips remains problematic for the sales markets. In the automotive industry, for example, the shortage is expected to continue making itself felt until into 2025. This is not only due to strong growth in demand for electronic chips for electric cars. Increasingly interconnected and digitalized systems such as instrument clusters, telemetry, and infotainment are also creating growing demand for microchips.

The members of the German Association for Sensors and Measurement, the AMA, report a positive business performance. Compared to the previous year, the sector increased its sales by 9% as of the middle of 2022. Incoming orders also increased, so the AMA members are also optimistic for the future business development.

Business performance forecast for 2023 (October 1, 2022 to September 30, 2023)

Sales

The First Sensor Group generated sales of €115.4 million in the 2022 financial year (October 1, 2021 to September 30, 2022). The sales performance thus corresponded to the expectations as adjusted during the year (€105-115 million). The EBIT margin was -3.4% and thus also within the latest adjusted range of -3.0 to -4.0%.

The forecasts for the 2023 financial year (October 1, 2022 to September 30, 2023) take the changes in the sales structure into account. Potential changes in the Group structure have not been taken into account for the planning period.

First Sensor is forecasting sales of between €130 million and €140 million for the 2023 financial year. This would be equivalent to year-on-year growth of around 15% to 24%. Besides the anticipated rise in demand from existing customers, future sales growth will also be supported by the increased market presence via the TE Connectivity Group's structures.

Profitability should gradually improve in the new financial year, as the integration into the TE Connectivity Group is virtually complete and cost-savings and synergies will be leveraged at a more advanced level. An EBIT margin of between +3,0% and +5,0% of the planned sales level is therefore anticipated.

2022 financial year and guidance for 2023:

	2022	Guidance for 2023	Key premises
Sales in € million	115.4	130-140	Capacity expansion; new projects from the TE Connectivity Group
EBIT margin [%]	-3.4	+3.0 - +5.0	Integration largely completed; Ramp-up of new products, increased material and energy costs burden

Financial position

Investment of up to €13 million is planned for the 2023 financial year. The majority of this sum relates to capacity increases and various measures to enhance efficiency. Inventory levels are expected to remain at a higher level until further notice in order to ensure supply capability. This will affect working capital as well.

Operations will be financed from cash funds and cash flow. First Sensor is now part of the TE Connectivity cash pool and has cash and cash equivalents of €29.9 million at its disposal as of the end of the reporting period. Cash flow in 2022 was impacted by the low earnings. Free cash flow is expected to develop positively in the 2023 financial year. Moreover, First Sensor expects to report a positive net cash position throughout the 2022 financial year as well.

Outlook for First Sensor AG

For the 2023 financial year, the Executive Board expects the company to benefit from its integration into the TE Connectivity Group and to develop positively. After sales of €101.3 million in the 2022 financial year, sales are expected to amount to between €118 million and €123 million in the 2023 financial year.

In the 2022 financial year, EBIT was significantly negative at €-11.9 million due to increases in the cost of materials, staff costs, and energy costs. An EBIT margin of between +1.0% and +3.0% is expected for the 2023 financial year.

Overall statement

Consolidated sales amounted to €115.4 million, corresponding to the upper end of the anticipated range. The EBIT margin came to -3.4%. First Sensor is now focusing on leveraging the opportunities for growth afforded by its integration into the TE Connectivity Group. The Executive Board therefore assumes that the First Sensor Group will continue to perform positively moving ahead and that its profitability will improve. For the 2023 financial year, the Executive Board is expecting sales of between €130 million and €140 million with an EBIT margin of between +3.0% and +5.0%. The positive development is set to accelerate in the financial years ahead.

2.3.2 Report on risks and opportunities

In this report, risks and opportunities refer to influences or events that make it likely that short and medium-term corporate performance will exceed or fall short of the management's targets. The goal of opportunity management is to recognize such opportunities at an early stage and pursue them in a targeted manner, while risk management aims to ensure not only that risks are identified in good time, but also that countermeasures can be taken promptly in order to control the impact on the company and minimize it wherever possible.

Risk management system

In the course of their business activities, First Sensor AG and its subsidiaries are exposed to various risks that are inextricably linked to their business operations. This can have a negative impact on financial position and financial performance. The careful handling of risks is therefore a fundamental part of responsible corporate governance. Active risk awareness, an open risk culture and an effective risk management system are thus necessary to ensure the company's success in the short term and the long term.

First Sensor has an appropriate and effective risk management and internal control system that is the responsibility of the Executive Board. It ensures that the risk situation is regularly analyzed and that the identified risks are assessed, managed and controlled. Risk management is run by the Finance department in close cooperation with the management of the companies, locations and business areas. It is supplemented by compliance management that also considers the implementation of and compliance with ethical principles of corporate governance (Code of Conduct) and the statutory provisions that drive the Group's business. The Supervisory Board is regularly informed of the company's risk situation and compliance in a structured process and monitors the effectiveness of the risk management system within this framework.

Objectives and strategies

The most important objective of risk and compliance management is to identify potential risks at an early stage, to make a reliable assessment of their probability of occurrence and their possible impact on business performance, to manage them and to reasonably limit them as far as possible. At the same time, opportunities for success must be utilized, unless their risk content exceeds an appropriate level. On this basis, the risks are managed by appropriate measures in accordance with the First Sensor Group's corporate strategy.

Various strategies are pursued depending on the risk assessment. Risks that could be seriously detrimental to the company's development or that would even pose a threat to its continued existence are avoided as far as possible. The impact of less significant risks is mitigated. For example, specific maximum values are prescribed for this, regular and systematic checks are carried out and the rigorous separation of functions is ensured. Risks are outsourced where possible and expedient, for example to insurers or suppliers. We enter into other risks in a conscious and controlled manner. The terms of the control and profit transfer agreement with TE Connectivity provides First Sensor's minority shareholders with effective protection against risks and their possible consequences for corporate development.

Structures and processes

The structures and processes of risk management are standardized throughout the Group and cover five risk categories that are material to the company. This is supplemented by compliance management.

First Sensor's risk categories:

1. STRATEGIC RISKS
2. OPERATING RISKS
3. FINANCIAL RISKS
4. COMPLIANCE RISKS
5. SUSTAINABILITY RISKS

In accordance with the requirements of the German Corporate Governance Code, the existing categories were supplemented with risks relating to sustainability in 2022. A quarterly risk assessment is conducted within these risk categories to identify and evaluate any potential risks to which the company considers itself exposed. This is carried out on a decentralized basis and documented using appropriate uniform reporting formats. To this end, each reporting entity considers and assesses a large number of risk types within the risk categories. The individual reports created on this basis are then validated in the Group Finance department and consolidated into an overall risk situation for the Group. The results of this structured process are incorporated into the quarterly risk report, which is communicated to the Executive Board and the Supervisory Board in writing. These analyses form the basis for any management measures that may be taken.

The risk management system is supplemented by an internal control system (ICS) to actively limit the risks identified as relevant to First Sensor with appropriate control activities and to regularly check the suitability and effectiveness of defined control activities. The scope and effectiveness of the system are monitored regularly, also by Internal Audit, and new control activities are added where necessary in the form of guidelines or process instructions, for example. The control activities are supplemented by the TE Connectivity Group's ICS.

In addition to its risk reporting, First Sensor also uses robust opportunity reporting. The Group's opportunity situation is thus also assessed in a systematic process.

Risk assessment

Risk assessment is based on an assessment matrix specific to the company that takes into account the probability of occurrence and potential amount of damage of possible events and then derives priorities on this basis.

Probability of occurrence	Rating	Potential damage per event	Rating
Very unlikely	0	None	0
Unlikely, but possible	1	<€500 thousand	1
Likely, if no countermeasures are taken	2	>€500 thousand <€2 million/and/or achievement of strategic targets is jeopardized	2
Very likely, if no countermeasures are taken	3	>€2 million and/or achievement of strategic targets is jeopardized and/or compliance with legal requirements and regulations is	3

The probability of occurrence and the possible impact in each case are weighted on a rating scale of zero to three and multiplied by each other. If the risk factor calculated from this is higher than the materiality threshold of three, measures to manage the risk are defined and their effectiveness monitored periodically. Accordingly, the cumulative risks are assigned to the categories "low", "medium" or "high".

Principal risks

Principal risks (with a risk factor of three or more), which are reported on below, are defined by the Executive Board as those that affect the achievement of the company's goals at the time of this report being prepared and that are thus relevant to decision-making for knowledgeable readers. Risks of minor significance are not listed separately.

Strategic risks

Strategic risks include macroeconomic risks, market and competition risks and specific product and technology risks.

First Sensor currently assesses macroeconomic risks as “high”. As a result of the war in Ukraine, the economy cooled down significantly over the course of 2022, and not just in Germany. A recession in 2023 cannot be ruled out. Further deterioration in the economic conditions would also impact First Sensor and its customers.

Competitive intensity has risen in various attractive niches, such as for optical sensors. Furthermore, there is still a risk that it will take longer to realize the growth potential on the LiDAR market than assumed in current planning.

The impact of these risks on business performance is difficult to assess. The risks arising from products and technologies are chiefly countered by the active management of the product portfolio and regularly updated strategic technology roadmaps.

The strategic risks are classified as “low” overall.

Operating risks

Sales risks, development and technology risks, production risks, quality risks, purchasing and inventory risks, IT risks and human resources risks are grouped together as operating risks.

The profile of the sales risks changed in the 2022 financial year as a result of the transition in sales to cooperation with TE Connectivity Solutions GmbH (Schaffhausen, Switzerland). Sales risks are now mainly limited to potential capacity bottlenecks resulting from disruptions in the supply chain. These are therefore still assessed as “high”. By contrast, the necessary resources for sales are managed by TE Connectivity.

In the area of development and technology, challenges still stem from the integration of production from the TE Connectivity site in Dortmund to the First Sensor site in Oberschöneweide (Berlin). The ongoing changeover of further products to 6″ wafers here is having an additional negative impact. Overall, however, the situation has hardly changed compared to the previous year, hence development and technology risks are assessed as “medium”.

Production, quality, purchasing, and inventory risks are dominated by efficiency and capacity difficulties, which partly result from the changeover of the ERP software. These are to be countered with an improvement in production planning and a gradual expansion of capacity. In addition, disruptions in some supply chains are still proving a hindrance, and material prices have risen significantly in a few cases. They are sometimes leading to delays in production, which are to be compensated for by a further increase in inventories. This risk group is still rated as “medium”.

IT risks are currently a “low” risk to operations.

The human resources risks faced by the company are still rated as “medium”. Retaining staff remains a challenge due to intense competition for specialists. Any dissatisfaction with the work environment, the corporate culture, or the shift plans is addressed proactively. The transition to the TE Connectivity remuneration model has left many employees better off, but has not met everyone’s expectations.

Financial risks

Risks from the accounting process and financial reporting, liquidity and exchange rate risks, working capital risks and insurance and liability risks are grouped in the financial risks category.

These risks have become less relevant for First Sensor thanks to the business combination with TE Connectivity. While reporting has become more demanding under the new Group guidelines, this can be managed with the appropriate capacity. As First Sensor is a participant in the TE Connectivity cash pool arrangement, the liquidity risks can be disregarded. The same applies to the risks arising from changes in exchange rates as First Sensor now operates almost exclusively in the euro area. In the area of working capital alone, there are currently elevated inventory levels to ensure supply capacity for the reasons stated above. These risks are still rated as “low” overall.

Regulatory risks

Regulatory risks include political risks, legal risks and compliance risks. The political risks include geopolitical and trade conflicts.

Since the beginning of the war in Ukraine, international trade relations have been strained in some cases. The related sanctions could also have repercussions for First Sensor. Overall, these risks are rated as "low".

Accounting-related internal control system

The accounting-related internal control system (ICS) is part of the risk management system. Its goal is to ensure reliable and transparent financial reporting. First Sensor has implemented suitable structures, processes and checks in order to achieve this goal. These aim to ensure that the results of the accounting process are free from errors and available on schedule. Secondarily, the ICS also serves to help ensure efficient management, to safeguard assets and to prevent or detect criminal offenses and errors. All Group companies and operational business processes that generate significant information for the preparation of the consolidated financial statements are included in the ICS.

The accounting-related ICS is developed by the Executive Board and its effectiveness is monitored by the Supervisory Board. It consists of different elements, including guidelines and procedural instructions, such as the Group Financial Manual, the Accounting Manual, the Financial Risk Management Directive and the Approval and Signature Directive, which also stipulates the dual-control principle. These are supplemented by other general procedural instructions on issues such as the calculation of manufacturing costs or intercompany transfer prices. These ICS components are accompanied by controls that examine and validate data relevant to the financial statements at various points. The implementation of these controls ensures with the greatest possible certainty that the (consolidated) financial statements are prepared in accordance with regulations. This includes monthly standardized controlling reports for all Group companies and locations, supplemented by variance analysis of deviations with recommendations for action provided by Corporate Controlling. The Group companies prepare their financial statements on a decentralized basis in accordance with the local legal requirements. Uniform reporting structures are ensured by standardized reporting formats, IT systems and IT-based consolidation processes. Together with the financial reporting calendar, the process of uniform, correct consolidated financial reporting in accordance with IFRS forms the basis for the preparation of the financial statements. In addition, significant local financial statements first undergo a comprehensive internal audit as of the end of the financial year before being approved for the consolidated financial statements. No significant activities are performed by external service providers in the context of preparing the consolidated financial statements, with the exception of XBRL tagging. In addition to this, random spot checks and plausibility analyses are carried out at location and Group level on a monthly basis, accompanied by compliance audits. Head office also has access to all the accounting systems and bank accounts within the Group at all times. To monitor the portfolio of cash funds, a cash tracking table was also set up for all accounts held by Group companies. The Executive Board is kept informed of the results of these checks on an ongoing basis.

The ongoing development and amendment of the accounting-related ICS contribute to guaranteeing that the accounting is reliable and will also continue to improve. Despite these efforts, even appropriate and functional systems cannot guarantee with absolute certainty that risks will be identified and managed.

Opportunities and risks for First Sensor AG

Given its role in the Group, the business development of First Sensor AG is subject to the same risks and opportunities as the Group. Please refer to the information at Group level in the report on risks and opportunities in this regard.

Summary of the risk situation

In the opinion of the Executive Board, the risks to which First Sensor is exposed at the time of this report being prepared and for the current planning period are manageable. These include the potential effects of the coronavirus pandemic and the war in Ukraine, though these cannot be reliably estimated. In any event, the Executive Board does not consider the continued existence of the Group to be as risk in any way. Despite the comprehensive analysis of risks, their occurrence cannot be completely ruled out.

Opportunity management system

As is the case with risks, opportunities within the Group are also systematically identified, transparently documented and incorporated into business decisions. They represent possible future developments or events that may lead to a positive deviation from forecasts or targets for the company. As with risks, First Sensor differentiates between opportunities based on whether they are of a strategic, operating, financial or regulatory nature.

Strategic opportunities

The merger with TE Connectivity and integration into the TE Connectivity sales network present new opportunities for First Sensor. This is reflected in a number of new projects with interesting potential. The efficient combination of resources in sales, production, and purchasing opens up opportunities that First Sensor can seize only in conjunction with TE Connectivity. Increased demand can be observed for transmitters and pressure sensors in particular. In order to seize these opportunities, production needs to be expanded and the necessary materials need to be available in sufficient quantities.

Operating opportunities

With TE Connectivity's assistance, First Sensor has significantly increased the number of new development projects. If these applications for industrial or medical technology make it to market faster than expected or if demand is higher than expected, First Sensor's growth targets may prove too conservative. In addition to the capacity expansion, advantages here lie in the high vertical integration, which makes it possible to consider customer requirements in every respect. Besides its long-term industrial partners, First Sensor also has the opportunity here to significantly increase its distribution base through the TE Connectivity network. Furthermore, First Sensor is likewise benefiting from the TE Connectivity supplier network and thus reducing the impact of delays in supply chains. The further integration with TE Connectivity also gives First Sensor fresh prospects in terms of recruitment and staff retention as part of a strong, global partner.

Many customers have entered into framework agreements with terms of one to two years that guarantee purchase volumes while at the same time also defining purchase variances. As positive purchase variances are not incorporated into operational planning, this may give rise to opportunities for additional contributions to sales.

First Sensor is also continuing to work on optimizing its production processes under the heading of "operational excellence". In addition to the manufacturing execution system (MES), this also includes targeted investments in new equipment and higher automation in the areas of chip production and in layout and connection technology. If individual measures are realized faster than planned, this could lead to an increase in monthly production volumes and thus to more sales. The same applies to unexpectedly higher sales with major customers, which would always also have a positive impact on profitability due to economies of scale.

Financial and regulatory opportunities

First Sensor does not currently anticipate opportunities that would affect the company in either of these categories.

Summary of the opportunity situation

First Sensor is well positioned to systematically take advantage of opportunities in the Group's strategic target markets with its products and internal measures. Although the company is working purposefully to tap into these opportunities, it is generally unlikely that we will be able to achieve successes here in the short term.

2.4 TAKEOVER RELATED DISCLOSURES IN ACCORDANCE WITH SECTIONS 289A (1) AND 315A (1) HGB

Composition of subscribed capital

The composition of subscribed capital is presented in section [11] of the Notes to the Consolidated Financial Statements. All shares grant identical rights in accordance with the AktG (German Stock Corporation Act).

Restrictions affecting voting rights or the transfer of shares

The company's Executive Board is not aware of any restrictions affecting voting rights or the transfer of shares. Otherwise only the statutory provisions in accordance with section 136 (1) AktG and trading bans in accordance with Article 19 (11) MAR apply, especially to members of the Executive Board.

Direct interests in the company's share capital of more than 10%

Disclosures on direct or indirect interests in the share capital exceeding 10% of the voting rights can be found in section [35]of the notes to the Consolidated Financial Statements.

Holders of shares with special rights conferring control powers

There are no shares with special rights, in particular, no shares conferring control powers.

Type of voting right control when employees hold an interest in the share capital and do not exercise their controlling rights directly

Employees who hold an interest in the share capital exercise their voting rights directly.

Statutory provisions and Articles of Association concerning the nomination and dismissal of Executive Board members and amendments to the Articles of Association

Statutory provisions apply concerning the nomination and dismissal of executive board members (sections 84 and 85 AktG) and amendments to the Articles of Association (section 179 AktG).

Authorization of the Executive Board to issue shares and repurchase shares

The capital is conditionally increased for issuing stock options to the Executive Board and managers. Details of the share option plans can be found in section [19] of the Notes to the Consolidated Financial Statements.

Agreements that are subject to the condition of a change of control and agreements on compensation in the event of a takeover bid

The change of control took place in 2020, TE Connectivity now holds the majority of the shares in First Sensor AG. No agreements to cover another change of control were concluded.

2.5 OTHER DECLARATIONS

The declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act) and the corporate declaration of business management are permanently available in the Investor Relations/Corporate Governance section of the company's website at www.first-sensor.com.

The remuneration report pursuant to Section 162 of the German Stock Corporation Act (AktG), the applicable remuneration system pursuant to Section 87a of the German Stock Corporation Act (AktG) and the most recent remuneration resolution of the Annual General Meeting pursuant to Section 113 (3) of the German Stock Corporation Act (AktG) are also published on the Company's website.

The company prepares a report on sustainability (separate non-financial Group report) based on the format of the German Sustainability Code and the framework of the GRI standard. The report is a separate component of the Annual Report and is also available for download on the company's website.

Berlin, January 30, 2023

First Sensor AG

Thibault Kassir	Robin Maly	Dirk Schäfer
Member of the Executive Board	Member of the Executive Board	Member of the Executive Board

3 CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

3.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

3.1.1 Consolidated statement of financial position, assets (IFRS)

ASSETS in € thousand	Group Notes	Sept. 30, 2021	Sept. 30, 2022	Change
Intangible assets	*(4.3)*	6,130	4,152	-1,978
Goodwill	*(4.4)*	15,979	15,979	0
Property, plant and equipment	*(4.5)*	49,933	50,571	638
Total non-current assets		**72,042**	**70,702**	**-1,340**
Inventories	*(4.6)*	30,199	39,715	9,516
Trade receivables	*(4.7)*	18,641	16,396	-2,245
Tax assets		0	1	1
Financial assets	*(4.8)*	64,396	35,630	-28,766
Other current assets	*(4.9)*	1,078	992	-86
Cash and cash equivalents	*(4.10)*	3,006	913	-2,093
Total current assets		**117,318**	**93,646**	**-23,672**
Total ASSETS		**189,360**	**164,348**	**-25,012**

3.1.2 Consolidated statement of financial position, equity and liabilities (IFRS)

EQUITY AND LIABILITIES in € thousand	Groupp Notes	Sept. 30, 2021	Sept. 30, 2022	Change
Issued capital	*(4.11)*	51,512	51,612	100
Capital reserves	*(4.12)*	10,023	10,574	551
Retained earnings	*(4.12)*	60,106	62,214	2,108
Other reserves	*(4.12)*	1	-41	-41
Non-controlling interests		312	0	-312
Total equity		**121,954**	**124,360**	**2,406**
Provisions for pensions	*(4.13)*	319	254	-66
Non-current financial liabilities	*(4.15)*	17,103	9,738	-7,365
Other non-current financial liabilities	*(4.17)*	2,631	2,469	-162
Total non-current liabilities		**20,053**	**12,460**	**-7,592**
Provisions for taxes		841	531	-311
Other current provisions	*(4.14)*	339	428	88
Current financial liabilities	*(4.15)*	27,278	6,271	-21,007
Advance payments received on orders		269	160	-110
Trade payables		5,365	11,733	6,369
Other current liabilities	*(4.18)*	13,260	8,405	-4,855
Total current liabilities		**47,354**	**27,528**	**-19,826**
Total EQUITY AND LIABILITIES		**189,360**	**164,348**	**-25,012**

First Sensor is now part of TE connectivity

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

3.2.1 Consolidated income statement

€ thousand	Group Notes	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Change
Sales	*(4.20)*	105,314	115,370	10,056
Other operating income	*(4.21)*	25,091	2,703	-22,388
Changes in inventories of finished goods and work in progress	*(4.22)*	3,648	4,047	399
Other own work capitalized	*(4.23)*	1,004	117	-887
Cost of materials/cost of purchased services	*(4.24)*	-53,571	-61,904	-8,333
Staff costs	*(4.25)*	-41,611	-40,275	1,336233
Other operating expenses	*(4.26)*	-13,496	-16,416	-2,920
EBITDA		**26,380**	**3,642**	**-22,738**
Depreciation of property, plant and equipment and amortization of intangible assets		-8,186	-7,607	579
EBIT		**18,194**	**-3,965**	**-22,159**
Financial result		-471	-771	-300
Profit before taxes and non-controlling interests		**17,723**	**-4,736**	**-22,459**
Income taxes	*(4.28)(x)*	1,105	255	-850
Profit or loss for the period		**18,828**	**-4,481**	**-23,309**
Net profit/loss for the period attributable to First Sensor AG shareholders before transfer to TE Connectivity		18,724	-4,467	-23,191
Net profit for the period attributable to minority interests		104	-14	-118
Earnings per share in € (basic)	*(4.29)(x)*	**1.82**	**-0.43**	**-2.25**
Earnings per share in € (diluted)	*(4.29)(x)*	**1.82**	**-0.43**	**-2.25**

3.2.2 Other comprehensive income

€ thousand	Group Notes	Jan. 1 to Sept. 30, 2021	Oct. 1 to Sept. 30, 2022	Change
Profit or loss for the period		**18,828**	**-4,481**	**-23,309**
Actuarial gains and losses on defined benefit plans		12	41	29
Items not subsequently reclassified to profit or loss		**12**	**41**	**29**
Changes from currency translation		-6	0	6
Expenses recycled to profit or loss		0	-140	-140
Items that can be subsequently reclassified to profit or loss		**-6**	**-140**	**-134**
Total other comprehensive income		**6**	**-99**	**-105**
Total comprehensive income		**18,835**	**-4,580**	**-23,415**
Thereof attributable to First Sensor AG shareholders		18,731	-4,566	-23,297
Thereof attributable to non-controlling interests		104	-14	-118

3.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

€ thousand	Number of shares in thousands	Issued capital	Capital reserves	Retained earnings	Other reserves	Non-controlling interests	Total equity
As of January 1, 2021	10,289	51,444	13,469	69,124	7	1,579	135,624
Profit or loss	0	0	0	18,724	0	104	18,828
Other comprehensive income	0	0	0	12	-6	0	6
Total comprehensive income	0	0	0	18,737	-6	104	18,834
Profit transfer to TE Connectitivity Sensors Germany Holding GmbH, Bensheim	0	0	0	-21,994	0	0	-21,994
Share-based remuneration	0	0	41	0	0	0	41
Dividend distribution	0	0	0	-5,762	0	0	-5,762
Capital increase from the issue of new shares (IFRS 2)	14	68	143	0	0	0	210
Purchase of non-controlling interests	0	0	-3,629	0	0	-1,371	-5,000
As of September 30, 2021	10,302	51,512	10,023	60,106	1	312	121,954

€ thousand	Number of shares in thousands	Issued capital	Capital reserves	Retained earnings	Other reserves	Non-controlling interests	Total equity
As of October 1, 2021	10,302	51,512	10,023	60,106	1	312	121,9534
Profit or loss	0	0	0	-4,467	0	-14	-4,481
Other comprehensive income	0	0	0	-98	-41	0	-99
Total comprehensive income	0	0	0	-4,565	-41	-14	-4,580
Loss adjustment by TE Connectitivity Sensors Germany Holding GmbH, Bensheim	0	0	0	6,633	0	0	6,633
Share-based remuneration	0	0	22	0	0	0	22
Capital increase from the issue of new shares (IFRS 2)	20	101	529	0	0	0	630
Changes in the consolidated group	0	0	0	0	0	-298	-298
As of September 30, 2022	10,322	51,612	10,574	62,174	0	0	124,360

3.4 CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

€ thousand	Group Notes	Jan. 1 to Sept. 30, 2021	Oct.. 1, 2021 to Sept. 30, 2022	Change
PROFIT BEFORE TAXES		17,723	-4,736	-22,459
Interest paid		456	449	-7
Depreciation of property, plant and equipment and amortization of intangible assets		8,186	7,608	-578
Gains/losses on the disposal of non-current assets		181	-12	-193
Other non-cash expenses/income		88	-7	-95
Gains from deconsolidation		-23,502	0	23,502
Changes in provisions		-161	-18	143
Changes in working capital		-7,260	-904	6,356
Changes in other assets and liabilities		6,817	-5,078	-11,895
Income taxes paid		112	-56	-168
CASH FLOW FROM OPERATING ACTIVITIES		2,640	-2,754	-5,394
Payments for investments in property, plant and equipment and intangible assets		-11,079	-8,317	2,762
Proceeds from disposal of property, plant and equipment, intangible assets and equity investments		11	684	673
Proceeds from disposal of subsidiaries, less cash and cash equivalents disposed of		38,305	0	-38,305
Interest received		37	45	8
CASH FLOW FROM INVESTING ACTIVITIES		27,274	-7,588	-34,862
Proceeds from shareholders		210	630	420
Dividends paid/profit transfer		-5,762	-21,994	-16,232
Purchase of non-controlling interests		-5,000	0	5,000
		0	-298	-298
Repayments of financial liabilities		-1,805	-2,729	-924
Repayments of lease liabilities		-857	-778	79
Proceeds from borrowings		235	0	-235
Interest paid		-494	-494	0
CASH FLOW FROM FINANCING ACTIVITIES		-13,472	-25,663	-12,191
CHANGE IN CASH AND CASH EQUIVALENTS		16,443	-36,005	-52,448
Changes in cash and cash equivalents due to exchange rate movements		-8	0	8
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(4.30)	49,349	65,784	16,435
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(4.30)	65,784	29,779	-36,005

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 GROUP PROFILE

Parent company

The parent company is First Sensor AG, domiciled at Peter-Behrens-Str. 15, 12459 Berlin, and entered in the Commercial Register of Berlin in Department B under HRB 69326. First Sensor AG is listed in the regulated market on the Frankfurt Stock Exchange in the Prime Standard segment under ISIN DE0007201907.

First Sensor AG and its subsidiaries, referred to hereinafter as "First Sensor", operate in the sensor production and microsystems technology industries. The company's business essentially focuses on the development, manufacture and distribution of customized optical and non-optical semiconductor sensors and sensor systems. First Sensor also develops and manufactures highly reliable customized hybrid circuits and products for microsystem engineering and advanced packaging.

These consolidated financial statements take into account all events known to the Executive Board as of January 30, 2023.

As the parent company of the First Sensor Group, First Sensor AG prepares consolidated financial statements for the smallest group of companies for the 2022 financial year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of German commercial law. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

The First Sensor Group is included in the consolidated financial statements of TE Connectivity Ltd., Schaffhausen, Switzerland, which prepares consolidated financial statements for the largest group of companies as of September 30, 2022 and publishes them on the Internet on the homepage of TE Connectivity Ltd. (https://investors.te.com/financial-reports/annual-reports/default.aspx). The immediate parent company of First Sensor AG is TE Connectivity Sensors Germany Holding AG, Bensheim.

Financial reporting principles

First Sensor's consolidated financial statements have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) as of the end of the reporting period and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable in the European Union and the additional requirements of German commercial law.

The financial year of the First Sensor Group (First Sensor AG and its subsidiaries) covers the period from October 1 of one year to September 30 of the following year. The reporting period therefore covers a period of twelve months, whereas the 2021 financial year, the comparative period, covered a period of nine months. The amounts shown are not fully comparable owing to the different lengths of the reporting and comparative periods. In addition, comparability is impaired due to the deconsolidation of First Sensor Mobility GmbH, Dresden, in the previous year as of August 27, 2021. First Sensor Mobility GmbH's share of consolidated sales in the previous year was approximately 19%. With the further integration of the First Sensor Group into the TE Connectivity Group, First Sensor was also integrated into the international sales organization of the TE Connectivity Group from June 2022, with the result that the sales of the First Sensor Group will henceforth be generated predominantly with the TE Connectivity Group, which markets First Sensor products to customers via its international sales organization. The takeover of key sales activities by the TE Connectivity Group will also result in changes to pricing and thus to the sales and margins of the First Sensor Group. Due to these different influences from the integration into the TE Connectivity Group as well as additional external influences such as the material price development in the current financial year, a pro forma presentation was not reasonably possible. The comparability of the reporting period and the comparative period is limited.

The consolidated financial statements were prepared in euro. Unless indicated otherwise, all amounts are stated in thousands of euro (€ thousand).

The consolidated income statement was prepared in line with the nature of expense method.

Individual items have been combined in the consolidated statement of financial position and the consolidated statement of comprehensive income to improve the clarity of presentation. A breakdown of these items is presented in the notes to the consolidated financial statements. The amounts presented may differ from the exact mathematic amounts as a result of rounding effects.

The accounting policies applied are the same as those applied in the previous year. As in the previous year, the statement of financial position was structured in order of descending maturity.

Published standards and interpretations effective for IFRS financial statements for the first time as of September 30, 2021:

The initial application of the IFRS effective as of April 1, 2021 - Amendments to IFRS 16 Leasing: Covid-19-Related Rent Concessions beyond June 30, 2021 - did not result in any significant changes in the 2021/2022 financial year.

The first-time application of the amendments to IFRS 4 Insurance Contracts: Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts and the amendments from the reform of reference interest rates (Phase 2) concerning IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 also did not result in any significant changes.

Published standards and interpretations not yet effective for IFRS financial statements as of September 30, 2021:

Amendments (effective from the beginning of the fiscal year after Jan. 1, 2022) to standards:

- Amendments to IFRS 3 "Business Combinations": Reference to the Framework (amendments to IFRS 3); no material impact;
- Amendments to IAS 16 "Property, Plant and Equipment": Revenue before Intended Use; no material changes.
- Amendments to IAS 37 "Provisions and Contingent Liabilities": Onerous Contracts - Costs of Fulfilling a Contract; no material impact;
- Amendments concerning Annual Improvement Process (2018-2020 cycle): Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41; no material impact.

Amendments (effective at the beginning of each financial year after Jan. 1, 2023) to standards:

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies; no material impact;
- IFRS 17 "Insurance Contracts" replaces IFRS 4 "Insurance Contracts"; Amendments to IFRS 17 Deferral of the Effective Date and First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information; no material impact;
- Amendments to IAS 8: Definition of Accounting Estimates; no material impact;
- Amendments to IAS 12: "Income Taxes": Deferred taxes relating to assets and schools arising from a single transaction; no material impact.

Amendments (effective date expected to be at the beginning of the fiscal year after Jan. 1, 2024) to standards (Amendments):

- Amendments to IAS 1 "Presentation of Financial Statements": classification of liabilities as current or non-current; no material impact;
- Amendments to IFRS 16 "Leases" - Lease liability in sale and leaseback transactions; no material impact.

The company has taken the new standards and interpretations into account as of their effective date in the EU in the past and will continue to do so moving ahead. There will be no early voluntary adoption. The company does not expect any significant amendments to be required for the amendments resolved or the resulting restatements.

Significant accounting judgments and estimation uncertainty

In preparing the consolidated financial statements, some assumptions and estimates have been made that affected the amount and the reporting of recognized assets, liabilities, income and expenses. The key assumptions and key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

- The calculation of the fair values of assets and liabilities, the useful lives of the assets and the impairment of assets is based on management’s assessments and planning.
- Impairment losses are recognized for doubtful debts to reflect estimated losses due to customers’ inability or unwillingness to pay. Past and forward-looking information is used when deriving probabilities of default and calculating the expected loss.
- Assumptions are made on the basis of the recoverable amount calculated when testing for impairment.

- Assumptions may be necessary at various points when assessing a contract for revenue recognition. It must also be assessed whether revenue is recognized at a point in time or over a period of time.

In some cases, the actual values can deviate from these assumptions or estimates at a later time. Corresponding changes would be made in profit or loss when more information is available. All assumptions and estimates are made to the best of knowledge and belief to provide a true and fair view of the financial position and financial performance of the Group. The carrying amounts recognized in the consolidated financial statements that are subject to uncertainty can be found in the consolidated statement of financial position or the notes to the consolidated financial statements.

Impairment test of goodwill and non-current assets

First Sensor annually tests goodwill and other non-current assets for impairment in accordance with IAS 36. The impairment test is performed by comparing the carrying amount of an asset and the recoverable amount that can be generated from the asset or group of assets or the cash-generating unit. The recoverable amount is the higher of the fair value less the costs to sell and the value in use.

The recoverable amount is calculated by means of a discounted cash flow analysis. The recoverable amount is calculated based on the income planning for the respective cash-generating unit. The WACC was also applied as a discount factor, which reflects the weighted average cost of capital for a corresponding peer group; the cash flow was estimated in a detailed planning phase up to 2025 and then as a terminal value. The income planning is essentially based on past experience of management expectations for the development of the respective cash-generating unit and the relevant market. The main non-current assets that are tested for impairment annually are the First Sensor Group's reported goodwill and the intangible assets with indefinite useful lives resulting from business combinations. Intangible assets with finite useful lives and property, plant and equipment are only tested for impairment if there is objective evidence of impairment.

Share-based remuneration

In the past, First Sensor has granted selected employees and members of executive bodies share-based remuneration. The measurement of the staff costs for this share-based remuneration contains estimates regarding the fulfillment of the conditions associated with these options and market parameters.

4.2 PRINCIPLES OF CONSOLIDATION

Consolidated group

The Group's consolidated financial statements comprise First Sensor AG and the company it controls. First Sensor AG is deemed to control this company as it directly or indirectly holds more than 50% of the company's voting rights or issued capital, or is able to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Non-controlling interests held by third parties (minorities) are reported separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. They are reported within equity separately from the equity attributable to the shareholders of the parent company. When non-controlling interests are acquired, the carrying amounts of the equity attributable to the shareholders of the parent company and the non-controlling interests are adjusted accordingly. Any difference between the adjustment of the non-controlling interest and the consideration paid or received is recognized directly in equity and allocated to the equity attributable to the shareholders of the parent company.

Losses by a subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance if there is a corresponding right to reimbursement from the non-controlling interests. The following companies were included in the consolidated financial statements as subsidiaries:

Company	Registered office	Principal activities	Ownership interest
First Sensor Lewicki GmbH	Oberdischingen, Germany	Development, microelectronic assembly and sale of components and modules; power electronics	100%

The following company was included as a consolidated company until the date of liquidation (September 2022):

Company	Registered office	Principal activities	Ownership interest
First Sensor Scandinavia AB	Kungens Kurva, Sweden	Sale of standard sensors and sensor solutions of the whole First Sensor Group	51%

As First Sensor Scandinavia AB already had no significant business operations in the previous year and, with the exception of cash and cash equivalents, no significant assets and liabilities, the effects of the deconsolidation are of minor significance.

Consolidation methods

The financial statements for the subsidiaries included in the consolidated financial statements are based on uniform accounting standards, reporting periods, and reporting dates, which match those of the parent company.

Intragroup balances and transactions and resulting intragroup gains as well as dividends between consolidated companies were eliminated in full.

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is calculated as the total of the consideration transferred, measured at fair value as of the acquisition date, and the non-controlling interests in the company acquired. For each business combination, the acquirer measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Costs incurred in the business combination are largely recognized as an expense. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration for a financial asset or financial liability are recognized in the consolidated income statement in accordance with IFRS 9. Contingent consideration classified as equity is not remeasured and its subsequent payment is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed). If this consideration is less than the fair value of the acquired subsidiary's net assets, the difference is recognized in the consolidated statement of comprehensive income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination. This applies regardless of whether other assets or liabilities of the acquired company are assigned to these cash-generating units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Following the disposal or liquidation of the equity investments in subsidiaries, these are deconsolidated by the Group. For this purpose, all assets and liabilities of the companies sold are removed from the consolidated statement of financial position and the existing consolidating entries are reversed. In conjunction with deconsolidation, the statements of financial position of the foreign subsidiaries are translated using the exchange rate as of the date of deconsolidation. Only the receivables and/or liabilities of the Group parent company remain in the consolidated statement of financial position.

Currency translation

The reporting currency of the First Sensor Group is euro, which is also the functional currency of the parent company. The financial statements of the companies included in consolidation that are prepared in foreign currency are translated on the basis of the functional currency concept (IAS 21 "The Effects of Changes in Foreign Exchange Rates") in accordance with the modified closing rate method. As the subsidiaries operate their business independently in financial, economic, and organizational terms, the functional currency is generally identical to the respective local currency of the company.

On initial recognition, foreign currency transactions are translated from the foreign currency into the functional currency at the spot rate applicable on the date of the respective business transaction. Any exchange differences resulting from the settlement of monetary items or the translation of monetary items at exchange rates other than those effective at the time of initial recognition are recognized as income or an expense in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was last determined.

Foreign subsidiaries

All foreign First Sensor subsidiaries included in consolidation are considered financially independent foreign units as they are financially, economically, and organizationally autonomous. Their functional currencies are the respective local currency. In the last two financial years, only one foreign subsidiary was included. Its statements of financial position were translated at the closing rate on September 30, 2021 or the closing rate on deconsolidation as show below:

Closing rates	September 30, 2021	September 30, 2022
Swedish krona (SEK)	10.1683	10.8993

The income statements are converted at the average monthly exchange rate.

Annual average rates	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022
Swedish krona (SEK)	10.171	10.78397

Currencies are translated through other comprehensive income, i.e. all translation differences that arise are reported in equity under other reserves.

The currency translation differences recognized in equity while the company is part of the consolidated Group are released to profit or loss when the Group company is deconsolidated.

Cash and cash equivalents

Cash and cash equivalents include cash, term deposits with remaining terms of up to three months and sight deposits. The cash equivalents reported in the consolidated statement of cash flows also include the contributions to the cash pool of Tyco Electronics Germany Holdings GmbH reported under financial assets and current overdrafts.

Funds with limited availability and remaining terms of over three months are recognized under financial assets.

Financial assets

Financial instruments are recognized on the trading day as soon as First Sensor becomes party to the contract for the financial instrument. First-time measurement of financial assets and liabilities is at fair value. Transaction costs are included if the financial asset or financial liability is not measured at fair value when the changes in value are recognized through profit or loss for the period.

In accordance with IFRS 9, all financial assets are divided into two classification categories for subsequent accounting: those measured at amortized cost and those measured at fair value. If financial assets are measured at fair value, expenses and income can be recognized either at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVTOCI).

A debt instrument must be measured at amortized cost (possibly applying the effective interest method) if it satisfies both the following criteria:

- the objective of the company's business model is achieved by collecting the contractual cash flows of financial assets;
- the contractual terms of the financial asset result in cash flows at specified dates that are solely payments of principal and interest.

Costs are calculated taking into account any discounts or premiums on acquisition and all fees that are an integral part of the effective interest rate plus the transaction costs. Interest income is recognized in the financial income item in the consolidated income statement. A debt instrument must be measured at fair value through other comprehensive income (FVTOCI) if it satisfies the two following criteria:

- the objective of the company's business model is to hold financial assets in order to collect contractual cash flows and sell these financial assets; and
- the contractual terms of the financial asset result in cash flows at specified dates that are solely payments of principal and interest.

All other debt instruments that do not meet the above criteria must be measured at fair value through profit or loss (FVTPL), unless they are part of a hedge.

First Sensor recognizes impairment losses on debt instruments measured at amortized cost or at FVTOCI for expected losses on financial assets (expected loss model).

Derecognition

Financial assets or a part of financial assets are derecognized if First Sensor loses control over the contractual rights from which the asset arises or the contractual rights to the cash flows expire. If a financial asset is derecognized, the difference between the carrying amount and the total of the consideration received or to be received is recognized in the consolidated income statement. For financial assets recognized at FVTOCI, cumulative gains or losses that were recognized in other comprehensive income are reclassified to the consolidated income statement.

Accounting for derivatives that satisfy the requirements of hedge accounting is explained in the notes on derivative financial instruments.

Impairment

At the end of the reporting period, First Sensor recognizes impairment losses on debt instruments measured at amortized cost or at FVTOCI for expected losses on financial assets (expected loss model). The amount of expected losses and the criteria used to assess the risk of default are updated or reviewed at the end of each reporting period.

In the expected loss model, a distinction is made between the general and simplified approach. The general approach uses a three-stage model, starting with the "12-month expected credit loss" (stage 1) with migration to the "lifetime expected credit loss" (stages 2 and 3) where necessary.

In assessing default risk, the company takes into account both qualitative and quantitative information that is available and relevant to making this decision and uses this to support the assessment. This includes both past and future information, including industry development, rating, and collateral. Past country-specific default rates are also used to determine the probability of default for each country.

The company uses the simplified method for trade receivables. Under this method, impairment losses are recognized for these financial instruments on the basis of expected losses over their lifetime. Past and forward-looking information is used when deriving probabilities of default and calculating the expected loss.

Impairment losses are recognized in the consolidated income statement.

Offsetting

Financial assets and liabilities are offset so only the net amount is reported in the consolidated statement of financial position. This occurs when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. In the reporting period, assets and liabilities were offset in particular with regard to the cash pool with Tyco Electronics Germany Holdings GmbH.

Fair value

The fair value of financial instruments traded on active markets is determined by the market price quoted at the end of the reporting period or the publicly quoted price (bid price for long positions and asking price for short positions) without any deduction for transaction costs.

The fair value of financial instruments not traded on any active market is determined using valuation techniques.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing and independent parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and the use of other measurement models.

Please refer to "Derivative financial instruments" in the notes for an analysis of the fair values of financial instruments and other details of how financial instruments are measured.

The company assumes that the fair values of financial assets and financial liabilities are essentially the same as their carrying amounts.

Inventories

Materials and other supplies held for use in the production of inventories are measured at cost and not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Selling costs still to be incurred are also taken into account. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realizable value, the materials are written down to net realizable value. If the reasons for a previous write-down no longer apply, the reversals of the write-downs are recognized as a reduction of the cost of materials.

Work in progress and finished goods are measured at cost or fair value. Manufacturing costs comprise direct staff costs, costs of materials, and the attributable share of production overheads. They are calculated on the basis of cost unit accounting. Interest on borrowing is not capitalized. Obsolete articles and those with low turnover are adjusted in value appropriately.

The values of any identified excess capacity are adjusted as part of marketability and inventory range analyses.

Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated amortization.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. No interest on borrowing was capitalized in the past financial year. On disposals of property, plant and equipment, the historical cost and accumulated depreciation are derecognized and a gain or loss on disposal is recognized in profit or loss.

Depreciation is recognized over the following useful lives on a straight-line basis:

Buildings	25 to 33 years
Operating and office equipment	1 to 15 years

The useful lives and depreciation method are reviewed regularly to ensure that the economic benefit matches the period of depreciation.

Construction in progress is capitalized at cost and depreciated from the time of completion and initial use. Cost includes the full production cost. This includes production costs and production overheads incurred in connection with the construction of plant and machinery through work performed by the Group's own employees.

Intangible assets

First Sensor capitalizes intangible assets when:

- the company retains beneficial ownership of the asset as a result of past events;
- it is assumed that the economic benefits associated with the transaction will flow to the company in the future; and
- the costs of the asset can be measured reliably.

This is the method applied when intangible assets are acquired externally.

Internally generated intangible assets are capitalized in connection with developments for new products and technologies. If all the requirements of IAS 38 for the capitalization of development costs are met, the development costs are recognized in the amount of the directly attributable development costs incurred. Overheads necessary to generate the asset and that can be directly attributed to it are also capitalized. Capitalization ceases once the product is completed and available for general use.

In accordance with IAS 38.57, the following six requirements must be met for the capitalization of development costs. They have been met in full in these cases:

- the completion of the asset so that it will be available for internal use or sale is technically feasible;
- it is intended to complete the intangible asset and use or sell it;
- the company is able to use or sell the intangible asset;
- there is evidence of the expected future economic benefit;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the company is able to measure reliably the expenditure attributable to the intangible asset during its development.

Furthermore, acquired developments (manufacturing expertise) are recognized as intangible assets if they can be measured reliably and the company controls exploitation of the results of these development projects.

Finite-lived intangible assets are recognized at cost less accumulated amortization and impairment. Non-finite-lived intangible assets (goodwill) are recognized at cost less accumulated impairment. In accordance with IAS 38, finite-lived intangible assets are amortized on a straight-line basis over the estimated useful life. The amortization period starts as soon as the asset can be used. The amortization period and schedule are reviewed annually at the end of the financial year.

(a) Software

Software is capitalized at cost and reported as an intangible asset provided this cost does not constitute an integral part of the associated hardware. Software is amortized over a period of three to five years on a straight-line basis.

(b) Goodwill

Goodwill is initially measured at cost. This is calculated as the excess of the total consideration transferred and the amount of the non-controlling interest over the fair values of the acquired identifiable assets and liabilities assumed, including deferred taxes.

Regardless of whether there is any indication of impairment, the recoverable amount for the cash-generating unit (CGU) to which the goodwill is assigned is calculated annually. If the carrying amount exceeds the recoverable amount, a valuation allowance is recognized. If the recoverable amount is up to 10% more than the carrying amount, the theoretical potential for valuation allowances is calculated in a sensitivity analysis. To do this, the underlying earnings before interest and tax (EBIT) are reduced by 5% to 10% and the risk-free basic interest rate is raised by 0.5 to 1 percentage point, and the effects on capitalized goodwill are calculated.

(c) Research and development costs

Expenditure on research and development activities is recognized in profit or loss in the period in which it is incurred unless the requirements of IAS 38.57 can be fulfilled for development costs.

(d) Developments

First Sensor has acquired development work as part of one of its acquisitions. This will be amortized over 20 years. Amortization is recognized when the marketing of the development begins.

(e) Brands

Identified assets were acquired in the form of brands as part of the acquisition of the Sensortechnics Group. The Klay brand Was sold in the context of the sale of Klay Instruments B.V.. The Sensortechnics and ELBAU brands were written down in full as of December 31, 2015 as both brand names are no longer used following the concentration on the “First Sensor” umbrella brand.

(f) Customer base

Customer bases have been acquired as a result of the acquisition of the Sensortechnics Group and have been recognized as intangible assets. Customer bases were amortized on a straight-line basis over an expected useful life of six to ten years. They were written down in full.

(g) Impairment of non-current assets

Property, plant and equipment and intangible assets are tested for potential impairment if, owing to events or changes in external circumstances, there are indications that the recoverable value of the asset at the end of the reporting period will be permanently less than its carrying amount, or if annual impairment tests are required (goodwill and intangible assets not yet utilized). If the carrying amount of an asset exceeds the lower fair value, impairment is recognized on property, plant and equipment and intangible assets carried at cost. The recoverable amount is the higher of the fair value less the costs to sell and the value in use. The fair value less costs to sell is the amount that can be achieved by sale of the asset in a normal transaction between knowledgeable parties.

The value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount must be estimated for each individual asset or, if this is not possible, for the smallest identifiable cash-generating unit.

Provisions and contingent liabilities

In accordance with IAS 37, provisions are reported for obligations of uncertain timing or amount. A provision is recognized when:

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefit will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, in other words, the amount the company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. This is measured using the full cost approach, taking into account future cost increases.

Non-current provisions are discounted at a pre-tax interest rate provided that the effect of discounting is significant. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expenses.

Contingent liabilities resulting from a past event and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise are reported in the notes to the consolidated financial statements as contingent liabilities. Contingent liabilities can also result from a current obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  the amount of the obligation cannot be measured with sufficient reliability.

Financial liabilities

All financial liabilities were measured either at amortized cost using the effective interest rate method or as FVTPL in the reporting period.

Financial liabilities are classified at FVTPL if:

- the fair value option was exercised;
- the liability is held for trading; or
- the liability is for contingent claims of an acquirer in conjunction with a business combination as referred to by IFRS 3.

Derivatives that are liabilities are recognized at FVTPL.

Financial liabilities classified as FVTPL are recognized at fair value. Changes to fair value are recognized in the consolidated income statement unless they are part of a hedge.

Financial liabilities classified at amortized cost are recognized at fair value less directly attributable transaction costs. For financial liabilities at amortized cost, gains or losses resulting from amortization are recognized in profit or loss using the effective interest method and in the event of derecognition.

Financial liabilities are no longer reported once they have been settled, i.e. once contractual obligations are discharged, canceled or expire.

All financial liabilities at amortized cost were measured using the effective interest method as of the end of the reporting period: A derivative classified at fair value through profit or loss was sold and derecognized in the previous year.

Employee benefits

Defined contribution plans

There are defined contribution plans for members of the Executive Board, managing directors, and senior employees. These are pension commitments in an intercompany provident fund. The company pays fixed monthly amounts into the provident fund. Contributions by the Group for defined contribution plans are recognized in profit or loss in the reporting period in which they are incurred.

Defined benefit plans

Provisions for pensions and similar liabilities are calculated using the projected unit credit method in accordance with IAS 19 Employee Benefits. The defined benefit obligations are determined annually by independent actuarial experts. In calculating these benefit obligations, in addition to biometric calculation bases, the current long-term capital market interest rate and current assumptions about future salary and pension increases are taken into account. The discount rate for the euro area is derived from iBoxx™ Corporates AA corporate bonds. The probability of fluctuation was taken into account depending on the length of service and age of the pension beneficiaries. Pension obligations for Germany are calculated using biometric principles in accordance with the 2018 G Heubeck mortality tables.

Actuarial gains and losses resulting from changes in actuarial assumptions or from differences between previous actuarial assumptions and actual developments are recognized immediately in other comprehensive income when they occur, taking deferred taxes into account.

Actuarial gains and losses recognized in other comprehensive income and related deferred taxes are not reversed in the Group income statement in subsequent periods. Actuarial gains and losses recognized in the respective reporting period and the related deferred taxes are presented separately in the Group statement of comprehensive income.

Pension provisions are not offset by any plan assets that would reduce the pension obligation.

Share options

A stock option plan allows selected employees, i.e. the Executive Board, managing directors, and First Sensor employees, to share in the company's future performance in the medium and long term.

Share-based payments settled by equity instruments are accounted for in accordance with IFRS 2. Accordingly, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If this is not the case, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. Vesting conditions other than market conditions are not taken into account when estimating the fair value. Instead, the Group takes these into account by adjusting the number of equity instruments included in the determination of the transaction amount.

The expenses resulting from the granting of equity instruments and the corresponding increase in equity are recognized over the period within which vesting or service conditions have to be met (vesting period). This period ends on the vesting date, in other words, on the date the employee in question becomes irrevocably entitled. The cumulative expense reported for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The amount reported in the Group income statement represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for remuneration entitlements that do not vest. This does not include remuneration entitlements which can only vest subject to fulfillment of certain market conditions. These are deemed vested irrespective of whether the market conditions are satisfied, provided that all other service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (for more details see Group note 29 "Earnings per share").

Government grants

Government grants are recognized if there is reasonable assurance that the grant will be received and that the entity will comply with the conditions attached to it.

Grants relating to expenses are recognized as income on a systematic basis over the period necessary to match them with the costs they are intended to compensate. Grants relating to assets are shown in the consolidated statement of financial position as deferred investment grants or subsidies. These are reversed to profit or loss in equal annual installments over the expected useful life of the asset in question.

Revenue recognition

Revenue is recognized in line with the five-step model set out under IFRS 15. This looks at whether the performance commitments listed are separate and distinct performance obligations or whether the contract contains other commitments that represent separate performance obligations to which a portion of the transaction price must be allocated.

The model consists of the following five steps:

- identifying the contract with the customer;
- identifying the stand-alone performance obligations in the contract;
- determining the transaction price;
- allocating the transaction price to performance obligations;
- recognition of revenue (at a point in time or over a period of time);

revenue is recognized in line with the transfer of control to the customer. In the Group, revenue is predominantly recognized at a point in time when the customer obtains ownership of the products.

Other operating income

Other operating income is recognized if the economic benefit can be reliably estimated and was received during the reporting period.

Interest income

Interest is recognized pro rata temporis taking into account the effective yield on the asset.

Taxes

Deferred taxes

On the basis of the control and profit transfer agreement entered into with TE Connectivity Sensors Germany Holding AG as the parent company on April 14, 2020, which was approved by way of resolution of the Annual General Meeting on May 26, 2020, there is a consolidated tax group as referred to by section 14 of the *Körperschaftsteuergesetz* (KStG – German Corporation Tax Act) effective January 1, 2021. Similarly, there is also a profit transfer agreement between First Sensor AG as the parent company and First Sensor Lewicki GmbH as the subsidiary, and therefore a consolidated tax group as referred to by section 14 KStG. As a result of the consolidated tax group for corporation and trade tax purposes, the taxable income and trade income of First Sensor AG and First Sensor Lewicki GmbH are attributed to TE Connectivity Sensors Germany Holding AG as the ultimate parent company from the 2021 assessment period. Consequently, deferred taxes have no longer been recognized since January 1, 2021. Deferred tax liabilities from the previous year of 2020 were reversed in profit or loss in 2021.

Income taxes

Current tax assets and tax liabilities for the current and earlier periods are measured at the amount expected to be refunded by the tax authority/paid to the tax authority. The amount is calculated based on the tax rates and tax laws applicable at the end of the reporting period in the countries in which the Group operates.

Current income tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the Group income statement.

Leases

In accordance with IFRS 16, all contractual arrangements in which the Group is the lessee are assessed as to whether an asset is clearly identifiable and the Group obtains substantially all the economic benefits and has the right to make decisions about the asset. If this is the case, a right-of-use asset and a lease liability are recognized in the Group statement of financial position. On first-time recognition, lease liabilities are measured at the present value of the future lease payments. The interest rates implicit in the leases are used for discounting. For leases without their own interest rate, a Group incremental borrowing rate is used according to the term of the lease; these incremental borrowing rates range from 1.39% and 2.79%. In addition, sufficient fixed payments for renewal and purchase options and variable payments are included in the calculation of the lease liability. Depending on its maturity, the lease liability is recognized under current and non-current financial liabilities. The right-of-use asset is initially recognized at the amount of the lease liability plus initial direct costs. The right-of-use asset is reported as a separate item under property, plant and equipment and is written down on a straight-line basis over the term of the lease. If the useful life of the underlying asset is shorter than the term of the lease, amortization is charged over the shorter period. The leases recognized have terms of between 13 months and 38 years.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made. These contracts are assessed using the practical expedients for short-term leases (with terms of less than one year) and for small-ticket leases (for assets of less than USD 5,000). Neither right-of-use assets nor lease liabilities are recognized for such leases. Instead, the lease expenses are recognized as an expense in the Group income statement. The option to apply the standard to a portfolio of leases with similar characteristics is not used.

Derivative financial instruments and hedging

Credit and liquidity risk

First Sensor ensures that it has sufficient funds and credit facilities available to satisfy its financial obligations at all times. Credit risk, or the risk that a contractual partner fails to meet its payment obligations, is managed using loan commitments, credit facilities and control procedures. Where appropriate, the company obtains security in the form of rights in securities or arranges master netting agreements.

The maximum exposure to credit risk is limited to the carrying amount of the financial instruments recognized in the Group statement of financial position.

Currency risk

There is no significant currency risk as most of the transactions entered into by Group companies are in euro. Where materials were purchased abroad in the reporting period, foreign currency risks have been reduced by partial invoicing in euro.

Interest rate exposure and hedging

The risk of market interest rate fluctuations to which the Group was exposed in previous years predominantly resulted from non-current financial liabilities with floating interest rates. This risk was countered by borrowing fixed-rate loans and, when floating-rate loans are procured, by entering into derivative financial instruments (interest rate swaps). As a significant portion of the hedged item was ended in the 2020 financial year, and no significant interest rate risks are expected from the remaining hedged item, the derivative financial instrument (interest rate swap) was sold in the previous year. The Group is not exposed to any significant risk of fluctuations in market interest rates as of the previous year.

In previous years, derivative financial instruments were accounted for as follows:

Derivative financial instruments were initially recognized at fair value on the date on which a derivative contract was entered into and were subsequently remeasured at fair value. They were reported as assets when the fair value was positive and liabilities if the fair value was negative.

Gains or losses arising from changes in the fair value of derivative financial instruments that did not meet the hedge accounting criteria were recognized immediately in the income statement.

The fair value of interest rate swaps was measured by reference to the market values of similar instruments.

First Sensor used hedging instruments to hedge interest rate risks ("cash flow hedge") until March 18, 2021. These were accounted for as follows, taking into account the strict criteria for hedge accounting:

The effective portion of the gain or loss on a hedging instrument was recognized directly in equity, while the ineffective portion was recognized immediately in profit or loss.

The amounts recognized in equity were reclassified to the consolidated statement of income in the period in which the hedged transaction affected profit or loss, e.g. when hedged financial income or expenses were recognized or when an expected sale was executed.

If a hedge resulted in the recognition of a non-financial asset or non-financial liability, the amounts recognized in equity became part of the acquisition cost at the date of addition of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment was no longer expected to occur, the amounts previously recognized in equity were reclassified to the consolidated statement of income. If the hedging instrument expired or was sold, terminated or exercised without replacement or rollover into another hedging instrument, the amounts previously recognized in equity remained as a separate component of equity until the forecasted transaction or firm commitment occurred. The same applies if it was determined that the hedging instrument no longer met the criteria for hedge accounting.

First Sensor does not currently use any hedging instruments to hedge interest rate risks (cash flow hedges), so the accounting for this is not described here.

4.3 INTANGIBLE ASSETS

€ thousand	Concessions, licenses and similar	Internally generated intangible assets	Customer base	Payments on account	Total
Cost of purchase					
January 1, 2021	16,944	12,249	19,573	286	49,052
Additions	16	583	0	0	599
Disposals	-4,966	-397	0	0	-5,363
Reclassifications	0	-273	0	0	-273
Exchange differences	0	0	0	0	0
Changes in the consolidated group	-567	-7,465	0	0	-8,032
September 30, 2021	11,427	4,697	19,573	286	35,983
Cumulative depreciation					
January 1, 2021	13,179	3,975	18,218	52	35,424
Additions	839	701	1,355	0	2,895
Disposals	-4,959	-265	0	0	-5,224
Reclassifications	0	0	0	0	0
Exchange differences	0	0	0	-1	-1
Changes in the consolidated group	-507	-2,735	0	0	-3,242
September 30, 2021	8,552	1,676	19,573	51	29,852
Carrying amount as of January 1, 2021	3,765	8,274	1,355	234	13,628
Carrying amount as of September 30, 2021	2,875	3,021	0	235	6,131

€ thousand	Concessions, licenses and similar	Internally generated intangible assets	Customer base	Payments on account	Total
Cost of purchase					
October 1, 2021	11,427	4,697	19,573	286	35,983
Additions	83	117	0	0	200
Disposals	-2,039	-733	0	0	-2,772
Reclassifications	300	0	0	0	300
Exchange differences	0	0	0	0	0
Changes in consolidated group	0	0	0	0	0
September 30, 2022	9,771	4,081	19,573	286	33,711
Cumulative depreciation					
October 1, 2021	8,552	1,676	19,573	51	29,852
Additions	1,412	860	0	0	2,272
Disposals	-1,966	-600	0	0	-2,566
Reclassifications	0	0	0	0	0
Exchange differences	0	0	0	-1	0
Changes in consolidated group	0	0	0	0	0
September 30, 2022	7,998	1,936	19,573	50	29,558
Carrying amount as of October 1, 2021	2,875	3,021	0	235	6,131
Carrying amount as of September 30, 2022	1,773	2,144	0	236	4,153

Intangible assets were neither pledged as security for liabilities nor otherwise restricted as of the end of the reporting period.

4.4 GOODWILL

€ thousand	Jan. 1 to Dec. 31, 2021	Oct 1, 2021 to Sept. 30, 2022
Cost of purchase		
January 1/October 1	25,275	25,275
Additions	0	0
Disposals	0	0
Exchange differences	0	0
Changes in the consolidated group	0	0
September 30	25,275	25,275
Cumulative depreciation		
January 1 / October 1	-9,296	-9,296
Additions	0	0
Disposals	0	0
Exchange differences	0	0
Changes in the consolidated group	0	0
September 30	-9,296	-9,296
Carrying amount as of January 1 / October 1	15,979	15,979
Carrying amount as of September 30	15,979	15,979

Goodwill related to the following companies as of September 30, 2022:

€ thousand	Sept. 30, 2021	Sept. 30, 2022
First Sensor Lewicki GmbH	1,846	1,846
First Sensor AG (formerly: Sensortechnics Group including First Sensor Technology GmbH and MEMSfab GmbH)	14,133	14,133
Total	**15,979**	**15,979**

In order to test goodwill for impairment, the value in use of the respective cash-generating unit was calculated and compared against the corresponding carrying amount. An impairment loss is recognized if the carrying amount exceeds the value in use. The value in use is calculated based on the discounting of operating cash flows for the planning period, derived from the WACC method. An indicative check was carried out using the income capitalization approach.

The following basic assumptions were made as parameters for the impairment test:

Assumptions in impairment test	2021	2022
Risk-free basic interest rate	0.10%	2.08%
Market risk premium	7.50%	7.00%
Beta factor	1.20	1.19
Pre-tax borrowing rate	2.73%	4.45%
WACC pre-tax	11.98%	10.11
WACC after tax	8.38%	

First Sensor was further integrated into the TE Connectivity Group in the financial year. Following the acquisition by TE Connectivity Sensors Germany Holding AG, a control agreement was concluded between the acquirer and First Sensor AG on July 6, 2020 and a profit and loss transfer agreement with effect from January 1, 2021. In fiscal year 2022, the First Sensor Group was integrated into the global sales organization of the TE Connectivity Group. With the takeover of the sales activities, pricing was also adjusted accordingly. In this context, it was also determined that the TE Connectivity Group will not charge the First Sensor Group any tax allocations. As First Sensor as a controlled company will not pay any income taxes in the current fiscal year or in the future with the exception of taxes on minority compensation, the WACC is calculated without taking taxes into account. The grossing up of the WACC to a pre-tax WACC is not applicable, as the pre-tax cash flows correspond to the after-tax cash flows.

First Sensor Lewicki GmbH

First Sensor reports goodwill of €1,846 thousand from the acquisition of all shares in First Sensor Lewicki GmbH in 2000. In accordance with IAS 36, the company's goodwill was tested for potential impairment as of September 30, 2022 on the basis of the value in use and using the following assumptions:

- from the 2022 financial year, slight increases in sales are expected until 2025;
- although the relative EBIT margin is significantly lower than in previous years, in absolute terms it is still at the average level of the last three financial years;
- a growth rate of 1.5% is assumed for planning in 2026 (terminal value);
- the discount factor based on the WACC method is 10.11% without taking into account taxes (previous year: 8.38% after tax and 11.98% before tax .
- as in the previous year, the detailed planning period is three years.

As in the previous year, the impairment test did not give rise to any impairment as of the end of the reporting period. The Executive Board bases its assumptions for forecasts for calculating value in use on past experience.

First Sensor AG (formerly: Sensortechnics Group including First Sensor Technology GmbH and MEMSfab GmbH)

First Sensor acquired all shares in First Sensor Technology GmbH in the 2010 financial year. This acquisition resulted in goodwill of €1,125 thousand. On the basis of the merger agreement of August 24, 2015, First Sensor Technology GmbH was merged by transfer of assets with First Sensor AG retroactively from January 1, 2015; it was merged by way of transfer of assets by dissolution without liquidation in accordance with section 2 of the *Umwandlungsgesetz* (UmwG - German Transformation Act).

First Sensor acquired all shares in the Sensortechnics Group in the 2011 financial year. This acquisition resulted in goodwill of €26,390 thousand. On the basis of the merger agreement of June 28, 2012, Sensortechnics GmbH was merged with First Sensor AG retroactively from January 1, 2012 and, on the basis of the merger agreement of April 17, 2013, Elbau Elektronik Bauelemente GmbH Berlin was merged with First Sensor AG retroactively from January 1, 2013. Both companies were merged by way of transfer of assets by dissolution without liquidation in accordance with section 2 UmwG.

First Sensor acquired all shares in MEMSfab GmbH in the 2011 financial year. This acquisition resulted in goodwill of €455 thousand. On the basis of the merger agreement of June 27, 2013, amended October 30, 2013, the company was merged with First Sensor AG and dissolved without liquidation.

In the 2018 financial year, the impairment test was changed such that the goodwill from the acquisitions of First Sensor Technology GmbH, the Sensortechnics Group and MEMSfab GmbH, which had previously been consistently transferred to First Sensor AG for several years, are tested for impairment collectively, with First Sensor AG as the cash-generating unit. This change was driven by the fact that at the latest since the merger with First Sensor AG, the value creation process within First Sensor AG takes place increasingly not on an isolated basis in the individual units, but across these individual units. As a result, the development and production process is now managed in such a way that the value added in the individual units is no longer considered in isolation. Also, in organizational terms, since the introduction of the new SAP ERP system as of January 1, 2018, the provision of goods and services between the individual units is no longer mapped and managed in isolation as sub-processes within the respective units, but rather in an overarching and ongoing production process. As a result, the cash flows identified within the units can no longer be regarded largely independently from the other units.

In connection with the acquisition by the TE Connectivity Group and the integration of the First Sensor Group into the TE Connectivity Group, all significant foreign subsidiaries, most of which originated from the acquisition of the Sensortechnics Group, were sold in the 2020 financial year. Goodwill of €13,837 thousand was derecognized in this context. The amount of goodwill disposed of was measured on the basis of the ratios of the fair values of the disposed and remaining entities. Goodwill was tested for impairment both before and after disposal.

This company's goodwill was tested for potential impairment on the basis of the value in use and using the following assumptions:

- Starting from fiscal year 2022, higher sales are planned in particular for 2023 from the integration of production from the TE Connectivity site in Dortmund into the First Sensor site in Berlin. Moderate increases in sales are then expected for 2024 and 2025. The sales model introduced on June 01, 2022 and the pricing coordinated with it will lead to a reduced gross profit margin compared with the previous year, but at the same time to a significant reduction in costs in the sales area. The expanded market access via the TE Connectivity sales organization also leads to additional growth potential. The effects from the Corona crisis and the influences of the Ukraine war, particularly with regard to inflationary cost increases, have been taken into account in the planning.
- a growth rate of 1.5% is assumed for planning in 2026 (terminal value);
- the discount factor based on the WACC method is 10.11% without taking into account taxes (previous year: 8.38% after tax and 11.98% before tax);
- as in the previous year, the detailed planning period is three years.

As in the previous year, the impairment test did not give rise to any impairment as of the end of the reporting period. The Executive Board bases its assumptions for forecasts for calculating value in use on past experience.

As part of a sensitivity analysis for the cash-generating units, the expected EBIT was reduced by 5% on the one hand and the discount factor, based on the WACC method, was increased by 0.5 percentage points on the other. No impairment requirement has been identified on the basis of the changed parameters either.

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4.5 PROPERTY, PLANT AND EQUIPMENT

€ thousand	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments, assets under construction	Right-of-use assets	Total
Cost of purchase						
January 1, 2021	19,532	61,768	12,291	6,687	8,120	108,398
Additions	35	1,858	171	8,412	833	11,310
Disposals	-5	-3,882	-1,964	-30	-200	-6,080
Reclassifications	32	2,419	32	-2,210	-11	261
Exchange differences	0	0	0	0	-1	-1
Changes in the consolidated group	0	-10,943	-2,837	-1,582	-1,242	-16,604
September 30, 2021	19,594	51,220	7,693	11,278	7,499	97,284
Cumulative depreciation						
January 1, 2021	8,523	38,507	9,597	40	2,560	59,227
Additions	480	3,251	687	22	853	5,292
Disposals	-6	-3,853	-1,941	-29	-173	-6,001
Reclassifications	0	15	0	-15	-11	-11
Exchange differences	0	0	0	0	-1	-1
Changes in the consolidated group	0	-7,951	-2,143	0	-1,059	-11,154
September 30, 2021	8,997	29,968	6,199	18	2,169	47,350
Carrying amount as of January 1, 2021	11,009	23,261	2,694	6,647	5,560	49,171
Carrying amount as of September 30, 2021	10,597	21,252	1,494	11,260	5,330	49,933

€ thousand	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments, assets under construction	Right-of-use assets	Total
Cost of purchase						
October 1, 2021	19,594	51,220	7,693	11,278	7,499	97,284
Additions	61	928	453	6,675	2,571	10,688
Disposals	0	-647	-2,619	-378	-4,566	-8,120
Reclassifications	51	2,035	-170	-2,213	0	-297
Exchange differences	0	0	0	0	0	0
Changes in the consolidated group	0	0	0	0	0	0
September 30, 2022	19,705	53,536	5,358	15,362	5,504	99,465
Cumulative depreciation						
October 1, 2021	8,997	29,968	6,199	18	2,169	47,350
Additions	631	3,514	530	0	661	5,336
Disposals	0	-625	-2,552	0	-618	-3,795
Reclassifications	0	2	0	0	0	2
Exchange differences	0	0	0	0	0	0
Changes in the consolidated group	0	0	0	0	0	0
September 30, 2022	9,628	32,859	4,177	18	2,212	48,893
Carrying amount as of October 1, 2021	10,597	21,253	1,494	11,260	5,331	49,933
Carrying amount as of September 30, 2022	10,078	20,677	1,180	15,344	3,292	50,571

Property, plant and equipment with a carrying amount of €2,971 thousand (previous year: €3,813 thousand) were pledged as security for liabilities or otherwise restricted as of the end of the reporting period.

The right-of-use assets were reported under property, plant and equipment. The development of right-of-use assets included in property, plant and equipment (IFRS 16) is as follows:

€ thousand	Right-of-use assets for land and buildings	Right-of-use assets for operating and office equipment	Right-of-use assets for vehicles	Total
Cost of purchase				
January 1, 2021	7,314	74	732	8,120
Additions	601	0	231	832
Disposals	-122	-51	-37	-210
Exchange differences	-1	0	0	-1
Changes in the consolidated group	-1,106	0	-137	-1,243
September 30, 2021	6,686	23	789	7,498
Cumulative depreciation				
January 1, 2021	2,035	47	478	2,560
Additions	695	10	149	854
Disposals	-109	-45	-31	-185
Exchange differences	-1	0	0	-1
Changes in the consolidated group	-981	0	-78	-1,059
September 30, 2021	1,639	12	518	2,169
Carrying amount as of January 1, 2021	5,279	27	254	5,560
Carrying amount as of September 30, 2021	5,047	11	271	5,329

€ thousand	Right-of-use assets for land and buildings	Right-of-use assets for operating and office equipment	Right-of-use assets for vehicles	Total
Cost of purchase				
October 1, 2021	6,686	23	789	7,498
Additions	2,513	0	59	2,571
Disposals	-4,350	-5	-212	-4,567
Exchange differences	0	0	0	0
Changes in the consolidated group	0	0	0	0
September 30, 2022	4,849	18	636	5,502
Cumulative depreciation				
October 1, 2021	1,639	12	518	2,169
Additions	537	3	121	661
Disposals	-404	-4	-210	-618
Exchange differences	0	0	0	0
Changes in the consolidated group	0	0	0	0
September 30, 2022	1,772	11	429	2,212
Carrying amount as of October 1, 2021	5,047	11	271	5,329
Carrying amount as of September 30, 2022	3,077	6	206	3,290

In the calculation of the carrying amount of right-of-use assets for land and buildings, a potential purchase option for a property in Dresden in 2022 was not used and the right of use was extended until the end of 2026.

4.6 INVENTORIES

€ thousand	Dec. 31, 2021	September 30, 2022
Raw materials and supplies	11,954	17,892
Unfinished goods and work in progress	12,298	17,025
Finished goods and products	5,885	4,743
Advance payments on inventories	61	55
Total	**30,199**	**39,715**

The impairment loss on inventories amounted to EUR 2,710 thousand as of September 30, 2022 (previous year: EUR 2,156 thousand). The change was recognized as an expense and amounted to EUR 554 thousand in the reporting period (PY: EUR 487 thousand). This expense was recognized for write-downs on raw materials and supplies and merchandise in the cost of materials item and for work in progress and finished goods in changes in inventories.

As in the previous year, there were no inventories assigned as security as of the end of the reporting period.

4.7 TRADE RECEIVABLES

€ thousand	September 30, 2021	September 30, 2022
Trade receivables	18,730	16,938
Less impairment losses	-89	-542
Total	**18,641**	**16,396**

Trade receivables are not interest-bearing and are typically due within 30 to 90 days. As of September 30, 2022, trade receivables included receivables from affiliated companies of €12,256 thousand (previous year: €0 thousand), primarily from the TE Connectivity distribution company. Write-downs of €542 thousand (previous year: €89 thousand) were recognized on receivables from the sale of goods and services. The impairments relate to receivables from third parties from the period before the changeover to the TE Connectivity sales organization. The impairment losses were recognized on a case-by-case basis and using past and future-oriented information when deriving the probability of default and calculating the expected loss. The specific valuation allowances equate to a default ratio of 3.2% (previous year: 0.5%).

Changes in the provision for impairment of receivables were as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022
Beginning of the period	**273**	**89**
Charge for the year	50	542
Utilization	0	-89
Unused amounts reversed	-123	0
Deconsolidation	-111	0
End of the period	**89**	**542**

As of September 30, 2022, the aging structure of trade receivables past due is as follows:

€ thousand	Sept. 30, 2021	Sept.30, 2022	Absolute change	in %
Not due	13,880	13,334	-546	-4.0
Less than 60 days	3,845	645	-3,200	-83.0
Between 61 and 90 days	204	203	-1	-1.0
Between 91 and 120 days	576	1,235	659	114.0
More than 120 days	136	980	844	621.0
Total	**18,641**	**16,396**	**-2,245**	**-12.0**

The receivables include disputed receivables of €36 thousand (previous year: €47 thousand) and receivables offset by debit notes from customers that were not accepted of €41 thousand (previous year: €96 thousand). These receivables are nevertheless expected to be recovered.

4.8 CURRENT FINANCIAL ASSETS

Current financial assets essentially include receivables from shareholders (cash pooling) and the claim for loss compensation from the profit and loss transfer agreement concluded with TE Connectivity amounting to €6,633 thousand.

4.9 CURRENT OTHER ASSETS

€ thousand	September 30, 2021	September 30, 2022
Prepaid expenses	368	181
VAT receivables	413	261
Others	297	550
Total	**1,078**	**992**

4.10 CASH AND CASH EQUIVALENTS

€ thousand	September 30, 2021	September 30, 2022
Bank balances	3,006	913
Total	**3,006**	**913**

Bank balances partly earn interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents at financial institutions is €913 thousand (previous year: €3,006 thousand).

4.11 ISSUED CAPITAL

The share capital reported in the Group statement of financial position as issued capital amounts to €51,612,480.00 as of the end of the reporting period (previous year: €51,511,980.00) and consists of 10,322,496 no-par shares (previous year: 10,302,396 shares) with a notional value of €5.00 per share. First Sensor AG's share capital was increased by €100,500.00 year-on-year as a result of pre-emption rights exercised under the 2016 stock option plan.

01.01. - Sept. 30, 2021	Shares*	Share capital**
Beginning of the financial year	**10,289**	**51,444**
2016 stock option plan	13.5	67.5
End of the financial year	**10,302**	**51,512**

Oct. 1, 2021 to Sept. 30, 2022	Shares*	Share capital**
Beginning of the financial year	**10,302**	**51,512**
2016 stock option plan	20.1	100.5
End of the financial year	**10,322**	**51,612**

* Number of shares in thousand

** € thousand

Contingent capital

The contingent capital of First Sensor AG is presented in the following table:

€ thousand	September 30, 2021	September 30, 2022
Contingent Capital 2013/I	185	185
Contingent Capital 2016/II	2,440	340
Contingent Capital 2017/I	1,200	1,200
Contingent Capital 2017/II	19,000	19,000
Total	**22,825**	**20,725**

The contingent capital amounted to €20,725 thousand in total as of September 30, 2022 (previous year: €22,825,000.00). The contingent capital increase will only be implemented to the extent that the bearers of pre-emption rights exercise said rights under the respective stock option plans for Contingent Capital 2013/I, Contingent Capital 2016/II and Contingent Capital 2017/I. The 2013/I stock option plan has already ended and, following the departure and severance agreements with the beneficiaries of the 2017/I stock option plan in the 2020 financial year, there are no longer any pre-emption rights under the 2017/I and 2017/II stock option plan. As a result, the 2013/I, 2017/I or 2017/II contingent capital increases can no longer be exercised, even on a pro rata basis.

4.12 RESERVES

Changes in reserves were as shown in the Consolidated Statement of Changes in Equity. The items are explained below:

(a) Capital reserves – share premium

As a result of 20,100 pre-emption rights being exercised under the 2016 SOP at an exercise price of €31.32, the capital reserves were increased by the exercise price in excess of the notional value per share (€5.00) for a total of €529 thousand in 2022 (previous year: €143 thousand).

(b) Capital reserves – stock options

The expense of the current stock option programs recognized as staff costs in profit or loss and as an addition to capital reserves amounts to €22 thousand (previous year: €41 thousand).

c) Retained earnings

Retained earnings include other revenue reserves as well as actuarial gains and losses from the remeasurement of pensions in the amount of €43 thousand at the reporting date. The result for the period reduced retained earnings by EUR 4,467 thousand. The loss compensation obligation from the profit and loss transfer agreement concluded with TE Connectivity led to an increase in retained earnings of EUR 6,633 k. Taking into account the effects from the currency adjustment item, retained earnings increased by EUR 2,068 k in total.

d) Other reserves

Other reserves exclusively comprise the reserve for currency translation adjustments. The currency adjustment item is used to record differences arising from the translation of the financial statements of the foreign subsidiaries into euros. With the deconsolidation of the last foreign subsidiary, First Sensor Scandinavia AB, Sweden, the currency adjustment item was recognized in the Group income statement.

4.13 PROVISIONS FOR PENSIONS

The employees of the Munich branch (FSM) have received defined benefit pension commitments. The pension plans are based on the number of years of service. The pension commitments are financed through the recognition of pension provisions. The measurement of employee benefits and the expenses required to cover these benefits are based on the procedures (projected unit credit method) prescribed in IAS 19 (Employee Benefits). Interest expenses are recognized in profit or loss in the financial result and any current service cost is recognized in profit or loss in staff costs. Actuarial gains and losses and any past service cost are recognized in other comprehensive income.

The defined benefit obligation developed as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Jan. 1, 2021 to Sept. 30, 2021
Defined benefit obligation (DBO) on January 1	315	319
Past service cost	35	0
Net interest expense	1	2
Actuarial gains (-)/losses (+)	-12	-41
Pension payments	-20	-26
Defined benefit obligation (DBO) on December 31/September 30	**319**	**254**

As in the previous year, there are no asset values that would reduce the pension obligation. The amount of the provision therefore corresponds to the defined benefit obligation. Pension payments of €27 thousand (previous year: €26 thousand) are expected for the following financial year. Pension payments of a comparable amount are also expected for the 2024 to 2027 financial years.

The calculations are based on the 2018 G mortality tables produced by K. Heubeck and the following assumptions:

in %	September 30, 2021	September 30, 2022
Interest rate	0.77	3.70
Salary trend	0	0
Pension trend	1.80	2.40

A change in the material actuarial assumptions (interest rate, salary trend, pension trend) of one percentage point up or down would have an impact of less than €50 thousand on the defined benefit obligation in each case.

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4.14 OTHER PROVISIONS

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022
Other current provisions on January 1 / October 1	**582**	**339**
Utilization	-130	-154
Unused amounts reversed	-58	0
Arising during the year	10	242
Deconsolidation	-65	0
Other current provisions on September 30	**339**	**427**

Other current provisions are current at all times presented and relate exclusively to provisions for warranty obligations. These were recognized as liabilities for products sold in the past two years. Assumptions used to calculate the provision for warranties were based on sales under warranty and current information available about returns based on the two-year warranty period.

4.15 FINANCIAL LIABILITIES

€ thousand	Sept. 30, 2021	Sept. 30, 2022
Current up to 1 year	26,312	5,635
Non-current	12,322	6,790
of which 1 to 5 years	10,613	6,790
of which more than 5 years	1,709	0
Total	**38,635**	**12,425**

The financial liabilities reported in the Group statement of financial position also include lease liabilities in accordance with IFRS 16. These are explained separately in Group note 16 and are not included in the above breakdown of financial liabilities. Financial liabilities include a KfW loan of originally €13 million. The loan was raised in 2018 with a duration of 10 years and a fixed interest rate of 1.15% p.a., and will be repaid in quarterly installments from March 31, 2020. The value recognized in the statement of financial position as of September 30, 2022 is €8.5 million. Machinery and equipment at the Berlin-Weißensee location have been assigned as collateral. First Sensor Lewicki GmbH is jointly liable.

Promissory note loans

First Sensor placed three promissory note loans totaling €28.0 million on December 15, 2015.

As part of the placement, German institutional investors subscribed to promissory notes with terms of five years (€18.0 million, floating rate and €7.0 million, fixed rate) and seven years (€3.0 million, fixed rate). The promissory note pays variable interest with a margin calculated on the basis of 6-month EURIBOR. The financial ratios for the placed promissory notes are leverage and equity ratio.

The floating rate and fixed-rate promissory note loans of €18.0 million and €7.0 million in place since 2016 were repaid on December 21, 2020. The remaining promissory note loan of €3 million is reported as current due to its final maturity in December 2022.

The key financial ratios are calculated annually. The interest rate risk is reduced by fixed interest rates and normal hedging mechanisms (see “Derivative financial instruments”).

Others

First Sensor had unutilized credit facilities of €1,000 thousand with banks as of September 30, 2022 (previous year: €3,000 thousand). Given the cash pool with the TE Connectivity Group set up in the 2020 financial year, it is unlikely that the credit facilities will be utilized. Nonetheless, First Sensor intends to retain the option of utilizing the credit facility at short notice. Other current liabilities to banks of €13 thousand were reported as of September 30, 2022. In conjunction with the cash pooling agreement with TE Connectivity, all movements in the participating bank accounts were offset on an ongoing basis.

4.16 LEASE LIABILITIES

The lease liabilities, reported under financial liabilities, break down as follows:

€ thousand	September 30, 2021	September 30, 2022
Current up to 1 year	966	637
Non-current	4,780	2,948
of which 1 to 5 years	4,110	2,278
of which more than 5 years	671	671
Total	**5,746**	**3,585**

Interest expenses for lease liabilities amounted to €259 thousand (previous year: €263 thousand). The amounts still recognized as lease expenses in the Group income statement on the basis of the simplification rules utilized amounted to €281 thousand (€241 thousand) and are reported within other operating expenses.

4.17 OTHER NON-CURRENT FINANCIAL LIABILITIES

Non-current liabilities include deferred investment grants/subsidies of €2,467 thousand (previous year: €2,631 thousand). These relate to government grants and were essentially paid out in the form of investment grants for the new production facilities built in Berlin. The grants paid are dependent on evidence of implementation of the investment measures and compliance with conditions related to retention of the assets and future job creation.

4.18 OTHER CURRENT FINANCIAL LIABILITIES

€ thousand	September 30, 2021	September 30, 2022
Liabilities due to staff	3,113	3,758
Liabilities from tax	535	681
Deferred trade payables	2,037	3,330
Social security liabilities	15	51
Liabilities and deferrals for restructuring costs	6,073	0
Others	1,486	585
Total	**13,260**	**8,405**

The liabilities to staff mainly relate to bonus obligations and collectively agreed special payments from current employment contracts. The majority of the liabilities from tax result from wage tax to be paid. The restructuring costs in the previous year were recognized in connection with the closure of the Puchheim site.

All other current liabilities are non-interest-bearing.

4.19 SHARE-BASED REMUNERATION

Stock option plan 2016/II

After all subscription rights from the Stock Option Plans 2013 (SOP 2013) and 2017/I (SOP 2017/I) have either expired, been settled or converted into shares in 2020, only the Stock Option Plan 2016/II remains.

These plans state that options to acquire ordinary shares can be granted to members of the Executive Board, members of management at affiliated companies, employees of the company and employees of affiliated companies.

	SOP 2016/II
Annual General Meeting resolution	**May 4, 2016**
Term of stock option plan	3 years
Vesting period after issue	4 years
Exercise period after vesting period	3 years
Maximum pre-emption rights (total volume)	**520,000**

Share options are exercised subject to the following conditions.

The 2016/II stock option plan was resolved at the Annual General Meeting on May 4, 2016. It provides for up to 520,000 pre-emption rights to be issued to members of the Executive Board, members of management at affiliated companies in Germany and abroad and managers of the company until December 31, 2019. If pre-emption rights are forfeited because beneficiaries leave the company within the authorization period, a corresponding number of pre-emption rights can be reissued.

The total volume of pre-emption rights under the 2016/II stock option plan breaks down among the groups of beneficiaries as follows:

- members of the Executive Board of the company will receive a maximum of up to 160,000 options in total (up to around 30.8%);
- members of management at affiliated companies will receive a maximum of up to 70,000 options in total (up to around 13.5%);
- managers of the company will receive a maximum of up to 290,000 options in total (up to around 55.7%).

Pre-emption rights can be issued for the first time in the 2016 financial year.

The pre-emption rights can be exercised for the first time after a vesting period of four years from the respective issue date. The pre-emption rights have a total term of seven years from the issue date; after this they are forfeited without replacement. After the end of the vesting period, pre-emption rights can be exercised if the performance target has been achieved within 30 trading days prior to exercise. The exercise price is equal to the average closing price of the shares on the 30 consecutive trading days before the respective issue date of the options plus 20%. However, the exercise price for the pre-emption rights issued in the 2017 and 2018 financial years is at least €15.00. The performance target has been achieved if the closing price of the shares meets or exceeds the exercise price on 30 consecutive trading days. The exercise price for the pre-emption rights is €11.95 per right in the first tranche, €16.03 in the second tranche and €31.32 in the third tranche.

In addition to the achievement of the performance target, the exercise of pre-emption rights is also subject to the strict requirement that the beneficiary must have acquired one share in the company for every ten pre-emption rights granted no later than six months after the issue date of the respective pre-emption rights, and must have held these shares continuously in their own name until the date when these pre-emption rights are first exercised. If there is no such proof of the acquisition of shares, the pre-emption rights cannot be exercised.

Pre-emption rights can be inherited but they cannot be transferred or sold. They cannot be pledged.

Contingent Capital 2016/II was created in the amount of €2,600,000.00 to serve the 2016/II stock option plan.

290,000 pre-emption rights in total were granted under the 2016/II stock option plan in the 2016 financial year. 110,000 of these pre-emption rights were granted to the CFO. The value per option issued was €2.00 and was calculated using the Black-Scholes model.

78,000 pre-emption rights in total were granted under the 2016/II stock option plan in the 2017 financial year. 25,000 of these pre-emption rights were granted to the CFO. The value per option issued was €3.08 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: share price on the grant date of €11.73, volatility of 39.4% and an interest rate of 0.0%. It was also assumed that there would be an annual non-exercise rate of 15%.

101,000 pre-emption rights in total were granted under the 2016/II stock option plan in the 2018 financial year. 25,000 of these pre-emption rights were granted to the CFO. The value per option issued was €7.91 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: share price on the grant date of €25.20, volatility of 44.32% and an interest rate of 0.0%. It was also assumed that there would be an annual non-exercise rate of 15%.

160,000 pre-emption rights were settled on the departure of a member of the Executive Board in the 2020 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4.20 SALES

€ thousand	Jan. 1 to Sept. 30, 2021	Jan. 1, 2021 to Sept. 30, 2022	Absolute change	in %
DACH*	55,815	80,836	25,021	44.8
Rest of Europe	22,447	13,802	-8,645	-38.5
North America	5,688	6,088	400	7.0
Asia	20,030	14,167	-5,863	-29.3
Others	1,334	477	-857	-64.2
Total	**105,314**	**115,370**	**10,056**	**9.5**

Sales essentially result from the sale of customized semiconductor sensors, sensor systems and development and production services. Sales allowances of €113 thousand were granted in the reporting period (previous year: €129 thousand).

The sales development presented in the various regional markets is only of limited informative value, as all significant sales have been generated via TESOG as a sales and distribution partner since June 1, 2022. These sales are allocated to the DACH region. Accordingly, the sales of the other regions are declining.

4.21 OTHER OPERATING INCOME

Other operating income breaks down as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Gain on the disposal of consolidated subsidiaries	23,502	0	-23,502	-100,0
Income from the reversal of provisions and deferred liabilities	410	171	-239	-58.3
Income from other benefits in kind	300	35	-265	-88.4
Insurance claim payments	2	0	-2	-100.0
Investment allowances	65	81	-16	-24.6
Investment grants	54	73	19	35.2
Prior-period income	394	6	-388	-98.4
Development grants	124	0	-124	-100.0
Charging on of distribution costs	0	1,463	1,463	100.0
Others	240	874	634	264.2
Total	**25,091**	**2,703**	**-22,3887**	**-31,7**

First Sensor is now part of TE connectivity

4.22 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Unfinished goods and work in progress	1,483	4,726	3,243	218.7
Finished goods	2,164	-679	-2,844	-131.4
Total	**3,648**	**4,047**	**399**	**-10.9**

4.23 OWN WORK CAPITALIZED

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Capitalized development costs	583	117	-466	-80.0
Other capitalized costs	421	0	-421	-100.0
Total	**1,004**	**117**	**-887**	**-88.3**

Due to the ongoing integration into the TE Connectivity Group, development work is no longer being performed only within the First Sensor Group, but now mainly at other legal entities of the TE Connectivity Group. The reduction in own work capitalized is therefore in line with expectations.

Recognized research and development costs amounted to €4,662 thousand in the 2022 financial year (previous year: €6,703 thousand).

4.24 COST OF MATERIALS, COST OF PURCHASED SERVICES

The cost of materials breaks down as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Raw materials and supplies	45,882	51,533	5,651	12.3
Purchased services	7,689	10,371	2,682	34.9
Total	**53,571**	**61,904**	**8,333**	**15.6**

4.25 STAFF COSTS

The staff costs break down as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Wages and salaries	35,410	33,905	-1,505	-4,2
Social security contributions including pension plans	6,201	6,370	169	2.7
Total	**41,611**	**40,275**	**-1,336**	**-3.2**

Staff costs include expenses for granting share options of €22 thousand (previous year: €41 thousand).

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4.26 OTHER OPERATING EXPENSES

Miscellaneous other operating expenses comprise the following items:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Costs for premises	1,117	1,386	269	24.1
Maintenance and repairs	1,867	2,231	364	19.5
Sales and marketing expenses	1,751	140	-1,611	-92.0
Legal and consulting fees	866	228	-638	-73.7
IT costs	1,710	2,857	1,147	67.1
Vehicle costs	96	244	148	154.2
Travel costs	153	335	182	119.0
Warranty expenses	22	88	66	3,004.0
Goods handling costs	381	34	-347	-91.1
Other operating requirements	861	2,468	1,607	186.6
Group allocation	60	1,976	1,916	3,193.3
Other expenses	1,042	1,575	533	51.2
Disposal of assets	196	4	-192	-98.0
Insurance	374	280	-94	-25.1
Investor Relations	179	37	-142	-79.3
Recruitment costs	126	188	62	49.2
General administration expenses	691	994	303	43.8
Work clothing and protective equipment	459	524	65	14.2
Training costs	133	222	69	51.9
Communication costs	156	148	-8	-5.1
R&D expenses	37	0	-37	-100.0
Prior-period expenses	833	15	-819	-98.2
Audits of financial statements	315	378	63	20.0
Supervisory Board remuneration	45	46	1	2.2
Other taxes	27	37	10	37.0
Total	**13,496**	**16,416**	**2,920**	**21.6**

The other operating expenses include expenses for short-term leases with a term of less than one year of €247 thousand (previous year: €208 thousand) and lease expenses for low-value assets of €34 thousand (previous year: €34 thousand).

4.27 FINANCIAL RESULT

Net financial result broke down as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Interest income	37	45	8	21.6
Interest expenses	-494	-494	0	0.0
Others	-14	-322	-308	2,200.0
Total	**-471**	**-771**	**-300**	**63.7**

4.28 INCOME TAXES

The material components of income taxes are as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Current income taxes	128	-255	-383	-299.2
Deferred taxes	-1,233	0	1,233	-100.0
Reported tax amount	**-1,105**	**-255**	**850**	**-76.9**

The reconciliation of income tax expense or income and the product of the reported profit for the period and the applicable Group tax rate is as follows:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Profit before income taxes	**17,723**	**-4,736**	**-22,459**	**-126,7**
Tax rate	30%	30%		
Calculated tax expenses/income (expenses positive, income negative)	**5,317**	**-1,421**	**-6,738**	**-126.7**
Prior-period taxes	-100	-86	14	-14.0
Reversal of tax provisions	0	-475	-475	-
Taxes on compensation for non-controlling interests	228	306	783	634.2
Different tax rate in other countries	-14	0	14	-100.0
Consolidated tax group with TE Connectivity	-6,536	1,421	7,957	-121.7
Tax income	**-1,105**	**-255**	**850**	**-76.9**

Income taxes comprise the income taxes paid or payable in the respective countries.

The income taxes for 2022 include corporation tax, trade income tax, the solidarity surcharge and the corresponding foreign taxes. Corporation tax on distributed and retained profits is 15% in the Federal Republic of Germany. A solidarity surcharge of 5.5% is levied on corporation tax. The trade income tax was calculated on the basis of the assessment rate applied by the relevant municipal authority at 11.55% and 14.35%.

As in the previous year, there are no tax loss carryforwards.

4.29 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The amounts used to calculate basic and diluted earnings per share are shown in the table below:

€ thousand, unless otherwise indicated	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022	Absolute change	in %
Net profit attributable to shareholders	18,724	-4,467	-23,191	-123,9
Weighted average shares outstanding (basic) in thousands	10,293	10,308	15	0.1
Earnings per share (basic) in EUR	**1.82**	**-0.43**	**-2.25**	**-123.6**
Dilutive effect from share options	9	6	-3	-33.3
Weighted average outstanding shares (diluted)	10,302	10,314	2	0.0
Earnings per share (diluted)	**1.82**	**-0.43**	**-2.25**	**-123.6**

4.30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

In accordance with IAS 7 Statement of Cash Flows, First Sensor reports the cash flow from operating activities using the indirect method, in which the profit or loss for the period is adjusted by the effects of non-cash transactions, deferrals of past or future inflows and outflows from operating activities and items of income or expense in connection with the cash flow from investing or financing activities. Reconciliation is carried out on the basis of pre-tax income. Tax payments are shown in the operating cash flow, interest received as part of cash flow from investing activities, and interest paid as part of cash flow from financing activities. Almost all the cash flow from financing activities is due to payments. Changes in exchange rates or fair values are insignificant.

Cash and cash equivalents are defined according to the company's cash management. This includes bank balances and deposits in the cash pool:

€ thousand	September 30, 2021	September 30, 2022	Absolute change	in %
Cash on hand	0	0	0	-
Bank balances	3,006	913	-2,093	-69.6
Cash pool	64,279	28,880	-35,399	-55.1
Bank overdrafts	-1,501	13	1,488	-99.1
Total	**65,784**	**29,779**	**-36,005**	**-54.7**

In conjunction with the cash pooling agreement with TE, all movements in the participating bank accounts were offset on an ongoing basis.

4.31 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

In accordance with section 74 of the German Fiscal Code (Abgabenordnung), First Sensor AG, and thus the Group, is liable for the taxes incurred by the tax group parent where the tax liability is based on the business operations of First Sensor AG. A claim is not expected.

Court actions and claims arising from disputes that occur in the ordinary course of business could be enforced against the companies in the group. The risks involved are analyzed in the light of the likelihood of their occurrence. Although the outcome of these disputes cannot always be accurately forecast, the Executive Board is of the opinion that no material obligations will arise from them.

Further financial obligations arise from renting office premises and office equipment, from leases for capital assets, vehicles and technical office equipment, from long-term building leases, from building leases and from allocations from defined contribution pension plans. Since January 1, 2019, all rental and lease obligations have been measured in accordance with IFRS 16 and recognized in property, plant and equipment or as a financial liability. The expenses for short-term leases with a term of less than one year and lease expenses for low-value assets remaining in other operating expenses amount to €639 thousand in the reporting period (previous year: €242 thousand). Other financial obligations break down as follows:

in TEUR	2023	2024 bis 2026	Ab 2027
Bestellobligo	20,379	1,626	0
Bürgschaften	0	0	0
Gesamt	**20,379**	**1,626**	**0**

The purchase order commitment 2023 relates to ordered fixed assets and inventories.

4.32 SEGMENT REPORTING

Since the sale or dissolution of its foreign subsidiaries, the First Sensor Group consists only of the parent company, First Sensor AG, and First Sensor Lewicki GmbH. The results of the parent company and its subsidiaries are determined, prepared and analyzed by the company's Management Board on a monthly basis. However, these business units do not represent segments within the meaning of IFRS 8.

4.33 RELATED PARTY TRANSACTIONS

Related parties as referred to by 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 essentially relate to the cash management system, ongoing supply and clearing transactions and service contracts. First Sensor utilizes potential economies of scale by participating in the TE Connectivity Group's cash management system. All transactions with related parties have been contractually agreed and are carried out at arm's length conditions.

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

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

Sale of subsidiaries to the TE Connectivity Group

There were no further sales of subsidiaries to the TE Connectivity Group in the 2022 financial year.

Goods and services between First Sensor and companies of the TE Connectivity Group:

€ thousand	Jan. 1 to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022
Sale of goods and services		
Sales	1,822	34,846
Other operating income	12	1,463
Purchase of goods		
Cost of material	1,705	17,720
Other operating expenses		-3,880
Financing		
Other interest and similar income	36	35

Due to the changed sales model, there was a significant increase in sales with companies of the TE Connectivity Group in the 2022 financial year. This share will rise to almost 100%. The purchased goods mainly relate to the acquisition of inventories from the production site in Dortmund. In the fiscal year, management services were increasingly transferred to service units of the TE Connectivity Group as part of the integration into the TE Connectivity Group. Group allocations from service contracts increased accordingly.

Receivables from and liabilities to companies of the TE Connectivity Group:

€ thousand	September 30, 2021	September 30, 2022
Trade		
payables	107	12,256
Cash pool	64,279	28,880
from the loss adjustment by TE Connectivity	0	6,633
Trade		
payables	1,704	3,002
from the profit transfer to TE Connectivity	21,994	0

Member of the Management Board

- Thibault Kassir, Scottsdale, AZ, USA (since April 14, 2022)
- Robin Jan Maly, Meilen, Switzerland (since April 20, 2021)
- Dirk Karl Schäfer, Mannheim (since June 1, 2021)
- Sibylle Büttner, Unna (April 20, 2021 to April 13, 2022)

The members of the Executive Board of First Sensor AG were not granted or promised any remuneration for their work on the Executive Board by First Sensor AG or any third party.

Further details can be found in the remuneration report.

The Supervisory Board

The remuneration of the Supervisory Board is governed by Article 13 of the Articles of Association and determined by the Annual General Meeting. The remuneration system for the Supervisory Board is governed in accordance with the latest resolution of the Annual General Meeting on June 24, 2021. After the end of the financial year, members of the Supervisory Board accordingly receive remuneration of €20 thousand for each full year of membership of the Supervisory Board. This increases to €50 thousand for the Chairman and €30 thousand for the Deputy Chairman. The members of the Supervisory Board are covered by third-party financial loss insurance (D&O insurance) taken out by the company at an appropriate amount in the interests of the company. These premiums are paid by the company. No deductible has been agreed.

The company reimburses each member of the Supervisory Board for any reasonable expenses incurred in the performance of their duties for which proof has been provided and for any VAT that is incurred on their remuneration.

The remuneration of the members of the Supervisory Board amounted to €60 thousand in the 2022 financial year (previous year: €45 thousand). Supervisory Board members do not receive any performance-based remuneration and do not participate in the company's stock option plan.

Other related parties

There were no other transactions with other related parties in the 2022 financial year.

4.34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk management for financial instruments

In the reporting period, First Sensor sold its products and services worldwide and purchased materials on an international market. As the Group companies are increasingly conducting business that is denominated in EUR and material purchases abroad were made in EUR as far as possible in the reporting period, which led only to a limited extent to market risks owing to changes in exchange rates.

As required, foreign exchange risks are reduced by concluding foreign exchange forward transactions in connection with material purchases. This did neither occur in the previous reporting period nor in the 2022 financial year.

The company's main financial instruments comprise trade receivables, cash and cash equivalents, current financial assets (cash pool), trade payables, promissory note loans, overdraft facilities and bank loans. The aim of these financial liabilities is to finance the company's business operations. The principal risks result from default, liquidity, currency, interest rate and fair value risks. There are no other price risks from financial instruments.

Fair value risk

The fair value of financial assets and financial liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used to calculate fair values are as follows:

The fair value of unquoted instruments, loans and non-current financial liabilities, and obligations under finance leases is estimated by discounting the future cash flow on the basis of interest rates currently available for borrowings on similar terms, credit risks and remaining maturities.

In the past, First Sensor entered into derivative financial instruments with various banks of good credit standing. The interest rate swaps are measured using a valuation technique with input parameters that can be observed on the market. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. These models take into account various factors such as the credit rating of business partners, foreign exchange spot and forward rates and yield curves. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment of the hedge relationship or other financial instruments recognized at fair value. No such agreements were entered into with banks in the 2021 short financial year nor in the 2022 financial year.

Classification and fair value

The following table shows the reconciliation of the statement of financial position items as of September 30, 2021 for financial instruments to classes and measurement categories in accordance with IFRS 9. It also shows aggregate carrying amounts for each line item, which are essentially equal to the fair values.

	Categories of financial instruments (IFRS 9)			Reconciliation to line item	Line item
Sept. 30, 2021	Debt instruments at fair value through profit or loss and derivatives	Financial assets at amortized cost	Financial liabilities at amortized cost		
ASSETS in € thousand					
Trade receivables	-	18,641	-	-	18,641
Financial assets	-	64,396	-	-	64,396
Cash and cash equivalents	-	3,006	-	-	3,006
Equity and liabilities in € thousand					
Non-current financial liabilities*	-	-	12,322	4,781	17,103
Other non-current financial liabilities	-	-	-	2,631	2,631
Current financial liabilities*	-	-	26,312	966	27,278
Trade payables	-	-	5,365	-	5,365
Other current liabilities	-	-	2,821	10,439	13,260

* Lease liabilities are recognized and measured in accordance with IFRS 16. These are explained separately in the group notes under item 16. Lease liabilities are reported under financial liabilities in the consolidated statement of financial position.

The following table shows the reconciliation of the statement of financial position items as of September 30, 2022 for financial instruments to classes and measurement categories in accordance with IFRS 9. It also shows aggregate carrying amounts for each line item, which are essentially equal to the fair values.

	Categories of financial instruments (IFRS 9)			Reconciliation to line item	Line item
September 30, 2022	Debt instruments at fair value through profit or loss and derivatives	Financial assets at amortized cost	Financial liabilities at amortized cost		
ASSETS in € thousand					
Trade receivables	-	16,396	-	-	16,396
Financial assets	-	35,360	-	-	35,360
Cash and cash equivalents	-	913	-	-	913
EQUITY AND LIABILITIES in € thousand					
Non-current financial liabilities*	-	-	6,790	2,948	9,738
Other non-current financial liabilities	-	-	-	2,469	2,469
Current financial liabilities*	-	-	2,469	637	6,271
Trade payables	-	-	11,733	-	11,733
Other current liabilities	-	-	3,570	4,835	8,405

* Lease liabilities are recognized and measured in accordance with IFRS 16. These are explained separately in the group notes under item 16. Lease liabilities are reported under financial liabilities in the consolidated statement of financial position.

The net result from financial assets and financial liabilities recognized in the Group income statement was €-1,238 thousand in the 2022 financial year (previous year: €-512 thousand).

Fair value hierarchy

The Group uses the following hierarchy for each valuation technique to determine and report fair values of financial instruments:

- Level 1: quoted (non-adjusted) prices on active markets for similar assets or liabilities;
- Level 2: techniques where all inputs with a material effect on the recognized fair value are observable, either directly or indirectly;
- Level 3: techniques using inputs with a material effect on the recognized fair value and not based on observable market data.

First Sensor recognized derivative financial instruments at fair value in the past. They are subject to recurring fair value measurement and were assigned to Level 2. The fair value of these financial instruments that are not traded on an active market is determined using valuation techniques that maximize the use of observable market data and rely as little as possible on estimates specific to the company. If all significant inputs to measure an instrument at fair value are observable, the instrument is assigned to Level 2. At Level 2, fair value is determined using a discounted cash flow model based on inputs that are not quoted prices allocated to Level 1 and that can be observed directly or indirectly.

All financial assets and liabilities in the Group were measured at amortized cost as of the end of the reporting period.

There were no changes in the methods for calculating fair value in the reporting period. At the end of each reporting period, it is assessed whether there were any transfers between the levels of the fair value hierarchy for financial assets and liabilities accounted for at fair value. There were no reclassifications in the past reporting period.

Derivate financial instruments

The negative fair value of an interest rate hedging instrument of €433 thousand recognized as of January 1, 2021 was effectively liquidated and terminated in cash in the short financial year 2021 (previous year). In fiscal year 2022 and at the reporting date the Group is not exposed to any significant risk of fluctuations in market interest rates, so no derivative financial instruments are used.

There were no contracts for currency hedges in the 2022 financial year and in the 2021 short financial year.

Interest rate sensitivity

As the cash and cash equivalents are due on a daily or current basis, they are only subject to an insignificant risk of fluctuations in value. A change in interest rates of 100 basis points would have a maximum impact on net profit of €0.1 million (previous year: €0.1 million).

Exchange rate risks and exchange rate sensitivity

Certain transactions are settled in foreign currency within the Group. This gives rise to risks from exchange rate fluctuations. The German Group subsidiaries perform transactions predominantly settled in euro. Only a small amount of trade receivables and trade payables were in foreign currencies.

The main carrying amounts of financial assets and liabilities denominated in foreign currencies, to the extent that they are exposed to a currency risk through profit or loss, are as follows:

Sept. 30, 2021 in € thousand	USD	GBP	CNY/CNH	SEK	Total
Financial assets (cash and cash equivalents)	68	142	2	688	900
Total	68	142	2	688	900

Sept. 30, 2022 in € thousand	USD	CHF	Total
Financial liabilities	832	400	1,232
Total	832	400	1,232

All other currencies in the Group are of minor importance due to the amounts in foreign currency.

As no equity investments in foreign companies will be held after the end of the 2022 financial year, the risk in the event of a depreciation of the euro against the relevant currencies used in the financial statements of the former subsidiaries denominated in foreign currencies is virtually eliminated. In addition, bank accounts held in foreign currency at First Sensor AG were also included in the TE Connectivity cash pool, so that First Sensor no longer has any significant foreign currency holdings in bank accounts as of September 30, 2022.

With the change in the sales model, invoicing of receivables is almost exclusively in EUR. Only purchases are still made in foreign currency to a limited extent. The relevant currencies are USD and CHF. The exchange rate risk has thus been further reduced compared with the previous year.

In the event of a 10% devaluation of the euro, the effect of currency translation would be €137 thousand.

Sept. 30, 2022 in € thousand	USD	CHF	Total
Closing rate as of Sept. 30, 2022	0.97480	1.04592	
Increase in closing rate of 10%	0.87732	0.94132	
Financial liabilities given 10% increase of the euro	9240	444	1,368
Change	920	44	136

Risk of default

The risk of default is the risk of financial losses in the event that a counterparty does not fulfill its obligations towards the Group. The risk of default relates in particular to trade receivables, other financial assets at amortized cost and the investment of cash and cash equivalents. A default event occurs when the contracting party is unable to meet its obligations to the Group. This can relate to payment delays or insolvency. The maximum default risk to which the Group is exposed is limited to the carrying amount of financial assets recognized as of the end of the reporting period (see: Classification and fair value).

The risk of default relates in particular to trade receivables. The risk of default is considered immaterial for all other financial assets.

The Group regularly monitors the payment behavior of customers or contractual parties. Where these are available at reasonable cost, external ratings or reports on customers or other contractual parties are obtained and analyzed. Corresponding impairment losses are recognized for trade receivables on the basis of information regarding the counterparty's current financial situation and past experience regarding payment history. Impairment losses are thus recognized if the expected future cash flows are lower than the carrying amount of the receivables.

No collateral or other credit improvement measures are in place to mitigate the risk of default. In accordance with IFRS 9, First Sensor uses the expected loss model to calculate impairment losses so that expected losses are also recognized and not just losses that have already occurred.

Liquidity risk

Given the inflow of cash and cash equivalents from the sale of subsidiaries in the previous year in connection with the acquisition by the TE Connectivity Group and the associated integration into cash pooling, First Sensor considers liquidity risk to be minor.

Liquidity risk also includes maturities of liabilities. Trade payables are subject to fixed payment terms with suppliers. There is thus no risk of earlier payments.

The Group monitors liquidity using an automated planning tool. This tool assesses cash and cash equivalents on a daily basis, the terms of financial investments and financial assets (e.g. receivables, current financial assets) together with expected cash flow from business activities.

As of September 30, 2022, the contractual undiscounted payments of principal and interest on the Group's financial liabilities mature as follows:

Sept. 30, 2021 in € thousand	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing in more than 5 years	Total
Interest-bearing loans and overdrafts	4,466	10,663	2,049	17,178
Trade payables	5,365	0	0	5,365
Other liabilities*	35,254	0	0	35,254
Lease liabilities	1,123	4,376	1,052	6,551
Total	**46,208**	**15,039**	**3,100**	**64,347**

*In this table, other liabilities include the profit transfer to TE Connectivity of €21,994 thousand. Furthermore, other liabilities include agreed severance payments of €5,642 thousand resulting from the closure of the Puchheim location. The line item "Interest-bearing loans and overdrafts" contains short-term overdrafts of €1,501 thousand, which were offset against the ongoing cash pool receivable on October 1, 2021.

Sept. 30, 2022 in € thousand	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing in more than 5 years	Total
Interest-bearing loans	5,304	7,408	0	12,712
Trade payables	11,733	0	0	11,733
Other liabilities	8,405	0	0	8,405
Lease liabilities	884	2,425	810	3,873
Total	**26,566**	**11,784**	**1,052**	**39,401**

Financial liabilities repayable on demand are always assigned to the earliest time band.

Risk concentration

The Group is careful to ensure a balanced customer portfolio, long-standing customer relations and risk diversification with regard to industry-specific end markets and regional sales markets. According to the Executive Board's assessment, there is no disproportionately high concentration of risk.

Capital management

The primary aim of capital management at the company is to ensure a high credit rating and a good equity ratio, which helps to support the business and maximize shareholder value. Minimum equity ratios are stipulated as conditions in some loan agreements. The equity ratio also affects the credit rating and represents one of several factors determining the applicable interest rate. The credit rating is also a deciding factor for customers when deciding which company to award a contract to.

The Group manages its capital structure according to changes in economic conditions. To adjust the capital structure, the Group can make adjustments to dividend payments to shareholders, repay capital to its shareholders or issue new shares. Management monitors the company's capital structure at regular intervals.

The Group uses the equity ratio to monitor its capital:

€ thousand	Sept. 30, 2021	September 30, 2022	Absolute change	in %
Equity	121,954	124,360	2,406	2.0
Total equity and liabilities	189,360	164,348	-25,012	-13.2
Equity ratio	64.4%	75.7%	11.3%	

The company fulfilled the covenants required under loan agreements in the reporting period.

4.35 FURTHER DISCLOSURES BASED ON HGB REGULATIONS

The following disclosures contain additional information that is required in the group notes in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code).

Member of the Management Board

Name	Position on the Management Board
Sibylle Büttner	Member of the Management Board without a separate business area (from April 20, 2021 to April 13, 2022)
Robin Jan Maly	Member of the Management Board without a separate business area (from April 20, 2021)
Dirk Karl Schäfer	Member of the Management Board without a separate business area (from June 1, 2021)
Thibault Kassir	Member of the Management Board without a separate business area (from April 14, 2022)

The Supervisory Board has appointed Thibault Kassir, Senior Vice President and General Manager of TE Connectivity's Business Unit Sensors, as a member of the First Sensor AG Executive Board with effect from April 14, 2022. Sibylle Büttner resigned effective April 13, 2022.

The members of the Executive Board jointly represent the company without their own separate business areas.

The Supervisory Board

Name/job title	Position on the Supervisory Board	Membership of statutory supervisory board	Membership of comparable domestic or foreign supervisory committees
Michael Gerosa *Senior Director/Regional Controller EMEA, TE Connectivity Ltd., Schaffhausen, Switzerland*	Chairman of the Supervisory Board since April 19, 2021 (member of the Supervisory Board since February 18, 2021)	None	TE Connectivity Poland Services sp. z o.o. in Krakau, Polen (Member of the Board of Directors), Jaquet Technology Group AG in Pratteln, Schweiz (Member of the Board of Directors), Tyco Electronics Finland Oy in Helsinki, Finnland (Member of the Board of Directors), TE Connectivity Svenska AB in Upplands-Vasby, Schweden (Member of the Board of Directors), Tyco Electronics Saudi Arabia Limited in Riyadh, Saudi-Arabien (Member of the Board of Directors), TE Connectivity (Denmark) ApS in Glostrup, Dänemark (Member of the Board of Directors), Tyco Electronics (Gibraltar) Limited in Gibraltar (Member of the Board of Directors)
Peter McCarthy *Senior Director Product Management, TE Connectivity Germany GmbH, Bensheim, Germany*	Deputy Chairman of the Supervisory Board since May 1, 2020	None	None
Stephan Itter *CEO, Läpple AG, Heilbronn, Germany*	Member of the Supervisory Board since May 1, 2020	Läpple Automotive GmbH, Teublitz; FIBRO GmbH, Weinsberg, Germany	None
Olga Wolfenberg *(employee representative)*	Member of the Supervisory Board since May 03, 2019	None	None
Rob Tilmanns *Director of Commercial Excellence*	Member of the Supervisory Board since June 24, 2021	None	None

Christoph Findeisen *(Employee representative)*	Member of the Supervisory Board since August 26, 2021	None	None

First Sensor is now part of TE connectivity

Disclosure in accordance with Article 160 (1) 8 AktG

According to the voting rights notifications we have received, the following individuals/companies held more than 3% of the shares in First Sensor AG as of September 30, 2022. This information can deviate from the current voting rights held if a reporting threshold has not been reached since the last notification, meaning that the person or institution concerned was not required to submit a voting rights notification:

Name/company	Domicile	Date of notification	Date threshold affected	Date of publication	Threshold reached, exceeded or fallen below	Percentage of voting rights at time of notification	Voting rights	Allocation according to
TE Connectivity Ltd. Shareholder: TE Connectivity Sensors Germany Holding AG	Schaffhausen, Switzerland	Mar. 31, 2020	Mar. 12, 2020	Mar. 31, 2020	3%, 5%, 10%, 15%, 20%, 25% and 30% exceeded	71.87	7,380,905	Section 34 WpHG
John Addis Shareholder: FourWorld Capital Management LLC	Wilmington, Delaware, United States of America	September 3, 2021	September 2, 2021	September 7, 2021	10% exceeded	12.31	1,267,452	Section 34 WpHG
Syquant Capital SAS	Paris, France	Oct. 23, 2020	Oct. 20, 2020	Oct. 23, 2020	3% exceeded	3.4	349,767	Section 34 WpHG

Employees

The average headcount, broken down by production and administration, is as follows:

Average headcount	Oct. 1, 2021 to Sept. 30, 2022
Production	335
Administration	346
Total	**681**

An average of 28 apprentices were also employed.

Fees of the auditor

€ thousand	Jan. 1, to Sept. 30, 2021	Oct. 1, 2021 to Sept. 30, 2022
Audits of financial statements	308 (thereof for previous year: 147)	378 (thereof for previous year: 109)
Other confirmation services	1 (thereof for previous year: 1)	0 (thereof for previous year: 0)
Total	**309**	**378**

The audit fees for the financial statements comprise the audit of First Sensor AG's separate financial statements in accordance with HGB, First Sensor's consolidated financial statements in accordance with IFRS and the financial statement of First Sensor Lewicki GmbH in accordance with HGB. The auditor audits the separate financial statements of the company and the consolidated financial statements for all audit periods starting from 2013.

Waiver of disclosure in accordance with section 264(3) HGB

The following German subsidiary with the legal status of a limited liability corporation has met the conditions to exercise exemption in accordance with section 264(3) HGB and has therefore not published its annual financial statements:

First Sensor Lewicki GmbH, Oberdischingen

4.36 CORPORATE GOVERNANCE

The company has issued a declaration of compliance in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and made this permanently available on the company's website.

4.37 SUPPLEMENTARY REPORT

There were no significant events after the end of the 2022 financial year that would have had a notable effect on the financial position and financial performance of First Sensor AG or the Group.

Berlin, January 30, 2023

First Sensor AG

Thibault Kassir	Robin Maly	Dirk Schäfer
Member of the Management Board	Member of the Management Board	Member of the Management Board

5 FURTHER INFORMATION

The auditor's report reproduced below also includes a "Report on assurance in accordance with section 317(3b) HGB on the electronic reproductions of the annual financial statements and the combined management report prepared for publication purposes in accordance with section 317(3b) HGB" (ESEF Report). The subject matter of the ESEF report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or downloaded from the Federal Gazette.

5.1 INDEPENDENT AUDITORS REPORT

To First Sensor AG, Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit opinions

We have audited the consolidated financial statements of **First Sensor AG, Berlin**, and its subsidiaries (the Group) – consisting of the consolidated statement of financial position as of September 30, 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from October 1, 2021 to September 30, 2022, and the notes to the consolidated financial statements, including a summary of key accounting policies. Furthermore, we have audited the "combined management report of the company and the Group" (hereinafter: combined management report) of First Sensor AG, Berlin, for the financial year from October 1, 2021 to September 30, 2022. We have not audited the content of the separate non-financial consolidated report (CSR report) published on the company's website, to which reference is made in the combined management report in section "2.2.2 Results of operations, financial position and net assets", subsection "Development of non-financial performance indicators" and in section "2.5 Other explanatory notes", in accordance with German law. We have not audited the content of the (Group) corporate governance declaration published on the company's website, which is referred to in the combined management report in section "2.5 Other disclosures", in accordance with German law.

In our opinion, based on the findings of our audit:

- the attached consolidated financial statements, in all material respects, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, and give a true and fair view of the net assets and financial position of the Group in accordance with these requirements as of September 30, 2022 and its results of operations for the financial year from October 1, 2021 to September 30, 2022; and
- as a whole, the attached combined management report provides a suitable view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Our audit opinion on the combined management report does not extend to the unaudited parts of the combined management report set out above.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements or the combined management report.

Basis for audit opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted

Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Public Auditors). Our responsibility under these provisions and policies is described further in the section of our audit report entitled “Auditor’s responsibility for the audit of the consolidated financial statements and the combined management report”. We are independent from the Group companies in accordance with the commercial and professional regulations of European and German law and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10(2)(f) of the EU Audit Regulation, we declare that we have not performed any prohibited non-audit services as defined by Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from October 1, 2021 to September 30, 2022. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and in the formation of our audit opinion; we have not issued a separate opinion on these matters.

The audit matters that we consider to be keyare described below:

1) Impairment test of goodwill

2) Valuation of inventories

Re 1) Impairment test of goodwill

a) Risk to Group financial reporting

Goodwill with a total carrying amount of €16.0 million (previous year: €16.0 million) is reported in the consolidated statement of financial position as of the end of the reporting period. This accounts for around 9.7% of total consolidated assets (previous year: 8.4%).

The company’s disclosures on goodwill are included in sections “4.2. Principles of consolidation”, subsection “Intangible assets/(b) Goodwill”, and “4.4. Goodwill” of the notes to the consolidated financial statements.

In accordance with IAS 36.90, cash-generating units to which goodwill has been allocated must be tested for impairment at least once a year.

The recoverability of goodwill was reviewed based on the recoverable amounts. The company calculates the recoverable amounts of each of the relevant cash-generating units as the present values of future cash flows using discounted cash flow models. The projections prepared by the company’s management are adjusted using long-term assumptions, taking current developments into account. The results of measurement are highly dependent on the planning assumptions and the estimates of future cash flows made by the company’s management and on the discount rates used in the measurement models. The measurements are therefore subject to considerable uncertainty, such that this was a key audit matter.

b) Audit approach and conclusions

As part of our audit, we checked the plausibility of the planning on which goodwill impairment testing was based. We also examined the planning for potentially biased judgment.

In addition to checking the plausibility of the underlying planning, we assessed adherence to planning by comparing the previous year’s planning with the values actually achieved.

In addition, we examined the calculation methods used for correct methodology, the derivation of discount rates and, on a test basis, the accuracy of the calculations.

The assumptions and judgments of the company’s management on which the impairment testing of goodwill is based are within acceptable limits and are balanced overall.

Re 2) Valuation of inventories

a) Risk to Group financial reporting

As of the reporting date, the consolidated balance sheet shows inventories with a total carrying amount of € 39.7 million (previous year: € 30.2 million). This corresponds to around 24.2% (previous year: 15.9%) of the consolidated balance sheet total.

The Company's disclosures on the valuation of inventories are included in the section "4.2. Consolidation principles" subsection "Inventories" and "4.6. Inventories" of the notes to the consolidated financial statements.

Inventories are stated at the lower of cost and net realizable value at the balance sheet date. Cost includes direct personnel costs, material costs and the attributable portion of material and production overheads. Allowances are made for obsolete items and those with low turnover. Interest on borrowings is not capitalized.

In the year under review, First Sensor AG, Berlin, adjusted the valuation of inventories to the new structures as part of the further integration of the company into the TE Connectivity Group and, in particular, against the background of relocations and restructuring of production sites. Against the background of the complexity of the valuation processes and systems, the valuation of inventories was of particular importance within the scope of our audit.

b) Audit approach and conclusions

As part of our audit, we assessed the processes and systems of the Company with regard to inventory valuation and subjected the implemented controls to an establishment test. Based on this, we performed analytical and case-by-case testing of the initial valuation of raw materials and supplies at cost, including the calculation of the weighted average. With regard to the valuation of work in progress and finished goods at production cost, we examined the Company's procedure for determining production cost. We reconciled the costs recognized by the Company with cost center reports of the Company and verified their plausibility as well as verified them on a sample basis for selected items. In addition, we traced the determination of the marketability and range discounts as well as the loss-free valuation.

Our audit procedures did not lead to any significant reservations with regard to the valuation of inventories.

Other information

The company's management and the Supervisory Board are responsible for the other information. The other information comprises:

- the separate non-financial consolidated report (CSR report) published on the company's website, which is referenced in the combined management report;
- the (Group) corporate governance declaration published on the company's website, which is referenced in the combined management report;
- the report of the Supervisory Board;
- the other parts of the published annual report, but not the consolidated financial statements, the audited parts of the combined management report or our associated auditor's report; and
- the responsibility statement in accordance with section 297(2) sentence 4 HGB on the consolidated financial statements in section XI. of the combined management report and the statement in accordance with section 289(1) sentence 5 HGB in conjunction with section 315(1) sentence 5 HGB on the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The company's management and the Supervisory Board are responsible for the declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG, which is part of the (Group) corporate governance declaration published on the company's website. The company's management is responsible for the other information in other respects.

Our audit opinions on the consolidated financial statements and the combined management report do not extend to the other information, and accordingly we do not offer any audit opinion or any other form of audit conclusion on it.

In connection with our audit of the consolidated financial statements, we have the responsibility to read the above other information and to assess whether the other information:

- contains material inconsistencies with the consolidated financial statements, the audited disclosures in the combined management report or our findings from the audit; or
- is otherwise materially misrepresented.

If, on the basis of our work, we come to the conclusion that this other information contains a material misstatement, we are required to report this fact. We have nothing to report in this context.

Responsibility of the company's management and the Supervisory Board for the consolidated financial statements and the combined management report

The company's management is responsible for the preparation of the consolidated financial statements that, in all material respects, comply with the IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group. Furthermore, the company's management is responsible for the internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatement due to fraudulent acts (i.e. manipulation of accounting and damage to assets) or errors.

In preparing the consolidated financial statements, the company's management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing going concern matters, if relevant. Furthermore, they are responsible for the accounting on the basis of the going concern principle, unless there is the intention to liquidate or discontinue the Group, or there is no realistic alternative.

Moreover, the company's management is responsible for the preparation of the combined management report that, on the whole, provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Also, the company's management is responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a combined management report in accordance with German legal requirements to provide sufficient suitable evidence for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Auditor's responsibility for the audit of the consolidated financial statements and the combined management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraudulent acts or errors and whether the combined management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an audit report containing our audit opinions on the consolidated financial statements and the combined management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit performed in accordance with section 317 HGB, the EU Audit Regulation and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always reveal a material misstatement. Misstatements can result from fraudulent acts or errors, and are considered material if they could reasonably be expected, individually or collectively, to influence the economic decisions that users make on the basis of these consolidated financial statements and the combined management report.

We exercise due discretion and maintain a critical approach. Furthermore:

- We identify and assess the risks of material misstatements due to fraudulent acts or errors in the consolidated financial statements and the combined management report, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements resulting from fraudulent activities will not be detected is higher than the risk that material misstatements resulting from errors will not be detected, as fraudulent activities may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls;

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the systems relevant to the audit of the combined management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the objective of expressing an opinion on the effectiveness of these systems;
- We assess the appropriateness of the accounting policies applied by the company's management and the reasonableness of the estimates and related disclosures by the company's officers;
- We draw conclusions about the appropriateness of the going concern principle applied by the company's management and, on the basis of the audit evidence obtained, whether there is material uncertainty about events or circumstances that can give rise to significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to refer to the relevant disclosures in the consolidated financial statements and the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- We assess the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, in accordance with the IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, give a true and fair view of the net assets, financial position and results of operations of the Group;
- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to issue audit opinions on the consolidated financial statements and the combined management report. We are responsible for designing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;
- We assess whether the combined management report is consistent with the consolidated financial statements and the law, and the view of the position of the company that it provides;
- We perform audit procedures on the forward-looking statements made in the combined management report by the company's management. In particular, on the basis of sufficient and suitable audit evidence, we analyze the significant assumptions on which the forward-looking statements are based, and assess whether the forward-looking statements have been properly derived from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or protective measures taken to eliminate independence threats.

Of the issues we discussed with those responsible for overseeing the audit, we determine which issues were most significant in the audit of the consolidated financial statements for the current reporting period and that are therefore the key audit issues. We describe these matters in our audit report, unless the public disclosure of such issues is prevented by law or other legal provisions.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Report on assurance in accordance with section 317(3a) HGB on the electronic reproductions of the consolidated financial statements and the management report prepared for publication purposes

Audit opinion

We have performed assurance work in accordance with section 317(3b) HGB to obtain reasonable assurance about whether the reproductions of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file "First_Sensor_AG_KA_ESEF-2022-09-30.zip", that can be downloaded by the issuer from the electronic client portal with access protection, and prepared for publication purposes comply in all material respects with the requirements of section 328(1) HGB for the electronic reporting format (ESEF format). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these reproductions nor any other information contained in the above electronic file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the above electronic file and prepared for publication purposes comply in all material respects with the requirements of section 328(1) HGB for the electronic reporting format. We do not express any opinion on the information contained in these reproductions nor on any other information contained in the above file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from October 1, 2021 to September 30, 2022 contained in the "Report on the audit of the consolidated financial statements and of the combined management report" above.

Basis for audit opinion

We conducted our assurance work of the reproductions of the consolidated financial statements and the combined management report contained in the above electronic file in accordance with section 317(3a) HGB and the IDW auditing standard: Assurance in accordance with section 317(3a) HGB on the electronic reproductions of financial statements and management reports prepared for publication purposes (IDW PS 410 (June 2022)). Our responsibilities under those requirements and standards are further described in the section entitled "Auditor's responsibility for the audit of the ESEF documents". Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

Responsibility of management and the Supervisory Board for the ESEF documents

The company's management is responsible for the preparation of the ESEF documents including the electronic reproductions of the consolidated financial statements and the combined management report in accordance with section 328(1) sentence 4 item 1 HGB and for tagging the consolidated financial statements in accordance with section 328(1) sentence 4 item 2 HGB.

In addition, the company's management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328(1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process of the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328(1) HGB. We exercise due discretion and maintain a critical approach. Furthermore:

- We identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328(1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- We obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- We evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- We evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- We evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Commission Delegated Regulation (EU) 2019/715 as amended at the end of the reporting period enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

OTHER DISCLOSURES IN ACCORDANCE WITH ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on March 15, 2022. We were engaged by the Supervisory Board on December 9, 2022. We have served as the auditor of the consolidated financial statements of First Sensor AG, Berlin, without interruption since the 2013 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee in accordance with Article 11 of the EU Audit Regulation (audit report).

OTHER ISSUE – USE OF THE AUDIT REPORT

Our audit report should always be read in conjunction with the audited consolidated financial statements, the audited combined management report and the audited ESEF documents. The consolidated financial statements and the combined management report converted into ESEF format – and the versions to be submitted to the Unternehmensregister – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion that it contains can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Thorsten Sommerfeld.

Berlin, January 30, 2023

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Karsten Bender	Thorsten Sommerfeld
Wirtschaftsprüfer (German Public Auditor)	*Wirtschaftsprüfer* (German Public Auditor)

5.2 STATEMENT BY THE LEGAL REPRESENTATIVES (RESPONSIBILITY STATEMENT)
In accordance with sections 297, para. 2, sentence 4, 315, para. 1, sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report, which has been combined with the management report of First Sensor AG, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Berlin, January 30, 2023

Thibault Kassir | Robin Maly | Dirk Schäfer

First Sensor is now part of TE connectivity

5.3 FINANCIAL CALENDAR 2023

The financial calendar includes all dates for fiscal year 2023 (Oct. 1, 2022 - Sept. 30, 2023).

January 31, 2023	Publication of Annual Report 2022
January 31, 2023	Annual press conference 2023
January 31, 2023	Analyst conference 2023
February 15, 2023	Publication Q1 Quarterly Statement 2023
April 25, 2023	Annual General Meeting
May 15, 2023	Publication of interim report (6-Month Financial Report) as of March 31, 2023
August 15, 2023	Publication Q3 Quarterly Statement 2023

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