First Sensor is now part of TE connectivity

Annual Report 2023

FIRST SENSOR AG, BERLIN

ABOUT THIS REPORT

The reporting period is the 2023 financial year from October 1, 2022 to September 30, 2023.

To ensure this report is as current as possible, it includes all relevant information available up to the Responsibility Statement dated January 30, 2024.

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 sector or the industries of First Sensor's customers, 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 once again closed the 2023 financial year successfully. Sales increased by 16.7% to €134.6 million and thus reached the originally expected target range of €130 million to €140 million. Profitability also developed positively, with the EBIT margin reaching 3.1%, which was also in line with the guidance. In a macroeconomic and sector-specific environment that was characterized by many challenges, these figures are very pleasing for First Sensor.

A number of positive developments over the course of the financial year contributed to these figures. For example, following the relocation of production from the TE Connectivity site in Dortmund to First Sensor in Berlin-Oberschöneweide, production of temperature sensors began as planned and reached a high volume. Bottlenecks in inspection were successfully eliminated through partial automation. Many vacant positions were filled with new employees over the course of the year, thereby also rejuvenating the teams. In addition, First Sensor also benefited considerably from its integration into the TE Connectivity group of affiliated companies (referred to herein as the TE Connectivity Group) this year. For example, the increase in sales is also the result of integration into TE's sales structures. These structures provide the framework for our product portfolio to be available to customers all over the world. First Sensor is now an integral part of the TE family, including in everyday working life, with mixed teams made up of all employees.

We have also set ourselves ambitious targets for the 2024 financial year: Sales are to increase to between €135 million and €145 million. Although we feel that the economic environment is having a temporary negative impact, the ongoing capacity expansions at First Sensor and new projects from the TE Connectivity Group should contribute to a successful business performance. Unlike in previous years, the profitability of First Sensor is no longer a relevant performance indicator for the Management Board, as all significant sales are now generated via TE Connectivity Solutions GmbH (TESOG) as a sales and distribution partner following its integration into the TE Connectivity Group. In order to measure the success and future positive development of the First Sensor Group, we have examined various key figures and have come to the conclusion that the realization of the planned volume of investments in the financial year is a suitable performance indicator. If we succeed in realizing the ambitious investment budget within the planned period, this will have a direct impact on the future successful development of the Group and create a reliable basis for further growth. We are still planning high investments for the 2024 financial year, which are expected to amount to between € 8 million and € 10 million.

The course has been set for a successful future for First Sensor. As the European competence center for wafer production in the TE Connectivity Group, we are now focusing on further optimizing processes. Many new key figures have been established in the operational areas that enable us to reliably assess the degree of excellence - and to formulate targets that motivate us to achieve even higher performance. At First Sensor, we are working hard to do our best for the success of the entire Group.

We would like to thank all employees who provide the decisive contribution in their area every day that ultimately makes the company successful. 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 2023 financial year, and thereafter, the Supervisory Board performed its duties in accordance with the 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 2023 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 79.2% (previous year: 91.7%).

	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 (since May 1, 2020, Deputy Chairman)	3*/4	75
Stephan Itter (since May 1, 2020)	3*/4	75
Rob Tilmans (since June 24, 2021)	2*/4	50
Christoph Findeisen** (since August 26, 2021)	4/4	100
Olga Wolfenberg** (since May 3, 2019)	3*/4	75

*) 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 initial draft budget for the 2023 financial year was resolved at the meeting of the Supervisory Board on November 24, 2022. Furthermore, the Supervisory Board was briefed on the current risk situation of the Group and updated the resolution on the share of women in the Supervisory Board and the Management Board. Moreover, on October 18, 2022, an amendment to the Articles of Association was resolved by way of circulation as the share capital had been increased as a result of stock options being exercised and there was still authorized capital that it was no longer possible to exercise.

The meeting of the Supervisory Board on January 24, 2023 focused on the annual financial statements of First Sensor AG and the consolidated financial statements of the Group. They were discussed at length with the auditors in attendance, as were the report of the Supervisory Board, the non-financial report (CSR report), the remuneration report and the corporate governance declaration. As the final audit report was not yet ready at the time of the meeting, the resolution on these items of the agenda was subsequently adopted by way of circulation, together with the updated budget presented. Moreover, the Supervisory Board discussed various aspects in connection with the 2023 Annual General Meeting and the anticipated items of its agenda.

The Supervisory Board then resolved the updated budget for the financial year by way of circulation on January 27, 2023 and approved the annual financial statements and the consolidated financial statements by way of circulation after the audited financial statements were presented on January 30, 2023. The report of the Supervisory Board, the non-financial report (CSR report), the remuneration report and the corporate governance declaration were resolved as well. On March 2, 2023, the Supervisory Board resolved the agenda for the Annual General Meeting on April 25, 2023 by way of circulation and concurred with the Management Board's decision to hold this event in person again.

At the meeting of the Supervisory Board on May 9, 2023, the Supervisory Board resolved to engage the audit firm elected by the Annual General Meeting for the 2023 financial year. Other agenda items discussed were the current risk situation and an amendment of the Rules of Procedure for the Supervisory Board. Furthermore, the Supervisory Board reviewed and resolved its skills profile.

At the meeting of the Supervisory Board on August 29, 2023, the Management Board reported on the review of First Sensor AG's strategic positioning as a part of the TE Connectivity Group and its Sensors business unit. Moreover, the updated declaration of compliance with the German Corporate Governance Code was approved. The Supervisory Board also resolved the financial calendar and meetings schedule for the 2024 financial year.

In a further meeting after the end of the reporting period on November 13, 2023, the financial planning for First Sensor AG and the Group for the 2024 financial year (October 1, 2023 to September 30, 2024) was discussed and resolved. The Supervisory Board also extended the appointment of Robin Maly and Dirk Schäfer as members of the Management Board for a further three years until May 2027.

At the meeting of the Supervisory Board on January 24, 2024, 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 2023 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 way of circulation on January 31, 2024 following the presentation of the audited financial statements. Furthermore, the Supervisory Board discussed the combined management report of First Sensor AG and the Group as of September 30, 2023 and the 2023 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 2024 Annual General Meeting in person and the draft agenda.

Work of the Supervisory Board

Furthermore, 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 BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, was elected by the Annual General Meeting on April 25, 2023, engaged by the Supervisory Board for the audit of the annual and consolidated financial statements for the 2023 financial year and the auditor's fee determined. 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. There was no efficiency review of the work of the Supervisory Board in the reporting period.

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 five times in the reporting period. At the meetings on October 18, 2022, October 31, 2022 and December 14, 2022, the Audit Committee discussed in depth, with the auditors in attendance, the current status of the preparation of the financial statements and the audit work on the annual and consolidated financial statements. The scope of the audit and the key audit matters defined by the auditors were also discussed and agreed. At its meeting on January 20, 2023, the Audit Committee prepared the resolution of the Supervisory Board to approve the annual and consolidated financial statements.

The Audit Committee looked at the draft half-year financial report in detail on May 3, 2023. Furthermore, the engagement of the new auditor was dealt with and measures were discussed to allow the future optimization of the audit process.

In a further meeting after the end of the reporting period on December 12, 2023, the current status of the preparation and audits of the financial statements for First Sensor AG and the Group was discussed with the auditors in attendance. This meeting also dealt with the assessment of the auditor's independence. Also during this meeting, the resolution of the Supervisory Board was prepared.

The Personnel and Nomination Committee did not meet in the reporting period.

Audit of the annual and consolidated financial statements

The audit firm, BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, has 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 2023 financial year and granted each an unqualified audit opinion. BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, has been the auditor for First Sensor AG and the Group since the 2023 financial year. Martin Behrendt has signed as an auditor and Alexey Nehkin has signed as the auditor responsible for the audit since the 2023 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 in due time before the meeting on January 24, 2024. 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, 2024. 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 and 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 remuneration report was formally audited by BDO in accordance with Section 162 (3) AktG, the CSR report was 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 based on draft versions were discussed at length at the accounts meeting of the Supervisory Board with the auditor in attendance on January 24, 2024. 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 annual financial statements and the consolidated financial statements on January 31, 2024 after presentation of the audited financial statements. 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.

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 31, 2024

Michael Gerosa
Chairman of the Supervisory Board

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

Declaration of Compliance of First Sensor AG for the 2023 Financial Year (October 1, 2022 – September 30, 2023)

Dear Shareholders and Business Partners,

A lot has changed over the past few years and it is essential for business to take account of sustainability aspects. With the climate crisis palpable for everyone, companies are expected to reduce their carbon footprint so that the legitimacy of their production cannot be called into question. Supply chain due diligence has become increasingly important and abuses in the supply chain can damage the reputation of the companies involved. Locations in countries where there has been evidence of problematic handling of human rights are being addressed, and not only by shareholders of international corporations, putting management under pressure to act. And at a time when specialist staff are in short supply, inclusion and diversity are gaining new significance with a view to remedying the existing shortcomings. Sustainability has become a critical success factor for companies and is accordingly managed as a top priority at the management levels in industry.

To report on the importance of sustainability and the associated measures and goals at First Sensor, we are preparing a CSR report again this year. In this non-financial declaration, we report on all areas of corporate social responsibility, i.e. environmental issues, social aspects, 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. This strategy was developed further in the past year, as were the corporate values. The two are closely intertwined. For First Sensor, it is a big advantage to be a member of the TE Connectivity Group, and hence to share the extremely comprehensive sustainability strategy and the corporate values of this major international group. These go much further than a company of First Sensor's size would have been able to establish for itself.

In addition, we are preparing to meet the requirements of the European Union's Corporate Sustainability Reporting Directive (CSRD) as part of TE Connectivity from the 2025 financial year onward. 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. As was the case for the first time in the previous year, this report includes a number of quantitative disclosures that originate from our contribution to TE Connectivity's Group-wide data collection process. Needless to say, these 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, 2022 to September 30, 2023, 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 2023 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, 2023, 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 €134.6 million with an average of 719 employees (693 FTEs) in the 2023 financial year (GRI 102-7). The DACH region (Germany, Austria, Switzerland) accounted for 57.5% of sales, while sales generated from customers in the rest of Europe accounted for 14.1%. 12.4% of sales were attributable to North America and 15.7% of sales were generated in Asia (GRI 102-6). As of September 30, 2023, the Group's total assets amounted to €169.0 million with an equity ratio of 75.1% (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 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)

First Sensor's workforce grew in the 2023 financial year, mainly as a result of the positive business performance. The number of permanent employees increased by 10.5% to 686 FTEs (full-time equivalents) as of the reporting date on September 30, 2023. The percentage of women as a share of all permanent employees was essentially unchanged at 32.8% (previous year: 32.7%). To handle fluctuations in utilization and temporarily fill vacant positions, First Sensor works with temporary employment agencies that meet general quality standards. Usually, around 10% of these employees are taken on as permanent employees over the course of a financial year.

Number of employees	Permanent employees (m/f/o)	Temporary employees (m/f/o)
Germany	497/208/3	14/4/0

As of September 30, 2023

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 increased slightly to 12.6% in the 2023 financial year (previous year: 11.8%).

Number of employees	Full-time employees (m/f/o)	Part-time employees (m/f/o)
Germany	473/143/3	24/65/0

As of September 30, 2023

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 sustainability strategy under the title "One Connected World" in its Corporate Responsibility Report. The aim of One Connected World is to create a safer, sustainable, productive and connected future. The strategy was revised and expanded in 2023. It aims to specify further TE Connectivity's responsibility for its impact on the world, employees and products. In particular, it presents the management's responsibility in accounting for this and undertaking to do more.

A double materiality analysis conducted with customers, shareholders, and employees determined the areas where its actions have the most impact. These were allocated to three main focus areas: planet, products, and people.

"Planet" stands for the goal of doing business sustainably by promoting a culture of continuous improvement with regard to emissions, water, and waste. "Products" focuses on innovative, meaningful products that have a positive impact on customers and society, including a diverse and responsible supply chain. And "People" is aimed at empowering people to thrive. This focuses on human rights and safe business activities. It also includes promoting global, diverse teams with an inclusive and dedicated culture and developing a wide range of STEM (science, technology, engineering, and math) talent for the future.

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

One Connected World was introduced throughout the TE Connectivity Group back in 2020, allowing TE to identify where it can make progress and establishing how it measures 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 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 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 TE Connectivity Group's locations also engage in philanthropy and volunteer with various charities around the world within two main focus areas: education and technology, and health and human services.

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

In 2022, TE Connectivity performed a double materiality analysis by means of a structured survey of stakeholders (employees, managers, investors) (GRI 102-15). The aim of the analysis was to ensure that the Group addresses aspects that are truly relevant. This also allowed it to update its understanding of the biggest effects and what is most important to the company and its shareholders, employees, and other stakeholders.

As a result of the analysis, a total of 17 material topics for TE Connectivity were identified: innovation, product responsibility, occupational health and safety, sustainable supply chain (including Scope 3), diversity, equal rights and inclusion, human rights, water, waste, conflict minerals, climate change (Scope 1 and 2), well-being, economic stability, social commitment, responsible corporate engagement, transparency and integrity in business, attractiveness as an employer, and nature and resource management. The topics assessed as material represent the main focuses of the non-financial reporting.

Given that some of these topics are more urgent or more difficult, internal initiatives and programs have been developed to address all of them or at least prepare for doing so. The process of determining materiality also presented another opportunity for dialog with customers, investors, employees, and other stakeholders.

This input and the assessment then formed the basis for revising the One Connected World strategy at company level and for the ambitious goals that more deeply integrate corporate responsibility at TE Connectivity.

In 2022, First Sensor's own materiality analysis was compared against TE Connectivity's materiality analysis. As they were found to be closely matched, TE Connectivity's materiality analysis was then adopted for the purposes of strategic harmonization. This approach is in line with the ongoing integration into the TE Connectivity Group.

03 Goals

Building on the sustainability strategy, in its fiscal 2022 Corporate Responsibility Report, TE Connectivity formulated ambitions to be achieved, typically by 2030 or 2032, together with the steps needed to do so. The ambitions include:

Product:

- Embed sustainability in product life cycle
- Partner with suppliers to strengthen the sustainability of the supply chain

Planet:

- Greenhouse gas (GHG) emissions reduction
- continuous reduction of waste generated and disposed of in our operations
- Reduction targets for certain locations in regions with extremely high and higher water stress

People:

- Respecting human rights throughout our value chain
- Industry leader for workforce diversity and an inclusive, equitable workforce
- Zero-injury workplace
- Empower all employees to develop a connection with well-being
- Impact 10 million people through STEM education
- Top tier employer for employee engagement and inclusion for our industry

Governance:

- Put values into practice to be a leading ethical business partner

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. (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 combined with those of TE Connectivity as part of the integration process. Achievement of the strategic sustainability goals is also monitored.

Qualitative goals are also being operationalized at First Sensor in order 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 €69.2 million in the 2023 financial year (previous year: €62.6 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 (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 the 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 integration with TE Connectivity resulted in further harmonization of Group guidelines in this respect in the 2023 financial year. The large number of Group-wide activities is handled by various departments and mostly managed 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 is 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," which was updated and expanded in 2023. These guidelines also include the supply chain, e.g. "TE Connectivity Guide to Supplier Social Responsibility."

07 Control

First Sensor already 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. In the latest version to come into force, environmental and social sustainability aspects of the management and monitoring of companies gained much more significance as a result of new principles and recommendations. 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 2023 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 remuneration system that applies when new Executive Board contracts are entered into or existing contracts are renewed was last 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.

Through the TE Connectivity purchasing organization and TE Connectivity Solutions GmbH (Schaffhausen, Switzerland – TESOG) as the sole sales and distribution partner, First Sensor is closely integrated into the value chain of its suppliers and customers. This ensures that the high standards of TE Connectivity are also taken into account at the level of First Sensor.

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. 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 the Girls' Day, student internships, and open days. Various different measures were again implemented in the 2023 financial year, such as juror scholarships, school student internships and vacation assistants, support for students' degree theses and positions as working students, participation in several apprenticeship and training fairs, participation in school career days, and close contact with local universities. In addition, internships for career changers were offered as part of the 'Electronics Manufacturing Specialist' project organized by the vocational training institute.

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. Furthermore, shareholders can 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. €4.2 million was invested in research and development in the 2023 financial year (previous year: €3.6 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.

The company also focuses on reducing the environmental impact of its own activities 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 their extensive knowledge of the relevant processes, their ideas can provide vital information. A company suggestion scheme is used 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 resources by its products in customer applications, such as energy consumption (GRI 301-2).

Since the 2022 financial year, data on various different effects of the company's activities have been collected and included in the analyses at the level of TE Connectivity (GRI 103-2). These include the input and output of water, energy, and emissions. No measures for preserving species diversity or influencing biodiversity are currently defined.

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 disclosed associated key figures for the first time in the previous report. The current figures and the comparative figures for the previous year are provided for information purposes, but have not been audited.

Energy consumption at First Sensor AG (Group)	2022	2023
Total energy [kWh]	14,882,273	13,830,860
Energy costs [€]	4,036,595	3,689,566

The reduction of water consumption 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 CSR report, TE Connectivity has set a goal to reduce water consumption in these particular locations.

Water consumption at First Sensor AG (Group)	2022	2023
Water consumption [m^3]	51,754	51,198
Waste water [m^3]	52,258	51,512

As part of the TE Connectivity Group, First Sensor is integrated into the former's 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 considers GHG emissions to be the Group's most significant environmental impact. Around 95% of its Scope 1 and Scope 2 GHG emissions currently result from its energy usage. Corresponding goals for energy savings have been pursued 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. At the Berlin locations and at the subsidiary First Sensor Lewicki GmbH, the electricity supply was fully or partly switched over to renewable energy in the reporting period. To create the necessary transparency, First Sensor disclosed key figures on emissions for the first time in the previous report. The current figures and the comparative figures for the previous year are provided for information purposes, but have not been audited.

Greenhouse gas emissions at First Sensor AG (Group)	2022	2023
Total Scope 1 [megatons of CO_2 equivalents]	297	219
Total Scope 2 [megatons of CO_2 equivalents]	908	967

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 the company's social responsibility. Its goals include being a top employer for employee engagement and integration in the sector, becoming a sector leader on diversity in the workforce with an inclusive workforce that enjoys equal rights, occupational safety including reducing the total recordable incident rate (TRIR) to 0.12, respect for human rights along the entire value chain, and impact 10 million people through STEM education.

For First Sensor, whose locations are all in Germany, employee rights are a high priority. Many of these are enshrined in law, and it goes without saying that the corresponding frameworks are also applied at First Sensor. Key topics in this respect 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, including on the part of suppliers, is described in the Guide to Supplier Social Responsibility (the SSR Guide).

The specific aspects at First Sensor include the application of the *Mindestlohngesetz* (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 merely complying with 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, and a diversity concept that emphasizes this was adopted in the 2022 financial year. 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. This also includes the impartial integration of people with disabilities in the work process. 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 goals 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 create a work environment where all employees are engaged and feel that all differences are valued and all opinions count. We measure our success in this area by setting aspirations for our workforce demographics and analyzing our engagement and inclusion indicators through our Every Voice Counts Survey." In the 2023 financial year, activities and offers to promote diversity focused on internships for people who can no longer practice the profession in which they are trained for health reasons and internships for career guidance and preparation for vocational training. First Sensor also took part in an IHK job fair for refugees.

In the medium and long term, the Supervisory Board also aims to appoint a woman to the Executive Board of the Company. To avoid setting a goal that the Supervisory Board did not consider realistic to achieve with the resources available to it or in the interests of the Company, it has limited itself to a target figure of 0%. 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) AktG. By June 30, 2027, the proportion of women at these levels is to reach 28.6%. The first level below the Executive Board comprises 48 executives as of the end of the reporting period, of whom nine are female, corresponding to 18.8%. This means the target of 28.6% has not yet been met. A second management level below the Executive Board 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 characteristics. 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 achieve 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. 32.8% 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 2023 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 also play an especially important role in HR work at First Sensor. Measures for preventive healthcare are largely the responsibility of HR. Examples of such measures include fruit and beverages, vaccination campaigns, and the popular company bicycle scheme. In addition, health days were held in 2023 and eye examinations were offered for employees who use computer workstations. Measures for protecting against infection, such as masks, working from home, social distancing, and plexiglass screens, are offered as needed.

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. 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 and by safety initiatives such as LOTO.

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, feedback 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). The key figure system was harmonized as part of the integration into the TE Connectivity Group. 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	2023
Total number of hours worked	1,029,409.38	1,030,577.89
Number of incidents	2	1
TRIR per 100 employees	0.3	0.2

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. Examples of these measures include free fruit baskets and beverages, and vaccinations. The company bicycle scheme is also very popular. Working from home is now a fixed component of the works agreements rather than just being used for protecting against infection.

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. In the 2023 financial year, €337 thousand (previous year: €220 thousand) was spent on corresponding measures (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's existing workforce. First Sensor provides professional training for micro-technologists (19), specialists in warehouse logistics (2) and mechatronics engineers (2). The company thus employed 23 apprentices as of September 30, 2023 (previous year: 30), and the training rate came to 3.4%.

Only 32% of employees at the First Sensor Group are over 50 years of age. 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	30%
Aged 41 to 50	22%
Over 51 years of age	32%

At 31.4%, First Sensor has a comparatively high proportion of academics for a production company due to the sophisticated technological demands of its work.

17 Human rights

TE Connectivity's global presence means that the TE Connectivity Group and thus also First Sensor are required to focus on protecting global human rights. For this reason, the first human rights risk assessment has now been performed to identify areas involving strengths and risks for TE Connectivity's own activities and in its supply chain. Accordingly, the company has adopted and published its own Global Human Rights Policy.

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, which stipulate that nobody is 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 Code of Conduct applies to all TE Connectivity employees and contractors in every country in which the TE Connectivity Group operates. All suppliers are also expected to adhere to this policy (GRI 412-1, 2, 3).

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

18 Community

Sustainable business development benefits not only the shareholders of the listed stock corporation, but also many other groups, 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.

TE Connectivity also supports the community 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 and similar programs for donations and volunteering, allowing employees to personally engage in supporting TE Connectivity's philanthropic goals. In the past year, First Sensor facilitated scholarships with a donation to a school that helps prepare young people for working life.

19 Political influence

As a matter of principle, First Sensor does not exert political influence or give donations to political parties (GRI 415-1). First Sensor is a member of various initiatives and associations. This network primarily serves to facilitate 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 also adopted TE Connectivity's standards on ethics and compliance in this area. 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 and establishes a connection with the Group-wide values, which aim to promote integrity toward one another as well as toward customers, partners, and other stakeholders. By focusing on these fundamental values – integrity, accountability, inclusion, teamwork, and innovation – the Guide also serves as a binding framework for the activities of members of the Supervisory Board and the Executive Board as well as all employees and managers (GRI 102-17).

Compliance with the principles of the Guide is integrated into 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), including confidentially or anonymously. At the time this report was prepared no cases within the First Sensor Group were reported (GRI 205-3).

The prevention of corruption is a particularly important area of compliance. Corruption is not just a trivial offense aimed at giving 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 Guide is dedicated to dealing with business partners and third parties. This is supplemented by additional internal guidelines. This expectation is communicated not just to all members of the Supervisory Board and the Executive Board as well as all employees and managers, but also to suppliers through supplier management and the Supplier Code of Conduct (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 2023 financial year (GRI 419-1).

EU TAXONOMY

With its “Sustainable Finance” action plan, the European Commission intends to promote the flow of capital to sustainable investments and address the financial risks arising from climate change, scarcity of resources, destruction of the environment, and social problems. The EU Taxonomy, which came into force in 2020, is a system for classifying environmentally sustainable economic activities. Companies like First Sensor are required to make disclosures on this Taxonomy.

These disclosures comprise the following key performance indicators (KPIs): reporting the share of sales generated with products/services associated with economic activities that can be classified as environmentally sustainable. In addition, companies must report the respective share of capital expenditure (CapEx) and operating expenditure (OpEx) in connection with assets or processes associated with economic activities that can be classified as environmentally sustainable. The applicable regulations are the delegated acts on the EU Taxonomy that have been published for the objectives of climate change mitigation and climate change adaptation. At the time of this report being prepared, no criteria have yet been published for the objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

In the first step, economic activities may meet the criteria to be classified as Taxonomy-eligible. Their respective Taxonomy alignment is reviewed in the next step. Economic activities are considered to be Taxonomy-aligned if they make a substantial contribution to achieving one or more of the environmental objectives, while also doing no significant harm to any other environmental objective and complying with minimum safeguards for labor standards and human rights.

The transparency resulting from quantitative disclosures (KPIs) and qualitative disclosures on sales, investments, and operating expenses should allow comparisons of different business models in terms of their ecological sustainability, thereby contributing to effective capital market allocation and thus sustainable development as defined by the EU Action Plan.

First Sensor is aware of its responsibility for sustainable business practices and, as part of the TE Connectivity Group, is 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, inclusion, teamwork, and innovation in conjunction with global challenges in terms of social and ecological activism. The strategy is built around the ambitions for 2030/2032, and the report covers the progress made in the reporting period as well as other planned activities. First Sensor is included in the reporting of performance indicators (see Performance Summary) and the relevant standards (GRI, SASB, TCFD).

Reporting on Taxonomy-eligible and Taxonomy-aligned economic activities under the EU Taxonomy is obligatory for First Sensor. Following a due review of the applicable technical assessment criteria, First Sensor therefore makes the following declaration:

	2022	2023
Taxonomy-eligible economic activities	0%	0%
Non-Taxonomy-eligible economic activities	100%	100%

	2022	2023
Taxonomy-aligned economic activities	0%	0%
Non-Taxonomy-aligned economic activities	100%	100%

The Taxonomy-aligned investments amount to 0% (previous year: 0%) and the operating expenses likewise to 0% (previous year: 0%).

2 COMBINED 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

As of the end of the reporting period (September 30, 2023), 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, in which First Sensor AG holds all shares. A subsidiary in Sweden that is no longer active was deconsolidated and liquidated in the 2022 financial year. The Group management report was combined with the management report of First Sensor AG in accordance with section 315 (5) of the *Handelsgesetzbuch* (HGB – German Commercial Code) in conjunction with section 298 (2) HGB.

TE Connectivity Sensors Germany Holding AG, Bensheim, 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 April 14, 2020 (entered into the commercial register as of 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 end 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 the 2023 financial year. 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. The distribution company in Kungens Kurva (Sweden) was closed in the 2022 financial year.

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 and produces an extensive range of its own standard sensors which are primarily sold through TE Connectivity's distribution network. 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), First Sensor can supply customers in more than 140 countries. On the basis of corresponding agreements, TESOG is also First Sensor AG's sales and distribution partner and assumed the running of full distribution operations for the company in the 2022 financial year.

Sales markets

Since June 1, 2022, First Sensor AG's products have been sold exclusively via the distribution partner TESOG. The regional breakdown of sales is based on the location of TESOG's end customer. In the 2023 financial year 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 57.5% (previous year: 70.1%) in the 2023 financial year. First Sensor generated 14.1% (previous year: 12.0%) of its sales in non-German-speaking countries in Europe. In North America, where it focuses on the United States, the Group generated just 12.4% of its sales (previous year: 5.3%). Asia, and mainly China, accounted for 15.7% (previous year: 12.3%) of sales.

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

External influences

External factors influencing the business, such as legal, political, economic, ecological and social conditions that could cause a change in customer demand behavior, as well as regulatory conditions, are - in both a positive and negative sense - of minor significance for 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. TE Connectivity's values are innovation, integrity, accountability, inclusion and teamwork. 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 further validated on an ongoing basis.

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

In the 2023 financial year, First Sensor was still primarily managed based on the targets for sales and the EBIT margin (EBIT = earnings before interest and taxes). These were previously the most significant financial performance indicators. The changes made to the relevant KPIs for the 2024 financial year can be found in the forecast report.

Information on the non-financial performance indicators can be found in the non-financial Group statement. They are not taken into account by the Management Board for the assessment of the Group's net assets, financial position and results of operations.

2.1.4 Research and development

Various new uses of sensors and sensor systems are the driving forces for First Sensor's planned growth. Development activities are therefore highly relevant to the company'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. It is an integral part of the strategy and roadmap of TE Connectivity's Sensors business unit.

The 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.

The organizational structure is geared towards sensor technology. 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.

In terms of processes, all development activities are based on TE Connectivity's project governance process, "LEANPD" (Lean Enterprise Accelerated New Product Development). Software solutions were harmonized and document management was connected to the TE Connectivity infrastructure.

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 and TE Connectivity. 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	2022	2023
R&D expenses	3,633	4,189
R&D ratio in %	3.1	3.1
New capitalization of development costs	117	16
Carrying amounts of capitalized costs	2,144	1,818
Amortization of capitalized development costs	994	342
Number of R&D employees (FTEs)	45	52
Number of patents and licenses	18	17

R&D expenditure amounted to €4.2 million in the 2023 financial year. The R&D ratio was stable at 3.1% of sales. 52 employees work in R&D.

R&D results

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

The development of pressure sensors focused on gas supply applications in the semiconductor industry. High-precision transmitters for process gases are the basis for stable, precise manufacturing processes. Another area of focus was the expansion of the portfolio for smart sensors with IO link.

In photonics, a number of customized developments for photodiodes and imaging sensors were completed, mainly for infrared applications. These include aerospace applications in the 1064nm wavelength range and APD LiDAR sensors at 905nm. APD technology was improved in terms of its signal-to-noise ratio and the cost position was improved by reducing the size of the chips.

Examples of other photodiode developments include optical encoder applications for high-precision mechanical engineering and diffraction sensors for analytical instruments. A new photodiode line for X-ray detection was also developed in a security application.

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.

Development projects such as the above examples typically contribute to sales after 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

Given the many conflicts and stresses, from the war in Ukraine to high energy and food prices and the simultaneous monetary policy tightening across the world, the International Monetary Fund (IMF) has described the global economy in 2023 as surprisingly robust. Growth has merely slowed, says the IMF. In its latest forecast, it expects 3% growth in the global economy in 2023. For the USA, the IMF experts have raised their forecast to growth of 2.1%. The IMF is therefore much more optimistic for the USA than for Europe, for which it has lowered its 2023 growth forecast to 0.7%. For Germany, the IMF expects a more significant decline than before and has lowered its forecast for 2023 to -0.5% due to the weakness in interest rate-sensitive sectors and trading partners' lower demand.

A full recovery toward pre-pandemic trends appears to the IMF to be increasingly out of reach. Growth continues to be curbed by the effects of the pandemic and the war in Ukraine as well as extreme weather events and the strict monetary policy in response to high inflation.

Developments on the sensor market

The market research institute WSTS expected the global semiconductor market to decline by 10.3% in 2023, followed by a robust recovery in 2024 with estimated growth of 11.8%. The growth forecasts were recently lowered in response to rising inflation and declining demand in end markets, especially the consumer-dependent markets.

For the global sensor market, it likewise anticipates a significant contraction of 6.3% in 2023. The regional differences are stark: For 2023, growth rates of 6.3% and 1.2% are forecast for the European and Japanese markets, respectively. Contraction is expected in the other markets, with a drop of 9.1% in the Americas and 15.1% in the Asia-Pacific region.

The German electronics industry's latest figures for incoming orders are on a par with the previous year. According to the industry association ZVEI, domestic orders have risen by 7.0%, while orders from foreign business partners, especially in the euro area, have fallen by 5.7%. Sector sales have increased by a considerable 12.0% against the previous year's figure.

The larger members of the German Association for Sensors and Measurement (AMA – Verband für Sensorik und Messtechnik e.V.) saw a significant sales decline in 2023. The sales markets in the sensors, measurement and electrical engineering sectors developed relatively well, but the sales markets in the energy sector and in rail technology proved more of a challenge. AMA members mainly attributed the declining sales to supply bottlenecks during the COVID-19 pandemic. Customers had stocked up in response to these supply bottlenecks, and are now trying to return their inventories to a normal level.

2.2.2 Financial position and financial performance

The position of the Group

Business performance in the 2023 financial year and comparison with forecast development

The First Sensor Group generated sales of €134.6 million in the 2023 financial year (previous year: €115.4 million). The 16.7% sales increase also reflects the successful integration into the TE Connectivity Group. The sales guidance for the 2023 financial year of between €130 million and €140 million was thus achieved.

Profitability improved in line with sales. The EBIT margin reached 3.1% (previous year: -3.4%) and thus also achieved the guidance of between 3% and 5% for the 2023 financial year.

Overall, performance in the reporting period was therefore as originally expected.

Targets for key performance indicators for the 2023 financial year

Consolidated sales of between €130 million and €140 million were originally forecast for the 2023 financial year. An operating EBIT margin of between 3.0% and 5.0% was anticipated. These targets were published on January 31, 2023.

Comparison of target and actual figures for 2023

The following table shows the figure achieved in the 2022 financial year, the guidance for the 2023 financial year, and the figure achieved in the 2023 financial year:

	Oct. 1, 2021- Sept. 30, 2022	Guidance Oct. 1, 2022- Sept. 30, 2023	Oct. 1, 2022- Sept. 30, 2023
Sales in € million	115.4	130 to 140	134.6
EBIT margin in %	-3.4	3.0 to 5.0	3.1

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

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Financial performance

Sales development

The First Sensor Group generated sales of €134.6 million in the 2023 financial year as against €115.4 million in the 2022 financial year. The 16.7% increase also reflects the successful integration into the TE Connectivity Group.

€ thousand	Oct. 1, 2021-Sept. 30, 2022	Oct. 1, 2022-Sept. 30, 2023	Absolute change	in %
DACH*	80,836	77,389	-3,447	-4.3
Rest of Europe	13,802	18,968	5,166	37.4
North America	6,088	16,721	10,633	174.7
Asia	14,167	21,190	7,023	49.6
Others	477	342	-135	-28.3
Total	**115,370**	**134,610**	**19,240**	**16.7**

*Germany, Austria, Switzerland, Liechtenstein

The strong sales increase in North America represents a return to the pre-pandemic level and is in line with global economic development. The region therefore accounts for 12.4% of total sales. The DACH region's sales declined slightly by-4.3% and represents 57.5% of total sales. In contrast, sales in the rest of Europe rose by 37.4%; 14.1% of total sales are generated here. Asia also saw strong growth of 49.6%; the sales share amounts to 15.7%.

Order situation[1]

The previous year's extraordinarily good order situation faltered slightly in the reporting period. Sales of €134.6 million contrasted with incoming orders of €105.2 million. This resulted in an order backlog of €77.5 million and a book-to-bill ratio of 0.81 as of the reporting date. Incoming orders have become slightly more volatile since the integration into the TE Connectivity sales structure, so the predictive power for the 2024 financial year is limited, and expectations are nevertheless optimistic.

€ thousand	Oct. 1, 2021-Sept. 30, 2022	Oct. 1, 2022-Sept. 30, 2023	Absolute change	in %
Sales	115,370	134,610	19,240	16.7
Product sales	-	*129,329*	-	-
Sales from services	-	*5,300*	-	-
Incoming orders	136,453	105,224	-31,229	-22.9
Orders on hand	106,852	77,465	-29,387	-27.5
Book-to-bill ratio	1.21	0.81	-0.4	-

[1] The section "Order situation" is not part of the audit by BDO AG Wirtschaftsprüfungsgesellschaft

Results

The First Sensor Group’s sales amounted to €134.6 million in the 2023 financial year (previous year: €115.4 million). Other operating income amounted to €1.4 million (previous year: €2.7 million). Inventories of finished goods and work in progress again rose by €4.1 million (previous year: €4.0 million). Other own work capitalized amounted to €16 thousand (previous year: €0.1 million). Gross revenue (not including other operating income) accordingly increased by 16.1% to €138.8 million (previous year: €119.5 million).

The cost of materials increased by 11.8% to €69.2 million (previous year: €61.9 million). This equates to a cost of materials ratio of 51.4% (previous year: 51.8%). The gross margin was 50.7% after 48.2% in the previous year.

Staff costs, which amounted to €40.3 million in the previous year, increased by 5.6% to €42.5 million in the reporting period. Other operating expenses changed only marginally and amounted to €16.5 million (previous year: €16.4 million). Accordingly, EBITDA amounted to €12.0 million after €3.6 million in the previous year. The EBITDA margin was 8.9% (previous year: 3.1%).

Following depreciation on property, plant and equipment and amortization of intangible assets of €7.7 million (previous year: €7.6 million), EBIT amounted to €4.2 million (previous year: €-4.0 million). This equates to an EBIT margin of 3.1% (previous year:-3.4%). The previous year's EBIT was negatively impacted by increases in material costs, supply bottlenecks and additional expenses and delays in production relocations and integration measures.

The financial and currency result amounted to €0.2 million in the reporting period (previous year: €-0.8 million). EBT consequently amounted to €4.4 million (previous year: €-4.7 million). After taxes of €-0.3 million (previous year: tax income of €0.3 million), there was consolidated net income of €4.1 million (previous year: net loss of €-4.5 million). Due to the fiscal unity, income taxes are primarily incurred by the parent company. Earnings per share amounted to €0.40/€0.40 (previous year: €-0.43/€-0.43; 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 (€303 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 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, 2023.

Capital structure

Consolidated equity amounted to €126.8 million as of September 30, 2023 (previous year: €124.4 million). Based on total equity and liabilities of €169.0 million (previous year: €164.3 million), the equity ratio thus amounts to 75.1% (previous year: 75.7%). The change resulted primarily from the increase in inventories on the assets side and the increase in trade payables on the equity and liabilities side.

Non-current financial liabilities, including lease liabilities, were reduced further in the reporting period, amounting to €7.5 million (previous year: €9.7 million). This essentially comprises a KfW loan of originally €13.0 million. An account with a credit balance is pledged as collateral which is reported as other current assets in the amount of EUR 6.9 million, so covenants are no longer agreed and collateral released.

	Sept. 30, 2022	Sept. 30, 2023
Leverage: net debt to EBITDA	-3.8	-2.3
Income coverage: EBITDA to interest expense	7.2	44.0
Own funds ratio*	86.0	86.0

* The own funds ratio corresponds to the equity ratio adjusted for goodwill.

€ thousand	Sept. 30, 2022	Sept. 30, 2023	Absolute change	in %
Non-current financial liabilities (incl. lease liabilities)	9,738	7,518	-2,220	-22.8
Current financial liabilities (incl. lease liabilities)	6,271	4,540	-1,731	-27.6
Cash and cash equivalents	899	1,531	632	70.2
Cash pool receivables*	28,880	27,832	-1,048	-3.6
Pledged bank balances	0	6,906	6,906	100.0
Net debt (+)/net cash (-)	-13,770	-24,211	-10,441	75.8

* Cash pool receivables are no longer reported as part of cash and cash equivalents this year. The previous year's figures have been adjusted retrospectively.

Current financial liabilities were also reduced as at the reporting date mainly due to repayments and amounted to €4.5 million (previous year: €6.3 million).

Cash and cash equivalents and cash pool receivables (see also explanation in the notes 4.30) declined by a total of €1.7 million to €29.4 million as of September 30, 2023 (previous year: €31.0 million). Overall, First Sensor has a net cash position of €24.2 million (previous year: €16.0 million).

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.

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Investments

Investments in intangible assets were negligible again and primarily occur at the level of TE Connectivity. €10.4 million (previous year: €10.7 million) was invested in property, plant and equipment, above all in new machinery and equipment at the Berlin sites to increase capacity and to stabilize/improve processes.

As a result of the investments, depreciation and amortization in the Group increased slightly to €7.7 million (previous year: €7.6 million).

€ thousand	Oct. 1, 2021-Sept. 30, 2022	Oct. 1, 2022-Sept. 30, 2023	Absolute change	in %
Investments in intangible assets	-200	9	209	n.a.
Investments in property, plant and equipment	-10,688	-10,357	-331	-3.0
Investments	**-10,888**	**-10,358**	**530**	**4.9**
Sale of intangible assets and property, plant and equipment	672	1,352	680	101.1
Other effects	2,616	411	-2,205	-84.3
Cash flow from investing activities	**-7,600**	**-8,596**	**-996**	**13.1**
Amortization of intangible assets	-2,272	-2,095	177	7.8
Depreciation of property, plant and equipment	-5,335	-5,629	-294	-5.5
- *of which due to leases in accordance with IFRS 16*	*-661*	*-747*	*-86*	*-13.0*
Depreciation and amortization	**-7,607**	**-7,724**	**-117**	**-1.5**

Liquidity

The composition of cash and cash equivalents in 2023 has changed, as the funds paid into the cash pool are now reported under investing activities. This was necessary because the cash pool in which the First Sensor Group is included is no longer classified as cash and cash equivalents, but as a loan to a Group company. This correction is also being made retrospectively for 2022, as an audit revealed that the assessment of the receivables from the cash pool did not meet the requirements for cash and cash equivalents for 2022 either. In this context, the inconsistent reporting between the balance sheet and the consolidated cash flow statement has also been eliminated.

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Operating cash flow	-2,754	14,089	16,843	n.a.
Cash flow from investing activities*	26,311	-7,548	-33,859	-128.7
Cash flow from financing activities	-25,663	-5,909	19,754	77.0
Change in cash and cash equivalents*	-2,106	632	2,738	130.0
Exchange differences	0	0	0	0
Cash and cash equivalents at the beginning of the period*	3,006	899	-2,106	-70.1
Cash and cash equivalents at the end of the financial year*	899	1,531	632	70.2
Free cash flow	23,557	6,541	-17,016	-72.2

* The cash inflows and outflows in the cash pool represent payments for investments and are shown for the first time this year and retrospectively for the previous year.

The corrected value for cash and cash equivalents as at September 30, 2022 is €0.9 million. This means that cash and cash equivalents have been adjusted downwards by €29.7 million. Operating cash flow for the 2023 financial year amounted to €14.1 million and was therefore clearly positive again compared to the corrected prior-year figure of €-2.8 million. Cash flow from investing activities amounted to €-7.6 million (previous year: adjusted to €26.3 million). Free cash flow as the balance of operating cash flow and cash flow from investing activities therefore amounted to €6.5 million (previous year: adjusted to €23.6 million).

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 2024 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 rise in current liabilities and the increase in inventories.

in %	Sept. 30, 2022	Sept. 30, 2023	Change in pp
Cash ratio	112.6	94.3	-18.3
Quick ratio	202.9	171.7	-31.2
Current ratio	352.4	348.2	-4.2

Net assets

Total assets increased to €169.0 million in the 2023 financial year (previous year: €164.3 million). The equity ratio declined slightly to 75.1% (previous year: 75.7%). The change resulted primarily from the increase in total assets by €5.0 million, chiefly due to the inventory increase.

Assets

Non-current assets increased by €6.5 million to €77.2 million (previous year: €70.7 million), mainly due to the long-term portion of the bank account pledged as collateral for the KfW loan. Goodwill was unchanged at €16.0 million as of the end of the reporting period (previous year: €16.0 million). Property, plant and equipment increased by €2.6 million, because the investment of €9.1 million was higher than depreciation on property, plant and equipment and amortization of intangible assets of €7.7 million.

Total current assets decreased from €93.6 million to €91.8 million. Significant changes related to inventories, which increased from €39.7 million to €43.6 million in the reporting period, while current financial assets decreased by €6.2 million to €29.5 million (previous year: €35.6 thousand).

Equity and liabilities

On the equity and liabilities side of the statement of financial position, equity increased to €126.8 million (previous year: €124.4 million). Issued capital rose as a result of the issue of 9,000 shares under a stock option plan. The change in capital reserves of €0.2 million also results from the newly issued shares. Due to the result in accordance with IFRS, retained earnings increased to €64.4 million (previous: €62.2 million).

Non-current financial liabilities were reduced to €7.5 million in the reporting period (previous year: €9.7 million). Non-current liabilities thus also declined to €10.0 million overall (previous year: €12.5 million). In contrast, current liabilities increased slightly from €27.5 million to €32.1 million, mainly due to the increase in trade payables.

Working capital amounted to €45.5 million on September 30, 2023 (previous year: €44.2 million). Capital employed likewise increased slightly to €122.7 million (previous year: €121.5 million). The return on capital employed (ROCE) was 3.5% (previous year:-3.3%) due to the positive earnings.

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

First Sensor AG’s results of operations

Income statement of First Sensor AG (HGB)

€ thousand	Oct. 1, 2021- Sept. 30, 2022	Oct. 1, 2022- Sept. 30, 2023	Absolute change	in %
Sales	101,332	122,875	21,543	21.3
Changes in inventories of finished goods and work in progress	4,030	4,397	367	9.1
Other own work capitalized	117	16	-101	-86.3
Gross revenue	**105,479**	**127,289**	**21,810**	**20.7**
Miscellaneous other operating income	2,940	1,407	-1,533	-52.2
Cost of materials	-46,173	-50,155	-3,982	8.6
Cost of purchased services	-10,344	-15,258	-4,914	47.5
Gross profit	**51,902**	**63,283**	**11,381**	**21.9**
Wages and salaries	-31,709	-33,306	-1,597	5.0
Social security contributions	-5,904	-6,373	-469	8.0
Miscellaneous other operating expenses	-17,316	-16,691	625	-3.6
EBITDA	**-3,027**	**6,912**	**9,939**	**n.a.**
Amortization and impairment of intangible assets and depreciation of property, plant and equipment	-8,857	-8,918	-61	-0.7
EBIT	**-11,884**	**-2,006**	**9,878**	**-83.1**
Income from profit transfer agreement	5,079	4,042	-1,037	-20.4
Income from participations	141	0	-141	-100.0
Other interest and similar income	41	268	227	553.7
Interest and similar expenses	-232	-85	147	63.4
Profit before tax	**-6,855**	**2,219**	**9,074**	**n.a.**
Income taxes	255	-303	-558	n.a.
Other taxes	-33	-30	3	-9.1
Income before profit transfer/loss absorption	**-6,633**	**1,886**	**8,519**	**n.a.**
profit transfer/loss absorption	6,633	-1,886	-8,519	n.a.
Profit or loss	**0**	**0**	**0**	**-**
Loss/profit carryforward	41,986	41,986	0	-
Appropriation/distribution of earnings	0	0	0	-
Net retained profits (after profit transfer)	**41,986**	**41,986**	**0**	**-**

Sales generated by First Sensor AG on a standalone basis increased by 21.3% to €122.9 million in the 2023 financial year (previous year: €101.3 million). To safeguard delivery capability, inventories of finished goods and work in progress were increased by another €4.4 million in the reporting period. Own work capitalized was still low at €16 thousand (previous year: €0.1 million). Gross revenue amounted to €127.3 million (previous year: €105.5 million). Other operating income decreased by €1.5 million to €1.4 million (previous year: €2.9 million).

The sum of cost of materials and cost of purchased services in relation to gross revenue rose at a lower rate of 15.7% to €65.4 million (previous year: €56.5 million). This corresponds to a cost of materials ratio of 51.4% (previous year: 53.6%). Gross profit amounted to €63.3 million (previous year: €51.9 million). Staff costs rose only to €39.7 million (previous year: €37.6 million). This equates to a staff costs ratio of 30.4% (previous year: 35.7%).

Other operating expenses decreased to €16.7 million (previous year: €17.3 million). Depreciation and amortization was virtually unchanged at €8.9 million (previous year: €8.9 million). EBIT amounted to €-2.0 million (previous year: €-11.9 million).

There is a profit transfer agreement with First Sensor Lewicki GmbH that resulted in income of €4.0 million (previous year: €5.1 million). Net other interest and similar income and expenses amounted to €0.2 million in total (previous year: €-0.2 million).

The profit before tax thus amounts to €2.2 million (previous year: €-6.9 million). Incomes taxes total €-0.3 million (previous year: tax income of €0.2 million). The profit transfer agreement in place with TE Connectivity Germany Sensors Holding AG leads to a profit transfer of the net income for the year of €-1.9 million (previous year: loss adjustment of €+6.6 million).

As in the previous year, First Sensor AG is reporting net income for the 2023 financial year of €0.

First Sensor is now part of TE connectivity

Financial position and net assets of First Sensor AG

ASSETS

€ thousand	Sept. 30, 2022	Sept. 30, 2023	Absolute change	in %
Intangible assets	1,672	876	-796	-47.6
Internally generated intangible assets	2,144	1,818	-326	-15.2
Goodwill	9,974	7,817	-2,157	-21.6
Payments on account	235	31	-204	-87.0
Property, plant and equipment	46,161	49,475	3,314	7.2
Shares in affiliated companies	7,912	7,912	0	0.0
Non-current assets	68,097	67,928	-169	-0.2
Inventories	37,308	41,439	4,131	11.1
Trade receivables	1,395	84	-1,311	-94.0
Due from affiliated companies	48,605	42,480	-6,125	-12.6
Other assets	863	7,218	6,355	736.4
Cash and cash equivalents	843	1,140	297	35.2
Total current assets	89,023	92,362	3,339	3.8
Prepaid expenses	162	53	-109	-67.5
ASSETS	157,273	160,342	3,069	2.0

Total assets increased by 2.0% to €160.3 million as of September 30, 2023 (previous year: €157.3 million).

Within fixed assets, goodwill declined by €2.2 million to €7.8 million (previous year: €10.0 million). Property, plant and equipment increased by €3.3 million to €49.5 million as a result of investments in the reporting period. Overall, fixed assets changed only insignificantly by €0.2 million to €67.9 million in total (previous year: €68.1 million).

Current assets increased from €89.0 million to €92.4 million. Material changes related to inventories, which increased to €41.4 million (previous year: €37.3 million). Due to the changeover of distribution to the affiliated company TESOG as sole sales and distribution partner, trade receivables decreased to €84 thousand (previous year: €1.4 million) as of the end of the reporting period. In addition to receivables from TESOG, receivables from affiliated companies of €42.5 million (previous year: €48.6 million) also include cash pool receivables. Cash and cash equivalents amounted to €1.1 million as of the end of the reporting period (previous year: €0.8 million).

EQUITY AND LIABILITIES

€ thousand	Sept. 30, 2022	Sept. 30, 2023	Absolute change	in %
Issued capital	51,612	51,657	45	0.1
Capital reserves	21,966	22,203	237	1.1
Retained earnings	6,004	6,004	0	0.0
Net retained profits	41,986	41,986	0	0.0
Equity	**121,568**	**121,850**	**282**	**0.2**
Special reserve for investment subsidies and grants	2,424	2,276	-148	-6.1
Provisions	10,088	9,290	-798	-7.9
Promissory note loans	3,000	0	-3,000	-100.0
Liabilities to banks	8,545	6,906	-1,639	-19.2
Liability due to profit transfer	0	1,886	1,886	n.a.
Advance payments received on orders	138	1	-137	-99.6
Trade payables	6,182	6,976	794	12.8
Liabilities to affiliated companies	3,170	7,650	4,480	141.3
Other liabilities	2,159	3,506	1,347	62.4
EQUITY AND LIABILITIES	**157,273**	**160,342**	**3,069**	**2.0**

The equity of First Sensor AG increased only slightly to €121.9 million as of the end of the reporting period (previous year: €121.6 million). The increase in equity and liabilities caused the equity ratio to fall slightly to 76.0% (previous year: 77.3%).

The provisions relate to outstanding invoices, personnel obligations, and possible warranty claims, and decreased from €10.1 million to €9.3 million. The promissory note loan was repaid in full in the reporting period, and regular repayments further reduced liabilities to banks from €8.5 million to €6.9 million. On the basis of the control and profit transfer agreement with TE Connectivity, €1.9 million was reported as a liability as of the end of the reporting period and will be repaid in the following year. Trade payables rose to €7.0 million (previous year: €6.2 million), mainly due to higher inventories. Other liabilities rose to €3.5 million (previous year: €2.2 million); the increase is mainly due to VAT liabilities.

Operating cash flow amounted to €14.6 million (previous year: €-3.0 million). Cash flow from investing activities amounted to €-9.4 million (previous year: €27.9 million) as a result of the investments made. Accordingly, free cash flow amounted to €5.2 million (previous year: €24.8 million).

Overall statement

The First Sensor Group generated sales of €134.6 million in the 2023 financial year after €115.4 million in the 2022 financial year. This increase was in line with the published forecasts and also reflects the successful integration into the TE Connectivity Group.

Overall, the sales guidance of between €130 million and €140 million was thus achieved.

Profitability improved in line with sales. The EBIT margin reached 3.1% (previous year:-3.4%) and thus also achieved the guidance of between 3% and 5% for the 2023 financial year.

Overall, performance in the reporting period was therefore as originally expected.

First Sensor coped with the challenges of the financial year and is increasingly benefiting from its integration into the TE Connectivity Group. The foundations are therefore in place for a further business expansion 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[2]

First Sensor's workforce grew in the 2023 financial year, mainly as a result of the positive business performance. The number of permanent employees increased by 10.5% to 686 FTEs (full-time equivalents) as of the reporting date on September 30, 2023. First Sensor also had 23 apprentices as of the end of the reporting period (previous year: 30), and the training rate came to 3.4%.

The percentage of women as a share of all permanent employees was essentially unchanged at 32.8% (previous year: 32.7%).

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 18 as of September 30, 2023 (previous year: 37). Usually, around 10% of these employees are taken on as permanent employees over the course of a financial year.

Share of employees in %	Sept. 30, 2022	Sept. 30, 2023
Less than 30 years of age	16	16
Between 31 and 40 years of age	31	30
Between 41 and 50 years of age	21	22
Over 51 years of age	32	32
Total	100	100

The age structure of employees is stable. 46% 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 (19), specialists in warehouse logistics (2), and mechatronics engineers (2).

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

First Sensor AG had 651 employees (full-time equivalents; previous year: 581) as of the end of the reporting period.

[2] The "Employees" section is not part of the audit by BDO AG Wirtschaftsprüfungsgesellschaft.

Quality management[3]

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

[3] The "Quality management" section is not part of the audit by BDO AG Wirtschaftsprüfungsgesellschaft.

2.3 FORECAST, OPPORTUNITY AND RISK REPORT

2.3.1 Forecast report

General economic and sector conditions

According to the experts at the International Monetary Fund (IMF), the world economy has been remarkably resilient in view of the many recent crises. Its growth forecast for the world economy in 2024 is now 2.9% after 3% for 2023. However, the most recent forecasts do not yet take into account the consequences of the conflict in the Middle East. The 2024 growth forecast for the United States was raised from 1% to 1.5% on the basis of stronger corporate investment and robust growth in consumer spending. By contrast, the growth forecast for the euro area was lowered from 1.5% to 1.2%. The German economy is also expected to grow again in 2024, but only by 0.9%, i.e. 0.4 percentage points less than in the IMF forecast of July 2023. The IMF has even recently forecast a decline of 0.5% for 2023.

Moreover, the IMF has raised its global inflation forecast for the coming year and called on central banks to keep monetary policy tight until price pressure consistently eases. In most countries, the IMF assumes that inflation will remain above central banks' targets until 2025.

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 2024 financial year (October 1, 2023, to September 30, 2024).

Development of the sensor market

According to a report by Mordor Intelligence, demand for sensors will continue to rise significantly moving ahead. It expects the sensor market to grow from USD 116.72 billion in 2023 to USD 165.47 billion in 2028, which translates to an average annual growth rate of 7.23% in the forecast period (2023 to 2028).

In particular, rising automation is expected to drive demand for sensors as they play a key role in the detection, analysis, measurement and processing of various transformations. Cisco forecasts that machine-to-machine (M2M) connections, which support IoT applications, will account for more than half of the 14.7 billion devices networked around the world by 2023. The next generation of robotics and automation technologies should significantly improve production in terms of productivity, quality, security and cost indicators once again.

At the same time, according to the study cited, the market will become increasingly competitive as various established and new players develop more and more unique products for the automation market. Prominent manufacturers are able to considerably influence the market as a whole by continuously expanding their business activities as well as by extending markets and through acquisitions. Their continuous launch of new products and technological upgrades is proving a driver for general market growth in the sensor sector.

The members of the German Association for Sensors and Measurement, the AMA, have reported a decline in sales of 3%. This was less than expected. Reductions in incoming orders of 5% have also been reported recently. Given the rising availability of deliveries, the AMA's members are nonetheless confident for the near future and are forecasting a sales increase of 3%. This optimism is subject to the situation of the economy as a whole.

Business performance forecast for the 2024 financial year (October 1, 2023, to September 30, 2024)

Sales

The First Sensor Group generated sales of €134.6 million in the 2023 financial year (October 1, 2022, to September 30, 2023). The sales performance was therefore in line with original expectations (€130 million to €140 million). The EBIT margin was 3.1% and thus also within the planned range of between 3.0% and 5.0%.

The following forecasts for the 2024 financial year (October 1, 2023, to September 30, 2024) do not take intra-year changes in the Group's structure into account.

Change in financial key performance indicators from the 2024 financial year

Until the 2023 financial year, First Sensor AG and its subsidiaries were primarily managed based on the targets for sales and the EBIT margin (EBIT = earnings before interest and taxes). These were previously the most significant financial performance indicators.

Following its integration into the TE Connectivity Group, as all material sales have been generated through First Sensor's sales and distribution partner TESOG (TE Connectivity Solutions GmbH, Schaffhausen, Switzerland) since the 2022 financial year, First Sensor's profitability is no longer a relevant performance indicator. In conjunction with the control and profit transfer agreement as well, First Sensor's financial performance is of subordinate significance as its non-controlling shareholders are paid compensation regardless.

In order to measure the success and future positive performance of the Group, the Management Board has considered various indicators and come to the conclusion that achieving the investment volume planned for a financial year is a suitable performance indicator. If an ambitious investment budget can be implemented within the planned timeframe, this has a direct impact on the future successful development of the Group and creates a robust foundation for further growth.

Having established this, the Management Board of First Sensor AG assumes that sales will grow slightly to between €135 million and €145 million in the 2024 financial year, despite the temporarily negative economic environment. Moreover, in the 2024 financial year and beyond, high levels of semi-finished goods will become finished goods and then be delivered to customers. Conditions are therefore good to continue benefiting from the TE Connectivity Group's global distribution structures moving ahead.

The investment budget for the 2024 financial year has been raised again and is expected to be between €8 million and €10 million (cash flow from investing activities). In addition to capacity expansion, this investment is also intended to lead to quality and efficiency enhancements.

2023 financial year and guidance for 2024

	2023	Guidance for 2024	Key premises
Sales in € million	134.6	135 to 145	Economic environment temporarily negative, capacity expansion and new projects from the TE Connectivity Group
EBIT margin [%]	3.1	-	-
Investment in € million	8.6	8 to 10	For capacity expansion and modernization in the 2024 financial year

Financial position

The investments planned for the 2024 financial year relate to both capacity expansion in production and replacement investment for obsolete technologies. Inventories are expected to decrease as the year progresses. This will affect working capital as well.

Operations will be financed from existing cash and cash equivalents and the receivables from cash pooling reported under financial assets as well as cash flow. First Sensor is now part of the TE Connectivity cash pool and has cash and cash equivalents of €1.5 million as well as cash pool receivables of €27.8 million at its disposal as of the end of the reporting period. The cash flow had already improved significantly in 2023. Free cash flow is also expected to develop positively in the 2024 financial year. Moreover, First Sensor expects to report a positive net cash position throughout the 2024 financial year as well.

Outlook for First Sensor AG

For the 2024 financial year, the Management Board expects the company to benefit from its integration into the TE Connectivity Group and to develop positively. After sales of €122.9 million in the 2023 financial year, sales are expected to amount to between €125 million and €135 million in the 2024 financial year.

Around 95% of the Group's investment budget for the 2024 financial year is accounted for by First Sensor AG. The company will therefore benefit considerably from this planning.

Overall statement

Consolidated sales amounted to €134.6 million with an EBIT margin of 3.1%. Both of these figures are within the forecast range.

First Sensor is focusing on leveraging the opportunities for growth afforded by its integration into the TE Connectivity Group. The Management Board of First Sensor AG therefore assumes that the First Sensor Group will continue to perform positively moving ahead and that the investment will lay the foundation for successful performance in the medium term as well.

For the 2024 financial year, the Management Board is expecting sales of between €135 million and €145 million with an investment volume of between €8 million and €10 million. 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 subsidiary 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 of First Sensor AG. 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

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 of First Sensor AG 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 design of the ICS are determined at the discretion and on the responsibility of the Executive Board of First Sensor AG. One key objective of the ICS is to ensure that the (consolidated) financial statements comply with the laws. The ICS includes the principles, processes, and measures for ensuring proper accounting. It is designed such that the annual financial statements are prepared in accordance with the relevant provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional German legal regulations applicable in accordance with section 315e(1) HGB.

The consolidated accounting processes are managed by the responsible employees in Group Accounting. The organization of accounting includes uniform, centrally defined reporting that is based on the applicable legal requirements and is consistent with the Group’s principles.

A largely uniform ERP and accounting system is implemented at all production sites. The reporting and consolidation processes for all Group companies are performed using an IT system that is provided centrally by TE Connectivity Ltd.

Internal checks of the Group companies’ accounting and decentralized compliance audits are conducted at regular intervals. These are also carried out as IT-based checks in the form of random spot checks and plausibility assessments. At the end of the financial year, the financial statements of the Group companies are reviewed internally before being approved for the consolidated financial statements.

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 compromised	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 and specific product and technology risks.

First Sensor currently assesses macroeconomic risks as “medium”. As a result of the war in Ukraine, the economy has cooled down significantly, and not just in Germany. However, the vigorous action taken by central banks has shown initial success, with the effect that inflation has decreased slightly. The recession in 2023 was milder than had been feared. Significant deterioration in the economic conditions would also impact First Sensor and its customers.

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 has changed since the 2022 financial year as a result of the transition in sales to cooperation with TE Connectivity Solutions GmbH (Schaffhausen, Switzerland). Since then, the necessary resources for sales have been managed by TE Connectivity. Sales risks are therefore mainly limited to negotiations with end customers regarding prices and agreed purchase volumes. They are therefore still assessed as “high”.

The challenges identified in the previous year in the area of development and technology have been solved. No new risks were identified in the reporting period, hence development and technology risks are assessed as “low”.

Production and quality risks are minimized by investing in new machinery and equipment. They are therefore classified as “medium”.

At the time of this report being prepared, IT risks arise only at one subsidiary. They represent a “low” risk for the First Sensor Group as a whole.

The human resources risks faced by the company are still rated as “medium”. Acquiring and retaining staff remains a challenge due to intense competition for specialists. The transition to the TE Connectivity remuneration model has left many employees better off, but has not met everyone’s expectations. These risks are therefore classified as “medium”.

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. 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. Overall, these risks are rated as “low” at First Sensor.

Sustainability risks

Sustainability risks are defined as risks relating to ESG (environmental, social, governance) aspects at First Sensor. In line with the non-financial reporting, the following risks were therefore included in the risk assessment.

First Sensor’s production site in Berlin-Oberschöneweide is located in a water protection area. Consequently, suitable measures and controls must be carried out to ensure that neither the company nor suppliers have any negative effects on this protection area. This is ensured by means of the environmental management system certified in accordance with ISO 14001.

As a manufacturing company, First Sensor is dependent on the availability of energy, primarily electricity. There is a risk here that an uninterrupted power supply may not be ensured by its own photovoltaic system, making it dependent on the external power supply.

In the past financial year, First Sensor adopted a diversity concept. This is intended to help increase the proportion of women in management positions significantly in the medium term. The Executive Board monitors progress at regular intervals to ensure that the target will be met.

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.

The accounting-related ICS is developed by the Executive Board and its effectiveness is monitored by the Supervisory Board of First Sensor AG.

First Sensor’s risk management system is also included in the corresponding management system at TE Connectivity. This is responsible for the internal controlling framework at TE Connectivity/First Sensor, global compliance with the Sarbanes-Oxley Act (sOx), and compliance with financial guidelines. The framework currently comprises more than 80 financial guidelines and more than 450 guidelines for the different functional areas. All First Sensor locations are regularly audited in accordance with these guidelines. It consists of various different elements, including sOx 404 compliance efforts as part of the annual sOx program (which includes performing a risk assessment, assessing the design and operational effectiveness of controls, and supporting the control officers with eliminating internal control gaps), as well as the quarterly sOx 302 certification process and the management of the anti-fraud program. The accounting-related ICS sets out the financial guidelines at TE Connectivity/First Sensor, including recertification of guidelines, procedural documentation, training, and interpretations of and deviations from financial guidelines. It also monitors the Approval and Signature Directive, which stipulates aspects such as the dual-control principle.

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 reports for all Group companies and locations. The Group companies prepare their financial statements on a decentralized basis in accordance with the local legal requirements. 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. In addition to this, random spot checks and plausibility analyses are carried out at location 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.

The ongoing development and amendment of the accounting-related ICS contribute to guaranteeing that the accounting is reliable and sustainably improving it. 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 war in Ukraine and other geopolitical conflicts, though these cannot be reliably estimated. In any event, the Executive Board does not consider the continued existence of the Group to be at risk in any way. Particularly in view of the profit and loss transfer agreement with TE Connectivity and the resulting obligation to assume losses, the First Sensor Group's risk-bearing capacity is not limited to its own quantitative capabilities. 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, investments to expand production need to be implemented 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. 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 [4.11] 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 [4.35] 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 [4.19] 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, 2024

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 2023

3.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

3.1.1 Consolidated statement of financial position, assets (IFRS)

ASSETS in € thousand	Note	Sept. 30, 2022	Sept. 30, 2023	Change
Intangible assets	(4.3)	4,152	2,801	-1,351
Goodwill	(4.4)	15,979	15,979	0
Property, plant and equipment	(4.5)	50,571	53,144	2,573
Non-current financial assets	(4.8)	0	5,281	5,281
Total non-current assets		**70,702**	**77,205**	**6,503**
Inventories	(4.6)	39,715	43,622	3,907
Trade receivables	4.7)	16,396	16,599	203
Tax assets		1	0	-1
Current financial assets	(4.8)	35,630	29,458	-6,172
Other current assets	(4.9)	992	576	-416
Cash and cash equivalents	(4.10)	913	1,531	618
Total current assets		**93,646**	**91,786**	**1,860**
Total ASSETS		**164,348**	**168,991**	**4,643**

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

EQUITY AND LIABILITIES in € thousand	Note	Sept. 30, 2022	Sept. 30, 2023	Change
Issued capital	(4.11)	51,612	51,657	45
Capital reserves	(4.12)	10,574	10,811	237
Retained earnings	(4.12)	62,174	64,367	2,193
Other reserves	(4.12)	0	0	0
Total equity		**124,360**	**126,834**	**2,475**
Provisions for pensions	(4.13)	254	184	-70
Non-current financial liabilities	(4.15)	9,738	7,518	-2,220
Other non-current financial liabilities	(4.17)	2,469	2,321	-148
Total non-current liabilities		**12,460**	**10,023**	**-2,437**
Provisions for taxes		531	838	307
Other current provisions	(4.14)	428	168	-260
Current financial liabilities	(4.15)	6,271	4,540	-1,731
Advance payments received on orders		160	17	-143
Trade payables		11,733	14,736	3,003
Other current liabilities	(4.18)	8,405	11,834	3,429
Total current liabilities		**27,528**	**32,133**	**4,605**
Total EQUITY AND LIABILITIES		**164,348**	**168,991**	**4,643**

First Sensor is now part of TE connectivity

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

3.2.1 Consolidated income statement

€ thousand	Note	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Change
Sales	*(4.20)*	115,370	134,610	19,241
Other operating income	*(4.21)*	2,703	1,436	-1,267
Changes in inventories of finished goods and work in progress	*(4.22)*	4,047	4,142	95
Other own work capitalized	*(4.23)*	117	16	-101
Cost of materials/cost of purchased services	*(4.24)*	-61,904	-69,234	-7,330
Staff costs	*(4.25)*	-40,275	-42,530	-2,255
Other operating expenses	*(4.26)*	-16,416	-16,477	-61
EBITDA		**3,642**	**11,963**	**8,321**
Depreciation of property, plant and equipment and amortization of intangible assets		-7,607	-7,724	-117
EBIT		**-3,965**	**4,239**	**8,204**
Financial result		-771	150	921
Profit before taxes and non-controlling interests		**-4,736**	**4,389**	**9,125**
Income taxes	*(4.28)*	255	-303	-558
Profit or loss for the period		**-4,481**	**4,086**	**8,567**
Net profit/loss for the period attributable to First Sensor AG shareholders before transfer to TE Connectivity		-4,467	4,086	8,553
Net profit for the period attributable to minority interests		-14	0	14
Earnings per share in € (basic)	*(4.29)*	**-0.43**	**0.40**	**0.83**
Earnings per share in € (diluted)	*(4.29)*	**-0.43**	**0.40**	**0.83**

3.2.2 Other comprehensive income

€ thousand	*Note*	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Change
Profit or loss for the period		**-4,481**	**4,086**	**8,567**
Actuarial gains and losses on defined benefit plans	*(4.13)*	41	-1	-42
Items not subsequently reclassified to profit or loss		**41**	**-1**	**-42**
Changes from currency translation		0	0	0
Expenses recycled to profit or loss		-140	0	140
Items that can be subsequently reclassified to profit or loss		**-140**	**0**	**140**
Total other comprehensive income		**-99**	**-1**	**98**
Total comprehensive income		**-4,580**	**4,085**	**8,665**
Thereof attributable to First Sensor AG shareholders		-4,566	4,085	8,651
Thereof attributable to non-controlling interests		-14	0	14

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
Note	(4.11)	(4.11)	(4.12)	(4.12)	(4.12)		
As of October 1, 2021	10,302	51,512	10,023	60,106	1	312	121,954
Profit or loss	0	0	0	-4,467	0	-14	-4,481
Other comprehensive income	0	0	0	-98	-1	0	-99
Total comprehensive income	0	0	0	-4,565	-1	-14	-4,580
Profit transfer to TE Connectivity Sensors Germany Holding GmbH, Bensheim	0	0	0	6,633	0	0	6,633
Share-based remuneration	0	0	22	0	0	0	22
Dividend distribution	0	0	0	0	0	0	0
Capital increase from the issue of new shares (IFRS 2)	20	101	529	0	0	0	630
Purchase of non-controlling interests	0	0	0	0	0	-298	-298
As of September 30, 2022	10,322	51,612	10,574	62,174	0	0	124,360

€ thousand	Number of shares in thousands	Issued capital	Capital reserves	Retained earnings	Other reserves	Non-controlling interests	Total equity
Note	(4.11)	(4.11)	(4.12)	(4.12)	(4.12)		
As of October 1, 2022	10,322	51,612	10,574	62,174	0	0	124,360
Profit or loss	0	0	0	4,086	0	0	4,086
Other comprehensive income	0	0	0	-1	0	0	-1
Total comprehensive income	0	0	0	4,085	0	0	4,085
Profit transfer to TE Connectivity Sensors Germany Holding GmbH, Bensheim	0	0	0	-1,886	0	0	-1,886
Share-based remuneration	0	0	0	0	0	0	0
Capital increase from the issue of new shares (IFRS 2)	9	45	237	0	0	0	281
Other changes	0	0	0	-6	0	0	-6
As of September 30, 2023	10,331	51,657	10,811	64,367	0	0	126,835

3.4 CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

€ thousand	Note	Oct. 1, 2021 - Sept. 30, 2022*	Oct. 1, 2022 - Sept. 30, 2023	Change
PROFIT BEFORE TAXES		-4,736	4,389	9,125
Interest paid		449	-138	-587
Depreciation of property, plant and equipment and amortization of intangible assets		7,608	7,724	116
Gains/losses on the disposal of non-current assets		-12	158	170
Other non-cash expenses/income		-7	-2	5
Changes in provisions		-18	-331	-313
Changes in working capital		-904	5,815	6,719
Changes in other assets and liabilities		-5,078	-1,214	3,864
Income taxes paid		-56	-2,311	-2,255
CASH FLOW FROM OPERATING ACTIVITIES		-2,754	14,089	16,843
Payments for investments in property, plant and equipment and intangible assets		-8,317	-10,358	-2,041
Proceeds from disposal of property, plant and equipment, intangible assets and equity investments		684	1,352	668
Changes of investments in financial assets		33,899	1,048	-32,851
Interest received		45	411	366
CASH FLOW FROM INVESTING ACTIVITIES		26,311	-7,548	-33,859
Proceeds from shareholders		630	282	-348
Dividends paid/profit transfer		-21,994	0	21,994
Payment to minority shareholders		-298	0	298
Repayments of financial liabilities		-2,729	-5,183	-2,454
Repayments of lease liabilities		-778	-736	42
Proceeds from borrowings		0	0	0
Interest paid		-494	-272	222
CASH FLOW FROM FINANCING ACTIVITIES		-25,663	-5,909	19,754
CHANGE IN CASH AND CASH EQUIVALENTS		-2,106	632	2,738
Changes in cash and cash equivalents due to exchange rate movements		0	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(4.30)	3,066	899	-2,106
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(4.30)	899	1,531	632

* The column has been adjusted compared to the previous year's report. Further explanation under 4.30.

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-Charlottenburg 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 subsidiary, referred to hereinafter as "First Sensor" or "Group", 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, 2024.

As the parent company of the First Sensor Group, First Sensor AG prepares consolidated financial statements for the smallest group of companies for the 2023 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 (also referred to as TE Connectivity), which prepares consolidated financial statements for the largest group of companies as of September 29, 2023, 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 subsidiary) covers the period from October 1 of one year to September 30 of the following year. The reporting period covers a period of twelve months. In the comparative period, the data for the income statement included First Sensor Scandinavia AB, which was liquidated and deconsolidated as of the end of the comparative period, up to the closing date. 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. Among other things, the various influences from the integration into the TE Connectivity Group mean that the First Sensor Group now generates sales not only by selling products, but also by providing services. This slightly limits the comparability of the reporting period and the comparative period.

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, 2023:

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, 2023:

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

- Amendments to IAS 1 – Disclosure of Accounting Policies (Disclosure Initiative): no material changes
- Amendments to IAS 8 – Definition of Accounting Estimates (Disclosure Initiative): no material changes
- Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments: no material changes
- Amendments to IAS 12 – International Tax Reform — Pillar Two Model Rules: no material changes
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction: no material changes
- Amendments to IFRS 17 – Insurance Contracts: no material changes

Amendments (effective at the beginning of each financial year after Jan. 1, 2024) to standards:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current: no material impact
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements: no material impact
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback: no material impact

Amendments (effective date expected to be at the beginning of the financial year after Jan. 1, 2025) to standards (Amendments):

- Amendments to IAS 21 – Lack of Exchangeability: 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 definition of the cash-generating unit was changed at the beginning of the 2023 financial year. In accordance with IAS 36.6, the smallest units to be identified are no longer the individual Group companies that generate cash and cash equivalents, but the Group itself as the sum of the legal units. This is due to the change in the management structure and the definition of independent units, which lead to the new assessment. Following the full integration of the First Sensor Group into the TE Connectivity Group, the management, investment decisions and organizational structures are aligned with the First Sensor Group as a whole; the respective legal units are no longer suitable as the smallest identifiable unit following the full integration. An additional impairment test in accordance with the old definition of cash-generating units was not required as the full integration of the First Sensor Group fell within the preparation period of the previous year's financial statements.

The value in use is calculated by discounting the operating cash flow for the planning period using the WACC derived from a peer group analysis. The value in use was determined on the basis of Group planning. An indicative check using the capitalized earnings value method was not carried out.

The income planning is essentially based on past experience of management expectations for the development of the 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. The recognition of staff costs from the stock options granted ended in March 2023.

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 company was included in the consolidated financial statements as a subsidiary:

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%

Consolidation methods

The financial statements for the subsidiary included in the consolidated financial statements is 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 euro is the functional currency of all Group companies, so the statement of financial position contains no foreign currency translation effects.

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

No interests in a foreign subsidiary were held in the 2022/23 financial year.

Cash and cash equivalents

Cash and cash equivalents include cash, term deposits with remaining terms of up to three months and sight deposits.

Funds with limited availability and remaining terms of over three months are recognized under current and non-current 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. The subsequent measurement of financial liabilities is presented in a separate subsection.

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 financial asset is 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 financial assets 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 borrowings 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.

If there is an indication that goodwill is impaired and at least annually as at the balance sheet date, the recoverable amount for the cash-generating unit (CGU) to which the goodwill belongs is determined. 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 on a straight-line basis 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 and intangible assets with indefinite useful lives). 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.

As of the end of the reporting period, all financial liabilities were measured at amortized cost using the effective interest rate method. A derivative classified at FVTPL 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 consolidated 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 consolidated 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 consolidated 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 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.

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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 forecast transaction or firm commitment occurred. The same applies if it was determined that the hedging instrument no longer met the criteria for hedge accounting.

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	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 the consolidated group	0	0	0	0	0
September 30, 2021	9,771	4,081	19,573	286	33,711
Cumulative depreciation					
January 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 the consolidated group	0	0	0	0	0
September 30, 2021	7,998	1,936	19,573	50	29,558
Carrying amount as of January 1, 2021	2,875	3,021	0	235	6,131
Carrying amount as of September 30, 2021	1,773	2,144	0	236	4,153

€ thousand	Concessions, licenses and similar	Internally generated intangible assets	Customer base	Payments on account	Total
Cost of purchase					
October 1, 2022	9,771	4,081	19,573	286	33,711
Additions	29	0	0	0	29
Disposals	-1,677	-635	0	-55	-2,364
Reclassifications	194	0	0	-149	45
Exchange differences	0	0	0	0	0
Changes in consolidated group	0	0	0	0	0
September 30, 2023	8,319	3,446	19,573	82	31,421
Cumulative depreciation					
October 1, 2022	7,998	1,937	19,573	50	29,558
Additions	1,039	342	0	0	1,382
Disposals	-1,671	-649	0	1	-2,321
Reclassifications	0	0	0	0	0
Exchange differences	0	0	0	0	0
Changes in consolidated group	0	0	0	0	0
September 30, 2023	7,366	1,629	19,573	51	28,619
Carrying amount as of October 1, 2022	1,773	2,144	0	236	4,153
Carrying amount as of September 30, 2023	953	1,817	0	31	2,801

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

4.4 GOODWILL

€ thousand	Oct. 1, 2021 to Sept. 30, 2022	Oct 1, 2022 to Sept. 30, 2023
Cost of purchase		
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		
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 October 1	15,979	15,979
Carrying amount as of September 30	15,979	15,979

In order to test goodwill for impairment, the value in use of the cash-generating unit First Sensor Group 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	2022	2023
Risk-free basic interest rate	2.08%	2.64%
Market risk premium	7.00%	7.06%
Beta factor	1.19	1.18
Pre-tax borrowing rate	4.45%	6.79%
WACC pre-tax	10.11%	10.81%

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 April 14, 2020 (entered into commercial register as of July 6, 2020), and a profit and loss transfer agreement with effect from January 1, 2021. In the 2022 financial year, 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. With a change in the WACC before taxes of -/+1%, the valuation difference between value in use and carrying amount changes significantly from €+13.2 million to €+26.9 million or €2.4 million. A change in the growth rate of +/-1% results in an increase in the difference to €23.0 million or €5.5 million. A simultaneous increase in the WACC by 1% and a reduction in the growth rate by 1% (worst-case scenario) would result in an impairment of €3.7 million.

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 accordance with section 2 UmwG.

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 the 2023 financial year, higher sales are expected for the next two financial years. Moderate increases in sales are expected for 2026. The sales increases will result from additional sales of products associated with the reduction of inventories of semi-finished goods.
- An organic growth rate of 2.0% is assumed for planning in 2026 (terminal value).
- The discount factor based on the WACC method is 10.81% without taking into account taxes (previous year: 10.11% 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.

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						
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	-8,210
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

€ 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, 2022	19,705	53,536	5,358	15,362	5,504	99,465
Additions	170	6,713	53	3,429	101	10,466
Disposals	-1	-12,018	-2,191	-6	-1,513	-15,729
Reclassifications	608	12,192	401	-13,246	0	-45
Exchange differences	0	0	0	0	0	0
Changes in the consolidated group	0	0	0	0	0	0
September 30, 2023	20,482	60,423	3,621	5,539	4,092	94,157
Cumulative depreciation						
October 1, 2022	9,628	32,859	4,177	18	2,212	48,893
Additions	631	4,494	470	0	747	6,342
Disposals	-1	-10,524	-2,187	0	-1,509	-14,221
Reclassifications	0	0	0	0	0	0
Exchange differences	0	0	0	0	0	0
Changes in the consolidated group	0	0	0	0	0	0
September 30, 2023	10,288	26,829	2,460	18	1,450	41,013
Carrying amount as of October 1, 2022	10,078	20,677	1,180	15,344	3,292	50,571
Carrying amount as of September 30, 2023	10,224	33,594	1,161	5,522	2,642	53,144

Property, plant and equipment that were pledged as security in the previous year (previous year: €2,971 thousand) no longer exist, as the collateralization of liabilities was revised.

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				
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

€ 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, 2022	4,849	18	636	5,502
Additions	55	0	48	103
Disposals	-1,502	-1	-10	-1,513
Exchange differences	0	0	0	0
Changes in the consolidated group	0	0	0	0
September 30, 2023	3,402	17	673	4,092
Cumulative depreciation				
October 1, 2022	1,772	11	429	2,212
Additions	620	2	124	746
Disposals	-1,503	0	-6	-1,509
Exchange differences	0	0	0	0
Changes in the consolidated group	0	0	0	0
September 30, 2023	889	13	547	1,449
Carrying amount as of October 1, 2022	3,077	6	206	3,290
Carrying amount as of September 30, 2023	2,513	4	126	2,642

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	Sept. 30, 2022	Sept. 30, 2023
Raw materials and supplies	17,892	17,117
Unfinished goods	17,025	20,373
Finished goods and products	4,743	6,108
Advance payments on inventories	55	23
Total	**39,715**	**43,622**

The impairment loss on inventories amounted to €5,897 thousand as of September 30, 2023 (previous year: €3,138 thousand) and breaks down into €3,298 thousand (previous year: €1,680 thousand) for unfinished goods, €2,026 thousand (previous year: €1,160 thousand) for work in progress and €573 thousand (previous year: €298 thousand) for finished goods.. The change was recognized as an expense and amounted to €2,759 thousand in the reporting period (previous year: €1,503 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	Sept. 30, 2022	Sept. 30, 2023
Trade receivables	16,938	16,627
Less impairment losses	-542	-28
Total	**16,396**	**16,599**

Trade receivables are not interest-bearing and are typically due within 30 days. As of September 30, 2023, trade receivables included receivables from affiliated companies of €15,349 thousand (previous year: €12,256 thousand), primarily from the TE Connectivity distribution company. Write-downs of €28 thousand (previous year: €542 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 0.2% (previous year: 3.2%).

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

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023
Beginning of the period	**89**	**542**
Charge for the year	542	0
Utilization	-89	-514
Unused amounts reversed	0	0
Deconsolidation	0	0
End of the period	**542**	**28**

As of September 30, 2023, the aging structure of trade receivables past due is as follows:

€ thousand	Sept. 30, 2022	Sept. 30, 2023	Absolute change	in %
Not due	13,334	16,641	3,307	24.8
Less than 60 days	645	-556	-1,201	n.a.
Between 61 and 90 days	203	67	-136	-67.0
Between 91 and 120 days	1,235	-30	-1,265	n.a.
More than 120 days	980	477	-503	-51.3
Total	**16,396**	**16,599**	**203**	**1.2**

The receivables include disputed receivables of €0 thousand (previous year: €36 thousand) and receivables offset by debit notes from customers that were not accepted of €0 thousand (previous year: €41 thousand).

4.8 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Current financial assets mainly comprise receivables from shareholders (cash pooling) in the amount of €27,832 thousand (previous year: €28,880 thousand). In the reporting year, this also includes the current portion of the pledged bank account, which secures the KfW loan, in the amount of €1,625 thousand (previous year: €0 thousand).

Non-current financial assets amounting to €5,281 thousand (previous year: €0) exclusively represent the non-current portion of the bank account pledged as collateral for the KfW loan, which is explained in more detail in section 4.15.

4.9 CURRENT OTHER ASSETS

€ thousand	Sept. 30, 2022	Sept. 30, 2023
Prepaid expenses	181	58
VAT receivables	261	0
Others	550	518
Total	**992**	**576**

The reduction in other current assets is largely due to VAT receivables, which amounted to €0 thousand in the reporting year (previous year: €261 thousand).

4.10 CASH AND CASH EQUIVALENTS

€ thousand	Sept. 30, 2022	Sept. 30, 2023
Bank balances	913	1,531
Total	**913**	**1,531**

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 €1,531 thousand (previous year: €913 thousand).

4.11 ISSUED CAPITAL

The share capital reported in the consolidated statement of financial position as issued capital amounts to €51,657,480.00 as of the end of the reporting period (previous year: €51,612,480.00) and consists of 10,331,496 no-par shares (previous year: 10,322,496 shares) with a notional value of €5.00 per share. First Sensor AG's share capital was increased by €45,000.00 year-on-year as a result of pre-emption rights exercised under the 2016 stock option plan.

Oct. 1, 2021 - 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**

Oct. 1, 2022 - Sept. 30, 2023	Shares*	Share capital**
Beginning of the financial year	**10,322**	**51,612**
2016 stock option plan	9	45
End of the financial year	**10,331**	**51,657**

* Number of shares in thousand

** € thousand

Contingent capital

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

€ thousand	Sept. 30, 2022	Sept. 30, 2023
Contingent Capital 2013/I	185	-
Contingent Capital 2016/II	340	295
Contingent Capital 2017/I	1,200	-
Contingent Capital 2017/II	19,000	-
Total	**20,725**	**295**

The contingent capital amounted to €295 thousand in total as of September 30, 2023 (previous year: €20,725 thousand). 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 plan for Contingent Capital 2016/II. The contingent capital 2013/I, 2017/I and 2017/II were canceled by resolution of the 2023 Annual General Meeting and the Articles of Association were amended accordingly.

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 9,000 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 €237 thousand in 2023 (previous year: €529 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 €0 thousand (previous year: €22 thousand).

c) Retained earnings

Retained earnings include net retained profits, other revenue reserves and actuarial gains and losses from the remeasurement of pensions in the amount of €-1 thousand as of September 30, 2023. The profit for the period increased retained earnings by €6,015 thousand. The profit transfer obligation from the profit and loss transfer agreement concluded with TE Connectivity led to a decrease in retained earnings of €3,852 thousand. In total, retained earnings increased by €2,163 thousand.

d) Other reserves

Because the currency adjustment item is no longer needed, other reserves declined to €0.

4.13 PROVISIONS FOR PENSIONS

The employees of the Munich branch (FSM), which was closed in 2021, 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 not affecting net income.

The defined benefit obligation developed as follows:

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023
Defined benefit obligation (DBO) on January 1	319	254
Past service cost	0	0
Net interest expense	2	9
Actuarial gains (-)/losses (+)	-41	-1
Pension payments	-26	-27
Defined benefit obligation (DBO) on December 31/September 30	**254**	**235**

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: €27 thousand) are expected for the 2024 financial year. Pension payments of a comparable amount are also expected for the 2025 to 2028 financial years.

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

in %	Sept. 30, 2022	Sept. 30, 2023
Interest rate	3.70	4.10
Salary trend	0	0
Pension trend	2.40	2.50

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.

4.14 OTHER PROVISIONS

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023
Other current provisions on October 1	**339**	**427**
Utilization	-154	-341
Unused amounts reversed	0	0
Arising during the year	242	81
Deconsolidation	0	0
Other current provisions on September 30	**427**	**168**

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, 2022	Sept. 30, 2023
Current up to 1 year	5,635	3,808
Non-current	6,790	5,306
of which 1 to 5 years	6,790	5,306
of which more than 5 years	0	0
Total	**12,425**	**9,114**

The financial liabilities reported in the consolidated statement of financial position also include lease liabilities in accordance with IFRS 16. These are explained separately in 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, 2023, is €6.9 million. An account with a credit balance at Commerzbank is pledged as collateral.

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 was repaid 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, 2023 (previous year: €1,000 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. 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	Sept. 30, 2022	Sept. 30, 2023
Current up to 1 year	637	733
Non-current	2,948	2,211
of which 1 to 5 years	2,278	1,547
of which more than 5 years	671	664
Total	**3,585**	**2,944**

Interest expenses for lease liabilities amounted to €186 thousand (previous year: €259 thousand). The amounts still recognized as lease expenses in the consolidated income statement on the basis of the simplification rules utilized amounted to €39 thousand (previous year: €281 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	Sept. 30, 2022	Sept. 30, 2023
Liabilities due to staff	3,758	3,692
Liabilities from tax	681	3,271
Deferred trade payables	3,330	4,713
Social security liabilities	51	5
Liabilities and deferrals for restructuring costs	0	0
Others	585	153
Total	**8,405**	**11,834**

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 and value-added tax to be paid.

All other current liabilities are non-interest-bearing.

4.19 SHARE-BASED REMUNERATION

Stock option plan 2016/II

In the 2023 financial year, only the Stock Option Plan 2016/II remains.

This plan 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	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
DACH*	80,836	77,389	-3,447	-4.3
Rest of Europe	13,802	18,968	5,166	37.4
North America	6,088	16,721	10,633	174.7
Asia	14,167	21,190	7,023	49.6
Others	477	342	-135	-28.3
Total	115,370	134,610	19,240	16.7

Sales essentially result from the sale of customized semiconductor sensors, sensor systems and development and production services. Sales allowances of €27 thousand were granted in the reporting period (previous year: €113 thousand). The regional distribution is according to end customer. The First Sensor Group realizes the majority of sales with the sales organization of TE Connectivity Solutions GmbH (TESOG), Switzerland.

4.21 OTHER OPERATING INCOME

Other operating income breaks down as follows:

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Gain on the disposal of consolidated subsidiaries	0	0	0	0.0
Income from the reversal of provisions and deferred liabilities	171	176	5	2.9
Income from other benefits in kind	35	32	-3	-8.6
Investment allowances	81	0	-81	-100.0
Investment grants	73	0	-73	-100.0
Prior-period income	6	0	-6	-100.0
Charging on of distribution costs	1,463	-6	-1,469	-100.4
Others	874	1,235	361	41.3
Total	2,703	1,436	-1,267	-46.9

4.22 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Unfinished goods and work in progress	4,726	2,913	-1,813	-38.4
Finished goods	-679	1,229	1,908	n.a.
Total	4,047	4,142	95	2.3

4.23 OWN WORK CAPITALIZED

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Capitalized development costs	117	16	-101	-86.3
Other capitalized costs	0	0	0	0.0
Total	117	16	-101	-86.3

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 €4,681 thousand in the 2023 financial year (previous year: €4,662 thousand).

4.24 COST OF MATERIALS, COST OF PURCHASED SERVICES

The cost of materials breaks down as follows:

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Raw materials and supplies	51,533	54,070	2,537	4.9
Purchased services	10,371	15,164	4,793	46.2
Total	61,904	69,234	7,330	11.8

4.25 STAFF COSTS

The staff costs break down as follows:

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Wages and salaries	33,905	34,722	817	2.4
Social security contributions including pension plans	6,370	7,808	1,438	22.6
Total	40,275	42,530	2,255	5.6

Staff costs include expenses for granting share options of €0 thousand (previous year: €22 thousand).

4.26 OTHER OPERATING EXPENSES

Miscellaneous other operating expenses comprise the following items:

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Costs for premises	1,386	1,702	316	22.8
Maintenance and repairs	2,231	950	-1,281	-57.4
Sales and marketing expenses	140	117	-23	-16.4
Legal and consulting fees	228	486	258	113.2
IT costs	2,857	2,651	-206	-7.2
Vehicle costs	244	466	222	91.0
Travel costs	335	382	47	14.0
Warranty expenses	88	2	-86	-97.7
Goods handling costs	34	30	-4	-11.8
Other operating requirements	2,468	4,753	2,285	92.6
Group allocation	1,976	972	-1,004	-50.8
Other expenses	1,575	1,802	227	14.4
Disposal of assets	4	158	154	3,850.0
Insurance	280	136	-144	-51.4
Investor Relations	37	34	-3	-8.1
Recruitment costs	188	121	-67	-35.6
General administration expenses	994	508	-486	-48.9
Work clothing and protective equipment	524	535	11	2.1
Training costs	202	335	133	65.8
Communication costs	148	91	-57	-38.5
Prior-period expenses	15	3	-12	-80.0
Audits of financial statements	378	146	-232	-61.4
Supervisory Board remuneration	46	60	14	30.4
Other taxes	37	37	0	0.0
Total	**16,416**	**16,477**	**61**	**0.4**

The other operating expenses include expenses for short-term leases with a term of less than one year of €39 thousand (previous year: €208 thousand) and lease expenses for low-value assets of €93 thousand (previous year: €34 thousand).

First Sensor is now part of TE connectivity

4.27 FINANCIAL RESULT

Net financial result broke down as follows:

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Interest income	45	411	366	813.3
Interest expenses	-494	-272	222	44.9
Others	-322	11	333	103.4
Total	**-771**	**150**	**921**	**119.5**

Interest income arises mainly from interest on cash and cash equivalents in the cash pool in the amount of €408 thousand (previous year: €45 thousand). Interest expenses amounting to €272 thousand (previous year: €494 thousand) mainly result from lease accounting in accordance with IFRS 16 and the KfW loan as well as other investment loans. No new investment loans were taken out.

The other financial result includes both currency gains of €30 thousand (previous year: €544 thousand) and currency losses of €19 thousand (previous year: €865 thousand).

4.28 INCOME TAXES

Due to the consolidated income tax group with TE Connectivity Sensors Germany Holding AG, taxes are only incurred for the First Sensor Group on income attributable to minority shareholders. Deferred tax assets and liabilities are no longer recognized due to the fiscal unity.

The material components of income taxes are as follows:

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Current income taxes	-255	303	558	n.a.
Deferred taxes	0	0	0	0.0
Reported tax amount	**-255**	**303**	**558**	**n.a.**

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	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Profit before income taxes	**-4,736**	**4,389**	**9,125**	**n.a.**
Tax rate	30%	30%		
Calculated tax expenses/income (expenses positive, income negative)	**-1,421**	**1,317**	**2,738**	**n.a.**
Prior-period taxes	-86	-4	82	95.3
Reversal of tax provisions	-475	0	475	100.0
Taxes on compensation for non-controlling interests	306	307	1	0.3
Consolidated tax group with TE Connectivity	1,421	-1,317	-2,738	n.a.
Tax income/expense	**-255**	**303**	**558**	**n.a.**

Income taxes comprise the income taxes paid or payable in Germany.

The income taxes for 2023 include corporation tax including the solidarity surcharge and trade income tax,. 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.

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	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023	Absolute change	in %
Net profit attributable to shareholders	-4,467	4,086	8,553	n.a.
Weighted average shares outstanding (basic) in thousands	10,308	10,330	22	0.2
Earnings per share (basic) in €	**-0.43**	**0.40**	**0.83**	**n.a.**
Dilutive effect from share options	6	7	1	-16.7
Weighted average outstanding shares (diluted)	10,314	10,337	23	0.2
Earnings per share (diluted) in €	**-0.43**	**0.40**	**0.83**	**n.a.**

4.30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

First Sensor reports cash flow from operating activities in accordance with IAS 7 "Statement of Cash Flows" using the indirect method, according to which the profit or loss for the period is adjusted for the effects of non-cash transactions, deferrals of past or future cash inflows or outflows from operating activities and income or expense items in connection with cash flow from investing or financing activities. The reconciliation is based on earnings before taxes; tax payments are presented within the operating cash flow, interest received as part of the cash flow from investing activities and interest paid as part of the cash flow from financing activities. Loans to companies in the TE Connectivity Group (cash pool) are also allocated to investing activities, as the cash pool does not meet the requirements for cash and cash equivalents or other financial resources.

In the current financial year, it was determined that the cash pool receivable previously included in cash and cash equivalents did not meet the requirements for recognition as cash and cash equivalents in accordance with IAS 7. This was corrected retrospectively in the past financial year in accordance with the requirements of IAS 8.42. As a result, cash and cash equivalents as at September 30, 2022 decreased from €28.9 million to €899 thousand in the cash flow statement. The change in the cash pool receivable is now reported under cash flow from investing activities.

The changes described in the presentation of the consolidated cash flow statement lead to deviations, which are shown in the following table:

	reported	correction	Adjusted value
in € thousand	FY 2022	FY 2022	FY 2022
EARNINGS BEFORE TAX	*-4,736*	0	-4,736
CASH FLOW FROM OPERATING ACTIVITIES	*-2,754*	0	-2,754
Changes of investments in financial assets	0	33,899	33,899
CASH FLOW FROM INVESTING ACTIVITIES	-7,588	33,899	26,311
CASH FLOW FROM FINANCING ACTIVITIES	*-25,663*	0	-25,663
CASH-EFFECTIVE CHANGE IN CASH AND CASH EQUIVALENTS	-36,005	33,899	-2,106
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	65,784	-62,778	3,006
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29,779	-28,880	899

Due to the above-mentioned correction of the disclosure of the cash pool receivable, cash and cash equivalents now only include sight deposits or overdrafts at banks:

in € thousand	30.09.2022	30.09.2023	Δ absolut	in %
Cash	0	0	0	-
Sight deposits at banks	913	1,531	618	67.7
Overdrafts at banks	-13	0	13	100.0
Total	**899**	**1,531**	**631**	**-68.7**

In conjunction with the cash pooling agreement with TE Connectivity, 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 €394 thousand in the reporting period (previous year: €369 thousand).

Other financial obligations break down as follows:

€ thousand	2024	2025 to 2027	From 2028
Purchase order commitment	31,499	5,649	0
Guarantees	0	0	0
Total	**31,499**	**5,649**	**0**

The purchase order commitment 2024 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 consolidated results of the parent company and its subsidiary are determined, prepared and analyzed by the company's Executive Board on a monthly basis. However, these business units do not represent segments within the meaning of IFRS 8.

Although the First Sensor Group realizes almost 92% of its sales with TE Connectivity Sensors Germany Holding AG, there is no dependence in this case because TE Connectivity Sensors Germany Holding AG, due to its affiliation with the TE Connectivity Group, is a related party of the First Sensor Group and deemed a distribution company.

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:

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

€ thousand	Oct. 1, 2021 - Sept. 30, 2022	Oct. 1, 2022 - Sept. 30, 2023
Sale of goods and services		
Sales	34,846	123,201
Other operating income	1,463	-9
Purchase of goods		
Cost of material	-17,720	-78,874
Other operating expenses	-3,880	-4,111
Financing		
Other interest and similar income	35	461

Due to the changed sales model, sales with companies of the TE Connectivity Group accounted for nearly 100% in the 2023 financial year. The purchased goods mainly relate to the acquisition of inventories from the production site in Dortmund.

In the financial 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	Sept. 30, 2022	Sept. 30, 2023
Trade		
payables	12,256	15,034
Cash pool	28,880	28,934
from the loss adjustment by TE Connectivity	6,633	0
Trade		
payables	3,002	7,495
from the profit transfer to TE Connectivity	0	1,886

Member of the Management Board

- Thibault Kassir, Scottsdale, AZ, USA
- Robin Jan Maly, Meilen, Switzerland
- Dirk Karl Schäfer, Mannheim

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. First Sensor AG pays salary components for the Executive Board member Dirk Karl Schäfer that are passed on by the employer (TE Connectivity Germany GmbH) in line with the time spent.

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 2023 financial year (previous year: €60 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 2023 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 euro and material purchases abroad were made in euro 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 2023 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 2022 financial year or in the 2023 financial year.

Classification and fair value

The following table shows the reconciliation of the statement of financial position items as of September 30, 2023, 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, 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
Current financial assets	-	35,630	-	-	35,630
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*	-	-	5,635	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 note 16 to the consolidated financial statements. 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, 2023 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, 2023	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	-	16,599	-	-	16,599
Current financial assets	-	29,458	-	-	29,458
Non-current financial assets	-	5,281	-	-	5,281
Cash and cash equivalents	-	1,531	-	-	1,531
Equity and liabilities in € thousand					
Non-current financial liabilities*	-	-	5,306	2,212	7,518
Other non-current financial liabilities	-	-	-	2,321	2,321
Current financial liabilities*	-	-	3,808	733	4,540
Trade payables	-	-	14,736	-	14,736
Other current liabilities	-	-	-	11,834	11,834

* 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 consolidated income statement was €-203 thousand in the 2023 financial year (previous year: €-1,238 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

There were no contracts for currency hedges in the 2022 or 2023 financial years.

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

The Group subsidiaries perform transactions predominantly settled in euro. Only a small amount of trade receivables and trade payables were in foreign currencies. These currencies are of minor importance due to the amounts in foreign currency.

The 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, do not exist in the 2023 financial year.
As no equity investments in foreign companies will be held after the end of the 2023 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, 2023.

With the change in the sales model, receivables are invoiced exclusively in euro. Only purchases are still made in foreign currency to a very limited extent. The relevant currency is USD. The exchange rate risk is negligible.

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; however, this is of secondary importance due to its integration into the TE Connectivity sales model. The risk of default is considered immaterial also for all other financial assets.

For a smaller part of the Group the payment behavior of customers or contractual parties is being monitored by the Group. 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. The Group's receivables from the sales company are actively managed by the International Shared Service Center.

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 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, 2023, the contractual undiscounted payments of principal and interest on the Group's financial liabilities mature as follows:

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 and overdrafts	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	4,119
Total	**26,326**	**9,833**	**810**	**36,969**

Sept. 30, 2023 in € thousand	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing in more than 5 years	Total
Interest-bearing loans	2,265	5,710	0	7,975
Trade payables	14,736	0	0	14,736
Other liabilities	11,834	0	0	11,834
Lease liabilities	733	1,547	664	2,944
Total	**29,568**	**7,257**	**664**	**37,489**

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

Risk concentration

The Group is focused on one customer as a sales partner. Nevertheless, the Executive Board does not see a risk concentration, because TESOG 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.

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, 2022	Sept. 30, 2023	Absolute change	in %
Equity	124,360	126,835	2,475	2.0
Total equity and liabilities	164,348	168,991	4,643	2.8
Equity ratio	75.7%	75.1%	-0.6%	

Due to a change in the loan agreements, the company was not required to fulfill covenants in the reporting period.

4.35 FURTHER DISCLOSURES BASED ON HGB REGULATIONS

The following disclosures contain additional information that is required in the notes to the consolidated financial statements in accordance with the Handelsgesetzbuch (HGB – German Commercial Code).

Member of the Management Board

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

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 Krakow, Poland (Member of the Board of Directors), Tyco Electronics Finland Oy in Helsinki, Finland (Member of the Board of Directors), TE Connectivity Svenska AB in Upplands-Vasby, Sweden (Member of the Board of Directors), Tyco Electronics Saudi Arabia Limited in Riyadh, Saudi Arabia (Member of the Board of Directors), TE Connectivity (Denmark) ApS in Glostrup, Denmark (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 26, 2020 Member 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 3, 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

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, 2023. 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:

Notifying 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. 13, 2020	Mar. 12, 2020	Mar. 13, 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	Sept. 3, 2021	Sept. 2, 2021	Sept. 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, 2022 to Sept. 30, 2023
Production	302
Administration	372
Total	**674**

An average of 30 apprentices were also employed.

Fees of the auditor

€ thousand	Oct. 1, 2022 - Sept. 30, 2023
Audits of financial statements	150 (thereof for previous year: 0)
Other confirmation services	0 (thereof for previous year: 0)
Total	**150**

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 from the 2023 audit period.

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 2023 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, 2024

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

5.1 INDEPENDENT AUDITORS REPORT

The following translation is for convenience only. In case of discrepancies the German version of the Auditors Report takes precedence over this English translation.

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), which comprise the consolidated statement of financial position as at September 30, 2023, 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, 2022 to September 30, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (management report for the company and the Group) of First Sensor AG for the financial year from October 1, 2022 to September 30, 2023. In accordance with the German legal requirements, we have not audited the content of the components of the combined management report listed under "OTHER INFORMATION".

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at September 30, 2023 and of its financial performance for the financial year from October 1, 2022 to September 30, 2023, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of the components of the combined management report listed under "OTHER INFORMATION".

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of 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 § 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 [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that, with the exception of the services described below, we have not provided any prohibited non-audit services in accordance with Article 5 (1) of the EU Audit Regulation and that we have maintained our independence in conducting the audit. In the past financial year, a BDO network company provided services to an indirect parent company of First

Sensor AG in accordance with Article 5 (1) (2) (d) of the EU Audit Regulation. These services are of minor significance for the audited consolidated financial statements and did not jeopardize our independence after assessing their quantitative and qualitative significance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on 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, 2022 to September 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following matters to be the key audit matters to be communicated in our auditor's report:

1. recoverability of goodwill
2. impairment of inventories

Re 1) Impairment test of goodwill

Facts and circumstances

The consolidated financial statements of First Sensor AG, Berlin, show goodwill with a carrying amount of €16.0 million (previous year: €16.0 million), which accounts for 9.5% of total assets. In accordance with IAS 36.90, cash-generating units to which goodwill has been allocated must be subjected to an impairment test at least once a year. Goodwill was tested for impairment on the basis of the recoverable amount. The recoverable amount of the cash-generating unit was determined by the company as the present value of the expected future cash surpluses using a discounted cash flow model. The projections prepared by the legal representatives were extrapolated on the basis of long-term assumptions, taking current developments into account.

In contrast to previous years, the company allocated all goodwill to a single cash-generating unit at the beginning of the financial year. This redefinition of the cash-generating unit took into account the full integration of the First Sensor Group into the TE Group and the associated changes in the management structure as well as the integration of the control and organizational structures within the First Sensor Group.

The result of the impairment test is highly dependent on the planning assumptions and the estimates of the legal representatives with regard to future cash surpluses, the growth rate for the forecast of cash flows beyond the detailed planning period and the discount rate used in the valuation model.

In light of the complexity underlying the measurement, the assumptions and discretionary scope to be exercised by the executive directors and the redefinition of the cash-generating unit, this is a key audit matter.

The company's disclosures on goodwill are contained in sections "4.1 Presentation of the Group's circumstances", subsection "Impairment testing of goodwill and non-current assets", "4.2 Consolidation principles", subsection "Intangible assets / (b) Goodwill" and "4.4 Goodwill" of the notes to the consolidated financial statements.

Audit approach and conclusions

As part of our audit, we assessed the appropriateness of the key assumptions and parameters subject to judgment as well as the method used to determine the impairment test with the involvement of our valuation specialists.

We gained an understanding of the planning system and the planning process as well as the significant assumptions made by the executive directors in the planning.

We reconciled the forecast of future cash surpluses in the detailed planning period with the planning approved by the Supervisory Board and satisfied ourselves of the company's adherence to the planning on the basis of an analysis of deviations between planned and actual figures in the past and in the current financial year.

We verified the assumptions underlying the planning and the growth rates assumed in the forecast of cash flows beyond the detailed planning period by comparing them with past developments and current industry-specific market expectations. In addition, we critically analyzed the discount rates used on the basis of the average cost of capital of a peer group. Our audit also included the sensitivity analysis performed by First Sensor AG. With regard to the effects of possible changes in the cost of capital and the assumed growth rates, we also performed our own sensitivity analysis.

We discussed the redefinition of the smallest identifiable cash-generating unit with the executive directors. We assessed whether the progressive integration of the legal entities into a uniform Group-wide management and decision-making structure over the past few years justifies a redefinition of the smallest identifiable cash-generating unit at the beginning of the financial year.

Overall, we were able to satisfy ourselves that the assumptions made by the executive directors in performing the impairment test and the measurement parameters used are reasonable and within a justifiable range. Furthermore, we satisfied ourselves that the allocation of goodwill to the cash-generating unit was appropriate.

Re 2) Valuation of inventories

Facts and circumstances

In the consolidated financial statements of First Sensor AG, Berlin, inventories with a total carrying amount of €43.6 million (previous year €39.7 million) are reported in the consolidated balance sheet. This corresponds to around 25.8% (previous year 24.2%) of the Group's total assets. The impairment on inventories amounted to EUR 5.9 million as at September 30, 2023 (previous year: EUR 3.1 million). The change of EUR 2.8 million was recognized as an expense or change in inventories.

Inventories are measured at the lower of cost and net realizable value. Obsolete items and items with a low turnover rate are written down to the lower net realizable value in all inventory groups using a general write-down procedure.

This is a key audit matter in light of the judgment underlying the determination of the general write-downs, the amount of the impairment losses recognized and the significance of the inventories for the presentation of the company's financial position.

The company's disclosures on the measurement of inventories are contained in sections "4.2 Consolidation principles", subsection "Inventories" and "4.6 Inventories" of the notes to the consolidated financial statements.

Audit approach and conclusions

As part of our audit, we assessed the Company's processes and systems relating to inventory valuation, in particular with regard to the determination of the standardized write-downs, and satisfied ourselves of the appropriateness and implementation of relevant internal controls.

We examined the client's valuation method based on lump-sum write-down rates and verified the correct application in terms of calculations. In order to assess the appropriateness of the resulting impairment losses, we analyzed sales margins and scrapping in the financial year and obtained evidence of sales prices as part of our case-by-case testing. Furthermore, we selected individual items on a risk-oriented basis and interviewed the legal representatives and other persons for these items, in particular regarding future use, causes for high inventories and low turnover rates. We assessed the estimates of the legal representatives regarding the usability or saleability of these items and obtained supporting evidence.

Overall, we were able to satisfy ourselves that the assumptions made by the executive directors and the impairment losses on inventories are reasonable.

Other information

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

- the information contained in the combined management report that is not part of the management report and is marked as unaudited. These comprise the subsections "Order situation" and "Quality management" in section "2.2.2 Results of operations, financial position and net assets"
- the separately published (Group) declaration on corporate governance, to which reference is made in section 2.5. "OTHER NOTES" of the combined management report
- the separately published report on sustainability (non-financial group report), to which reference is made in section 2.5 "OTHER NOTES" of the combined management report
- the separately published remuneration report within the meaning of Section 162 AktG, to which reference is made in Section 2.5 "OTHER NOTES" of the combined management report
- the remaining parts of the annual report with the exception of the audited annual financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information

- are materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that 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

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. accounting fraud or error) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. In addition

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of accounting estimates and related disclosures made by the executive directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We are solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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 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 safeguards applied to address independence threats. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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 an assurance engagement in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") contained in the file "First_Sensor_AG_KA_ESEF-2023-09-30.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this audit 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 does not extend to the information contained in these reproductions or any other information contained in the above-mentioned file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from October 1, 2022 to September 30, 2023 beyond the opinions expressed in this auditor's report and in our "REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT" above.

Basis for audit opinion

We conducted our audit of the reproduction of the consolidated financial statements and of the combined management report contained in the above-mentioned file in accordance with Section 317 (3a) HGB and IDW Auditing Standard: Audit of the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Auditor's responsibilities for the audit of the ESEF documents" section. Our audit practice has applied the requirements of the IDW Quality Management Standards, which implement the International Standards on Quality Management of the IAASB.

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 reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparing 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. During the audit, we exercise professional judgment and maintain professional skepticism. In addition

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls.
- - Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815 as applicable at the reporting date regarding the technical specification for this file.
- - Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- - Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) according to Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate 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 auditor by the annual general meeting on April 25, 2023. We were engaged by the audit committee on April 25, 2023. We have been the auditor of First Sensor AG without interruption since the financial year 2022/2023.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 EU Audit Regulation (audit report).

OTHER ISSUE – USE OF THE AUDIT REPORT

Our audit opinion should always be read in conjunction with the audited consolidated financial statements and the audited combined management report as well as the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format - including the versions to be filed in the company register - are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Alexey Nekhin.

Berlin, January 31, 2024

BDO AG

Wirtschaftsprüfungsgesellschaft

gez. Behrendt	gez. Nekhin
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, 2024

Thibault Kassir Robin Maly Dirk Schäfer

5.3 FINANCIAL CALENDAR

The financial calendar includes all dates for fiscal year 2024 (Oct. 1, 2023 - Sept. 30, 2024).

January 31, 2024	Publication of Annual Report 2023
January 31, 2024	Annual press conference 2024
January 31, 2024	Analyst conference 2024
February 15, 2024	Publication Q1 Quarterly Statement 2024
April 24, 2024	Annual General Meeting
May 15, 2024	Publication of interim report (6-Month Financial Report) as of March 31, 2024
August 14, 2024	Publication Q3 Quarterly Statement 2024

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