

First Sensor 

is now part of



2020 Interim Report as of June 30

Key figures at a glance

First Sensor AG prepares its interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). However, this report was not prepared in accordance with IAS 34 "Interim Financial Reporting" and has been neither audited nor subjected to any other formal audit examination. In addition to the key figures according to IFRS, key figures adjusted for transaction costs and provisions in connection with the planned combination with TE Connectivity Sensors Germany Holding AG are shown for the presentation of earnings. In the presentation, rounding differences to the mathematically exact values may occur. This report contains statements of a predictive nature. All future-oriented specifications in this consolidated financial report were produced on the basis of a probability-based plan and represent statements regarding the future which cannot be guaranteed.

in € million unless otherwise indicated	H1 2016	H1 2017	H1 2018	H1 2019	H1 2020
					IFRS / Adjusted*
Sales revenues	75.9	68.9	74.4	81.3	76.9
Industrial	35.2	36.1	37.3	43.5	39.4
Medical	16.3	12.8	16.3	18.6	21.1
Mobility	24.4	20.0	20.7	19.2	16.5
EBITDA	10.1	7.8	8.4	12.1*	7.9*
EBITDA margin (%)	13.2	11.3	11.3	14.8*	10.2*
EBIT	5.5	3.4	4.1	6.8*	2.3*
EBIT margin (%)	7.2	4.9	5.5	8.3*	3.0*
Net profit for the period	4.2	2.1	2.3	5.2*	0.9*
Earnings per share (€)	0.38	0.19	0.22	0.52*	0.10*
Cash flow from operating activities	3.6	1.8	-1.9	6.8	-6.4
Free cash flow	1.5	-3.2	-5.8	1.5	-10.9
Balance sheet total	152.9	153.1	156.9	173.8	171.1
Shareholders' equity	75.2	79.4	82.8	87.8	83.1
Equity ratio (%)	49.2	51.8	52.8	50.5	48.6
Net dept	32.1	28.0	30.5	30.4	38.0
Working capital	39.4	38.8	43.4	38.4	46.0
Incoming orders	80.2	79.5	83.7	77.9	75.1
Orders on hand	101.2	90.7	102.1	94.2	91.6
Book-to-bill ratio	1.06	1.15	1.13	0.96	0.98
Employees (FTE average of the period)	785	782	818	873	871
Number of shares in thousand	10,171	10,211	10,216	10,228	10,269

* adjusted for transaction costs and provisions in connection with the business combination with TE Connectivity Sensors Germany Holding AG

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Dear shareholders and business partners,

Since the Great Depression some 90 years ago, no event has preoccupied, blighted and transformed our global economy and society as much as the Covid-19 pandemic. The First Sensor Group has also had to adapt to the challenges arising from it in the first half of 2020. As is clear from this report, we have succeeded comparably well despite the massive repercussions, in some cases, on our target markets and supply chains. In the first six months of this year, First Sensor generated sales of €76.9 million, which equates to a fall of 5.3% compared with the same period in the previous year. In the second quarter, in which many customers were affected by shutdowns at their production plants, especially in German-speaking countries, as our largest sales market, the fall was only 4.3%.

In view of these conditions, profitability also remained stable. Adjusted EBIT was €1.9 million in the second quarter, which implies a marked sequential improvement on the first quarter. The adjusted EBIT margin amounted to 5.1% in the second quarter and 3.0% in the first six months. Overall, sales and earnings were therefore in line with expectations for the fiscal year following the Covid-19 pandemic.

In our target markets, customers were affected by the Corona crisis to a differing degree. Most well-known automotive manufacturers had to close their production plants for several weeks. Industrial customers postponed their call-ups under framework agreements. The majority of the medical technology sector was severely affected by the pandemic as well. Solely customers from niche areas such as respiration increased their demand significantly. The picture was also very mixed at an international level and was significantly affected by local infection rates. While Asia in general and, in particular, China reported early successes in measures to curb the pandemic and were able to ease lockdowns, the picture in the USA, for example, is still quite different.

The challenges posed by Covid-19 were not limited only to Sales and our production locations. For instance, we held the first virtual Annual General Meeting – a new experience for all those involved. Even under these circumstances, we complied with shareholders' justified interest in our company and answered all 149 questions received. Our employees also had to adapt to new circumstances with new social distancing and hygiene measures. They have worked from home, where this was possible, and in

some cases looked after their children besides. They have all worked extraordinarily hard during this period to bring the company through the crisis in good shape. They deserve my deepest thanks for this!

We are now looking forward: what will happen after Covid-19 and when will we get back to "normal" business? We are seeing the first signs of a slight recovery at the end of the third quarter or in the fourth quarter of 2020. This is consistent with the expectations on which our guidance for the fiscal year was based. In 2020, we still expect total sales between €145 million and €155 million and an adjusted EBIT margin between 3% and 6%.

The medium term outlook for First Sensor is still positive. The business combination with TE, which is reinforced by the completed domination and profit and loss transfer agreement, will contribute to this. It will allow us to be part of a global company with leading positions in technology and production with our strong product portfolio. TE Connectivity's size, its existing customer base and technological expertise will ensure an even more comprehensive range, which will be available to a wider customer base. First Sensor will extend TE's existing comprehensive sensor technology portfolio and will add additional solutions for core growth markets, especially Industrial, Medical and Mobility. We shall tap into these options purposefully.

I would like to thank all the shareholders that have supported these transactions. Thanks are also due to Dr. Dirk Rothweiler, who guided First Sensor's path into the TE Group as Chairman of the Executive Board, and left the company as of June 30, 2020. I am looking forward to reporting on our continuing integration in future reports.

Your



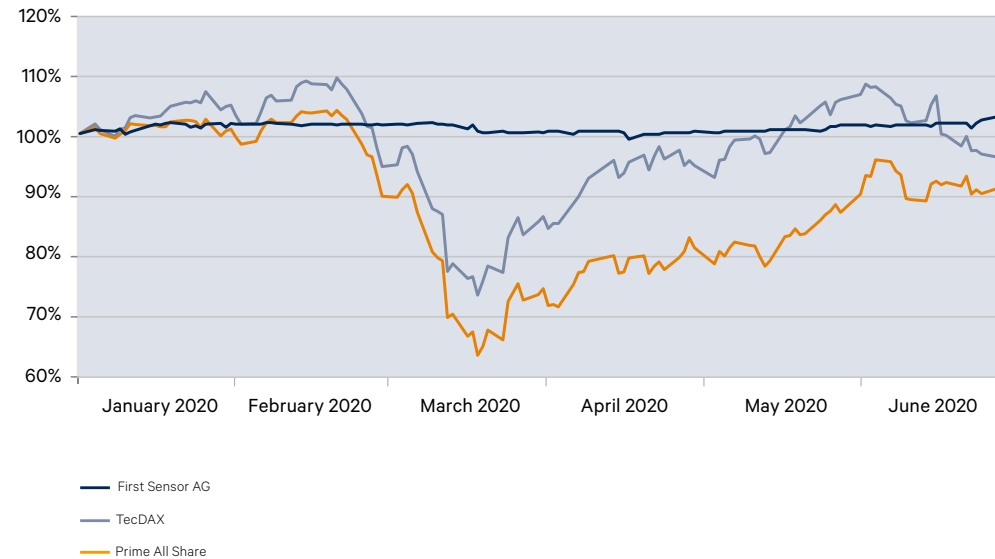
Marcus Resch
Executive Board

Stable share price development in a volatile environment

During the first six months of fiscal year 2020, the stock markets experienced extremely high volatility. In the second half of February, there were increasing signs that the Covid-19 pandemic would not be confined to China. Increasing uncertainty depressed share prices. A dramatic slump started at the beginning of March, which sent the leading German index, the DAX, tumbling by almost 40%. The index hit rock bottom on March 16, 2020 when the government finally implemented comprehensive lockdown measures. The German technology index, the TecDAX, was only marginally less affected with a fall of 28%. While the DAX made up a large part of its losses by the middle of the year, reducing its fall since the beginning of the year to 10%, the TecDAX returned to pre-outbreak levels by the mid-May. Uncertainty regarding the future trend in infection rates and their impact on the economy again led to marked fluctuations in prices at the end of the first half.

In contrast to this volatile environment, the price of the First Sensor share benefited from the business combination with TE. In the entire period, the closing price was stable in a range between €37.50 and €39.00. A brief setback to €33.05 was only recorded intraday on March 16 but this was already made up at the end of the trading day.

Share price performance in the first half of 2020



Annual General Meeting approved the domination and profit and loss transfer agreement

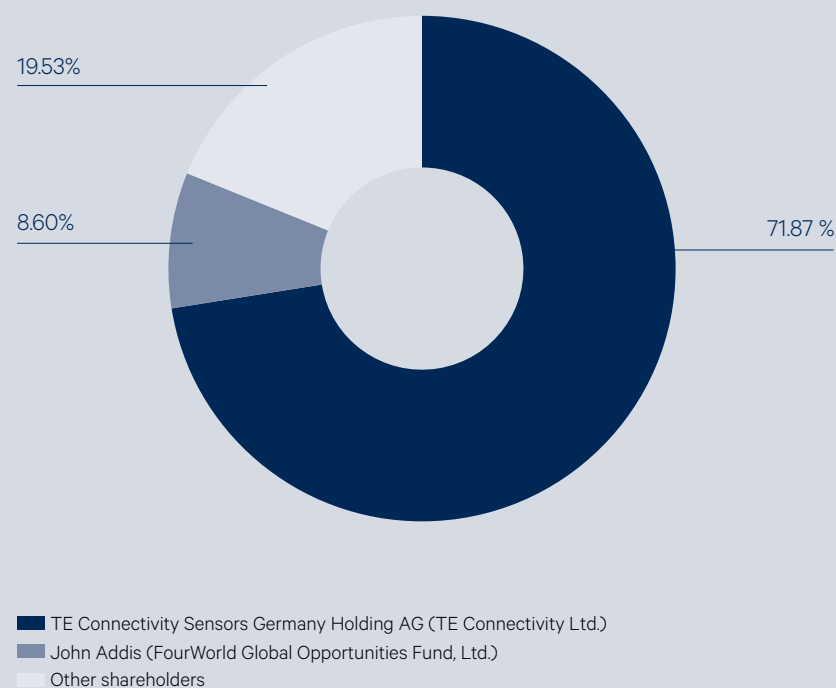
As a consequence of the approval of the business combination on March 12, 2020, First Sensor has a new majority shareholder, namely TE Connectivity Sensors Germany Holding AG, which holds 71.87% of the shares. Following the report in December 2019 that First Sensor had started negotiations to conclude a domination and profit and loss transfer agreement between First Sensor AG and TE Connectivity Sensors Germany Holding AG, this was concluded successfully on April 14, 2020. Consequently, the shareholder representatives in the Supervisory Board changed at the end of April. These changes were approved by a large majority at the Annual General Meeting on May 26, 2020, which took place for the first time as a virtual event without shareholders being present. It was also decided inter alia to pay a dividend of €0.20 per share for fiscal year 2019.

Key figures

	Dec. 31, 2019	June 30, 2020	Δ absolute	in %
Share capital (€)	51,346,980	51,346,980	0	0.00
Number of shares (weighted, diluted)	10,269,396	10,269,396	0	0.00
Number of shares (basic)	10,374,637	10,391,810	17,173	0.17
Earnings per share (€, diluted)	0.26	-0.40	-0.66	n. a.
Earnings per share (€, basic)	0.26	-0.40	-0.66	n. a.
Year-end price (€), XETRA closing price	37.85	38.80	0.95	2.51
Highest price (€)	38.50	39.00	0.50	1.30
Lowest price (€)	17.35	37.50	20.15	116.14

Shareholder structure according to available voting rights notifications

Status: June 30, 2020





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Economic Report

General Economic and Sector Conditions

Developments in the economy as a whole

In its latest analysis the International Monetary Fund again cut its expectations for the development of the global economy in 2020 significantly. The experts believe that the world will experience “the worst recession” since the global economic crisis some 90 years ago as a consequence of the Covid-19 pandemic. The IMF is forecasting a slump of 4.9% for global gross domestic product (GDP). This is 1.9 percentage points more than its forecast in April.

The IMF believes that the euro zone will be particularly affected. It is forecasting a slump of 10.2% for the monetary union. As expected, Italy and Spain are in the vanguard with a fall of 12.8%. The experts do not expect falls of this magnitude anywhere else. The latest forecast by the European Commission is somewhat more favorable. In its April assessment, it expects a smaller fall of 7.7% following the previous forecast of 8.7%.

With an expected fall of 7.8%, Germany comes in around the average forecast for industrial nations. Here too, however, the IMF economists have again cut their figures by 0.8 percentage points compared with their previous forecast. To be sure, the European Commission views the development of the German economy somewhat more positively but is still forecasting a fall of 6.3%.

However, all forecasts are consistently subject to huge uncertainties since it is not yet possible to forecast how infection rates will pan out in future.

Development of the sensor market

According to the German Electrical and Electronic Manufacturers’ Association (ZVEI), its members reported sharply lower orders, down 11.8%, in the first months of the year. In cumulative terms from January up to and including May, production was 9.2% down on the previous year’s level. Aggregate sector sales fell 9.4% year on year in this period. Sales fell by 22.4% in May alone. AMA Association for Sensors and Measurement expects a 4% fall in sales for the second quarter. A quarter of member companies have reported short-time working. Suppliers to the automotive industry, which have had to absorb a significant loss of sales, are particularly hard hit. They, together with suppliers to the mechanical and plant engineering industry, are particularly pessimistic with regard to the second quarter of 2020.

Industrial

According to the German Mechanical Engineering Industry Association (VDMA), incoming orders in the mechanical and plant engineering industry fell by 22% in real terms in the period from March to May 2020 compared with the previous year. Orders from Germany fell by 16%. Foreign orders were 25% down on the level of the previous year. The German Federal Statistical Office also established that industry suffered a dramatic slump in the first months of the year. Following a significant decline in production in March and April, the situation improved somewhat in May. Nevertheless, total production fell by 19.3% year on year. This equates to an increase of 7.8% compared with the previous month but it is still far from the pre-crisis level. Compared with February, total production was still 19% down in May.

Medical

According to an analysis by the Spectaris association, the medical technology sector is also having to battle with the significant impact of the Corona crisis. The majority of its members expect falling sales in the current fiscal year. The trend in orders remained a cause for concern up to the middle of the year – apart from niche areas such as respirators or intensive care beds. Exports, which account for 65% of business volume, are particularly hard hit. Here, sales are expected to fall by 12%.

Mobility

The impact of the Covid-19 pandemic has caused a collapse in car markets throughout the world. According to the German Association of the Automotive Industry (VDA), new car registrations in Germany fell by just under 35% to 1.21 million cars in the first half of 2020. The picture is similar on international markets: accordingly, the European car market was down by 43% up to May, while the US market fell by 23% and the Chinese market by 27%. Just under 1.5 million vehicles were manufactured at German sites from January to June, which is 40% fewer than in the same period in the previous year. There are signs of a slight recovery for the second half of the year. The VDA therefore expects a 17% fall in the global car market for 2020 as a whole.

Commercial vehicle markets were even harder hit by the crisis than car markets. Global sales of commercial vehicles with a permissible total weight of over 6 tons will fall by 24% in 2020 to 2.6 million units according to VDA forecasts. A fall of 40% is expected for the US market. The decline will also be unprecedented in Western Europe (-35%) and Germany (-29%).

Financial Position, Net Assets, and Results of Operations

Sales development

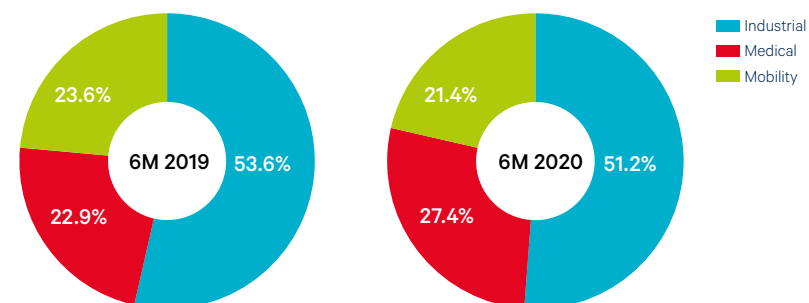
While many markets and industries were more severely affected by the restrictions in response to the Covid-19 pandemic in the second quarter of 2020, business development was largely stable at First Sensor. At €38.1 million, sales were 4.3% down on the previous year's figure (€39.9 million) but only changed marginally compared with the previous quarter (€38.8 million). Accordingly, sales totaled €76.9 million for the first six months of 2020. This fall of 5.3% compared with the previous year (€81.3 million) is consistent with expectations.

In € thousand	6M 2019	6M 2020	Δ absolute	in %
Industrial	43,544	39,371	-4,173	-9.6
Medical	18,585	21,066	2,481	13.4
Mobility	19,146	16,493	-2,653	-13.9
Total	81,275	76,930	-4,345	-5.3

Developments in target markets have been mixed. In the Industrial target market, sales in the first half fell by 9.6% to €39.4 million (previous year: €43.5 million). At, €19.1 million, sales softened by 10.6% in the second quarter compared with the same quarter in the previous year (€21.4 million) and therefore reflected the economic climate. Business fell more sharply in the Mobility target market. Here, sales decreased by 13.9% in the first six months to €16.5 million (previous year: €19.1 million). Only €6.5 million worth of sales was attributable to the second quarter (previous year: €9.7 million), representing a decrease of 33.2%. Corona-induced production closures at virtually all automotive manufacturers are

reflected here. In contrast to this, sales in the Medical target market expanded by 13.4% in the first six months of 2020. They totaled €21.1 million (previous year: €18.6 million). The increase was virtually entirely attributable to the second quarter, where growth of 42.6% was achieved with sales of €12.6 million (previous year: €8.8 million). Here, First Sensor benefited from the boom among manufacturers of respirators resulting from the Covid-19 pandemic.

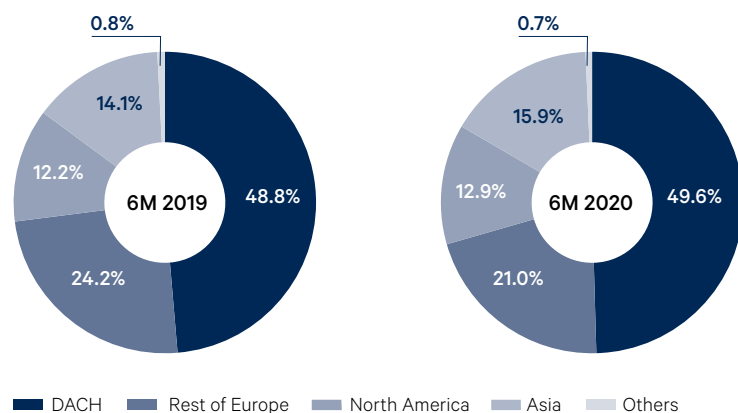
In € thousand	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Industrial	22,183	21,362	21,745	21,339	20,275	19,096
Medical	9,760	8,825	8,887	7,944	8,485	12,582
Mobility	9,454	9,692	10,949	9,135	10,024	6,470
Total	41,397	39,879	41,581	38,419	38,783	38,147



In the first six months of the current fiscal year, the international breakdown of sales was also significantly affected by the staggered occurrence of infection in the various regions. The most severely affected were the DACH region (Germany, Austria, Switzerland, Liechtenstein) and the rest of Europe. Here, sales fell by a total of €5.0 million year on year but only changed marginally from the first to the second quarter. The share of sales generated in Asia was further expanded in the reporting period. It increased by 6.9% to €12.2 million (previous year: €11.4 million). Here, First Sensor benefited from lockdown being eased earlier, especially in the automotive industry. Sales in North America were stable and came to €9.9 million. The fall in sales to existing customers resulting from the temporary lockdown was offset by new customer projects.

In € thousand	6M 2019	6M 2020	Δ absolute	in %
DACH*	39,687	38,157	-1,530	-3.9
Rest of Europe	19,632	16,122	-3,510	-17.9
North America	9,895	9,932	37	0.4
Asia	11,423	12,212	789	6.9
Others	638	506	-132	-20.6
Total	81,275	76,930	-4,345	-5.3

*Germany, Austria, Switzerland, Liechtenstein



Order situation

In the second quarter, incoming orders decreased to €31.7 million (previous year: €35.6 million). This therefore resulted in a total of €75.1 million for the first six months of 2020 as against €77.9 million in the previous year. This corresponds to a fall of €2.8 million or 3.6%. Halfway through 2020, this resulted in an order backlog of €91.6 million (previous year: €94.2 million), equivalent to a decrease of 2.7%. Just over half of the order backlog will be reflected in sales in the current fiscal year.

Considering the general conditions, First Sensor therefore has a comparatively stable order situation, supported by a slightly improved book-to-bill ratio of 0.98. However, compared with the first quarter, incoming orders were significantly more subdued recently. The first signs of any normalization in the business situation are not expected before the end of the third quarter at the earliest, but probably in the fourth quarter, and depend heavily on the further development of the pandemic.

In € thousand	6M 2019	6M 2020	Δ absolute	in %
Incoming orders	77,906	75,117	-2,789	-3.6
Orders on hand	94,180	91,645	-2,535	-2.7
Book-to-bill ratio	0.96	0.98	0.02	2.1

Earnings ¹

First Sensor generated sales of €76.9 million in the first half of 2020 (previous year: €81.3 million). Given the Corona-induced general conditions, the decline of 5.3% was comparatively moderate. In the second quarter, sales of €38.1 million were generated following €39.9 million in the previous year. In this period, in which many customers were affected by shutdowns at their production plants, especially in German-speaking countries, the fall was only 4.3%.

The increase in inventories of finished goods and work in progress was reduced by 11.7% to €1.9 million compared with the first half of the previous year (previous year: €2.1 million). As was evident in the first quarter, customers postponed call-ups under framework agreements in some cases. Capitalized intangible assets decreased to €1.1 million (previous year: €1.8 million). Delays in projects had a corresponding impact in the second quarter especially. Total operating performance therefore decreased by 6.2% to €79.9 million (previous year: €85.2 million).

The cost of materials fell by 2.6% largely due to the fall in sales to €38.8 million (previous year: €39.8 million). The cost of materials ratio in relation to sales rose to 50.4% (previous year: 49.0%) for the half-year and to 49.0% (previous year: 48.3%) in the second quarter. The gross income margin in relation to total operating performance was 52.4% in the second quarter (previous year: 53.7%) and 51.5% after the first six months (previous year: 53.3%). Margins are also expected to improve when production normalizes.

Personnel expenses were affected by various factors especially in the second quarter. €12.8 million (previous year: €13.2 million) was attributable to this period while the corresponding ratio was 33.5% (previous year: 33.1%). At the end of the first half, adjusted personnel expenses came to €26.8 million (previous year: €26.2 million) because of personnel adjustments mainly affecting temporary employees and the use of short-time working at three Group locations. This corresponds to a ratio of 34.8% (previous year: 32.2%).

Adjusted other operating expenses came to €7.2 million (previous year: €8.0 million) in the first six months. €3.4 million (previous year: €4.0 million) was attributable to the second quarter.

¹ The following results are presented in accordance with IFRS and additionally adjusted for transaction costs and accruals in connection with the planned combination with TE Connectivity Sensors Germany Holding AG. Adjusted key figures are shown by the addition "adjusted".

Despite the fall in sales, adjusted operating earnings (EBITDA) reached €7.9 million in the first half-year (previous year: €12.1 million). Of this figure, €4.7 million was attributable to the second quarter (previous year: €5.7 million). The adjusted EBITDA margin therefore reached 10.2% in the first six months of 2020 (previous year: 14.8%) and 12.5% in the second quarter (previous year: 14.4%). Looking at the general conditions, First Sensor's adjusted profitability therefore proved to be robust in the second quarter in particular.

Depreciation therefore remained virtually unchanged compared with the same period in the previous year. It amounted to €5.6 million (previous year: €5.4 million). After €1.1 million of scheduled goodwill write-downs, adjusted EBIT was €2.3 million after the first six months (previous year: €6.8 million). €1.9 million was achieved in the second quarter (previous year: €2.6 million), which implies a marked improvement on the first quarter. The adjusted EBIT margin amounted to 3.0% in the first six months (previous year: 8.3%) and 5.1% in the second quarter (previous year: 6.5%). It was therefore in line with expectations for the fiscal year.

After six months, the financial result had an adverse impact of €1.0 million (previous year: €0.8 million), which included a net figure for currency gains and losses of €220 thousand, on the earnings situation. Operating earnings before taxes reached €1.3 million (previous year: €5.9 million) after six months in the current fiscal year. The second quarter contributed €1.6 million (previous year: €2.0 million) to this figure, more than offsetting the negative result from the first quarter.

The Group's adjusted operating profit for the period amounted to €0.9 million at mid-year 2020 (previous year: €5.2 million). This corresponds to operating earnings per share in circulation of €0.10 (previous year: €0.52).

Special effects in connection with the combination with TE Connectivity Sensors Germany Holding AG also accrued in the first six months of 2020, which had an adverse impact on adjusted earnings. Accordingly, transaction costs and accruals resulted in additional personnel expenses of €4.6 million (previous year: €2.9 million) and additional other operating expenses of €0.5 million (previous year: €1.5 million) in the reporting period. Under the influence of these special effects, EBITDA fell to €2.8 million (previous year: €7.7 million). This corresponds to an EBITDA margin of 3.7% (previous year: 9.5%). The operating result (EBIT) was negative in the first half-year, at €-2.8 million (previous year: €2.3 million). As at June 30, 2020, the result for the period after special effects amounted to €-4.1 million (previous year: €764 thousand). This corresponds to earnings per share in circulation of €-0.40 (previous year: €0.08).

Reconciliation Group-EBIT

In € thousand	6M 2019 (IFRS)	Margin of sales	6M 2019 adjusted	Margin of sales	6M 2020 (IFRS)	Margin of sales	6M 2020 adjusted	Margin of sales
Sales revenues	81,275	-	81,275	-	76,930	-	76,930	-
Other operating income	922	-	922	-	672	-	672	-
Change in inventories of finished goods and work-in-progress	2,127	-	2,127	-	1,879	-	1,879	-
Other own work capitalized	1,801	-	1,801	-	1,138	-	1,138	-
Cost of material and purchased services	-39,819	-	-39,819	-	-38,786	-	-38,786	-
Gross profit	46,306	-	46,306	-	41,833	-	41,833	-
Personnel expenses	-29,112	-	-26,212	-	-31,377	-	-26,798	-
Other operating expenses	-9,461	-	-7,961	-	-7,635	-	-7,156	-
Profit from operations (EBITDA)	7,733	9.5%	12,133	14.9%	2,821	3.7%	7,879	10.2%
Depreciation	-4,294	-	-4,294	-	-4,484	-	-4,484	-
Earnings before interest, taxes and amortization (EBITA)	3,438	4.2%	7,838	9.6%	-1,663	-	3,395	4.4%
PPA-depreciations	-1,115	-	-1,115	-	-1,115	-	-1,115	-
Earnings before interest and tax (EBIT)	2,323	2.9%	6,723	8.3%	-2,778	-	2,280	3.0%

Financial position

As at the reporting date of June 30, 2020, the equity of the First Sensor Group decreased by 7.6% to €83.1 million (December 31, 2019: €89.9 million). The equity ratio changed only marginally as a consequence of the balance sheet contraction and amounts to 48.6% against 50.0% at the reporting date.

In non-current liabilities, non-current financial liabilities have decreased by €4.6 million to €21.0 million since the beginning of the year because of liabilities being reclassified as current (December 31, 2019: €25.6 million).

Contrary to the increase in financial liabilities in current liabilities, other current liabilities, mainly accruals, decreased to €15.9 million from €17.0 million at the end of 2019. Following a temporary increase in the first quarter, trade payables normalized. As a consequence of the reduction in purchasing volume in the second quarter, among other factors, they amounted to €8.4 million after the first six months of the current fiscal year (reporting date: €8.8 million).

Because of the reduction in cash and cash equivalents, net debt increased by €14.7 million to €38.0 million at the half-year reporting date. The ratio of net debt to equity (gearing) amounted to 45.7% as at the reporting date (December 31, 2019: 25.8%). The €15.0 million decrease in cash and cash equivalents to €17.3 million was mainly the result of payments in connection with the business combination with TE Connectivity, the dividend payment of just over €2.0 million in May 2020 and pandemic-induced changes to current assets.

In € thousand	Dec. 31, 2019	June 30, 2020	Δ absolute	in %
Non-current financial liabilities	19,052	14,854	-4,198	-22.0
Current financial liabilities	28,301	32,811	4,510	15.9
Cash and cash equivalents	-32,260	-17,278	-14,982	-46.4
Net dept	23,219	37,948	14,729	63.4

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

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

Investments

While the increase in intangible assets in the previous year was caused by the first-time application of IFRS 16, cash investments in the first half of 2020 fell slightly to €4.6 million (previous year: €5.3 million). At €5.6 million (previous year: €5.4 million), depreciation was approximately at the level of the previous year and exceeded investment by approximately €0.9 million in the reporting period. Investment in the year as a whole is expected to remain unchanged at €8-10 million.

In € thousand	H1 2019	H1 2020	Δ absolute	in %
Investments in intangible assets	11,511	1,581	-9,930	-86.3
Investments in property, plant, and equipment	3,516	3,277	-239	-6.8
Cash investments	5,304	4,606	-698	-7.3
Disposal of non-current assets and investments	44	0	-44	-15.2
Other effects	-30	93	123	n. a.
Cash flow from investment activities	-5,290	-4,513	777	-14.7
Amortization of intangible assets	-2,675	-2,722	-47	1.8
Depreciation of property, plant and equipment	-2,734	-2,878	-144	5.3
Depreciation and amortization	-5,409	-5,600	-191	3.5

Liquidity

Cash flow was also adversely affected by the reduction in profitability. The increase in working capital resulting from higher inventories and trade receivables also had an impact. Operating cash flow therefore amounted to €-6.4 million in the first six months of 2020 (previous year: €6.8 million).

However, at €4.5 million, cash flow from investment activities was €0.8 million down on the previous year (€5.3 million).

Cash flow from financing activities amounted to €-4.0 million (previous year: €-4.5 million), and was dominated by the dividend payment and the use as well as regular repayment of loans.

Free cash flow as the sum of operating cash flow and cash flow from investing activities was accordingly sharply negative in the reporting period at €-10.9 million (previous year: €+1.5 million).

In € thousand	H1 2019	H1 2020	Δ absolute	in %
Cash flow from operating activities	6,790	-6,419	-13,209	n. a.
Cash flow from investment activities	-5,290	-4,513	777	-14.7
Cash flow from financing activities	-4,517	-4,043	474	-10.4
Change in cash and cash equivalents	-3,017	-14,975	-11,958	396.4
Exchange differences	14	-7	-21	n. a.
Cash and cash equivalents at the beginning of the financial year	28,534	32,260	3,726	13.1
Cash and cash equivalents at the end of the period under review	25,531	17,278	-8,253	-32.3
Free cash flow	1,500	-10,932	-12,432	n. a.

Net assets

In the course of the first six months of 2020, total assets decreased by 4.7% to €171.1 million (December 31, 2019: €179.7 million).

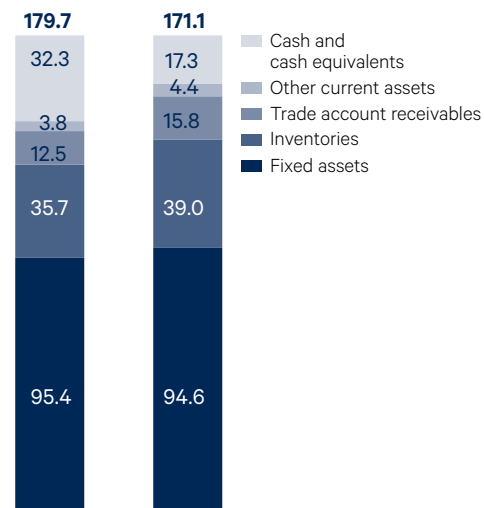
In non-current assets, intangible assets and rights of use under leasing agreements decreased by €1.9 million as a result of scheduled depreciation. However, as a consequence of capitalizing intangible assets, internally generated intangible assets rose by €0.7 million to €8.9 million (December 31, 2019: €8.2 million).

As far as the trend in current assets is concerned, inventories posted an increase of 9.1% to €39.0 million (December 31, 2019: €35.7 million). At the same time, trade receivables rose by 26.7% to €15.9 million (previous year: €12.5 million). Both are linked to the impact of the Covid-19 pandemic on the business development.

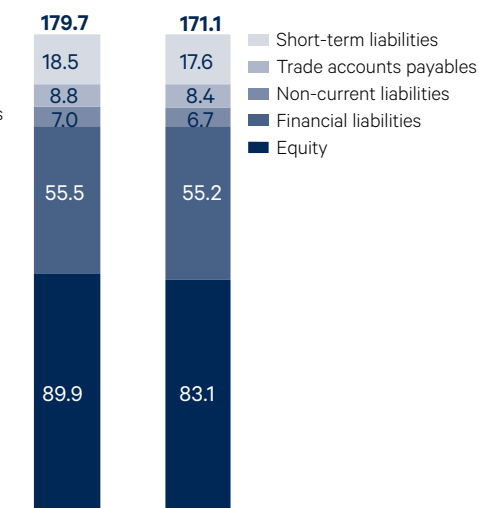
The factors mentioned, the reduction in profitability, the dividend payment and payments in connection with the business combination with TE Connectivity Sensors Germany Holding AG had a significant impact on cash and cash equivalents. These fell to €17.3 million on the reporting date (previous year: €32.3 million).

Working capital, i.e. the ratio of inventories plus trade receivables less advance payments and trade payables, amounted to €46.0 million as at the middle of 2020 (December 31, 2019: €38.4 million). Likewise, capital employed increased from €150.0 million to €154.5 million.

Assets in € million



Equity and liabilities in € million



Dec. 31, 2019 June 30, 2020

Dec. 31, 2019 June 30, 2020

Overall statement

In the course of the first half of 2020, many regions and markets were affected by the restrictions resulting from the Covid-19 pandemic. First Sensor's business development was largely stable under these conditions. Sales totaled €76.9 million for the first six months of 2020. This fall of 5.3% compared with the previous year (€81.3 million) was consistent with expectations for the fiscal year.

Profitability stabilized. Adjusted EBIT of €1.9 million was achieved in the second quarter, which implies a marked sequential improvement on the first quarter. The adjusted EBIT margin amounted to 3.0% in the first six months and 5.1% in the second quarter.

Sales and earnings were therefore in line with guidance for the fiscal year. Total sales between €145 million and €155 million and an adjusted EBIT margin between 3% and 6% are expected. Further special expenses in connection with the combination with TE Connectivity Sensors Germany Holding AG, which cannot yet be quantified, are also expected in the remaining course of the year.

Supplementary Report

The company is not aware of other key events following the end of the fiscal year that will affect the net assets, financial position and results of operations.

Forecast, Opportunity and Risk Report

Forecast Report

General economic and sector conditions

The global slump in economic data resulting from the Corona pandemic led to programs to stimulate the economy in many countries. The EU rescue package to encourage reconstruction amounts to €1.8 trillion alone. Accordingly, focus is increasingly shifting to the period “after Corona” and the question as to when the economy will get back on its feet and the regions where this will happen. For instance, China, where the consequences of the pandemic first became apparent, has already reported growth of 3.2% for the second quarter. The signs of a recovery are currently also multiplying for Germany, which was not affected until later and also pursued a policy of vigorous crisis management. Nevertheless, the European Commission currently expects a fall of 6.3% for the German economy in 2020. Among the G7 industrial countries, the country is therefore well placed; the recession is only expected to be less severe in Japan. In contrast, a fall of 8.0% is expected for the US economy in 2020. Generally speaking, in its latest forecast, the IfW expects companies in Germany and abroad to hold back investments for some time, as there is still considerable uncertainty regarding the progress of the pandemic and many companies' equity base will be corroded by the slump in sales.

Development of the sensor market

The slump in national and international sales markets will have a delayed impact on manufacturers of sensors and measuring technology. Suppliers to the automotive industry, in particular, will be affected indefinitely. The experts at Strategy Analytics expect the market for automotive semiconductors to shrink by almost 7% in 2020. In their view the significant repercussions of the pandemic in the key production regions will prevent a recovery through a staged return to normal vehicle production. The trade magazine Markt&Technik also stresses that the industry will be affected by the pandemic for months, if not years in some cases. However, the Corona crisis will also inspire specialist applications, developments and sales in its opinion. These include respiration-related products; first and foremost pressure sensors, air flow sensors and temperature sensors.

Industrial

The industry association VDMA is seeing the first signs of an improvement in the economic situation. 60% of participants in the current member survey expect higher sales in the coming fiscal year. Just over a quarter even expect the situation to ease within the next three months. The ZVEI also sees opportunities for a recovery. According to the experts, the business climate improved in June 2020, but is still 24 points

below the zero line in net terms. In particular, general business expectations improved sharply. With regard to the next six months, 26% of companies expected business to pick up and 42% expected it to remain the same.

Medical

The capacity for innovation is unwavering and the process of industrial transformation to an integrated range of services in medical technology is proceeding steadily. Global demand for medical products and technologies has therefore never been as great as it is today. In a current report, Roland Berger therefore expects that innovations in sensor systems, diagnostics and data processing will allow new, data-driven services and business models in the entire sector.

Mobility

The automotive association VDA expects a fall in German car production of 25% and a fall in the global car market of 17% for 2020 as a whole. The first slow recovery is expected in the second half-year. The expectations are based on the assumption that we succeed in containing the Covid-19 pandemic not just in Europe but in other parts of the world as well.

Forecast for business development in 2020

Sales

As expected, many of First Sensor's customers have not escaped the global economic slump resulting from the Covid-19 pandemic unscathed. Nevertheless, business development in the first six months of 2020 was relatively stable. With a fall of 5.3% to €76.9 million, sales were consistent with expectations and guidance for fiscal year 2020, which forecast sales between €145 million and €155 million. The guidance remains in force on the basis of the half-year figures and the current order situation.

A reliable forecast of any normalization of business operations cannot yet be provided at present. Surging infection rates in the USA are also depressing customer demand from the Mobility target market. In contrast, Asia, especially China, has already returned to growth thanks to reacting more strictly to the pandemic. It remains to be seen whether more dynamic growth will be reflected in First Sensor's sales as soon as the end of the third quarter or not until the fourth quarter.

Earnings

Although the fall in sales had an adverse impact on profitability, this stabilized in the second quarter. At 12.5%, the adjusted EBITDA margin is only slightly down on the previous year's level of 14.4%. The adjusted EBIT margin also developed as planned, returning to 5.1% in the second quarter. Here too, the starting position is favorable for achieving the guidance for the year as a whole with an adjusted EBIT margin between 3% and 6%. The measures taken to cut costs in recent months, which will take some time to become fully effective, will contribute to this. Further special expenses in connection with the combination with TE Connectivity Sensors Germany Holding AG, which cannot yet be quantified, are also expected in the remaining course of the year.

Financial position and net assets

The changes in working capital should normalize when business picks up. The measures taken to adjust to the changed conditions are also expected to have a positive impact on liquidity.

As planned, investments and depreciation and amortization, investments are likely to match the level of the previous year. Operating cash flow will also be adversely affected by special effects associated with the business combination in the second half of the year.

Overall statement

As expected, the impact of the Covid-19 pandemic has left its mark on First Sensor's sales development. The extent is consistent with the estimates on which management based its guidance for fiscal year 2020. The target of achieving sales of between €145 million and €155 million and an adjusted EBIT margin between 3% and 6% is therefore confirmed. The measures to secure profitability have proved effective and continue to be effective in the third quarter. First Sensor is therefore well placed to emerge stronger from the crisis and to pursue its medium-term growth targets. The business combination with TE will further support this.

Report on Risks and Opportunities

First Sensor explained the risks and opportunities for the Group in detail in its Annual Report 2019. There were no significant changes in the matters described there in the first six months of fiscal year 2020.

The consequences of the Covid-19 pandemic in the second half of 2020 are still difficult to assess. However, it must be assumed at present that, for the First Sensor Group, the occurrence of infection worldwide and a possible second

wave of infection in Germany will primarily lead to sales and the corresponding profit contributions being postponed to next year. This would not threaten the Group's continuing existence.



Consolidated Half-Year Financial Statements

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Consolidated Balance Sheet (IFRS)

ASSETS

In € thousand	Dec. 31, 2019	June 30, 2020	Changes
Intangible assets	8,767	7,408	-1,359
Rights of use	7,472	6,950	-522
Internally-generated intangible assets	8,244	8,938	694
Goodwill	29,816	29,816	0
Property, plant and equipment	41,102	41,512	410
Total non-current assets	95,401	94,624	-777
Inventories	35,726	38,973	3,247
Trade accounts receivables	12,512	15,854	3,342
Tax refund claims	944	611	-333
Other current assets	2,813	3,747	934
Cash and cash equivalents	32,260	17,278	-14,982
Total current assets	84,255	76,463	-7,792
Total ASSET	179,656	171,087	-8,569

Consolidated Balance Sheet (IFRS)

EQUITY AND LIABILITIES

In € thousand	Dec. 31, 2019	June 30, 2020	Changes
Share capital	51,347	51,347	0
Capital reserves	18,200	18,264	64
Revenue reserves	1,416	1,642	226
Currency translation	6	54	48
Revaluation reserves	-58	-60	-2
Retained earnings	17,491	10,380	-7,111
Minority interest	1,479	1,491	12
Total equity	89,881	83,118	-6,763
Non-current post-employment benefit obligation	272	272	0
Other non-current provisions	0	0	0
Long-term loans, excluding current portion	25,581	20,990	-4,591
Other non-current liabilities	3,516	3,399	-117
Deferred tax liabilities	3,249	3,033	-216
Total non-current liabilities	32,619	27,694	-4,925
Income tax provisions and liabilities	642	742	100
Other current provisions	559	556	-4
Short-term loans and current portion of long-term loans	29,897	34,236	4,339
Payments received on account of orders	272	447	175
Trade accounts payables	8,759	8,426	-333
Other current liabilities	17,027	15,868	-1,159
Total current liabilities	57,156	60,275	3,119
Total EQUITY AND LIABILITIES	179,656	171,087	-7,069

Consolidated Statement of Comprehensive Income (IFRS)

CONSOLIDATED INCOME STATEMENT

In € thousand	January 1 - June 30, 2019	January 1 - June 30, 2020	Changes
Sales revenues	81,275	76,930	-4,345
Other operating income	922	672	-250
Changes in inventories in finished goods and work-in-progress	2,127	1,879	-248
Other own work capitalized	1,801	1,138	-663
Cost of material and purchased services	-39,819	-38,786	1,033
Personnel expenses	-29,112	-31,377	-2,265
Other operating expenses	-9,461	-7,635	1,826
Profit from operations (EBITDA)	7,733	2,821	-4,912
Depreciation of property, plant and equipment and amortization of intangible assets	-5,410	-5,599	-189
Earnings before interest and tax (EBIT)	2,323	-2,778	-5,101
Interest income	28	20	-8
Interest expenses	-867	-788	79
Currency gains	226	282	56
Currency losses	-222	-502	-280
Income before tax and minority interest	1,488	-3,766	-5,254
Income tax expenses	-723	-352	371
Net profit/loss for the period	764	-4,118	-4,882
Net profit/loss for the period attributable to First Sensor AG shareholders	661	-4,131	-4,792
Net profit/loss for the period attributable to minority interest	104	13	91
Earnings per share in € (basic=diluted)	0.08	-0.40	-0.48

OTHER COMPREHENSIVE INCOME

In € thousand	January 1 - June 30, 2019	January 1 - June 30, 2020	Changes
Net profit / loss for the period	764	-4,118	-4,882
Actuarial gains and losses on defined benefit plans	0	0	0
Taxes on other comprehensive income	0	0	0
Items not subsequently reclassified to the income statement	0	0	0
Changes from currency translation	0	0	0
Revaluation of derivative financial instruments	0	0	0
Taxes on other comprehensive income	0	0	0
Items that can be subsequently reclassified to the income statement	0	0	0
Total comprehensive income	764	-4,118	-4,882
Thereof attributable to First Sensor AG shareholders	661	-4,131	-4,792
Thereof attributable to minority interest	104	13	91

Consolidated Statement of Changes in Equity (IFRS)

In € thousand	Number of shares in thousand	Capital stock	Capital reserves	Revenue reserves	Currency translation	Revaluation reserves	Retained earnings	Minority interest	Total equity
As at January 1, 2019	10,222	51,112	17,234	1,004	19	-29	18,125	1,302	88,767
Net profit/loss for the period	0	0	0	0	0	0	868	104	972
Other comprehensive income	0	0	0	0	-41	-7	0	0	-48
Total comprehensive income	0	0	0	0	-41	-7	868	104	924
Share-based remuneration	0	0	245	0	0	0	0	0	245
Capital increase	6	30	60	0	0	0	0	0	90
Appropriation of earnings	0	0	0	-2	0	0	-2,252		-2,254
As at June 30, 2019	10,228	51,142	17,539	1,002	-21,578	-35,972	16,741	1,405	87,772

In € thousand	Number of shares in thousand	Capital stock	Capital reserves	Revenue reserves	Currency translation	Revaluation reserves	Retained earnings	Minority interest	Total equity
As at January 1, 2020	10,269	51,347	18,200	1,416	6	-58	17,491	1,479	89,881
Net profit/loss for the period	0	0	0	0	0	0	-4,105	13	-4,092
Other comprehensive income	0	0	0	0	48	-2	0	0	46
Total comprehensive income	0	51,347	18,200	1,416	54	-60	13,386	1,492	85,835
Share-based remuneration	0	0	64	0	0	0	0	0	64
Capital increase	0	0	0	0	0	0	0	0	0
Appropriation of earnings	0	0	0	226	0	0	-3,007	0	-2,781
As at June 30, 2020	10,269	51,347	18,264	1,642	54	-60	10,379	1,492	83,118

Consolidated Statement of Cash Flow (IFRS)

In € thousand	January 1 - June 30, 2019	January 1 - June 30, 2020	Changes
Income before tax and minority interest	1,488	-3,766	-5,254
Interest paid	801	768	-33
Depreciation of property, plant and equipment and amortization of intangible assets	5,410	5,599	189
Income/loss from the disposal of fixed assets	-2	-36	-34
Other non-cash expenses and income	245	63	-182
Changes in provisions	-167	-3	164
Changes in working capital	-1,040	-6,915	-5,875
Changes in other assets and liabilities	1,295	-1,659	-2,954
Income tax paid	-1,240	-469	771
Cash flow from operating activities	6,790	-6,419	-13,209
Payments for investments in property, plant and equipment and intangible assets	-5,321	-4,585	736
Proceeds from disposal of property, plant and equipment, intangible assets and investments	3	53	50
Interest received	28	20	-8
Cash flow from investment activities	-5,290	-4,513	777
Proceeds from shareholders	89	-692	781
Paid dividends	-2,044	-2,054	-10
Repayments for financial liabilities	-3,728	-619	3,109
Payments for the repayment of leasing liabilities	-777	-822	-45
Proceeds from loans	2,773	931	-1,842
Interest paid	-830	-788	42
Cash flow from financing activities	-4,517	-4,043	474
Net change in cash and cash equivalents	-3,017	-14,975	-11,958
Currency differences from converting funds	14	-7	-21
Cash funds at the beginning of the period under review	28,534	32,260	3,726
Cash funds at the end of the period under review	25,531	17,278	-8,253

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Notes to the Consolidated Financial Statements

This First Sensor AG Interim Report as of June 30, 2020, was prepared according to the International Financial Reporting Standards (IFRS) as applicable in the EU, observing the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

These are condensed financial statements that do not contain all the disclosures of IFRS consolidated financial statements, so these financial statements must be read in conjunction with the notes to the 2019 consolidated financial statements.

Development of the First Sensor Group

The First Sensor Group consists of the parent company First Sensor AG, based in Berlin, and 9 subsidiaries in which First Sensor AG holds majority interests. There were no changes in the consolidated group in the period from January 1 to June 30, 2020. Non-current assets and investments in non-current assets relate almost exclusively to Germany.

Non-current assets in € thousand	June 30, 2019	June 30, 2020	Δ absolute	in %
Germany	91,856	94,734	2,878	3.1
Rest of Europe	2,715	710	-2,005	-73.8
North America	943	680	-263	-27.9
Total	95,514	96,124	610	0.6

Investments in € thousand	June 30, 2019	June 30, 2020	Δ absolute	in %
Germany	3,843	4,501	658	17.1
Rest of Europe	7,278	13	-7,265	-99.8
North America	429	91	-338	-78.8
Total	11,550	4,605	-6,945	-60.1

Employees (FTE)	June 30, 2019	June 30, 2020	Δ absolute	in %
Germany	834	812	-22	-2.6
Rest of Europe	34	35	1	2.9
North America	23	25	2	8.7
Total	891	872	-19	-2.1

Intangible Assets

In € thousand	Orders on hand	Concessions, licenses and simila	Rights of use (IFRS16)	Goodwill	Internally gene- rated intangible assets	Customer base/ brand	Advance payments	Dec. 31, 2019
Cost of purchase								
January 1, 2019	1,452	14,430	0	39,112	8,993	24,075	779	88,841
Adjustment of IFRS 16 as of January 1, 2019	0	0	8,948	0	0	0	0	8,948
Additions	0	223	44	0	2,896	0	578	3,741
Disposals	0	-9	0	0	-166	0	0	-175
Reclassifications	0	644	0	0	-21	0	-623	0
Exchange differences	0	1	9	0	19	0	0	29
December 31, 2019	1,452	15,289	9,001	39,112	11,721	24,075	734	101,384
Cumulative depreciation								
January 1, 2019	1,452	10,744	0	9,296	2,872	17,292	0	41,656
Additions	0	1,082	1,526	0	605	2,177	44	5,434
Disposals	0	-9	0	0	0	0	0	-9
Reclassifications	0	0	0	0	0	0	0	0
Exchange differences	0	1	3	0	0	0	0	4
December 31, 2019	1,452	11,818	1,529	9,296	3,477	19,469	44	47,085
Carrying amount as at December 31, 2019	0	3,471	7,472	29,816	8,244	4,606	690	54,299
Cost of purchase								
January 1, 2020	1,452	15,289	9,001	39,112	11,721	24,075	734	101,384
Additions	0	29	252	0	1,034	0	265	1,580
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	15	0	0	1	0	-42	-26
Exchange differences	0	0	-11	0	-13	0	0	-24
June 30, 2020	1,452	15,333	9,242	39,112	12,743	24,075	957	102,914
Cumulative depreciation								
January 1, 2020	1,452	11,818	1,529	9,296	3,477	19,469	44	47,085
Additions	0	523	767	0	328	1,100	4	2,722
Disposals	0	0	0	0	0	0	0	0
Reclassifications	0	0	1	0	0	0	0	1
Exchange differences	0	0	-5	0	0	0	0	-5
June 30, 2020	1,452	12,340	2,292	9,296	3,805	20,569	48	49,802
Carrying amount as at June 30, 2020	0	2,992	6,950	29,816	8,938	3,506	910	53,112

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

Notes to the Statement of Changes in Equity

In 2020, the company made distributions to shareholders of €2,054 thousand (previous year: €2,044 thousand).

Related Party Transactions

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

No related party transactions were carried out in the reporting period.

Supplementary Report

The company is not aware of other key events following the end of the fiscal year, which will affect the net assets, financial position and results of operations.

Berlin, August 12, 2020

First Sensor AG



Marcus Resch
Executive Board

Statement by the Legal Representatives (Responsibility Statement) in Accordance With Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 HGB

To the best of my knowledge, and in accordance with the applicable reporting principles for half-year financial reporting, the consolidated half-year financial statements give a true and fair view of the assets, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the rest of the fiscal year.

Berlin, August 12, 2020

First Sensor AG



Marcus Resch
Executive Board

Financial Calendar 2020

March 25

CONSOLIDATED FINANCIAL REPORT 2019

Publication of Consolidated Financial Report 2019 /
Financial Statement Press Conference

May 15

Q1 INTERIM REPORT 2020

Publication of Q1 Interim Report 2020

May 26

ANNUAL GENERAL MEETING 2020

Virtual Annual General Meeting

May 29

DIVIDEND PAYMENT

August 13

6-MONTH FINANCIAL REPORT 2020 / ANALYST CONFERENCE

PRESENTATION INTERIM REPORT AS OF JUNE 30, 2020
<https://webcasts.eqs.com/firstsensor20200813>

November 12

Q3 INTERIM REPORT 2020

Publication of Q3 Interim Report 2020

As we cannot rule out the possibility of delays, we recommend that you consult the latest set of dates at <http://www.first-sensor.com>.

This consolidated financial report is available in German and English. Both versions are also available for download on the internet at www.first-sensor.com.

First Sensor AG Investor Relations

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