First Sensor is now part of TE connectivity

Annual Report 2020

FIRST SENSOR AG, BERLIN

ABOUT THIS REPORT

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.

The reporting period is the financial year from January 1 to December 31, 2020. To ensure this report is as current as possible, it includes all relevant information available up to the Responsibility Statement dated April 22, 2021. The consolidated financial statements and the Group Management Report are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), as well as additional requirements pursuant to the German Commercial Code (Handelsgesetzbuch– HGB).

The internal control system (ICS) provides reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. To monitor the effectiveness of the ICS, accounting-related processes are regularly reviewed.

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

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1. TO OUR SHAREHOLDERS

1.1 FOREWORD BY THE EXECUTIVE BOARD

Dear shareholders and business partners,

In many respects, fiscal year 2020 was a very special one for First Sensor. Like all other companies, we too began the year with the task of dealing with the challenges of COVID-19 in a flexible manner and as quickly as possible, and of developing solutions. The pandemic is not only placing a strain on many of our customers and suppliers, it also requires targeted measures internally in order to protect our employees from being infected. The development of the operating business was affected slightly less by these circumstances than was initially feared. Sales reached €154.8 million and were therefore at the upper end of the guidance for fiscal year 2020. At 6.1%, the adjusted EBIT margin was also in line with the adjusted expectations.

The other major challenge besides the operating business concerned the process of integrating with TE Connectivity. In March 2020, TE became the majority shareholder, and the Annual General Meeting in May approved the control and profit transfer agreement. This created the conditions to begin the implementation of integration. Since then, professional integration management has been setting the course for the expansion of the joint business on all levels and in all areas. In the process, additional sales potential has been developed, product lines have been coordinated, and procurement has been optimized, for example. Alongside this, we are working on harmonizing all administrative areas in the Group as a whole. But corporate culture and corporate values are also increasingly merging.

Numerous benefits for both companies were identified as early as during the preparation and when implementation of the various integration measures began. In procurement, for example, First Sensor benefits from framework agreements that offer better terms together with the significantly larger TE organization than the smaller First Sensor could have negotiated on its own. In addition, certain First Sensor locations can take care of production steps for TE in future thanks to their special knowledge and skills. This will help to achieve better capacity utilization. At the same time, First Sensor is increasingly becoming part of the TE production network. For example, we are receiving the equipment required to set up a line at the AG location in Dresden from a TE location in Korea. Further processing of the components takes place at TE in France. Moreover, two production lines from TE in Dortmund are also to be relocated to First Sensor in Berlin by mid-2022. This will increase the importance of Berlin as a production location within the Group as a whole. On the other hand, the announced closure of the Puchheim location near Munich is painful, especially for the affected employees. However, the production steps located there can be carried out more cost-effectively at other First Sensor locations, thus strengthening the company's overall competitiveness.

The fact that this collaboration also opens up other options for First Sensor is demonstrated by another example. To enable the increased demand for pressure sensors for respirators to be met at the height of the pandemic, a TE location in Switzerland was called upon at short notice. The teams quickly pooled their expertise with no fuss in order to meet the expectations of the customers. With great success – that was even worth an award to the customer!

TE is also emphasizing its satisfaction with the business combination. In a message to employees, Thibault Kassir, Senior Vice President and General Manager of TE Sensors, was full of praise, saying, "the talents and skills that First Sensor brings to the table, the similar pressure portfolio, and the addition of optical sensors, which are completely new to TE, open up interesting possibilities for TE and have therefore created a great deal of enthusiasm among colleagues."

It is therefore only logical that First Sensor focuses on its strengths in the German-speaking part of Europe in future. The operating subsidiaries were sold to TE Connectivity in the last fiscal year, which means that they are able to offer their customers a far wider range of products. At the same time, they remain active in the market on behalf of First Sensor, thus ensuring our presence in North America and China, for example.

We have used the income from the sales to significantly reduce our external debt. With an equity ratio of 75.4% and a net cash position of €25.5 million, First Sensor has extremely solid balance sheet ratios at the turn of the year and is superbly positioned for future growth.

With this goal in mind, we also worked very hard to develop our product range in fiscal year 2020. For example, we were able to deliver the first surround view systems for special-purpose vehicles. The cameras, the embedded control unit (ECU), and the software that puts together the 360° view are in-house developments in accordance with the necessary standards for functional safety and qualification – a significant milestone for our development engineers. In addition, we developed a new generation of low-pressure and flow rate sensors that can cover particularly wide pressure ranges and thus replace multiple sensors with one sensor.

We are therefore confident that First Sensor will profit suitably from an economic upturn in the Industrial and Mobility target markets. In the Medical target market, on the other hand, there is unlikely to be a renewed boom for respirators in the further course of the pandemic. We are anticipating a significant fall in demand for pressure sensors here in comparison with the previous year.

With the measures for the business combination with TE Connectivity, the conditions have been created for success in fiscal year 2021 and beyond. First Sensor will seize the opportunities arising within the Group to achieve disproportionate growth on this basis and to further increase profitability in the long term. For fiscal year 2021, we are expecting sales of between €135 million and €145 million, which is lower than the previous year due to the sale of the foreign subsidiaries. The adjusted EBIT margin should reach between 2.0% and 4.0%. It will also be negatively impacted by integration costs in 2021. In the medium term, the prospects for First Sensor are still positive. The successful implementation of the strategy in the business combination with TE will show itself in substantial growth rates in terms of sales and earnings in future.

We would like to thank our shareholders, who paved the way for our business combination with TE last year. That was an important step in shaping our future and our success. We will seize this opportunity.

Your Executive Board

Sibylle Büttner | Robin Maly | Marcus Resch

1.2 REPORT OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

The Supervisory Board fulfilled its duties as prescribed by law, the articles of incorporation and the rules of procedure in full during the reporting year. It monitored and advised the Executive Board in the course of its management of the company on an ongoing basis, and regularly reviewed its activities. In addition, it was directly and closely involved at an early stage in all decisions of strategic and fundamental importance to the company. All relevant information in this connection was passed on promptly and extensively to the Supervisory Board. Over the course of the year, the Executive Board provided regular, prompt, and comprehensive information both in writing and verbally regarding the status of implementation of strategy and planning, the current business situation, the business development, and the economic situation. Deviations from planning and changes to targets in relation to the forecast business development and measures derived therefrom were communicated to the Supervisory Board by the Executive Board, explained, and discussed. Regular reporting also included the risk situation and risk management, as well as all relevant issues relating to compliance.

Eight ordinary and four extraordinary meetings were held in the past fiscal year. The unusual circumstances due to the coronavirus pandemic meant that the meetings from March 2020 onward were also held by video or telephone or in hybrid formats. In addition, resolutions were regularly prepared by telephone. The meeting attendance of the members of the Supervisory Board is broken down by individual member as follows. The attendance rate was 94.2%.

	Meetings of the Supervisory Board ordinary		Meetings of the Supervisory Board extraordinary	
	Quantity	in %	Quantity	in %
John Mitchell (Chairman, May 1 - October 31, 2020)	5/5	100	3/3	100
Peter McCarthy (Vice Chairman, since May 1, 2020)	6/6	100	3/3	100
Stephan Itter (since May 1, 2020)	6/6	100	*)	100
Dirk Schäfer (since May 26, 2020)	3/4	75	3/3	100
Tilo Vollprecht	9/9	100	3/3	100
Olga Wolfenberg	9/9	100	3/3	100
Jörg Mann (May 1, 2020 – May 26, 2020)	-	-	-	-
Prof. Dr. Alfred Gossner (Chairman until April 30, 2020)	3/3	100	-	-
Prof. Dr. Christoph Kutter (Vice Chairman until April 30, 2020)	3/3	100	-	-
Marc de Jong (until April 30, 2020)	3/3	100	-	-

Guido Prehn (until April 30, 2020)	3/3	100	-	-

**) Stephan Itter was unable to attend the extraordinary meetings in person but submitted votes in writing.*

Although the members of the Executive Board attended the meetings of the Supervisory Board, the Supervisory Board also regularly met without the Executive Board when discussing agenda items relating to the Executive Board or internal Supervisory Board matters.

The subject of all Supervisory Board meetings was the Executive Board's reports on the business situation of First Sensor AG and the Group, particularly the current revenue and earnings development and the financial position and net assets. The Supervisory Board obtained detailed information on and discussed the strategy and its implementation, important transactions, and the company's risk management. In addition, the Executive Board provided the Supervisory Board with monthly reporting with a comprehensive presentation of the First Sensor Group's current net assets, financial position, and results of operations, as well as risks including deviations from targets and detailed comments. The Chairman of the Supervisory Board also maintained regular contact with the Executive Board. The Executive Board promptly informed the Chairman of the Supervisory Board of significant events that were important for assessing the company's situation and development and for managing the company.

On the basis of the minutes and in discussion with the members of the Supervisory Board, I have satisfied myself that the following presentation in the Report of the Supervisory Board is accurate.

Topics of the Supervisory Board

At the ordinary Supervisory Board meeting on January 30, 2020, the Executive Board presented the provisional figures for fiscal year 2019 and discussed them in depth with the Supervisory Board. The current business situation was then discussed. The Supervisory Board also addressed questions relating to risk, compliance and quality reporting. Another topic was the discussion of the targets of the Executive Board and managers for 2019 and the variable remuneration tied to the attainment of these targets, as well as the draft of the targets for the new fiscal year. The Supervisory Board also discussed the progress of preparations for the merger with TE Connectivity. In preparation for the Annual General Meeting, the Executive Board and Supervisory Board discussed possible agenda items as well as advance planning for the Supervisory Board meetings in the period under review. The Executive Board also reported on ongoing legal disputes.

At the ordinary Supervisory Board meeting on March 19, 2020, the Supervisory Board began by discussing the current business situation with a focus on the outlook for the current fiscal year and, in particular, the liquidity situation of the Group with respect to the initial impact of the coronavirus pandemic. The Executive Board extensively discussed the measures taken to date in connection with the pandemic. Under the given circumstances, the Supervisory Board unanimously endorsed the proposal of the Executive Board that the distribution of a dividend of €0.20 per share be proposed to the Annual General Meeting and that the remaining retained earnings be carried forward. At the same meeting, the Supervisory Board discussed the financial statements and the combined management report for First Sensor AG and the Group as of December 31, 2019, and the 2019 Annual Report including the report of the Supervisory Board, the corporate governance report, the corporate governance declaration, and the remuneration report. The Supervisory Board also discussed the further progress made in the integration with TE Connectivity and Executive Board matters and approved an investment in capacity expansion.

At the ordinary meeting on April 14, 2020, the Supervisory Board determined the variable remuneration components for the Executive Board for 2019 and finalized the Executive Board’s targets for 2020. The Executive Board then reported on current business development and scenarios for potential future development with a view to the impact of the coronavirus pandemic. The Supervisory Board discussed the results of the assessment and the appraisal report in connection with the planned domination and profit and loss transfer agreement with TE Connectivity. In particular, the joint report by First Sensor AG and TE Connectivity Sensors Germany Holding AG was discussed in detail. The Supervisory Board conducted a detailed critical review of the methodology, assumptions and results of both reports and voted to approve the conclusion of the domination and profit and loss transfer agreement between First Sensor AG and TE Connectivity Sensors Germany Holding AG and the joint report. The Supervisory Board approved the proposal by the Executive Board to hold the Annual General Meeting as a virtual event in accordance with the German Act on Measures Combat the Effects of the COVID-19 Pandemic (C19-AuswBekG) as well as the draft agenda.

An ordinary meeting of the Supervisory Board was held on May 14, 2020. Following the appointment by court of the new members of the Supervisory Board, the meeting elected the Chairman and Deputy Chairman of the Supervisory Board. It also prepared the Annual General Meeting and agreed the dates for the current fiscal year.

At the ordinary Supervisory Board meeting on May 25, 2020, the afternoon before the Annual General Meeting, the Executive Board reported extensively on the current business situation. The Supervisory Board informed itself in detail about risk management and the current risk situation, QHSE (quality, health, safety and environment) management and compliance. As part of this process, the Supervisory Board also defined its preferred future reporting formats in greater detail. It then discussed Executive Board matters, including resolving to form committees in the future. The Supervisory Board also prepared for the Annual General Meeting.

Another ordinary meeting of the Supervisory Board was held after the Annual General Meeting on May 26, 2020. Following the election of new members of the Supervisory Board, the Chairman and Deputy Chairman were confirmed at this constituent meeting.

At the extraordinary meeting on July 7, 2020, the Supervisory Board approved the draft of the updated declaration of compliance with the German Corporate Governance Code and informed itself about the status of the entry of the domination and profit and loss transfer agreement in the commercial register.

At the ordinary meeting on August 11, 2020, the Executive Board reported extensively to the Supervisory Board on the current business situation. The Supervisory Board also adopted the rules of procedure for the Supervisory Board. The Supervisory Board then resolved the formation of an Audit Committee and a Human Resources and Nomination Committee, as well as the composition of the committees and their rules of procedure. The amended declaration of compliance with the German Corporate Governance Code and the quota of women for the Executive Board and the Supervisory Board were then resolved. Another topic of this meeting was information on the integration with TE Connectivity.

At the extraordinary meeting on September 9, 2020, the Supervisory Board informed itself about the details of the planned sale of the subsidiaries in the U.S. and France to TE Connectivity and discussed the various aspects of this transaction in detail. The resolution on the changes was passed at the extraordinary Supervisory Board meeting on September 16, 2020.

At the extraordinary meeting of the Supervisory Board meeting on October 15, 2020, the Executive Board provided detailed information on the current business situation, and in particular the impact of the coronavirus pandemic on the individual product areas, locations, and target markets. In addition, the Supervisory Board informed itself about the status of the action for annulment against the domination and profit and loss transfer agreement. The Executive Board also reported on ongoing legal disputes. On November 9, an investment project was approved by way of a resolution passed by circulation.

At the ordinary meeting of the Supervisory Board on December 8, 2020, the Supervisory Board began by discussing the details of the planned sale of a further three subsidiaries to TE Connectivity and approved these transactions. The Executive Board then provided detailed information about the current business situation and answered the Supervisory Board's questions. The plan for fiscal year 2021 was then discussed in depth and authorized by the Supervisory Board. The Supervisory Board approved the Executive Board's plan to acquire the minority interests in a subsidiary. The Supervisory Board also informed itself about the progress of the integration. With regard to the Annual General Meeting 2021, the Supervisory Board approved the Executive Board's proposal that this be held as a virtual event. The Supervisory Board then informed itself about topics relating to risk management, quality management, and compliance. With regard to the upcoming audit of the financial statements, Karsten Bender and Thorsten Sommerfeld from the auditing company Ebner-Stolz GmbH & Co. KG provided information on the planned priorities for the audit. Finally, the Supervisory Board discussed its efficiency and procedures and determined them to be good and efficient.

In addition to the meetings, a range of discussions regarding operational and strategic matters were held between the Executive Board and members of the Supervisory Board.

<u>The work of the Supervisory Board</u>

The Supervisory Board regularly discussed the regulatory frameworks for the composition of the Supervisory Board, in particular the targets approved by the Supervisory Board for its composition, including the competence profile and diversity concept for the Supervisory Board.

In accordance with statutory regulations, the auditors Ebner Stolz GmbH & Co. KG, Berlin, was appointed by the Annual General Meeting on May 26, 2020, and instructed by the Supervisory Board to audit the annual financial statements and consolidated financial statements for fiscal year 2020. Prior to this, the Supervisory Board had obtained a declaration of independence from the auditors. It then determined the priorities for the audit and established the fee. The Supervisory Board also addressed the accounting and accounting process, the effectiveness of the internal control system, and the company's risk management.

The members of the Supervisory Board are solely responsible for ensuring that they obtain the basic and advance training they need to carry out their duties, in relation to changes to statutory frameworks, for example, and will be supported by the company in this. An efficiency review of the Supervisory Board’s activity was conducted. This did not give rise to any anomalies or a clear need for improvement.

All members of the Supervisory Board have enough time to fulfill their mandates. They always had sufficient opportunity to deal with and discuss the reports and draft resolutions submitted by the Executive Board before the meetings and in their plenary sessions.

<u>The work of the committees</u>

The Supervisory Board resolved the establishment of an Audit Committee and a Human Resources and Nomination Committee at its meeting on August 11. The committees each comprise two members of the Supervisory Board and are tasked with preparing the resolutions of the Supervisory Board. In fiscal year 2020, the members of the Human Resources and Nomination Committee were John Mitchell (Chairman) and Peter McCarthy an. The members of the Audit Committee were Stephan Itter (Chairman) and Dirk Schäfer. The committees did not meet in fiscal year 2020.

<u>Annual and consolidated financial statements</u>

The auditors, the auditing company Ebner Stolz GmbH & Co. KG, Berlin, audited the annual financial statements and consolidated financial statements and the combined management report for First Sensor AG and the Group for fiscal year 2020, and granted each an unqualified audit opinion. The auditing company Ebner Stolz GmbH & Co. KG, Hannover, has acted as the auditors for First Sensor AG and the Group since fiscal year 2013. Karsten Bender has been a signatory as an auditor and Thorsten Sommerfeld has been a signatory as the auditor responsible for the audit since fiscal year 2020. The annual financial statements for First Sensor AG and the combined management report for First Sensor AG and the Group were prepared in accordance with German legal regulations. 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 pursuant to 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 established by the German Institute of Accountants (IDW). The cited documents and the Executive Board's proposal for the appropriation of retained earnings were distributed to the members of the Supervisory Board in advance. The annual financial statements, consolidated financial statements, combined management report and the proposed dividend distribution were discussed in detail in the meeting on April 22, 2021. In particular, the Supervisory Board dealt with the particularly key audit matters described in the respective auditors' report, including the audit activities undertaken. The discussion of the Supervisory Board also covered the non-financial information for First Sensor AG and the Group. The CSR report itself was not audited by third parties. However, the auditor satisfied itself that the related information was available, and the Supervisory Board reviewed the lawfulness, correctness, and expediency of the sustainability reporting.

The audit reports from the auditors were distributed to all members of the Supervisory Board and were discussed at length in the accounts review meeting of the Supervisory Board on April 22, 2021 in the presence of the auditors. The auditors also reported on the scope, the priorities and the key findings of their audit and were available for additional questions and information. In their discussions, they particularly focused on the particularly key audit matters and the audit activities undertaken. The report contained no references to material weaknesses in the internal control system and the risk management system. In this meeting, the Executive 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 annual audit. Based on the final result of its own review, it has no objections to raise. The Executive Board prepared the annual financial statements and the consolidated financial statements. The Supervisory Board approved the annual financial statements and the consolidated financial statements. The individual financial statements of First Sensor AG have thus been adopted pursuant to section 172 of the German Stock Corporation Act. The Executive Board proposes that the retained earnings be used to pay a dividend of €0.56 per eligible share. The Supervisory Board has approved this proposal.

Changes in the composition of the Supervisory Board and Executive Board

The Supervisory Board of First Sensor AG appointed Marcus Resch as the CFO of First Sensor AG with effect from March 14, 2020 until December 31, 2022. His area of responsibility initially encompassed the areas of finance and controlling as well as the human resources, IT, investor relations, legal, risk management, and compliance departments. Marcus Resch succeeded Dr. Mathias Gollwitzer, who stepped down from his position following the closing of the takeover bid by TE Connectivity Sensors Germany Holding AG. The Supervisory Board thanked Dr. Gollwitzer for his dedication and good cooperation.

Dr. Dirk Rothweiler stepped down as CEO with effect from June 30, 2020 in connection with the change of control following the acquisition by TE Connectivity Sensors Germany Holding AG. The Supervisory Board thanked Dr. Rothweiler for his dedication and his hard work in preparation for the merger. Marcus Resch additionally assumed this executive board responsibility starting from this date.

The four representatives of the previous shareholders on the Supervisory Board of First Sensor AG, Prof. Alfred Gossner, Prof. Christoph Kutter, Marc de Jong and Guido Prehn, stepped down with effect from April 30, 2020. They were replaced on May 1, 2020 by four court-appointed members of the Supervisory Board proposed by the shareholder TE Connectivity Sensors Germany Holding AG, three of whom were elected at the Annual General Meeting on May 26, 2020. One of the court-appointed members, Jörg Mann, announced his resignation for good cause before the Annual General Meeting, so that Dirk Schäfer was proposed to the Annual General Meeting for election in his place. In addition to the shareholder structure, the selection of potential candidates took into account the targets approved by the Supervisory Board for its composition, including the competence profile and diversity concept for the Supervisory Board. The terms of office of John Mitchell, Dirk Schäfer, Peter McCarthy and Stephan Itter will expire at the end of the Annual General Meeting that resolves on the approval of their actions for the fourth fiscal year after the start of their term of office (this is expected to be the 2025 Annual General Meeting).

At the constituent Supervisory Board meetings on May 14, 2020 and following the Annual General meeting on May 26, 2020, John Mitchell was elected as Chairman and Peter McCarthy was elected as Deputy Chairman of the Supervisory Board. The members of the Supervisory Board expressed their considerable gratitude to the departing members for their good and constructive work, in some cases over the course of many years.

Having left TE Connectivity, John Mitchell stepped down from his position as Chairman and member of the Supervisory Board with effect from the end of October 31, 2020. The Deputy Chairman, Peter McCarthy, will perform the tasks of Chairman until a new Chairman is elected by the Supervisory Board.

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

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

Berlin, April 27, 2021

Michael Gerosa

Chairman of the Supervisory Board

1.3 THE FIRST SENSOR SHARE

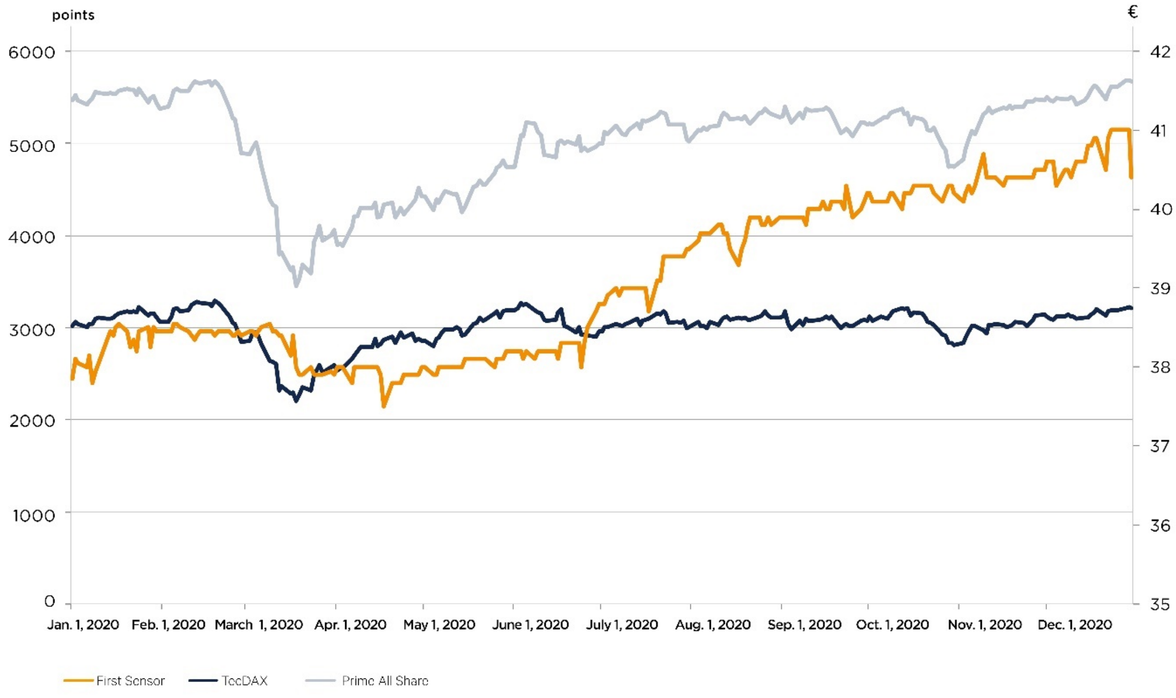
Stability in extraordinary times

As the year began, it took a few weeks for the financial markets to begin pricing in the extent of the impact of the pandemic. The indices reached new record highs on February 17, 2020, with the DAX coming in at 13,795 points, the TecDAX at 3,296 points and the Prime Standard All Share at 5,679 points. Around a month later, after it had become clear to most people that the coronavirus crisis constituted the greatest challenge to humanity since the Second World War, the DAX reached a low for the year of 8,257 points on March 19. This represents a loss of 40.1% compared with the February high, making it the biggest sell-off since the stock market crash of 1929. The TecDAX and the Prime Standard All Share also fell by 33% and 39% respectively.

This was followed by a spectacular recovery, with the DAX rising by 36% to 12,913 points in June. The TecDAX saw even more dynamic performance, all but returning to the level recorded prior to the March crash. Following another setback ahead of the US presidential election, the vaccine announcements triggered the fastest-paced November rally since the 1990s – a development that not even Brexit was able to shake. The DAX set an all-time record of 13,903 points on December 29. Compared with the end of the previous year, it closed the pandemic year of 2020 up 3.5% at 13,718 points. The TecDAX rose by as much as 4.9% over the course of the year, while the Prime Standard All Share climbed by 2.6%.

Although the conditions made for a highly volatile environment, First Sensor's shares enjoyed comparatively stable performance in the past fiscal year. They began the year at €37.90 and fell only slightly below this level during the subsequent months. While the DAX lost more than 40% in March, First Sensor's shares continued to trade at around €38.00, not reaching their low for the year of €37.50 until April 17, 2020. From June onward, they continued on their moderate upward trend and closed the year at €40.40. This corresponds to growth of 6.6% over the course of the year. The trading volume of the shares declined significantly due to the acquisition of 71.87% of the shares by TE Connectivity in March 2020. In 2020, an average of just 4,500 shares changed hands every day on the Xetra trading system (previous year: 14,384 shares).

Performance 2020



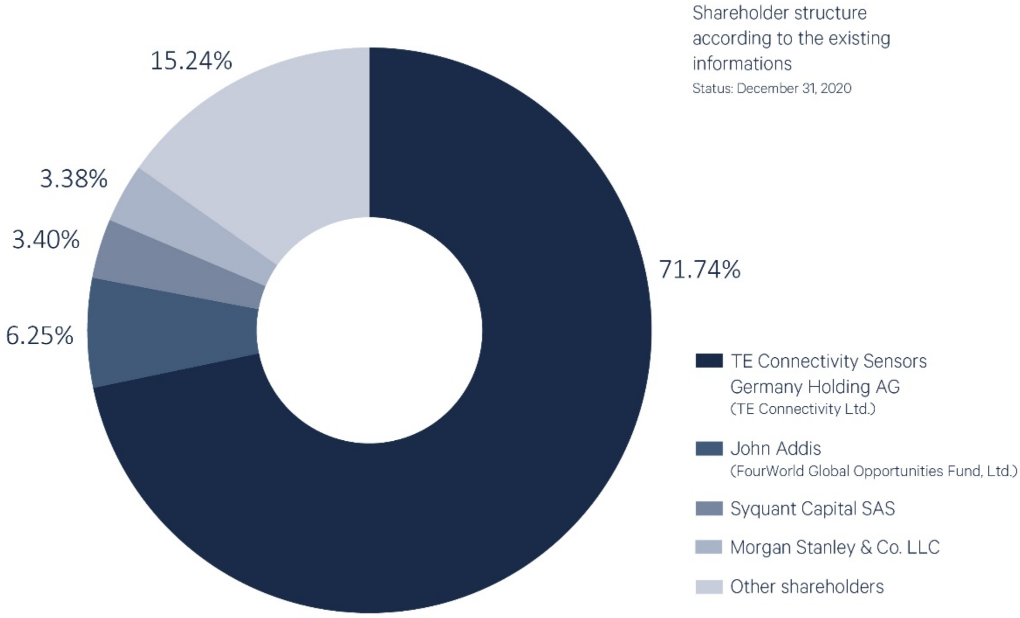
Key figures for First Sensor shares

in € thousand, unless otherwise indicated	Dec. 31, 2019	Dec. 31, 2020	Δ	Δ %
Share capital (€)	51,346,980	51,444,480	97,500	0.2
Number of shares (weighted, diluted)	10,269,396	10,288,896	19,500	0.2
Number of shares (basic)	10,365,219	10,304,360	-70,276	-0.7
Earnings per share (€, diluted)	0.22	5.09	4.87	2,213,6
Earnings per share (€, basic)	0.22	5.09	4.87	2,213,6
Year-end price (€), XETRA closing price	37.85	40.40	2.55	6.7
Highest price (€)	38.50	41.00	2.50	6.5
Lowest price (€)	17.35	37.50	20.15	116.1
Market capitalization[1]	388,697	415,833	27,136	7.0
Dividend per share (€)	0.20	0.56[2]	0.36	180.0
Total dividend (€)	2,053,879	5,761,782[1]	3,707,903	180.5
Average trading volume per trading day[3]	14,384	4,503	-9,881	-68.7

[1] Based on number of shares as of Dec. 31. 2020 [2] Subject to approval by the Annual General Meeting [3] Based on number of shares traded on Xetra

The company's share capital amounted to €51, 444,480.00 as at the end of the reporting period (previous year: €51, 346,980.00, +0.5%), divided into 10, 288,896 (previous year: 10,269,396) no-par value bearer shares each with a notional interest in the share capital of €5.00. The difference of 19,500 shares is due to the exercise of share options in the past fiscal year. The Executive Board and the Supervisory Board of First Sensor AG intend to propose the distribution of a dividend of €0.56 gross per share in circulation to the Annual General Meeting on June 24, 2021. Provided the Annual General Meeting approves this proposal, the dividend will be paid on June 29, 2021.

Shareholder structure according to available information



As of January 1, 2020, DPE Deutsche Private Equity GmbH was the largest shareholder of First Sensor AG via FS Technology Holding S.à.r.l. and held 40.1% of the shares. Teslin Capital Management BV held 13.5% of the share capital via its funds Midlin NV and Gerlin NV. These shares and other shares submitted to the takeover bid were transferred to TE Connectivity in March 2020.

Following the closing of the takeover by TE Connectivity Sensors Germany Holding AG on March 12, 2020, it held 71.87% of the shares as the largest shareholder of the company. Due to newly issued shares, the percentage fell and stands at 71.74 percent as of December 31, 2020.

1.4 NON-FINANCIAL REPORTING (CSR-REPORT)

Declaration of Compliance of First Sensor AG for Fiscal Year 2020

Dear shareholders and business partners,

The year 2020 upset many familiar routines. Infection protection dominated many decisions, whether in favor of working from home and lessons via digital technology or against vacation trips and attending major events. The environment has benefited, as CO_2 emissions were well below the target levels for climate protection. It was and is a period of economic and technological upheaval, with increasing numbers of people desiring a more sustainable economic system and way of life at the same time. ESG (environmental, social, and governance) concerns, have now arrived in the mainstream of the capital market. Besides environmental aspects, the coronavirus pandemic also had an impact on social issues. The distribution of the vaccine, which is still scarce in this initial phase, demands fairness across national borders. And, last but not least, the financial scandal surrounding Wirecard put the issue of "good governance" in the spotlight. In 2020, sustainability, in all of its facets, took its place at the heart of society.

In this CSR report we will again disclose the aspects that are of particular significance within our company. The term CSR, i.e. corporate social responsibility, encompasses more than environmental protection measures. It is rather a question of acting in a sustainable manner and taking responsibility for our company's impact on society. In view of this, our CSR activities are oriented toward a long-term contribution rather than short-term effects.

When preparing this report for the period from January 1 to December 31, 2020, we were once again guided 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 Annual Report 2020. 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 coherent for readers. We thank you for your interest.

The First Sensor CSR Team

Main issues

General information

As at December 31, 2020, the First Sensor Group consists of the parent company First Sensor AG, based in Berlin, and three subsidiaries (GRI 102-1). The company has been listed since 1999. Since 2020, TE Connectivity Sensors Germany Holding AG has been the largest shareholder in First Sensor AG with nearly 72% (GRI 102-5); there is a profit and loss transfer agreement in place between the companies.

In fiscal year 2020, First Sensor generated sales of €154.8 million with an average of 962 employees (862 FTEs) (GRI 102-7). The DACH region accounted for 51.3% of sales, while sales generated from customers in the rest of Europe accounted for 21.1%. 10.1% of sales are attributable to North America and 16.8% of sales were generated in Asia (GRI 102-6). As at December 31, 2020, the Group's total assets amount to €179.8 million, while the equity ratio stands at 75.4% (GRI 102-7).

In the growth market of sensor systems, First Sensor develops and manufactures standard products and customer-specific solutions for the ever-increasing number of applications in the Industrial, Medical, and Mobility target markets (GRI 102-6). The portfolio of standard products is supplemented by products from partner companies.

First Sensor is characterized by two core competencies within these fields. Firstly, the company specializes in detecting physical parameters thanks to the design and manufacture of its silicon-based sensor chips. Secondly, it uses its expertise in microelectronic layout and connection technology to continue to process the sensor chips with the best "form factor" for the application. In this context, First Sensor is an expert in the areas of photonics, pressure and advanced electronics. In addition, First Sensor is generating growth in its target markets through new applications such as system solutions (so-called sensor systems), for example. They not only measure but also respond intelligently to the measurement results and communicate with other systems (GRI 102-2).

As the use of some products for military purposes cannot be ruled out, First Sensor supplies customers abroad in compliance with sanctions and export control restrictions. To this end, First Sensor checks both during the process of initiating new business and before delivery with the aid of technical product parameters, information about the customer, and evidence of intended use, effectively preventing the inadmissible supply of products in the event of anomalies (GRI 102-2).

Employees (GRI-102-8)

In the context of the coronavirus pandemic, the number of employees at First Sensor fell slightly in 2020. The number of permanent employees declined by 4.7% to 862 FTEs (full-time equivalents). The proportion of women remained largely stable at 34.9% (previous year: 35.5%). To handle fluctuations in utilization and temporarily fill vacant positions, First Sensor works with temporary employment agencies that meet general quality standards. It is not uncommon for the temporary staff employed to subsequently enter into an employment relationship. However, due to measures such as short-time working in particular, the proportion taken on permanently in the last fiscal year amounted to only 11.1%.

Number of employees	Permanent employees (m/f/d)	Temporary employees (m/f/d)
Germany	534/247/0	37/83/0
Rest of Europe	28/2/0	1/9/0
North America	15/06/0	0/0/0
Total	**577/255/0**	**38/92/0**

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, as far as possible. This approach stems from our conviction that the happiness of employees has a direct effect on their level of commitment and motivation. The proportion of part-time employees fell to 13.5% in fiscal year 2020 (previous year: 15.5%).

	Full-time employees (m/f)	Part-time employees (m/f/d)
Germany	565/308/0	14/11/0
Rest of Europe	32/11/0	0/0/0
North America	15/06/0	0/0/0
Total	**612/325/0**	**14/11/0**

Strategic analysis and measures

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 as sustainable business practices contribute to orientating the company for a successful future as well as making it an attractive employer and a good neighbor at its locations.

In addition to the traditional areas, such as energy conservation measures and the reduction of water consumption or prevention of waste, many locations engage in lively dialog with their local areas. It was possible to implement various formats in 2020, even under pandemic conditions, such as a blood donation drive at the Berlin-Oberschöneweide location. Girls Day, the idea of which is to get young women involved in STEM careers, and the Long Night of Industry, aimed at the interested public in general, had to be postponed. The bottom-up approach is also to be further developed and harmonized with TE Connectivity's Group standards in future (GRI 103-2) with the aim of defining a common strategy for the entire Group (GRI 102-14).

First Sensor also uses its products to make a contribution to sustainable development, for example, in medical technology or in looking for solutions for safer and more environmentally friendly mobility. Sustainability is also important because it provides business opportunities. The corresponding risks are carefully minimized and monitored.

Transparency, as provided by this report for example, is important to the company. This is one reason why First Sensor actively seeks dialog with its stakeholders based on the belief that understanding and trust can only grow through dialog (GRI 103-2).

Internal guidelines were adopted some time ago in order to give this trust a basis. These guidelines encompass not only the mission statement and values of the Group, presented in a way that is understandable for everyone, but also include a code of conduct that stipulates how it should deal with customers, suppliers, employees and other stakeholders. This means that every employee and every manager knows the expectations of the company in terms of the legal and ethical standards of their actions.

Furthermore, the standards First Sensor applies orient it toward internationally recognized principles and guidelines (GRI 102-12). These include:

– The German Corporate Governance Code

– The Universal Declaration of Human Rights

– ILO Core Labor Standards

– The UN Guiding Principles for Business and Human Rights

– The ten principles of the UN Global Compact

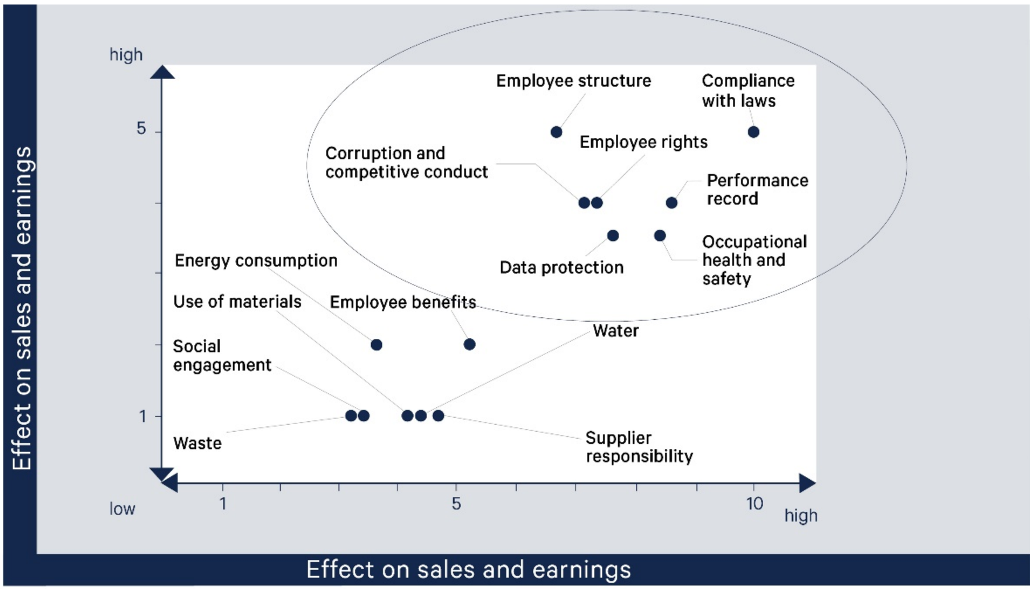
The sustainability report is not audited by third parties. However, the Supervisory Board reviews the lawfulness, correctness, and expediency of the sustainability reporting in accordance with the legal provisions (GRI 102-32).

Opportunities and risks

As a listed company, First Sensor has established a risk and compliance management system as an integral part of corporate governance (GRI 102-11). First Sensor AG's Executive Board is responsible for ensuring it is effective, while the Supervisory Board advises on and monitors this.
At First Sensor, risk and compliance management are linked together and mapped in a permanent Group-wide Enterprise Risk Management (ERM) process covering all locations and business divisions. The Group's opportunity situation is also surveyed quarterly in a systematic process in and parallel to the risk situation and incorporated into business decisions.

Materiality

As a foundation for the development of a sustainability strategy, First Sensor carried out a materiality analysis by means of a structured survey of internal stakeholders (employees, managers, and works council) and external stakeholders (representatives of customers and suppliers, partners, associations, and politics, the general public and the capital market) (GRI 102-15). In 2018, the analysis was expanded to evaluate the influence of individual factors on the company. The combination of sales and earnings was used as an equivalent measure of performance (GRI 102-49). As neither the stakeholder structure nor First Sensor's focus has changed significantly since then, this materiality analysis continued to be taken as a basis for First Sensor's CSR alignment in fiscal year 2020.



The graphic shows the result of the materiality analysis: The summary assessment of all stakeholders was mapped on the x-axis and the identified possible effect on sales and earnings on the y-axis. All the issues in the circled area are top issues that First Sensor is focusing on in particular.

Taking the impact assessment into account, the following issues remain of particular importance for First Sensor (in descending order of importance):

– Compliance with laws

– Employee structure

– Performance record

– Employee rights

– Corruption and competitive conduct

– Data protection

– Occupational health and safety

These issues were allocated to the following blocks:

Economic performance

–Performance record (GRI 201)

Society

– Occupational health and safety (GRI 403)

– Employee rights (GRI 202-1, 401-3, 402-1, 404, 405, 406)

– Employee structure (GRI 401-1)

Compliance

– Compliance with laws (GRI 307, 419)

– Data protection (GRI 418)

– Corruption and competitive conduct (GRI 205, 206)

Some issues that were classified as less relevant in the materiality analysis will nevertheless be followed up. First Sensor believes that sustainable actions start as early as when selecting business partners. Therefore the focus on suppliers' responsibility for environmental and social matters will be maintained (GRI 308, 414).

The materiality analysis is to be regularly reviewed in terms of the selected criteria and their potential effect on the development of the company in order to adjust the strategy and measures initiated where necessary in the event of significant changes.

Goals

In accordance with the analysis of material aspects, First Sensor will develop goals for the short and medium-term focus of the associated activities (GRI 103-2). In light of the business combination with TE Connectivity, this is also part of the integration processes.

Depth of the value chain

As a manufacturer of chips, sensors and sensor systems, First Sensor purchases considerable amounts of raw materials, components and services from suppliers (GRI 102-9). The total volume amounted to €70.9 million in 2020 (previous year: €75.3 million). Sustainability is playing a steadily growing role in First Sensor's business relationships, because customers are increasingly including the company in the implementation of their sustainability strategies, and First Sensor is in turn calling upon its suppliers to collaborate on the achievement of sustainability targets (GRI 103-2). This ensures that aspects pertaining to sustainability are actively anchored throughout the entire value chain.

Customers often expect a declaration of compliance with a code of conduct as soon as business relations are initiated, but also in contracts. First Sensor therefore also includes suppliers in its sustainability strategy (GRI 103-2). As a result, this is a concrete element of procurement management to oblige suppliers to comply with certain minimum standards. Before a business relationship is commenced, potential suppliers receive a comprehensive questionnaire which, in addition to general company information, also contains questions on aspects such as procurement, warehousing, and packaging policies, environmental management, and dealing with the RoHS and REACH directives, as well as a statement on the Dodd-Frank Act. In addition, new supply partners must agree to follow the code of conduct for suppliers, unless they have established an adequate code of their own. Suppliers undergo inspections during supplier audits (GRI 102-10). These inspections look at issues such as the ecological quality of upstream products and suppliers' compliance with minimum social and environmental standards (GRI 413-2).

Another positive aspect in terms of sustainability is the long service life of First Sensor products. As "distributors" within the meaning of the regulations, customers are conscientiously informed about responsible disposal. In accordance with the requirements of the German Electrical and Electronic Equipment Act (ElektroG), First Sensor has registered with the national register for waste electric equipment (stiftung ear) 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).

Responsibility

The subject of corporate social responsibility (CSR) and the responsibility for the development of a sustainability strategy rests with the Executive Board. The large number of Group-wide activities is managed by various departments. Monitoring and management of ecological aspects and compliance are focus areas of the Corporate Quality, Safety, Health and Environment (QSHE) department, while social issues are assigned to the areas of HR and Corporate Communications (GRI 102-20). The entire team develops the CSR strategy in accordance with the triad of economic, environmental and social responsibility and is in charge of its implementation (GRI 102-26). It is responsible for communicating the objectives agreed upon with the Executive Board and attracting the necessary level of attention at all levels of the company. The business combination with TE Connectivity will lead to a harmonization of Group guidelines in this respect in 2021.

The team also launches new projects, reports on their status, initiates measures and coordinates their implementation within the company.

In accordance with the legal provisions, the Supervisory Board reviews the lawfulness, correctness 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).

Rules and processes

First Sensor uses a management handbook to implement regulations and processes that are applicable across the Group. This instrument is also suitable for supporting the implementation of a sustainability strategy (GRI 103-2). Based on the principle"as centralized as necessary, as decentralized as possible," rules, processes and structures that clearly regulate responsibilities across the Group in the form of guidelines and clear instructions are provided for various areas here.

Control

First Sensor AG is currently engaged in a process of gradually defining performance indicators for the material action areas identified (GRI 102-31). Besides economic performance, the issues that were identified as part of the materiality analysis also include society and compliance. Parameters that are expected to help with management and monitoring of the issues are to be part of future reports.

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. First Sensor effectively fulfills the requirements of the code, providing reasons for any deviations in the annual declaration of compliance.

First Sensor has Group-wide guidelines that describe its values, principles and standards and are binding for all employees (GRI 102-16). This includes the mission statement, which sets out the jointly defined Group-wide values of innovation, excellence and proximity for the company. In addition, the Code of Conduct describes First Sensor's expectations of honest work, i.e. legally correct work characterized by ethical principles. It furthermore contains information on the various ways to provide information, including anonymously, to the responsible person at First Sensor in the event that violation of the code or compliance requirements is suspected. There are plans to harmonize the existing guidelines at Group level as part of the integration with TE Connectivity.

In addition, a supplier code has been developed based on the Code of Conduct which expresses the expectation that suppliers and business partners should also align their actions with the principles of the Code of Conduct. In 2020, First Sensor began to check compliance with the supplier code as part of supplier audits and to evaluate them systematically. In 2021, it plans to adopt the guidelines of TE Connectivity.

In important cases, such as suspected compliance violations by members of the Executive Board, the Supervisory Board is informed directly. This also applies for any concerns that employees may have regarding the implementation of the sustainability system (GRI 102-33). In fiscal year 2020, there were no suspected cases or findings reported to the Supervisory Board (GRI 102-34).

Incentive systems

The remuneration system for the Executive Board of First Sensor AG is intended to promote value-oriented business management geared toward sustainably increasing the company's success. This includes remuneration in line with the market and an incentive system that is geared toward the achievement of ambitious and not only 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 targets on an annual basis that were agreed upon. The elements of the remuneration system also include a long-term component in the form of share option plans or comparable instruments. Further details can be found in the consolidated management report and the remuneration report (GRI 102-35). It is intended that a new remuneration system will be presented to the shareholders at the 2021 Annual General Meeting for approval.

In addition to a fixed salary, the company's managers, as well as some employees, also receive variable remuneration based on the achievement of company goals as well as operating and personal objectives. Members of the Supervisory Board are remunerated as established in the Articles of Association. There continues to be no provision for a component oriented toward sustainability here.

Performance-oriented remuneration in line with the market is important to First Sensor (GRI 102-36). Otherwise, it would not be possible to ensure the company's need for motivated staff in the competition for talented employees. However, the company still does not consider a vertical comparative analysis between the highest remuneration within the company and that of other employees (GRI 102-38) to be an appropriate way to assess the fairness of First Sensor's remuneration system.

Stakeholder participation

Dialog with stakeholders with regard to economic, environmental, and social issues is the responsibility of the Executive Board (GRI 102-21). If required, the Supervisory Board is also available to answer any questions, e.g. for investors, as stipulated in the Corporate Governance Code. This dialog is an integral part of the management agenda.

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

As an employer, the Group has a social commitment and seeks to employ the best employees in a market where there is a shortage of specialists. Participation in job and trade fairs allows the company to position itself as an attractive employer. In fiscal year 2020, the company participated in only three job fairs and seven national and international trade fairs, partly in virtual form, owing to the coronavirus pandemic. 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 immediate environment at its different locations and has contact with the authorities and the respective local neighborhoods. Various formats exist to keep these different stakeholder groups adequately informed and promote dialog. For the acquisition of young talent, these include Girls Day, Parents on Tour activities, student internships, open days and close contact with local universities. In fiscal year 2020, it was predominantly possible to implement only those measures that could proceed hand in hand with hygiene protection precautions, e.g. numerous internships. Furthermore, First Sensor is also particularly engaged on a social level, supporting, for example, schools and charities with which it has a specific connection via its employees.

Last but not least, the capital markets and financing banks are informed about First Sensor's sustainability policy comprehensively and in good time. In accordance with the disclosure requirements relevant to listed companies all relevant information is also available on the company's website. Shareholders can also exercise their rights of information and consultation directly at the Annual General Meeting. The company presents itself and, there, also discusses aspects of sustainability at events for investors and media representatives, such as the annual press conference and analyst events.

Product and innovation management

First Sensor develops sensors and sensor solutions, from the chip to the entire sensor system. In fiscal year 2020, €9.7 million was invested in research and development (previous year: €10.2 million). With its products, the company also supports its customers in making their processes more efficient and environmentally friendly, by providing greater energy efficiency and ensuring reduced emissions, for example.

In several decentralized applications, energy consumption is a key criterion to fulfill customer requirements and secure 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, despite First Sensor's contribution the energy consumption of applications in which sensors and sensor systems are ultimately used is often several times higher. Overall, the contribution towards energy savings from First Sensor only fluctuates in the permille range compared with the energy requirements of the end products (GRI 302-4). The social and environmental impacts of the key products have not yet been determined (GRI 416-1).

With regard to its own activities, the company focuses on reducing environmental impacts by using energy, resources and materials as efficiently as possible, especially in production. The employees make a significant contribution when it comes to potential improvements. Thanks to an extensive knowledge of the processes, their ideas can provide vital information. Therefore, a software-based system was developed for a company suggestions scheme that provides a structure for examining employees' suggestions for improvements and implements those deemed suitable for operations with the employees. This system is being introduced for the pilot location Berlin-Weißensee and is subsequently also to be used by other locations. 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 economic interest.

Product specifications are very closely aligned with customers and market requirements during development in order to rule out use of the products having a negative impact on customers and the environment.

Environment

Use of natural resources

Two production locations (First Sensor AG, Berlin-Weißensee location, First Sensor Microelectronic Packaging GmbH) have already implemented an environmental management system in accordance with ISO 14001. Beyond this, however, the potential for First Sensor to have an influence along the value chain is limited. It is therefore not possible to use raw materials obtained from a recycling process, for instance (GRI 301-2). The company does not collect information about the resource consumption of its products in customer applications, such as energy consumption (GRI 301-2).

The question about what environmental impacts the company's activity has cannot currently be answered in detail as of yet either (GRI 103-2). As the materiality analysis has not given any indication of the increased relevance of issues such as input and output of water, land, waste, energy, surfaces, biodiversity, and emissions for the lifecycle of products and services, these issues were deferred initially. However, since 2020 data on 14 aspects from the areas of water, waste and energy has been gathered on a regular basis and evaluated by TE Connectivity.

The responsibility of suppliers for environmental issues is a concrete element of the procurement process (GRI 308-1). Inquiries are made regarding aspects of environmental management via supplier self-disclosure and provide an indication of where there are actual or potential adverse effects on the environment due to suppliers' activities. On this basis, steps can be taken to prevent, reduce or eliminate these impacts. The set of criteria is continually reviewed.

Resource management

First Sensor identifies the qualitative and quantitative objectives the company would like to use to achieve resource efficiency, for the use of renewable energy, the increase in raw material productivity and decrease in the use of ecosystem services and how these objectives must be attained. As the materiality analysis does not identify a high level of relevance in this area either, the priority is to follow up on other issues for the time being. However, it is known from current surveys that no surface water, water from wetlands, rivers, lakes or oceans, groundwater, rainwater or waste water from other companies is used at the Group's locations – only water from the municipal suppliers (GRI 303-1).

Climate relevant emissions

Reducing greenhouse gas emissions as a result of energy consumption is a key aspect of climate protection and limiting climate change. However, internal and external assessments of this issue have not given any indication that First Sensor has an opportunity to make a material contribution here. Considerations as to how to save energy are nevertheless included at many points in the processes as this is necessary from an ecological and economic standpoint. Relevant values relating to emissions – with the exception of greenhouse gases caused by the use of certain coolants in air conditioning systems – are not systematically recorded at present (GRI 305-1).

SOCIETY

Employee rights

As a company whose highly qualified and motivated employees are a decisive factor for future success, First Sensor does not limit itself to compliance with only the minimum standards of national and international standards. The health of and professional training opportunities for employees are key issues, which are of significant importance in the area of strategic HR management in order to bind the best talents to the company in the long run. Of course, this includes anti-discriminatory recruitment and a work environment in which diversity is perceived as an asset every day (GRI 103-2, 406-1). The Diversity Charter was signed in 2018. Furthermore, the Code of Conduct expressly states that discrimination is not tolerated. No incidents of discrimination were reported in the reporting period.

The Group's companies are not bound by collective wage agreements. One Berlin location is subject to a time-limited company collective agreement. For the remaining locations, negotiations with the works councils are currently being held in order to replace the existing grading system with TE's global job framework methodology. The final implementation is planned for 2021. In addition, agreements are negotiated with the respective employee representation bodies and recorded in works agreements (GRI 102-41).

The materiality analysis assigned the aspect of occupational health and safety (GRI 403-1, -2, -3) a high priority. The physical well-being of employees and safety at work play a significant role within our HR work, too. All employees are made aware of and sensitized to the individual hazards at their place of work, which is supported by intensive training and seminars. First Sensor enacted an HSE management policy and implemented it at five locations at the beginning of 2019; implementation at the sixth location is planned for 2021. The policy creates a shared understanding, defines basic processes and stipulates powers and responsibilities with regard to the issues of occupational health and safety and environmental protection. In 2020, intensive audits were carried out at all German locations and identified potential for improvement. The findings, including shortcomings both in the management system and at operational level, are now being worked through. For example, holes in the CE conformity of the machinery are to be closed in order to increase safety. As all areas of HSE management are heavily regulated by law, the policy also ensures that these requirements are met. The effectiveness of the policy in practice is supported by the HSE software Quentic. This database tool provides a means to create legal, permit and hazardous materials registers. The program is also used to carry out the risk assessments required by law. All employees can complete their compulsory annual general occupational health & safety instruction online in Quentic, which ensures very high quality and saves resources.

Where required, employees are provided with appropriate personal protective equipment. Hazardous substances, such as those used in production, are labeled appropriately and according to regulations. This is to prevent chronic and acute illnesses. Noise is avoided as far as possible or appropriate protective measures taken. Of course, every employee is entitled to refuse to perform any work that he/she considers to be dangerous. At the same time, information of this kind is valuable because it highlights opportunities to identify weak areas and remedy them as soon as possible.

First Sensor is obligated to report accidents at work. However, the reporting obligation applies only to accidents that lead to an incapacity to work of more than three days (GRI 403-2). Monthly analyses are prepared in order to monitor occupational health and safety even more closely. In total, 127 reports were submitted in fiscal year 2020. 54 concerned "unsafe situations and near misses" and 73 concerned "real accidents". It was possible to handle 58 of these accidents with first aid, while 15 accidents resulted in a visit to the doctor's office and some loss of working hours.

Additional measures aimed at better protection of health have been introduced, particularly at the production locations. These include free fruit baskets and drinks, flu vaccinations, blood donation drives, additional clothing for industrial employees, hand sanitizers, and the organization and promotion of sports events (e.g. back training).

In fiscal year 2020, an operational coronavirus pandemic plan was implemented. It is based on the "Handbuch Betriebliche Pandemieplanung" (corporate pandemic planning handbook) from the Federal Office of Civil Protection and Disaster Assistance (BBK) and consists of team formation, risk analysis and assessment, derivation of measures, and a communication concept. Building on that, a hygiene concept, corresponding checklists, and information materials were developed and implemented. Thus it was possible to adopt differentiated measures in line with the assessment of the risk situation and equip the employees with filtering facepieces or FFP2 masks, for example.

Equal opportunities

First Sensor supports all initiatives that contribute to preserving and promoting equal opportunities and diversity within the company. Equal opportunities do not only apply in relation to men, women, and other gender identities, but also in relation to younger and older employees and colleagues of different religions, cultural groups, and skin colors, for example. The impartial integration of people with disabilities in the work process naturally contributes to this as well.

Owing to the aging structure, it is also important to create the conditions required to help employees find a healthy work-life balance. This includes efforts to make individual working hours more flexible via flexitime, part-time, and temporary home-working solutions. Furthermore, it goes without saying that women and men receive the same wages for the same work. 34.9% of employees are women, which is an excellent ratio for a high-tech company. The new global job framework also creates the conditions for continuing to assess all positions within the company with zero discrimination.

In the 2020 calendar year, no information was requested in accordance with the German Wage Transparency Act. Since 2019, further information on pay transparency at First Sensor has been provided in an annual report, which is available on the website.

Since First Sensor currently has locations only in countries that have similarly high standards, the aforementioned declarations concerning equal opportunities affect all company locations (GRI 102-4).

The materiality analysis indicated that issues surrounding employee rights are highly relevant. These include the application of the German Minimum Wage Act, experiences of parental leave, the involvement of the works council in key organizational decisions, training and education, diversity within the corporate bodies and among employees, 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 into account all the relevant regulations, including in its own interest. Since 2019, one man and one woman have sat on the Supervisory Board as representatives of the employees.

Qualifications

Training and education is a high priority at First Sensor as it ensures that employees can always meet the increasing challenges of their professional environment. However, under the framework conditions of the pandemic, only €131 thousand (previous year: €466 thousand) was spent on relevant measures in fiscal year 2020 (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 staff members by also providing high-quality, needs-based training in the company's own ranks. First Sensor provides professional training for micro-technologists (21), industrial clerks (7), specialists in warehouse logistics (2), mechatronics engineers (1), and IT system integration specialists (1). Therefore, 32 apprentices were employed at the company at the end of 2020 (previous year: 30). First Sensor concentrates primarily on Berlin when fostering new talent; the apprentice ratio there is now 4.9%, which is still considerably higher than the average of 3.2% calculated for Berlin at the end of 2018. In Dresden the ratio is 5.4%, with ten apprentices at First Sensor Microelectronic Packaging GmbH, which merged with First Sensor AG in fiscal year 2020. Across all its German locations First Sensor is now achieving a ratio of 3.6%.

Only 31.3% of employees at the First Sensor Group are over 50 years old. Nevertheless, the Executive Board is aware that this is no reason to ignore the challenges of demographic trends in the long run.

Below 30 years of age	15%
Age 31-40	33%
Age 41-50	21%
Above 51 years of age	31%

At 38.1%, First Sensor has a comparatively high proportion of academics for a production company due to the high technological demands.

Human rights

The company's own Code of Conduct ensures that human rights, fundamental principles and employment rights are fully recognized, supported and promoted by First Sensor wherever possible. Among other things, this means the company's support for the protection of international human rights and its efforts to ensure to the best of its knowledge and beliefs that it is not complicit in human rights violations (GRI 412-2). Due to the regional distribution of the locations of First Sensor and the statutory provisions applicable there, it can be ruled out that the employee rights to freedom of association or collective bargaining could have been potentially violated or seriously threatened. The same applies to the business locations and, if applicable, to the investment agreements and contracts that do not contain any human rights clauses due to the regional focus of the business and/or that have not be reviewed in terms of human rights aspects as the appropriate standards can be expected (GRI 412-1, -3).

Suppliers from regions considered to be at risk in respect of human rights violations are reviewed as part of the usual supplier surveys (GRI 407-1). Relevant reviews can be carried out as part of the reorganization of supplier management (GRI 414-2). The intention to abolish all forms of forced labor and child labor and to eliminate discrimination in recruitment and employment are a matter of course. These principles are conveyed in the supplier code as expected behavior among partners in the supply chain.

Community

It is not only the shareholders of the listed stock corporation, but also many other groups that benefit from sustainable business development, including customers, employees, suppliers and, not least, society in general. Last year, a total of €18.9 million (previous year: €12.4 million) was paid in taxes in Germany alone. This amount comprises all types of taxes that First Sensor was required to pay. The materiality analysis concluded that the economic performance of First Sensor is extremely relevant for internal and external stakeholders.

The economic value generated and its distribution are shown below in the value added statement for fiscal year 2020 (economic value generated and distributed, GRI 201-1):

in € million	
Sales revenues	154.8
Financial results	-1.8
Other operating income	49.3
Achieved economic value	**202.3**
Operating expenses	-87.3
Depreciation and amortization	-11.5
Net economic value generated	**103.5**
Personnel expenses	-49.5
Financial expenditure	-2.0
Distribution to shareholders	-2.1
Payments to public authorities	-1.0
Donations	0.0*
Distributed economic value	**-54.5**
Balance retained by the company	**49.0**

* The amount of donations was €200. Due to the presentation in million euros, this results in a rounding to €0

This economic contribution safeguards jobs with First Sensor and its suppliers and enables shareholders to share in its economic success. Moreover, the company is supporting local charitable initiatives. Social activities are implemented in three main areas under the banner of "First Sensor helps." This includes (1) showing appreciation of voluntary work by employees via a donation to the organization they are supporting as well as (2) supporting activities at the locations, such as donating PCs to a local school, and (3) supporting an overarching social issue or a charitable organization. Voluntary work by employees (1) was supported in two cases in 2020. Support for activities at the locations (2) was continued in 2020 with support for three initiatives. Only measures for Group-wide social engagement were not implemented in 2020 (3).

Political influence

First Sensor does not exert political influence based on basic considerations and does not give donations to political parties (GRI 415-1). First Sensor is a member of various initiatives and associations. This network primarily serves for professional exchange, and there is no political influence connected with the membership (GRI 102-13).

COMPLIANCE

Compliance with the law and regulations

Compliance with the law is a top priority at First Sensor. This is in line with the materiality analysis, in which the issue featured as a prominent stakeholder interest.

In addition to the statutory framework, the specific expectations of the company with regard to 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. The content of the Code of Conduct covers all the key aspects: the general principles of conduct including non-discrimination, how to deal with business partners and third parties including information on competition law and anti-corruption, the prevention of conflicts of interest, how to handle (confidential) information, data protection, employee rights, and the environment, health and safety. The Code of Conduct can be found online. It 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 Code of Conduct is integrated in the structures and processes of the Group-wide risk and compliance management system (GRI 205-1). In addition, there is a procedure for reporting violations of the code (whistle-blowing), also confidentially or anonymously. In fiscal year 2020, three cases were reported, of which one resulted in disciplinary action (GRI 205-3).

The prevention of corruption is a particularly important part of compliance. Corruption is not just a trivial offense to give the company a supposed advantage in the short term. In reality, it represents a major risk because it can permanently damage the company's market position (GRI 205-1). Fairness towards all business partners, customers, suppliers, and employees is a condition for long-term corporate success. This is why a detailed section of the Code of Conduct has been dedicated to dealing with business partners and third parties. In particular, clear boundaries are formulated for the granting and acceptance of benefits which do not leave any room for interpretation and describe the clear expectation that corruption should be avoided. This expectation is communicated not only to all members of the Supervisory Board and the Executive Board as well as all employees and managers, but also to suppliers via supplier management and the supplier code (GRI 205-2).

No sanctions were imposed in connection with penalized legal violations or violations of economic or social provisions in fiscal year 2020 (GRI 419-1).

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

2.1 BASIC INFORMATION ON THE FIRST SENSOR GROUP

2.1.1 Group structure and business activities

Group legal structure

In the fiscal year 2020, the First Sensor Group (hereinafter also referred to as "First Sensor" or "the Group") consisted initially of the parent company First Sensor AG, based in Berlin, and nine subsidiaries in which First Sensor AG held all the shares or a majority stake. In the last fiscal year, five companies were sold to TE Connectivity and one company merged. An overview of shareholdings can be found in the Notes to the Consolidated Financial Statements under "Basis of consolidation." TE Connectivity Sensors Germany Holding AG has been the largest shareholder of First Sensor AG since 2020, with a stake of just under 72%. A control agreement has existed between the companies since July 6, 2020, and a profit and loss transfer agreement with effect from January 1, 2021.

Segments

First Sensor develops, produces and sells sensor chips, sensor components, sensors, and sensor systems. Sales are reported by target market (Industrial, Medical, Mobility) and geographically according to the origin of the customers (DACH, Rest of Europe, North America, Asia, Others). There is no segmentation in accordance with IAS 8, which is reflected in internal organizational and reporting structures and through which the Executive Board exerts control.

Locations

In 2020, the Group had nine development and production locations altogether. They specialize in different products and stages of the sensor systems value chain. Most development work and production takes place in Germany.

In the reporting period, there were locations in Berlin (Oberschöneweide and Weißensee), Dresden (Albertstadt and Klotzsche), Oberdischingen, and Puchheim. Added to these were the international locations Dwingeloo (the Netherlands), Westlake Village (USA), and Montreal (Canada). There are another seven locations that acted as sales companies in Paris (France), Shepshed (Great Britain), Valkenswaard (the Netherlands), Copenhagen (Denmark), Kungens Kurva (Sweden), Mansfield (USA), and Shanghai (China). The international sales companies ensured local proximity to customers in order to tap further market potential.

Owing to the sale of five subsidiaries to TE Connectivity, only the six German locations and the Scandinavian sales company were part of the Group as at December 31, 2020. However, the foreign companies sold remain interfaces to the market for First Sensor products and solutions independent of the Group structure.

Products, services and business processes

In the growth market of sensor systems, First Sensor develops and manufactures standard products and customer-specific sensor solutions for the ever-increasing number of applications in the Industrial, Medical, and Mobility 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 continue to process these chips with the best "form factor" for the application. System solutions for new applications in the target markets are an additional avenue of growth. These kinds of sensor systems do not just measure; they react intelligently to the results and communicate with other systems.

On this basis, First Sensor focuses on the product areas of photonics, pressure, and advanced electronics. In these areas, the Group develops, produces, and sells an extensive range of its own standard sensors. This range is supplemented by other sensors and complementary products from partner companies. Thanks to its years of expertise in sensor systems, First Sensor is also able to offer custom-tailored sensor solutions to meet the application-specific challenges posed by the products of key customers. 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 with system approaches. For this reason, product and technology development is a vital core process.

Processes ranging from market analysis to customer support and qualification all the way through to the conclusion of a contract are all combined within the Group's own sales organization. This organization comprises a key account management team specialized in markets and applications and a regionally focused sales force. The key account management team focuses on the sale of customer-specific sensor solutions. The regional sales organization concentrates on high-volume sales of standard products and also secures prospective solutions customers. The sales organization further encompasses the product management and marketing departments, and is supported by a global network of trading partners in a variety of countries.

At the time this report is being prepared, the products and processes are undergoing a strategic review in order to leverage further synergies from the business combination with TE Connectivity.

Sales markets

In the growth market of sensor systems, First Sensor focuses on customer-specific sensor solutions and standard products for the ever-increasing number of applications in the Industrial, Medical, and Mobility target markets. In the Industrial target market, the group generated sales of €76.8 million in fiscal year 2020 (previous year: €86.6 million), representing a share of sales of 49.6% (previous year: 53.7%). This decline is predominantly the result of the fall in demand caused by the coronavirus pandemic. In the Medical target market, sales amounted to €44.0 million (previous year: €35.4 million) or 28.5% of total sales (previous year: 22.0%). Here, First Sensor benefited from the higher demand for pressure sensors for respirators resulting from the pandemic. The Mobility target market generated sales of €34.0 million (previous year: €39.2 million), which equates to 21.9% of total sales (previous year: 24.3%). Corona-induced production closures lasting for weeks at virtually all automotive manufacturers worldwide are reflected here.

The occurrence of infection in the course of the pandemic, which varied from region to region, also had an impact on sales development in the different markets. Thus the group generated 10.1% (previous year: 13.4%) of its sales in North America and mainly in the USA. 16.8% (previous year: 15.8%) of sales were attributable to Asia, with a focus on China. First Sensor generated 21.1% (previous year: 23.4%) of sales in European countries. The biggest sales volumes were achieved in German-speaking countries. The share of sales attributable to the DACH region (Germany, Austria, Switzerland, Liechtenstein) was 51.3% (previous year: 46%) in fiscal year 2020.

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

External influences

External influences that cause a change in customers' demand-related behavior and regulatory frameworks are of key importance to First Sensor in both a positive and a negative sense.

With its focus on the three target markets of Industrial, Medical, and Mobility, First Sensor is playing its part in the rapidly growing number of sensor applications that are being developed for new functions as well as safety, comfort, and efficiency. In the Mobility target market, for instance, optical sensors and camera systems are contributing to the ever-growing use of driver assistance systems and (partially) autonomous functions. Pressure sensors are also required in plug-in-hybrid and electric vehicles if we want to engineer a low-emission age of mobility.

Technological progress is fueling demand for ever more complex solutions. Demand for advanced electronics and integrated solutions, for example, is increasing all the time. So, too, is the use of intelligent sensor systems, which can combine different types of sensors, analyze data independently, and share information with other systems.

First Sensor focuses on sales markets that are essentially subject to economic cycles. These can either strengthen or curb its growth. Diversification into different technology-oriented sectors means, however, that economic fluctuations in individual industries should have only a limited influence on the business as a whole.

2.1.2 Targets and strategies

Strategic orientation of business units

First Sensor pursues a profitable growth strategy. The company is working to generate and utilize economies of scale via five pillars, which are (1) target markets, (2) key customers and products, (3) forward integration, (4) internationalization, and (5) operational excellence.

Within the first pillar, the company is already participating in the growth of the technologically driven Industrial, Medical, and Mobility target markets. The importance of sensor systems is continuing to grow, driven by megatrends such as Industry 4.0, digital and miniaturized medical technology, and the dawning of a new era of mobility featuring partially and fully autonomous, low-emission vehicles. First Sensor will also reap the benefits of these trends going forward.

In all three target markets, First Sensor is focusing on key customers and key products as the second strategic pillar for profitable growth. Key customers are customers that purchase high unit quantities. First Sensor develops tailored solutions for them and supplies large volumes over a long period of time. The high cost of acquiring customers and development work is offset by attractive economies of scale and orders spanning several years. This cooperation also lays the foundations for long-term and trusting partnerships, through which new projects can be developed with significantly less expense. Smaller customers or customers with lower unit quantities rely on key products from the standard portfolio as developing customer-specific solutions is often not efficient for them. Nevertheless, it is possible to derive modifications to standard products from the company's platform strategy, which is an important feature that distinguishes First Sensor from the competition.

With regard to the third pillar of the strategy, First Sensor is pressing ahead with forward integration along the value chain as an expert in photonics, pressure, and advanced electronics. This is fueled by the growing demand for complex solutions that combine several functions in customer applications. First Sensor is strengthening its position as a solution provider by further developing the core competencies of chip design and production as well as 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. Integrating third-party products, which are required for successful business as a system provider, also plays an important role.

Pressing ahead with internationalization forms the fourth pillar of the strategy for profitable growth. As part of TE Connectivity, First Sensor therefore benefits from the international network of the overall group in particular.

Operational excellence is the fifth strategic pillar. Efficiency is increased through the targeted expansion of capacity, for example by switching from 4-inch to 6-inch silicon wafers in semiconductor production. Specially chosen and approved production service suppliers are also used to enhance flexibility. Other priority areas include development in line with targeted costs (design to cost), optimization of the product portfolio, and refinement of core processes, especially in the course of integration with TE Connectivity.

Strategic financing measures

First Sensor primarily finances its business operations from the operating cash flow and, to a diminishing extent, using borrowed capital. The financial liabilities comprise liabilities due to banks and leasing companies. They can also be granted by the principal shareholder in future. No strategic financing measures in the narrower sense have been carried out to date, and there are also no plans to do so in the future.

2.1.3 Internal management system of the company

The Executive Board is responsible for the strategic orientation of the company. The Supervisory Board advises it and monitors its activities. When it comes to determining strategic objectives for the company, the interests of customers, employees, investors, and suppliers are taken into account to the best possible extent. The medium-term plan, which covers the next three years, is updated once a year based on the strategic objectives. This allows the detailed plan for the following year to be prepared. The Executive Board coordinates this with the Supervisory Board and implements it.

The employees in the first management level below the Executive Board form the management team, with which the Executive Board regularly debates strategic and significant operating issues, analyzes the current business performance, and discusses the identification of opportunities and risks. In addition to this, there are reporting lines between the first management level and the regional and global functional line managers from TE Connectivity. In this context, the Executive Board manages the business operations of the First Sensor Group and is monitored in this task by the Supervisory Board in accordance with the articles of incorporation, the rules of procedure, and statutory requirements.

Management of the First Sensor Group is focused primarily on continuously monitoring the attainment of targets in relation to the annual and medium-term plans. The aim is to identify deviations as early as possible so that suitable measures can be implemented promptly. With this aim in mind, the persons accountable for the results report on their areas each month to the Executive Board and provide a picture of the financial situation based on a comparison of actual financial figures with the target figures and the prior-year figures. These discussions also cover day-to-day business and any exceptional transactions.

Key performance indicators used

The operating units of First Sensor AG and its subsidiaries are primarily managed based on the targets for sales and for the EBIT margin (EBIT = earnings before interest and taxes according to the income statement). These represent the most significant financial performance indicators. At Group level, EBITDA (EBIT before depreciation and amortization) and ROCE (return on capital employed) are also monitored. Furthermore, the Group monitors the main key figures for working capital (equivalent to current assets less current liabilities), in particular: DIH (days inventory held), DSO (days sales outstanding), and DPO (days payable outstanding). The planned pay-back period for investments is also monitored by way of a profitability analysis.

2.1.4 Renumeration systems

Renumeration system for the Executive Board

The remuneration system for the Executive Board of First Sensor AG promotes value-oriented business management that is geared toward sustainably increasing the company's success. This includes competitive remuneration and an incentive system that is geared toward the achievement of ambitious short- and medium-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. The elements of the remuneration system consist of a fixed and a variable cash component. They can also consist of elements such as participation in share option plans or in a scheme that is dependent on share price performance and length of service as a long-term incentive. The company also grants additional benefits.

The fixed component of the annual cash component amounts to between 50% and 75% of the total remuneration, depending on the contractual arrangement, and is paid in 12 equal monthly installments. The variable cash component is linked to the achievement of up to five quantitative and qualitative annual targets. They are agreed between the Supervisory Board and the members of the Executive Board. In the event of unforeseen extraordinary developments, this remuneration component may be adjusted by the Supervisory Board. For two members of the Executive Board who left the company, a further part of the variable cash component was calculated based on length of service and share price performance during this period. The third Executive Board member also receives multi-annual variable cash remuneration that contains coordinated short-term and long-term remuneration elements. In the year under review, no subscription rights for shares were issued to the members of the Executive Board (previous year: 80,000 shares).

In 2020 until their departure, two members of the Executive Board participated in two share option plans (2016/II and 2017/I) that were resolved by the respective Annual General Meetings as a long-term incentive system. Further details of the share option plans can also be found in sections 12 and 19 of the Notes to the Consolidated Financial Statements and in the agendas of the 2016 and 2017 Annual General Meetings.

In addition, the members of the Executive Board have contractually agreed claims to additional benefits such as use of a company car and laptop, an allowance for health and long-term care insurance, temporary allowances for accommodation in Berlin for those with primary residences outside

Germany, costs for weekly flights between their primary and secondary residences as well as reimbursement of relocation costs and reimbursement of expenses. Furthermore, the company has taken out term life insurance and third-party financial loss insurance (D&O insurance) with an appropriate deductible for the benefit of members of the Executive Board and pays the premium for this.

In the event of a change of control, the members of the Executive Board who left the company had individually agreed claims to a one-off payment should they leave the company following the takeover. This one-off payment shall not exceed twice the amount of annual remuneration. This limitation does not apply to the share option plans described above. Two Executive Board members agreed to a non-competition clause effective for a period of 12 months following the end of their contracts of employment.

An individualized overview of the Executive Board remuneration paid and granted in fiscal year 2020 can be found in section 35 of the Notes to the Consolidated Financial Statements.

Renumeration system for the Supervisory Board

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 value-added tax that applies to their remuneration. Remuneration for the members of the Supervisory Board amounted to €94 thousand in fiscal year 2020 (previous year: €147 thousand). Supervisory Board members do not receive any performance-related remuneration and do not participate in the company's share option plan.

In € thousand	2019	2020
John Mitchell (Chairman, May 1 - October 31, 2020)	-	-
Peter McCarthy (Vice Chairman, since May 1, 2020)	-	-
Stephan Itter (since May 1, 2020)	-	13
Dirk Schäfer (since May 26, 2020)	-	-
Jörg Mann (May 1.-May 26, 2020)	-	-
Prof. Dr. Alfred Gossner (Chairman until April 30, 2020)	50	17
Götz Gollan (Dep. Chairman, until May 3, 2019)	10	-
Prof. Dr. Christoph Kutter (Vice Chairman until April 30, 2020)	20	10
Marc de Jong (until April 30, 2020)	20	7
Guido Prehn (until April 30, 2020)	20	7
Tilo Vollprecht (Employee representative., since May 9, 2019)	13,5	20
Olga Wolfenberg (Employee representative., since May 9, 2019)	13,5	20
Total	147	94

The members of the Supervisory Board who have a contractual relationship with the major shareholder did not receive any Supervisory Board compensation in the past financial year.

2.1.5 Research and development

Diverse possible new uses of sensors and sensor systems are driving the target markets in which First Sensor operates. For this reason, development has a high degree of relevance for the success of the Group. It shapes the implementation of customer-specific solutions and determines the production development process and the construction of prototypes. Development also forms the basis for First Sensor's platform and technology strategy. As a key business process, it provides the key technologies in the two core competencies of chip design and layout and connection technology.

Development pools the Group's entire expertise into five areas of responsibility across locations. Semiconductor development and sensor design are in the hands of the Design & Simulation unit. The LCT & Process Development unit is responsible for the processes from layout and connection technology through to prototype construction. The Sensor Electronics unit designs circuits, programs microcontrollers, and conceptualizes testing and calibration technology. The Software & Systems unit is responsible for developing complex sensor systems. It designs assemblies and systems, integrates sensors and electronic circuits, and provides software for communicating, processing, and interpreting data. Project management coordinates the units within the product development projects to ensure that the set project targets are met. The processes and interfaces within the unit are continually checked for potential areas of optimization.

Approaches and key areas

Irrespective of whether the impetus for a development project comes from the customer or ourselves, 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 involves taking a look not only at the time frame and costs, but also at the potential of the project for First Sensor. When the review has a positive outcome, implementation of the project can begin. Development is organized on the basis of a multistage process from creating a design to producing prototypes all the way through to preparing 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. Another focus area is the development of sensor systems. These systems are expected to measure and also interpret data, communicate with other systems, require little space and energy, and work reliably. 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 does its bit to ensure that scientific findings are transferred into useful innovations.

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 term of the products, where this has been agreed. Strategic development projects are also recognized separately; these development costs are capitalized only if the criteria set out in IAS 38 are met.

In € thousand. unless otherwise indicated	2019	2020
R&D expenses	10,213	**9,668**
R&D ratio in %	6.3	**6.2**
New capitalization of development costs	2,896	**1,879**
Carrying amounts of capitalized costs	8,244	**8,274**
Amortization of capitalized development costs	605	498
Number of R&D employees (FTE)	101	**102**
Number of patents and licenses	39	**34**

In fiscal year 2020, expenditure on R&D amounted to €9.7 million. The R&D ratio came to 6.2% of sales. With 102 employees (FTEs), 11.8% of the workforce is employed in Development, compared with 11.5% last year. The difference is the result of a slight fall in the total number of employees, while the number of employees in R&D remained largely stable.

R&D results

In the past fiscal year, development work focused primarily on products and technology in the areas of photonic sensors and MEMS pressure and gas sensors. In the process, the special challenges presented by the measures for controlling the pandemic were dealt with well. The tasks involved in moving work contents as well as customer and conference visits into the digital world were mastered efficiently by flexible and committed employees.

In 2020, one pillar of photonics development consisted of CMOS-based imaging sensors, where modules and systems for medical diagnostics (CT, PET, endoscopes), industrial applications such as machine vision and applications in the area of driver assistance and (partially) autonomous vehicles were developed. The delivery of the first surround view systems for special-purpose vehicles represented a particular milestone. The cameras, the embedded control unit (ECU) and the software that puts together the 360° view are in-house developments in accordance with the necessary standards for functional safety and qualification.

A second pillar of photonics development was the further development of the Group's own photodiodes. Here, important milestones were reached in multiple LiDAR projects for applications in autonomous driving and driver assistance. The focus was on the automotive qualification of semiconductor elements and components. To this end, new packaging processes were developed, for example.

MEMS development was shaped by high demand for pressure sensors for use in respirators. To meet the high demand, alternative sensor types were qualified and further developed. At the same time, the portfolio was expanded with a new generation of low-pressure and flow rate sensors that can cover particularly wide pressure ranges and therefore replace multiple sensors with one sensor. With the applications for the automotive industry, developments in the area of green mobility played an important role: Tank pressure sensor technology detects leaks, and the product technology for high-pressure sensors in the area of hydraulics and pneumatics was further developed for applications in the monitoring of hydrogen tanks and the control of emission reductions from diesel and gasoline vehicles (SCR/WI). In terms of the industrial applications, there was an emphasis on Industry 4.0. For example, an IO-Link interface was developed that enables the networking of sensors and adapts to different MEMS products.

In the area of MEMS, it was also possible to sample new gas sensors for the first time, which are currently being tested by customers. They enable a rapid and particularly energy-efficient analysis of gas mixtures.

Development projects like the examples mentioned above usually contribute to the Group's sales within 6 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 need for it, and whether an application is required for competitive reasons. Patents are subsequently subject to an annual review. If the market situation or the strategic orientation of the company have changed, or if their value can no longer be proven, the company may decide to let certain patents expire.

2.2 ECONOMIC REPORT

2.2.1 General economic and sector conditions

Performance of the economy as a whole

The coronavirus pandemic plunged the global economy into a deep recession in the first half of 2020 in particular. This was the conclusion reached by the German government's Council of Experts in its latest assessment. Governments throughout the world reacted to the virus spreading with a large number of containment measures: restrictions on social contacts, restrictions on travel and business closures, ultimately banning not just large-scale events but even family celebrations. Many of these restrictions also impacted delivery chains. The economic slump was countered with extensive monetary and fiscal policy measures.

Overall, the picture was very mixed, in line with regional infection rates, but growth finally returned faster than had been feared in many industries. The International Monetary Fund (IMF) recently upgraded its forecast for the global recession in 2020 due to the sharp upturn in the second half of 2020. At -3.5%, it was 0.9 percentage points less severe than the IMF had feared in the fall.

For the euro zone, the Council of Experts expects a fall in gross domestic product of 7.0%, the fall in Germany is expected to amount to 5.1%.

The areas of the economy subject to restrictions, such as tourism or the bricks-and-mortar retail trade, were particularly affected by the fall in Germany. Following a sharp slump in the first half of around 25%, industry was, however, able to close the second half with significant intermittent upward momentum. Here, the year-on-year decline was only 4%.

Development of the sensor market

Following a below average performance by the semiconductor industry in 2019, sales on the global market grew by 4% to €354 billion in 2020. While consumer electronics and medical technology performed very positively, demand from the automotive industry collapsed. At the same time, there was a decline in the amount of silicon produced, especially in China. The unexpectedly sharp increase in automobile production in the second half led to supply bottlenecks in the automotive industry, in particular, at the end of the year. The VDA reported a shortage of chips, sensors and controllers affecting the global automotive industry and electronics suppliers. According to ZWEI, exports by the German electrical industry to Europe decreased by 6.5% in 2020, while exports to the euro zone even fell by 8.4%.

Following sharp falls in the first half, members of the industry association AMA reported a slight upward trend in sensor technology and measuring technology from the third quarter. Suppliers to the automotive, mobility, mechanical engineering and electrical engineering sectors had to accept the sharpest falls. Significant loses in the first quarters meant that the sector lost the ground it had gained thanks to a very positive performance in the last two to three years. The drop compared with the previous year finally amounted to around 2%. This was due to the collapse in German exports caused by the pandemic – they fell by 9.3%. This was the first fall since 2013 and the most dramatic since 2009 when they fell by 18.4%.

Development of the target markets

Industrial

The marked economic slump throughout the world had particularly significant consequences for export-oriented industry. According to the German Federal Statistical Office, at the end of the year, industry has recovered markedly from the severe slump during the first coronavirus wave in spring 2020. However, production fell back by 10.8% in total compared with the previous year. The VDMA expects eve more significant falls of 14% for companies in the mechanical and plant engineering industry in the crisis-ridden year of 2020. The VDMA views the rising tide of protectionism with concern. Europe is the most important market for the mechanical and plant engineering industry, approximately 43% of all exports go to EU-27 countries, in total some 80% of mechanical engineering products manufactured in Germany are exported. This successful model requires open borders and free trade.

Medical

The federal association BVMed reported that the COVID-19 pandemic had also had a dramatic impact on the medical technology sector, through the postponement of operations and the fall in doctor's appointments and regulations. BVMed companies expect a fall in sales of 4.9% on average for 2020 following an increase in sales of 3.3% in the previous year. The crash has affected smaller and medium-sized companies in particular. The sales-weighted figure is -2.1%. On top of this, there has been a sharp fall in exports, which are so crucial to this sector. Only manufacturers of protective equipment and respirators have recorded a boom since the first coronavirus wave in the spring.

Mobility

The German Association for the Automotive Industry reported a dramatic fall in sales on international markets for 2020. Of the three major sales regions, Europe had to post the sharpest fall of around one quarter. In the USA, sales fell in double-digits. Although the Chinese market recovered comparatively rapidly, the year as a whole remained well down on the previous year's level. Performance on the international markets for heavy commercial vehicles was also mixed in 2020 as a result of the coronavirus crisis. Most reported a double-digit percentage fall in sales. In Europe, the cyclical upturn had already started in the second half of 2019. New registrations fell by 27% in 2020, the decline in the United Kingdom even reached 34%, while the fall in Germany reached 25%. Around 22% fewer heavy trucks were sold in the past year in the USA. Sales increased by more than a third only in China, by far the world's largest truck market. The consequences of the pandemic and the fall in demand were production closures and short-time working, disrupted supply chains and sharply lower sales at manufacturers and suppliers.

2.2.2 Financial position, net assets and results of operations

The position of the Group

Business performance in 2020 and comparison with the forecast development

In fiscal 2020, sales of the First Sensor Group reached €154.8 million (previous year: €161.3 million). This equates to a fall in sales of 4.0%. Therefore, the upper end of the sales guidance of €145 to €155 million was achieved in the difficult environment caused by the pandemic. The Medical target market, in particular, contributed to this positive development, while Industrial and Mobility were affected by sharp falls in customer demand.

Adjusted for the charges resulting from the merger with TE Connectivity, operating profitability also reached the guidance target range of 3.0% to 6.0% with an EBIT margin of 6.1% (previous year: 8.4%). Adjusted EBIT amounted to €55.2 million and was affected by special effects in connection with the sale of subsidiaries.

By and large, given the general conditions, performance in fiscal 2020 can be described as satisfactory. Sales and profitability developed as planned while many other companies in the sector were hit harder by the effects of the pandemic.

Targets for key performance indicators for fiscal 2020

For fiscal 2020, consolidated sales of between €145 and €155 million were expected. An operating EBIT margin between 3.0% and 6.0% was anticipated. These targets were published on March 20, 2020.

Comparison of target and actual figures for 2020

The table below shows the figures achieved in the previous year, the guidance and the figure achieved in the past fiscal year:

	2019	Guidance 2020	2020
Sales in € million	161.3	145 - 155	154.8
EBIT margin in % (adjusted)	8.4	3.0 – 6.0	6.1%

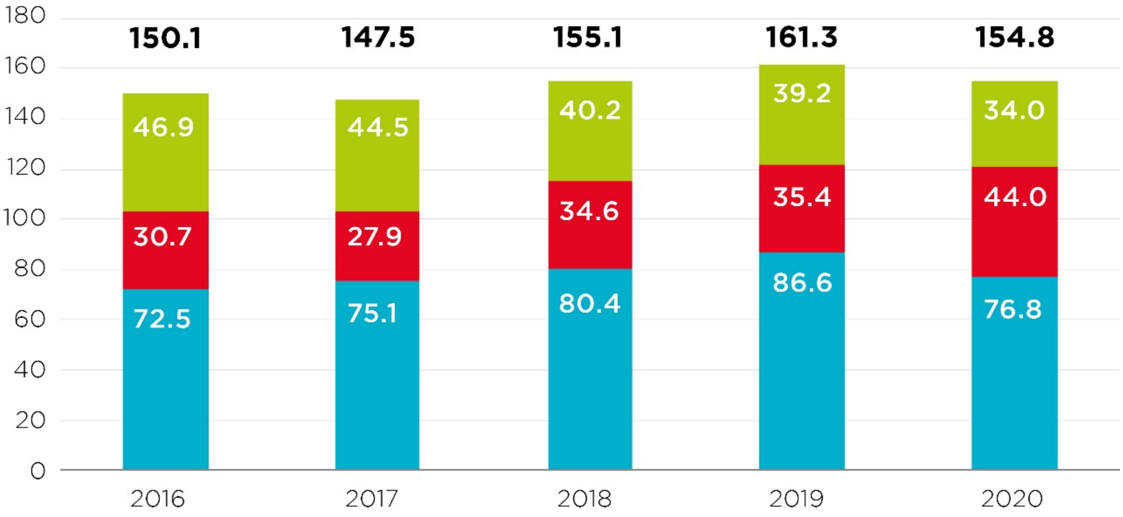
The total extent of the impact of the coronavirus pandemic was assessed accurately, by and large, in the expectations for the fiscal year, since both target figures were met for the year as a whole.

Results of operations

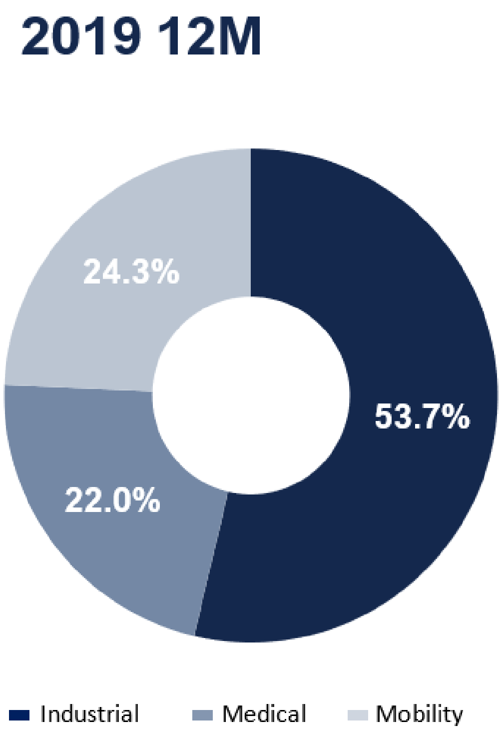
Sales development

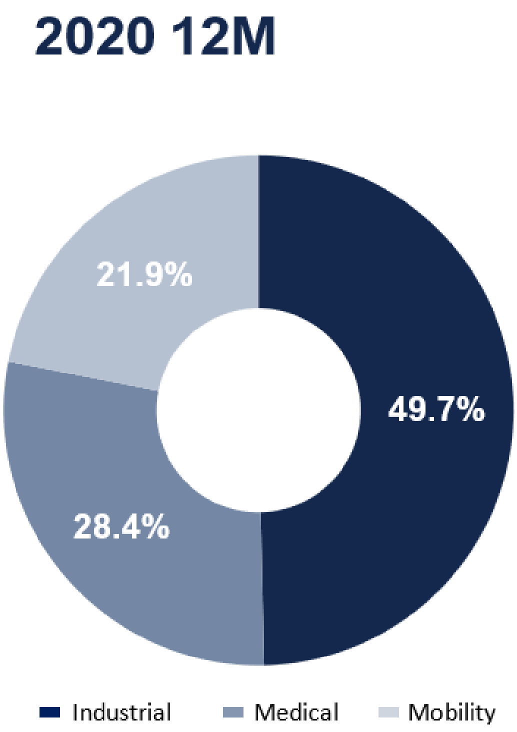
In fiscal 2020, sales in the First Sensor Group were €154.8 million (previous year: €161.3 million). The Medical target market especially performed well with growth of 24.3% while Industrial and Mobility recorded falls of 11.3% and 13.4% respectively due to decreasing customer demand. First Sensor was therefore, as expected, not able to escape the consequences of the coronavirus pandemic.

The graph below shows the development of consolidated sales during the last five years:



In € thousand	2019	2020	Δ absolute	in %
Industrial	86,628	76,842	-9,786	-11.3
Medical	35,417	44,017	8,600	+24.3
Mobility	39,230	33,957	-5,273	-13.4
Total	161,275	154,816	-6,459	-4.0

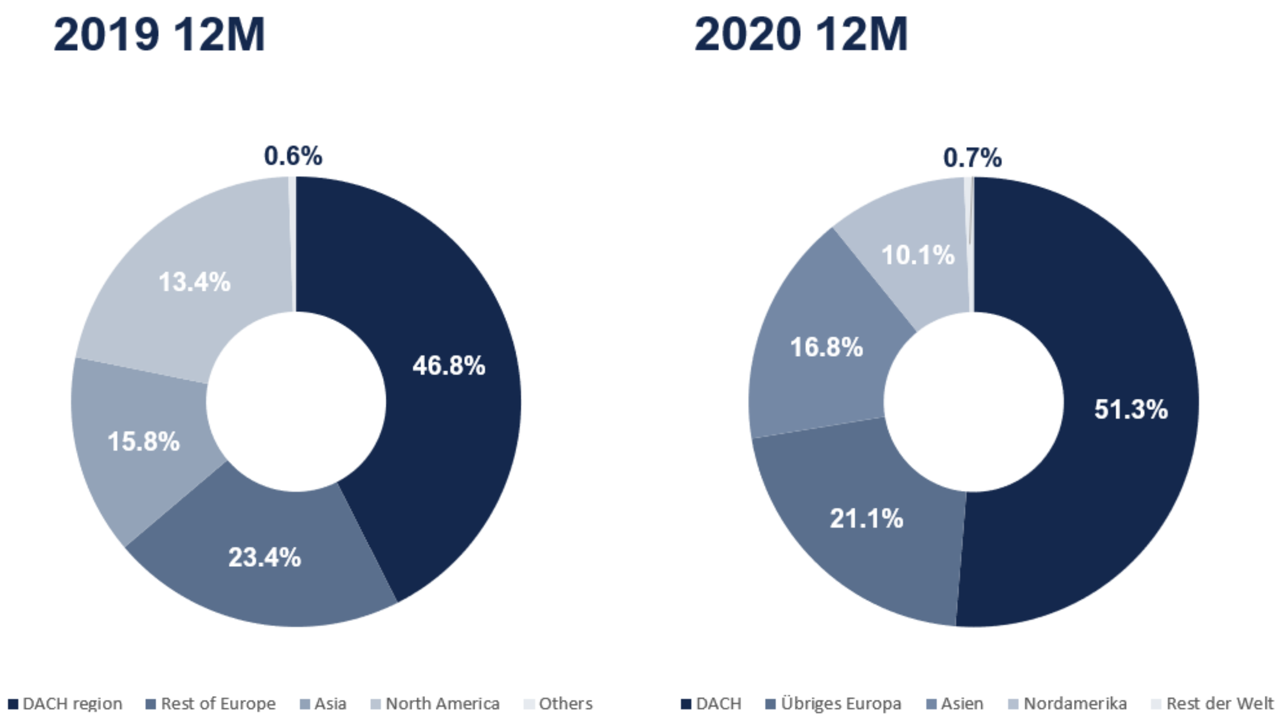




In line with the economic environment, the Industrial target market reported a fall in sales of €9.8 million to €76.8 million (previous year: €86.6 million). This fall of 11.3% was the result of restrictions on production at numerous customers in response to the coronavirus pandemic. The proportion of total sales declined accordingly. It amounted to 49.6% in fiscal 2020 (previous year: 53.7%).

In contrast, growth in the Medical target market was positive. Here, sales increased by 24.3% to €44.0 million (previous year: €35.4 million). This was attributable to a temporary surge in demand for pressure sensors for use in respirators. Therefore, 28.4% of total sales was attributable to the Medical target market in fiscal 2020 (previous year: 22.0%).

In line with the slowdown in the automotive industry, the Mobility target market was more subdued in fiscal 2020, especially in the first half. Overall, a fall in sales of 13.4% to €34.0 million (previous year: €39.2 million) was recorded. Consequently, the share of total sales also fell with the Mobility target market representing 21.9% of total sales (previous year: 24.3%).



In € thousand	2019	2020	Δ absolute	in %
DACH*	75,414	79,463	4,049	5.4 %
Rest of Europe	37,807	32,596	-5,211	-13.8 %
North America	21,686	15,591	-6,095	-28.1 %
Asia	25,410	26,084	674	2.7 %
Others	958	1,082	124	13.0 %
Total	161,275	**154,816**	**-6,459**	**-4.0 %**

* Germany. Austria. Switzerland. Liechtenstein

The distribution of sales reflected the regional economic momentum under the influence of the pandemic. Since the economy in Asia and in China, in particular, settled down again quickly, a slight increase of 2.7% was achieved here. In North America, however, a fall in sales of 28.1% was recorded. While sound growth of 5.4% was achieved in the DACH region was achieved, sales also fell sharply, by 18.8%, in the rest of Europe.

In € thousand	2019	2020	Δ absolute	in %
Germany	62,505	61,884	-621	-1.0 %
China	19,689	21,655	1,966	10.0 %
USA	16,091	11,948	-4,143	-25.7 %
Hungary	9,343	4,440	-4,903	-52.5 %
Switzerland	7,759	14,496	6,737	86.8 %
Great Britain	7,628	6,880	-748	-9.8 %
Netherlands	5,937	6,833	896	15.1 %

83% of total sales were generated in the seven most important countries. Germany recorded a slight fall of 1.0%. Stronger demand in the Medical target market virtually made up for falls in the other target markets. In China, growth of 10.0% was achieved, as the economy reopened sooner and demand picked up significantly from the automotive industry in particular. In contrast, a widespread fall across all branches of industry was apparent in the USA, which led to a decline of 25.7%. Sales in Hungary, mainly from the Mobility target market, even halved in response to the pandemic. In Switzerland, however, First Sensor benefited from strong demand for pressure sensor technology from manufacturers of respirators; here sales increased by 86.8%. A supply contract expired in the United Kingdom, leading to a fall of 9.8%. In the Netherlands, in contrast, growth stayed at 15.1% even on the Medical target market.

Order situation

Incoming orders were already falling sharply in the second quarter of 2020 but they recovered over the rest of the year. Incoming orders decreased over the year as a whole by only 1.5% to €153.8 million. At the year-end, the order backlog fell slightly compared with the previous year (€92.9 million) to €90.5 million. The fall caused by the coronavirus pandemic was therefore significantly less than the fall in sales and provides a good starting point for the subsequent upturn in fiscal 2021. The book-to-bill-ratio came to just below 1.

In € thousand	2019	2020	Δ absolute	in %
Sales	161,275	154,817	-6,458	-4.0
Incoming orders	156,196	153,836	-2,360	-1.5
Orders on hand	92,913	90,541	-2,372	-2.6
Disposal through deconsolidation	-	1.391	-	-
Book-to-bill-ratio	0.97	0.99	0.02	-

Earnings

In fiscal 2020, sales in the First Sensor Group were €154.8 million (previous year: €161.3 million). Other operating income amounted to €49.3 million (previous year: €2.6 million), and included revenue from the sale of subsidiaries of €47.1 million. Inventories of finished goods and work in progress decreased by €2.5 million (previous year: increase of €0.5 million). Capitalized costs fell by €1.7 million to €1.9 million (previous year: €3.6 million). Total operating performance (excluding other operating income) decreased accordingly by 6.5% to €154.2 million (previous year: €165.4 million).

In line with the reduction in total operating performance, cost of material decreased by 5.7% to €70.9 million (previous year: €75.3 million). This corresponds to a virtually unchanged material ratio of 45.8% (previous year: 45.5%). The gross margin in relation to total operating performance reached 54.1% compared with 54.5% in the previous year.

Personnel expenses, which reached €56.2 million in the previous year, decreased to €49.5 million in fiscal 2020. Other operating expenses also decreased to €16.4 million (previous year: €20.3 million). Accordingly, earnings before interest, taxes and depreciation and amortization (EBITDA) reached €66.7 million against €16.2 million in the previous year. The EBITDA margin amounted to 43.1% (previous year: 10.0%) and was also decisively shaped by the sale of subsidiaries.

Following depreciation on property, plant and equipment and amortization of intangible assets and from purchase price allocations (PPA) of €11.5 million in fiscal 2020 (previous year: €11.1 million), the operating result (EBIT) reached €55.2 million (previous year: €5.1 million), which corresponds to an EBIT margin of 35.7%. Operating profitability also developed positively in fiscal 2020 and was at the upper end of the expected target range of 3-6% under challenging conditions. Adjusted for expenses in connection with the merger with TE Connectivity for consulting and board compensation (€1.9 million; previous year: 8.4 million) and for income from the company disposals (€ 47.6 million), the EBIT margin would have been 6.1% (previous year: 8.4%).

At €-1.8 million (previous year: €-1.8 million), the financial and currency result has only changed minimally compared with the previous year. This resulted in earnings before tax (EBIT) of €53.5 million (previous year: €3.5 million). Consolidated net income for the fiscal year reached €52.4 million (previous year: €2.5 million), corresponding to earnings per share of €5.09 (previous year: €0.22 each; diluted/undiluted).

The Executive Board and the Supervisory Board of First Sensor AG intend to propose the distribution of a dividend of €0.56 gross per share in circulation to the Annual General Meeting on June 24, 2021. This complies with the provisions in the control and profit transfer agreement, which envisage a guaranteed dividend of this amount for fiscal year 2020 and an annual compensation payment of €0.56 gross for the outstanding shareholders in the following fiscal years as per Section 304 AktG. Provided the Annual General Meeting approves this proposal, the dividend will be paid on June 29, 2021. With 10,288,896 shares in circulation, this would correspond to a total distribution of €5,726 thousand (previous year: €2.0 million).

Financial position and net assets

Principles and aims of the financial management

The aim of First Sensor's financial management is to ensure the necessary liquidity for the production processes, growth and investments at any time. It is managed centrally by First Sensor AG. It primarily includes liquidity management, borrowing of external funds, and management of interest rate and exchange rate risks. Since fiscal year 2020, First Sensor has participated in the TE Connectivity cash pool.

The company counters the risk of interest rate increases by using interest rate swaps for variable-interest loans. First Sensor counteracts foreign currency risks arising from purchases of materials and purchased services predominantly in USD, particularly in Asia, by preferring to agree customer payments in USD (natural hedge).

The Group-wide Financial Risk Management Directive enables early identification of exchange rate and interest rate risks and regulates permissible hedging instruments. As at December 31, 2020, the risk limit and materiality limits determined did not result in any rapid need for action in terms of concluding hedging transactions.

Capital structure

As at December 31, 2020, the Group's equity amounted to €135.6 million (previous year: €89.9 million). Based on the balance sheet total of €179.8 million, this corresponds to an equity ratio of 75.4% (previous year: 50.0%). The increase resulted primarily from the high overall earnings due to the disposal of the foreign subsidiaries.

Financial liabilities including leasing liabilities were reduced by €31.6 million in the fiscal year, mainly due to the planned repayment of promissory note loans. A remaining tranche of €3.0 million runs until 2022. First Sensor also makes use of a KfW loan of €13.0 million.

In connection with the KfW loan and the promissory note loan, contractual covenants have been agreed to the end of the year in each case. As at December 31, 2020, First Sensor fulfilled all required key financial ratios.

In € thousand	2019	2020
Leverage, net debt to EBITDA	1.43	-0.38
Interest cover ratio, EBITDA to interest expense	9.6	46.1
Equity ratio	58%	207 %

i In € thousand	2019	2020	Δ absolut	in %
Non-current financial liabilities (incl. leasing liabilities)	25,581	19,675	-5,906	-23.1
Current financial liabilities (incl. leasing liabilities)	29,897	4,168	-25,729	-86.1
Cash and cash equivalents	32,260	49,349	17,089	53.0
Net debt	23,218	-25,506	-48,724	n.a.

As a result of the significant reduction in current and non-current financial liabilities and the sharp increase in cash and cash equivalents or cash pool receivables (together: cash and cash equivalents), net debt changed from 2019 to a net cash position of 25.5 million euros in fiscal 2020.

First Sensor may use credit lines it has been granted but, if needed, will increasingly make use of the financing options within the TE Group. It can therefore also be assumed for the future that First Sensor will be in a position to finance planned growth from the resources at its disposal. Utilization of the capital market is not planned in the foreseeable future.

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

Investments

Investments in the area of intangible assets amounted to €2.6 million (previous year: €3.7 million).

In the area of property, plant and equipment, €8.9 million (previous year: €8.1 million) was invested, primarily in new machinery and equipment to expand capacity and stabilize and improve processes at the Berlin and Dresden sites.

Depreciation rose because of the increase in investment activities in recent years, which came to €11.5 million in the Group (previous year: €11.1 million).

In € thousand	2019	2020	Δ absolute	in %
Investments in intangible assets	3,697	2,552	-1,145	-31.0 %
Investments in property, plant. and equipment	8,150	8,902	752	9.2 %
Investments	**11,847**	**11,454**	**-393**	**-3.3 %**
Sale of intangible assets and property, plant and equipment	166	531	365	>100.0 %
Other effects	117	62,593	62,476	n.a.
Cash flow from investment activities	**-11,564**	**51,670**	**63,234**	**n.a.**
Amortization of intangible assets	3,908	4,105	197	5.0 %
Depreciation of property, plant and equipment	7,231	7,369	138	1.9 %
-of which from IFRS 16 Rental and leasing relationships	1,526	1,504	-43	-2.8 %
Depreciation and amortization	**11,139**	**11,474**	**335**	**3.0 %**

Liquidity

Operating cash flow failed to build on the previous year's excellent figure of €20.4 million and reached €1.9 million. This was largely due to the charges from the merger with TE Connectivity. Cash flow from investing activities increased to €51.6 million (previous year: €11.6 million). The change resulted mainly from the sale of subsidiaries. Free cash flow, which represents the balance of the operating cash flow and cash flow from investing activities, therefore reached €58.2 million (previous year: €8.9 million).

In € thousand	2019	2020	Δ absolute	in %
Cash flow from operating activities	20,429	6,482	-13,947	-68.3
Cash flow from investment activities	-11,564	51,670	63,234	n.a.
Cash flow from financing activities	-5,217	-40,972	-35,755	-685.4
Change in cash and cash equivalents	3,648	17,180	13,532	370.9
Exchange differences	78	-91	-169	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 financial year	32,260	49,349	17,206	53.3
Free-cash flow	8,865	58,152	49,287	556.0

Cash flow from financing activities totaled €-41.0 million (previous year: €-5.2 million) and was decisively shaped by the repayment of financial liabilities and the distribution of a dividend of €2.1 million (previous year: €2.0 million). Cash and cash equivalents increased from €32.3 million to €49.3 million in fiscal 2020. From the perspective of the Executive Board, the Group's liquidity position is thus comfortable. First Sensor will again be able to meet its payment obligations from operating business and repay its debt financing at all times in fiscal 2021.

To assess First Sensor's solvency, the following table shows the company's liquidity in the form of liquidity ratios. To calculate the cash ratio, cash and cash equivalents are shown in relation to current liabilities. The quick ratio includes current receivables, while the current ratio also takes inventories into account. The changes resulted primarily from the revenue raised from selling the foreign subsidiaries to TE Connectivity.

in € thousand	2019	2020	ΔPP
Cash ratio	57.7	278.6	220.9
Quick ratio	86.7	406.2	319.5
Current ratio	150.6	570.3	419.7

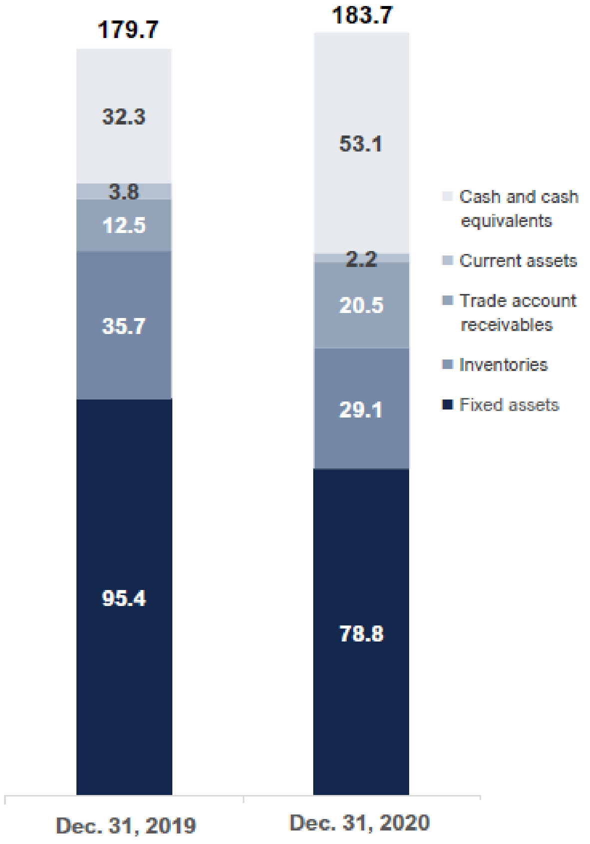
Net assets

Total assets increased to €179.8 million in fiscal 2020 (previous year: €179.7 million). The equity ratio increased to 75.4% (previous year: 50.0%). The change resulted firstly from the marked increase in equity of €45.7 million as a consequence of the total result and secondly from the reduction in financial liabilities of €31.6 million.

Assets

Non-current assets decreased by €16.6 million to €78.8 million (previous year: €95.4 million). The fall was caused by the sale of subsidiaries; goodwill still amounted to€ 16.0 million as at the reporting date (previous year: €29.8 million). Depreciation and amortization of property, plant and equipment and intangible assets amounted to 11.5 million euros, in line with capital expenditure in the financial year.

Assets



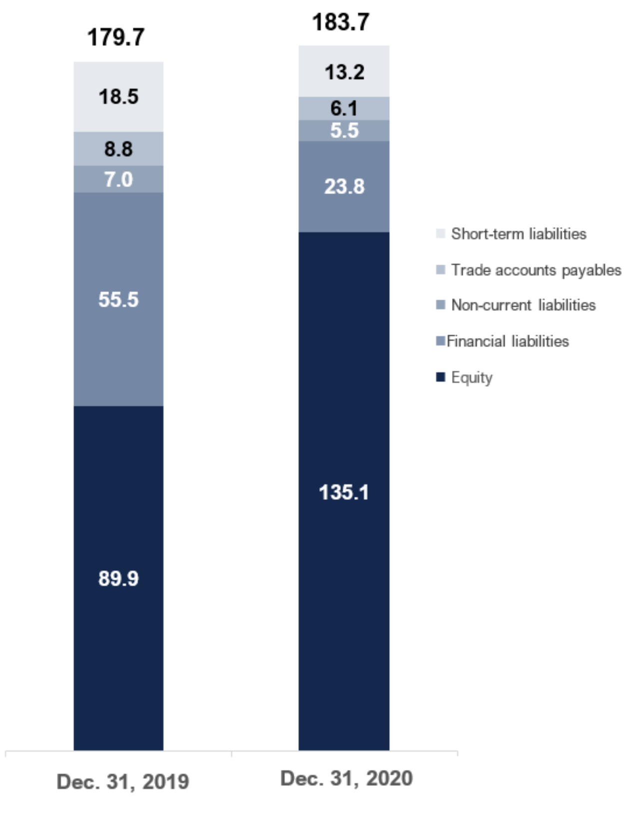
In contrast, total current assets increased significantly, rising from €84.3 million to €101.0 million. Key changes related to cash and cash equivalents and the cash pool receivables reported under financial assets, which increased from €32.3 million to €49.4 million as a consequence of the company sales. Inventories were reduced from €35.7 million to €29.1 million in the reporting period, while trade receivables increased due to reporting date-related factors from €12.5 million to €20.8 million.

Equity and liabilities

On the equity and liabilities side of the balance sheet, equity increased by €45.7 million to €135.6 million (previous year: €89.9 million). Subscribed capital rose slightly due to issuing 19,500 shares as part of share option plans. Retained earnings jumped by €50.2 million due to the gain on disposal of the subsidiaries and amounted to €69.1 million (previous year: €18.9 million).

Non-current and current financial liabilities fell sharply due to capital repayments. As a result, non-current debt fell by €6.8 million to €25.9 million (previous year: €32.6 million) wile current debt decreased by €38.9 million to €18.3 million (previous year: €57.2 million). Working capital came to €42.9 million on December 31, 2020 (previous year: €39.2 million). This was due to the increase in trade receivables. Capital employed decreased to €92.7 million (previous year: €149.6 million), this decrease is also largely attributable to the changes in fixed assets. Because of the increase in net income for the year, the ROCE (Return on Capital employed) also increased by 58.6% (previous year: 2.6%).

Equity and liabilities



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

First Sensor AG's results of operations

The changes at the level of the individual company First Sensor AG were decisively shaped by the merger of First Sensor Microelectronic Packaging GmbH with the parent company, as a result of which the sales of First Sensor AG increased to €112.1 million (previous year: €85.9 million). This was offset by a decline in sales in the combined unit of around €6.7 million. This is largely attributable to the effects of the Corona pandemic. Inventories of finished goods and work in progress were reduced by a further €1.6 million in the reporting period. Capitalized costs amounted to €0.8 million (previous year: €1.4 million). Total operating performance increased to €111.3 million (previous year: €87.1 million). Due to the sale of foreign subsidiaries, other operating income increased to €57.6 million (previous year: €1.8 million).

Cost of material rose in line with the expansion in sales to €52.6 million (previous year: €38.2 million). Gross income excluding other operating income increased to €58.7 million (previous year: €48.9 million), resulting in a gross income margin of 52.7% (previous year: 56.1%). Personnel expenses rose because of the merger but also because special effects associated with the acquisition by TE Connectivity Sensors Germany Holding AG to €41.1 million (previous year: €32.4 million). This corresponds to a personnel expenses ratio of 36.9% (previous year: 37.2%).

Depreciation and amortization amounted to €7.7 million (previous year: €6.2 million). Other operating expenses came to €26.1 million (previous year: €17.0 million). Operating earnings (EBIT) reached €41.4 million (previous year: €-5.0 million) and was also decisively shaped by the revenue raised from the sale of the subsidiaries.

There is a profit and loss transfer agreement with First Sensor Lewicki GmbH; the profit and loss transfer agreement with First Sensor Microelectronic Packaging GmbH, has expired as a result of the merger. The profit and loss transfer agreements resulted in income of €2.5 million (previous year: €5.3 million). In addition, distributions by subsidiaries resulted in income from investments of €4.2 million (previous year: €2.5 million). Other interest and similar income and expenses produced a net figure of €-1.0 million (previous year: €-0.8 million). As a special effect, the result of the merger at book value in the course of the Group's restructuring had a negative impact on earnings (€-10.3 million). Accordingly, earnings before taxes amounted to €47.0 million (previous year: €2.0 million). The tax ratio was 2.0% (previous year: 26.8%).

For fiscal 2020, First Sensor AG posted net income for the year of €46.1 million (previous year: €1.5 million) and a balance sheet profit of €47.7 million (previous year: €8.7 million). A profit distribution of €0.56 gross is planned for the 2020 financial year; this corresponds to the guaranteed dividend from the control and profit and loss transfer agreement. The Executive Board and Supervisory Board of the company will propose a resolution to this effect to the Annual General Meeting.

First Sensor AG's income statement (HGB)

in € thousand	Jan. 01- Dec. 31. 2019	Jan.01- Dec. 31. 2020	Δ absolute	in %
Sales	85,948	112,102	26,154	30.4
Change in inventories of finished goods and work-in-progress	-206	-1.,600	-1,394	-676.7
Other own work capitalized	1,352	805	-547	-40.4
Total output	**87,094**	**111,307**	24,213	**27.8**
Income from the sale of shares and receivables	0	56,233	56,233	n.a.
Remaining other operating income	1,828	1,369	-459	-25.1
Cost of materials	-29,199	-44,368	-15,169	-52.0
Expenses for services	-9,042	-8,225	817	9,0
	-38,241	**-52,593**	-14,352	**-37.5**

Salaries and wages	-27,841	-35,354	-7,513	-27.0
Expenses for social securities	-4,582	-5,775	-1,193	-26.0
	-32,423	**-41,129**	-8,706	**26.9**
Depreciation and amortization of intangible assets and property, plant, and equipment	-6,221	-7,687	-1,466	23.5
Result from merger	0	-10,252	-10,252	n.a.
Remaining other operating expenses	-17,013	-15,893	1,120	6.6
Earnings before interest and taxes (EBIT)	**-4,976**	**41,355**	46,332	**n.a**
Income from profit transfer agreement	5,306	2,540	-2,766	-52.1
Income from investments	2,540	4,200	1,660	65.4
Interest income	77	92	15	19.5
Interest expenses	-916	-1,093	-177	-19.3
Financial result	**7,007**	**5,739**	-1,268	**-18.1**
Results from ordinary operations	**2,031**	**47,094**	45,064	**2,218.8**
Income taxes	-536	-910	-374	69.8
Other taxes	-33	-81	-48	-145.5
Net loss for the financial year	**1,462**	**46,103**	44,641	**3,053.4**
Retained earnings	9,281	8,699	-582	-6.3
Appropriation/distribution of earnings	-2,044	-2,054	-10	0.5
Transfer to retained earnings	0	-5,000	-5,000	n.a.
Net profit	**8,699**	**47,748**	39,049	**448.9**

First Sensor AG's financial position and net assets

ASSETS

In € thousand	2019	2020	Δ absolute	in %
Intangible assets	3,600	3,522	**-78**	-2.2
Internally-generated intangible assets	3,174	3,459	**285**	9.0
Goodwill	15,906	13,749	**-2,157**	-13.6
Advance for customers	433	235	**-198**	-45.7
Property, plant, and equipment	31,274	37,189	**5,915**	18.9
Shares in affiliated companies	38,575	8,198	**-30,377**	-78.8
Non-current assets	92,962	**66,352**	**-26,610**	**-28.6**
Inventories	20,507	22,990	**2,483**	12.1
Trade accounts receivables	5,443	14,912	**9,469**	174.09
Due from affiliated companies	6,813	44,383	**37,570**	551.5
Other assets	1,659	815	**-844**	-50.9
Cash and cash equivalents	19,086	7,677	**-11,409**	-59.8
Current assets	53,508	**90,777**	**37,269**	**69.7**
Prepaid expenses	405	351	**-54**	-13.4
ASSETS	146,875	**157,480**	**10,605**	**7.2**

As at the reporting date of December 31, 2020, total assets increased by 7.2% to €157.5 million (previous year: €146.9 million).

On the assets side, goodwill in fixed assets largely decreased €2.2 million to €13.7 million (previous year: €15.9 million) because of scheduled depreciation. Property, plant and equipment increased by €5.9 million to €37.2 million as a result of the merger of First Sensor Microelectronic Packaging GmbH and the investments made in fiscal year. Due to the sale of foreign subsidiaries, the share in affiliated companies decreased to €8.2 million (previous year: €38.6 million). In contrast, current assets increased from €53.5 million to €90.8 million. Key changes related to inventories, which increased to €23.0 million (previous year: €20.5 million). Trade receivables amounted to €14.9 million (previous year: €5.4 million) on the reporting date and were increased both by the merger and by the sale of the subsidiaries as of the reporting date. Receivables from affiliated companies of €44.4 million (previous year: €6.8 million) include cash pool receivables from the shareholder amounting to €40.4 million. On the other hand, cash and cash equivalents decreased to €7.7 million (previous year: €19.1 million).

Equity and liabilities

In € thousand	2019	2020	Δabsolute	in %
Share capital	51,347	51,444	97	0.2
Capital reserves	21,156	21,295	139	0.7
Earning reserves	1,004	6,004	5,000	498.0
Net profit	8,699	47,748	39,049	448.9
Equity	**82,205**	**126,490**	**44,284**	**53.9**
Special account with reserve characteristics	2,881	2,704	-177	-6.1
Provisions	11,377	6,106	-5,271	-46.3
Liabilities to banks	28,000	3,000	-25,000	-89.3
Promissory note loans	13,256	11,375	-1,881	-14.2
Payments received on account of orders	205	251	46	22.6
Trade accounts payables	2,974	3,431	457	15.4
Due to affiliated companies	309	537	228	73.8
Other liabilities	4,659	2,627	-2,032	-43.6
Deferred tax liabilities	1,008	958	-50	-5.0
Equity and liabilities	**146,875**	**157,480**	**10,605**	**7.2**

The changes on the assets side correspond to the matching changes on the liabilities side. On the reporting date, the equity of First Sensor AG increased by €44.3 million to €126.5 million (previous year: €82.2 million). This corresponds to an equity ratio of 80.3% (previous year: 56.0%).

Based on a resolution adopted by the Annual General Meeting in 2020, a portion of the retained earnings from 2019 amounting to €2.1 million was used for distributing a dividend. €5.0 million was allocated to revenue reserves and the remaining amount of €1.6 million was allocated to retained profits.

Part of the provisions were utilized in the past fiscal year in connection with the acquisition by TE Connectivity Sensors Germany Holding AG. They therefore decreased by €5.3 million to €6.1 million (previous year: €11.4 million). Promissory note loans of €25.0 million were also repaid, as scheduled. As at the reporting date, trade payables rose to €3.4 million (previous year: €3.0 million). In contrast, other liabilities decreased to €2.6 million (previous year: €4.7 million), mainly due to a fall in liabilities to staff.

Cash flow from operating activities amounted to €5.7 million (previous year: €13.9 million). Cash flow from investing activities increased to €46.4 million (previous year: €-10.8 million) due to the disposal of the subsidiaries. Free cash flow accordingly reached €59.4 million (previous year: €3.1 million). Cash and cash equivalents at the end of the year amounted to €7.7 million (previous year: €19.1 million). 40.4 million are reported as receivables from affiliated companies and represent, among other things, First Sensor's share in the TE cash pool .

2.2.3 Overall statement

In fiscal 2020, sales in the First Sensor Group reached €154.8 million, corresponding to a fall of 4.0%. Therefore, the upper end of the sales guidance of €145 to €155 million was nevertheless achieved in a challenging environment. Sales in the Medical target market, which benefited from strong demand for pressure sensor technology for respirators, did particularly well. However, sales in the Industrial and Mobility target markets lagged the previous year's figures because of the economic environment.

Profitability developed as planned; the operating EBIT margin reached 6.1% and was therefore within the upper edge oft he guidance of 3% to 6%.

Overall, the performance in the fiscal year must be described as satisfactory, as First Sensor succeeded in performing better than the markets in which the Group operates in a difficult economic environment despite the problems resulting from the coronavirus pandemic. Integration in the TE Group was also driven forward successfully and thus the basis for expanding the joint business was created.

2.2.4 Development of non-financial performance indicators

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

Employees

The First Sensor Group had a total of 882 employees (FTEs – full-time equivalents) as at the reporting date of December 31, 2020 (previous year: 892 FTEs). This equates to a fall of 7.7%. A fall in jobs was principally recorded in the production area because of the coronavirus pandemic. Three of the First Sensor Group's locations were affected by short-time working. In addition, 32 apprentices were employed at First Sensor as at the reporting date December 31, 2019 (previous year: 30).

To handle fluctuations in utilization and temporarily fill vacant positions, First Sensor works with temporary employment agencies. At December 31, 2020, the number of temporary workers was 18 (previous year: 23). 11.1% of temporary staff were taken on as permanent staff in 2020.

Personnel expenses also fell to €49.5 million in the reporting year (previous year: €56.2 million) due to measures such as short-time working.

Aging structure of employees in %	2019	2020
Age under 30 years	16	15
Age between 31 and 40 years	32	33
Age between 41 and 50 years	20	21
More than 51 years	32	31
Total	100	100

The age structure of employees has remained stable. 48% of employees at the Group are less than 40 years old. In view of demographic change and the resulting shortage of skilled workers, which is predicted to rise, an important part of our personnel strategy involves ensuring that we meet our requirements for skilled labor by providing in-house training of qualified employees. Based on long-term personnel planning, the aim is to cover the requirements for talented young staff by providing high-quality, needs-based training in the company's own ranks, too. First Sensor provides professional training for micro-technologists (21), industrial clerks (7), specialists in warehouse logistics (2), mechatronics engineers (1), and IT system integration specialists (1). At the end of 2020, a total of 32 apprentices were employed at the company (previous year: 30).

The need for staff development within the company is determined once a year as part of the budget in an analysis of further training requirements. Based on this analysis, but also taking particular account of the general conditions resulting from the coronavirus pandemic, €164 thousand was invested in staff training in fiscal 2020 (previous year: €466 thousand).

The sickness rate decreased sharply in the last fiscal year, also due to the implementation of the health protection measures against Covid-19 prescribed by law, especially from the second quarter. It amounted to just under 5.5% (previous year: 6.3%).

The measures initiated in 2019 to look after employee's health were also continued in 2020, i.e. free fruit, flu vaccinations, additional cold-weather clothing for industrial employees, employee bikes, and supplemented by blood donation drives and back training.

The proportion of female employees remained largely stable same year-on-year and amounted to 34.9% (previous year: 35.5%) as at the reporting date. This ratio is comparatively high for a technology company. Performance-oriented remuneration in line with the market that reflects the significance of the position will still be guaranteed through the new TE Global Job Framework, which is to be introduced in 2021.

At 37.6%, somewhat more people with an academic degree are employed at the company than in the previous year (35.3%).

Due to the role of the parent company in the Group, the above explanations apply accordingly to First Sensor AG.

As a result of the merger with First Sensor Microelectronic Packaging GmbH, First Sensor AG had 618 employees (FTE - full time equivalent) at the end of the year (previous year: 477). The breakdown of employees by unit is shown in the following table:

Number of employees (FTE)	2019	2020	Δ absolut	in %
Berlin-Oberschöneweide	233	221	-12	-5,2
Munich branch	72	72	0	0
Berlin-Weißensee branch	172	163	-9	-5,2
Dresden branch	0	162	162	n.a.
Total	**477**	**618**	**141**	**29,6**

Quality management

The "Corporate QHSE" (Quality, Health, Safety, Environment) unit now takes charge of an integrated way of thinking and working across all locations and manages the ongoing harmonization of local processes, for both First Sensor AG and the Group. For this purpose, it publishes directives, provides software tools and promotes and organizes the transfer of knowledge. The aim of this is to ensure that standardized and cost-effective processes are employed when working throughout the First Sensor Group both in the areas of quality management and quality assurance and in HSE management and to strengthen the company's uniform approach to its customers and external suppliers. This way, quality and HSE management is fulfilling ever-growing customer demands for intelligent production systems, which cover the process chain from raw material to the finished product and for high product quality through uniform, established processes.

Customer complaints are collected consistently in the quality management unit and analyzed on the basis of standard key figures. This meant product quality was further improved last year and costs reduced as a result. It was also possible to speed up the processing of complaints still further. Supplier audits were also carried out and quality assurance agreements negotiated to limit risks. The key figures for supplier performance according to standard criteria are now provided centrally for most locations every month and can be evaluated across locations.

There is a uniform, database-based register of legal provisions at the locations, which makes the legal obligations for line managers and employees transparent and ensures they are implemented. Audits were carried out at German locations in fiscal year 2020 to identify potential for improvement. These related to both management of systems and implementation of instructions. Subsequently, holes in the CE conformity of the machinery will now be closed in order to increase safety. With all activities, use of the HSE software continued very successfully.

QHSE management will also be gradually standardized across the Group through the merger with TE Connectivity. Because of the larger units, this will lead to changes through the involvement of specialists. For example, quality management is assigned to purchasing.

All locations successfully passed the monitoring audits of existing quality and environmental certifications.

The following certifications are currently audited at First Sensor:

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

- DIN EN ISO 14001 Environmental management systems

2.3 SUPPLEMENTARY REPORT

With regard to significant events and transactions of particular importance that occurred after the end of the 2020 financial year and that have an impact on the net assets, financial position and results of operations for the financial year ended, reference is made to the disclosures in the notes to the separate financial statements and the consolidated financial statements.

2.4 FORECAST, OPPORTUNITY AND RISK REPORT

2.4.1 Forecast report

General economic and sector conditions

The International Monetary Fund (IMF) recently upgraded its forecast for 2021. It assumes that the dynamic upswing from the second half of 2020 will continue and is expecting the global economy to grow by 5.5% in 2021. At the same time, it is emphasized that this forecast is subject to great uncertainty due to the coronavirus pandemic.

After a slump of almost 7% in 2020, the EU Commission is expecting growth to resume as early as spring of 2021. Overall, economic output in the euro zone is expected to grow by 3.8% this year. It bases its confidence in solid growth in the second half of the year in particular on the start of the vaccination programs to combat COVID-19, the conclusion of the Brexit trade agreement with the United Kingdom, and the coronavirus recovery fund worth billions of euros that the European Parliament has passed.

For Germany, the IMF is expecting growth of 3.5%, while other bodies are forecasting 3.0%. The IMF is advocating using the favorable interest rates to boost the economic recovery.

First Sensor's most important sales markets are likely to see growth in 2021. This expectation is based on factors including the enormous economic stimulus programs being launched in developed economies. China's successful handling of the pandemic has also allowed its economy to return to growth earlier. The experts at the Kiel Institute for the World Economy (IfW) expect gross domestic product in the USA to grow by 3.7% in 2021, after contracting by 3.6% last year. Asia is also experiencing a rapid upswing: After a 1.6% fall in 2020, strong growth of 9.3% is expected this fiscal year. China (9.2%) is still expanding considerably more rapidly than South Korea (3.1%), while a contraction of 5.2% is expected for Japan. Economic output in the euro zone is also expected to grow significantly, at 4.7%, in 2021. In the German-speaking part of Europe, there are only slight differences in expectations. Thus Switzerland at 3.7%, Germany at 3.5% and Austria at 4.5% should all participate in the upswing.

Development of the sensor market

After the sharp decline in 2020, the German Electrical and Electronic Manufacturers' Association (ZVEI) is anticipating a production increase of 5% in 2021. This would make up for around two thirds of the losses from the previous year. The association expects a return to the pre-crisis level only during 2022. However, these forecasts are subject to a high degree of uncertainty in connection with the restrictions in place in the further course of the pandemic.

The ZVEI expects positive effects from electrification and digitalization. The trend towards an all-electric society is closely associated with tackling climate change. This challenge can be met through the widespread deployment of technological innovations. It sees great potential in the intelligent connection of all climate-relevant sectors. Universal electrification, digitalization, and automation of the areas of energy, industry, buildings, and mobility can contribute to achieving the set climate goals.

The market research company Allied Market Research is forecasting an annual growth rate of 10.4% for the MEMS sensor market up to 2026 and a total market size of $60.6 billion in 2026. The greatest growth is expected for optical sensors. The experts identify the increasing demand for miniaturization in a large number of electronic devices, such as smartphones, wearables, and medical instruments and in the increase in applications in the Internet of Things and automation as drivers of this trend. The development of autonomous vehicles promises additional impetus.

In the automotive electronics market, McKinsey & Company, Inc. is assuming growth in the sensor segment of 8% between 2020 and 2030, which is ascribed primarily to progress with autonomous driving and technologies such as LiDAR. Here, the market researchers expect significant development of the software and electronic architecture in vehicles through to software-defined functions that will result in increasing standardization of sensors and other components.

Development of the target markets

Industrial

Following the economic slump during the coronavirus crisis, the German Economic Institute is expecting industry to become the economy's driving force in 2021. However, the pre-crisis level is still a long way away for many according to a cross-sector survey. Even so, 21 sectors are expecting production to be slightly higher in 2021, including mechanical engineering, the electrical industry, and the chemicals industry. According to an IMF fiscal report, governments around the world have now mobilized almost $14 trillion to tackle the crisis. The IMF recommends that developed countries maintain looser fiscal policies. These should help to support a sustained upswing and make the transformation to a green, digital, inclusive economy easier.

Medical

According to experts, medical technology will remain a growth market in the next few years. They see the aging of the global population, the expansion of health systems, and steady growth in the emerging markets as drivers of this development. In addition, various technological trends such as digitalization and the use of artificial intelligence are inspiring strong development in sensor technology and individualized medical technology. The market researchers from EvaluateMedTech are forecasting annual growth in the global medical technology market of 5.6% until 2024.

Mobility

The German Association of the Automotive Industry (VDA) is expecting a slow improvement in the market situation in 2021. However, the higher growth rates must not be overrated in the light of the extremely low sales figures during the lockdown phase in spring of 2020. The global passenger car market is expected to grow by 9% in 2021, although the volume is still expected to be well below the pre-coronavirus level. In terms of truck sales, the VDA is anticipating a very mixed picture: An increase of 15% is expected in Europe and the US market, while the figure is as high as 75% for India. In China, on the other hand, a fall of 25% is anticipated, representing a significant market correction. As a result, the global truck market is expected to contract by 4% overall. With this outlook, it will not be possible to compensate for the falls from last year, and the high levels from 2019 remain far off.

Forecast for the business development in 2021

Sales

The First Sensor Group achieved sales of €154.8 million in fiscal year 2020, which was, therefore, at the upper end of the corridor provided in the guidance (€145 million to €155 million). With this level of sales, profitability reached an adjusted EBIT margin of 6.1% and was thus at the upper end of the planned range of 3 to 6 percent. In addition, consolidated net income was largely defined by the sale of subsidiaries to TE Connectivity.

The expectations for fiscal year 2021 are based on the premise of a 12-month fiscal year and take into account the company sales from the last fiscal year. While these former subsidiaries do indeed continue to operate on the market in close coordination with First Sensor, they are no longer included in the basis of consolidation. As a result, the forward-looking statements cannot be compared with earlier statements on the planned development of the Group.

For fiscal year 2021, First Sensor is anticipating sales of between €135 million and €145 million. The drop compared with the previous year results from the change in the basis of consolidation. Besides the anticipated rising demand from the circle of existing customers, future sales growth is also supported to a significant degree by new projects from the TE Group.

Industrial

In fiscal year 2020, First Sensor recorded a considerable decline in sales in this target market, which was in keeping with the general economic conditions. A brisk acceleration in demand has already been apparent in the last few months, which suggests that the industrial applications for sensor technology have passed their lowest point. For fiscal year 2021, it is therefore expected that the level of sales in this target market will improve slightly, but will probably not reach the order of magnitude of 2019.

Medical

For an extended period in fiscal year 2020, the coronavirus pandemic caused an increase in demand for pressure sensors that are used in respirators. Demand has returned to normal in this area in recent months. It is to be expected that the further course of the pandemic will not lead to a repeat of this special boom. Therefore, a significant fall compared with last year is expected in the area of pressure sensors, while the other areas such as imaging diagnostics give reason to expect further growth. However, these will not be sufficient to compensate for the fall.

Mobility

The automotive industry fell into step again recently and demand for sensors increased sharply. As the possible applications for sensor technology in the automotive sector are growing far more quickly than the mere number of vehicles produced, First Sensor should benefit disproportionately from this recovery. This, in conjunction with new projects – some of which are coming from the TE Group, should contribute to considerable sales growth in this target area in fiscal year 2021. As a result, it may prove possible to make up for the decline in fiscal year 2020 in 2021.

Earnings

With the loss of the high contributions to earnings from the sold foreign subsidiaries, a lower consolidated net profit is expected in fiscal year 2021. Operating profitability should be at the level of the previous year, as the influences from the integration process continue to have a negative impact. However, in the medium term, earnings should improve markedly once more thanks to the focus on the German locations, their optimization, and the realization of existing growth potential.

Fiscal year 2020 and guidance 2021	2020*	Guidance 2021	Key premises
Sales in € million	154.8	135– 145	Demand revival in the target markets Industrial and Mobility, decline in the target market Medical due to declining demand for pressure sensors for respiratory equipment; Decrease due to disposal of foreign subsidiaries; new projects from TE Group
EBIT-margin [%] (adjusted)	6.1	2.0 – 4.0	Integration expenses temporarily impact profitability; significant improvement expected in medium term by focusing on German sites, optimizing them and realizing existing growth potential

* Sales and EBIT include contributions from sold Group companies

Financial position and net assets

For fiscal year 2021, significant investments are again planned at roughly the level of the previous year (between €6 million and €8 million). Thus, a third production line is to be built in Dresden at First Sensor Mobility GmbH in order to meet the increased demand for tank pressure sensors. At the Dresden branch of First Sensor AG, a further assembly line is to be set up in the area of second level packaging, with which additional sales will be realized in the coming years through new orders from the combined Group with TE Connectivity. In addition, the production steps will be further optimized through the outsourcing of processes to wafer and chip production. Furthermore, a capacity expansion due to the switch to 6-inch systems and more intensive automation are planned. It is expected that efficiency and productivity can be increased significantly with these measures. They will be financed from cash and cash equivalents, and the cash flow. First Sensor now participates in the TE cash pool. Inventory levels are expected to be higher for the time being in order to ensure supply capacity. This will affect working capital. Since special effects had a monumentally positive effect on free cash flow in 2020, it will be far lower in fiscal year 2021. It is to be expected that First Sensor will consistently have a net cash position in fiscal year 2021.

Outlook for First Sensor AG

For the financial year 2021, the Management Board expects that the very positive development of the previous year, especially in the area of pressure sensors, will not be repeated. Following sales of €112.1 million, sales of between €101 and 108 million are therefore expected for the 2021 financial year.

In fiscal 2020, the planned EBIT of €64.4 million was significantly exceeded due to special effects. Adjusted earnings are expected to be slightly positive in 2021.

Overall statement

First Sensor pursues a profitable growth strategy that is geared toward sustainably increasing value. With the measures related to the business combination with TE Connectivity, the conditions have been created for success in fiscal year 2021 and beyond. First Sensor will seize the opportunities that arise within the combined Group to achieve disproportionate growth on this basis and to further increase profitability in the next few years. For fiscal year 2021, the Executive Board is expecting group sales of between €135 million and €145 million with an EBIT margin of between 2.0% and 4.0%. In the medium term, prospects for the Group's development are still positive. The successful implementation of the strategy in the business combination will show itself in substantial growth rates in terms of sales and earnings.

2.4.2 Report on risks and opportunities

In this report, risks and opportunities refer to influences or events that make it likely that the short and medium-term corporate development exceeds or falls short of the management's objectives. 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

First Sensor AG and its subsidiaries are exposed to a range of risks in the course of their business activity that are inextricably linked to their business actions. This can have a negative impact on the assets, financial and earnings situation. Handling risks carefully is therefore a fundamental part of responsible corporate governance. Active risk awareness, an open risk culture and an effective risk management system are therefore necessary to ensure short and long-term success of the company.

The risk management system and compliance management are closely linked together and form an integral part of corporate governance at First Sensor. The Executive Board is responsible for the Enterprise Risk Management (ERM) system, which is used to analyze the risk and compliance situation regularly and assess, manage and control the risks identified. The ERM system is managed by the Finance department in close cooperation with the management of the operating units. This includes all companies, locations, and business divisions. The Supervisory Board is kept regularly informed regarding the company's risk situation in a structured process and monitors the effectiveness of the ERM system within this framework. The ERM system at First Sensor supports both the effective identification and management of corporate risks as well as implementation of and compliance with the ethical principles of corporate governance (Code of Conduct) and statutory provisions that drive the Group's business. This also includes a supplier code that expresses the expectation that suppliers and business partners should also align their actions with the principles of the Code of Conduct. First Sensor has begun to evaluate compliance with the supplier code through supplier audits.

Targets and strategies

The most important goal 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 are to 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 would even pose a threat to its continued existence are avoided as fully and consistently 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/or 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.

Structures and processes

ERM structures and processes are standardized throughout the Group. They are based on the "First Sensor Risk House" derived on the basis of the COSO ERM framework with its four pillars which map significant risk categories for the company and also include compliance issues:

First Sensor Risk House:

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 via 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 result of this structured process flows into the quarterly risk report, which is communicated to the Executive Board and the Supervisory Board in writing. This information thus is integrated in the regular business analyses of the Executive Board, location and division managers and is used to derive measures.

The ERM system is supplemented by an internal control system (ICS) to actively limit the risks identified as relevant for First Sensor with appropriate control activities and check the defined control activities regularly for adequacy and effectivity. The scope and effectiveness of the system are monitored regularly and extended where necessary through new control activities in the form of guidelines or process instructions, for example. Thus last year the HSE (Health, Safety, Environment) guidelines were rolled out to further locations and the implementation checked by means of intensive audits, for instance.

In addition, First Sensor has supplemented risk reporting with robust opportunity reporting since 2019. The Group's opportunity situation is thus also surveyed quarterly in a systematic process in parallel to the risk situation.

Risk assessment

Risk assessment is based on a company-specific assessment matrix, which takes into consideration the probability of occurrence and potential amount of damage of possible events and derives priorities as a result.

Probability of occurence	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	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 together. If the risk factor calculated from this is higher than the materiality threshold of three, measures to manage the risk are defined and their implementation 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 having an impact on the achievement of the company's goals at the time this report is being prepared and are thus relevant to decision-making for knowledgeable readers. Risks of minor significance are not listed separately.

Strategic risks

Strategic risks include macroeconomic risks, risks from markets and competition, and specific risks from products and technologies.

First Sensor currently assesses macroeconomic risks as "high". It became clear in the course of the coronavirus pandemic in 2020 that the occurrence of infection resulted in substantial falls in regional economic activity around the world. Admittedly, the severe slump in the first half of the year was followed by a swift recovery in many branches of industry. However, a significant drop was recorded to some extent in almost all industries for the year as a whole. First Sensor and its customers are unable to escape from the restrictions caused by the pandemic. In the first months of fiscal year 2021, restrictions for the purpose of infection protection remain in place, and progress in vaccinating the population is sluggish in many countries. If the "third wave" is not broken and the latest economic recovery breaks down, the effects resulting from a hard lockdown, for example, would also hit First Sensor and its customers.

Last year, it proved possible to compensate for the decline in the target markets Industrial and Mobility to some extent with above-average sales in the Medical target market. However, it can be assumed that demand for pressure sensors for respirators, for example, will not rise again in the further course of the pandemic and any compensation will cease to exist. In addition, the intensity of competition in this attractive niche has increased. Furthermore, there is still a risk that it will take longer to realize the growth potential in the LiDAR market for automotive customers than is indicated in the current planning.

The general impact of these risks on business performance is difficult to assess at present. Appropriate measures have been addressed, in particular also as part of the ongoing process of integrating with TE Connectivity. Here, there is new potential for First Sensor to tap into within the Group. Nevertheless, there is uncertainty in relation to the speed with which the corresponding countermeasures can be implemented. The risks arising from products and technologies are chiefly countered by the active management of the product portfolio and strategic technology roadmaps that are updated regularly.

Overall, the strategic risks are classified as "high".

Operating risks

Sales risks, development and technology risks, production risks, quality risks, purchasing and inventory risks, IT risks, and human resources risks are combined under operating risks.

Restrictions on travel and contact due to the Corona pandemic hampered sales in fiscal year 2020, and orders or call-ups from some customers are also being held back at the beginning of the new fiscal year. In particular, these concern the automotive industry and aviation, but customer-specific new developments are also being driven forward more slowly by the customer to some extent. In some cases, orders are being canceled. These handicaps may mean that sales targets are not met, as it is difficult to develop new customers and markets under the pandemic conditions.

A significant sales risk is a downward trend in orders from major customers. In the financial year 2020, 19.2 percent (previour year: 18.9 percent) of consolidated sales were generated with the three largest customers, and the largest customer represents 7.8 percent (previour year: 8.2 percent) of sales. A change in their ordering behavior or their switch to another supplier can in principle have a significant impact on sales. The sales risks are therefore assessed as "high" overall.

In the area of development and technology, risks in relation to quality and supply capacity arise from the switch from 4-inch to 6-inch wafers in chip production at the Oberschöneweide location. The switch is necessary to be able to meet increased demand. At the same time, a settled process is being migrated to the new format, which first needs to be stabilized in the start-up, especially in terms of quality. This may lead to bottlenecks on a temporary basis. In addition, growing demands are being placed on the software of the systems, for which appropriate capacities need to be built up. It is expected that the bottlenecks occurring to some extent will be resolved as part of the integration with TE Connectivity. The development and technology risks are therefore upgraded for the time being compared with the previous year and continue to be rated "high".

Until the beginning of fiscal year 2021, the production, quality, purchasing and inventory risks are dominated by the ongoing effects of the pandemic. Supply bottlenecks affecting some key suppliers as a result of the coronavirus are leading to production delays that are to be compensated for by increased inventories and the qualification of second-source suppliers. These bottlenecks are not only critical for planned growth, but also prevent smooth production processes. Access to suppliers of TE should minimize these risks in future. This group of risks is nevertheless rated as"medium".

IT risks were further reduced by raising security standards as well as by drawing on additional expert knowledge and through careful monitoring. Thus they represent "less" of a risk to business operations but are nonetheless an important topic across the Group. Employing new technologies, in this case the planned harmonization of the ERP systems in the Group with TE in particular, ties up significant resources in preparation and implementation. This can have a negative impact on day-to-day business.

The human resources risks faced by the company are rated as"medium". The business combination with TE has resulted in unwanted fluctuation in some areas. On the other hand, applicants are hesitating over moving during the pandemic. Vacancies mean an increased strain on the remaining team, which is faced with additional challenges as a result of the integration process. These risks are countered by clear communication that emphasizes the opportunities associated with the business combination for First Sensor and its employees in particular.

Financial risks

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

These risks have become less relevant for First Sensor thanks to the business combination with TE Connectivity. Admittedly, reporting has become more demanding under the new Group guidelines, but this can be managed with the appropriate capacities. Since First Sensor is a participant in the cash pool, the liquidity risks can be ignored. The same applies to the risks arising from changes in exchange rates because First Sensor is now active almost exclusively in the euro zone. Only in the area of working capital are there currently increased inventory levels to ensure supply capacity for the aforementioned reasons. The aforementioned risks thus continue to be rated as "low".

Regulatory risks

Regulatory risks include political and legal risks as well as compliance-related risks. The political risks include geopolitical and trade-related conflicts.

Following the sale of some foreign subsidiaries, the risk for First Sensor has reduced significantly in this respect. From the perspective of some customers, the profile of First Sensor as part of the TE Group has changed only in selected markets such that customer relationships could be temporarily affected.

Compliance-related risks are identified and managed by the compliance management system at First Sensor. The compliance management system is an integral part of Enterprise Risk Management at First Sensor. It contributes to the fact that binding rules at the company are known and that infringements are identified in good time. Reports of risks and infringements may also be given anonymously via an external ombudsman (legal counsel). In the last fiscal year, intensive compliance audits were carried out at various locations. The findings referred to isolated deficiencies in the implementation of the appropriate guidelines on the one hand, and a lack of operational implementation of the guidelines on the other. Measures have been taken to address the findings. Overall, these risks are classified as "medium".

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. In order to achieve this goal, First Sensor implemented appropriate structures, processes, and checks. These aim to ensure that the results of the accounting process are free of errors and available on schedule. Secondarily, the ICS also serves to help ensure efficient management, to safeguard assets, and to prevent or detect criminal offenses and errors. All Group companies and operational business processes that generate significant information for the preparation of the consolidated financial statements are included in the ICS.

The accounting-related ICS is developed by the Executive Board and its effectiveness is monitored by the Supervisory Board. It consists of different elements, including guidelines and procedural instructions, such as the Group Financial Manual, the Accounting Manual, the Financial Risk Management Directive and the Approval and Signature Directive, which also stipulates the dual-control principle. These are supplemented by other general procedural instructions on topics such as the calculation of production-related costs or intercompany charges. These ICS components are accompanied by checks which examine and validate data relevant to the financial statements at different points. By implementing such checks we are ensuring with the greatest possible certainty that the (consolidated) financial statements are prepared in accordance with the regulations. This includes monthly standardized controlling reports of all Group companies and locations supplemented with target actual deviation analyses with recommendations for action by Corporate Controlling and monthly business review meetings between the location and division officers and the Executive Board. The Group companies prepare their financial statements on a decentralized basis in accordance with the local legal requirements. Uniform reporting structures are ensured by means of standardized notification formats, IT systems, and IT-based consolidation processes. Together with the financial reporting calendar that is applicable throughout the Group, the process of uniform, correct consolidated accounting in accordance with IFRS forms the basis for the process of preparing the financial statements. In addition, significant local financial statements are initially comprehensively internally examined at the end of the fiscal year before being released for the consolidated financial statements. No significant tasks are performed by external service providers in the context of preparing the consolidated financial statements with the exception of XBRL-compliant tagging (see below). In addition to this, random spot checks and plausibility analyses are carried out at location and Group level on a monthly basis, accompanied by compliance audits. Head office also has access to all the accounting systems and bank accounts within the Group at all times. To monitor the level of cash and cash equivalents, a cash tracking table was also set up for all accounts held by Group companies. The Executive Board is kept informed regarding the results of these checks on an ongoing basis. The expected accounting results are compared with the actual results during the course of monthly deviation analyses with the business units. This ensures that the Executive Board can decide on measures at an early stage where necessary to ensure our business success is realized as planned.

Owing to the ESEF (European Single Electronic Format), the uniform electronic reporting format to be used in the EU from 2020, a process to ensure compliance with the ESEF has been added to the internal control system (ICS) at First Sensor AG. The reason behind introducing the ESEF is that IFRS financial statements from all companies are then available in a uniform, machine-readable format, thus making analysis and comparisons easier. To this end, figures and information from the financial statement based on a uniform IFRS taxonomy are provided with a standardized label known as a tag in the XBRL markup language. In order to implement these new EU requirements correctly, First Sensor AG concentrated on the processes surrounding the annual financial statements, examined various methods for preparing an ESEF-compliant report and decided to work together with an external service provider. At the same time, a process was defined that determines how all internal and external parties involved work together.

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

Opportunities and risks for First Sensor AG

Due to its role in the Group, the business development of First Sensor AG is subject to the same risks and opportunities as the Group. In this respect, reference is made to the explanations at Group level in the opportunities and risks report.

Summary of the risk situation

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

Opportunity management system

As is the case with risks, opportunities within the Group are also systematically identified, transparently documented and incorporated in 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 business combination with TE Connectivity provides the strategy for profitable growth with additional impetus for sales and earnings. This relates not only to integration in the TE Group's sales network, but also to the largely complementary nature of the two companies' product portfolios, particularly in the area of photonics and cameras and in low-pressure sensor technology. By combining efficiently at the levels of sales, purchasing and production, new business opportunities can be created together. The business combination also gives First Sensor fresh prospects in terms of staff recruitment and retention as a future part of a strong, globally operating partner.

Operating opportunities

First Sensor operates in growing markets in which new technologies and digitalization are currently ushering in a new era for industry, medical technology and the automotive industry. This opens up new fields of application such as predictive maintenance, e-health and autonomous driving, for example, which may reach significant market volumes faster than expected and could thus lead to additional sales. This also applies to the use of avalanche photodiodes for LiDAR applications in industry and the automotive sector, for which First Sensor is the market leader. The company also sees relevant growth opportunities and promising new partnerships when it comes to camera-assisted ADAS and surround view systems. In addition, innovations and strategic partnerships with growth-oriented customers in the application field of imaging sensor systems present increased sales opportunities, particularly in medical technology.

Flexible capacities are required to also be able to seize these growth opportunities. Through integration in the TE production network, it is possible to also meet growing demand efficiently. The same applies to increasing vertical integration. Various customers are increasingly focusing on their core competencies and are therefore outsourcing production steps to suppliers. This creates an opportunity for First Sensor to expand the scope of supply based on existing relationships.

During the coronavirus pandemic, many customer projects were slowed down. Through excellent customer support and impressive performance, First Sensor has created the conditions for being able to exploit opportunities for growth in a targeted manner once the crisis is over. In doing so, a competitive advantage was often acquired by assuring customers that production would be ramped up very quickly after the crisis. This flexibility can help to ensure above average participation in an upturn.

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

In the last fiscal year First Sensor also succeeded in initiating a large number of new business opportunities for developing and producing customer-specific solutions for which sampling has already begun or will shortly begin. A sampling process comprises different phases, although the overall duration varies. Therefore, sampling processes that conclude with an order earlier than planned may contribute to sales as early as in the current year.

First Sensor is also continuing to work on optimizing production processes under the heading of "operational excellence". In addition to the introduction of 6-inch wafer production and a manufacturing execution system (MES), this also includes targeted investments in new equipment and higher automation in the areas of chip production and layout and connection technology. Closer cooperation between locations can also improve efficiency and open up new groups of customers. 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 unplanned increased sales with major customers, which would always also have a positive impact on profitability due to economies of scale.

Financial opportunities

Various measures and the simplification of processes, also in the context of the business combination with TE Connectivity, give First Sensor additional ways to further improve its working capital management.

Regulatory opportunities

Regulatory influences have a bearing on the development of First Sensor in various areas. The trend towards "green mobility" is a driver for the use of sensors in fuel monitoring, for example. A tightening of emissions limit values may lead to higher demand. However, the company has only limited influence on the realization of these opportunities.

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.

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

Composition of subscribed capital

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

Restrictions affecting voting rights or the transfer of shares

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

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

Disclosures on direct or indirect interests in the share capital exceeding 10% of the voting rights can be found in section [37] of the notes.

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 Executive Board is authorized to issue convertible or option bonds with a nominal value of up to €90.0 million up to May 23, 2022, and grant their bearers up to 3.8 million shares with an amount in the share capital of up to €19.0 million.

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

The Executive Board is authorized to acquire treasury shares up to a maximum of 10% of the share capital. No use has been made of this authorization to date.

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.

2.6 OTHER DECLARATIONS

The declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act) and the coporate 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 company's Supervisory Board has resolved a target figure for the proportion of women on the Executive Board and Supervisory Board in accordance with Section 111 (5) of the German Stock Corporation Act. By December 31, 2022, a female quota of 0% is to be achieved on the Management Board and a female quota of 16.67% on the Supervisory Board of First Sensor AG.

The consolidated management report of the Company and the Group contains statements relating to the future. The actual results may deviate materially from expectations regarding probable development, if one of the uncertainties mentioned or other uncertainties occur or the assumptions on which the statements are based prove to be inaccurate.

Berlin, April 27, 2021

Sibylle Büttner	Robin Maly	Marcus Resch
Vorstand	Vorstand	Vorstand

3 FINANCIAL STATEMENT 2020

3.1 CONSOLIDATED BALANCE SHEET (IFRS)

3.1.1 Consolidated Balance Sheet Assets (IFRS)

In € thousand	Notes	Dec. 31, 2019	Dec. 31, 2020	Changes
Intangible assets	*(3)*	17,011	13,628	-3,383
Goodwill	*(4)*	29,816	15,979	-13,837
Property, plant and equipment	*(5)*	48,574	49,171	597
Total non-current assets		**95,401**	**78,778**	**-16,623**
Inventories	*(6)*	35,727	29,063	-6,664
Trade accounts receivables	*(7)*	12,512	20,768	8,256
Tax refund claims		944	294	-650
Financial assets	*(8)*	0	39,436	39,436
Other current assets	*(9)*	2,812	1,406	-1,406
Cash and cash equivalents	*(10)*	32,260	10,030	-22,230
Total current assets		**84,255**	**100,997**	**16,742**
Total ASSET		**179,656**	**179,775**	**119**

3.1.2 Consolidated Balance Sheet Equity and liabilities (IFRS)

In € thousand	Notes	Dec. 31, 2019	Dec. 31, 2020	Changes
Share capital	*(11)*	51,347	51,444	97
Capital reserves	*(12)*	18,200	13,469	-4,731
Revenue reserves	*(12)*	18,907	69,124	50,217
Other reserves	*(12)*	-52	7	59
Minority interest		1,479	1,579	100
Total equity		**89,881**	**135,623**	**45,742**
Non-current post employment benefit obligation	*(13)*	272	315	43
Long-term loans, excluding current portion	*(15, 16)*	25,581	19,675	-5,906
Other non-current liabilities	*(17)*	3,517	3,182	-335
Deferred tax liabilities	*(28)*	3,249	2,688	-561
Total non-current liabilities		**32,619**	**25,860**	**-6,759**
Income tax provisions and liabilities		642	916	274
Other current provisions	*(14)*	559	582	23
Short-term loans and current portion of long-term loans	*(15, 16)*	29,897	4,168	-25,729
Payments received on account of orders		272	1,010	738
Trade accounts payables		8,759	5,785	-2,974
Other current liabilities	*(18)*	17,027	5,831	-11,196
Total current liabilities		**57,156**	**18,292**	**-38,864**
Total EQUITY AND LIABILITIES		**179,656**	**179,775**	**119**

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

3.2.1 Consolidated Income Statement

In€ thousand	Notes	Jan, 1 – Dec,31, 2019	Jan, 1 – Dec,31, 2020	Changes
Sales revenues	*(20)*	161,275	154,816	-6,459
Other operating income	*(21)*	2,598	49,257	46,659
Changes in inventories in finished goods and work-in-progress	*(22)*	483	-2,512	-2,995
Other own work capitalized	*(23)*	3,632	1,940	-1,692
Cost of material and purchased services	*(24)*	-75,293	-70,866	4,427
Personnel expenses	*(25)*	-56,182	-49,486	6,696
Other operating expenses	*(26)*	-20,314	-16,434	3,880
PROFIT FROM OPERATIONS (EBITDA)		**16,199**	**66,715**	**50,516**
Depreciation of property, plant and equipment and amortization of intangible assets		-11,139	-11,474	-335
EARNINGS BEFORE INTEREST AND TAX (EBIT)		**5,060**	**55,241**	**50,181**
Financial result	*(27)*	-1,541	-1,755	-214
INCOME BEFORE TAX AND MINORITY INTEREST		**3,519**	**53,486**	**49,967**
Income tax expenses	*(28)*	-1,046	-1,052	-6
RESULT FOR THE PERIOD*		**2,473**	**52,434**	**49,961**
Result of the period attributable to First Sensor AG shareholders		2,296	52,334	50,038
Result of the period attributable to minority interests		177	100	-77
Earnings per share in € (basic)	*(29)*	**0.22**	**5.09**	**4.87**
Earnings per share in € (diluted)	*(29)*	**0.22**	**5.09**	**4.87**

*) Income for the period includes income from continuing and discontinued operations. For a separate presentation of the effects on earnings of continuing and discontinued operations, please refer to the explanations in the Notes under 33. Discontinued operations

3.2.2 Other comprehensive income

in € thousand	Jan, 1 – Dec,31, 2019	Jan, 1 – Dec,31, 2020	Changes
RESULT FOR THE PERIOD	**2,473**	**52,434**	**49,961**
Actuarial gains and losses on defined benefit plans	-58	-67	-9
Taxes on other comprehensive income	17	20	3
Items not subsequently reclassified to the income statement	-41	-47	-6
Changes from currency translation	-13	2	15
Revaluation of derivative financial instruments	18	-7	-25
Expenses transferred to the income statement (recycling)	0	46	46
Taxes on other comprehensive income	-6	2	8
Items that can be subsequently reclassified to the income statement	-1	43	44
Total other comprehensive income	-42	-4	38
TOTAL RESULT	**2,431**	**52,430**	**49,999**
Thereof attributable to First Sensor AG shareholders	2,254	52,330	50,076
Thereof attributable to minority interests	177	100	-76

3.3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

in € thousand	Number of shares in thousand	Capital stock	Capital reserves	Revenue reserves	Other reserves	Minority interest	Total shareholders' equity
Changes due to IFRS 16	0	0	0	-474	0	0	-474
As at January 01, 2019	10,222	51,112	17,234	18,655	-10	1,302	88,293
Net profit/loss for the period	0	0	0	2,296	0	177	2,473
Other comprehensive income	0	0	0	0	-42	0	-42
Total comprehensive income	0	0	0	2,296	-42	177	2,431
Share-based remuneration	0	0	496	0	0	0	496
Distribution dividend	0	0	0	-2,044	0	0	-2,044
Capital increase	47	235	470	0	0	0	705
Reclassification	0	0	0	0	0	0	0
As at December 31, 2019	10,269	51,347	18,200	18,907	-52	1,479	89,881

in TEUR	Number of shares in thousand	Capital stock	Capital reserves	Revenue reserves	Other reserves	Minority interest	Total shareholders' equity
As at January 01, 2020	10,269	51,347	18,200	18,907	-52	1,479	89,881
Net profit/loss for the period	0	0	0	52,334	0	100	52,434
Other comprehensive income	0	0	0	-47	43	0	-4
Total comprehensive income	0	0	0	52,287	43	100	52,430
Share-based remuneration	0	0	-4,870	0	0	0	-4,870
Distribution dividend	0	0	0	-2,054	0	0	-2,054
Capital increase	20	97	139	0	0	0	236
Reclassification	0	0	0	-16	16	0	0
As at December 31, 2020	10,289	51,444	13,469	69,124	7	1,579	135,623

In the 2020 financial year, the revenue reserves reported in the previous year were combined with retained earnings to form the revenue reserves item. In addition, the currency translation adjustment item was combined with the revaluation reserve in other reserves. The values as of January 01, 2019 therefore each contain the combined closing balances of the reserves as of December 31, 2018.

3.4 CONSOLIDATED STATEMENT OF CASH FLOW (IFRS)

In € thousand	Notes	Jan, 1 – Dec,31, 2019	Jan, 1 – Dec,31, 2020	Changes
INCOME BEFORE TAX AND MINORITY INTEREST		3,519	53,486	49,967
Interest paid		1,606	1,453	-153
Depreciation of property, plant and equipment and amortization of intangible assets		11,139	11,474	335
Income/loss from the disposal of fixed assets		2	261	259
Other non-cash expenses and income		497	826	329
Profits from deconsolidation		0	-47,539	-47,539
Changes in provisions		-532	134	666
Changes in working capital		-1,964	-8,873	-6,909
Changes in other assets and liabilities		9,035	-4,347	-13,382
Income tax paid		-2,873	-393	2,480
CASH FLOW FROM OPERATING ACTIVITIES		20,429	6,482	-13,947
Payments for investments in property, plant and equipment and intangible assets		-11,804	-10,440	1,364
Proceeds from disposal of property, plant and equipment, intangible assets and investments		166	531	365
Proceeds from disposal of subsidiaries, net of cash disposed of		0	61,569	61,569
Interest received		74	10	-64
CASHFLOW FROM INVESTMENT		-11,564	51,670	63,234
Proceeds from shareholders		705	236	-469
Paid dividends		-2,044	-2,054	-10
Repayments for financial liabilities		-1,700	-29,494	-27,794
Payments for the repayment of leasing liabilities		-1,549	-2,466	-917
Payments from plan amendments Share-based payment		0	-5,730	-5,730
Proceeds from loans		1,050	0	-1,050
Interest paid		-1,679	-1,464	215
CASH FLOW FROM FINANCING ACTIVITIES		-5,217	-40,972	-35,755
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,648	17,180	13,532
Currency differences from converting funds		78	-91	-169
CASH FUNDS AT THE BEGINNING OF THE FINANCIAL YEAR	(30)	28,534	32,260	3,726
CASH FUNDS AT THE END OF THE FINANCIAL YEAR	(30)	32,260	49,349	17,089

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

4.1 PRESENTATION OF THE SITUATION AT THE GROUP

Parent company

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

First Sensor AG and its subsidiaries, referred to hereinafter as “First Sensor,” operate in the sensor production and microsystems technology industries. The company’s business focuses mainly on the development, manufacture and distribution of customer-specific 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 up to April 27, 2021.

As the parent company of the First Sensor Group, First Sensor AG prepares consolidated financial statements for the smallest group of companies for the 2020 fiscal year in accordance with the International Financial Reporting Standards (IFRS, as applicable in the EU) and the additional requirements of commercial law. The consolidated financial statements are published in the electronic German Federal Gazette (Bundesanzeiger).

The First Sensor Group is included in the consolidated financial statements of TE Connectivity Ltd., Schaffhausen, Switzerland, which prepares consolidated financial statements for the largest number of companies as of September 30, 2020 and publishes them on the Internet on the TE Connectivity Ltd. homepage (Annual Report TE Connectivity Ltd., FY 2020).

Reporeting principles

First Sensor’s consolidated financial statements for 2020 have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) as at the balance sheet date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that must be applied in the European Union and the additional requirements of German commercial law.

The consolidated financial statements were prepared in euro (€). Unless otherwise indicated, all amounts have been stated in thousands of euro (€ thousand). The fiscal year of First Sensor AG and its consolidated subsidiaries corresponds to the calendar year.

The consolidated income statement has been prepared using the nature of expense method.

To improve clarity, individual items have been summarized in the consolidated balance sheet and the consolidated statement of comprehensive income. The notes to the consolidated financial statements show a breakdown of these items. In the presentation, rounding differences to the mathematically exact values may occur.

The accounting policies are basically identical to those used in the previous year. As in the previous year, the balance sheet structure was organized according to descending maturity.

In fiscal year 2020, new standards, amendments to existing standards and new interpretations were approved.

Published standards and interpretations for which application was mandatory for the first time for IFRS financial statements as at December 31, 2020:

The first-time application of the IFRS mandatory as of January 1, 2020 – amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR Reform), amendments to IAS 1 and IAS 8 (Definition of Material), amendments to IFRS 3 (Definition of a Business), the update of references to the Conceptual Framework, and the adjustments to IFRS 16 in connection with the coronavirus pandemic – did not have any significant effects on the net assets, financial position and results of operations in the 2020 fiscal year.

Amendments to standards:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, amendments to IFRS 9 Financial Instruments and IFRS 16 Leases: amendments as part of the 2018-2020 annual improvements (Subsidiary as a First-time Adopter); no significant effects (entry into force on January 1, 2022)
- Amendments to IFRS 3 Business Combinations: amended by reference to the Conceptual Framework (amendments to IFRS 3); no significant effects (entry into force on January 1, 2022)
- Amendments to IFRS 4 Insurance Contracts: amended by Interest Rate Benchmark Reform – Phase 2; application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; no significant effects (entry into force on January 1, 2021)
- Amendments to IFRS 7 Financial Instruments: Disclosures: amended by Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16); no significant effects (entry into force on January 1, 2021)
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases: amended by Interest Rate Benchmark Reform – Phase 2; no significant effects (entry into force on January 1, 2021)
- Amendments to IFRS 16: amendments as part of the 2018-2020 annual improvements, amended by COVID-19-Related Rent Concessions and by Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16); no significant effects (entry into force on January 1, 2021)
- Amendments to IAS 16 Property, Plant and Equipment: income before intended use; no significant effects (entry into force on January 1, 2022)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract; no significant effects (entry into force on January 1, 2022)
- IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts; postponement of entry into force (entry into force on January 1, 2023)
- Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current; no significant effects (entry into force on January 1, 2023)

At the present time, the company has taken into account the mandatory application of the new standards and interpretations within the EU and will continue to do so. There will be no early voluntary application. The company does not expect any significant amendments to be required for the adopted amendments and the resulting restatements.

Important discretionary decisions and uncertainty of estimates

In preparing the consolidated financial statements, some assumptions and estimates have been made which affected the amount and the disclosure of reported assets and liabilities, earnings and expenses. Key assumptions and key sources of estimation uncertainty that entail a risk in the form of a need to adjust the carrying amounts of assets and liabilities within the next fiscal year are described below:

- The calculation of the fair values of assets and liabilities, the useful lives of the assets as well as the impairment of assets is based on management assessments and planning.

- Impairment losses are recognized for doubtful debts in order to account for estimated losses from customers' inability or unwillingness to pay. In the process, past and forward-looking information is used when deriving default probabilities and when determining the expected loss.
- When conducting impairment tests, assumptions are made on the basis of the recoverable amount calculated.
- With regard to sales recognition, assumptions may be required at various points when assessing the contract. In addition, an assessment must be made as to whether revenue recognition is based on a point in time or a period.

In individual cases, the actual values may deviate from these assumptions or estimates at a later stage. Relevant changes will be made once more accurate information is available. All assumptions and estimates are made to the best of our knowledge and belief in order to provide a true and fair view of the Group's net assets, financial position and results of operations. The carrying amounts recognized in the consolidated financial statements and that are subject to these uncertainties can be found in the consolidated balance sheet or the related section in 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 on the basis of a comparison between the carrying amount of an asset and the recoverable amount that can be generated from the asset or group of assets or the cash generating unit. The recoverable amount is the higher of the fair value less the costs to sell and the value in use.

The recoverable amount is calculated by means of a discounted cash flow analysis. The recoverable amount is calculated based on the income planning for the cash generating unit in question. The WACC was also applied as a discount factor, which reflects the weighted average cost of capital for a corresponding peer group; the cash flow was estimated in a detailed planning phase up to 2023 and then in a terminal value. The income planning is essentially based on previous experience of management expectations regarding the development of the respective cash generating unit and the relevant market. The main non-current assets to be subjected to annual impairment testing are the First Sensor Group's reported goodwill as well as intangible assets with unlimited useful lives resulting from business combinations. In the case of intangible assets with finite useful lives and property, plant and equipment, an impairment test is only performed if there is objective evidence of impairment.

Share-based remuneration

In the past, First Sensor has granted selected employees and board members share-based remuneration. The measurement of the personnel expenses for this share-based remuneration contains estimates regarding the extent to which the conditions of these options are met as well as relevant market parameters.

4.2 PRINCIPLES OF CONSOLIDATION

Basis of consolidation

The Group's consolidated financial statements comprise First Sensor AG and the companies under its control. First Sensor AG is deemed to control those companies where it directly or indirectly holds over 50% of the voting rights or of the company's subscribed capital and/or is in a position to control the financial and business policy of a company such that it profits from the company's activities.

Non-controlling interests held by third parties (minorities) are reported separately in the statement of comprehensive income and in equity in the consolidated balance sheet. Recognition under equity is presented separately from the parent shareholders' equity. When non-controlling interests are acquired, the carrying amounts for the parent shareholders and the non-controlling interests are adjusted accordingly. Any difference between the adjustment of the non-controlling interest and the received or paid contingent consideration is recognized directly in equity and allocated to the parent company equity holders.

Losses by a subsidiary are also assigned to minority interests even when this leads to a negative balance if there is a matching right to reimbursement vis-à-vis the minority interests.

The following companies were included in the consolidated financial statements as fully consolidated:

Company	Site	Core business activity	Ownership interest
First Sensor Lewicki GmbH	Oberdischingen, Germany	Development, microelectronic assembly and sale of components and modules; power electronics	100%
First Sensor Mobility GmbH	Dresden, Germany	Development, production and sale of microelectronic and mechanical components, modules, sensors and sensor systems	85%
First Sensor Scandinavia AB	Kungens Kurva, Sweden	Sale of standard sensors and sensor solutions of the whole First Sensor Group	51%

The following companies were included as consolidated companies until the date of sale (September 2020/December 2020):

Company	Site	Core business activity	Ownership interest
First Sensor France S.A.S.	Paris, France	Sale of standard sensors and sensor solutions of the whole First Sensor Group	100%
First Sensor Inc.	Westlake Village, USA	Production of sensor modules and sensors, sale of standard sensors and sensor solutions of the whole First Sensor Group	100%
Klay Instruments B.V.	Dwingeloo, Netherlands	Development, production and sale of pressure transmitters	100%
First Sensor Technics Ltd.	Shepshed, Leicestershire, England	Sale of standard sensors and sensor solutions of the whole First Sensor Group	100%
First Sensor Corp.	Montreal, Canada	Development and production of flow sensors	100%

Consolidation methods

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

Internal Group balances and transactions and resulting internal Group profits and dividends between consolidated companies were eliminated in full.

Business combinations are reported according to the purchase method. The costs of a company acquisition are calculated as the total of the consideration transferred, assessed at its fair value at the acquisition date, and the non-controlling shares in the acquired company. In any business combination, the non-controlling shares in the acquired company are measured either at fair value or as the relevant proportion of identifiable net assets.

Costs incurred as a result of the business combination are recognized as expenditure. If the Group acquires a company, it assesses the appropriate classification and designation of the financial assets and liabilities assumed in accordance with the contract terms, economic conditions and the prevailing conditions at the time of the acquisition.

The agreed contingent consideration is recognized at fair value at the time of the acquisition. Subsequent changes to the fair value of a contingent consideration representing a financial asset or a financial liability are recognized in the consolidated income statement in accordance with IFRS 9. A contingent consideration classified as equity is not remeasured and its subsequent payment is accounted for as equity capital.

Upon initial recognition, goodwill is valued at cost, calculated as the surplus of the transferred consideration over the acquired identifiable assets and liabilities assumed by the Group. If this consideration is lower than the fair value of the acquired subsidiary's net worth, the difference is recognized in the consolidated statement of comprehensive income.

Following initial recognition, goodwill is valued at cost minus accumulated impairment losses. For the purposes of impairment testing, the goodwill gained from a business combination is allocated, as at the acquisition date, to the Group's cash generating units that are expected to profit from the business combination. This applies irrespective of whether other assets or liabilities of the acquired company are assigned to these cash generating units.

If goodwill has been assigned to a cash generating unit and a division of this unit is sold, the goodwill of the disposed unit is included in the calculation of the result of the sale as part of the carrying amount of the relevant division. The value of the portion of goodwill sold is determined on the basis of the relative values of the business division sold and the remaining portion of the cash generating unit.

After the disposal of the investments in subsidiaries, these were deconsolidated within the Group. For this purpose, all assets and liabilities of the companies sold were removed from the consolidated balance sheet and the existing consolidation entries were reversed. As part of the deconsolidation, the balance sheets of the foreign subsidiaries were translated using the exchange rate valid at the date of deconsolidation. Only the receivables and/or liabilities of the parent company remain in the consolidated balance sheet.

Currency translation

The reporting currency of the First Sensor Group is euro, which is also the functional currency of the parent company. Financial statements of consolidated companies prepared in foreign currency are converted on the basis of the functional currency concept in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the modified reporting date method. As subsidiaries run their business independently from a financial, economic and organizational viewpoint, the functional currency is identical to the local currency of the company concerned.

Upon 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 in force at the time of initial recognition are recognized in the consolidated income statement as an expense or income.

Non-monetary items measured in a foreign currency at historical cost are translated using the exchange rate valid at the date of the transaction. Non-monetary items measured in a foreign currency at fair value are translated using the exchange rate valid at the time of the measurement of fair value.

Foreign subsidiaries

All foreign First Sensor subsidiaries included in consolidation are considered financially independent foreign units since they are financially, economically, and organizationally autonomous. Their functional currencies correspond to their local currency. The balance sheets of the foreign subsidiaries were translated at the exchange rate valid on December 31, 2020 or at the exchange rate valid on *deconsolidation* using the rates presented below:

Exchange rates	December 31, 2019	December 31, 2020*
US Dollar USD	*1.1234*	*1.1708*
British Pound GBP	*0.8508*	*0.89903*
Swedish Krona SEK	10.4468	10.0343
Canadian Dollar CAD	*1.4598*	*1.5633*

** Rates as of September 30, 2020 / December 31, 2020 for the companies that were deconsolidated.*

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

Annual average rates	2019	2020
US Dollar USD	*1.11135*	*1.21697*
British Pound GBP	*0.84731*	*0.90624*
Swedish Krona SEK	10.6578	10.30882
Canadian Dollar CAD	*1.46400*	*1.55955*

Currency translation is recognized directly in equity, i.e. all exchange differences that arise are recognized in equity under other reserves.

The currency translation differences recognized in equity while the company is part of the consolidated Group are release as income if the Group company is deconsolidated.

Cash and cash equivalents

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

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

Financial assets

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

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

A debt instrument held that meets the following two criteria must be measured at amortized cost (where applicable applying the effective interest method):

- 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 only repayments of portions of the nominal amount and interest on those portions of the nominal amount that have not yet been repaid.

Costs are calculated taking into consideration any discounts or premiums at acquisition and include all fees which are an integral part of the effective interest rate and the transaction costs. Interest income is recognized in the consolidated income statement under interest income.

A debt instrument held that meets the following two criteria must be measured at fair value through other comprehensive income (FVTOCI):

- 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.
- The contractual terms of the financial asset result in cash flows at specified dates that are only repayments of portions of the nominal amount and interest on those portions of the nominal amount that have not yet been repaid.

All other debt instruments that do not meet the criteria above 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. In the case of financial assets recognized at FVTOCI, cumulative gains or losses that were recognized in other comprehensive income are reclassified to the consolidated income statement.

Recognition of derivatives which meet the requirements of hedge accounting is explained in the notes under "Derivative financial instruments."

Impairment

On the balance sheet date, 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. In this process, 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. In the process, past and forward-looking information is used when deriving default probabilities and when determining 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 balance sheet. This only happens if there is a legal right to offset the recorded amounts with each other at the present time and if the intention is to effect compensation on a net basis or to redeem the liability associated with the asset in question at the same time it is realized. In the reporting year, assets and liabilities were offset in particular with regard to the cash pool of Tyco Electronics Germany Holdings GmbH.

Fair value

The fair value of financial instruments traded on active markets is determined by the market price quoted on the reporting date 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 measurement methods.

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

The company assumes that the fair values of financial assets and financial liabilities essentially correspond to their carrying amounts.

Inventories

Materials and other supplies held for use in the production of inventories are measured at cost or not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Sale 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 material costs.

Work in progress and finished goods are valued at cost or at the market value if lower. Manufacturing costs comprise direct personnel costs, costs of materials and the attributable portion of production overheads. They are determined using cost unit accounting. Interest on borrowing is not capitalized. Obsolete articles and those with low turnover are adjusted in value appropriately.

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

Property, plant and equipment

Tangible assets are accounted for at cost less accumulated amortization.

Interest on borrowing, which can be assigned directly to the acquisition, construction or manufacture of a qualified asset, are capitalized. No interest on borrowing was capitalized in the last fiscal year. On disposals of tangible assets, their historical cost and accumulated amortization are derecognized and a gain or loss from the disposal of the asset is recognized in the income statement.

Scheduled amortization is recognized over the following useful lives in accordance with the straight line method:

Buildings	25 – 33 years
Office equipment	1 – 15 years

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

Plants under construction are capitalized at cost and amortized from completion and commissioning. Cost includes the production related full costs. These include production costs and production overheads, which were caused in connection with the construction of plants through work performed by the Group's own employees.

Intangible Assets

Intangible assets are capitalized by First Sensor if:

- as a result of past events, the company retains beneficial ownership of the asset,
- it is to be assumed that the company will continue to have beneficial ownership of this asset in the future,
- the asset costs can be reliably measured.

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.

The following six requirements must be met for capitalizing development costs under IAS 38.57 and have been met in full in the present cases:

- Technical feasibility of completing the asset exists so that it will be available for internal use and/or sale.
- The intention is to complete the intangible asset, use or sell it.
- The ability exists to use or sell the intangible asset.
- There is evidence of the expected future economic benefit.
- Adequate technical, financial, and other resources are available 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.

Intangible assets subject to wear and tear are recognized at cost minus accumulated depreciation and accumulated impairments. Intangible assets not subject to wear and tear (goodwill) are recognized at cost minus accumulated impairment losses. According to IAS 38, intangible assets subject to wear and tear 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 amortization schedule are reviewed annually at the end of the fiscal 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 using the straight-line method.

(b) Goodwill

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

Irrespective of whether any indication of impairment exists, the recoverable amount for the cash generating unit (CGU) to which the goodwill applies is calculated annually. If the carrying amount exceeds the recoverable amount, a valuation allowance is recognized. If the recoverable amount is up to 10% more than the carrying amount, the theoretical potential for valuation allowances is calculated in a sensitivity analysis. To do this, the underlying earnings before interest and tax (EBIT) are reduced by 10% and the risk-free basic interest rate is raised by 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 income in the period in which it is incurred unless the requirements of IAS 38 can be fullfilled in the case of development costs.

(d) Developments

First Sensor has acquired development work as part of one of its acquisitions. This is subject to scheduled amortization over 20 years. Amortization is taken when marketing the development starts.

(e) Brands

Identified assets were acquired in the form of brands as part of the acquisition of the Sensortechnics Group. The Klay brand is not subject to scheduled amortization because it has no defined useful life. Therefore, the brand was tested annually for impairment. In the context of the sale of Klay Instruments B.V., the brand was disposed of. The Sensortechnics and ELBAU brands were written off in full as at December 31, 2015, since both brand names are no longer used as a result of concentrating 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 are amortized on a straight-line basis over an expected useful life of 6 to 10 years.

(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 for the asset at the balance sheet date will remain less than its carrying amount, or if annual impairment tests are required (goodwill and intangible assets unused to date). If the carrying amount of an asset exceeds the lower fair value, impairment is recognized with respect to property, plant and equipment and intangible assets reported 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 of each individual asset must be estimated 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 with respect to which the timing or amount are uncertain. Provisions should be recognized when, and only 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 balance sheet date, in other words, the amount the company would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party. These are 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. If provisions are discounted, the increase in the provision with the passage of time is reported 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 may also result from a current obligation related to past events but not recorded, because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle this obligation; or
- the amount of the obligation can be estimated sufficiently reliably.

Financial liabilities

All financial liabilities are recognized either at amortized cost applying the effective interest rate method or as FVTPL.

Financial liabilities are classified as FVTPL if the financial liability relates to

- Liabilities for which the fair value option was exercised,
- Liabilities held for trading
- Or other contingent claims by an acquirer as part of a business combination within the meaning of IFRS 3

Negative market values from derivatives are recognized as 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 measured at amortized cost, gains or losses resulting from amortization are recognized in the income statement 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 have been settled, canceled or have expired.

Employee benefits

Defined contribution plans

Defined contribution plans exist for Executive Board members, directors and senior employees. These are pension commitments in an intercompany provident fund. The company pays fixed monthly amounts into the provident fund. The payments made by the Group into defined contribution plans are recognized in the income statement in the year to which they relate. The same applies to payments made into state pension schemes.

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, particular account is taken of the respective current long-term capital market yields and current assumptions about future salary and pension increases. The discount rate for the euro zone 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. The direct pension commitments in Germany are determined based on biometric data 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 to profit or loss in subsequent periods. Actuarial gains and losses recognized in the respective reporting period and the related deferred taxes are presented separately in the statement of comprehensive income.

Pension payments were agreed for a former director who has taken retirement. Provisions were made for the present value of the pension commitment. There are no plan assets that would reduce the pension obligation.

Share options

A share option plan allows selected employees, i.e. the Executive Board, directors and staff of First Sensor, 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 recognizes the goods or services received and the corresponding increase in equity directly at the fair value of the goods or services received, if this can be reliably estimated. 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 included 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 expenses reported at each balance sheet date arising from the granting of the equity instruments up to the vesting date reflect the portion of the vesting period that has already expired and the number of equity instruments, according to the Group's best estimate, that will vest at the end of the vesting period. The amount recognized in the income statement reflects the changes in the cumulative expenses at the beginning and end of the reporting 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 fulfilled provided that all other service conditions are met.

The dilutive effect of the outstanding share options is reflected in the calculation of the earnings per share as additional dilution (see Annex 29 *Earnings per share* for further details).

Government grants

Government grants are recognized at fair value if there is sufficient certainty that the grants will be provided and that the company satisfies the associated conditions.

Expenditure based grants are reported as income over the period required to match them against the expenditure they are intended to compensate. Grants related to assets are shown on the consolidated balance sheet as deferred investment grants or subsidies. The latter is released as income in equal annual installments over the expected useful life of the relevant asset.

Recognition of revenue

Revenue is recognized in accordance with the five-step model set out under IFRS 15, whereby First Sensor examines whether the performance commitments listed represent separate and distinct performance obligations or whether the contract contains other obligations 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 separate performance obligations in the contract
- Determining the transaction price
- Allocating the transaction price to performance obligations
- Recognition of revenue (point in time or a period)

Sales are recognized in accordance 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 is gained during the reporting period.

Interest income

Interest is recognized on a time proportion basis that takes into account the effective yield on the asset.

Taxes

Income tax expenses

Current tax assets and current tax liabilities for current and prior periods should be measured at the amount expected to be recovered from (paid to) the taxation authorities. The amount is calculated based on the tax rates and tax laws applicable at the balance sheet date in the countries in which the Group operates.

Current taxes relating to items reported directly in other result are not entered on the income statement but in equity.

Deferred taxes

Deferred taxes are recognized using the balance sheet related liability method on all temporary differences between the carrying amount of an asset or liability in the balance sheet and the tax base at the balance sheet date. Deferred taxes are recognized for all taxable temporary differences.

The following exceptions apply:

- The deferred tax liability must not be recognized when it arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither the accounting profits defined under commercial law nor the taxable profit.

- Deferred tax arising from deductible temporary differences in connection with investments in subsidiaries and associated companies is not recognized if the timing of the reversal of the temporary difference is controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards and unused tax credits in the amount of the future taxable profit that is likely to be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilized. The following exceptions apply:

- Deferred tax assets are not recognized for deductible temporary differences arising from the initial recognition of an asset or liability relating to a transaction which is not a business combination and which, at the time of the transaction, does not influence either the accounting profit for the period defined under commercial law or the taxable profit.
- Deferred tax assets for deductible temporary differences relating to interests in subsidiaries, affiliated companies or shares in joint ventures are only recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and that sufficient taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is tested on the balance sheet date and a valuation allowance is recognized to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can be at least partly applied. Non-recognized deferred tax assets are tested on every balance sheet date and recognized to the extent that it has become probable that the taxable result in the future will allow the realization of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply in the periods in which the asset is realized or the liability is settled. This is based on the tax rates and tax laws applicable at the end of the reporting period. Future changes to tax rates must be taken into account at the balance sheet date providing the material conditions for their effectiveness exist within the scope of a legislative procedure. Deferred taxes relating to items entered directly in equity are entered in other result and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset against one another if the group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to taxes levied by the same tax authority on the same tax object.

Leases

In accordance with IFRS 16, all contractual arrangements in which the Group acts as lessee are assessed to determine whether an asset is clearly identifiable and the Group obtains substantially all of 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 balance sheet. 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 extension and purchase options as well as 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 recognized as a separate item under property, plant and equipment and is depreciated 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 ranging from 13 months to 39 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 simplifications for short-term leases (with terms of less than one year) and for small-ticket leases with (underlying 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 income statement. No use is made of the option to apply the standard to a portfolio of leases with similar characteristics.

Derivative financial instruments and hedging

Credit and liquidity risk

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

The maximum credit risk relates to the amounts of financial assets capitalized on the balance sheet.

Currency risk

There is no significant exchange rate risk since most of the transactions concluded by the companies within the Group are in euro. In the reporting year, materials were purchased in US dollars abroad. To the extent that it is economically appropriate, corresponding forward foreign exchange contracts are concluded for this purpose. Foreign currency risks were or are reduced by the independent operation of First Sensor Inc. and in part by First Sensor AG invoicing in USD.

Interest rate exposure and hedging

The risk of market interest rate fluctuations to which the Group is exposed results predominantly from non-current financial liabilities with variable interest rates. This risk is countered by borrowing fixed-rate loans and, when variable-rate loans are procured, by concluding derivative financial instruments (interest rate swaps). The economic link between the hedged items and the hedging instruments was given in the reporting year by the fact that the parameters of the hedging instruments corresponded to the parameters of the hedged items.

Derivative financial instruments are measured at fair value at the time of the agreement and in the following periods. They are reported as assets if their fair value is positive and liabilities if their fair value is negative.

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

The fair value of interest rate swap contracts is measured by reference to the market values of similar instruments.

Until December 31, 2020, First Sensor had used hedging instruments to hedge interest rate risks (cash flow hedge). These instruments were reported as follows in accordance with the strict criteria for hedge accounting:

The effective portion of the gain or loss from a hedging instrument is recorded directly in equity while the ineffective portion is immediately recognized as profit or loss.

The amounts recognized in equity are reclassified to profit or loss in the period during which the hedged transaction affects profit or loss for the period, for example when hedged financial income or expenses are reported or when a forecast sale takes place.

If hedging results in the recognition of a non-financial asset or a non-financial liability, the amounts recorded in equity become part of the cost at the initial measurement of the non-financial asset or liability.

If a forecast transaction or firm commitment is no longer expected to occur, the amounts previously recorded in equity are transferred to the income statement. When the hedging instrument expires or is sold, terminated or exercised without the hedging instrument being replaced or rolled over into a different hedging instrument, the amounts recorded in equity remain there as separate line items in equity until the forecast transaction or firm commitment occurs. The same applies if it is determined that the hedging instrument no longer meets the hedge accounting criteria.

NOTES TO THE CONSOLIDATED BALANCE SHEET

4.3 INTANGIBLE ASSETS

In € thousand	Orders on hand	Concessions, licenses and similar	Internally generated intangible assets	Customer base/brand	Advance payments	December 31, 2019
Cost of purchase						
January 1, 2019	1,452	14,430	8,993	24,075	779	49,729
Additions	0	223	2,896	0	578	3,697
Disposals	0	-9	-166	0	0	-175
Reclassifications	0	644	-21	0	-623	0
Exchange differences	0	1	19	0	0	20
December 31, 2019	1,452	15,289	11,721	24,075	734	53,271
Cumulative depreciation						
January 1, 2019	1,452	10,744	2,872	17,292	0	32,360
Additions	0	1,082	605	2,177	44	3,908
Disposals	0	-9	0	0	0	-9
Reclassifications	0	0	0	0	0	0
Exchange differences	0	1	0	0	0	1
December 31, 2019	1,452	11,818	3,477	19,469	44	36,260
Carrying amount as at January 1, 2019	0	3,686	6,121	6,783	779	17,369
Carrying amount as at December 31, 2019	0	3,471	8,244	4,606	690	17,011

In € thousand	Orders on hand	Concessions, licenses and similar	Internally generated intangible assets	Customer base/brand	Advance payments	December 31, 2020
Cost of purchase						
January 1, 2020	1,452	15,289	11,721	24,075	734	53,271
Additions	0	623	1,879	0	50	2,552
Disposals	-1,452	0	-594	0	0	-2,046
Reclassifications	0	1,092	-757	0	-498	-163
Exchange differences	0	-1	0	0	0	-1
Changes of consolidation scope	0	-59	0	-4,502	0	-4,561
December 31, 2020	0	16,944	12,249	19,573	286	49,052
Cumulative depreciation						
January 1, 2020	1,452	11,818	3,477	19,469	44	36,260
Additions	0	1,422	498	2,177	8	4,105
Disposals	-1,452	0	0	0	0	-1,452
Reclassifications	0	0	0	0	0	0
Exchange differences	0	-2	0	0	0	-2
Changes of consolidation scope	0	-59	0	-3,428	0	-3,487
December 31, 2020	0	13,179	3,975	18,218	52	35,424
Carrying amount as at January 1, 2020	0	3,471	8,244	4,606	690	17,011
Carrying amount as at December 31, 2020	0	3,765	8,274	1,355	234	13,628

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

Brands

As part of the acquisition of all shares in the Sensortechnics Group in 2011, the following acquired brand was identified as an intangible asset:

In € thousand	December 31, 2019	December 31, 2020
Klay Instruments brand	797	0
Total	**797**	**0**

The Klay Instruments brand was not amortized as an intangible asset with an indefinite useful life. As in the previous year, the annual impairment test did not result in any need for impairment. As part of the sale of the foreign companies to the TE Group, the Klay Instruments brand was also sold and is therefore no longer part of the Group's intangible assets as of December 31, 2020.

Customer base

The following customer bases that were acquired as part of the acquisition of the shares in the Sensortechnics Group in 2011 were identified as intangible assets.

In € thousand	December 31, 2019	December 31, 2020
Sensortechnics Customized	1,666	714
First Sensor AG subsidiary Berlin-Weißensee (prev.: ELBAU)	1,496	641
Klay Instruments B.V.	648	0
Total	**3,810**	**1,355**

The customer bases are amortized over an estimated useful life of 6 to 10 years using the straight-line method.

As part of the sale of the foreign companies to the TE Group, the Klay Instruments B.V. customer base was also sold and is therefore no longer part of the Group's intangible assets as of December 31, 2020.

Concessions, licenses and similar

Concessions, licenses and similar also include the development services recognized as part of the acquisition of First Sensor Microelectronic Packaging GmbH. These are amortized on a scheduled basis over 20 years from the date on which they are marketed. The effective amortization charge in 2020 amounted to €23 thousand (previous year: €23 thousand). The residual carrying amount was €137 thousand at the balance sheet date.

4.4 GOODWILL

in € thousand	Dec. 31, 2019	Dec. 31,.2020
Acquisition costs		
Januar, 1	39,112	39,112
Additions	0	0
Disposals	0	0
Currency differences	0	0
Change of consolidation scope	0	-13,837
December,31	39,112	25,275
Accumulated amortization		
Januar, 1	9,296	9,296
Additions	0	0
Disposals	0	0
Currency differences	0	0
Change of consolidation scope	0	0
December,31	9,296	9,296
Carrying amount January, 1	0	29,816
Carrying amount December, 31	29,816	15,979

Goodwill as at December 31, 2020 related to the following companies:

In € thousand	2019	2020
First Sensor Lewicki GmbH	1,846	1,846
First Sensor AG (formerly: Sensortechnics Group including First Sensor Technology GmbH and MEMSfab GmbH)	27,970	14,133
Total	29,816	15,979

In order to test goodwill for impairment, the value in use of the respective cash-generating unit was calculated and compared with the corresponding carrying amount. If the carrying amount exceeds the value in use, a valuation allowance is recognized. 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	2019	2020
Risk-free basic interest rate	0.20%	-0.20%
Market risk premium	7.00%	7.50%
Beta factor	1.25	1.25
Pre-tax borrowing rate	2.48%	3.26%
WACC pre-tax	11.76%	12.13%
WACC after tax	8.23%	8.49%

First Sensor Lewicki GmbH

First Sensor reports goodwill amounting to €1,846 thousand resulting from the acquisition of all shares in First Sensor Lewicki GmbH in 2000. In accordance with IAS 36, goodwill on this company was tested for potential impairment as at December 31, 2020 on the basis of the value in use taking into account the following assumptions:

- Based on the year 2020, slightly increasing sales and a roughly constant margin are expected until 2023.
- A growth rate of 1% in the projection variables for 2024 (terminal value).
- The discount factor based on the WACC method is 8.49% after tax (previous year: 8.23%) and 12.13% before tax (previous year: 11.76%).
- As in the previous year, the detailed planning period is 3 years.

As in the previous year, the impairment test did not give rise to any impairment as at the balance sheet date. The Executive Board bases its assumptions relating to forecasts for the determination of value in use on past experience.

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

First Sensor acquired all shares in First Sensor Technology GmbH in fiscal year 2010. This acquisition resulted in goodwill of €1,125 thousand. On the basis of the merger agreement dated August 24, 2015, retroactively to January 1, 2015, First Sensor Technology GmbH was merged by transfer of assets with First Sensor AG and was dissolved without being wound up in accordance with section 2 of the German Transformation Act.

First Sensor acquired all shares in the Sensortechnics Group in fiscal year 2011. This acquisition resulted in goodwill of €26,390 thousand. On the basis of the merger agreement dated June 28, 2012, retroactively to January 1, 2012 Sensortechnics GmbH was merged by transfer of assets with First Sensor AG and was dissolved without being wound up in accordance with section 2 of the German Transformation Act.On the basis of the merger agreement dated April 17, 2013 retroactively to January 1, 2013, Elbau Elektronik Bauelemente GmbH Berlin was merged by transfer of assets with First Sensor AG and was dissolved without being wound up in accordance with section 2 of the German Transformation Act.

First Sensor acquired all shares in MEMSfab GmbH in fiscal year 2011. This acquisition resulted in goodwill of €455 thousand. In accordance with a merger agreement dated June 27, 2013 with an addendum dated October 30, 2013, the company merged with First Sensor AG and was dissolved without being wound up.

In fiscal year 2018, the impairment test was changed so that the goodwill figures resulting from the acquisitions of First Sensor Technology GmbH, the Sensortechnics Group and MEMSfab GmbH, which previously had been transferred consistently to First Sensor AG, are subjected to a common impairment test, with First Sensor AG as 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 in the individual units specific valuation creation occurs on a specified general basis, no longer in isolation. In addition, in organizational terms, since the introduction of the new SAP ERP system as at January 1, 2018, supply and service relationships between the individual units are no longer mapped and managed on an isolated basis as sub-processes within the respective units, but in an overarching 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 Group and the integration of the First Sensor Group into the TE Group, all significant foreign subsidiaries, most of which originated from the acquisition of the Sensortechnics Group, were sold. In this context, goodwill amounting to €13,837 thousand was disposed of. 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.

Goodwill on this company was tested for potential impairment on the basis of the value in use, taking into account the following assumptions:

- Based on 2020, sales are expected to increase significantly, particularly in 2022 and 2023. The planned sales growth is the result of measures introduced to leverage synergies from the merger with the TE Group. The synergies will also lead to an improvement in the planned EBIT margins. The planning for the 2021 fiscal year also takes into account effects from the coronavirus crisis.
- A growth rate of 1% in the projection variables for 2024 (terminal value).
- The discount factor based on the WACC method is 8.49% after tax (previous year: 8.23%) and 12.13% before tax (previous year: 11.76%).
- As in the previous year, the detailed planning period is 3 years.

As in the previous year, the impairment test did not give rise to any impairment as at the balance sheet date. The Executive Board bases its assumptions relating to forecasts for the determination of value in use on past experience.

4.5 PROPERTY, PLANT AND EQUIPMENT

In € thousand	Land and buildings	Technical equipment and machinery	Office equipment	Advance payments, assets under construction	Rights of use	December 31, 2019
Cost of purchase						
January 1, 2019	18,757	52,877	11,542	6,363	8,948	98,487
Additions	140	3,576	946	3,445	43	8,150
Disposals	0	-454	-159	0	0	-613
Reclassifications	13	2,891	392	-3,296	0	0
Exchange differences	-4	-2	9	2	9	14
December 31, 2019	18,906	58,888	12,730	6,514	9,000	106,038
Cumulative depreciation						
January 1, 2019	7,237	34,710	8,856	40	0	50,843
Additions	647	3,900	1,158	0	1,526	7,231
Disposals	0	-454	-157	0	0	-611
Exchange differences	-5	-5	9	0	2	1
December 31, 2019	7,879	38,151	9,866	40	1,528	57,464
Carrying amount as at January 1, 2019	11,520	18,167	2,686	6,323	8,948	47,644
Carrying amount as at December 31, 2019	11,027	20,737	2,864	6,474	7,472	48,574

In € thousand	Land and buildings	Technical equipment and machinery	Office equipment	Advance payments, assets under construction	Rights of use	December 31, 2020
Cost of purchase						
January 1, 2020	18,906	58,888	12,730	6,514	9,000	106,038
Additions	102	2,825	710	5,013	252	8,902
Disposals	0	-3,081	-56	-172	0	-3,309
Reclassifications	507	4,011	354	-4,709	0	163
Exchange differences	17	-58	-47	41	-21	-68
Changes of consolidation scope	0	-817	-1,400	0	-1,111	-3,328
December 31, 2020	19,532	61,768	12,291	6,687	8,120	108,398
Cumulative depreciation						
January 1, 2020	7,879	38,151	9,866	40	1,528	57,464
Additions	644	4,134	1,087	0	1,504	7,369
Disposals	0	-3,052	-58	0	0	-3,110
Reclassifications	0	0	0	0	0	0
Exchange differences	0	-48	-48	0	-9	-105
Changes of consolidation scope	0	-678	-1,250	0	-463	-2,391
December 31, 2020	8,523	38,507	9,597	40	2,560	59,227
Carrying amount as at January 1, 2020	11,027	20,737	2,864	6,474	7,472	48,574
Carrying amount as at December 31, 2020	11,009	23,261	2,694	6,647	5,560	49,171

Property, plant and equipment with a carrying amount of €6,873 thousand (previous year: €9,588 thousand) served neither as security for liabilities nor were otherwise restricted as at the balance sheet date.

The rights-of-use assets have been allocated to property, plant and equipment in the balance sheet. The development of the rights of use included in property, plant and equipment (IFRS 16) is as follows:

In € thousand	Rights of use to Land and buildings	Rights of use to Office equipment	Rights of use to Vehicles	December 31, 2019
Cost of purchase				
January 1, 2019	8,349	74	525	8,948
Additions	0	0	43	43
Disposals	0	0	0	0
Exchange differences	8	0	1	9
December 31, 2019	8,357	74	569	9,000
Cumulative depreciation				
January 1, 2019	0	0	0	0
Additions	1,240	24	262	1,526
Disposals	0	0	0	0
Exchange differences	1	0	1	2
December 31, 2019	1,241	24	263	1,528
Carrying amount as at January 1, 2019	8,349	74	525	8,948
Carrying amount as at December 31, 2019	7,116	50	306	7,472

In € thousand	Rights of use to Land and buildings	Rights of use to Office equipment	Rights of use to Vehicles	December 31, 2020
Cost of purchase				
January 1, 2020	8,357	74	569	9,000
Additions	47	0	205	252
Disposals	0	0	0	0
Exchange differences	-18	0	-3	-21
Changes of consolidation scope	-1,072	0	-39	-1,111
December 31, 2020	7,314	74	732	8,120
Cumulative depreciation				
January 1, 2020	1,241	24	263	1,528
Additions	1,237	23	244	1,504
Disposals	0	0	0	0
Exchange differences	-8	0	-1	-9
Changes of consolidation scope	-435	0	-28	-463
December 31, 2019	2,036	47	478	2,560
Carrying amount as at January 1, 2020	7,116	50	306	7,472
Carrying amount as at December 31, 2020	5,279	27	254	5,560

The calculation of the carrying amount of rights of use to land and buildings included a potential purchase option for a property in Dresden of €3,732 thousand in 2022.

4.6 INVENTORIES

In € thousand	December 31, 2019	December 31, 2020
Raw materials and supplies	16,866	13,095
Unfinished goods and work in progress	12,879	10,966
Finished goods and products	5,926	4,952
Advance payments on inventories	56	49
Total	**35,727**	**29,063**

The write-down on inventories was recognized as expense and amounted to €255 thousand (previous year: €782 thousand). This expense was reported under cost of materials for write-downs on materials and other supplies and under changes in inventories for unfinished goods, work in progress and finished goods.

As in the previous year, there were no assigned inventories as at the balance sheet date.

4.7 TRADE RECEIVABLES

In € thousand	December 31, 2019	December 31, 2020
Trade receivables	12,685	21,041
Less impairment losses	-173	-273
Total	**12,512**	**20,768**

Trade receivables are not interest-bearing and are generally due within 30-90 days. Trade receivables as of December 31, 2020 include receivables of €342 thousand from affiliated companies, which had to be recognized for the first time due to the sale of the foreign companies to the TE Group. Allowances of €273 thousand (previous year: €173 thousand) were made for receivables from the sale of goods and services. This equates to a default ratio of 1.3% (previous year: 1.4%).

Changes in the allowance account were as follows:

In € thousand	2019	2020
Beginning of the period	**132**	**173**
Allocation to expenses	75	235
Utilization	0	0
Reversal	-34	-135
End of the period	**173**	**273**

In the 2020 fiscal year, the First Sensor Group changed its age structure, which means that comparability is only possible to a limited extent. For comparison purposes, the old structure has also been presented in the table.

As at December 31, 2020, the age structure of past-due trade receivables is as follows:

Age structure of past-due trade receivables

In € thousand	December 31, 2019	December 31, 2020	Δ absolute	in %
Not due	6,921	15,562	8,641	125
Less than 20 days past due	3,043			
Less than 60 days		3,402	359	20
Between 21 and 40 days past due	1,055			
Between 61 and 90 days		149	-906	-86
Between 41 and 80 days past due	276			
Between 91 and 120 days		732	456	165
Between 81 and 100 days past due	169			
More than 120 days		922	753	446
More than 101 days past due	1,048		-1,048	-100
Total	**12,512**	**20,768**	**8,256**	**66**

The receivables that are more than 120 past due include disputed receivables of €311 thousand (€434 thousand) and receivables offset by debit notes from customers that were not accepted of €230 thousand (€295 thousand). These receivables are nevertheless expected to be recovered.

4.8 CURRENT FINANCIAL ASSETS

Current financial assets mainly include receivables from shareholders (cash pooling).

4.9 CURRENT OTHER ASSETS

In € thousand	December 31, 2019	December 31, 2020
Prepayments and accrued income	809	517
Value-added tax receivables	226	87
Research and development funding	2	214
Others	1,775	588
Total	**2,812**	**1,406**

4.10 CASH AND CASH EQUIVALENTS

In € thousand	December 31, 2019	December 31, 2020
Cash in hand	5	1
Bank balances	32,255	10,029
Total	**32,260**	**10,030**

Bank balances are partly subject to variable interest rates for money at call. The fair value of cash and cash equivalents at financial institutions amounts to €10,030 thousand (previous year: €32,260 thousand).

4.11 CAPITAL STOCK

The share capital reported as subscribed capital on the balance sheet totaled €51,444,480.00 as at the balance sheet date (previous year: €51,346,980.00).It was made up of 10,288,896 shares (previous year: 10,269,396 shares), each with a nominal value of €5.00. First Sensor AG's share capital increased by €97,500.00 year-on-year as a result of subscription rights exercised from the 2013 and 2016 share option plans being exercised.

2020	Shares *	Share capital **
Beginning of the fiscal year	**10,269**	**51,347**
Share option plan for 2013	1.0	5
Share option plan for 2016	18.5	92.5
End of the fiscal year	**10,289**	**51,444**

2019	Shares *	Share capital **
Beginning of the fiscal year	**10,222**	**51,112**
Share option plan for 2013	47	235
End of the fiscal year	**10,269**	**51,347**

* Number of shares in thousand

** in € thousand

Authorized capital

The Executive Board was authorized to increase the company's share capital by up to €25,379,150 by issuing up to 5,075,830 new bearer shares (Authorized Capital 2015/I) up to May 27, 2020, with the approval of the Supervisory Board, in one or more transactions. The capital was increased against cash or non-cash contributions. Shareholders were granted subscription rights. Shareholders were granted subscription rights indirectly in accordance with section 186 (5) AktG (German Stock Corporation Act).

The Executive Board has not resolved a capital increase via authorized capital 2015/I until May 27, 2020. Authorized capital 2015/I expired on December 31, 2020.

Contingent capital

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

In € thousand	December 31, 2019	December 31, 2020
Contingent Capital 2013/I	190	0
Contingent Capital 2016/II	2,600	2,508
Contingent Capital 2017/I	1,200	1,200
Contingent Capital 2017/II	19,000	19,000
Total	**22,990**	**22,708**

As at December 31, 2020, contingent capital totaled €22,708,000.00 (previous year: €22,990,000.00). The contingent capital increase will be carried out only to the extent that the bearers of subscription rights exercise the subscription rights granted under the respective share option plans from Contingent Capital 2013/I, Contingent Capital 2016/II and Contingent Capital 2017/I. With the retirement and settlement of the beneficiaries in the 2020 financial year, there are no longer any subscription rights under the 2017/I share option plan. Consequently, it is no longer possible to exercise the conditional capital increase, even on a pro rata basis. The contingent capital increase 2017/II will be carried out only to the extent that the holders of convertible or option bonds exercise their subscription rights. No such bonds had been issued as at the reporting date.

4.12 RESERVES

Changes in reserves were as shown in the statement of changes in equity. The items are explained below:

(a) Capital reserves – share premium

Due to the exercising of 1,000 subscription rights from the SOP 2013 at an exercise price of €15.00 and 18,500 subscription rights from the 2016 share option plan at an exercise price of €11.95, in 2020 the capital reserves increased by a total of €139 thousand by the exercise price exceeding the nominal value per share (€5.00).

(b) Capital reserves – share options

The expense from current share option programs recognized in profit or loss under personnel expenses and reported as an addition to capital reserves amounts to €860 thousand (previous year: €496 thousand) and results primarily from the cancellation of share option programs. In connection with the cancellation and settlement of share option programs, equity instruments with a fair value of €5,730 thousand were repurchased, resulting in a corresponding reduction in capital reserves. In total, the effects from share-based payment in the capital reserve amount to € -4,870 thousand.

(c) Revenue reserves

In fiscal 2020, the retained earnings reported in the previous year were combined with revenue reserves to form the retained earnings item. Retained earnings also include actuarial gains and losses from the revaluation of pensions. These amounted to €-62 thousand after deferred taxes as of December 31, 2020. The dividend of €0.20/share (previous year: €0.20 / share) distributed in the 2020 fiscal year resulted in a total reduction in retained earnings of €2,054 thousand (previous year: €2,044 thousand). The Executive Board proposes to resolve the payment of a dividend of €0.56 per share for the fiscal year, thus totaling €5,763 thousand.

(d) Other reserves

In fiscal 2020, the currency translation adjustment item reported in the previous year was combined with the revaluation reserve in other reserves.

The cumulative amount recognized as of January 1, 2020 for the effective portion of the profit or loss from cash flow hedging instruments was €-35 thousand. The hedging instruments expired upon repayment of the underlying loans in the 2020 fiscal year. The cumulative expenses of €46 thousand attributable to this in the other reserves were therefore reclassified to the income statement at the time the hedge relationship was terminated.

As of December 31, 2020, other reserves consequently only include the reserve for currency translation items. This item is for recognizing the differences arising from the conversion of the financial statements of the foreign subsidiaries in €.

4.13 NON-CURRENT POST-EMPLOYMENT BENEFIT OBLIGATION

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

Changes to the defined benefit obligation were as follows:

In € thousand	2019	2020
Defined benefit obligation (DBO) as at January 1	272	272
Reclassifications/changes in the scope of consolidation	-36	0
Interest cost	4	2
Actuarial gains (-)/losses (+)	58	68
Pension payments	-26	-27
Defined benefit obligation (DBO) as at December 31	**272**	**315**

As in the previous year, there are no asset values that would reduce the pension obligation. The amount of the provision therefore corresponds to the defined benefit obligation. Pension payments of €27 thousand (previous year: €26 thousand) are expected for the following fiscal year. Pension payments of a comparable amount are also expected for the fiscal years 2022 to 2025.

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

in %	December 31, 2019	December 31, 2020
Interest rate	0.60	0.55
Salary trend	0	0
Pension trend	1.80	1.80

A change in the main actuarial assumptions (interest rate, salary trend, pension trend) of 1 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 CURRENT PROVISIONS

In € thousand	2019	2020
Other current provisions as of January 1	**1,091**	**559**
Utilization	-121	-49
Reversal	-632	-107
Allocation	217	247
Reclassification	4	0
Disposal of consolidation scope	0	-68
Other current provisions as of December 31	**559**	**582**

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. The underlying assumptions applied in calculating the warranty provision are based on sales under warranty and currently available information on claims within the two-year warranty period.

4.15 EQUITY

In € thousand	December 31, 2019	December 31, 2020
Current up to 1 year	28,300	2,996
Non-current*	19,051	14,861
of which 1 - 5 years	12,851	10,289
of which more than 5 years	6,200	4,572
Total	**47,351**	**17,857**

* The financial liabilities shown in the balance sheet 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 included.

Financial liabilities include a KfW loan of €13 million. The loan was taken out 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 balance sheet as of December 31, 2020 amounts to €11.4 million. The assignment of machines and equipment at the Berlin-Weißensee location serve as collateral for the loan. First Sensor Lewicki GmbH is jointly liable

Promissory note loans

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

As part of the placement, German institutional investors subscribed to promissory notes with terms of five years (€18.0 million, variable 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 variable and fixed-rate promissory note loans of €18.0 million and €7.0 million in place since 2016 were repaid on December 21, 2020. The remaining promissory note loan of €3 million is reported as non-current due to its final maturity in December 2022.

The key financial ratios are calculated annually. The interest rate risk will be reduced through fixed interest rates and normal hedging mechanisms (see "Derivative financial instruments").

Others

As at the 2020 balance sheet date, First Sensor had unutilized credit lines of €3,000 thousand (previous year: €4,400 thousand). Due to the cash pool with the TE Group used in the 2020 fiscal year, it is unlikely that the credit lines will be utilized and they will therefore be repaid in full in 2021.

4.16 LEASE LIABILITIES

The lease liabilities, included in the balance sheet item financial liabilities, are made up as follows:

In € thousand	December 31, 2019	December 31, 2020
Current up to 1 year	1,597	1,173
Non-current	6,530	4,814
of which 1 - 5 years	5,844	4,137
of which more than 5 years	686	677
Total	**8,127**	**5,987**

Interest expenses for lease liabilities amounted to €281 thousand (previous year: €399 thousand). The amounts still recognized as lease expenses in the income statement due to the simplification rules utilized amounted to €182 thousand (€155 thousand) and are presented within other operating expenses.

4.17 OTHER NON-CURRENT LIABILITIES

Non-current liabilities mainly include deferred investment grants/allowances of €2,749 thousand (previous year: €2,976 thousand). These relate to government grants and were paid out mainly 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.

In addition, the negative market value of an interest rate hedging instrument amounting to €433 thousand (previous year: €504 thousand) is recognized under non-current other liabilities.

4.18 OTHER CURRENT LIABILITIES

In € thousand	December 31, 2019	December 31, 2020
Liabilities due to staff	6,345	2,894
Liabilities from income tax	1,092	999
Accrued non-current liabilities	128	278
Liabilities from church tax, social security	83	14
Others	9,379	1,646
Total	**17,027**	**5,831**

Current liabilities to staff decreased significantly as they included accrued liabilities for the members of the Executive Board who left the company during the fiscal year. Other liabilities included non-recurring expenses in connection with the acquisition by TE Connectivity and were repaid in the fiscal year.

All other current liabilities are non-interest-bearing.

4.19 SHARE-BASED REMUNERATION

Share option plan

There are or were three share option plans:

- Share option plan for 2013 (SOP 2013)
- Share option plan for 2016/II (SOP 2016/II)

- Share option plan for 2017/I (SOP 2017/I)

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

	SOP 2013	SOP 2016/II	SOP 2017/I
Annual General Meeting resolution	August 20, 2013*	May 4, 2016	May 27, 2017
Term of the share option plan	3 years	3 years	2 years
Vesting period (following issue)	4 years	4 years	4 years
Exercise period (following expiry of vesting period)	5 years	3 years	3 years
Maximum subscription rights (total volume)	**91,000***	**520,000**	**240,000**

* Adjusted to resolution of the Annual General Meeting on May 27, 2017

Share options are exercised subject to the following conditions.

SOP 2013

The SOP 2013 share option plan has a three-year term. The option program was reduced to 91,000 options by resolution of the Annual General Meeting on May 27, 2017. The plan is divided into three groups of entitled persons:

- For members of the company's Executive Board
- For directors of affiliated companies
- For employees of the company or of affiliated companies

Subscription rights can be issued to entitled persons from the total volume every year during the term of the 2013 share option plan.

Subscription rights may be issued to entitled persons only during the period from the announcement of the previous fiscal year's results by the Executive Board to the end of the fiscal year and not before Contingent Capital 2013/I has been entered in the commercial register.

The subscription rights may be exercised only after a vesting period. This vesting period lasts for at least four years from the time the subscription rights are granted. The rights may be exercised within five years of the end of the respective vesting period. Options that have not been exercised by the end of this period shall be forfeited without replacement or compensation.

Subscription rights may not be exercised in the three weeks preceding the announcement of quarterly results or in the period between the end of a fiscal year and the publication of the company's consolidated financial statements. The same applies even if an exercise window opens during these blocking periods.

The exercise price for subscription rights is €15.00 per subscription right.

Subscription rights may be exercised within the exercise period only if the performance target has been achieved within a period of six weeks prior to exercise. The performance target has been achieved if the closing price of shares in the company in XETRA (or a comparable successor system on the Frankfurt Stock Exchange) meets or exceeds the exercise price of €15.00 on ten consecutive trading days.

Options are non-transferable, except in the event of the death of the entitled person.

Further details of the granting of options and further conditions for exercising them are determined by the Supervisory Board if members of the company's Executive Board are affected. If employees of the company are impacted or if options are to be granted to directors of affiliated companies, the company's Executive Board shall determine further details.

A total of 185,208 subscription rights have so far been issued to Executive Board members. After the Executive Board member leaves the company, these subscription rights are forfeited. In addition, a total of 118,000 subscription rights were granted to directors of affiliated companies and employees of the company and affiliated companies.

All subscription rights from the 2013 share option plan have either expired or been converted into shares. The 2013/I share option plan has thus been terminated.

SOP 2016/II

The share option plan 2016/II was resolved at the Annual General Meeting on May 4, 2016. It provides for up to 520,000 subscription rights to be issued to members of the Executive Board, directors of affiliated companies in Germany and abroad and managers at the company by December 31, 2019. If subscription rights are forfeited because entitled persons leave the company within the authorization period, a corresponding number of subscription rights may be issued again.

The total volume of the subscription rights share option plan 2016/II breaks down across the groups of entitled persons as follows:

- Members of the company's Executive Board will receive a maximum of up to 160,000 options in total (up to around 30.8%)
- Directors of affiliated companies will receive a maximum of up to 70,000 options in total (up to around 13.5%)
- Managers at the company will receive a maximum of up to 290,000 options in total (up to around 55.7%)

Subscription rights may be issued for the first time in fiscal year 2016.

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

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

Subscription rights may be inherited but they may not be transferred or sold. They may not be pledged.

In order to service the share option plan 2016/II, Contingent Capital 2016/II was created in the amount of €2,600,000.00.

A total of 290,000 subscription rights were granted under the share option plan 2016/II in fiscal year 2016. 110,000 of these subscription rights were granted to the CFO. The value of one option issued amounted to €2.00 and was calculated using the Black-Scholes model.

A total of 78,000 subscription rights were granted under the share option plan 2016/II in fiscal year 2017. 25,000 of these subscription rights were granted to the CFO. The value of one option issued amounted to €3.08 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: Share price on the grant day of €11.73, volatility of 39.4% and an interest rate of 0.0%. In addition, it was assumed that an annual non-exercise rate of 15% would arise.

A total of 101,000 subscription rights were granted under the share option plan 2016/II in fiscal year 2018. 25,000 of these subscription rights were granted to the CFO. The value of one option issued amounted to €7.91 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: Share price on the grant day of €25.20, volatility of 44.32% and an interest rate of 0.0%. In addition, it was assumed that an annual non-exercise rate of 15% would arise.

In the 2020 financial year, 160,000 subscription rights were settled with the departure of a member of the Executive Board.

SOP 2017/I

The share option plan 2017/I was resolved at the Annual General Meeting on May 27, 2017. It provides for up to 240,000 subscription rights to be issued to members of the Executive Board by December 31, 2019. If subscription rights are forfeited because entitled persons leave the company within the authorization period, a corresponding number of subscription rights may be issued again.

Subscription rights may be issued for the first time in fiscal year 2017.

The subscription rights may be exercised for the first time after a vesting period of four years from the respective issue date. Overall, the subscription rights each have a term of seven years from the issue date; after this they are forfeited without replacement. After the end of the vesting period, subscription rights may be exercised if the performance target has been achieved. The performance target has been achieved if the closing price of the share in XETRA (or a comparable successor system on the Frankfurt Stock Exchange) meets or exceeds the exercise price on 30 consecutive trading days prior to exercise. The exercise price corresponds to the average closing price of the share on the 30 consecutive trading days before the respective issue date of the options plus 20%. However, the exercise price for the subscription rights issued in fiscal years 2017 and 2018 amounts to at least €15.00.

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

In order to service the share option plan 2017/I, Contingent Capital 2017/I was created in the amount of €1,200,000.00.

A total of 80,000 subscription rights were granted to the CEO of First Sensor AG under the share option plan 2017/I in fiscal year 2017. The value of one option issued amounted to €4.16 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: Share price on the grant day of €14.14, volatility of 39.4% and an interest rate of 0.0%. In addition, it was assumed that an annual non-exercise rate of 15% would arise.

A total of 80,000 subscription rights were granted to the CEO of First Sensor AG under the share option plan 2017/I in fiscal year 2018. The value of one option issued amounted to €7.91 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: Share price on the grant day of €25.20, volatility of 44.32% and an interest rate of 0.0%. In addition, it was assumed that an annual non-exercise rate of 15% would arise.

A total of 80,000 subscription rights were granted to the CEO of First Sensor AG under the share option plan 2017/I in fiscal year 2019. The value of one option issued amounted to €4.99 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: Exercise price of €23.59, share price on the grant day of €20.40, volatility of 37.0% and an interest rate of 0.0%. No fluctuation was assumed.

With the retirement of the beneficiaries in the 2020 fiscal year, there are no longer any subscription rights under the stock option plan. The 2017/I share option plan is therefore terminated.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4.20 SALES REVENUES

In € thousand	2019	2020	Δ absolute	in %
DACH*	75,414	79,463	4,049	5.4
Rest of Europe	37,807	32,596	-5,211	-13.8
North America	21,686	15,591	-6,095	-28.1
Asia	25,410	26,084	674	2.7
Others	958	1,082	124	12.9
Total	**161,275**	**154,816**	**-6,459**	**-4.0**

Sales mainly result from the sale of customer-specific semiconductor sensors, sensor systems and development and production services. Sales deductions of €214 thousand were granted in the year under review (previous year: €243 thousand).

4.21 OTHER OPERATING INCOME

Other operating income breaks down as follows:

In € thousand	2019	2020	Δ absolute	in %
Gain on the disposal of consolidated subsidiaries	0	47,539	47,539	-
Proceeds from reversing provisions	1,062	184	-878	-82.7
Income from other benefits in kind	547	436	-111	-20.3
Insurance claim payments	293	77	-216	-73.7
Investment allowances	141	113	-28	-19.9
Investment grants	85	82	-3	-3.5
Prior-period income	160	134	-26	-16.3
Development grants	104	60	-44	-42.3
Others	206	632	426	206.8
Total	**2,598**	**49,257**	**46,659**	**>100.0**

4.22 CHANGES IN INVENTORIES

In € thousand	2019	2020	Δ absolute	in %
Unfinished goods and work in progress	-33	-1,741	-1,708	5,175.8
Finished goods	516	-771	-1,287	-249.4
Total	**483**	**-2,512**	**-2,995**	**-620.1**

4.23 OTHER OWN WORK CAPITALIZED

In € thousand	2019	2020	Δ absolute	in %
Capitalized development costs	2,896	1,879	-1,017	-35.1
Other capitalized costs	736	461	-675	-91.7
Total	**3,632**	**1,940**	**-1,692**	**-46.6**

Capitalized costs in 2020 amounted to €1,940 thousand (previous year: €3,632 thousand). Capitalized development costs pursuant to IAS 38 accounted for €1,879 thousand (previous year: €2,896 thousand) of this sum. Other capitalized costs related mainly to measures in connection with the expansion of capacity (supply of media and machines) and technology at the production sites in Berlin-Oberschöneweide and Berlin-Weißensee.

Research and development costs recognized in expenses amounted to €9,668 thousand in 2020 (previous year: €10,213 thousand).

4.24 COST OF MATERIALS/PURCHASED SERVICES

The cost of materials/purchased services break down as follows:

In € thousand	2019	2020	Δ absolute	in %
Raw materials and supplies	64,199	61,331	-2,868	-4.5
Purchased services	11,094	9,535	-1,559	-14.1
Total	**75,293**	**70,866**	**-4,427**	**-5.9**

4.25 PERSONNEL EXPENSES

The personnel expenses break down as follows:

In € thousand	2019	2020	Δ absolute	in %
Wages and salaries	47,833	41,396	-6,437	-15.6
Social security contributions including pension plans	8,349	8,090	-259	-3.2
Total	**56,182**	**49,486**	**-6,696**	**-13.5**

Personnel expenses include €860 thousand (previous year: €496 thousand) in expenditure related to granting share options. Social security contributions including pension plans include €3,902 thousand (previous year: €3,886 thousand) for defined contribution pension plans.

4.26 OTHER OPERATING EXPENSES

Miscellaneous other operating expenses comprise the following items:

In € thousand	2019	2020	Δ absolute	in %
Costs for premises	1,043	1,327	284	27%
Maintenance and repairs	2,085	2,383	298	14%
Sales and marketing expenses	1,812	1,484	-328	-18%
Legal and consultancy fees	5,517	1,841	-3,676	-67%
IT-costs	1,136	1,370	234	21%
Vehicle costs	608	85	-523	-86%
Travel costs	1,209	255	-954	-79%
Warranty expenses	300	360	60	20%
Goods handling costs	641	561	-80	-13%
Other expenses	876	1,289	413	47%
Other expenditures	468	401	-67	-14%
Disposal of assets	0	393	393	100%
Insurances	731	750	19	3%
Investor Relations	397	261	-136	-34%
Recruitment costs	370	216	-154	-42%
General administration expenses	875	1,430	555	63%
Work clothing and protective equipment	391	458	67	17%
Training costs	459	164	-295	-64%
Communication costs	256	254	-2	-1%
R&D expenses	179	178	-1	0%
Prior-period expenses	520	540	20	4%
Annual audit	164	145	-19	-12%
Supervisory Board remuneration	171	188	17	10%
Other taxes	106	101	-5	-5%
Total	**20,314**	**16,434**	**-3,880**	**-19%**

The decrease in legal and consultancy fees is attributable to costs accrued in the previous year in connection with the acquisition by TE Connectivity Sensors Germany Holding AG.

The other operating expenses include expenses for short-term leases with a term of less than one year of €152 thousand (previous year: €98 thousand) and lease expenses for low-value assets of €25 thousand (previous year: €22 thousand).

4.27 FINANCIAL RESULT

Net financial result consisted of the following:

In € thousand	2019	2020	Δ absolute	in %
Interest income	75	10	-65	-86.7
Interest expenses	-1,690	-1,448	242	14.3
Others	74	-317	-391	<-100.0
Total	**-1,541**	**-1,755**	**-214**	**-14.0**

4.28 INCOME TAX EXPENSES

The key components of income tax expenses for fiscal years 2019 and 2020 break down as follows:

In € thousand	2019	2020	Δ absolute	in %
Current income tax	1,092	1,597	505	46.2
Prior-period income tax	-41	0	41	-100.0
Deferred taxes	-5	-545	-540	>100.0
Displayed tax amount	**1,046**	**1,052**	**6**	**0.6**

Deferred taxes of €-545 thousand (previous year: €-5 thousand) result from temporary differences. As at January 1, 2019, deferred tax assets of €203 thousand were recognized in connection with the first-time application of IFRS 16.

The reconciliation of income tax expense with the product of the reported profit for the period and the applicable Group tax rate with respect to the fiscal years 2019 and 2020 is as follows:

In € thousand	2019	2020	Δ absolute	in %
Pre-tax income	**3,519**	**53,486**	**49,967**	**>100,0**
Tax rate	30%	30%	0	0.0
Calculated tax expenses/income (expenses negative, income positive)	**1,056**	**16,046**	**14,990**	**>100.0**
Current income tax, prior period	-41	5	46	<-100.0
Different tax rate in other countries	-128	128	0	0.0
Additional trade income tax	71	60	-11	-15.5
Tax-free income	0	-13,628	-13,628	-
Non-deductible operating expenses	44	29	-15	-34.1
Permanent differences from stock option programs	0	-1.484	-1.484	-
Others	44	152	108	>100.0
Tax expenses	**1,046**	**1,052**	**6**	**0.6**

The deferred tax assets and deferred tax liabilities as at the balance sheet date break down as follows before offsetting:

In € thousand	December 31, 2019	December 31, 2020	Δ absolute	in %
Market value of derivatives	151	130	-21	-13.9
Lease liabilities in accordance with IFRS 16	2,438	1,796	-642	-26.3
Other	102	103	1	0.0
Deferred tax assets	**2,691**	**2,029**	**-662**	**-24.6**

In € thousand	December 31, 2019	December 31, 2020	Δ absolute	in %
Internally generated intangible assets	2,279	2,487	208	9.1
Other fixed assets	1,419	562	-857	-60.4
Right-of-use assets in accordance with IFRS 16	2,242	1,668	-574	-25.6
Deferred tax liabilities	**5,940**	**4,717**	**-1,223**	**-20.6**
Offsetting	-2,691	-2,029	662	24.6
Deferred tax liabilities	**3,249**	**2,688**	**-561**	**-17.3**

Deferred taxes were offset at the level of the individual companies in the year under review, as they were last year.

Income taxes comprise the income taxes paid or payable in the respective countries as well as deferred taxes. The deferred taxes on the market values of derivatives in the context of hedge accounting of €0 thousand (previous year: €7 thousand) as well as on actuarial gains and losses on pension provisions of €27 thousand (previous year: €7 thousand) relate to deferred taxes recognized outside the net profit for the period.

Income taxes for 2019 and 2020 include corporation tax, trade income tax, solidarity surcharge and the corresponding foreign taxes. In the Federal Republic of Germany, corporation tax on distributed and undistributed profits is 15%. A solidarity surcharge is levied at a rate of 5.5% on the corporation tax. The trade income tax was calculated on the basis of the assessment rate applied by the relevant municipal authority at 11.55% and 14.35%.

There are no loss carryforwards at foreign Group companies as of December 31, 2020. As in the previous year, there are no tax loss carry forwards for German Group companies.

4.29 EARNINGS PER SHARE

In the calculation of the basic earnings per share, the earnings attributable to the bearers of ordinary shares in the parent company are divided by the weighted, average number of ordinary shares outstanding during the year.

In the calculation of the diluted earnings per share, the earnings attributable to the bearers of ordinary shares in the parent company are divided by the weighted, average number of ordinary shares outstanding during the year and by the weighted average number of ordinary shares which would result from the conversion of all potential subscription rights with a dilutive effect for ordinary shares.

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

In € thousand, unless otherwise indicated	2019	2020	Δ absolute	in %
Net profit attributable to shareholders	2,296	52,334	50,038	>100
Weighted average outstanding shares (undiluted)	10,240	10,277	37	0.4
Earnings per share (undiluted)	**0.22**	**5.09**	**4.87**	**>100**
Dilutive effect from share options	105	6	-99	-94.3
Weighted average outstanding shares (diluted)	10,345	10,283	-62	-0.46
Earnings per share (diluted)	**0.22**	**4.09**	**4.87**	**>100**

Earnings per share attributable to the discontinued operation (undiluted/diluted) amount to EUR 4.85 (previous year: EUR 0.25).

4.30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

In € thousand	2019	2020	Δ absolute	in %
Cash on hand	5	1	-4	-80.0
Bank balances	32,255	10,029	-22,226	-68.9
Cash pool	0	39,319	39,319	-
Total	**32,260**	**49,349**	**17,089**	**53.0**

The net cash flow of discontinued operations in the fiscal year is as follows:

in € thousand	2019	2020
CASH FLOW FROM OPERATING ACTIVITIES	3,885	1,564
CASH FLOW FROM INVESTING ACTIVITIES	-34	-173
CASH FLOW FROM FINANCING ACTIVITIES	-2,406	-2,301
CASH-EFFECTIVE CHANGE IN CASH AND CASH EQUIVALENTS	1,445	-910
FINANCIAL RESOURCES FUND AT THE BEGINNING OF THE PERIOD	3,596	5,041
FINANCIAL RESOURCES FUND AT THE END OF THE PERIOD	5,041	4,131

NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

4.31 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

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 view 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 generally been measured in accordance with the new IFRS 16 standard 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 amounted to €0.1 million in the year under review.

The other financial obligations break down as follows:

In € thousand	2021	2022 to 2025	From 2026
Purchase obligations	37,325	979	85
Guarantees	0	0	0
Total	**37,325**	**979**	**85**

The purchase obligation in 2020 relates to ordered capital assets and inventories.

4.32 DISCONTINUED OPERATIONS

First Sensor sold the following subsidiaries in full to the TE Group in the fiscal year:

- First Sensor Inc., Westlake, CA, U.S.
- First Sensor France SAS, Paris, France
- First Sensor Technology Ltd., Shepshed, United Kingdom
- First Sensor Corp., Montreal, Canada
- Klay-Instruments B.V., Dwingeloo, Netherlands

The sale took place in connection with the integration of First Sensor into the TE Group. The sales proceeds received from these transactions total €65,700 thousand. Cash and cash equivalents sold with the companies amount to €4.131 thousand. The gain on the deconsolidation of the companies sold recognized in the consolidated income statement amounts to €47.539 thousand. The disposal of the shares resulted in a tax expense of €0.8 million.

The following table provides an overview of the assets and liabilities sold:

ASSETS in € thousand	**2020**
Property, plant and equipment	937
Total non-current assets	**937**
Inventories	2,956
Trade accounts receivable	2,096
Tax refund claims	1
Other current assets	238
Prepaid expenses and deferred charges	348
Cash and cash equivalents	4,131
Total current assets	**9,769**
Total ASSETS	**10,707**

LIABILITIES AND EQUITY in € thousand	**2020**
Equity	**3,311**
Non-current financial liabilities	458
Total non-current liabilities	**458**
Provisions for taxes	296
Other current provisions	68
Current financial liabilities	5,112
Advance payments received on orders	3
Trade accounts payable	707
Other current liabilities	752
Total current liabilities	**6,938**
Total LIABILITIES AND EQUITY	**10,707**

Presentation of earnings effects by continuing and discontinued operations

In the following, the income and expenses reported in the income statement for the financial years 2019 and 2020 are presented separately for continuing and discontinued operations. The gain on disposal of €47,539 thousand is allocated to the discontinued operation.

	Financial year 2019		
in € thousand	Discontinued operation	Continuing operations	Total
Sales	17,477	143,799	161,275
Other operating income	243	2,355	2,598
Changes in inventories of finished goods and work in progress	17	466	483
Other own work capitalized	40	3,592	3,632
Cost of materials/ cost of purchased services	-6,869	-68,424	-75,293
Personnel expenses	-4,894	-51,288	-56,182
Other operating expenses	-2,193	-18,121	-20,314
Operating result (EBITDA)	**3,821**	**12,379**	**16,199**
Depreciation of property, plant and equipment and amortization of intangible assets	-397	-10,742	-11,139
OPERATING RESULT (EBIT)	**3,424**	**1,637**	**5,060**
Financial result	-76	-1,465	-1,541
EARNINGS BEFORE TAXES AND MINORITY INTERESTS	**3,348**	**172**	**3,519**
Taxes on income and earnings	-747	-299	-1,046
RESULT FOR THE PERIOD	**2,600**	**-127**	**2,473**

	Financial year 2020		
in € thousand	discontinued operation	continuing operations	Total
Sales	14,417	140,400	154,816
Other operating income	47,806	1,451	49,257
Changes in inventories of finished goods and work in progress	239	-2,751	-2,512
Other own work capitalized	57	1,883	1,940
Cost of materials/ cost of purchased services	-5,669	-65,197	-70,866
Personnel expenses	-4,457	-45,029	-49,486
Other operating expenses	-1,678	-14,756	-16,434
Operating result (EBITDA)	**50,715**	**16,001**	**66,715**
Depreciation of property, plant and equipment and amortization of intangible assets	-285	-11,189	-11,474
OPERATING RESULT (EBIT)	**50,430**	**4,812**	**55,241**
Financial result	-73	-1,683	-1,755
EARNINGS BEFORE TAXES AND MINORITY INTERESTS	**50,357**	**3,129**	**53,486**
Taxes on income and earnings	-534	-518	-1,052
RESULT FOR THE PERIOD	**49,823**	**2,612**	**52,434**

The operating result of the continuing operations is burdened by one-off expenses in connection with the integration into the TE Group of around €8.4 million in fiscal year 2019 and around €1.8 million in fiscal year 2020.

4.33 SEGMENT REPORTING

The integrated industrial Group, First Sensor, is a provider of sensor solutions for many different sectors. The individual subsidiaries of the Group occupy different positions in the value chain (wafer, component, module, system) for the manufacture of sensor solutions.

The specific requirements of the customer in each case dictate at which step in the value chain the services are called on.

First Sensor operates as a homogeneous company which encompasses the development, production and sale of sensor chips, sensor components, sensors and sensor systems. Sales are monitored by target market (industrial, medical, mobility) and geographically according to the origin of the customers (DACH region, Europe, North America, Asia).

To ensure a consistent focus on markets and customers, First Sensor caters to the three target markets of Industrial, Medical and Mobility business with its sensor products. However, these do not constitute the basis for internal management and internal reporting. Sales break down across these markets as follows:

In € thousand	2019	2020	Δ absolute	in %
Industrial	86,628	76,842	-9,786	-11.3
Medical	35,417	44,017	8,600	24.3
Mobility	39,230	33,957	-5,273	-13.4
Total	**161,275**	**154,816**	**-6,459**	**-4.0**

Every month, the results of the parent company and its subsidiaries are measured, processed and then analyzed by the Executive Board. However, the business units do not represent segments within the meaning of IFRS 8.

Non-current assets and investments in non-current assets relate almost exclusively to Germany and only to a small degree to Europe and North America. With the sale of foreign subsidiaries to the TE Group, the First Sensor Group only has non-current assets and employees in Germany as of December 31, 2020.

Non-current assets in € thousand	December 31, 2019	December 31, 2020	Δ absolute	in %
Germany	93,966	78,768	-15,198	-16.2
Rest of Europe	767	0	-767	-100
North America	668	0	-668	-100
Total	**95,401**	**78,768**	**-16,633**	**-17.4**

Investments in € thousand	2019	2020	Δ absolute	in %
Germany	19,454	11,281	-8,173	-42.0%
Rest of Europe	889	48	-841	-94.6%
North America	453	125	-328	-72.4%
Total	**20,796**	**11,454**	**-9,342**	**-44.9%**

Employees (FTE)	December 31, 2019	December 31, 2020	Δ absolute	in %
Germany	832	784	-48	-5.7
Rest of Europe	35	0	-35	-100
North America	25	0	-25	-100
Total	**892**	**784**	**-107.7**	**-12.1**

4.34 RELATED PARTY TRANSACTIONS

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

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

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

Sale of subsidiaries to the TE Group

As previously stated, First Sensor sold subsidiaries to the TE Group in the financial year for a purchase price of €65,700 thousand. The sales are intended to leverage synergies as part of the integration of First Sensor into the TE Connectivity Group. The supply relationships will remain in place. The purchase price agreed between the respective parties was agreed at arm's length, as between third parties. The sale resulted in a deconsolidation result of €47, 539 thousand.

Devlieveries and services netween First Sensor and companies of the TE Group:

in € thousand	2019	2020
Sale of goods and services		
Sales	-	404
Other operating income	-	239
Purchase of goods		
other operating expenses	-	-366
Financing		
Other interest and similar income		15

Receivables from and payables to companies of the TE Group:

in € thousand	2019	2020
Receivables		
from deliveries and services	-	342
Liabilities		
from deliveries and services	-	597

Executive Board

- Dr. Dirk Rothweiler, Weimar, Germany (since January 1, 2017; departed on July 31, 2020)
- Dr. Mathias Gollwitzer, Berlin, Germany (since August 10, 2015, extended on August 10, 2018; departed on March 13, 2020)
- Marcus Resch, Bad Homburg vor der Höhe, Germany (since March 14, 2020)
- Sibylle Büttner, Unna, Germany (since April 20, 2021)
- Robin Maly, Meilen, Switzerland (since April 20, 2021)

Please refer to the table below for details of remuneration **paid** to members of the Executive Board:

In € thousand	Dr. Mathias Gollwitzer		Dr. Dirk Rothweiler		Marcus Resch	
Position	CFO		CEO		Executive Board	
Start of employment	August 10, 2015		January 1, 2017		March 14, 2020	
Termination of employment	March 13, 2020		July 31, 2020			
	2019	2020	2019	2020	2019	2020
Fixed remuneration	330	73	330	213	0	220
Additional benefits	16	3	13	5	0	36
Total	**346**	**76**	**343**	**218**	**0**	**256**
Annual variable remuneration	198	47	115	222	0	0
Perennial variable remuneration						
Bonus II	341	159	0	39	0	0
Severance payment	0	2,793	0	4,337	0	0
Compensation	0	0	0	117	0	0
Special bonus project management	100	0	0	150	0	0
Total	**639**	**2,999**	**115**	**4,865**	**0**	**0**
Pension expenses	5	1	5	5	0	3
Total remuneration	**990**	**3,076**	**463**	**5.088**	**0**	**259**

The following table shows the remuneration **granted** to members of the Executive Board:

In € thousand	Dr. Mathias Gollwitzer		Dr. Dirk Rothweiler		Marcus Resch	
Position	CFO		CEO		Executive Board	
Start of employment	August 10, 2015		January 1, 2017		March 14, 2020	
Termination of employment	March 20, 2020		July 31, 2020			
	2019	2020	2019	2020	2019	2020
Fixed remuneration	330	73	330	213	0	220
Additional benefits	16	3	16	5	0	36
Total	**346**	**76**	**346**	**218**	**0**	**256**
Annual variable remuneration	198	47	222	221	0	88
Perennial variable remuneration						
SOP 2016/II (ends on December 31, 2019)	0	0	0	0	0	0
SOP 2017/I (ends on December 31, 2019)	0	0	399	0	0	0
Bonus II	341	159	0	39	0	70
Severance payment	2,793	0	0	4,337	0	0
Compensation	0	0	0	117	0	0
Special bonus project management	100	0	150	150	0	0
Total	**3,432**	**206**	**784**	**4,865**	**0**	**158**
Pension expenses	5	5	5	5	0	3
Total remuneration	**3,783**	**287**	**1,135**	**5,088**	**0**	**417**

Dr. Mathias Gollwitzer assumed the role of CFO on August 10, 2015. On August 10, 2018, his employment relationship was extended by another four years. He received fixed annual remuneration of €330 thousand and a variable target component of €120 thousand. In the year under review, no subscription rights were tendered to him under the share option plan SOP 2016/I or other plans. Dr. Mathias Gollwitzer has concluded a cancellation contract with regard to his employment contract and the change of control.

Dr. Dirk Rothweiler assumed the role of CEO on January 1, 2017. He received fixed annual remuneration of €330 thousand and a variable target component of €120 thousand. In the previous year, subscription rights were issued to him under the share option plan SOP 2017/I with an exercise price of €23.59. These came to a total of 80,000 share options valued at €4.99 each in line with the Black-Scholes model. In the event of a change of control, he is entitled to a one-off payment up to €700 thousand if he resigns within three months of the change of control. He was subject to a non-competition clause for a period of 6 months from the end of his contract of employment for which he will received a monthly, subsequent compensation of 50% of a twelfth of his fixed salary applicable at the time.

The additional benefits under contracts of Executive Board members include cash benefits for the private use of company cars, company car compensation and meal allowance.

The variable remuneration components of executive board contracts are linked to the achievement of specific ratios by the company. 70% of the variable salary is dependent on quantitative targets and 30% on qualitative targets. The qualitative targets are agreed individually between each Executive Board member and the Supervisory Board.

In the year under review, variable components amounting to €269 thousand (previous year: €313 thousand) were paid out, which are reported under annual variable remuneration. Multi-annual remuneration components have been agreed under share option plans and were settled in the reporting year as part of the severance agreements with the Executive Board members.

No remuneration was paid to former Executive Board members or directors or to their surviving dependents in the fiscal year. As at December 31, 2020, former Executive Board members had no subscription rights.

Supervisory Board

Remuneration of the Supervisory Board is regulated by Article 13 of the Articles of Association and determined by the Annual General Meeting. In accordance with the resolution of the Annual General Meeting on May 23, 2014, there was a new regulation for Supervisory Board remuneration. After the fiscal year has ended, members of the Supervisory Board receive remuneration of €20 thousand for each full year of membership of the Supervisory Board. This increases to €50 thousand for the Chairman and to €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 level 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 value-added tax that applies to their remuneration.

Remuneration for the members of the Supervisory Board amounted to €94 thousand in fiscal year 2020 (previous year: €147 thousand). Supervisory Board members do not receive any performance-related remuneration and do not participate in the company's share option plan.

Other related parties

The director of a subsidiary leased an office property to the subsidiary at standard market conditions. He received €101 thousand (previous year: €98 thousand) for this.

No other transactions with other related parties took place in the year under review.

4.35 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Risk management for financial instruments

In the year under review, First Sensor sold its products and services worldwide and purchased materials on an international market, which led to market risks owing to changes in exchange rates.

The company also financed its operations partly with bank loans, which involved interest rate risks owing to variable interest conditions. In 2020, hedging transactions existed for this purpose to hedge the interest rate risk. As required, foreign exchange risks are reduced by concluding foreign exchange forward transactions in connection with material purchases. This did not occur in the reporting year.

The company's main financial instruments comprise trade receivables, cash and cash equivalents, current financial assets (cash pool), non-current liabilities, promissory note loans, utilized 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 relevant instrument could be exchanged in a current transaction (excluding forced sale or liquidation) between independent market participants. 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.

First Sensor enters into derivative financial instruments with various banks with a good credit rating. The interest rate swaps are measured using a valuation technique with input parameters that can be observed on the market. Among the most frequently used measurement methods are forward price and swap models using present values. The models include various variables such as the credit rating of business partners, foreign exchange spot and forward rates and yield curves. Changes to the counterparty default risk had no effects on the assessment of the hedge effectiveness and other financial instruments measured at fair value.

Classification and fair value

The following table provides a reconciliation of the balance sheet items as of December 31, 2019 relating to financial instruments to classes and measurement categories in accordance with IFRS 9. It also shows aggregated carrying amounts for each Balance sheet item, which essentially correspond to the fair values.

	Categories of financial instruments (IFRS 9)			**Reconciliation to balance sheet item**	**Balance sheet item**
December 31, 2019	**Debt instruments measured at fair value through profit or loss and derivatives**	**Financial assets measured at amortized cost**	**Financial liabilities measured at amortized cost**		
ASSETS in € thousand					
Trade receivables	-	12,512	-	-	12,512
Financial assets	-	-	-	-	-
Cash and cash equivalents	-	32,260	-	-	32,260
Equity and liabilities in € thousand					
Non-current financial liabilities *	-	-	19,051	-	19,051
Other non-current financial liablilities	497	-	-	3,019	3,516
Current financial liabilities*	-	-	28,300	-	28,300
Non-current liabilities	-	-	8,759	-	8,759
Other current financial liabilities	-	-	15,165	1,862	17,027

*Leasing liabilities are recognized and measured in accordance with IFRS 16. These are explained separately in the notes under item 16. In the statement of financial position, lease liabilities are reported under financial liabilities.

December 31, 2020	Categories of financial instruments (IFRS 9)			Reconciliation to balance sheet item	Balance sheet item
	Debt instruments measured at fair value through profit or loss and derivatives	Financial assets measured at a mortized cost	Financial liabilities measured at amortized cost		
ASSETS in € thousand					
Trade receivables	-	20,768	-		20,768
Financial assets	-	39,436	-		39,436
Cash and cash equivalents	-	10,030	-		10,030
Equity and liabilities in € thousand					
Non-current financial liabilities *	-	-	14,861	0	14,861
Other non-current financial liabilities	433	-	-	2,749	3,182
Current financial liabilities*	-	-	2,996	-	2,996
Non-current liabilities	-	-	5,785	-	5,785
Other current financial liabilities	-	-	4,078	1,753	5,831

*Lease liabilities are recognized and measured in accordance with IFRS 16. These are explained separately in the notes under item 16. In the balance sheet, lease liabilities are reported under financial liabilities.

The net result from financial assets and financial liabilities recognized in the income statement amounted to €-1,263 thousand in the fiscal year (previous year: €-295 thousand).

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: techniques where all input parameters which have a material effect on the recognized fair value are observable, either directly or indirectly.
- Level 3: techniques using input parameters which have a material effect on the recognized fair value and are not based on observable market data.

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

All other financial assets and liabilities in the Group were measured at amortized cost.

There were no changes in the calculation of fair value during the period under review. 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

In the reporting year, the First Sensor Group used interest rate swaps to hedge the interest rate risk of variable-rate liabilities. The following table shows the market values:

Interest rate hedging

In € thousand	Maturity	Hedge	Interest rate	Nominal 2019	Nominal 2020	Market value 2019	Market value 2020
Interest rate swap I (3145170UK)	December 31, 2020	3M EURIBOR	3.83%	209	0	-5	0
Interest rate swap II (3467328UK)	December 31, 2020	3M EURIBOR	2.17%	103	0	-2	0
Interest rate swap/interest rate cap (50W8OY5GN4FRA201704060000000253109305	December 21, 2022	6M EURIBOR + Cap	0.27%	18,000	18,000	-497	-433
				18,312	**18,000**	**-504**	**-433**

The losses previously recognized in other comprehensive income for the interest rate swaps expiring on December 31, 2020 were transferred to the income statement in the fiscal year (recycling). Changes in the value of the interest rate swaps due on December 21, 2022 are recognized in the income statement.

In 2020, no foreign exchange hedges were available.

Interest rate sensitivity

The risk of market interest rate fluctuations to which the Group is exposed results from interest-bearing cash investments and from floating-rate liabilities that are not hedged against interest rate risks with interest rate hedging instruments.

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.

Since the vast majority of First Sensor's floating rate liabilities are hedged against interest rate risks via interest rate swaps, the Group is exposed to interest rate risk only to a minor degree. A change in interest rates of 100 basis points would have a maximum impact on net profit of €0.1 million (previous year: €0.1 million).

Exchange rate risks and exchange rate sensitivity

Certain Group transactions are processed in a foreign currency. This fundamentally gives rise to risks from exchange rate fluctuations.

The domestic subsidiaries usually have trade business in euro. Only a small amount of trade receivables and trade payables were nominated in foreign currencies.

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

December 31, 2020 in € thousand	USD	GBP	CNY / CNH	CAD	SEK	DKK	2020
Financial assets (Cash and cash equivalents)	513	214	117	0	544	0	1,388
Total	**513**	**214**	**117**	**0**	**544**	**0**	**1,388**

December 31, 2019 in € thousand	USD	GBP	CNY / CNH	CAD	SEK	DKK	2020
Financial assets (Cash and cash equivalents)	4,712	1,440	5	62	273	1	6,494
Total	**4,712**	**1,440**	**5**	**62**	**273**	**1**	**6,494**

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

Exchange rate fluctuations do not have a material effect on the financial statements due to the comparatively low foreign currency positions, which have been further reduced as of December 31, 2020.

As no investments in foreign companies will be held after the end of the 2020 fiscal year – with the exception of First Sensor Scandinavia AB, Kungens Kurva, Sweden – the risk in the event of a depreciation of the euro against the relevant currencies applied in the financial statements of the former subsidiaries denominated in foreign currencies is virtually eliminated. Therefore the exchange rate risk has been reduced.

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 measured 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 may 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. For all other financial assets, the risk of default is considered to be immaterial.

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

No collateral or other credit improvement measures are in place to mitigate the risk of default.

In accordance with IFRS 9, First Sensor applies the expected loss model to determine impairment losses so that expected losses are also recognized and not only losses that have already occurred.

Liquidity risk

Against the background of the inflow of cash and cash equivalents from the sale of subsidiaries in connection with the acquisition by the TE Group and the associated integration into cash pooling, First Sensor considers the liquidity risk to be lower.

Liquidity risk also includes maturities of liabilities. Non-current liabilities 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 December 31, 2020, the contractual undiscounted interest and principal payments of the Group's financial liabilities have maturities as follows .

In € thousand	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing in more than 5 years	December 31, 2020 total
Interest-bearing loans	4,587	9,240	4,758	18,585
Non-current liabilities	5,785	0	0	5,785
Other liabilities	4,078	433	0	4,511
Lease Liabilities	1,173	4,137	677	5,987
Total	**15,623**	**13,810**	**5,435**	**34,868**

In € thousand	Maturing in less than 1 year	Maturing in 1 to 5 years	Maturing in more than 5 years	December 31, 2019 total
Interest-bearing loans	28,300	12,851	6,200	47,351
Non-current liabilities	8,759	0	0	8,759
Other liabilities	17,027	497	0	17,524
Lease Liabilities	1,597	5,844	686	8,127
Total	**55,683**	**19,192**	**6,886**	**81,761**

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

Risk concentration

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

Capital management

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

The Group's capital structure is managed depending on changes to macroeconomic 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:

In € thousand	December 31, 2019	December 31, 2020	Δ absolute	in %
Short-term liabilities	89,881	135,623	45,742	50.9
Balance sheet total	179,656	179,775	4,119	0.1
Equity ratio in %	50.0	75,4	235,4	50.8

The company fulfilled the key ratios (covenants) required under loan agreements in the year under review.

4.36 FURTHER NOTES IN LINE WITH HGB REGULATIONS

The following notes contain additional information constituting mandatory components of the Notes to the Financial Statement as defined in the German Commercial Code (HGB).

Executive Board

Name	Position on the Board
Dr. Dirk Rothweiler	CEO (January 1, 2017 to June 30, 2020)
Dr. Mathias Gollwitzer	CFO (August 10, 2015 to March 13, 2020)
Marcus Resch	CFO (since March 14 2020), Sole Member of the Executive Board (July 1, 2020 to April 19, 2021), Member of the Executive Board without a separate business area (from April 20, 2021)
Sibylle Büttner	Member of the Executive Board without a separate business area (from April 20, 2021)
Robin Jan Maly	Member of the Executive Board without a separate business area (from April 20, 2021)

As CEO, Dr. Dirk Rothweiler was responsible for business policy guidelines, company law, corporate strategy, corporate communication, M&A, investments, subsidiaries, sales and marketing, research and development, product development, production, market analysis and market development, as well as Supervisory Board concerns until June 30, 2020.

Dr. Mathias Gollwitzer was appointed Chief Financial Officer until March 13, 2020. He was responsible for finance, investor relations, planning, controlling, reporting, human resources, law, IT, purchasing, Group risk management, internal control and compliance.

Marcus Resch was appointed Chief Financial Officer of First Sensor AG with effect from March 14, 2020. His area of responsibility initially encompassed the areas of finance and controlling as well as the human resources, IT, investor relations, legal, risk management, and compliance departments.

Following the resignation of Dr. Rothweiler as of June 30, 2020, Marcus Resch also took over this Executive Board responsibility. With effect from April 20, 2021, Marcus Resch is one of three Executive Board members without a separate business area.

On April 20, 2021, Sibylle Büttner and Robin Maly joined the Executive Board as new members. The new Executive Board members, together with Marcus Resch, jointly represent the company without their own separate business areas.

Supervisory Board

Name/ job title	Position on the 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, Schweiz*	Chairman of the Supervisory Board since April 19, 2021 (Member of the Supervisory Board since February 18, 2021)	None	Kissling Swiss Switches AG in Frauenfeld, Schweiz (Member of the Board of Directors), TE Connectivity Poland Services sp. z o.o. in Krakau, Polen (Member of the Board of Directors), TE Connectivity India Private Limited in Bangalore, Indien)Member of the Board of Directors), Jaquet Technology Group AG in Pratteln, Schweiz (Member of the Board of Directors, Finnland (Member of the Board of Directors), TE Connectivity Svenska AB in Upplands-Vasby, Schweden (Member of the Board of Directors), Tyco Electronics Saudi Arabia Limited in Riyadh, Saudi-Arabien (Member of the Board of Directors), TE Connectivity (Denmark) ApS in Glostrup, Dänemark (Member of the Board of Directors), Tyco Electronics (Gibraltar) Limited in Gibraltar (Member of the Board of Directors)
John Mitchell *Senior Vice President and General Manager, Sensor Solutions, TE Connectivity Ltd., Berwyn, USA*	Chairman of the Supervisory Board May 1, 2020 until October 31, 2020	None	None
Peter McCarthy *Vice President and General Manager, Sensor Solutions, TE Connectivity Germany GmbH, Bensheim, Germany*			
Stephan Itter *Commercial Director, Läpple AG, Heilbronn, Germany*	Member of the Supervisory Board since May 1, 2020	Läpple Automotive GmbH, Teublitz; FIBRO GmbH, Weinsberg, Germany	None
Dirk Schäfer Senior Manager of Commercial Finance, TE Connectivity Germany, Bensheim, Germany	Member of the Supervisory Board since May 26, 2020	None	None
Tilo Vollprecht *(employee representative)*	Member of the Supervisory Board since May 3, 2019	None	None

Olga Wolfenberg *(employee representative)*	Member of the Supervisory Board since May 3, 2019	None	None
Prof. Dr. Alfred Gossner *President Munich Business School*	Chairman of the Supervisory Board September 11, 2012 until April 30, 2020	None	Deutsche Bank AG (Member of the Supervisory Board); DPE Deutsche Private Equity GmbH (Member of the Supervisory Board)
Prof. Dr. rer. nat. Christoph Kutter Director of Fraunhofer *Einrichtung für Mikrosysteme und Festkörper-Technologien* EMFT, Munich, Germany	Deputy Chairman of the Supervisory Board since May 3, 2019 (Member from May 24, 2017 until April 30, 2020)	None	VDI/VDE Innovation+Technik GmbH, Berlin, Germany (Member of the Supervisory Board)
Marc de Jong *CEO LM Wind Power A/S, Kolding, Denmark* *CEO InnoMarket B.V.* *Eindhoven, Netherlands*	Member of the Supervisory Board May 23, 2014 until April 30, 2020	None	ASM, Niederlande (Member of the Supervisory Board); Nissens A/S, Dänemark (Member of the Supervisory Board); Sioux BV, Niederlande (Member of the Supervisory Board)
Guido Prehn *Partner of DPE Deutsche Private Equity GmbH*	Member of the Supervisory Board May 03, 2019 until April 30, 2020	Centogene AG (Member of the Supervisory Board)	Auerbach Holding AG (Member of the Supervisory Board); Kohlspitz Holding AG (Member of the Supervisory Board); Everest TopCo B.V. (Supervisory Director); Pharmazell GmbH (Mitglied des Beirats); Omniamed Holding GmbH (Member of the Supervisory Board); Calvias GmbH (Member of the Supervisory Board); VTU Group GmbH (Member of the Supervisory Board)

Disclosure in accordance with Article 160 (1) 8 AktG

According to the voting rights notifications submitted to us, the following individuals/companies held more than 3% of the shares in First Sensor AG as at December 31, 2020. This information may 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:

Individual name/company	Domicile	Date of notification	Date of threshold touched	Date of publication	Threshold value reached, exceeded or fallen below	Percentage of shares at time of notification		Allocation according to
						%	Voting rights	
TE Connectivity Ltd. **Aktionär: TE Connectivity Sensors Germany Holding AG**	Schaffhausen, Switzerland	March 13, 2020	March 12, 2020	March 13, 2020	3%, 5%, 10%, 15%, 20%, 25% und 30% exceeded	71.87	7,380,905	§ 34 WpHG
Morgan Stanley **Aktionär: Morgan Stanley & Co. LLC**	Wilmington, Delaware, USA	January 1,.2020	November 25, .2020	December 2, 2020	5% undercut	3.37	347,357	§ 34 WpHG
John Addis **Aktionär: FourWorld Capital Management LLC**	Wilmington, Delaware, USA	November 11, 2020	November 25, 2020	November 26, 2020	10% undercut	6.25	643,181	§ 34 WpHG
Syquant Capital SAS	Paris, France	October, 23, 2020	October 20, 2020	October 23, 2020	3% exceeded	3.4	349,767	§ 34 WpHG

Employees

The average number of employees is stated as full-time equivalents (FTE):

Full-time equivalents	2019	2020	Δ absolute	in %
Germany	822	807	-15	-1.8
Europe	34	34	0	0
North America	25	21	-4	-16.0
Others	0	0	0	0
Total	**881**	**862**	**-19**	**-2.2**

Additionally the average number of apprentices was 24 (previous year: 28).

Fees of the auditor

In € thousand	2020
Annual audit	130
Other advisory services	6
Total	**136**

The audit fees for the financial statements comprise the audit of First Sensor AG's separate financial statements pursuant to HGB, First Sensor's consolidated financial statements pursuant to IFRS and the financial statements of major subsidiaries of First Sensor pursuant to HGB. The auditor audits the separate financial statements of the company and the consolidated financial statements for all audit periods starting from 2013.

Waiver of disclosure pursuant to section 264 (3) HGB

The following domestic subsidiary with the legal status of a limited liability corporation has met the conditions for claiming exemption under section 264 (3) of the German Commercial Code (HGB) and has thus exercised the option not to publish annual financial statements:

- First Sensor Lewicki GmbH, Oberdischingen

Payout block

Internally generated intangible assets in the amount of €3,459 thousand (previous year: €3,174 thousand) were reported in the balance sheet of the individual financial statements of First Sensor AG. There were also deferred tax liabilities of €1,008 thousand (previous year: €1,008 thousand). This led to €2,371 thousand (previous year: €2,166 thousand) that is subject to the payout block.

The difference between the recognition of pension liabilities with an average market interest rate of the last ten years (3%) and the last seven years (6%) is €21 thousand (previous year: €11 thousand) and is also subject to the payout block in accordance with section 253 (6) sentence 2 HGB.

4.37 CORPORATE GOVERNANCE

The company has issued a declaration of compliance pursuant to section 161 AktG (German Stock Corporation Act) and this is permanently available on the company's website.

4.38 SUPPLEMENTARY REPORT

As a result of the ongoing evaluation of TE Connectivity's business operations, TE Connectivity Sensors Germany GmbH has announced that parts of its production activities in Dortmund will be moved to First Sensor's Berlin-Oberschöneweide location. The relevant contributions to sales and earnings are expected from fiscal year 2022.

In March 2021, the company's intention to close the location in Puchheim near Munich (FSM) was also announced. Its activities are to be relocated to the First Sensor locations in Berlin-Weißensee and Oberdischingen by the end of 2021.

At an extraordinary Supervisory Board meeting on April 19, 2021, the Supervisory Board of First Sensor AG elected Michael Gerosa, Senior Director Regional Controlling EMEA, TE Connectivity Ltd, who has been a member of the Supervisory Board of First Sensor AG since February 18, 2021 on the basis of a court appointment, as Chairman of the Supervisory Board. Peter McCarthy, who had temporarily assumed the duties of Chairman of the Supervisory Board in accordance with the Articles of Association, remains Deputy Chairman of the Supervisory Board.

On April 19, 2021, the Supervisory Board also resolved to appoint Sibylle Büttner, Director Operations, Business Unit Sensors, TE Connectivity Germany GmbH, and Robin Maly, Director Business Transformation, Business Unit Sensors, TE Connectivity Ltd. to the Management Board with effect from April 20, 2021.

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, April 27, 2021

First Sensor AG

Sibylle Büttner	Robin Maly	Marcus Resch
Executive Board	Executive Board	Executive Board

5 FURTHER INFORMATION

5.1 INDEPENDENT AUDITORS REPORT

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

To First Sensor AG, Berlin

Report on the audit of the consolidated financial statements and the combined management report

Audit opinions

We have audited the consolidated financial statements of First Sensor AG, Berlin, and its subsidiaries (the Group) – consisting of the consolidated balance sheet as of December 31, 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

Furthermore, we have audited the "combined management report on the situation of the company and the Group" (hereinafter: combined management report) of First Sensor AG, Berlin, for the fiscal year from January 1 to December 31, 2020. We have not audited the contents of the separate non-financial consolidated report (CSR report) published on the company's website, to which reference is made in the combined management report in the section entitled "Development of non-financial performance indicators" and in section "6 Other declarations", in compliance with German law. We have not audited the contents of the (Group) corporate governance declaration published on the company's website, to which reference is made in the combined management report in section "6 Other declarations", in compliance with German law.

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

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code) and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as of December 31, 2020, and of its results of operations for the fiscal year from January 1 to December 31, 2020, and
- the accompanying combined management report as a whole presents an accurate view of the Group's situation. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the non-audited parts of the combined management report set out above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations with regard to the compliance of the consolidated financial statements or the com-bined management report.

Basis for the audit opinions

We have carried out our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to below as "EU-AR"), taking into account the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those requirements and standards are further described in the "Responsibilities of the auditor for the audit of the consolidated financial statements and the combined management report" section of our auditor's report. We are independent of the consolidated companies in accordance with the requirements of European law and German com-mercial and professional law, and we have fulfilled our other German professional responsibili-ties in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) f) EU-AR that we have not provided prohibited non-audit services referred to in Article 5 (1) EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the consolidated financial statements and the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2020. These matters were taken into account in connection with our audit of the consolidated financial statements as a whole and in forming our audit opinion; we do not pro-vide a separate audit opinion on these matters.

We present what we consider to be the key audit matter, the recoverability of goodwill, below:

a) Risk for the financial statements

As of the balance sheet date, the consolidated balance sheet reports goodwill items with a total carrying amount of €16.0 million (previous year: €29.8 million). This cor-responds to around 8.9% of total assets (previous year: 16.6%).

The company's disclosures on goodwill are included in sections "2. Principles of consolidation", subsection "Intangible assets / (b) Goodwill", and "4. Goodwill" of the notes to the consolidated financial statements.
In accordance with IAS 36.90, cash-generating units to which goodwill has been al-located shall be tested for impairment at least once a year.

Impairment of goodwill was reviewed based on its recoverable amounts. The company calculates the recoverable amounts of each of the relevant cash-generating units as present values of future cash flows by way of discounted cash flow models. The projections prepared by the company's legal representatives are adjusted using long-term assumptions, taking current developments into account. The results of measurement are highly dependent on the planning assumptions and the estimates of future cash flows made by the legal representatives and on the discount rates used within the context of the measurement models. The measurements are there-fore subject to considerable uncertainty, such that this matter was particularly signif-icant for our audit.

b) Audit approach and conclusions

As part of our audit, we checked the plausibility of the planning underlying the impairment tests of goodwill. We also inspected the planning for potentially biased judgment.

As well as checking the plausibility of the underlying planning, we assessed planning accuracy by comparing the previous year's planning with the values actually achieved.

In the fiscal year, we paid particular attention to the impairment tests carried out before and after the disposal of foreign business operations and to the amount of goodwill disposed of.

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

The assumptions and judgments of the legal representatives underlying the impairment tests of goodwill are within acceptable limits and are balanced overall.

Other information

The legal representatives and the Supervisory Board are responsible for the other information. The other information consists of:

- the separate non-financial consolidated report (CSR report) published on the company's website, to which reference is made in the combined management report,
- the (Group) corporate governance declaration published on the company's website, to which reference is made in the combined management report,
- the report of the Supervisory Board,
- the other parts of the annual report, but not the consolidated financial statements, the audited parts of the combined management report or our associated auditor's report, and
- the responsibility statement pursuant to Section 297 (2) sentence 4 HGB on the consoli-dated financial statements and the responsibility statement pursuant to Section 289 (1) sentence 5 HGB and Section 315 (1) sentence 5 HGB on the combined management report.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG (German Stock Cor-poration Act), which is part of the (Group) corporate governance declaration published on the company's website. Otherwise, the legal representatives are responsible for the other information.

Our audit opinions regarding the consolidated financial statements and the combined management report do not extend to the other information, and accordingly we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit of the consolidated financial statements, we have a responsibility to read the other above-mentioned information and to evaluate whether it

- contains material inconsistencies with the consolidated financial statements, with the audit-ed disclosures in the combined management report or with our knowledge obtained in the audit, or
- otherwise appears 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 regard.

Responsibilities of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined management report

The legal representatives are responsible for the preparation of consolidated financial state-ments that comply, in all material respects, with the International Financial Reporting Stand-ards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets, financial position and results of operations. Furthermore, the legal representatives are responsible for the internal controls that they deemed nec-essary to enable the preparation of consolidated financial statements that are free from materi-al misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the legal representatives are responsi-ble for assessing the Group's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. 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.

Moreover, the legal representatives are responsible for preparing the combined management report, which as a whole provides an accurate view of the Group's situation and is consistent with the consolidated financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. The le-gal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a combined management report in compliance with applicable German legal requirements and to allow sufficient, suitable evi-dence to be provided for the statements in the combined management report.

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

Responsibilities of the auditor 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 situation and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal require-ments and suitably presents the opportunities and risks of future development, and 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 not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted stand-ards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can arise from fraud or er-ror 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 consolidat-ed financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial state-ments 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 suffi-cient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the over-ride of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated finan-cial 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 audit opinion on the effective-ness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclo-sures.

- Conclude on the appropriateness of the going concern basis of accounting applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that 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 audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances 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 net assets, financial position and results of op-erations of the Group in compliance with the IFRS, as adopted by the EU, and the addi-tional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the enti-ties or business activities within the Group to express audit opinions on the consolidated fi-nancial statements and the combined management report. We are responsible for the di-rection, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated finan-cial statements, its compliance with legislation and the view of the Group's situation it pro-vides.
- We conduct audit procedures regarding the forward-looking statements made 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 the legal representatives as a basis for the forward-looking statements, and evaluate the proper der-ivation of the forward-looking statements from these assumptions. We do not express a separate audit opinion on the forward-looking statements or on the underlying assump-tions. There is a substantial 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 issue a statement to those charged with governance to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From the matters that we have discussed with those charged with governance, we determine which matters were most important during the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the independent auditor's report, unless laws or other legal provisions preclude their public disclosure.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the combined management report created for disclosure purposes in accordance with Section 317 (3b) HGB

Audit opinion

Pursuant to Section 317 (3b) HGB, we conducted an audit to obtain reasonable assurance on whether the electronic reproductions of the consolidated financial statements and the com-bined management report contained in the attached file „ESEF-Unterlagen_First_Sensor_AG_KA_31.12.2020“ that are created for disclosure purposes (also referred to hereinafter as the “ESEF documents”) satisfy the requirements of Section 328 (1) HGB relating to the electronic report-ing format (“ESEF format”) in all material respects. In compliance with the German legal requirements, this audit covers only the conversion of the information in the consolidated finan-cial statements and the combined management report into the ESEF format and therefore nei-ther the information contained in these reproductions nor other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the above-mentioned file and created for disclosure purposes satisfy the requirements of Section 328 (1) HGB relating to the electronic reporting format in all material respects. Beyond this audit opinion and our opinions on the accompanying consoli-dated financial statements and the accompanying combined management report for the fiscal year from January 1 to December 31, 2020, contained in the preceding “Report on the audit of the consolidated financial statements and the combined management report”, we do not issue any opinion whatsoever on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the attached file mentioned above in accordance with Section 317 (3b) HGB and the draft IDW auditing standard: Audit of the electronic repro-ductions of financial statements and management reports created for disclosure purposes in accordance with Section 317 (3b) HGB (IDW EPS 410). Our responsibilities under those re-quirements and standards are further described in the section entitled “Responsibilities of the auditor for the audit of the ESEF documents”. Our audit practice has applied the requirements for quality assurance systems set out in the IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1).

Responsibilities of the legal representatives and the Supervisory Board for the ESEF documents

The legal representatives are responsible for drawing up the ESEF documents with the elec-tronic reproductions of the consolidated financial statements and the combined management report pursuant to Section 328 (1) sentence 4 no. 1 HGB and for marking up the consolidated financial statements pursuant to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the legal representatives are responsible for the internal controls that they deemed necessary to enable the creation of ESEF documents that are free from material violations, whether due to fraud or error, of the requirements of Section 328 (1) HGB relating to the elec-tronic reporting format.

Furthermore, the legal representatives are responsible for submitting to the operator of the German Federal Gazette the ESEF documents together with the auditor’s report and the ac-companying audited consolidated financial statements and the audited combined management report as well as other documents to be disclosed.

The Supervisory Board is responsible for overseeing the creation of the ESEF documents as part of the financial reporting process.

Responsibilities of the auditor for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material violations of 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 audit 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 audit opinion on the effectiveness of these controls.
- Assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as amended as of the balance sheet date, relating to the technical specification for this file.
- Assess whether the ESEF documents enable the audited consolidated financial statements and the audited combined management report to be reproduced in XHTML with the same contents.

- Assess whether the mark-up of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy to be made of the XHTML reproduction.

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on May 26, 2020. We were engaged by the Supervisory Board on December 22, 2020. We have audited the consolidated financial statements of First Sensor AG, Berlin, with-out interruption since fiscal 2013.

We declare that the audit opinions contained in this auditor's report are consistent with the ad-ditional report to the Audit Committee according to Article 11 EU-AR (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Thorsten Sommerfeld.

Berlin, April 29, 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Karsten Bender	Thorsten Sommerfeld
Public auditor	Public auditor

5.2 STATEMENT BY THE LEGAL REPRESENTATIVES (RESPONSIBILITY STATEMENT) IN ACCORDANCE WITH §§ 297 ABS, 2 S, 4, 315 ABS, 1 S, 5 HGB

To the best of my knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, financial position and profit or loss of the group, and the 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,

Berlin, Aprill 27, 2021

Sibylle Büttner | Robin Maly | Marcus Resch

5.3 FINANCIAL CALENDAR 2021

30. April	Publication of consolidated financial report 2020	Publication of Annual Report 2020
30. April	Annual press conference/ Analyst conference	Annual press conference 2021
31. Mai	Q1, Interim Report	Publication Q1 Quarterly Statement 2021
24. Juni	Annual General Meeting 2021	Virtual
29. Juni	Dividend Payment	Subject to approval by the Annual General Meeting
26. August	6-Month Financial Report 2019	Publication of interim report as of June 30, 2021
30. November	Q3, Interim Report	Publication Q3 Quarterly Statement 2021

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