Interim Report 2021

SENSIRION

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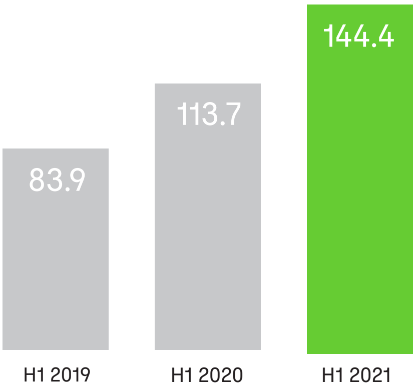
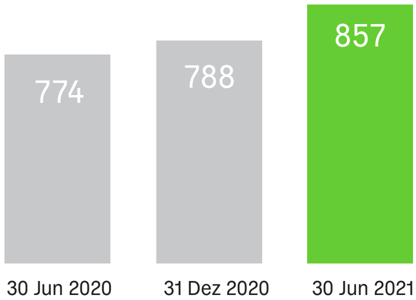
Key Figures

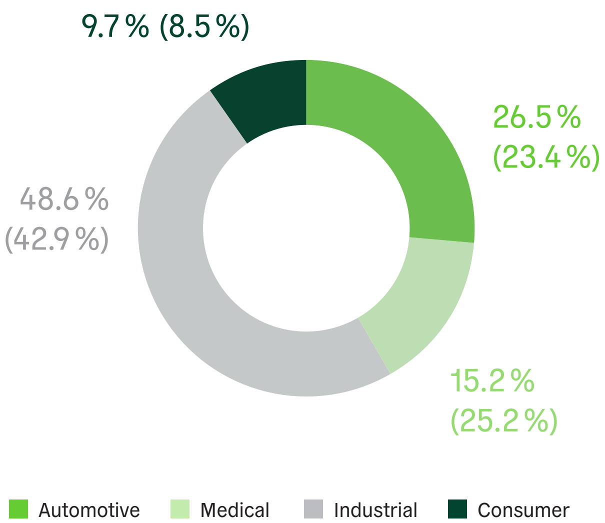
REVENUE
(in CHF million)



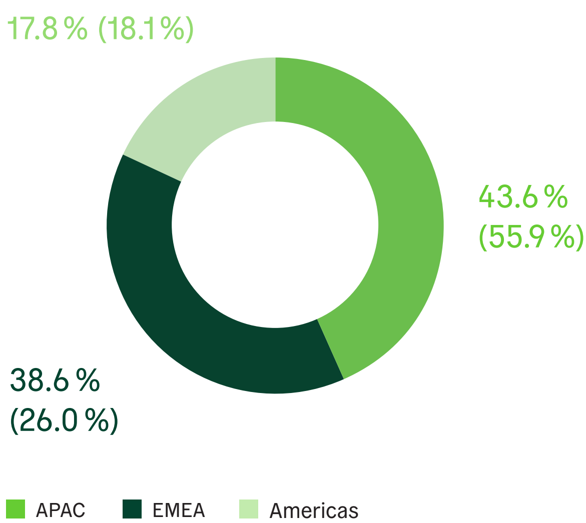
NUMBER OF EMPLOYEES
(FTE)



REVENUE BY MARKET H1 2021 (H1 2020) *



REVENUE BY REGION H1 2021 (H1 2020) *



* Excluding COVID-19-related ventilator business

144.4

REVENUE
in CHF million

61.9 %

GROSS MARGIN

31.8 %

EBITDA MARGIN

Key Figures

Consolidated, in millions of CHF	H1 2021	Δ in %	H1 2020
Revenue	**144.4**	**27.0%**	**113.7**
Gross profit	**89.4**		**62.2**
– as% of revenue	61.9%		54.7%
Operating profit (EBIT)	**38.5**	**158.5%**	**14.9**
– as% of revenue	26.7%		13.1%
Profit for the period	**34.8**	**195.5%**	**11.8**
– as % of revenue	24.1%		10.4%
Earnings per share (in CHF)	**2.24**		**0.76**
EBITDA[1]	**45.9**	**110.9%**	**21.8**
– as % of revenue	31.8%		19.1%
Cash flow from operating activities	**39.1**		**16.0**
Capital expenditures[2]	**(6.1)**		**(6.6)**
Free cash flow[3]	**33.0**		**9.4**
	30 June 2021		**31 December 2020**
Total assets	**285.8**		**257.4**
Total liabilities	**53.8**		**43.1**
Total equity	**232.0**		**214.3**
Net cash (Net debt)[4]	**111.7**		**91.9**
Number of employees (FTE)	**857**	**8.8%**	**788**

[1] Defined as the sum of operating profit (EBIT), depreciation, and amortization.

[2] Defined as the sum of investments in property, plant, and equipment, proceeds from sale of property, plant, and equipment, investments in intangible assets and development expenditure.

[3] Defined as the sum of cash flows from operating activities and cash flows from investing activities, excluding M&A activities.

[4] Defined as the sum of cash and cash equivalents less loans and borrowing (current and non-current).

Dear Shareholders

Once again, we can look back on an intense and very successful half year. In summary, the first half of 2021 was primarily characterized by three developments. First, further customer ramp-ups with the new environmental product lines contributed significantly to the strong sales growth. Second, very dynamic post-pandemic demand materialized in the existing humidity and gas flow sensor business. This reflects the rapidly recovering global economy but is also partly driven by inventory build-up at our customers due to the global shortage of electronic components. Third, pandemic-related demand for ventilator sensors slowed as expected. As a result of the strong first half, we raised our outlook for the full year 2021 in early July. As part of the implementation of our longer-term growth strategy, we strengthened our technology portfolio with further acquisitions.

Strong revenue growth thanks to new product lines and post-pandemic market recovery

The half year closes with sales of CHF 144.4 million (+27.0 % compared to the same period last year, +29.2 % organic, +1.3 % inorganic, −3.5 % due to foreign currency effects). Of this, CHF 17.0 million (prior-year period CHF 21.4 million) came from the COVID-19-driven business with gas flow sensors for ventilators. Adjusted for this one-time special effect, strong year-on-year growth of 37.7 % resulted. Due to high capacity utilization and operating leverage effects, the gross margin improved to an exceptionally high 61.9 %. The EBITDA margin reached an exceptionally high 31.8 % because of one-time effects as well as the delayed build-up of personnel for further growth projects. At operating level, operating profit of CHF 38.5 million was reported, resulting in a net profit of CHF 34.8 million. Operating cash flow amounted to CHF 39.1 million, free cash flow to CHF 33.0 million. As announced in March, the financial reports are now prepared in accordance with Swiss GAAP FER.

Strong growth in three out of four end markets

The automotive market showed strong year-on-year growth of 32.9 % to CHF 33.8 million. In contrast to the previous year, this was mainly driven by the Tier-II sensor component business as the previous year’s tepid demand recovered strongly. In addition, we see a steadily increasing market share as well as an increased penetration rate of our sensor solutions. On the other hand, the module-based Tier-I business showed a temporary consolidation after a strong increase in the previous year. As soon as the allocation situation in the international markets eases, we expect the strong demand in the automotive market to calm down.

Sales in the medical market were dominated for the last time by the special business with ventilator sensors because of the COVID-19 pandemic. Total sales in the medical market decreased by −15.1% to CHF 36.4 million. Adjusted for the COVID-19 one-time sales of CHF 17.0 million (prior-year period CHF 21.4 million), revenue was stable compared with the previous period. We expect a normalization of this special business and no further material sales contributions in the second half of the year.

We are seeing very strong momentum in the broadly diversified industrial market: sales increased by 68.0 % to CHF 61.9 million (prior-year period CHF 36.8 million). The main drivers were important customer ramp-ups with our solutions in the environmental sector. In the appliance market, we observe a strong demand for combo modules that allow the measurement of numerous environmental parameters such as temperature, humidity, particulate matter and air quality in one housing. In addition, the recently launched formaldehyde sensor has already generated significant revenue. We are also seeing strong demand for CO_2 sensors in both the appliance and HVAC sectors. The pandemic has increased sensitivity to good indoor air quality in many areas, for which CO_2 is the most suitable metric. Thanks to our innovative and compact second-generation CO_2 sensor, we are very well positioned in this dynamic market. The gas meter segment stagnated during the period under review, and in the hard disk segment the demand for humidity sensors continued to decline as expected because of the ongoing technology shift towards flash storage.

In the very fragmented consumer market, revenue grew strongly to CHF 12.3 million (+43.5% compared to the same period last year). The positive result was primarily achieved thanks to high demand in the broad-based distribution market and initial sales of the CO_2 sensor.

Strengthened strategic position in environmental sensor business

As presented at our capital markets day at the end of March, our growth strategy is based on four strategic focuses.

First, we want to drive market and cost leadership in the core markets of humidity and gas flow sensors. Second, we aim to become the market leader in the overall environmental sensor market. We made important progress in these two strategic focus areas in the first half of the year. Among other things, we successfully launched the fourth generation of humidity sensors, which, like previous generations, set new standards in terms of performance, size and cost, thus supporting the expansion of our already high market share in this important market. We also recently celebrated the milestone of one billion Sensirion sensors shipped. The new environmental sensor business is now contributing strongly to sales growth thanks to the numerous product launches over the past three years and generated more than 25% of total revenue in the first half of the year. We see great potential for further growth in the environmental sensor area in the coming years.

Technology acquisitions to strengthen long-term growth potential

As our third strategic focus, we intend to develop or acquire technologies for further long-term growth. Accordingly, we will take advantage of new opportunities and invest even more in the development of growth areas. Looking back, successful technology acquisitions in recent years have often been the starting and acceleration point for successful internal product developments. These are responsible for some of today's growth areas, such as technologies for particulate matter and formaldehyde sensing or the Tier-1 business in the automotive market.

As part of this strategic goal, we acquired the Dutch company Qmicro B.V. in February 2021. The founder-managed company develops and produces compact and highly efficient micro gas analyzers for the ongoing analysis of the composition of gas mixtures, for applications in environmental monitoring as well as in the natural gas market. After having been a minority shareholder for several years, we completed the full acquisition of the Swiss company IRsweep AG, an innovative provider of optical sensing solutions, in May 2021. IRsweep develops, manufactures and supplies mid-infrared optical spectroscopy solutions. The three founders of IRsweep continue to lead the company as a proven management team.

Our corporate culture as a crucial foundation for success in challenging times

The fourth and most essential focus of our growth strategy remains our distinctive culture of innovation and "togetherness." Once again, the last few months have shown us how important and fundamental a strong corporate culture is. Our employees were challenged in two ways during this period: on the one hand, because of the very high dynamics of our business with a tight allocation situation, the numerous ramp-ups of new products and the special business with ventilator sensors. On the other hand, we were all confronted with numerous pandemic-related hardships and uncertainties. The "SensiSpirit" and the close cohesion among employees were decisive prerequisites for achieving our good results. For this, all our employees deserve great thanks and respect. Without their great commitment, this would not have been possible. Once more, our corporate culture was recognized by the internationally renowned "Great place to work" organization as the second-best employer in Switzerland in the category "large companies," as well as receiving a special award for our handling of the pandemic.

Anja König elected as new member of the Board of Directors

At the 2021 Annual General Meeting, which unfortunately again had to take place without the presence of you, the shareholders, due to the pandemic, all proposals of the Board of Directors were approved. Anja König was elected as a new member of the Board of Directors.

Outlook until the end of the year

As a result of the positive first half-year, we increased our revenue expectations for the full year 2021 at the beginning of July. We confirm this outlook and now expect consolidated sales of CHF 260-280 million (+3-10 % year-on-year) for the full year 2021. Adjusted for the COVID-19 special business, this results in growth of 32-43 %. However, uncertainties remain high in the second half of 2021, as it is currently unclear how long the challenging situation in the supply chain and the associated inventory effects will persist. In terms of profitability, due to the economic situation, we expect the gross margin to remain above average in the high fifties and an above average EBITDA margin in the high twenties.

Special thanks to our employees

On behalf of the Board of Directors and the Executive Committee, we would like to express our sincere gratitude to all Sensirion employees for their extraordinary commitment in these challenging times. We would also like to thank you, our valued shareholders, for your trust and for your loyalty to Sensirion.

Moritz Lechner Co-Chairman of the Board	Felix Mayer Co-Chairman of the Board	Marc von Waldkirch CEO

Condensed Consolidated Interim Financial Statements

Consolidated Income Statement

In thousands of CHF, for the six months ended 30 June	Note	2021	Δ in %	2020
Revenue	5	**144,358**	**27.0 %**	**113,690**
Cost of sales		(54,947)		(51,471)
Gross profit		**89,411**		**62,219**
– as % of revenue		61.9 %		54.7 %
Research and development expenses		(24,771)		(22,459)
Selling and distribution expenses		(11,336)		(11,828)
Administrative expenses		(14,805)		(13,037)
Operating profit (EBIT)[1]		**38,499**	**158.5 %**	**14,895**
– as % of revenue		26.7 %		13.1 %
Financial result		991		(2,126)
Result of equity-accounted investees		(19)		(200)
Profit before tax		**39,471**		**12,569**
Income taxes		(4,640)		(783)
Profit for the period, attributable to owners of Sensirion Holding AG		**34,831**	**195.5 %**	**11,786**
– as % of revenue		24.1 %		10.4 %
Earnings per registered share				
Basic earnings per registered share (in CHF)	6	2.24		0.76
Diluted earnings per registered share (in CHF)	6	2.24		0.76
Earnings before interest, tax, depreciation and amortization (EBITDA)				
Earnings before interest, tax, depreciation and amortization (EBITDA)	2.17	**45,900**	**110.9 %**	**21,763**
– as % of revenue		31.8 %		19.1 %

[1] Defined as profit (loss) for the period before financial result, share of profit (loss) of equity-accounted investees and income taxes (EBIT).

The notes are part of the Group's condensed consolidated interim financial statements.

Consolidated Balance Sheet

In thousands of CHF	Note	30 June 2021	in %	31 December 2020	in %
Assets					
Cash and cash equivalents		111,669		61,933	
Financial assets (short term deposit)		–		30,000	
Trade receivables		36,365		26,402	
Prepaid expenses		1,938		1,325	
Other receivables		6,311		7,455	
Inventories		28,252		26,469	
Total current assets		**184,535**	**64.6%**	**153,584**	**59.7%**
Property, plant and equipment		62,523		62,992	
Financial assets		19,113		19,113	
Equity-accounted investees		4,847		6,587	
Intangible assets		14,798		15,100	
Total non-current assets		**101,281**	**35.4%**	**103,792**	**40.3%**
Total assets		**285,816**	**100.0%**	**257,376**	**100.0%**
Liabilities					
Trade payables		8,617		7,032	
Accrued expenses		13,151		9,544	
Employee benefits		11,478		8,070	
Provisions		2,289		1,876	
Other liabilities		5,892		5,916	
Total current liabilities		**41,427**	**14.5%**	**32,438**	**12.6%**
Employee benefits		3,337		3,202	
Provisions		4,619		3,959	
Deferred tax liabilities		4,454		3,508	
Total non-current liabilities		**12,410**	**4.3%**	**10,669**	**4.1%**
Total liabilities		**53,837**	**18.8%**	**43,107**	**16.7%**
Equity					
Share capital		1,557		1,557	
Capital reserve		150,383		151,211	
Treasury shares		(476)		(1,735)	
Retained earnings		80,515		63,236	
Total equity, attributable to owners of Sensirion Holding AG	8	**231,979**	**81.2%**	**214,269**	**83.3%**
Total liabilities and equity		**285,816**	**100.0%**	**257,376**	**100.0%**

The notes are part of the Group's condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows

In thousands of CHF, for the six months ended 30 June	2021	2020
Cash flows from operating activities		
Profit for the period	**34,831**	**11,786**
Adjustments for:		
– Depreciation and amortization	7,401	6,868
– Gain on sale of property, plant and equipment	–	(32)
– Other non-cash income	(36)	(20)
– Financial result without foreign exchange (gain) loss	(4)	492
– Result of equity-accounted investees	19	200
– Equity-settled share-based payment transactions	431	284
– Tax expense	4,640	783
Changes in:		
– Trade and other receivables	(9,211)	(14,723)
– Prepaid expenses	(544)	(361)
– Inventories	(1,303)	(2,445)
– Trade and other payables	466	13,314
– Accrued expenses	2,038	3,603
– Employee benefits	3,544	3,979
– Asset from employer contribution reserve (in financial assets)	–	(7,000)
– Provisions	(903)	–
Interest and bank charges paid	(96)	(12)
Income taxes paid	(2,140)	(682)
Net cash from operating activities	**39,133**	**16,034**
Cash flows from investing activities		
Investments in property, plant and equipment	(3,754)	(3,752)
Proceeds from sale of property, plant and equipment	–	32
Acquisition of business, net of cash acquired	(13,345)	–
Proceeds from financial assets (short term deposit)	30,000	–
Investments in intangible assets	(824)	(1,258)
Development expenditure capitalized	(1,539)	(1,699)
Net cash from investing activities	**10,538**	**(6,677)**
Cash flows from financing activities		
Proceeds from issue of share capital	–	28
Net cash from financing activities	**–**	**28**
Net change in cash and cash equivalents	**49,671**	**9,385**
Cash and cash equivalents at 1 January	61,933	60,321
Effect of movements in exchange rates on cash held	65	(336)
Cash and cash equivalents at 30 June	**111,669**	**69,370**

The notes are part of the Group's condensed consolidated interim financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of Sensirion Holding AG						
In thousands of CHF	Share capital	Capital reserve	Treasury shares	Translation reserve	Other retained earnings	Total retained earnings	Total equity
Balance at 1 January 2020	**1,529**	**147,888**	**(1,735)**	**–**	**19,766**	**19,766**	**167,448**
Profit for the period	–	–	–	–	11,786	11,786	11,786
Currency translation of foreign operations	–	–	–	(844)	–	(844)	(844)
Capital increases	28	–	–	–	–	–	28
Equity-settled share-based payment transactions	–	486	–	–	–	–	486
Balance at 30 June 2020	**1,557**	**148,374**	**(1,735)**	**(844)**	**31,552**	**30,708**	**178,904**
Balance at 1 January 2021	**1,557**	**151,211**	**(1,735)**	**(532)**	**63,768**	**63,236**	**214,269**
Profit for the period	–	–	–	–	34,831	34,831	34,831
Currency translation of foreign operations	–	–	–	49	–	49	49
Transaction with treasury shares	–	(1,259)	1,259	–	–	–	–
Goodwill offset	–	–	–	–	(17,601)	(17,601)	(17,601)
Equity-settled share-based payment transactions	–	431	–	–	–	–	431
Balance at 30 June 2021	**1,557**	**150,383**	**(476)**	**(483)**	**80,998**	**80,515**	**231,979**

The notes are part of the Group's condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1 Reporting entity

Sensirion Holding AG (the “Company”) is domiciled in Switzerland. The Company’s registered office is at Laubisrütistrasse 50, 8712 Stäfa. These consolidated financial statements comprise the Company, its subsidiaries (collectively the “Group” and individually “Group companies”), and their investments in equity-accounted investees.

Sensirion is one of the world’s leading manufacturers of digital microsensors and systems. The product range includes gas and liquid flow sensors, differential pressure sensors, and environmental sensors for the measurement of humidity and temperature, volatile organic compounds (VOCs), carbon dioxide (CO_2), and particulate matter (PM2.5). Using Sensirion’s microsensor solutions, OEM customers benefit from the proven CMOSens® Technology.

2 Significant accounting policies

2.1 Basis of accounting

The unaudited financial statements for the six months ended 30 June 2021 have been prepared for the first time in accordance with the entire Swiss GAAP FER accounting and reporting recommendations in general and Swiss GAAP FER 31 “Complementary recommendation for listed companies” in particular.

These financial statements are presented in Swiss francs. Unless otherwise stated, all financial information in Swiss francs has been rounded to the nearest thousand. For this reason, rounding differences may occur.

The valuation basis used in these financial statements is based on historical acquisition or production costs, unless a standard requires a different valuation basis for an item or a different valuation basis has been used to exercise an option. In this case, it is explicitly mentioned in the accounting principles. Accounting principles that are relevant to an understanding of the interim consolidated financial statements are set out below. The consolidated income statement is presented according to the activity-based costing method.

These unaudited interim financial statements were authorized for issue by the Board of Directors on 24 August 2021.

2.2 Explanation of transition to Swiss GAAP FER

As announced in the press release on 16 March 2021, the Board of Directors has decided to switch its accounting from IFRS to Swiss GAAP FER with retroactive effect from 1 January 2020 due to the increasing complexity of the detailed rules and disclosure requirements under IFRS.

The half-year report 2021 was prepared for the first time in accordance with the guidelines of Swiss GAAP FER. The accounting and valuation principles applied for the preparation and presentation of the half-year report 2021 deviate from the annual report 2020 prepared in accordance with IFRS in the following points:

Goodwill and intangible assets from acquisitions

Goodwill from acquisitions is offset with retained earnings in equity at the date of the acquisition in accordance with the option allowed by Swiss GAAP FER. Under IFRS, goodwill was recognized and tested for impairment on an annual basis. Furthermore, under IFRS all separately identifiable intangible assets (such as trademarks and customer lists) were recognized at their fair values as of the date of the acquisition and amortized over their expected useful lives. Under Swiss GAAP FER, Sensirion has decided not to recognize separately any intangible assets that were not already recognized before the acquisition. Consequently, they are allocated to goodwill.

Goodwill in share of associated companies

The goodwill from the acquisition of shares in associated companies was included in the carrying value of the associated companies under IFRS. Under Swiss GAAP FER, Sensirion has decided to offset this goodwill with retained earnings in equity as of the date of the acquisition.

Pension benefit obligations and provisions

In accordance with Swiss GAAP FER, the economic benefits or economic obligations of Swiss pension plans are determined on the basis of the financial statements of the pension plans prepared in accordance with Swiss GAAP FER. The economic impact of the pension plans of foreign subsidiaries is calculated using generally accepted valuation principles. An economic obligation is recognized as a liability if the conditions for the recognition of a provision are met. In accordance with IFRS, defined benefit obligations were calculated using the projected unit credit method and recognized in accordance with IFRS.

Leases

Under Swiss GAAP FER, the Group applies either finance or operating lease accounting. At the time of transition, no finance leases were classified. In accordance with IFRS, where the Group was a lessee, leases were recognized as a right-of-use asset and a corresponding liability at the commencement date. The right of use asset was measured at cost less any depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. The lease liability was measured at amortized cost using the effective interest method. The carrying amount of the lease liability was subsequently increased to reflect the interest on the lease liability and reduced to reflect the lease payments made (and potentially remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments).

Financial assets

Investments with a long-term investment purpose and less than 20 % capital rights are considered financial assets. Under IFRS, such financial assets were initially measured at fair value. On initial recognition, the Group irrevocably elected to present subsequent changes in the investment's fair value in OCI. In accordance with Swiss GAAP FER, the Group decided, that such investments are recognized at acquisition cost, taking account of any reductions in value (impairment) through corresponding devaluations in the income statement.

Deferred income tax

The adjustments to the accounting policies and valuation rules mentioned above resulted in adjustments to the deferred taxes in the balance sheet and income statement.

Translation reserve

As part of the change to Swiss GAAP FER, the cumulative translation reserve was offset with retained earnings as of 1 January 2020. Under Swiss GAAP FER, therefore, the result from divestitures only contains foreign exchange translation differences that have occurred after 1 January 2020.

Effects of the adjustments on consolidated equity

In thousands of CHF	31 December 2020	1 January 2020
Equity according to IFRS	**196,053**	**156,239**
Offset goodwill from acquisitions	(5,195)	(5,360)
Offset intangible assets from acquisitions	(1,569)	(1,862)
Adjustment to pension benefit obligations	34,203	27,053
Adjustment from leases	691	407
Adjustment to financial assets	(2,682)	(2,394)
Adjustment to deferred income taxes	(7,232)	(6,635)
Total Adjustments	18,216	11,209
Equity according to Swiss GAAP FER	**214,269**	**167,448**

Effects of the adjustments on consolidated profit (loss) for the period

In thousands of CHF	January - June 2020
Profit for the period according to IFRS	**11,073**
No consideration of depreciation related to intangible assets from acquisitions	119
No consideration of service costs related to pension benefit obligations	496
Adjustment from leases	187
Adjustment to deferred income taxes	(89)
Total Adjustments	713
Profit for the period according to Swiss GAAP FER	**11,786**

2.3 Cash and cash equivalents

Cash and cash equivalents are defined as short-term, liquid financial investments that are readily convertible to defined cash amounts within 90 days from the balance sheet date.

2.4 Trade and other receivables

Receivables are reported at nominal value. Business default risks are taken into account by individual and general value adjustments. General value adjustments are made for items which have not already been subject to individual value adjustments. General value adjustments are based on the past experience of Sensirion.

2.5 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory allowances are recognized for slow- and non-moving stock. Technically obsolete items are written off.

The valuation of work in progress, semi-finished and finished goods is underlying management judgment with regards to planned production capacities which impact standard costs. Valuation allowances are calculated based on historical experience including management's judgment which directly affects the carrying amount of inventories.

2.6 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in the income statement.

Subsequent expenditures

Subsequent expenditure is recognized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property plant and equipment less their estimated residual values using the straight-line method over their estimated useful life and is generally recognized in the income statement. Land is not depreciated. The estimated useful life of property, plant and equipment for current and comparative periods is as follows:

Class	Years
Land	No depreciation
Buildings	20-40
Production facilities	2-8
Other property, plant and equipment	4-8

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

2.7 Financial assets

Investments

Investments with a long-term investment purpose and less than 20% capital rights are considered financial assets. Such investments are recognized at acquisition cost, taking account of any reductions in value (impairment) through corresponding devaluations in the income statement.

Other financial assets

Other financial assets are valued at acquisition cost less impairment charges.

2.8 Intangible assets

Research and Development

Expenditure on research activities is recognized in the income statement as incurred. Development expenditure is recognized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in the income statement as incurred. Directly attributable borrowing costs are recognized as part of the respective development costs. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Patents and trademarks

Patents, trademarks, and recognized customer relationships that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful life and is generally recognized in the income statement. The estimated useful life for current and comparative periods is as follows:

Class	Years
Patents and trademarks	10
Development costs	5
Software	4
Other intangible assets	4-10

Amortization methods, useful life and residual values are reviewed at each reporting date and adjusted if appropriate.

2.9 Goodwill

Goodwill is offset with equity at the date of the acquisition of a subsidiary or an investment in an associated company.

2.10 Assets and liabilities from employee benefits (incl. employer contribution reserve)

The employee benefit plans are either financially independent entities and foundations outside of Sensirion (funded plans) or unfunded plans with a corresponding liability in the balance sheet. Financing is provided by employee and employer contributions. The actual economic impact of all employee benefit plans that provide benefits for retirement, death or disability are calculated as at the balance sheet date. In the case of foreign plans, the provisions calculated according to local regulations are included in the consolidated financial statements. A benefit resulting from employer contribution reserves is recognized as an asset. Any additional economic benefit (from a surplus in pension fund cover) is not recognized. An economic obligation is recognized as a liability if the conditions for the recognition of a provision are met.

2.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in the income statement in the period in which they arise.

Cash-settled share-based payment transactions

The fair value of the amount payable to employees is recognized as an expense with a corresponding increase in liabilities. The liability is remeasured to fair value at each reporting date and at settlement date. Any change in the liability is recognized as part of personnel cost.

Equity-settled share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards, if any. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service condition, if any, is expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service condition at the vesting date.

Share-based payment transactions with settlement choice for the counterparty

When the counterparty has a choice of settlement in a share-based payment transaction, the Group grants a compound financial instrument which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash). The Group first measures the fair value of the debt component and then measures the fair value of the equity component. The fair value of the debt component is recognized over the vesting period, if any, as employee benefit expenses with a corresponding entry to cash-settled share-based payment liabilities, whereas the equity component is recognized as employee benefit expenses with a corresponding entry to capital reserves. At the date of settlement, the Group remeasures the cash-settled share-based payment to its fair value. If the counterparty chooses to receive equity instruments, the remeasured liability is transferred directly to capital reserves.

2.12 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources 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 is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of time value of money is material, the amount recognized is the present value of the estimated expenditures.

Provisions for warranty commitments are recognized as a consequence of the Group's policy to cover the cost of repair of defective products.

2.13 Income taxes

Current income tax

Short-term current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it can be assumed with sufficient probability that the respective company will have sufficient taxable income against which temporary differences and unutilized loss carryforwards can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

2.14 Equity

Costs of an equity transaction

Incremental costs directly attributable to the issue or buy-back of shares, net of any tax effects, are recognized as a deduction from equity.

Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented separately in equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within the capital reserve.

2.15 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the risks and benefits incidental to ownership are transferred to a customer. Our contracts generally include a standard warranty clause to guarantee that the products comply with agreed specifications.

Products	Nature, timing of satisfaction of performance obligations, and significant payment terms
Sensors	The Group sells its standardized sensors generally via purchase orders to customers (i.e. end customers and distributors) and recognizes revenue when the sensor is delivered to the customer. This generally occurs in accordance with the applicable Incoterms which are usually FCA (Free carrier named place of delivery) or DAP (Delivered at place). Sales are stated before value added tax, sales tax, and after any deduction of discounts and credits. Appropriate warranty provisions are recognized for anticipated claims. Customers usually pay within 30 to 60 days from the delivery of the products.

2.16 Basis of Consolidation

Business combinations

Business combinations are accounted for using the acquisition method. The assets and liabilities of the acquired company are valued at fair values using uniform accounting policies. The differences between the cost of acquisition and the fair value of the net assets acquired are recognized as goodwill and offset with equity. When a company is divested, the original cost of the goodwill is included in the gain or loss on disposal. Transaction costs in connection with acquisitions and divestments are recognized directly in the income statement. Upon acquisition of minority interests in a fully consolidated company, the difference between the purchase price and the carrying value of the minority interests is recognized directly in retained earnings. A reduction in the ownership interest without the loss of control is also recognized in equity.

The acquisition costs also include deferred or owed purchase price payments. Contingent purchase price payments (e.g. earn-out) are recognized if they are considered probable. They are recorded in provisions until the date of payment. Changes in the estimate of the contingent purchase price payment are recognized directly in equity. Contingent purchase price payments affect goodwill and are offset directly against retained earnings.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity directly or indirectly, either by holding more than half of the voting rights or by having the power to govern their operating and financial policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Associated companies

Companies in which Sensirion Group can exercise a decisive influence are included in the consolidation using the equity method. The investment is valued at the Group's share of the equity, and the Group's share of the net result is included in the consolidated income statement. A decisive influence is assumed if the Group holds at least 20 % but less than 50 % of the voting rights. Goodwill arising from the acquisition of an associated company is offset with equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognized in the income statement. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into CHF at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into CHF at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in equity and accumulated in the translation reserve. When a foreign operation is disposed of in its entirety or partially, which leads to a loss of control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. Translation differences on long-term loans which are considered to be similar in nature to equity are posted in translation reserves in equity. In the case of repayment of such loans, the accumulated translation differences are reclassified from translation reserve to other retained earnings.

2.17 Performance measures not defined by Swiss GAAP FER

Internally and externally Sensirion uses EBITDA as an additional performance measure, which is not defined by Swiss GAAP FER. EBITDA is calculated as the sum of operating profit and depreciation and amortization.

In thousands of CHF, for the six months ended 30 June	2021	2020
Reconciliation of operating profit to EBITDA for the period		
Operating profit (EBIT)	**38,499**	**14,895**
Depreciation and amortization	7,401	6,868
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**45,900**	**21,763**

3 Use of judgments and estimates

In preparing these interim financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those described in the last annual financial statements.

4 Changes in the scope of consolidation

4.1 Acquisition of Qmicro B.V.

On 11 February 2021, and with economic effect from the same date, Sensirion Holding AG acquired 100 % of the shares of Qmicro B.V. based in Enschede, the Netherlands. Qmicro B.V. develops, manufactures, and supplies micro gas analyzers based on microelectromechanical gas chromatography technology. With this acquisition, Sensirion expands its gas sensing portfolio from components and modules to stand-alone micro gas analyzers for industrial applications.

At the time of acquisition, the values of net assets according to Swiss GAAP FER are as follows:

In thousands of CHF	Total
Fair value of assets (liabilities)	
Current assets	770
Non-current assets	125
Current liabilities	(428)
Total net identifiable assets	**467**

4.2 Step acquisition of IRsweep AG

On 7 May 2021, and with economic effect from the same date, Sensirion Holding AG acquired the residual 67 % of the shares of IRsweep AG based in Stäfa, Switzerland. IRsweep AG develops, manufactures, and supplies optical spectroscopy solutions based on semiconductor quantum cascade laser (QCL) frequency comb technology in the mid-infrared. With this acquisition, Sensirion expands its optical sensing technology portfolio from components and modules to standalone infrared spectrometers for research and industrial applications.

At the time of acquisition, the values of net assets according to Swiss GAAP FER are as follows:

In thousands of CHF	Total
Fair value of assets (liabilities)	
Current assets	752
Non-current assets	266
Current liabilities	(696)
Non-current liabilities	(1,064)
Total net identifiable assets	**(742)**

5 Segment reporting and disaggregation of revenue

5.1 Basis of segmentation

The Group operates in one industry segment which encompasses the development, production, sales, and servicing of sensor systems, modules, and components. The allocation of resources and performance assessment is made at Group level. The Group's organization is not divided into business units, neither in the management structure nor in the internal reporting system.

5.2 Breakdown of revenue

In thousands of CHF, for the six months ended 30 June, and as % of revenue	2021		2020	
Revenue – geographic information by regions				
APAC	58,647	40.6 %	57,587	50.7 %
EMEA	51,388	35.6 %	29,265	25.7 %
Americas	34,323	23.8 %	26,838	23.6 %
Total	**144,358**	**100.0 %**	**113,690**	**100.0 %**

The geographic information on revenues in the table above is based on the customers' location.

As additional voluntary information, revenue is allocated to end markets as follows:

In thousands of CHF, for the six months ended 30 June, and as % of revenue	2021		2020	
Revenue – per customer market				
Automotive	33,827	23.4 %	25,462	22.4 %
Medical	36,365	25.2 %	42,821	37.7 %
Industrial	61,867	42.9 %	36,833	32.4 %
Consumer	12,299	8.5 %	8,574	7.5 %
Total	**144,358**	**100.0 %**	**113,690**	**100.0 %**

6 Earnings per registered share

The weighted-average number of registered shares for the period ended 30 June 2021 for the purpose of calculating both basic and diluted earnings per registered share amounts to 15,548,885 (30 June 2020: 15,453,052).

7 Share-based payment arrangement

The Group recognized the first part of its IPO Loyalty Share Program in employee benefit expenses in the amount of CHF 16,157 thousand (including social security expenses of CHF 2,399 thousand) in 2018. In 2019, the Group has recognized the second part of the program in the income statement in the amount of CHF 6,549 thousand, including social security expenses of CHF 795 thousand. As a result, all liabilities out of the share program have been recognized in employee benefit expenses in previous years. Under the terms of the plan, the remaining allocated RSUs have been vested in early 2020. Detailed information about the IPO Loyalty Share Program can be found in the Company's last annual consolidated financial statements as at and for the year ended 31 December 2020.

8 Equity

8.1 Share capital

At 30 June 2021, the share capital of Sensirion Holding AG is composed of 15,573,350 registered shares (31 December 2020: 15,573,350) with a nominal value of CHF 0.10 each. Between 1 January and 30 June 2021 no changes have occurred.

8.2 Dividends

The Company has not paid any dividends in the periods presented.

9 Subsequent events

No events have occurred between 30 June 2021 and 24 August 2021 which would necessitate adjustments to the carrying values of the Sensirion Group's assets or liabilities, or which require additional disclosure.

Shareholder information

Valor symbol	SENS
Reuters symbol	SENSI.S
Bloomberg symbol	SENS.SW
Valor number	40,670,512
ISIN	CH 040 670512 6
End of fiscal year	31 December
Exchange	SIX Swiss Exchange
Trading currency	CHF
Listed since	22 March 2018
Number of issued shares (as recorded in the commercial register)	15,573,350
Nominal value	CHF 0.10
Accounting standard	Swiss GAAP FER

Financial calendar

25 August 2021	2021 half-year results and interim report
15 March 2022	2021 full-year results and annual report
16 May 2022	Annual general meeting 2022

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Disclaimer

Certain statements in this document are forward-looking statements, including, but not limited to, those using words such as “believe”, “assume”, “expect” and other similar expressions. Such forward-looking statements are based on assumptions and expectations and, by their nature, involve known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. Such factors include, but are not limited to, future global economic conditions, changed market conditions, competition from other companies, effects and risks of new technologies, costs of compliance with applicable laws, regulations and standards, diverse political, legal, economic and other conditions affecting markets in which Sensirion operates, and other factors beyond the control of Sensirion. In view of these uncertainties, you should not place undue reliance on forward-looking statements. Sensirion disclaims any intention or obligation to update any forward-looking statements, or to adapt them to future events or developments.

Sensirion uses certain key figures to measure its performance that are not defined by Swiss GAAP FER. These alternative performance measures may not be comparable to similarly titled measures presented by other companies. Additional information on these key figures can be found at http://www.sensirion.com/alternative-performance-measures.

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