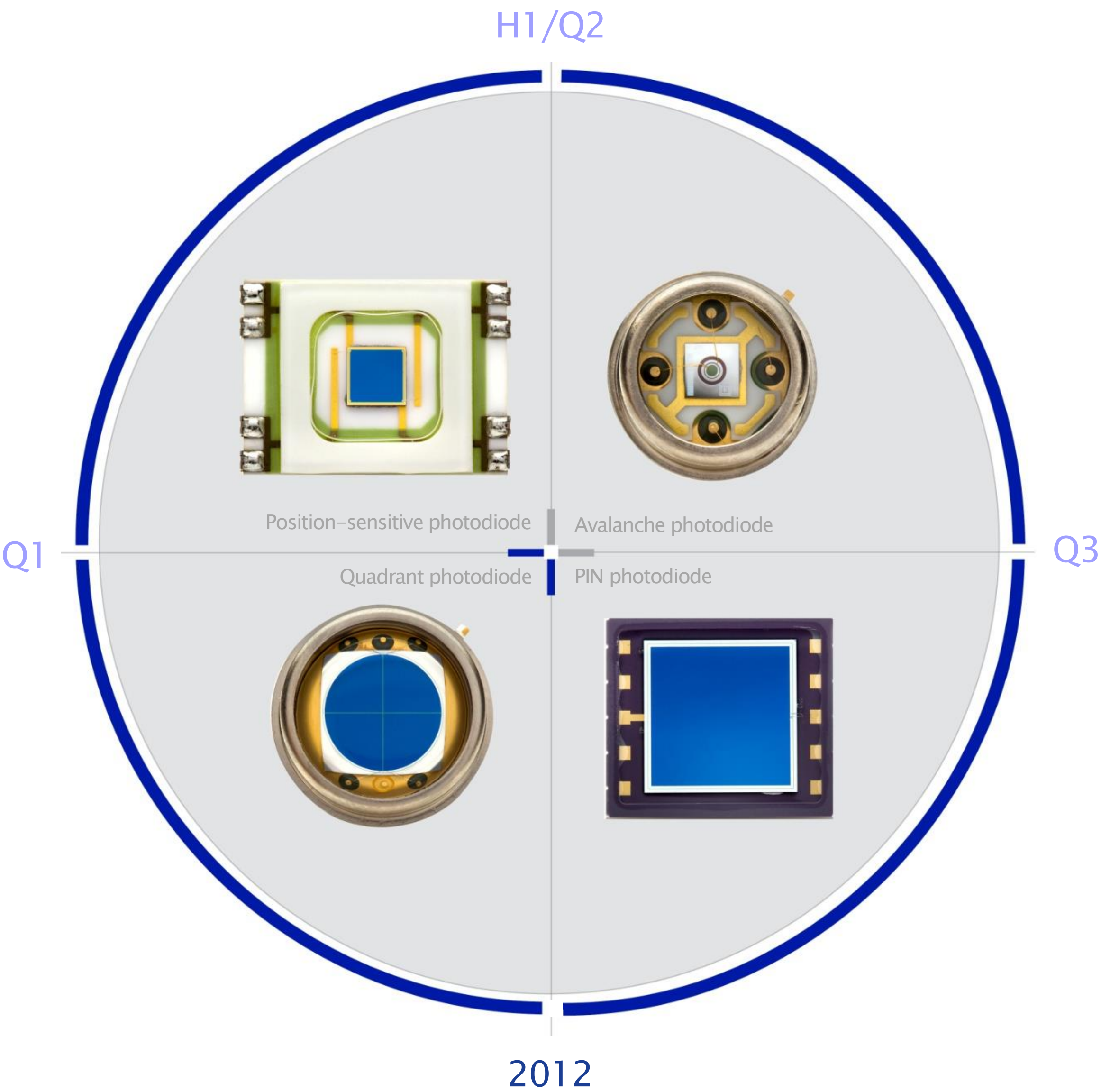
First Sensor



GROUP ANNUAL FINANCIAL REPORT AS AT DECEMBER 31, 2012

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FIRST SENSOR AG
GROUP ANNUAL FINANCIAL REPORT 2012

KEY FIGURES

Key figures January 1 – December 31, 2012
12M 2012

in € thousand, unless otherwise indicated	12M 2012	12M 2011	Δ	Δ %
Sales	111,936	65,182	46,754	72
Operating result (EBITDA)	13,383	6,675	6,708	100
Net result of period *	3,842	1,506	2,336	155
Earnings per share (€) *	0.39	0.21	0.18	86
Number of shares (weighted)	9,875	7,269	2,606	36
Equity	69,817	69,041	776	1
Equity ratio (%)	44	43	1	2
R&D Expenses	7,254	4,862	2,392	49
Number of Employees	756	725	31	4

* For purposes of better comparability adjusted by PPA-amortization expenses

Key figures October 1 – December 31, 2012
Q4 2012

in € thousand, unless otherwise indicated	Q4 2012	Q4 2011	Δ	Δ %
Sales	26,994	24,471	2,523	10
Operating result (EBITDA)	3,191	932	2,259	242
Net result of period *	-9	-763	754	-99
Earnings per share (€) *	0.00	-0.13	0.13	-98
Number of shares (weighted)	9,875	7,269	2,606	36
Equity	69,817	69,041	776	1
Equity ratio (%)	44	43	1	2
R&D Expenses	1,888	1,473	415	28
Number of Employees	756	725	31	4

* For purposes of better comparability adjusted by PPA-amortization expenses

FIRST SENSOR AG
GROUP ANNUAL FINANCIAL REPORT 2012

FOREWORD BY THE MANAGEMENT BOARD

First Sensor moves up to new size class in 2012 and regains ability to distribute dividends

Dear ladies and gentlemen, shareholders, business partners and employees,

In the past financial year, First Sensor continued to work very successfully towards its aim of becoming a globally renowned, integrated industrial company for innovative sensor solutions and establishing the necessary foundation for further sustained growth. The financial year as a whole was characterized by expanding the required structures and requirements in order to continue on our successful path over the coming years.

With sales of €112 million achieved in the past 2012 financial year, we almost doubled our business volume. As such, we have closed the gap on the world's largest companies in our industry and also regained our ability to distribute dividends.

In the current financial year, we will focus on further consolidating our business activities, increasing profitability to an even greater degree and exploiting the numerous potential synergies.

Successful integration efforts have strengthened the strategic edge of First Sensor

Over the past two decades, First Sensor has established itself on the market as a provider of high-quality, customer-specific sensor solutions for prominent customers from a wide range of industries. Here, the Group is positioned in such a way that it is able to cover the entire value chain from its various locations, ranging from sensor components and modules through to complete sensor systems. With the acquisition of the Sensortechnics Group in 2011, First Sensor once again expanded its strong, strategic market position. In the 2012 financial year, the integration of individual companies from the Sensortechnics Group into the First Sensor Group was driven forward successfully.

The merger of Sensortechnics GmbH, Puchheim, with First Sensor AG, represented an important and successful step in streamlining the structure of First Sensor. At the same time, this laid the foundation for modifying the management structure of First Sensor, which will be completed in the current 2013 financial year. This has created a strong integrated industrial group with global operations and a number of strategic options:

- Almost 750 employees develop and produce sensor solutions at 14 locations in Germany, the USA, Canada, the Netherlands, the UK, Sweden and Singapore. There is also a broad-based network of distributors and sales partners.
- Around 4,000 customers from the mobility, life science, industrial, security and aerospace sectors are supplied with sensor solutions from First Sensor. With its MEMS-based and optoelectronic sensor solutions, First Sensor focuses on the two state-of-the-art sensor technology areas with the strongest sales. A number of innovative solutions have already been developed and successfully marketed for both areas over the last twenty years.
- We will realize significant economies of scale over the coming years, particularly on the strength of the following: strengthened cross-selling along the entire value chain, expanded distribution options, a broader base of expertise and resources in research and development, the amplified marketability of an extensive range of industry solutions and the ability to transfer these to other industries.
- More and more customers will become aware of us as an effective solutions provider for their projects as the Company grows in size. As such, it will become more likely that we will gain further large orders. By covering the

entire value chain, we also reduce control and certification costs for our customers. The major orders gained towards the end of the 2012 financial year underline this trend.

Integration driven forward

We can look back on an extraordinarily eventful 2012 financial year comprising a number of one-off additional tasks and the continuation of the integration of our acquisition:

- the merger of Sensortechnics GmbH with First Sensor AG,
- successful recertification by all of our customers following the relocation of a production facility from Berlin-Adlershof to Berlin-Oberschöneweide,
- the replacement of the CFO in March was an important strengthening factor,
- securing the liquidity required to meet bank covenants,
- extensive investments in the scalability of our business activities,
- the "ONE FIRST SENSOR" consolidation program was successfully completed ahead of schedule,
- restructuring of the sales, development, front-end and back-end departments,
- major involvement at the "Sensor Systeme 2012" Leibniz conference
- extensive technical modernization of the production site in Berlin and
- continued strong organic growth,

to name just the major highlights of the past year in addition to everyday business activities. All of these activities, which have involved a huge effort on the part of our employees, essentially serve one sole aim: Expanding the benefits and range of sensor solutions we can offer our customers. This also boosts enterprise value and guarantees stability.

Renewed sales growth – integration to impact earnings only in the current financial year

We increased sales significantly once again, even though the Sensortechnics Group which we acquired failed to meet its own sales expectations by a considerable amount. After boosting sales by around 44% to €65 million in 2011, we achieved another increase of around 72% in 2012 to €112 million. The organic growth achieved in this process stood at around 11%, which was slightly above market organic growth of around 8%.

As have already been described, there was a range of non-recurring charges in the 2012 financial year due to the integration measures implemented. Non-recurring expenses for banks, lawyers, auditors, notaries and other service providers totaled approximately €1.0 million. A similar figure is also expected for the current 2013 financial year. For this reason, it will not be possible to observe the full economic performance of the First Sensor Group until 2014.

The operating result (EBITDA) before integration expenses increased by approximately 113% to €14.3 million compared to the same period of the previous year (2011 financial year: €6.7 million) and as such more than doubled. Correspondingly, this results in adjusted cash EPS of €0.39, despite the increased number of shares, which is a year-on-year increase of around 86%.

Solid growth in sales and profits targeted

2013 will be characterized by the optimization of our business processes and structures and in particular by the integration of Elbau Elektronik Bauelemente GmbH Berlin, Berlin. From today's perspective, a slightly lower number of non-recurring charges is to be expected compared to 2012. Sales are expected to rise to be between €110 and €120 million and EBITDA by at least 30%. These are ambitious targets. However, we are confident that we can achieve these provided that the general economic environment does not deteriorate significantly again.

We are also paying particular attention to tracking the development of orders on hand. As at December 31, 2012, this figure rose by around 16% to €73.4 million compared to the level seen on the same date the previous year (2011: €63.6 million). The number of employees also rose from 725 (December 31, 2011) to the present number of 754.

The increase in the order backlog and statements from our customers, which are cautious but consistently positive, confirm our expectations for a positive financial year.

We will be delighted for you, our shareholders, business partners, customers and employees, to continue to accompany us on this path.

Kind regards,
The Management Board

Dr. Hans Georg Giering	Joachim Wimmers
Chief Executive Officer	Chief Financial Officer

GROUP MANAGEMENT REPORT

BUSINESS MODEL

First Sensor is a developer and manufacturer of customer-specific high-end sensor solutions. These innovative specialized sensor solutions are used for the high-quality conversion of non-electric variables (radiation, light, pressure, flow rate, position, speed, temperature, moisture, etc.) into electric variables that are then used in our customers' electronic systems. This means that our sensor solutions make an important contribution to the competitiveness of our customers' products. Our core competencies include solutions in the area of optoelectronics and MEMS sensor technology.

Customers include prominent industrial groups and research institutes. A project generally starts with the customer issuing the specifications and the joint preparation of a development strategy. Following an extensive development and test phase, a supply relationship is initiated that generally lasts for a number of years.

First Sensor's sensor solutions are mostly used as key components in a wide range of applications in several different industries. These include electronic folding rules, tank pressure and sun angle sensors for motor vehicles, fill level measurements in the food industry, air conditioning systems, blood glucose monitors, X-ray machines for baggage screening, machine controls, aerospace research, cancer diagnosis, truck toll monitoring, and measurement systems for the pharmaceutical and environmental technology industries. The broad mix of sectors means that First Sensor is generally independent of cyclical developments in the individual sectors. The market for high-end sensor solutions that we address remains a strong global growth market.

First Sensor is one of the world's technology leaders, developing and producing optoelectronic and MEMS-based high-end sensor solutions for the most stringent specifications. Among other things, this includes the avalanche photodiodes (APD) and avalanche photodiode arrays developed and manufactured by First Sensor in the past, which enjoy a leading global position in their field. One use for these APDs is in high-precision distance measurement systems for a wide range of applications together with laser modules.

First Sensor develops and produces sensor solutions across the individual stages of the value chain of sensor to the system of our customers. The individual companies of First Sensor are active along the entire value chain. In addition to sensor components, First Sensor develops and manufactures highly reliable customer-specific hybrid circuits and products in the areas of microsystems technology and advanced packaging (sensor modules) right through to complete sensor systems. The different locations in Berlin, Dresden, Oberdischingen, München, and the foreign locations in the Netherlands, the UK, Sweden, Singapore, Canada and the US vary in terms of their position along the value chain (including distribution). Several Group companies are often involved in processing a customer order.

Sensor components are developed and manufactured at the headquarters in Berlin. If the sensor component is later connected to a circuit together with other electronic components and switching circuits (layout and connection technology, hybrid technology, microsystems technology), this creates a **sensor module**. These process steps take place at five locations within First Sensor: Berlin, Dresden, Oberdischingen, Westlake Village and Singapore. If the sensor module is supplemented with additional stages of the value chain such as signal processing, calibration and product design, this creates a **sensor system.** This stage of the value chain is implemented at four locations in Berlin, Dresden, Dwingeloo and München.

With this positioning and interaction of the individual locations, First Sensor covers the entire value chain for a specialized sensor solution and is therefore able both to offer its customers "everything from one source" and also to take on individual steps of the value chain. The specific customer requirements in each case stipulate the stage of the value chain at which our services are called upon. Depending on cost effectiveness, some types of components and services are also purchased externally. Partial orders are allocated to the individual locations centrally.

BUSINESS DEVELOPMENT

General economic environment

Germany as a business location

With a 49% share in sales, Germany remains First Sensor's most important and stable market.

Despite considerable uncertainty on the international financial market, in particular the high levels of indebtedness of some countries in the euro zone, and the weakening economy in important Asian countries, the German economy continued to grow, albeit with slowing momentum. Germany's gross domestic product (GDP) rose by 2% in 2012. In the third quarter, GDP rose by a slight 0.4% compared to the *same quarter of the previous year*, which was due in part to a calendar effect, and by 0.2% compared to the *previous quarter* as a result of higher exports and private consumer spending. The German government anticipates GDP growth of just 0.4% in 2013.

Industry review 2012

As announced by ZVEI – Zentralverband Elektrotechnik- und Elektronikindustrie (German Electrical and Electronic Manufacturers' Association), following growth in previous years, the revenue of companies in the German ***electronics industry*** fell by 3% to €173 billion in 2012 (2011: +9%, 2010: +13%), with a year-on-year decline in sales of 7% to €44 billion in the fourth quarter alone.

The AMA Association for Sensor Technology estimated that the ***sensor industry*** could achieve slight sales growth of 1% in 2012 (previous year's growth: 15%), which was generated in the first quarter in particular. However, in comparison to the respective previous quarter, sales declined by 2.8% in the third quarter of 2012 and rose by 1.4% in the fourth quarter.

The ratio of exports of sensor and measurement technology fell by 1% in 2012 to 39% (previous year: 40%). Looking back, exports within Europe appeared to be the "economic brakes". The ratio of exports to other European countries declined by 5 percentage points to 22%, while the ratio of exports to non-European countries increased by 4%, which virtually offset the loss-making intra-European export business.

Contrary to the economic cycle, First Sensor defended its position with year-on-year sales growth of 72%, including organic growth of 11% (2011: €65,182million).

Market and industry outlook

Overall growth of 4% is expected in the ***sensor industry*** in financial year 2013, and the AMA sees particular growth potential in exports to countries outside Europe. The industry's optimistic expectations for the coming years are reflected in investment behavior.
Investment increased by approximately 9% in financial year 2012, and a further upturn of around 2% is expected for 2013.

ZVEI forecasts sales of between USD 308 billion and USD 323 billion in the **global *semiconductor* market** in 2013.

According to a report from INTECHNO CONSULTING, the ***global sensor technology market*** is expected to grow to €184.1 billion by 2016, which represents an average annual growth rate of 9.0% between 2011 and 2016. This market has seen outstanding growth over the last 25 years, doubling in the last ten years alone. Sensors play an important role in an increasing number of applications in both industry and consumer goods.

Special providers such as First Sensor, developing and manufacturing high-quality solutions for their customers matched to specific sectors will benefit from this trend.

A decisive factor for development in the coming years will be whether and to what extent the uncertainties on the financial markets spread to the real economy and whether the economic downturn in the last three quarters of 2012 was a passing phenomenon.

DEVELOPMENT OF THE FIRST SENSOR GROUP

Strategic course of action – integration – streamlining the organizational structure

First Sensor has systematically expanded its business model in recent years, growing from a manufacturer of customer-specific silicon-based optical sensor components into an integrated industrial company with international operations that offers its customers individual sensor solutions in the form of sensor components, sensor modules and sensor systems. With the acquisition of Sensortechnics GmbH, Puchheim, First Sensor AG obtained control over the Sensortechnics Group with effect from October 1, 2011. This acquisition doubled the size of the First Sensor Group. Thanks to this integration, First Sensor AG has built on its strategic edge to a significant extent and develops, produces and markets individual sensor solutions for optical sensors, pressure sensors, flow and level-measurement sensors and specialized sensors from one source.

We systematically pursued this program of company consolidation and merged Sensortechnics GmbH, Puchheim, and Silicon Projects GmbH, Berlin, with First Sensor AG with retroactive effect from January 1, 2012 (entered into the commercial register on August 22, 2012).

The site in Puchheim will remain in place in the form of First Sensor AG, Munich. Further steps were successfully taken as part of the "ONE FIRST SENSOR" strategic consolidation program: For example, functions were centralized, processes were standardized and organizational structures were streamlined, and the managerial level was adjusted to this. This process will continue in 2013.

The main focal areas here were:

- the introduction of a new organizational structure geared towards functions across the existing confines of legally independent entities with the aim of creating a uniform and efficient management structure,
- the harmonization of processes and the implementation of Group-wide standards,
- the centralization of administrative functions and utilization of synergies,
- the expansion of cost accounting,
- the improvement of business planning,
- the leveraging of synergies in the area of purchasing.

Thanks to the economic stability associated with the growing size of the Company and the increase in its innovative capacity, First Sensor attracts an increasing number of customers looking to place major projects.

The expansion of the value chain in the areas of modules (Elbau) and systems (First Sensor AG, Munich; Klay) enhances First Sensor's opportunities to act as a "one-stop shop" for their customers. Also, the opportunity of cross-selling between the value-chain stages arises. For example, customers who up to now have purchased components can now be offered the option of processing these components into modules or systems and vice versa. The growing number of locations in the area of packaging increases flexibility with respect to placing orders within the Group and raises delivery reliability for the customer. The expanded group of companies will also have a broader technology and resources base to draw on and will be in a position to accelerate product development further by, for example, extending sensor solutions to other sectors. Diversifying across a wider range of sectors also reduces exposure to cycles in individual areas.

Further organic sales growth – temporary expenses arising from integration

In the financial year just closed, the First Sensor Group achieved sales of €111.9 million (previous year: €65.2 million). This equates to sales growth of 72% (previous year: 44%). The organic growth rate amounts to 11% which is above the figure for the sector. The increase was notably among existing customers where, in some cases, significant expansion in major orders was achieved. In the second half of the year, First Sensor also achieved a significant increase in orders on hand to €73.4 million (previous year: €63.5 million), which underlines the opportunities described above to tap into new potential orders.

EBITDA totaled €13.4 million in the year under review and includes integration costs in the amount of €0.9 million, resulting in adjusted EBITDA of €14.3 million. Integration costs of €0.9 million were primarily made up of legal and consultancy fees as part of restructuring and the merger of individual Group subsidiaries into First Sensor AG.

The operating result (EBIT) totaled €3.6 million, which is up €2.0 million on the previous year. EBIT adjusted for the aforementioned integration costs therefore amounted to €4.5 million.
We anticipate organic sales growth between €110 and €120 million in 2013. This will make First Sensor one of the world's top ten manufacturers of specialized sensors.

Further Investment in the scalability of the business and in our MEMS expertise

First Sensor has been investing in the growth potential and the increased scalability of the business model since 2008. We inaugurated a state-of-the-art sensor plant for optoelectronic sensors with extensive clean room capacity at the Berlin-Oberschöneweide site back in 2008. Moreover, we have been investing heavily in the enhancement of production efficiency at the same location since 2009. Back in financial year 2011, the MEMS area at this location was already integrated into the existing clean room. This work was completed in the year under review.

In this process, synergies created due to the presence of identical basic production stages were leveraged. The integration will result in a higher utilization rate for the plant. With the new capacities, from the point of view of production technology, significant increases in sales can be realized in the coming years. The MEMS area was also reinforced in terms of technology during financial year 2011 through minor acquisitions and the acquisition of patents. We started using these patents in financial year 2012 and creating new sensor solutions in the area of inertial sensor technology. These sensor solutions enable highly accurate measurements of position and acceleration. Areas of application include air traffic control systems and stabilization systems for drilling platforms. Initial customers have already expressed an interest in this new technology.

EARNINGS, ASSETS AND FINANCIAL SITUATION

Accounts, reporting entity and non-recurring expenses

The consolidated financial statements for First Sensor AG were prepared, pursuant to Article 315a HGB (German Commercial Code), in accordance with international Financial Reporting Standards (IFRS).

The former sensor division of Augusta Technologie AG (Sensortechnics Group), which was consolidated for the first time as at October 1, 2011, was only recognized in income for one quarter of the 2011 figures. Therefore, comparability with financial year 2012 is only possible to a limited extent.

The scope of consolidation declined compared to the previous year. This is due to the merger of the subsidiaries Sensortechnics GmbH and Silicon Projects GmbH into First Sensor AG with retroactive effect from January 1, 2012.

The First Sensor AG results were impacted by a number of non-recurring expenses arising from integration in financial year 2012, details of which are given in the notes on the earnings situation.

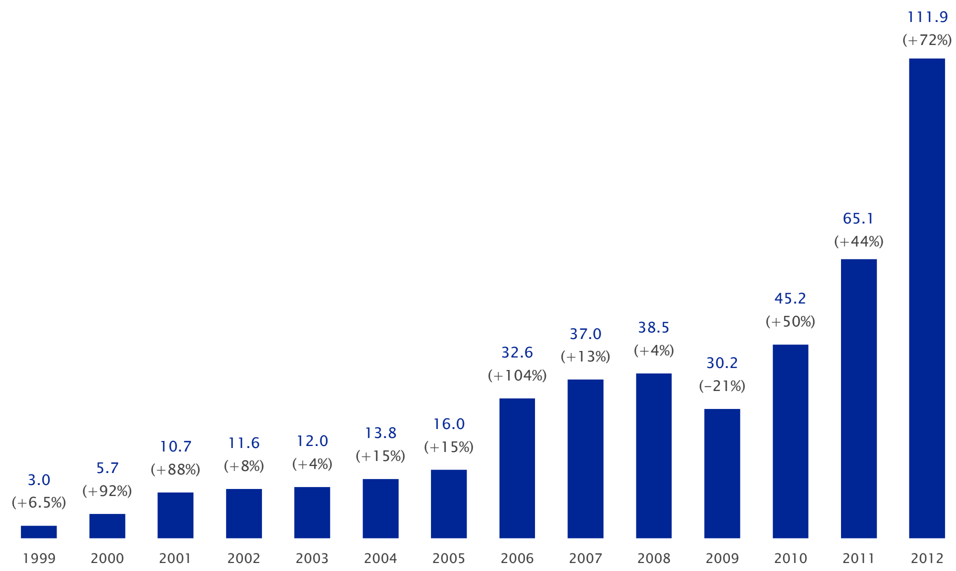
Earnings situation

The following table shows sales and EBIT for the First Sensor Group:

Structure of the consolidated income statement

in € thousand	2012	in %	2011	in %
Sales	111,936	93.9	65,182	92.0
Total performance	119,164	100.0	70,817	100.0
Consumption of materials	–54,983	–46.1	–29,950	–42.3
Gross income	64,181	53.9	40,867	57.7
Personnel expenses	–36,306	–30.5	–23,290	–32.9
Other expenses	–14,492	–12.2	–11,035	–15.6
Share in profit of affiliated companies	0	0,0	133	0.2
Operating result (EBITDA)	13,383	11.2	6,675	9.4
Depreciation	–6,443	–5.4	–4,024	–5.7
PPA amortization	–3,384	–2.8	–1,061	–1.5
Operating result (EBIT)	3,556	3.0	1,590	2.2
Financial result	–2,612	–2.2	–778	–1.1
Net profit before tax	944	0.8	812	1.2
Income tax	–452	–0.4	–355	–0.5
Consolidated net profit	492	0.4	457	0.7
Result attributable to other shareholders	34	0.03	12	0.02

Total sales of the First Sensor Group after consolidation (in € million)



Total sales for the First Sensor Group amounted to €111.9 million which equates to a growth rate of 72%. The contribution to sales by the acquired former sensor division of Augusta Technologie AG fell well short of expectations, totaling €53.5 million. This resulted in organic sales growth for the First Sensor Group, before the acquisition, of 11%. Organic sales growth was primarily attributable to increased orders from existing customers. For example, substantial volume expansion was achieved with automotive customers with some major orders extending over several years. However, with industrial customers continued make the largest contribution, generating approximately 50% of sales.

Capitalized own work amounting to €2.1 million (previous year: €1.6 million) relates predominantly to developments for future sensor products in connection with specific customer projects.

This resulted in total performance of €119.2 million (previous year: €70.8 million).

The rise in other operating income by €1.6 million to €3.9 million (previous year: €2.3 million) is mainly the result of the sale of minority interests to Heimann Sensor GmbH, as well as investment grants and expense subsidies paid for research and development in relation to investment in plant and buildings.

The materials expense ratio was 46% which is higher than the previous year (42%). The main reason for this is the altered product mix in the projects of the First Sensor Group. Moreover, with the addition of the Sensortechnics Group, the share of merchandise has increased, which only influenced one quarter of the previous year, but influenced the entire year under review.

With personnel expenses of €36.3 million, the personnel expenses ratio fell by 6%, from 33.0% in 2011 to 31 % in the period under review. Personnel expenses for the Group increased by 56% in absolute terms, from €23.3 million to €36.3 million, due to the full inclusion of the acquisition in financial year 2012.

Due to the cost-cutting program launched in the year under review, the ratio of other operating expenses fell by almost 22% from 15.6% in the previous year to 12.2%. Other operating expenses amounted to €14.5 million in absolute terms (previous year: €11.0 million). This increase is due to non-recurring expenses as well as the inclusion of the Sensortechnics Group over the entire year for the first time. These expenses include in particular integration costs of €0.9 million, which were primarily incurred in the form of legal and consultancy costs.

This resulted in EBITDA double that of the same period of the previous year, totaling €13.4 million (previous year: €6.7 million) and EBITDA before integration costs of €14.3 million (previous year: €7.6 million before transaction costs).

Depreciation of property, plant and equipment and amortization of intangible assets amounted to €9.8 million (previous year: €5.1 million). The increase in depreciation, amortization of €4.7 million is due predominantly to the purchase price allocation (compared to €0.8 million in the fourth quarter of 2011), and from the new investments in measures to increase efficiency.

The financial result amounted to €-2.6 million (previous year: €-0.8 million). Interest expenses amounting to €2.7 million (previous year: €1.2 million) were offset against interest income, earnings from holdings and currency gains.

This resulted in earnings before taxes and minority interests of €0.9 million (previous year: €0.8 million). Net profit after tax and minority interests amounted to €0.46 million (previous year: €0.45 million).

Asset situation

The balance sheet total fell by a 1% year-on-year to €158.6 million. The main changes were as follows:

- The value of intangible assets resulting primarily from the acquisition of Sensortechnics fell by €1.4 million to €28.8 million.
- Goodwill declined by €0.5 million to €29.8 million due to a subsequent purchase price reduction.
- The value of property, plant and equipment increased by €0.9 million to €40.0 million. This was due to necessary investment in property, plant and equipment in the amount of €7.7 million, in particular in the integration of the MEMS area, in measures to increase efficiency of production facilities, and in expanding the production lines at all locations.
- Inventories fell by just €0.2 million to €31.2 million, despite the introduction of inventory management. This was due to short-term deferrals of customer acceptances in large-volume projects. According to current estimates, these inventories will be called on by the third quarter 2013.
- Receivables increased by €1.7 million to €12.8 million, mainly due to a year-on-year rise in sales by €2.5 million in the fourth quarter of 2012.
- Cash and cash equivalents amounted to €12.2 million as at December 31, 2012. It is particularly pleasing to note here that cash and cash equivalents, which fell to €8.7 million in the first quarter of 2012, were successfully increased back up to the previous year's level by the end of the year thanks to stringent cost management.

This was achieved due in particular to:

- the systematic management of expenses and a restrictive approval process,
- the introduction of specific rolling liquidity planning,
- active receivables management,
- the systematic processing of investments focusing purely on cost effectiveness, through the introduction of an investment management system.

- Accounts payable fell by €0.5 million to €7.7 million, due to a €1.6 million reduction in the investment volume in the fourth quarter of 2012.

Group equity is up €0.8 million on the figure for December 31, 2011 to €69.9 million. This equates to an equity ratio of 44% (previous year: 43%). It was particularly pleasing that employees exercised 97,300 share options as part of the 2009 share options program. As a result, the share capital increased by €486,500 to €49,701,365. Overall, there was an inflow of cash and cash equivalents of approximately €0.6 million into the company.

Total current and non-current loans increased by €5.1 million to €51.2 million compared with December 31, 2011. This rise is primarily due to the drawing of a further tranche of the syndicated loan in order to pay contractually agreed earn out for the acquisition of the Sensortechnics Group in the amount of €4.5 million.

Financial situation

A key aim of First Sensor's financial management is to ensure adequate liquidity at all times for the production processes, growth and investments. We counter the risk of interest rate increases by means of interest rate swaps. In the context of financial management we try to reduce foreign currency risks arising from our customer relationships particularly in Asia, by purchasing raw materials only from the relevant currency areas.

The following table shows the consolidated statement of cash flows:

in € thousand	2012	2011
Cash flow from operating activities	7,212	-2,631
Cash flow from investment activities	-12,837	-55,522
Cash flow from financing activities*	4,969	56,347
Exchange differences	57	3
Change in cash and cash equivalents	-599	-1,803
Cash and cash equivalents at the start of the financial year*	**12,800**	**14,603**
Cash and cash equivalents at the end of the financial year*	**12,201**	**12,800**

* Taking into consideration drawings on the syndicated loan facility

Cash flow from operating activities at 7.2 million was well above the level of the previous year (€-2.6 million), when it was impacted by non-recurring expenses related to transaction costs in conjunction with the acquisition of the Sensortechnics Group (€2.6 million).

Cash flow from investment activities in the amount of €-12.8 million concerns investments in machinery and equipment, among other things for further measures to improve efficiency of production processes at the Berlin location and the integration of the MEMS area into the optoelectronic area at the Berlin head office. This also contains a contractual obligation to make an earn out payment of €4.5 million in connection with the acquisition of the Sensortechnics Group.

Cash and cash equivalents were thus down by €0.6 million on the figure for December 31, 2011 to €12.2 million.

Overall view

Having commenced integration of the Sensortechnics Group, First Sensor became one of the top ten global manufacturers of special sensors. Business volume approximately doubled in 2012. This integration gives rise to further strategic options and the opportunity to leverage further synergies on a systematic basis. The continuation of the integration measures launched and the optimization of the Group management and controlling structures will continue to constitute a focal point for management in the current financial year 2013. By reaching a critical mass and increasing the depth of value added in the development and production of sensor solutions, First Sensor will come to the attention of new customers, in particular with respect to major projects extending over several years.

Financial liabilities taken on predominantly to finance the acquisition of the Sensortechnics Group amounted to €51.2 million as at December 31, 2012 (previous year: €46.1 million). In accordance with the planning for the coming financial years the company currently anticipates that all financial liabilities will be serviced on schedule. Plans are based on an unchanged general economic situation with no turbulence on the capital markets.

EARNINGS AND ASSETS SITUATION OF FIRST SENSOR AG (SEPARATE FINANCIAL STATEMENT PURSUANT TO HGB)

In financial year 2012, First Sensor AG, including the merged companies Sensortechnics GmbH and Silicon Projects GmbH, achieved sales of €45.1 million. Other operating income arising predominantly from investment grants, intragroup allocations to affiliated companies and exchange differences amounted to €2.1 million (previous year: €1.1 million).

Cost of materials amounted to €23.9 million (previous year: €3.9 million). This resulted in gross income of €24.7 million (previous year: €10.8 million). Personnel expenses totaled €13.9 million (previous year: €7.2 million). To the end of the year, First Sensor AG employed a staff of 197, 89 of whom were employed at the Munich site, which was an increase of 95 employees against the previous year. Depreciation, amortization and impairment of €4.0 million (previous year: €1.3 million) contains depreciation of machinery and equipment, office equipment and the factory and office buildings, and amortization of intangible assets identified as part of the merger and goodwill in the amount of €1.6 million. The rest of the year-on-year rise is the result of the increase in depreciation at the Berlin-Oberschöneweide site in the amount of €0.7 million due to the commissioning of numerous pieces of equipment, and the depreciation, amortization and impairment of the merged Sensortechnics GmbH, Puchheim, in the amount of €0.4 million.

Other operating expenses amounted to €7.8 million and consisted of legal fees and consultancy costs, advertising and selling expenses, maintenance costs as well as rent and incidental premises expenses (previous year: €5.0 million). Costs of €0.9 million were incurred in 2012 as a result of integration.

Net interest income amounted to €-1.9 million (previous year: €-0.6 million). This rise is primarily the result of the syndicated loan used to finance the Sensortechnics Group takeover. The result from ordinary activities totaled €1.9 million (previous year: €-1.3 million).

The equity of First Sensor AG amounted to €72.0 million at the balance sheet date (previous year: €69.4 million). This equates to an equity ratio of 55% (previous year: 57%). The rise in equity is the result of the 2012 net profit (€2.0 million) and the capital increase from contingent capital 2009/II in the context of exercising share options in the amount of €0.6 million.

The company's Management Board and Supervisory Board will propose to the Annual General Meeting that net profit for financial year 2012 in the amount of €1,003,682.62 be carried forward to new account.

Cash and cash equivalents of First Sensor AG amounted to €6.1 million at the balance sheet date (previous year: €5.5 million).

In its business plan, the Management Board assumes an increase in sales and earnings in the coming financial years.

ORDERS ON HAND

As at December 31, 2012, orders on hand within the Group increased by 16% to €73.4 million compared with the same date the previous year (€63.6 million). This is a good basis for the achievement of our growth targets for 2013. Our customers are tending to place their orders within increasingly short time frames.

CHANGES IN HUMAN RESOURCES

As at December 31, 2012, a total of 756 employees were working for the First Sensor Group worldwide compared with 725 employees as at December 31, 2011. This included 664 in Germany and 92 abroad.

A key reason for this rise in staff numbers is the increase in production and the expansion of sales and development activities at several locations.

INFORMATION REQUIRED UNDER TAKEOVER LAW IN ACCORDANCE WITH ARTICLE 289 (4) 1 HGB AND ARTICLE 315 (4) 1 HGB

The subscribed capital amounting to €49.7 million is divided into 9.9 million shares. Of this

- 27.33% are held by Alegria Beteiligungsgesellschaft mbH, Munich, Germany, part of the ING Group, Netherlands, and
- 18.89% are held by DAH Beteiligungs GmbH, Mannheim, Germany, attributable to Mr. Daniel Hopp, Germany, and
- 8.27% are held by Lampe Beteiligungsgesellschaft mbH, attributable to Bankhaus Lampe KG.

The provisions governing nomination and dismissal of members of the Management Board and changes to the articles of association are determined in line with statutory regulations.

In addition to contingent capital for issuing share options to Management Board members and employees, there is 2012 contingent capital for up to 3,800,000 shares if holders of convertible or option bonds exercise conversion or option rights.

The Management Board is authorized to acquire treasury shares up to a limit of 10% of the share capital.

In the event of a change of control at First Sensor AG, payment of the cash value of the future remuneration due under Dr. Hans-Georg Giering's employment contract has been provided for. This payment is limited to two annual salaries.

A lump sum benefit is to be paid to Mr. Wimmers in the event of a change of control, provided that he resigns within two months of the change of control.

COMPENSATION REPORT IN ACCORDANCE WITH ARTICLE 289 (2) 8 HGB (GERMAN COMMERCIAL CODE) AND ARTICLE 315 (2) 4 HGB

A. The Management Board

Management Board compensation is determined by the Supervisory Board. The principal criteria for the appropriateness of the compensation for the Management Board are the duties of the respective member of the Management Board, his personal performance as well as the financial situation and success of the company taking account of comparison with its peer group. The Supervisory Board and the Management Board of First Sensor AG have reached agreement, irrespective of the existing contract terms, with effect from January 1, 2010 to adjust the employment contracts for both members of the Management Board in accordance with VorstAG (German Act on the Appropriateness of Management Board Compensation). Sustainable financial success as a criterion for Management Board compensation was and remains a vital element of the management philosophy and fundamental values of First Sensor AG. However, implementation of VorstAG into practice requires some contractual adjustments.
The basic features of these regulations were also applied to the contract with Mr. Joachim Wimmers, who was appointed as CFO of the Company on March 1, 2012.

Since revision on January 1, 2010, compensation for the Management Board comprises the following components:

- fixed annual salary
- variable remuneration in the form of a bonus or a target agreement
- share option plan
- benefits in kind and other allowances
- pension arrangements

The fixed annual salary is paid monthly and is examined at regular intervals.

The variable compensation in the form of a bonus or target agreement is based on a multi-year assessment and the amount depends on the development of EBIT or individual targets specified by the Supervisory Board. If the Group does not achieve a positive result then there is no bonus. A reasonable limit on the bonus can be imposed by the Supervisory Board in the event of unforeseen, extraordinary developments.
If the Group does not achieve a positive result then there is no bonus. A reasonable limit on the bonus can be imposed by the Supervisory Board in the event of unforeseen, extraordinary developments.

As a long-term incentive, the members of the Management Board participate in the Company's share option plan. No share options were issued to the Management Board in financial year 2012.

The benefits in kind and other allowances include non-cash benefits related to private use of company cars by members of the Management Board and the employer contribution to health and long-term care insurance.

Furthermore, payments are made into a defined contributions pension plan for the pension arrangements for members of the Management Board. Severance payments for members resigning from the Management Board are limited under the terms of the employment contract in accordance with the recommendations of the German Corporate Governance Code.

The fixed salary for Management Board members, including the remuneration of CFO Dr. Ingo Stein who resigned as at March 31, 2012, totaled €653 thousand in 2012 (previous year: €670 thousand). The variable compensation (performance-related bonus) totaled €251 thousand (previous year: €224 thousand). The non-performance-related payments include cash benefits for the private use of company cars by members of the Management Board and the employer contribution to health and long-term care insurance. Furthermore, payments amounting to €110 thousand (previous year: €108 thousand) were made into defined contribution pension plans for members of the Management Board. Please refer to Section 30 in the Notes to the Financial Statements for a summary of Management Board compensation.

B. The Supervisory Board

Remuneration of the Supervisory Board is determined by Article 13 of the articles of incorporation and by the Annual General Meeting. In accordance with the resolution of the Annual General Meeting held on June 17, 2010, remuneration for the Supervisory Board comprises a fixed fee of €5 thousand (whereby the chairman receives double and the deputy one and a half times this sum) plus attendance fees of €500 per meeting. Remuneration for members of the Supervisory Board including attendance fees amounted to €33 thousand in financial year 2012.
Supervisory Board do not receive any performance-related remuneration and do not participate in the Company's share option plan.

RISK REPORT

Description of the internal monitoring system

In the course of its national and international business activity, First Sensor is confronted by a range of risks inextricably linked to its business actions. All our activities worldwide are constantly monitored and controlled.

The Management Board established the risk management procedures on the following risk principles:

The value of the company should be continually increased and the return on assets continually improved through value-based company management.

The principle of decentralized management rests on the organization of operational procedures with adherence to the commonly-accepted rules of internal monitoring systems. The subsidiaries, corporate divisions or specialist areas are each responsible for their own business processes in accordance with guidelines and targets defined by the Management Board. The relevant internal processes are set down in the documentation for ISO process standardization and constitute the basis for internal actions.

First Sensor has a uniform Company strategy, planning and budget procedure for recording, evaluating, monitoring and controlling business processes. This procedure is backed up by ongoing analyses of the market and the competition as well as monthly reporting. Data on the orders, employment, earnings and assets situation are reported. Planning for the subsidiaries is rolled on a monthly basis.

EBITDA is a key benchmark. Investments and other major expenditure are approved solely by the Management Board.

To assess and cumulative risk and individual risks on cross-process and cross-company basis, discussions on opportunities and risk between the Management Board and managers of the subsidiaries were conducted at regular meetings in 2012. Risk assessments comprise a further integral part of the monthly reports. The Group-wide reporting and monitoring system ensures all decision-makers are consistently supplied with up-to-date, accurate information. Company performance can be read off at any time and changes in the operational environment detected promptly enabling any necessary countermeasures to be initiated. Against the background of the sales growth achieved in the previous years and the significantly enlarged and expanded corporate structure in 2012, the extension of the reporting and monitoring system will continue to be a key area in management activities through 2012.

Risks to the future development of the Group

In the view of First Sensor, the following risks and opportunities will continue to influence the Company's sustained development not only in the coming year but also beyond. Some of the principal risks are described below.

- Within the context of international competition, a risk exists for the First Sensor Group that it proves impossible to provide the required human resources capacities for the planned levels of growth or that these can only be provided at higher costs than scheduled. This risk relates in particular to highly-qualified employees. First Sensor counters this risk with internal professional development programs and long-term demand planning.
- On the sales market, there is a risk that, in the light of global economic and political developments, and in particular due to growing uncertainty on the financial markets, the economic upturn that we are seeing at the moment may come to an end and this will cause our customers to restrain from calling up orders and from placing new ones.
- In the area of procurement, the First Sensor Group companies are dependent on timely delivery of essential materials for the manufacture of their products. This also affects merchandise. Severe delays, quantity discrepancies, lack of availability or shortcomings in quality on deliveries can have a significant, negative impact on the earnings situation.
- In First Sensor's Production division, specialist machinery is used for which it is impossible to maintain full redundancy. There is the risk that production may be disrupted if a specialist machine breaks down, which could lead to temporary restrictions in the company's ability to deliver goods.
- In R&D, there is the risk that First Sensor development projects do not lead to the desired results or that innovation trends are not recognized in time. Production processes that are more cost-effective or innovations on the part of our competitors may impact the market position of the established First Sensor products. The First Sensor Group is in a strong competitive position due to its niche position achieved by the development of customer-specific special sensors.
- The acquisition of the former Sensortechnics Group was partly financed by a syndicated loan of €39 million. In total, financial liabilities amounted to €51.2 million as at December 31, 2012. Cash and cash equivalents as at December 31, 2012 totaled €12.2 million. A stable earnings situation in the coming years is the prerequisite for timely servicing of our financial liabilities. One condition for achieving the planned level of earnings is the successful integration of the Sensortechnics Group into the consolidated Group.
- Under the terms of the syndicated loan agreement, First Sensor undertakes to comply with key financial ratios or covenants. Breach of the covenants provides an extraordinary reason for termination.
- Negative business development in the First Sensor Group may result in a lower value for the First Sensor share, restricting First Sensor AG's future financial scope with respect to equity measures on a

sustained basis or making First Sensor AG a target for takeover.

Opportunities

As well as the risks presented, business development also involves a range of opportunities that could lead to an above-target improvement in the net assets, financial position and results of operations.

- The strongest opportunity for increases in earnings is provided by the acquisition of the Sensortechnics group with the associated synergy potential in the following areas:

  - In sales due to the marketing strength of the Sensortechnics distribution network and the possibility of cross-selling along the whole value chain. The expansion of the value chain brought about by the new companies enhances the Group's capability to act as a "one-stop shop" for customers.
  - In Production, owing to the increased flexibility in the allocation of orders to different locations.
  - In products, owing to the possibility to offer sensor solutions developed elsewhere in the Group to other sectors or customers.

- First Sensor is conducting a large number of internal development projects. According to the progress of these development projects, solutions may either reach market maturity earlier than planned or tap additional market potential.
- The critical size reached by First Sensor is increasingly becoming a deciding factor in the awarding of contracts which will result in more orders.
- In financial year 2011, First Sensor AG in Berlin further increased efficiency at the Berlin-Ober-schöneweide plant through investment in machi-nery. As a result of the relocation of the MEMS area into the modern factory, further synergies should be achieved from the merging of production processes in the optoelectronic and MEMS areas. If the volume of orders increases, the economies of scale will increase because a higher volume can be processed in the same time, by the same number of employees using the same equipment.

Accounting-related internal monitoring system

The principal aspects of the internal monitoring and risk management system are described below both in relation to the accounting processes of the consolidated companies and also in relation to the group accounting process.

The internal monitoring and risk-management system with regard to the accounting process and group accounting process has not been statutorily defined. We consider the internal monitoring and risk management system to be a comprehensive system and refer to the definitions set down by the German Institute of Auditors (Institut der Wirtschaftsprüfer in Deutschland e. V. (Dusseldorf) for the accounting-related internal monitoring system (IDW PS 261 Para 19 f.) and for the risk-management system (IDW PS 340, Para 4). The internal monitoring system is considered to be the principles, procedures and measures introduced by company management and aimed at achieving organizational implementation of manage-ment decisions to safeguard the effectiveness and profitability of the business activity (this also includes protection of assets, including prevention and detection of asset misappropriation), appropriateness and relia-bility of internal and external accounting as well as compliance with the statutory provisions applicable to the Company.

The risk management system comprises all organi-zational rules and measures for the identification of risks and for dealing with the risks inherent in entrepreneurial activity.

The following structures and processes have been implemented with respect to the accounting processes of the consolidated companies and accounting process:

The Group Management Board bears the overall responsibility for the internal monitoring system and risk management system, both in relation to the accounting processes of the consolidated companies and also in relation to the Group accounting process. All the companies included in the consolidated financial statements are integrated into a strictly defined mana-gement and reporting organization.

With respect to the accounting processes of the consolidated companies and the consolidated account-ting process, we consider those aspects of the internal monitoring and risk-management system that have a material influence on group accounting and the overall picture conveyed by the group financial statements and group management report to be significant. These can be described as follows:

- Identification of major areas of risk and aspects to be monitored that are particularly relevant to the Group accounting process,
- Monitoring instruments for the group accounting process and the results thereof at Management Board level and at the level of the consolidated companies,
- which generate the key figures for the preparation of the consolidated financial including the consolidated management report,
- Measures to ensure the proper computerized processing of group accounting content and data.

REPORTING ACCORDING TO ARTICLE 289A HGB

The Management Board and the Supervisory Board have issued a declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act) and this is permanently available on the Company web site.

In accordance with the recommendation of point 5.4.1, third section of the German Corporate Governance Code, the Supervisory Board has set itself the objective to have at least one female member. It is aimed to realize this objective by 2020. The Supervisory Board currently comprises three male members.

Furthermore, we refer to the declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act) and the remuneration report and declare the following:

The working method of the Management Board and the Supervisory Board is determined by the statutory framework, the articles of incorporation and rules of procedure. The Management Board assumes the operational management of First Sensor. The Supervisory Board is involved in important matters of strategy, investment decisions and restructuring measures. The Supervisory Board also regularly monitors the management performance of the Management Board for effectiveness and strict attention to legitimacy and legality.

OUTLOOK

With the acquisition of the Sensortechnics Group, First Sensor's business volume doubled. In the coming months and quarters, the integration of the acquired units and the generation of synergies will remain the focus of operations.

Our outlook for the coming years is based on the following premises:

- We are assuming that there will be no economic downturn in the markets served by us that would result in significant inventory reduction by our customers. This depends primarily on how long the uncertain situation on the financial markets persists and how the economic situation in Asia evolves.
- Significant synergies arising from integration will be realized in 2014.
- The orientation of First Sensor as an industrial company covering the entire value chain with experience in a variety of different sectors combined with the increasing importance of sensor solutions for innovative product development results in our winning new customers.
- The investments made between 2008 and 2012 in further raising the efficiency of our production processes, in particular at the Berlin location together with establishing the optoelectronic and MEMS areas under one roof generate the planned synergy effects and economies of scale in the medium-term.
- Important customer projects, currently in the preparatory phase, go ahead without any delays.
- The recruitment of highly-qualified employees necessary to ensure growth can go ahead as planned.
- There are no shortages in the supply of materials, raw materials and components.

- In the light of its quality leadership, First Sensor is only exposed to pricing competition at the usual level.

The Management Board is forecasting total sales for financial year 2013 of between €110 million and €120 million. The resulting EBITDA before integration costs is forecast to be between €15 million and €20 million. Investments will remain around the level of depreciation amortization in the long term.

In subsequent years, the Company will continue to aim for double-digit growth in sales. We are maintaining our target of an EBITDA margin of over 15% in the medium term. The successful integration of the Sensortechnics Group and generation of the economies of scale from the investments made in recent financial years will be decisive for improvements in margins.

STATEMENT REGARDING THE FUTURE

In our planning for the coming financial year, as far as we can anticipate at the present time, we have factored in uncertainty regarding the economic trend in the light of changes in the economic environment, developments in the competitive situation, market acceptance of our products, processes and image, partial dependence on customers and suppliers and changes in exchange rates.

Berlin, March 26, 2013

First Sensor AG

Dr. Hans-Georg Giering
Chief Executive Officer

Joachim Wimmers
Chief Financial Officer

FIRST SENSOR SHARE

As expected, following the year's high of €11.11 in April 2012, the share performed more weakly in the reporting year against the backdrop of the ONE FIRST SENSOR strategic consolidation program, and was priced at €8.20 at the end of December.

Capital market environment

The markets were dominated by major fluctuations in the reporting year, due in particular to ongoing uncertainty in the euro zone. Price rises in the first quarter of 2012 were followed by a period of declining market prices. Following a low in June, prices on the equity markets began to develop positively, which continued up to the end of the 2012 financial year.

Market comparison of the performance of the First Sensor share

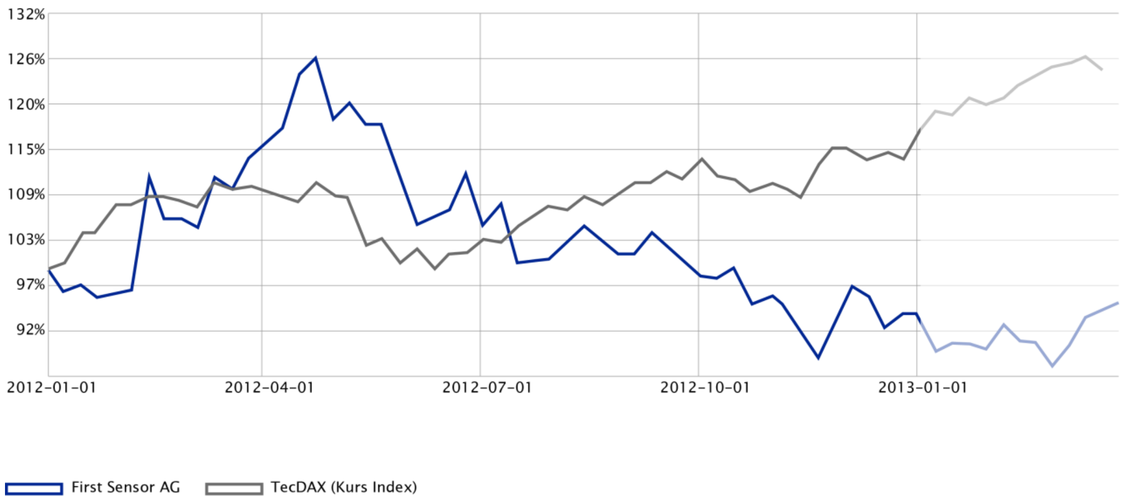
The equity market was characterized by rising prices at the start of 2012. As such, price performance was in line with general economic development. Prices fell in the second quarter of 2012, some of which were significantly weaker than in the previous quarter. After reaching new lows in June 2012, the markets began to recover on a sustainable basis, achieving a new year's high at the end of the year.

The First Sensor share defended its position comparatively well in this market environment in the first six months of the year, but then began to decline as the year went on, contrary to general development, closing the financial year at €8.20.

Performance of the First Sensor share in 2012

Over the course of the financial year, the First Sensor share price fell from €9.11 to €8.20, due in part to the targeted ONE FIRST SENSOR consolidation program. The First Sensor share posted a price decline at the start of the year, but then recorded considerable price rises from February onwards. It continued on this trend, up to the middle of May in particular, before the price began to fall again. After recording a new year's high of €11.11 in the first six months of the year (April 27), the share then lost the ground it had gained as the year went on (year's low: €7.70, November 23) and was priced at €8.20 as of the reporting date.

Performance of the First Sensor share I January 1 to December 31, 2012



The share capital of First Sensor AG amounted to €49,701,365 at the balance sheet date of December 31, 2012 and is divided into 9,940,273 shares. This results in market capitalization of approximately €82 million. The average daily trading volume was 19,180 shares (2011: 29,588 shares), with most shares being traded in February with an average volume of 713,400 shares.

Annual General Meeting

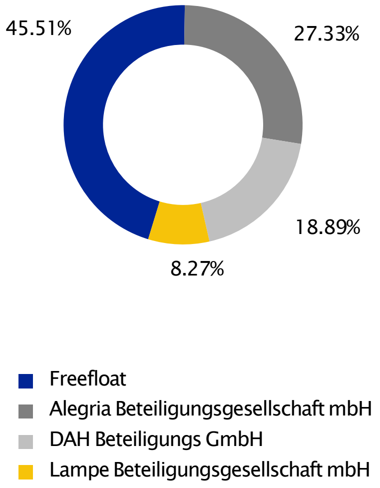
57.77% of the share capital was represented at this year's Annual General Meeting which took place on September 11, 2012 in Berlin. Resolutions on the individual agenda items were adopted with a very large majority.

Share options programs

First Sensor regards the participation of employees in the share capital of the company as an important component of a business policy geared towards shareholder interests. We therefore ask selected employees to participate in share options programs. We did not issue any First Sensor shares as part of these programs in the 2012 reporting year. However, 97,300 share options were exercised from existing programs in the reporting year.

More detailed information on share-based remuneration can be found in Note 13.

Shareholder structure as at December 31, 2012



First Sensor share key data

ISIN	DE0007201907
Symbol	SIS
Class of security	No-par value ordinary bearer shares
Market segment	Regulated market
Transparency level	Prime Standard
Share capital	€49,701,365
Number of shares	9,940,273 shares
Market capitalization (12/31/2012)	€81.5 million
Share price (12/31/2012)	€8.20
Trading centers	Xetra, all German stock exchanges
Industry	Technology
IPO	1999
Designated sponsor	Lang & Schwarz Broker GmbH
Analysts	Warburg Research, First Berlin

According to the voting rights notifications issued to us, the following individuals/institutions held more than 3% of shares in First Sensor AG on December 31, 2012:

Individual/company	Share (%)	Share (voting rights)	Allocation (direct/indirect)	Notification date
Alegria Beteiligungs Gesellschaft mbH	27.33	2,690,000		November 1, 2011
ING Groep N.V., Amsterdam, Netherlands	27.33	2,690,000	Indirect	November 1, 2011
ING Insurance Topholding N.V., Amsterdam, Netherlands	27.33	2,690,000	Indirect	February 22, 2012
ING Verzekeringen N.V., Amsterdam, Netherlands	27.33	2,690,000	Indirect	November 1, 2011
ING Insurance Eurasia N.V., Amsterdam, Netherlands	27.33	2,690,000	Indirect	November 1, 2011
Nationale Nederlanden Nederland B.V., Amsterdam, Netherlands	27.33	2,690,000	Indirect	November 1, 2011
Nationale Nederlanden Levensverzekering Maatschappij N.V., Rotterdam, Netherlands	27.33	2,690,000	Indirect	November 1, 2011
Parcom Capital B.V., Schiphol Airport, Netherlands	27.33	2,690,000	Indirect	November 1, 2011
DPE Deutsche Private Equity B.V., Schiphol Airport, Netherlands	27.33	2,690,000	Indirect	November 3, 2011
Parcom Deutschland I GmbH & Co. KG, Munich, Germany	27.33	2,690,000	Indirect	November 1, 2011
Alegria Beteiligungsgesellschaft mbH, Munich, Germany	27.33	2,690,000	Direct	November 1, 2011
DAH Beteiligungs GmbH	18.89	1,859,605		October 28, 2011
Daniel Hopp, Germany	18.89	1,859,605	Indirect	October 28, 2011
Hopp Verwaltungs GmbH, Mannheim, Germany	18.89	1,859,605	Indirect	October 28, 2011
Hopp Beteiligungsgesellschaft mbH & Co. KG, Mannheim, Germany	18.89	1,859,605	Indirect	October 28, 2011
DAH Beteiligungs GmbH, Mannheim, Germany	18.89	1,859,605	Direct	October 28, 2011
Lampe Beteiligungsgesellschaft mbH	8.27	814,230		May 15, 2012
Bankhaus Lampe KG, Bielefeld, Germany	8.27	814,230	Indirect	May 15, 2012
Lampe Beteiligungsgesellschaft mbH, Düsseldorf, Germany	8.27	814,230	Direct	May 16, 2012

FIRST SENSOR AG
GROUP ANNUAL FINANCIAL REPORT 2012

CONSOLIDATED BALANCE SHEET (IFRS)

ASSETS

in € thousand	Note	31.12.2012	31.12.2011
Cash and cash equivalents	*(3)*	12,201	12,800
Accounts receivable	*(4)*	12,840	11,101
Due from affiliated companies		0	29
Inventories	*(5)*	31,150	31,368
Tax refund claims		482	438
Other current assets	*(6)*	2,485	2,747
Total current assets		**59,158**	**58,483**
Property, plant and equipment	*(7)*	40,027	39,141
Intangible assets	*(8)*	28,751	30,166
Shares in affiliated companies	*(9)*	0	980
Securities in fixed assets		59	141
Goodwill	*(8)*	29,816	30,306
Deferred tax assets	*(24)*	762	982
Other non-current assets		22	35
Total non-current assets		**99,437**	**101,751**
TOTAL ASSETS		**158,595**	**160,234**

FIRST SENSOR AG
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CONSOLIDATED BALANCE SHEET (IFRS)

LIABILITIES

in € thousand	Note	31.12.2012	31.12.2011
Current loans	(12)	12,189	10,470
Accounts payable		7,679	8,130
Due to affiliated companies		0	55
Advances from customers		1,055	2,174
Provisions	(10)	581	846
Liabilities from income tax		1,688	2,273
Other current liabilities	(11)	12,410	12,331
Total current liabilities		**35,602**	**36,279**
Non-current interest-bearing loans	(12)	39,014	35,652
Provisions	(10)	469	467
Deferred taxes	(24)	7,171	7,812
Deferred investment grants / allowances		6,397	6,142
Other non-current liabilities		0	4,750
Total non-current liabilities		**53,051**	**54,823**
Subscribed capital	(15)	49,701	49,215
Reserves	(16)	15.908	15,032
Exchange equalization items	(16)	-329	-289
Net profit		4,537	5,083
Equity attributable to First Sensor AG shareholders		**69,817**	**69,041**
Minority interests		125	91
Total equity		**69,942**	**69,132**
TOTAL EQUITY AND LIABILITIES		**158,595**	**160,234**

FIRST SENSOR AG
GROUP ANNUAL FINANCIAL REPORT 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

in € thousand	01.01.2012 – 31.12.2012	01.01.2011 – 31.12.2011	Note	01.10.2012 – 31.12.2012	01.10.2011 – 31.12.2011
Sales	111,936	65,182	(17)	26,994	24,471
Other operating income	3,913	2,286	(18)	695	1,133
Change in inventories of finished goods and work in progress	1,217	1,768	(19)	679	735
Other own work capitalized	2,098	1,581	(20)	1,045	225
Costs of materials/purchased services	–54,983	–29,950	(21)	–13,314	–10,514
Personnel expenses	–36,306	–23,290	(22)	–9,783	–10,358
Other operating expenses	–14,492	–11,035	(23)	–3,125	–4,893
Share in profit of affiliated companies	0	133		0	133
OPERATING RESULT (EBITDA)	**13,383**	**6,675**		**3,191**	**932**
Depreciation of property, plant and equipment and amortization of intangible assets	–9,827	–5,085	(7; 8)	–2,946	–2,353
OPERATING RESULT (EBIT)	**3,556**	**1,590**		**245**	**–1,421**
Loss from holdings	–28	0		–35	0
Interest income	92	199		17	125
Interest expense	–2,741	–1,191		–680	–567
Currency gains	277	414		–83	297
Currency losses	–212	–200		–15	–95
PRE-TAX INCOME AND MINORITY INTERESTS	**944**	**812**		**–551**	**–1,661**
Taxes on income	–452	–355	(24)	–336	51
NET PROFIT/LOSS FOR THE PERIOD	**492**	**457**		**–887**	**–1,610**
Net profit/loss for the period attributable to First Sensor AG shareholders	**458**	**445**		**–920**	**–1,646**
Net profit/loss for the period attributable to minority interests	34	12		33	36
Expenses and income recognized directly in equity					
Differences from currency conversion (after taxes)	–40	–48		21	–44
Net gain/loss from cash flow hedges (after taxes)	–355	–346		–42	–304
Net gain/loss from transaction costs	0	–543		0	–283
Total expenses and income recognized directly in equity	**–395**	**–937**		**–21**	**–631**
TOTAL NET PROFIT FOR THE PERIOD	**97**	**–480**		**–908**	**–2,241**
Net profit for the period attributable to First Sensor AG shareholders	63	–492		–942	–2,277
Net profit for the period attributable to minority interests	34	12		34	36
Earnings per share (€)	**0.05**	**0.06**	(25)	**–0.09**	**–0.20**
Number of shares applied in the calculation of basic earnings per share (thousand)	9,844	7,162		9,844	8,770
Diluted earnings per share (€)	**0.05**	**0.06**	(25)	**–0.09**	**–0.20**
Number of shares applied in the calculation of diluted earnings per share (thousand)	9,875	7,224		9,861	8,834

FIRST SENSOR AG
GROUP ANNUAL FINANCIAL REPORT 2012

CONSOLIDATED STATEMENT OF CASH FLOW (IFRS)

in € thousand	01.01. 2012 – 31.12.2012	01.01.2011 – 31.12.2011
PRE-TAX INCOME	944	812
Adjustments to reconcile operating result with cash flow from operating activities		
Depreciation of property, plant and equipment and amortization of intangible assets	9,827	5,085
Other non-cash expenses/income	146	155
Income from investment grants	-544	-572
Loss on asset disposal	19	34
Interest income	-92	-199
Interest expense	2,741	1,191
Interest from asset disposal	-15	-1
Decrease in provisions	-263	-1,965
Decrease in inventories, accounts receivable and other assets not assigned to investment/financing activities	-479	-1,345
Decrease in accounts payable and other liabilities not assigned to investment/financing activities	-1,866	-4,524
Interest paid	-2,741	-1,152
Income tax paid	-651	-496
Other profits	185	369
CASH FLOW FROM OPERATING ACTIVITIES	7,211	-2,608
Payments for investments in property, plant and equipment and intangible assets	-9,232	-10,789
Payments for investments in affiliated companies	-66	-323
Payments for acquisition of subsidiaries less cash acquired	-4,509	-45,023
Receipts from disposal of property, plant and equipment and intangible assets	279	83
Payments for acquisition of other financial assets	-12	-3
Receipts from investment grants	612	334
Interest received	92	199
CASH FLOW FROM INVESTMENT ACTIVITIES	-12,836	-55,522
Receipts from appropriations to equity	593	31,383
Repayments of financial liabilities	-8,089	-7,505
Transaction costs for issuing shares	0	-543
Proceeds from borrowings	12,227	31,038
CASH FLOW FROM FINANCING ACTIVITIES	4,731	54,373
CURRENCY DIFFERENCES FROM CONVERTING FUNDS	57	3
NET CHANGE IN CASH AND CASH EQUIVALENTS	-837	-3,754
Cash and cash equivalents at the start of the financial year	10,304	14,058
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE (DECEMBER 31, 2012) FOLLOWING DEDUCTION OF CURRENT ACCOUNT UTILIZATION	9,467	10,304
Current account utilization as at the balance sheet date	2.734	2.495
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE (DECEMBER 31, 2012) WITHOUT DEDUCTION OF CURRENT ACCOUNT UTILIZATION	12.201	12.799

STATEMENT OF CHANGES IN EQUITY (IFRS)

in € thousand	Number of shares in thousand	Subscribed capital	Share premium	Revenue reserves	Unrealize loss	Consoli-dated balance sheet profit	Exchange equalization items	Equity attributable to First Sensor AG shareholders	Minority interest	Total equity
As at January 1, 2011	6,626	33,130	2,136	-404	-90	3,477	-241	38,008	78	38,086
Net profit for the period						445		445	13	458
Result shown directly as equity, total			-543		-346	0	-48	-937		-937
Total net profit for the period	**0**	**0**	**-543**	**0**	**-346**	**445**	**-48**	**-492**	**13**	**-479**
Share-based remuneration				155				155		155
Capital increase	3,217	16,085	16,085					32,170		32,170
Acquisition of minority interests			-800					-800		-800
Appropriation of balance sheet loss			-1,161			1,161		0		0
As at December 31, 2011	9,843	49,215	15,717	-249	-436	5,083	-289	69,041	91	69,132

in € thousand	Number of shares in thousand	Subscribed capital	Share premium	Revenue reserves	Unrealize loss	Consoli-dated balance sheet profit	Exchange equalization items	Equity attributable to First Sensor AG shareholders	Minority interest	Total equity
As at January 1, 2012	9,843	49,215	15,717	-249	-436	5,083	-289	69,041	91	69,132
Net profit for the period						458		458	34	492
Result shown directly as equity, total					-355		-41	-396		-396
Total net profit for the period	**0**	**0**	**0**	**0**	**-355**	**458**	**-41**	**62**	**34**	**96**
Share-based remuneration		486	82	146				714		714
Capital increase	97									0
Appropriation of balance sheet profit				1,004		-1,004		0		0
As at December 31, 2012	9,940	49,701	15,799	901	-791	4,537	-330	69,817	125	69,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(all figures in € thousand unless otherwise indicated)

1. GENERAL

First Sensor AG, Berlin is a listed corporation domiciled in Berlin. The company is listed in the regulated market on the Frankfurt Stock Exchange in the Prime Standard segment under ISIN DE0007201907.

First Sensor AG, Berlin (hereinafter "FIS" or "the Company") and its subsidiaries operate in the fields of sensor manufacture and in microsystem engineering with a focus on the development, manufacture and sale of customized optical and non-optical semiconductor sensors and systems. The First Sensor Group also develops and manufactures highly reliable customized hybrid circuits and products for microsystem engineering and advanced packaging.

The Group balance sheet date is December 31, 2012.

In the 2012 business year, the average number of employees increased from 481 to 753. FIS is domiciled at Peter-Behrens-Str. 15 in Berlin (Federal Republic of Germany).

These Consolidated Financial Statements relate to the year beginning January 1, 2012 to December 31, 2012.

The planned date of publication approved by the Management Board is March 28, 2013.

2. ACCOUNTING POLICIES

Basics for the preparation of financial statements

D The consolidated financial statements are prepared on the basis of historical cost. This excludes the derivative financial instruments which were measured at fair value. The consolidated financial statements were prepared in euro (€). Unless otherwise specified, all figures are given in € thousand. For computational reasons, rounding differences may result in divergence from the exact mathematical values.

Declaration of IFRS compliance

The consolidated financial statements of the First Sensor Group are prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU as well as with the provisions of Article 315a of the German Commercial Code (HGB).

Changes to accounting policies

The accounting policies are basically identical to those used in the previous year.

Changes in the accounting policies and valuation methods are the result of the initial application of the following new or revised IFRS standards and IFRIC interpretations:

- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 7 – Disclosures about Transfers of Financial Assets
- Amendments to IAS 12 – Deferred Taxes: Realization of Underlying Assets

The Standards and Interpretations listed above are only partly valid for the consolidated financial statements of FIS.

The application of newly revised standards and interpretations had no impact on the First Sensor Group's assets, financial or earnings situation. However, some additional disclosures were required in the Notes.

The following Standards and Interpretations which are relevant for the Group were published as at December 31, 2012 but their application was not mandatory at this date:

- IFRS 9 – Financial Instruments: Classification and Valuation (on/after January 1, 2013)
- Further Development of IFRS 9 – Recognition of Financial Liabilities (on/after January 1, 2013)
- IFRS 10 – Consolidated Financial Statements (on/after January 1, 2013)
- IFRS 11 – Joint Arrangements (on/after January 1, 2013)
- IFRS 12 – Disclosure of Interests in Other Entities (on/after January 1, 2013)
- IFRS 13 – Fair Value Measurement (on/after January 1, 2013) IAS 1 (2011) – Presentation of Items Contained in Other Comprehensive Income (on/after July 1, 2012)
- IAS 19 – Employee Benefits (on/after January 1, 2013)
- IAS 27 – Individual financial statements (revised 2011) (on/after January 1, 2013)
- IAS 28 – Investments in Associates and Joint Ventures (revised 2011) (on/after January 1, 2013)
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (on/after January 1, 2014)
- Amendments to IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities (on/after January 1, 2013)
- Amendments to IFRS 7 and IFRS 9 – Mandatory Effective Date and Transition Disclosures (on/after January 1, 2015)
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (on/after January 1, 2013)
- Amendment to IFRS 1 – Government Loans (on/after January 1, 2013)

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. 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.

Impairment goodwill and non-current assets (Note 8)

The First Sensor Group annually tests goodwill and other non-current assets in accordance with IAS 36. The impairment test is performed on the basis of the comparison between the carrying amount of an asset and the recoverable amount that can be generated from the asset or the 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 2015 and then in a terminal value. The income planning is essentially based on previous experience of management expectations regarding the development of 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 resulting from business combinations.

Share-based remuneration (Note 13)

The First Sensor Group has granted employees and Board members share-based remuneration. The measurement of the personnel expenses for this share-based remuneration contains estimates regarding the level to which the conditions of these options are met as well as of relevant market parameters.

Principles of consolidation

Business combinations and goodwill – business combinations after January 1, 2009

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 an asset or a liability are recognized either in the income statement or in other comprehensive income in accordance with IAS 39. 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 on the income statement.

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 of 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.

Business combinations and goodwill – business combinations before December 31, 2008

Based on the methods applied for accounting of company acquisitions in the past, the following different principles applied in comparison to the above requirements:
Transaction costs directly attributable to the acquisition constituted part of the acquisition costs. The non-controlling interest (formerly, "minority interest") was measured as the relevant share of the identifiable net assets of the acquired company.

In the case of business combinations achieved in stage, individual acquisition transactions were recorded separately. Interest acquired subsequently did not affect the goodwill from the previous acquisition transaction.
When the Group acquired a company, embedded derivatives accounted for separately by the acquired company at the time of the acquisition were only revalued if the business combination resulted in a change to the contract terms which would have caused significant changes to the payment flows otherwise resulting from the contract.

A contingent consideration was only recognized if the Group had a present obligation, more likely to result in an outflow of resources embodying economic benefits than not, and a reliable estimate could be made. Subsequent adjustments to the contingent consideration affected the goodwill.

Subsidiaries

The Group's consolidated financial statements comprise FIS 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 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. As at December 31, 2012, the non-controlling interests correspond to the part of the total net profit for the period and the net worth of Silicon Micro Sensors GmbH (SMS), which are attributable to shares the Group does not hold (minority interests). Non-controlling interests are recognized separately in the income statement and under equity capital in the consolidated balance sheet. Recognition under equity is presented in the consolidated balance sheet 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 incurred by a subsidiary are allocated to non-controlling interests even where this results in a negative balance.

The following companies were included as fully consolidated subsidiaries in the consolidated financial statements (the FIS ownership interest is identical to the current direct or indirect voting rights):

Company	Head office	Core business activity	Ownership interest
First Sensor Technology GmbH	Berlin	Development, manufacture and sale of piezoresistive pressure sensors for all industry sectors	100%
Lewicki microelectronic GmbH	Oberdischingen	Manufacture and sale of microelectronic components and assemblies	100%
Microelectronic Packaging Dresden GmbH	Dresden	Manufacture and sale of microelectronic components and assemblies	100%
First Sensor Inc. (ehemals Pacific Silicon Sensor Inc.)	Westlake Village, USA	Development, production and sale of Sensor systems and sale of sensor chips	100%
Silicon Micro Sensors GmbH	Dresden	Development, production and sale of microelectronic and micromechanical sensor systems, components, modules and microsystems	85%
memsfab GmbH	Chemnitz	Development and production of microelectronic sensor systems	100%
Elbau Elektronik Bauelemente GmbH Berlin	Berlin	Developer and manufacturer of sensor modules	100%
Elbau Singapore Pte. Ltd.	Singapur	Developer and manufacturer of sensor modules	100%
Klay-Instruments B. V.	Dwingeloo, Netherlands	Industrial solutions	100%
Sensortechnics Ltd. (formerly Pressure & Flow Ltd.)	Rugby, England	Sale of sensor modules	100%
Sensortechnics Inc.	Mansfield, USA	Sale of sensor modules	100%
Sensortechnics Corp.	Montreal, Canada	Development of sensor modules	100%
Sensortechnics Scandinavia AB	Kungens Kurva, Sweden	Sale of sensor modules	51%

The following companies in which First Sensor AG held 100% of voting rights were merged with First Sensor AG with effect from January 1, 2013: Silicon Projects GmbH, Berlin (development, production and sale of software and hardware, internet services) and Sensortechnics GmbH, Puchheim (development and sale of high-quality sensor solutions, for example for medical technology), hereinafter First Sensor AG Munich (FSM).

Company acquisitions

Acquisition of the Sensortechnics Group

In financial year 2011, with the approval of the Supervisory Board on September 28, 2011, FIS acquired all the shares in the Sensortechnics Group (hereinafter, SET). The share purchase agreement was signed on September 29, 2011. On payment of the purchase price, FIS took control of SET on October 1, 2011 in accordance with the terms of the agreement.

The Sensortechnics Group comprised Sensortechnics GmbH (development and sale of high-quality sensor solutions in areas such as medical technology), Puchheim near Munich, Elbau Elektronik Bauelemente GmbH Berlin (developer and manufacturer of sensor modules), Berlin, Elbau Singapore Pte. Ltd. (development and manufacture of sensor modules), Singapore, Klay-Instruments B.V. (industrial solutions), Dwingeloo (Netherlands), Sensortechnics Ltd. (formerly Pressure & Flow Ltd.; sale of sensor modules), Rugby (England), Sensortechnics Inc. (sale of sensor modules), Mansfield (USA), Sensortechnics Corp. (development of sensor modules), Montreal (Canada) and Sensor-technics Scandinavia AB (sale of sensor modules), Kungens Kurva (Sweden).

The acquisition of SET was recognized using the acquisition method in accordance with IFRS 3R. The costs relating to the business combination are then allocated to the acquired identifiable assets and the assumed liabilities and contingent liabilities at their fair value at the time of the acquisition. SET expenses and income arising in the period since acquisition on October 1, 2011 were entered accordingly in last year's consolidated financial statement.

The breakdown of the fair values of the identifiable assets and liabilities of SET was as follows:

in € thousand	2011
Property, plant and equipment	6,954
Intangible assets	1,824
Customer-related intangible assets	23,197
Brand-related intangible assets	2,042
Non-current financial assets	137
Other non-current assets	58
Cash and cash equivalents	987
Current financial assets	104
Accounts receivable	5,824
Inventories	15,081
Payments and accrued income and other short-term assets	325
Fair values of identifiable assets	**56,533**
Current:	
Accounts payable	4,352
Bank liabilities	7,397
Other current financial liabilities	2,906
Tax liabilities	69
Tax provisions	1,438
Provisions	734
Other current liabilities	1,429
Non-current:	
Non-current financial liabilities	3,450
Pension liabilities	285
Non-current provisions	149
Other non-current liabilities	26
Deferred tax liabilities	6,975
Fair value of identifiable liabilities	**29,210**
Fair value of net assets	27,323
Goodwill	26,390
Transferred consideration	**53,713**

The fair value of trade accounts receivable amounted to €5,824 thousand which represents the gross value of the trade accounts receivable No trade accounts receivable were impaired and the entire contractual amount is expected to be recoverable.

The costs relating to the business combination totaled €53,713 thousand. An earn out payment of €4,510 thousand (reduced by €490 thousand) was taken into account here. The actual cash outflow and the fair value of the other components of the consideration relating to the company acquisition were as follows:

in € thousand	2011
Considerations – cash and cash equivalents	44,292
Earn Out	4,510
Deferred purchase price	4,750
Transaction costs of the company acquisition recognized as costs of acquisition of the holding	161
Sub-total	53,713
Transaction costs of the company acquisition recognized under equity (net of tax)	543
Transaction costs of the company acquisition entered as expenditure	977
Credit procurement costs	747
Actual cash outflow relating to the company acquisition	55,980

The acquisition of SET resulted in a payment outflow of €55,980 thousand. In financial year 2011, costs not part of the costs of acquisition of the investment amounting to €776 thousand were recognized against equity and €977 thousand were expensed. In connection with the transaction costs recognized outside profit and loss, account was taken of deferred taxes totaling €233 thousand (net €543 thousand). Credit procurement costs of €747 thousand were deducted from the relevant credit liabilities.

Contingent purchase price components amounting to €9,260 thousand are part of the total consideration which comprise an earn out and a deferred purchase price component. The earn out was subsequently reduced by €490 thousand to €4,510 thousand.

Goodwill amounting to €26,390 thousand (taking into account the reduced earn out payment) includes the value of expected synergies resulting from the company acquisition. The Company assumes that the recognized goodwill is not tax-deductible.

Acquisition of memsfab GmbH

In financial year 2011, with the approval of the Supervisory Board on March 25, 2011, FIS acquired all the shares in memsfab GmbH (hereinafter, MSF). The share purchase agreement was signed on June 17, 2011. On payment of the purchase price, FIS took control of MSF on July 1, 2011 in accordance with the terms in the agreement. This acquisition brought access, for example, to research networks (institutes, technical colleges) and expertise which can be implemented for product development in the MEMS area.

The acquisition of MSF was recognized using the acquisition method in accordance with IFRS 3R. The costs relating to the business combination are then allocated to the acquired identifiable assets and the assumed liabilities and contingent liabilities at their fair value at the time of the acquisition.

The breakdown of the fair values of the identifiable assets and liabilities of MSF at the time of the acquisition was as follows:

in € thousand	2011
Property, plant and equipment	
Intangible assets	15
Cash and cash equivalents	31
Accounts receivable	0
Inventories	0
Fair values of identifiable assets	6
Accounts payable	**52**
Accounts payable	0
Other current liabilities	5
Deferred income	0
Fair value of identifiable liabilities	5
Fair value of net assets	47
Goodwill	455
Transferred consideration	502

The fair value of trade accounts receivable amounted to €7 thousand which represents the gross value of the trade accounts receivable No trade accounts receivable were impaired and the entire contractual amount is expected to be recoverable.

The costs relating to the business combination totaled €502 thousand. The actual cash outflow due to the company acquisition is as follows:

in € thousand	2011
Considerations – cash and cash equivalents	500
Transaction costs of the company acquisition	2
Actual cash outflow relating to the company acquisition	502

The acquisition of MSF resulted in a cash outflow of €502 thousand. The transaction costs were expensed in financial year 2011.

Goodwill amounting to €455 thousand includes the value of expected synergies resulting from the company acquisition. The Company assumes that the recognized goodwill is not tax-deductible.

Consolidation adjustments and Group accounting

Subsidiaries are fully-consolidated from the date of acquisition.
The financial statements for the subsidiaries and affiliated companies included in the consolidated financial statements are based on uniform accounting standards and reporting periods/dates which match those of the patent company.

Internal group balances and transactions and resulting internal group profits and dividends between console-dated companies were eliminated in full.

Shares in affiliated companies

Affiliated companies are holdings in which FIS is able to exercise significant influence over financial and business policy. Accounting uses the equity method. The goodwill calculated from the difference between the costs and the share of revalued equity at the time of the acquisition is included in the carrying amount of the affiliated company.

If the carrying amount of the holding exceeds the recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of the fair value less the costs to sell and the value in use. The impairment is recognized in the income statement under "Share in the profit or loss of affiliated companies".

The share in the net income attributable to the interests held by FIS is recognized in earnings from financial investments recognized using the equity method. Proportionate losses and intra-group profits from transactions with affiliated companies, which have to be eliminated, are offset against the carrying amount of the interest in the income statement.

Equity investments were sold in the financial year or, due to the intention to sell, recognized as "assets held for sale" in the income statement at the balance sheet date. After loss offsetting of €35 thousand in the financial year, the depreciation of fair value (€550 thousand) amounted to €287 thousand and was reported as depreciation.

Foreign currencies

The reporting currency of the First Sensor Group is euro which is also the functional currency of the parent company.

Each company within the Group determines its own functional currency. The items contained in the financial statements of each company are measured using this functional currency. Foreign currency transactions are initially translated into the functional currency at the spot rate applicable on the date of the respective business transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency on every reporting date using the rate valid on that day. Any currency differences are recognized in accordance with IAS 21. 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 subsidiaries included in the FIS 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 are converted at the exchange rate valid on the reporting date (December 31, 2012: 0.75792 EUR/USD; 0.62069 EUR/SGD; 1.22534 EUR/GBP; 0.11652 EUR/SEK; 0.76121 EUR/CAD). The income statement is converted at the monthly average exchange rate. The income statement is converted at the monthly average exchange rate. Any exchange differences are recorded as a separate component of equity.

Cash and cash equivalents

Cash and cash equivalents include cash, term deposits and sight deposits.

Cash and cash equivalents are defined according to the Company's cash management. In addition to cash equivalents, this includes short-term current-account liabilities to banks.

Financial assets

Financial assets are generally broken down into the following categories:

- receivables and loans granted,
- derivatives which meet the requirements of hedge accounting,
- Securities in fixed assets.

A financial asset is initially recognized at the acquisition cost which corresponds to the fair value of the consideration; transaction costs are included. Financial assets from usual sales and purchases are recognized as of day of trading.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost applying the effective interest method minus any impairment costs. Amortized 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. Profits and losses are recorded in the total profit or loss for the period if loans and receivables are derecognized or impaired and in the context of amortization.

Financial assets are reviewed for impairment at each balance sheet date. When it is improbable, in the case of financial assets carried at amortized cost, that the Company will be able to collect all loan and receivables due under the terms of the contract, an impairment or value adjustment of the receivables is recognized in the income statement A value adjustment previously expensed will be corrected in the income statement if the subsequent partial recovery (or reduced impairment) can be objectively attributed to an event arising after the original impairment but only insofar that it does not exceed the amount of amortized cost that would have resulted had there been no impairment.

Derecognition

Financial assets or a part of financial assets are derecognized if the First Sensor Group loses control over the contractual rights from which the asset arises.

Recognition of derivatives which meet the requirements of hedge accounting is explained under "interest risks and hedging".

At each balance sheet date, the FIS Group assesses whether a financial asset is impaired. If there is objective evidence of impairment on loans and receivables recognized at amortized cost, the amount of the loss is determined as the difference between the carrying amount of the asset and the cash value of expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the interest rate originally recognized). The carrying amount of the asset is then either reduced directly or an allowance account is used. The amount of the loss is recognized in profit or loss. The FIS Group first assesses whether there is objective evidence of impairment of financial assets that are significant. It then assesses if there is objective evidence of impairment of financial assets that are not significant, individually or collectively. If the Group determines that in the case of a financial asset assessed individually, whether significant or not, there is no objective evidence of impairment, it includes this asset in a group of financial assets with a similar default-risk profile and examines them collectively for impairment. Assets individually assessed for impairment and with for which an impairment loss is or continues to be recognized are not included in a collective impairment assessment.

Offsetting

Financial assets and liabilities are set off only if there is a right at the same time to set off the reported amounts against each other and the intention is to settle on a net basis or to settle the associated liability simultaneously with the realization of the asset.

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 Item 31 for an analysis of the fair values of financial instruments and other relevant details such as how financial instruments are valued.

The carrying amount of financial assets amounted to €12,840 thousand at the balance sheet date.

The net result for financial assets and liabilities amounted to €1,255 thousand for the financial year.

Inventories

Materials and other supplies held for use in the production of inventories are 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.

Work in progress and finished goods are valued at cost or at the lower market value. 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.

In addition to fully-processed wafers, the product portfolio of the Oberschöneweide production site also comprises chips, components and finished products. On account of these production-specific aspects, a retrograde valuation method is applied for the finished products, unlike work in progress. This is based on the order-related proceeds from sale less the average gross margin achieved, the expected spoilage and the manufacturing costs incurred up to completion.

Property, plant and equipment

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. No borrowing costs were capitalized in the financial year just closed. In the case of disposals from tangible assets, the historical cost and the cumulative depreciation are derecognized and a gain or loss from the disposal recorded in the income statement.

Scheduled depreciation is performed on a straight-line basis over the following useful lives.

Buildings	25 - 33 years
Technical equipment and machinery	5 - 15 years
Office furniture and equipment	5 - 14 years

The useful lives and the depreciation methods are reviewed regularly to ensure that the economic benefits are consistent with the period of depreciation.

Assets under development are capitalized at cost and written off on completion and commissioning. Cost includes the production-related full costs. These include the prime costs and production overheads associated with the personnel costs directly related to the construction of assets.

Intangible assets

Intangible assets are capitalized by the FIS Group if,

(a) as a result of past events, the company retains beneficial ownership of the asset and
(b) it is to be assumed that the Company will continue to have beneficial ownership from this asset in the future and
(c) if the asset costs can be reliably measured.

This is the method applied when intangible assets are acquired externally. Internally-generated intangible assets are measured at the directly attributable development costs if all the requirements of IAS 38.57 are met. 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 are required for capitalizing development costs under IAS 38.57 and must be met in the present cases:

1. Technical feasibility of completing the asset so that it will be available for internal use and/or sale;
2. The intention to complete the intangible asset and use or sell it;
3. The ability to use or sell the intangible asset;
4. Evidence of the expected, future economic benefit;
5. The availability of adequate, technical, financial and other resources to complete the development and to use or sell the intangible asset and
6. The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Acquired developments (manufacturing expertise) are also recognized as intangible assets provided they could be reliably measured and that the Company has control over utilization of the results of the development project.

Depreciable, intangible assets are recognized at cost less accumulated amortization and accumulated impairment. Non-amortizable, intangible assets (goodwill) are recognized at cost less accumulated impairment losses. In accordance with IAS 38, amortizable intangible assets are amortized uniformly over their estimated useful life. Amortization begins when the asset is available for use. The period and schedule of amortization are reviewed at the end of each financial year.

(a) Software
New 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 four years using the straight-line method.

(b) Goodwill
On initial recognition, goodwill is measured at cost. The cost is calculated as the excess of the consideration received and the amount of the non-controlling interest over the acquired identifiable assets and liabilities assumed by the Group.
Irrespective of whether any indication of impairment exists, the recoverable amount for the cash-generating unit to which the goodwill applies is calculated annually. If the carrying amount exceeds the recoverable amount, a valuation allowance is recognized.

(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 38.57 can be demonstrated in the case of development costs.

(d) Developments
The FIS Group has acquired development work as part of one of its acquisitions. This is subject to scheduled amortization over 20 years. Amortization begins when the product is marketed. Development work was written down in financial year 2008 so that only a negligible residual carrying amount remains.

(e) Brands
As part of the acquisition of the SET Group, the FIS Group acquired identified assets in the form of brands. With the exception of the Sensortechnics brand, these are not amortized because they have no defined useful life. The Sensortechnics brand is amortized over an estimated useful life of 7 years as of the start of 2012.

(f) Customer base
As part of the acquisition of the STEC Group, the FIS Group acquired customer bases which were recognized as intangible assets. Customer bases are amortized on a straight-line basis over an expected useful life of 6 –

(g) Orders on hand
As part of the acquisition of the SET Group, the FIS Group acquired a number of orders on hand which were recognized under intangible assets. Orders on hand are written off in accordance with the expected life of the underlying contracts by the end of 2015.

(h) Impairment of non-current assets
Tangible 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 tangible 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

In accordance with IAS 37, provisions are reported for obligations with respect to which the timing and amount are uncertain. Provisions should be recognized when, and only when:

a) the company has a present obligation (legal or constructive) as a result of a past event;
b) 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
c) 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.

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 financial expenditure.

Liabilities relating to a potential obligation 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 as contingent liabilities. Contingent liabilities may also result from a current obligation related to past events but not recorded, because:

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

No contingent liability is disclosed if the probability of an outflow of resources with economic benefit is small.

Financial liabilities

Financial liabilities are categorized as follows:

- financial liabilities held for trading and
- other financial liabilities

The financial liabilities reported in the FIS consolidated financial statements were classified as other financial liabilities.

A financial liability is initially recognized at cost which is the fair value of the consideration given; transaction costs are included. After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method. Gains or losses resulting from amortization or derecognition are recognized in the income statement using the effective interest method.

Financial liabilities are no longer reported once they have been settled, i.e. once contractual obligations have been settled, cancelled or have expired.

The carrying amount of the financial liabilities amounted to €71,292 thousand at the balance sheet date.

Employee benefits

Defined contribution plans

Defined contribution plans exist for Management 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 for payments made into state pension schemes.

Share options

As a reward for performance, the Group's employees (including managers) receive share-based remuneration in the form of equity instruments (or equity-settled, share-based transaction).

The costs of granting these equity instruments, after November 7, 2002, are measured at the fair value of the equity instruments at the date they are granted. The fair value is determined using a suitable option pricing model.

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 charged to 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 or not 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 Note 25 for further details).

Provisions for pensions

Pension payments continued for a director taking retirement. Provisions were made for the present value of the pension commitment. The annual pension payments are shown as utilization of provisions.

Government grants

Government grants are recognized if there is sufficient certainty that the grants will be paid out and the company meets the attached 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 and income

Sales of goods and products

Revenue is recognized in accordance with IAS 18 when all the following conditions are met:

- The FIS Group has transferred to the buyer the significant risks and opportunities associated with ownership of the sold goods and products.
- The FIS Group retains neither a continuing managerial involvement to the degree usually associated with economic ownership, nor effective control over the sold items and entitlements.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the enterprise.
- The costs incurred or to be incurred in respect of the transaction can be reliably estimated

In accordance with the principle of accrual basis accounting set down in IAS 18, income and expense relating to the same transaction or event are recognized at the same time.

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.

Dividends

Income is recognized once the legal claim to payment has arisen.

Taxes

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 on the basis of the tax rates and tax legislation effective at the balance sheet date.

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

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 tax liabilities are recognized for all taxable temporary differences with the following exceptions:

- 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 profit as defined under commercial law nor the taxable profit.
- Deferred tax arising from deductible temporary differences in connection with investments in subsi-diaries 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

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

- 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 every balance sheet date and written off 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 be 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 allows the realization of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or a liability is settled based on tax rates (and tax legislation) that have been enacted by the balance sheet date. 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 equity 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 to relate these to taxes levied by the same tax authority on the same tax object.

Value-added tax

Sales revenue, expenses and assets are recognized following deduction of the value-added tax with the following exceptions:

- If the value-added tax incurred on the sale of assets or services cannot be collected by the tax authorities, it is recognized as part of the production costs of the asset or as part of the expenses.
- Receivables and liabilities are reported including value-added tax.

The amount of value-added tax refunded by or transferred to the tax authorities is recognized on the consolidated balance sheet under other assets or other liabilities.

Leases

Determining whether an agreement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

In the case of financial leases, in which basically all opportunities and risks associated with ownership of the lease asset are transferred to the Group, the lease asset is capitalized at the conclusion of the lease agreement. The lease asset is recognized at fair value or at the present value of the minimum lease payments, if this figure is lower. Lease payments are split into financial expenses and the repayment portion of the residual debt so as to produce a constant rate of interest on the remaining balance of the lease debt. Financial expenses are immediately recognized in the income statement.

If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the capitalized lease assets are fully depreciated over the shorter of the two periods, expected useful life and the term of the lease agreement.

Lease payments under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

Risk management, derivative financial instruments and hedging

Credit and liquidity risk

The Group strives to ensure that it has sufficient funds and irrevocable credit lines available to meet its financial obligations in the coming years.

For this purpose, the company has access to credit lines amounting to €8,997 thousand (2011: €21,378 thousand), of which €3,497 thousand is in the form of an overdraft facility. The Company also has access to contingent capital amounting to €21,729 thousand, of which €19,000 thousand is for the issue of convertible bonds. The authorized capital as at December 31, 2012 amounted to €24,607 thousand (December 31, 2011: €479 thousand).

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 amounting to €15,346 thousand 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. The corresponding hedges are only entered into occasionally. Foreign currency risks are reduced by the independent operation of First Sensor Inc. (FSI) and Elbau Singapore.

Interest-rate exposure and hedging

The risk of market interest-rate fluctuations to which the Group is exposed result predominantly from the non-current financial liabilities with variable interest rates. This risk is countered by taking fixed-rate loans and, when variable-rate loans are procured, the use of derivative financial instruments (interest-rate swaps).

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 profit and loss.

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

As at December 31, 2012 and December 31, 2011, FIS only used hedging instruments to hedge cash flows.

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.

There was a €-508 thousand change in the net fair values of interest rate hedging instruments in the financial year just closed.

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, 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.

3. CASH AND CASH EQUIVALENTS

in € thousand	2012	2011
Cash in hand	7	9
Bank balances	12,194	12,791
	12,201	12,800

Bank balances are subject to variable interest rates for money at call. The fair value of cash and cash equivalents amounted to €12,201 thousand (2011: €12,800 thousand).

As at December 31, 2012, the group had unused credit lines for which all conditions had been fulfilled amounting to €8,997 thousand (2011: €21,378 thousand). The utilized money-market or overdraft facility as at December 31, 2012 amounted to €2,734 thousand (2011: €2,495 thousand).

As at December 31, 2012, cash and cash equivalents amounting to €167 thousand are providing loan collateral. Additional cash and cash equivalents amounting to €59 thousand served as a contract performance guarantee, while €119 thousand served as deposits.

4. ACCOUNTS RECEIVABLE

in € thousand	2012	2011
Accounts receivable	12,966	11,227
Less allowances for doubtful accounts	-126	-126
	12,840	11,101

Accounts receivable are not interest-bearing and are generally due within 30 – 90 days.

Zweifelhafte Forderungen aus dem Verkauf von Waren wurden in Höhe von TEUR 126 (2011: TEUR 126) wertberichtigt (GuV-Auswirkung: Aufwand von TEUR 83 (2011: TEUR 39) und Ertrag von TEUR 58 (2011: TEUR 14)). Die Höhe der Wertberichtigung wurde auf Basis vergangener Forderungsausfälle bestimmt.

Die Entwicklung des Wertberichtigungskontos stellt sich wie folgt dar:

in € thousand	Value adjusted
As at January 1, 2011	**62**
Allocation to expenses	39
Utilization	-60
Acquisition of the SET Group	99
Reversal	-14
As at December 31, 2011	**126**
Allocation to expenses	82
Utilization	-24
Reversal	-58
As at December 31, 2012	**126**

As at December 31, 2012, the age structure of accounts receivable is as follows:

in € thousand	Total	Neither past due nor impaired	Past due but not impaired < 30 days	30 - 60 days	61 - 90 days	91 - 120 days	> 120 days
2012	12,840	9,207	2,468	649	159	300	57
2011	11,101	8,810	1,624	373	66	39	189

5. INVENTORIES

in € thousand	2012	2011
Finished products and goods at cost	12,978	12,363
Work in progress at cost	8,146	8,563
Raw materials and supplies at cost	9,966	10,443
Advance payments on inventories	60	0
	31,150	31,368

The write-down of inventories recognized as expense amounted to €1,001 thousand (2011: €78 thousand). This expense was reported under cost of materials and changes in inventories.

To secure the claims under the syndicated loan agreement, an agreement relating to the fiduciary transfer of inventories was concluded. The value of the inventories assigned under this agreement amounted to €20,518 thousand at the balance sheet date.

6. OTHER CURRENT ASSETS

in € thousand	2012	2011
Assets held for Sale	550	0
Prepayments and accrued income	450	661
Receivables from investment grants and subsidies	570	662
Value-added tax receivables	214	726
Insurance claims	125	140
Prepayments and accrued income	124	0
Other	452	558
	2,485	2,747

7. PROPERTY, PLANT AND EQUIPMENT

in € thousand	Land and buildings	Plant and machinery	Office and Goodwill equipment	Advances from customers and machinery under construction	2011 Total
Costs of purchase					
January 1, 2011	14,311	22,660	3,960	2,370	43,301
Additions from FST acquisition	1,596	3,946	996	416	6,954
Additions	458	2,730	978	4,776	8,942
Disposals	0	–954	–273	–21	–1,248
Reclassifications	1,103	3,108	74	–4,318	–33
Exchange differences	11	43	9	0	63
December 31, 2011	**17,479**	**31,533**	**5,744**	**3,223**	**57,979**
Cumulative depreciation					
January 1, 2011	2,678	11,449	2,180	5	16,312
Depreciation	380	2.548	806	0	3,734
Disposals	0	–942	–258	0	–1,200
Reclassifications	0	0	–22	0	–22
Exchange differences	1	6	6	0	13
December 31, 2011	**3,059**	**13,061**	**2,712**	**5**	**18,837**
Net carrying amount January 1, 2011	11,633	11,211	1,780	2,365	26,989
Net carrying amount December 31, 2011	**14,420**	**18,472**	**3,032**	**3,219**	**39,143**

in € thousand	Land and buildings	Plant and machinery	Office and Goodwill equipment	Advances from customers and machinery under construction	2012 Total
Costs of purchase					
January 1, 2012	17,479	31,533	5,744	3,223	57,979
Additions	636	2,378	850	3,868	7,732
Disposals	0	–490	–117	–134	–740
Reclassifications	774	3,648	409	–5,587	–757
Exchange differences	19	56	–3	2	73
December 31, 2012	**18,909**	**37,124**	**6,881**	**1,372**	**64,287**
Cumulative depreciation					
January 1, 2012	3,059	13,061	2,712	5	18,837
Depreciation	699	3,743	1,156	38	5,636
Disposals	0	–111	–96	0	–207
Reclassifications	0	0	0	0	0
Exchange differences	–1	2	5	0	6
December 31, 2012	**3,758**	**16,692**	**3,767**	**43**	**24,260**
Net carrying amount January 1, 2012	14,420	18,472	3,032	3,219	39,143
Net carrying amount December 31, 2012	**15,151**	**20,432**	**3,115**	**1,329**	**40,027**

Standard collateral was provided in the form of financed fixed assets for financial loans.

8. INTANGIBLE ASSETS AND GOODWILL

in € thousand	Orders on hand	Software	Goodwill	Develop-ments	Customer base/ Brands	Advancex for customers	2011 Total
Costs of purchase							
January 1, 2011	288	1,376	12,267	7,202	24,075	209	21,342
Additions from SET acquisition	1,164	1,740	26,880	0	0	0	53,859
Additions from MSF acquisition	0	22	455	0	0	0	477
Additions	0	396	0	1,161	0	789	2,346
Disposals	0	0	0	-68	0	0	-68
Reclassifications	0	339	0	32	0	-361	10
Exchange differences	0	1	0	0	0	0	1
December 31, 2011	1,452	3,874	39,602	8,327	24,075	637	77,967
Cumulative depreciation							
January 1, 2011	108	1,033	9,296	5,707	0	0	16,144
Depreciation (scheduled)	356	272	0	166	556	0	1,350
December 31, 2011	464	1,305	9,296	5,873	556	0	17,494
Net carrying amount January 1, 2011	180	343	2,971	1,495	0	209	5,198
Net carrying amount December 31, 2011	988	2,569	30,306	2,454	23,519	637	60,473

in € thousand	Orders on hand	Software	Goodwill	Develop-ments	Customer base/ Brands	Advancex for customers	2012 Total
Costs of purchase							
January 1, 2012	1,452	3,874	39,602	8,327	24,075	637	77,967
Additions	0	740	0	830	0	398	1,968
Disposals	0	0	-490	0	0	0	-490
Reclassifications	0	15	0	0	0	511	526
Exchange differences	0	-4	0	0	0	0	-4
December 31, 2012	1,452	4,625	39,112	9,157	24,075	1,545	79,966
Cumulative depreciation							
January 1, 2012	464	1,305	9,296	5,873	556	0	17,494
Depreciation (scheduled)	908	509	0	161	2,327	0	3,905
December 31, 2012	1,372	1,814	9,296	6,034	2,883	0	21,399
Net carrying amount January 1, 2012	988	2,569	30,306	2,454	23,519	637	60,473
Net carrying amount December 31, 2012	80	2,811	29,816	3,123	21,192	1,545	58,567

Goodwill as at December 31, 2012 related to Lewicki microelectronic GmbH, Oberdischingen, (hereinafter, LME) amounting to €1,846 thousand (December 31, 2011: €1,846 thousand), First Sensor Technology GmbH (hereinafter, FST) amounting to €1,125 thousand (December 31, 2011: €1,125 thousand), First Sensor AG Munich (FSM) (formerly Sensortechnics GmbH) amounting to €26,390 thousand (December 31, 2011: €26,880 thousand) and MSF amounting to €455 thousand (December 31, 2011: €455 thousand). The subsequent reduction of the purchase price payment by €490 thousand (reduced earn out) reduced the goodwill of First Sensor Munich (FSM) accordingly.

The historical cost of the assets fully amortized at the balance sheet date but still in use amounted to €18,253 thousand.

LME goodwill

FIS reports goodwill amounting to €1,846 thousand resulting from the acquisition of all the shares in LME in financial year 2000.

In accordance with IAS 36, the LME goodwill was tested for potential impairment as at December 31, 2012 on the basis of the value in use taking into account the following assumptions:

- Sales will remain stable from 2012 to 2016.
- A growth rate of 1% in the projection variables for 2016 (terminal value).
- Discount factor of 8.44% (2011: 6.94%) after taxes and 11.31% (2011: 8.02%) before taxes based on the WACC method.

No impairments were necessary as a result of this analysis in financial year 2012. There was no write-down for LME in financial year 2011 either. The Management Board bases it assumptions relating to forecasts for the determination of value in use on past experience.

FST goodwill

FIS acquired all the shares in FST in financial year 2010. This acquisition resulted in goodwill of €1,125 thousand.

In accordance with IAS 36, the goodwill of FST was examined for potential impairment as at December 31, 2012 on the basis of the value in use taking into account the following assumptions:

- Average growth of 21% per annum from 2012.
- A growth rate of 2% in the projection variables for 2016 (terminal value).
- Discount factor of 8.44% (2011: 6.94%) after taxes and 11.31% (2011: 8.02%) before taxes based on the WACC method.

No impairments were necessary as a result of this analysis in financial year 2012. The Management Board bases it assumptions relating to forecasts for the determination of value in use on past experience.

One of the key assumptions in the calculation of the fair value or value in use is the growth rate of 2% (terminal value). Should this assumption, made by the Management Board and supported by market studies, not apply, and were the growth rate to be just 1%, a valuation allowance would be necessary.

SET goodwill

FIS acquired all the shares in the SET Group in financial year 2011. This acquisition resulted in goodwill of €26,390 thousand. See Section "Subsidiaries" under 2 Presentation of Accounting Policies for a detailed description of the SET acquisition.

In accordance with IAS 36, the Sensortechnics Group goodwill was tested for potential impairment as at December 31, 202 on the basis of the value in use taking into account the following assumptions:

- Average growth of 11% per annum from 2012.
- A growth rate of 1% in the projection variables for 2016 (terminal value).
- Discount factor of 8.44% after taxes and 11.31% before taxes based on the WACC method.

No impairments were necessary as a result of this analysis in financial year 2012. The Management Board bases its assumptions relating to forecasts for the determination of value in use on past experience.

MSF goodwill

FIS acquired all the shares in MSF in financial year 2011. This acquisition resulted in goodwill amounting to €455 thousand. See Section “Subsidiaries” under 2 Presentation of Accounting Policies for a detailed description of the MSF acquisition.

Brands

In the context of the acquisition of a 100% stake in the SET Group in 2011, the acquired brands were identified as intangible assets as follows: The Sensortechnics brand (€744 thousand), the ELBAU brand (€500 thousand) and the KLAY brand (€797 thousand). Useful lives have not been defined.

With the exception of the Sensortechnics brand, which is amortized over 7 years as of January 1, 2012 (€638 thousand as at December 31, 2012), no useful life is defined for the brands. There is therefore no scheduled depreciation.

Customer base

In the context of the acquisition of a 100% stake in the SET Group in 2011, the acquired customer bases were identified as intangible assets as follows: Sensor-technics Customized (€9,518 thousand), Sensor-technics Distributed (€263 thousand) Elbau (€8,548), Klay (€3,705 thousand). The customer bases are amortized over an estimated useful life of 6 – 10 years using the straight-line method. The amortization amount amounted to €2,221 thousand in 2012 (2011: €556 thousand). The residual carrying amount was €19,256 thousand at the balance sheet date and is divided as follows: Sensortechnics Customized (€8,328 thousand), Sensortechnics Distributed (€208 thousand), Elbau (€7,479 thousand), Klay (€3,241 thousand).

Orders on hand

As a result of the acquisition of FST in 2010, orders on hand amounting to €288 thousand were capitalized and were amortized over 3 years to the end of 2012 using the straight-line method. In financial year 2012, they were written down by €92 thousand; in 2011, by €88 thousand. The residual carrying amount was €0 at the balance sheet date.

As a result of the acquisition of the SET Group in 2011, the following volumes of orders on hand were identified as intangible assets: Sensortechnics Customized (€56 thousand), Sensortechnics Distributed (€127 thousand), ELBAU (€981 thousand). Estimated useful lives of between 2 and 4 years were determined. The amortization amount amounted to €816 thousand in 2012 (2011: €269 thousand). The residual carrying amount was €80 thousand at the balance sheet date.

Development work

The development work reported following the acquisition of MPD is subject to scheduled amortization over 20 years starting from the initial marketing. The effective amortization charge in 2012 amounted to €23 thousand (2011: €23 thousand). The residual carrying amount is €320 as at the balance sheet date.

Following the business combination with FST, intangible assets of €672 thousand were reported relating to FST’s own developments and technologies. The individual items break down as follows:

Industrial Line	€264 thousand
Harsh-Environmental Line	€111 thousand
K series	€238 thousand
High-pressure sensors	€59 thousand

The intangible assets were measured using a risk-adjusted discount rate of 8%. The intangible assets are amortized over a period of 7 years using the straight-line method. The effective amortization charge is €96 thousand in 2012. The residual carrying amount is €408 thousand as at December 31, 2012.

9. INTERESTS IN AFFILIATED COMPANIES

The following interests in affiliated companies were carried at equity in 2012 and the previous year:

in € thousand	Anteil	2012	2011
Heimann Sensor GmbH	0%	0	208
Vereta GmbH	25,14%	550	771
		550	979

a) Heimann Sensor GmbH

The equity investment was sold in January 2012 for €643 thousand. The sale resulted in a capital gain of €518 thousand.

b) Vereta GmbH

The share in Vereta GmbH amounts to 25.14% as at December 31, 2012 (December 31, 2011: 24.9%). The average number of employees during financial year 2012 was 6 (2011: 6).

in € thousand	2012	2011
Share in the balance sheet of affiliated companies		
– Current assets	65	73
– Non-current assets	19	14
– Current liabilities	112	88
– Non-current liabilities	10	0
– Equity	-38	-40
Share in sales and earnings of affiliated companies		
– Sales	203	218
– Result	-35	25
Carrying amount of interests in affiliated companies	550	771

10. PROVISIONS

in € thousand	Pensions	Warranty	Other	Total
December 31, 2011	**294**	**949**	**70**	**1,313**
Current	0	776	70	846
Medium-/long-term	294	173	0	467
Allocation	19	224	0	243
Utilization	-27	-231	-70	-328
Reversal	0	-178	0	-178
December 31, 2012	**286**	**764**	**0**	**1,050**
Current	2	579	0	581
Medium-/long-term	284	185	0	469

A provision for warranty obligations relating to products sold in the previous two years was classified as a liability. This item was measured on the basis of past experience of repairs and complaints. The majority of these costs are expected to be incurred during the next financial year and the entire sum recorded as a liability utilized within two years of the balance sheet date. The underlying assumptions for the calculations of warranty provisions are based on the current level of sales and also on information currently available regarding complaints relating to sold products within the two-year warranty period.

11. OTHER CURRENT LIABILITIES

in € thousand	2012	2011
Liabilities from company acquisitions	4,750	9,750
Liabilities due to staff	2,651	2,122
Prepaid expenses	3	84
Liabilities from outstanding invoices	1,338	808
Liabilities from income tax and church tax, social security	786	522
Preparation of tax declarations, annual audits	225	235
Contractual obligations to related companies	0	50
Other financial liabilities	1,135	627
Market value of interest-rate hedging instruments		
Other	1,522	2,798
	12,410	16,996

With the exception of some of the interest-rate hedging instruments, the other liabilities are current (due between 1 and 5 years). None of the other liabilities are interest-bearing.

12. FINANCIAL INSTRUMENTS (INTEREST-BEARING LOANS AND LEASING COMMITMENTS)

December 31, 2012 in € thousand	Total	Current up to 1 year	Non-current	of which 1 – 5 years	of which > 5 years
Secured					
Debts from finance, lease and hire purchase agreements	3,243	1,026	2,217	2,162	55
Bank loans					
11 - loan €31.2 million*	25,503	3,815	21,688	21,688	0
11 - loan €3.5 million	3,002	481	2,522	1,897	625
11 - loan €1.5 million	1,500	0	1,500	1,500	0
11 - loan €1.4 million	1,224	223	1,002	835	167
11 - loan €1.0 million I	821	103	718	410	308
11 - loan €1.0 million II	1,000	0	1,000	1,000	0
11 - loan €1.0 million III	1,000	0	1,000	1,000	0
11 - loan €1.0 million IV	1,000	0	1,000	1,000	0
11 - loan €0.8 million	800	800	0	0	0
11 - loan €0.6 million	375	150	225	225	0
11 - loan €0.5 million	348	113	235	235	0
10 - loan €2.0 million	660	660	0	0	0
10 - loan €0.2 million	79	59	20	20	0
09 - loan €3.5 million	2,674	535	2,139	2,139	0
09 - loan €2.0 million	625	500	125	125	0
08 - loan €3.0 million	1,614	208	1,406	834	572
08 - loan €0.1 million II	42	26	16	16	0
07 - loan €3.0 million	1,948	299	1,648	1,198	450
05 - loan €1.5 million I	186	186	0	0	0
05 - loan €1.5 million II	186	186	0	0	0
00 - loan €1.5 million	639	85	554	341	213
Overdraft facility	2,734	2,734	0	0	0
	51,203	**12,189**	**39,014**	**36,624**	**2,390**

* Loan procurement costs amounting to €843 thousand (previous year: €813 thousand) were deducted from the nominal amount of the loans.

December 31, 2011 in € thousand	Total	Current up to 1 year	Non-current	of which 1 – 5 years	of which > 5 years
Secured					
Debts from finance, lease and hire purchase agreements	3,241	1,184	2,057	1,994	63
Bank loans					
11 – loan €34.0 million*	17,590	0	17,590	17,590	0
11 – loan €3.5 million	1,874	375	1,499	1,499	0
11 – loan €2.5 million	2,500	2,500	0	0	0
11 – loan €1.5 million	263	0	263	263	0
11 – loan €1.4 million	1,447	223	1,224	890	334
11 – loan €1.0 million I	923	102	821	411	410
11 – loan €1.0 million II	1,000	0	1,000	1,000	0
11 – loan €1.0 million III	1,000	0	1,000	1,000	0
11 – loan €1.0 million IV	800	0	800	800	0
11 – loan €0.8 million	800	800	0	0	0
11 – loan €0.6 million	525	150	375	375	0
11 – loan €0.5 million	412	85	327	327	0
10 – loan €2.0 million	1,320	667	653	653	0
10 – loan €0.2 million	134	56	78	78	0
09 – loan €3.5 million	3,209	535	2,674	2,139	535
09 – loan €2.0 million	1,125	500	625	625	0
08 – loan €3.0 million	1,822	209	1,613	835	778
08 – loan €0.1 million I	25	17	8	8	0
08 – loan €0.1 million II	66	24	42	42	0
07 – loan €3.0 million	2,247	300	1,947	1,200	747
05 – loan €1.5 million I	371	187	184	184	0
05 – loan €1.5 million II	372	187	185	185	0
00 – loan €1.5 million	724	85	639	341	298
00 – loan €0.8 million	385	45	340	181	159
Other	1,947	1,462	485	485	0
	46,122	**9,693**	**36,429**	**33,105**	**3,324**

* Loan procurement costs amounting to €18,300 thousand were deducted from the nominal amount of the loans amounting to €747.

Loans for €39 million (€34 million and €5 million)

In October, First Sensor AG concluded a syndicated loan agreement for a total of €39 million to finance part of the acquisition of all the shares in Sensortechnics GmbH, Puchheim near Munich, including the acquisition of a minority interest in the Sensortechnics subsidiary, Elbau GmbH. The syndicate members are Commerzbank, Deutsche Bank and Investitionsbank Berlin. The agreement has a five-year term. The loan consists of two tranches: A total of €34 million for the acquisition of the shares including subsequent purchase price components and for settlement of the target companies' financial liabilities, as well as a further €5 million as an operating resources facility. The amount of the first tranche of the syndicated loan was reduced to €31,210 thousand due to a voluntary partial termination of €2,790 thousand on November 21, 2012.
The initial quarterly repayment of Tranche A will be made on March 31, 2013 and the final repayment on September 30, 2016. The remaining Tranche A loan amount of approximately 42% of the original total loan (when drawn down in full) matures as at October 1, 2016. The working funds facility is repayable in full on October 18, 2016. There is an option to make unscheduled payments during the term of the facility. The interest rate is based on the EURIBOR plus a standard margin. Hence, the market value and carrying amount of the loan are identical because future market conditions will be factored in due to the variable interest rate. The initial margin will be reduced if there is an improvement in the debt/equity ratio.

In addition to First Sensor AG, a total of six subsidiaries (post-acquisition) share liability under the loan agreement. Collateral is provided by storage assignment (excluding customer inventories) of German debtors. The carrying amount of the assigned goods amounted to €20.5 million as at December 31, 2012. By December 31, 2012, a total of €30.7 million had been drawn down under the loan facility, €4.5 million of which under the working funds facility. Finance charges of €0.7 million were recorded as deducted from this amount. The Company undertook to comply with certain key ratios (covenants): the debt/equity ratio, the equity ratio and the interest-cover ratio. A failure to comply with the financial benchmarks entitles the lenders to demand termination on exceptional grounds. The applicable covenants for 2012 were complied with.

First Sensor AG has undertaken to arrange interest hedging for at least 50% of the loans. The interest-rate hedging instruments are set down in Note 31.

Finance leases

The Group has signed finance leases and hire purchase contracts for a range of technical machinery and office equipment. The future minimum payments under finance leases and hire purchase contracts can be reconciled to their present values as follows:

December 31, 2012 in € thousand	Minimum lease payments	Cash value of the minimum lease payments
Within one year	1,026	962
Between one and five years	2,162	2,150
Over 5 years	55	55
Total minimum lease payments	**3,244**	**3,168**
Less interest expense following discounting	-76	0
Present value of the minimum lease payments	**3,168**	**3,168**

December 31, 2011 in € thousand	Minimum lease payments	Cash value of the minimum lease payments
Within one year	693	648
Between one and five years	1,094	1,021
Total minimum lease payments	**1,787**	**1,669**
Less interest expense following discounting	-118	0
Present value of the minimum lease payments	**1,669**	**1,669**

As at 31 December 2012, the net carrying amount of the technical equipment and machinery financed by means of lease agreements and pledged to the lessor amounted to €3,080 thousand (previous year: €1,594 thousand). Leased assets with a net carrying amount of €866 thousand were added in this financial year.

13. OBLIGATIONS ARISING FROM EMPLOYEE BENEFITS

Pension plans

In addition to payments into state pension schemes amounting to approximately €2,107 thousand (2011: approximately €1,127 thousand), the Company makes payments into contribution-based plans for members of the FIS Management Board, directors of subsidiaries and managers amounting to €193 thousand (2011: €165 thousand).

Share option plan

The First Sensor Group currently has three share option schemes under which options to acquire common shares are granted to the work force and the Management Board: one share option set up in 2006 ("SOP 2006"), one in 2009 ("SOP 2009") and one in 2011 ("SOP 2011").

	SOP 2006	SOP 2009	SOP 2011
Annual General Meeting resolution	15.06.2006	09.06.2009	09.06.2011
Term of the share option	3 years	3 years	3 years
Vesting period (following issue)	2 years	3 years	4 years
Exercise period (following expiry of vesting period)	5 years	5 years	5 years
Maximum subscription right (total volume)	233,000	290,000	120,000

Share options are exercised subject to the following conditions:

Exercise price

The exercise price per share is the unweighted average of the closing prices of the First Sensor AG share in the XETRA trading system (or comparable successor) of the Frankfurt stock exchange during the five trading days preceding the announcement of the issue amount of the subscription right, but no less than the proportionate amount of the share capital attributable to one First Sensor AG share.

Shares acquired by exercising the options carry full voting rights and dividend entitlement.

Exercise hurdle

Options can only be exercised if the exercise hurdle has been reached at least once in the six-week period prior to exercise ("exercising window"). The exercise hurdle is deemed reached when the closing price of the company's shares in the XETRA trading system (or another comparable successor) exceeds the exercise price by at least 20% (SOP 2006) or by at least 30% (SOP 2009, SOP 2011) on five consecutive trading days (SOP 2006) or ten consecutive trading days (SOP 2009, SOP 2011).

Blocking periods

The options may not be exercised in the two weeks (SOP 2006) or three weeks (SOP 2009, SOP 2011), prior to the announcement of the quarterly results nor in the period between the financial-year end and the Company's Annual General Meeting at which the appropriation of the profit or loss from the previous financial year is resolved. Options may not be exercised either in the period extending from the day on which the Company publishes a share subscription offer to its shareholders or the option to purchase bonds with conversion or option rights in the electronic German Federal Gazette (Bundesanzeiger), until the date on which the company shares are once again quoted "ex subscription rights" on the Frankfurt stock exchange or some other stock exchange (blocking periods).
The same applies even if an exercise window opens during these blocking periods. Furthermore, entitled parties must comply with the restrictions set down in the general legislation such as the German Securities Trading Act (insider trading).

Term /Exercise price

The maximum term (vesting period plus exercise period) for an option is seven years (SOP 2006), eight years (SOP 2009) and nine years (SOP 2011).

SOP 2006:

The SOP 2006 share option scheme has a three-year term. A maximum of 233,000 subscription rights from the total volume for the share option can be issued in yearly tranches to all entitled parties within this term. The subscription rights can only be issued during each nine-month period following the announcement of the previous financial year's results by the Management Board.

In financial year 2006, 130,000 subscription rights (1st tranche) and in financial year 2007, 100,000 subscription rights (2nd tranche) were granted to employees, managers and members of the Manage-ment Board.

The exercise price is the average price for the company's shares in the XETRA trading system (or comparable successor) during the five trading days preceding the announcement of the issue amount for the subscription right, but no less than the proportionate amount of the share capital attributable to one share. The average price for the options issued on June 29, 2006 was €9.33. The average price for the options issued on July 11, 2007 was €18.68.

SOP 2009:

The SOP 2009 share option scheme has a three-year term. A maximum of 290,000 options from the total volume for the share option can be issued in yearly tranches to all entitled parties within this term.

In financial year 2009, 160,000 subscription rights (1st tranche: 80,000, 2nd tranche: 80,000) and in the financial year 2010, 130,000 subscription rights (3rd tranche) were granted to employees, managers and members of the Management Board.
The exercise price is the average price for the company's shares in the XETRA trading system (or comparable successor) during the five trading days preceding the announcement of the issue amount for the subscription right, but no less than the proportionate amount of the share capital attributable to one share. The average price for the options issued on November 17, 2009 was €6.02; the price for the options issued on December 9, 2009 was €5.80 and €7.20 for the options issued on August 25, 2010.

SOP 2011:

The SOP 2011 share option scheme has a three-year term. A total of 120,000 options were issued. In the financial years 2011 and 2012, no subscription rights were granted.

Exercise period

The share options can only be exercised after a two-year vesting period from the issue date (SOP 2006), three-year vesting period (SOP 2009) or four-year vesting period (SOP 2011).

Options are forfeited on expiry of the exercise period, in other words five years after the end of the two-year (SOP 2006), three-year (SOP 2009) or four-year (SOP 2011) vesting period. Options are non-transferable except in the event of the death of the entitled party after having obtained the options. In this case, the heirs of the entitled party are entitled to exercise the options under the same conditions on one occasion. If the employment agreement is terminated by the Company or the entitled person - for whatever reason - the options are forfeited without replacement or compensation to the extent that they cannot be exercised to the end of the employment period. However, this does not apply to rights granted to members of the Management Board.

Options which can be exercised to the end of the employment period may be exercised by the entitled party only to the exercise window following the date employment is terminated.

The following table shows the number and the weighted average exercise prices (WAEP) of the share options granted for financial years 2012 and 2011:

	2012		2011	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the period under review	491,500	9.65	518,000	9.54
Vested at the beginning of the period under review	216,500	6.01	218,000	13.62
Granted during the period under review	0	0.00	0	0.00
Expired during the period under review	6,700	0.10	26,500	7.55
Exercised during the period under review	97,300	1.16	0	0.00
Outstanding at the end of the period under review	387,500	8.40	491,500	9.65
Vested at the end of the period under review	260,700	6.54	216,500	13.65

The weighted average remaining contractual life for share options outstanding as at December 31, 2012 was 3.15 years (2011: 4.37 years).

For options outstanding at the end of the period, the exercise prices range between €6.02 and €18.68 (2011: €9.33 and €18.68).

The personnel expenses recognized relating to the share options granted in 2012 amount to €146 thousand (previous year: €155 thousand).

14. DEFERRED INVESTMENT GRANTS / ALLOWANCES

The deferred investment grants and allowances amounting to €5,521 thousand (previous year: €5,454 thousand) relate to government grants. These were paid out for example 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. The special item grants from customers for development projects amounted to €872 thousand (previous year: €688 thousand). Changes to the deferred income reversed over the useful lives of the subsidized assets were as follows:

in € thousand	2012	2011
January 1	6,143	5,531
Granted during the financial year	795	715
Acquisition of the SET Group	0	469
Released through profit and loss	544	572
December 31	6,393	6,143

The company also received loans which had a lower interest rate due to state-subsidized refinancing conditions at the lending bank.

15. SUBSCRIBED CAPITAL

The share capital reported as subscribed capital on the balance sheet totaled €49,701,365 on December 31, 2012. It was made up of 9,940,273 shares each with a nominal value of €5.00. The share capital of First Sensor AG increased by €486,500 year-on-year.

in € thousand unless otherwise indicated	Common shares (issued and fully-paid)		Amount of share capital	
	2012	2011	2012	2011
Januar 1	9,843	6,626	49,215	33,130
Issue of new shares by cash capital increase - October 2011	0	3,217	0	16,085
Exercising subscription rights from Contingent Capital VI and 2009/II (share options) - December 2012	97	0	486	0
December 31	9,940	9,843	49,701	49,215

Authorized capital

By resolution of the Annual General Meeting held on September 11, 2012, the Management Board was authorized to increase the share capital by up to €24,607,430 by issuing up to 4,921,486 new bearer shares (Authorized Capital 2012/I). The authorization expires on September 10, 2017. The capital can be increased against cash or non-cash contributions. Shareholders are granted subscription rights. Shareholders can also be granted statutory subscription rights indirectly in accordance with Article 186 (5) AktG (German Stock Corporation Act). The Management Board is, however, authorized, with the approval of the Supervisory Board, to disapply the statutory subscription right of shareholders in certain circumstances in accordance with the further provisions of point 5 c) of the agenda of the Annual General Meeting as published in the German Federal Gazette (Bundesanzeiger) on August 2, 2012. The complete text of the resolution is available under agenda item 5 in the agenda of the Annual General Meeting published in the German Federal Gazette (Bundesanzeiger) on August 2, 2012.

The remaining Authorized Capital 2010/I (€479,378) is extinguished by resolution of the Annual General Meeting on September 11, 2012 as entered in the commercial register on September 25, 2012.

As of December 31, 2012, Authorized Capital 2012/I amounted to €24,607,430.

Contingent capital

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

in € thousand		2012	2011
Contingent Capital IV	(2006/I)	1,165	1,165*
Contingent Capital V	(2009/I)	0	3,000
Contingent Capital VI	(2009/II)	964	1,450
Contingent Capital VII	(2011/I)	600	600
Contingent Capital VIII	(2012/I)	19,000	-
		21,729	6,215

* Issue of 233,000 share options with nominal value of €3: €699,000 (total volume), capital increase from company funds with nominal value of €5: €1,165,000, as yet not exercised

Contingent capital as at December 31, 2012 amounted to €21,728,500. The contingent capital increase is carried out

a) only to the extent that the bearers of subscription rights exercise the subscription rights granted under the respective share options, IV (2006/I), VI (2009/II) and VII (2011/I).
b) only to the extent that conversion rights are exercised or bearers with obligations to convert

arising from the convertible bonds meet those obligations (Contingent Capital V and 2009/I).

c) only to the extent that bearers or creditors of convertible bonds or warrants from warrant bonds, which are issued by First Sensor AG or a Group company by September 10, 2017, based on the authorization of the Management Board, exercise their conversion/option rights, meet their conversion/option obligations or tender shares and provided that no other form of fulfillment is used (Contingent Capital VIII and 2012/I). New shares are issued at the conversion/option prices to be determined in accordance with the authorization resolution. The Management Board is authorized, with the approval of the Supervisory Board, to define the further details of the contingent capital increase.

Contingent capital IV (2006/I)

By resolution of the Annual General Meeting held on June 15, 2006, the share capital was contingently increased by a nominal amount of up to €699 thousand by the issue of up to 233,000 new bearer shares with entitlement to profits from the beginning of the financial year of their issue (Contingent Capital IV). The contingent capital increase is carried out only to the extent that the bearers of subscription rights exercise the subscription rights granted under the 2006 share options by virtue of the authorization granted on June 15, 2006.
Contingent Capital 2006/I automatically increased to €1,164,995.30 due to the capital increase from company funds entered on June 26, 2009. The articles of incorporation were therefore amended by resolution of the Supervisory Board on June 8, 2011.
Contingent Capital 2006/I, resolved on June 15, 2006, amounted to €1,164,995.30 at the balance sheet date. No options were exercised under Contingent Capital IV or 2006/I in financial year 2012.

Contingent Capital V (2009/I, convertible bonds)

By resolution of the Annual General Meeting held on June 9, 2009, the share capital was contingently increased by a nominal amount of up to €3,000 thousand by the issue of up to 600,000 new bearer shares with a nominal amount of €5 per share (Contingent Capital V). The contingent capital increase served to grant shares to the bearers of convertible bonds upon exercise of conversion rights. The authorization to issue convertible bonds ends on June 8, 2014. The new shares issued when conversion rights are exercised have entitlement to profits from the beginning of the financial year in which they were issued. The contingent capital increase is carried out only to the extent that conversion rights are exercised or bearers with obligations to convert arising from the convertible bonds meet those obligations.

No convertible bonds were issued in financial year 2012. Contingent Capital V and 2009/I, resolved on June 9, 2009, is extinguished by resolution of the Annual General Meeting held on September 11, 2012; this was entered in the commercial register on September 25, September.

Contingent capital VI (2009/II)

By resolution of the Annual General Meeting held on June 9, 2009, the share capital was contingently increased by a nominal amount of up to €1,450,000 by the issue of up to 290,000 new bearer shares with entitlement to profits from the beginning of the financial year of their issue (Contingent Capital VI). The contingent capital increase is carried out only to the extent that the bearers of subscription rights exercise the subscription rights granted under the 2009 share options by virtue of the authorization granted on June 9, 2009.

Contingent Capital 2009/II, resolved on June 9, 2009, amounted to €963,500 at the balance sheet date (previous year: €1,450,000). 97,300 options were exercised in financial year 2012 under Contingent Capital VI and 2009/II.

Contingent Capital VII (2011/I)

By resolution of the Annual General Meeting held on June 9, 2011, the share capital was contingently increased by a nominal amount of up to €600,000 by the issue of up to 120,000 new bearer shares with entitlement to profits from the beginning of the financial year of their issue (Contingent Capital VII). The contingent capital increase is carried out only to the extent that the bearers of subscription rights exercise the subscription rights granted under the 2011 share options by virtue of the authorization granted on June 9, 2011.

Up to now, no share options have been issued on the basis of Contingent Capital VII or 2011/I.

Contingent Capital VIII (2012/I)

The Annual General Meeting of First Sensor AG held on September 11, 2012 authorized the Management Board, with the approval of the Supervisory Board, to issue new bearer or registered bonds with a total nominal amount of up to €76,000,000 with conversion rights or with options rights guaranteed in the form of warrants for the new bearer or registered option bonds or a combination of these instruments up to a total of 3,800,000 new bearer shares in First Sensor AG ("First Sensor shares") with a proportionate amount of share capital of up to €19,000,000 ("bonds").

The bonds are to be offered to shareholders for subscription; they may also be issued to banks with the obligation to offer them to shareholders for subscription. The Management Board is, however, authorized, with the approval of the Supervisory Board, to disapply the subscription right of shareholders for the issue of convertible or warrant bonds in certain circumstances in accordance with the further provisions of point 6 c) (6) of the agenda of the Annual General Meeting published in the German Federal Gazette (Bundesanzeiger) on August 2, 2012. The complete text of the resolution is specified under agenda item 6 in the agenda of the Annual General Meeting published in the German Federal Gazette (Bundesanzeiger) on August 2, 2012.

To service the resulting conversion and option rights and to fulfill resulting conversion obligations, the Annual General Meeting held on September 11, 2012 authorized the Management Board, with the approval of the Supervisory Board, to contingently increase the share capital of First Sensor AG up to September 10, 2017 by up to €19,000,000 through the issue of up to 3,800,000 new bearer shares (Contingent Capital 2012/I).

In financial year 2012, no convertible or warrant bonds were issued on the basis of Contingent Capital VIII or 2012/I.

16. RESERVES

Changes to reserves in financial year 2011 and 2012 were as follows:

in € thousand	Share premium	Revenue Profits	Unrealized earnings/ losses	Total
January 1, 2011	**2,136**	**-404**	**-90**	**1,642**
Capital increase	16,085			16,085
Acquisition of minority interests	-800			-800
Transaction costs*	-543			-543
Appropriation of balance sheet loss	-1,161			-1,161
Share-based remuneration		155		155
Net loss from cash flow hedge			-494	-494
Deferred tax asset related to cash flow hedge			148	148
December 31, 2011	**15,717**	**-249**	**-436**	**15,032**
Capital increase	82			82
Allocation to revenue reserves		1,004		1,004
Share-based remuneration	146		146	
Net loss from cash flow hedge			-508	-508
Deferred tax asset related to cash flow hedge			152	152
December 31, 2012	**15,799**	**901**	**-792**	**15,908**

* all disclosures after tax effects accounted for

a) Share premium

Due to the exercising of share option programs in 2012, the capital reserve increased by the exercise price exceeding the nominal value per share (€82 thousand).

b) Retained earnings - share options

Expenses of €146 thousand resulting from the ongoing share options programs allocated to the vesting period (previous year: €155 thousand) was recognized in the income statement under Personnel expenses and as addition to retained earnings.

c) Reserve for unrealized profit/loss

The portion of the profit or loss from a cash flow hedging instrument, that is determined to be an effective hedge, is recorded in this reserve.

Exchange equalization items

In the consolidated balance sheet, another reserve is reported within equity for foreign exchange differences (exchange equalization items). This reserve is for recognizing the differences arising from the conversion of the financial statements of the foreign subsidiaries.

17. SALES

in € thousand	2012	%	2011	%
Germany	54,709	48.88	32,957	50.56
Europe	43,806	39.13	22,330	34.26
USA	4,898	4.38	3,974	6.10
Other	8,523	7.61	5,921	9.08
	111,936	**100.00**	**65,182**	**100.00**

Revenue primarily resulted from the sale of customized optical and non-optical semiconductor sensors and systems.

18. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in € thousand	2012	2011
Costs subsidies for research and development	938	331
Income from government grants		
• Investment allowances for investments	450	511
• Investment grants	95	61
Income from other benefits in kind	561	347
Prior-period income	91	114
Insurance claim payments	27	175
Proceeds from reversing provisions	670	191
Income from the sale of interests	518	0
Other	563	556
	3,913	2,286

19. CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

in € thousand	2012	2011
Work in progress	-425	961
Finished goods	1,642	807
	1,217	1,768

20. OTHER OWN WORK CAPITALIZED

Capitalized costs in 2012 amounted to €2,098 thousand (previous year: €1,581 thousand), of which €1,708 thousand was attributable to capitalized development costs in accordance with IAS 38.57. Other capitalized costs relating mainly to measures connected to the FST relocation, the expansion of capacities (supply of media and machines) and technology at the production site in Oberschöneweide and the expansion of the ERP system.

Research and development costs recognized in profit and loss amounted to €7,254 thousand in 2012 and €5,322 thousand in 2011.

21. COST OF MATERIALS/PURCHASED SERVICES

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

in € thousand	2012	2011
Raw materials and supplies	50,437	24,882
Purchased services	4,546	5,068
	54,983	29,950

22. PERSONNEL EXPENSES

The personnel expenses break down as follows:

in € thousand	2012	2011
Wages and salaries	30,554	19,636
Social security contributions including pension plans	5,752	3,654
	36,306	23,290

Personnel expenses include €146 thousand (2011: €155 thousand) in expenditure related to granting share options.

23. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

in € thousand	2012	2011
Costs of premises	2,486	1,741
Advertising costs	297	232
Vehicle costs	980	646
Maintenance expenses	1,251	1,124
Auditing and preparing financial statements /legal and consultancy fees	1,839	1,807
Distribution costs	1,020	614
Losses from disposal of non-current and current assets	39	57
Valuation allowances and derecognition of trade receivables	82	39
Insurance	727	556
Travel costs, corporate hospitality	861	693
Costs of investor relations/public relations	137	234
Communications costs	270	161
Shipping costs	529	258
Warranties	224	334
Packaging materials, goods handling and other operating materials	1,230	807
Annual General Meeting costs	22	57
Supervisory Board remuneration	34	32
Ancillary transaction costs	127	94
Patent costs	68	57
Other	2,269	1,492
	14,492	11,035

24. TAXES ON INCOME

The principal components of the income tax expense for financial years 2012 and 2011 break down as follows:

in € thousand	2012	2011
Current tax expense	1,195	541
Adjustments recognized in the period for current tax of prior periods	-281	-233
Deferred tax income from reversal of temporary differences	-461	47
Income tax expense / income reported on the consolidated income statement	**452**	**355**

The reconciliation of income tax expense with the product of accounting profit and applicable tax rate for the Group with respect to the financial years 2012 and 2011 is as follows:

in € thousand	2012	2011
Pre-tax income	945	812
Tax expense at the 30 % (previous year: 29 %)	285	235
Reconciliation to reported income tax expense		
Current income tax, prior period	-278	-233
Different tax rate in other countries	-88	0
Tax-free disposal of holdings	-149	0
Phase-shifted recognition of income from holdings	432	0
Used, not capitalized tax loss carry forwards	-338	-58
Tax loss carry forwards, not capitalized	-365	359
Additional trade income tax	-84	0
Permanent difference from acquisition transaction	318	0
Non-deductible investment grants		54
Non-deductible operating expenses	0	40
Other	-11	-42
Tax expense	452	355

The deferred taxes as at the balance sheet date break down as follows:

	Consolidated balance sheet		Consolidated income statement	
in € thousand	2012	2011	2012	2011
Loss carry forwards	231	533	-302	-185
Property, plant and equipment	100	103	-3	-3
Financial assets	0	0	0	0
Inventories	-29	0	-29	0
Deferred tax assets resulting from business combinations	157	157	0	-82
Other provisions	302	189	113	0
Deferred tax assets	762	982	-220	-270
Orders on hand acquired in a business combination	24	128	272	107
Own development work	181	90	-91	-90
Adjustment to fair value following acquisition (developments)		0	0	35
Property, plant and equipment	92	101	9	9
Other provisions	0	0	0	-5
Due to affiliated companies	609	529	-248	0
Customer bases acquired as a result of business combinations	5,686	6,352	666	167
Brands acquired as a result of business combinations	580	612	32	0
Deferred tax liabilities as a result of business combination	0	0		0
Deferred tax liabilities	7,171	7,812	641	223
Deferred tax income (previous year: expense)			421	-47

The item Income taxes includes the income tax paid or payable in the respective countries and any deferred taxes. Deferred tax assets amounting to €341 thousand relate to provisions for cash flow hedges recognized outside profit or loss.

Income taxes for 2012 and 2011 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 carry forwards arising from foreign Group companies. The estimated tax loss carry forwards for consolidated companies in Germany do not expire and amount to €4,606 thousand (2011:

€1,076 thousand) relating to corporation tax and €4,581 thousand (2011: €1,438 thousand) with respect to trade income tax.

These were with €2,615 thousand included in the valuation and were capitalized as deferred tax assets. The loss carry forwards are estimated in the absence of tax assessment notices.

25. 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 ordinary shares with dilution effect into ordinary shares.

The following table contains the amounts underlying the calculation of the undiluted and basic earnings per share for 2012:

in € thousand unless otherwise indicated	
Earnings attributable to the bearers of ordinary shares in the parent company	458
Weighted, average number of ordinary shares for the calculation of the diluted earnings per share	9,875
Dilutive effect: Share options	31
Weighted, average number of ordinary shares adjusted for the dilutive effect	9,844

26. NOTES TO THE CASH FLOW STATEMENT

In accordance with IAS 7 “Statement of cash flows”, FIS 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 the operating profit so that interest and tax payments are shown as separate items within the operating cash flow.

Cash and cash equivalents are defined according to the Company’s cash management. In addition to cash equivalents, this includes short-term current-account liabilities to banks. The composition of the cash is expressed as follows.

in € thousand	2012	2011
Cash and cash equivalents	12,201	12,800
Bank borrowings	-2,734	-2,495
	9,467	10,305

27. NOTES TO THE STATEMENT OF CHANGES IN EQUITY

The company did not make any distributions in 2012 (2011: €0 thousand).

28. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

(1) 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 Management Board is of the view that no material obligations will arise from them.

(2) Further financial obligations arise from renting office premises and office equipment, from leases for vehicles and technical office equipment, building leases and from allocations from defined contribution pension plans. The leases have an average term of between 3 and 20 years and, only in the case of building leases, include options to extend and purchase options. No obligations of any kind were imposed on the lessee at the conclusion of these leases.

The other financial obligations arising under these agreements are the following:

in € thousand	2013	2014 bis 2017	ab 2018
Miet- und Leasingaufwendungen	1,872	6,718	3,017
Beitragsorientierte Pensionspläne	84	420	32

The rent and lease expenses payable over the total remaining contractual term amount to €11,607 thousand (previous year: €11,919 thousand). Total expenses for rent and lease commitments amounting to €2,054 thousand (previous year: €1,548 thousand) were recorded in financial year 2012 and expensed on the income statement.

29. REPORTING IN LINE WITH IFRS 8

The integrated industrial Group, First Sensor, is a provider of sensor solutions for many different sectors. The individual subsidiaries of the First Sensor Group occupy different positions in the value chain (component, module, system) for the production 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. The FIS Group is controlled through the monitoring of the financial performance, development of investments and working capital of its individual legal units. Control is based on earnings before interest and taxes (EBIT) as prescribed by the German Commercial Code. Control is based on earnings before interest and taxes (EBIT) as prescribed by the German Commercial Code. Every month, the results of FIS and its subsidiaries are measured, processed and then analyzed by the Management Board. These business units do not represent segments as defined in IFRS 8. Reports are made available to the Supervisory Board ahead of its meetings.

The other disclosures required under IFRS 8 are shown below:

Geographical segment

Sales in € thousand	2012	2011
Germany	54,709	32,957
Europe	43,806	22,330
USA	4,898	3,974
Other	8,523	5,921
	111,936	65,182

The above information on segment sales is reported according to the location of the customer.

Non-current assets and investments in non-current assets relate almost exclusively to Germany and only to a small degree to the USA and Singapore.

30. TRANSACTIONS BETWEEN RELATED PARTIES

Transactions with individuals or companies who may be subject to the influence of the reporting company or who may exert an influence over the reporting company 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 the FIS Group:

Management Board

Dr. Hans-Georg Giering, Deuben
Joachim Wimmers, Berlin, since March 1, 2012
Dr. Ingo Stein, Berlin, until March 31, 2012

Current remuneration for the members of the Management Board amounted to the following in financial year 2012:

in € thousand	Dr. Giering	J. Wimmers	Dr. Stein	Total	Previous year
Non-performance-related earnings	394	194	65	653	670
Performance-related earnings	171	80	0	251	224
Total	565	274	65	904	894

The non-performance-related payments also include cash benefits for the private use of company cars by members of the Management Board and the employer contribution to health and long-term care insurance. Furthermore, payments amounting to €110 thousand (2011: €108 thousand) were made into defined contribution pension plans for members of the Management Board. Together with the share options, these comprise the remuneration components with long-term incentive effect. No share options were granted to the Management Board in the financial year (previous year: 0). Performance-related earnings amounted to €251 thousand (previous year: €224 thousand).

In the event of a change of control at FIS, payment of the cash value of future remuneration due under the terms of his employment contract was agreed for Dr. Hans-Georg Giering in financial year 2009. This payment is limited to two annual salaries. In addition, account is to be taken of the higher amount of the previous and current year bonus.

A lump sum benefit of €240 thousand is to be paid to Mr. Wimmers in the event of a change of control, provided that he resigns within two months of the change of control.

At the balance sheet date, members of the Management Board hold a total of 100,000 options (2011:190,000). As at the balance sheet date, the former member of the Management Board, Dr. Stein, still holds 10,000 options (2011: 40,000) and the former member of the Management Board, Dr. Kriegel, still holds 80,000 options (2011: 80,000), which are not extinguished as a result of their retirement in accordance with the arrangements under their employment contract.
Of the total 190,000 options outstanding as at December 31, 2012, 160,000 options can be exercised as at the balance sheet date.

A payment of €448 thousand became due upon the retirement of Dr. Stein.

No other remuneration was paid to members of management or their surviving dependents.

Supervisory Board

Remuneration for the members of the Supervisory Board including attendance fees amounted to €33 thousand in financial year 2012 (2011: €32 thousand). The Supervisory Board remuneration including attendance fees for the year 2012 and unpaid as at the balance sheet date amounted to €20 thousand.

No share options were granted to members of the Supervisory Board.

Other related parties

Heimann Sensor GmbH, Dresden

in € thousand	2012	2011
MPD sales with Heimann Sensor GmbH	116	127
Earnings from holdings	82	60
Total	**198**	**187**

The equity investment in Heimann Sensor GmbH (24.9%) was sold in January 2012. Revenue resulted from production services.

Vereta GmbH, Einbeck (affiliate: 25.14% [previous year: 24.9%] holding):

Under the terms of the agreement, FIS undertook to Vereta GmbH to pay into the capital reserves in accordance with an agreed milestone plan. Payments amounting to €150 thousand were made on this basis in 2012.

Transaction overview:

in € thousand	2012	2011
Other operating income	66	0
Purchased services	-4	-102
Other operating expenses	-27	0
Turnover commission	200	0
Payments to capital reserves	150	250

Other income resulted from sales of assets.

31. FINANCIAL RISK MANAGEMENT

Risk management for financial instruments

The Group also operates internationally so that it is exposed to market risks related to exchange-rate changes. The company also finances its operations partly with bank loans which involve interest-rate risks. The company hedges the interest-rate risk. Foreign currency risks are reduced by the independent operation of FSI. In addition to trade receivables, the company's main financial instruments comprise cash and cash equivalents and bank liabilities. The aim of these financial instruments is to finance business operations. The principal risks result from default, liquidity, currency, interest-rate and fair value risks.

The principal financial instruments used by the Group – with the exception of derivative financial instruments – include bank loans and overdrafts, finance leases and hire-purchase agreements and cash and cash equivalents and current deposits. The main purpose of these financial instruments is to finance the Group's activity. The Group has access to various other financial instruments and liabilities such as trade accounts receivable and payable which arise directly in connection with its activity.

The Group also undertakes derivative transactions. These include interest rate swaps and interest caps in order to manage interest rate risks.

Fair value risk

The fair value of the financial assets and financial liabilities is recognized at the amount at which the relevant instrument could be exchanged in a market transaction (excluding forced sale or liquidation) between willing parties. The methods and assumptions applied for the determination of fair values are as follows:

Cash or cash equivalents and current deposits, trade receivables, trade payables and other current liabilities are very close to their carrying amount mainly on account of the short terms of these instruments.

The fair value of unquoted instruments, bank loans and other financial liabilities, obligations under finance leases and other non-current financial liabilities 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.

The Group enters into derivative financial transactions with various parties in particular with banks with good credit rating. Derivatives measured using a valuation technique with input parameters that can be observed on the market are interest-rate swaps and interest-rate caps. 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, yield curves and forward rates for the underlying raw materials. As at December 31, 2011, the marked-to-market-value derivative asset position is considered net of a credit valuation adjustment attributable to derivative counter-party default risk. Changes to the counterparty default risk had no material effects on the assessment of the hedge effectiveness of derivatives attributed to a hedge and other financial instruments measured at fair value.

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 parameter which have a material effect on the recognized fair value are observable, either directly or indirectly.

Level 3: techniques using input parameter which have a material effect on the recognized fair value and are not based on observable market data.

FIS measured specific liabilities at fair value as at December 31 using the level 2 valuation technique. These liabilities included several interest rate swaps.

As at December 31 during the period under review, there were no reclassifications between level 1 and level 2 measurements at fair value and no reclassification into or out of level 3 measurements at fair value.

Interest rate swaps and interest rate cap

The group uses interest rate swaps and an interest rate cap to hedge the net exposure to interest rate risk arising from bank liabilities.

	Payments		Reference amount		Fair value	
in € thousand, unless otherwise indicated	FIS pays	FIS receives	2012	2011	2012	2011
Interest-rate swaps						
Loan €1.5 million I	3.63%	EURIBOR	186	375	-4	-11
Loan €1.5 million II	3.63%	EURIBOR	186	375	-4	-11
Loan €1.0 million I	2.17%	EURIBOR	821	923	-49	-20
Loan €3.0 million	3.83%	EURIBOR	1,614	1,879	-215	-179
Loan €7.4 million	2.15%	EURIBOR	3,700	3,700	-862	-406
Interest-rate caps						
Loan €7.4 million	2.15%	EURIBOR	3,700	3,700	1	15

The stated fair value is based on the market values of equivalent financial instruments as at the balance sheet date (level 2 in the fair value hierarchy). All interest rate swaps were identified for cash flow hedging and classified as effective. The fair values were therefore recognized in equity. The interest rate cap was identified for cash flow hedging and classified as effective.

The risk of market interest-rate fluctuations to which the Group is exposed result predominantly from the non-current financial liabilities with variable interest rates. The following table shows the sensitivity of the consolidated result before tax in the light of reasonably possible changes in interest rates (due to the effects on floating rate debt). All other variables remain constant. There are no effects on group equity.

Interest rate sensitivity

	Increase/decrease in basis points	Impact on pre-tax income € thousand
2012	+15	74
	-10	-49
2011	+15	66
	-10	-44

Currency sensitivity

The Group achieved sales in USD amounting to \$17,577 thousand in 2012. And cash and cash equivalents amount to \$2,732 thousand as at December 31, 2012. The effect on earnings before tax of a fluctuation in the exchange rate of +/- 0.01 €/\$ amounts to +/- €203 thousand or in the case of a fluctuation of +/- 0.10 €/\$, +/- €-2,031 thousand.

Liquidity risk

The Group continuously monitors the risk of a liquidity squeeze using a planning tool. This tool assesses the terms of financial investments and financial assets (for example; receivables, other financial assets) together with expected cash flow from the business activity.

As at December 31, 2012, the Group's financial liabilities show the following maturities. All data is based on contractual, non-discounted payment.

Financial year as at Dec. 31, 2012	Maturity up to 1 year	1 - 5 years	Over 5 years	Total
in € thousand				
Interest-bearing loans	12,189	36,624	2,390	51,203
Accounts payable	7,679	0	0	7,679
Financial derivatives	364	754	21	1,139
Other liabilities	11,271	0	0	11,271
Total	**31,503**	**37,378**	**2.,411**	**71,292**

Financial year as at Dec. 31, 2011	Maturity up to 1 year	1 - 5 years	Over 5 years	Total
in € thousand				
Interest-bearing loans	10,462	32,620	3,324	46,406
Accounts payable	8,131	0	0	8,131
Liabilities to affiliated companies	55	0	0	55
Financial derivatives	451	88	15	554
Other liabilities	11,871	4,750	0	16,621
Total	**30,970**	**37,458**	**3,339**	**71,767**

Capital management

The primary aim of the Group's capital management is to ensure that it maintains a high credit rating and strong equity ratio in order to support its business activity and maximize shareholder value. Minimum equity ratios are stipulated as conditions in some loan agreements. The equity ratio also affects the credit rating which is one of several factors determining the applicable interest rate. The credit rating is also a deciding factor in customers' choice of supplier.

The Group monitors its capital on the basis of the equity ratio:

in € thousand	2012	2011
Equity	69,817	69,132
Balance sheet total	158,595	160,234
Equity ratio	44%	43%

The company has met the minimum capital ratios required by lenders in the relevant loan agreements.

32. FINANCIAL INSTRUMENTS

The FIS Group reported derivative instruments only at fair value (see note on interest-rate swaps and caps in section 31). For all other financial instruments, the carrying amount corresponds to the fair value or the relevant fair values are specified in the notes for the individual balance sheet items.

33. 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).

Management Board

Member of the Management Board

Name	Position on the Board
Dr. Hans-Georg Giering	Chief Executive Officer
Joachim Wimmers	Chief Financial Officer, since March 1, 2012

Ehemalige Mitglieder des Vorstandes

Name	Position on the Board
Dr. Ingo Stein	Member of the Management Board until March 31, 2012

Supervisory Board

Members of the Supervisory Board

Name / Job title	Position on the Supervisory Board	Membership statutory supervisory boards	Membership of comparable domestic or foreign supervisory committees
Prof. Dr. Alfred Gossner *Executive Officer for Finance, Controlling, IT Headquarters of Fraunhofer-Gesellschaft, Munich*	Chairman of the Supervisory Board since September 11, 2012	Bayern Innovativ GmbH, Nürnberg, since 2003	none
Götz Gollan *Executive Officer of Bankhaus Dr. Masel AG, Berlin*	Deputy Chairman of the Supervisory Board since September 11, 2012 Chairman of Supervisory Board, June 9, 2011 to September 11, 2012 Member of the Supervisory Board since June 17, 2010	Crossgate AG, Munich (Chairman), until October 31, 2011 Capitell Vermögens-Management AG, Frankfurt am Main Augusta Technologie AG, Munich, until August 10, 2012	none
Volker Hichert *Managing Director Parcom Deutsche Private Equity, Munich*	Member of the Supervisory Board since September 11, 2012	none	Availon GmbH, Rheine (Member of the Advisory Council) Westfalia Automotive GmbH, Rheda-Wiedenbrück (Member of the Advisory Council) proFagus Holding GmbH, Bodenfelde (Member of the Advisory Council)

Former members of the Supervisory Board

Name / Job title	Position on the Supervisory Board	Membership statutory supervisory boards	Membership of comparable domestic or foreign supervisory committees
Dr. Helge Petersen *Managing Director of Petersen, Waldheim & Cie. GmbH, Frankfurt am Main*	Deputy Chairman of the Supervisory Board June 9, 2011 to September 11, 2012 Member of the Supervisory Board since June 9, 2011	none	Häusermann GmbH, Gars, Austria (Member of the Advisory Council)
Dieter Althaus *Vice President Governmental Affairs, Magna Europe, Heilbad Heiligenstadt*	Member of the Supervisory Board, June 9, 2011 to September 11, 2012	Pax-Bank e. G., Köln	none

Compensation report in accordance with Article 160 (1) 8 HGB

First Sensor AG has published the following announcements relevant at the time of the preparation of the Notes in accordance with Article 21 (1) German Securities Trading Act (WpHG), by December 31, 2012 and by publication of the annual report and published in accordance with Article 26 (1) WpHG.

Reportable name/company	Residence/head office	Date of notification	Date threshold touched	Date of publication	Threshold value reached exceeded/fallen below	Level of voting share at time of notification %	Voting rights	Allocation according to
ING Insurance Topholding N.V.	Amsterdam, Netherlands	22.02.2012	29.12.2011	23.02.2012	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to ING Insurance Topholding N. V.: The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more: – ING Verzekeringen N.V., – ING Insurance Eurasia N.V., – Nationale Nederlanden Nederland B.V., – Nationale Nederlanden Levensverzekering Maatschappij N.V., – Parcom Capital B.V., – Parcom Deutschland I GmbH & Co KG, – Alegria Beteiligungsgesellschaft mbH.								
Upolu Holding Inc.	Tortola, British Virgin Islands	16.05.2012	14.05.2012	16.05.2012	Fallen below 3%	0.00	0	–
Bankhaus Lampe KG	Bielefeld, Germany	15.05.2012	14.05.2012	16.05.2012	Exceeded 3% and 5%	8.27	814,230	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to Bankhaus Lampe KG: The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more: – Lampe Beteiligungsgesellschaft mbH.								
Lampe Beteiligungs-gesellschaft mbH	Düsseldorf, Germany	16.05.2012	14.05.2012	21.05.2012	Exceeded 3% and 5%	8.27	814,230	–

Employees

The average number of employees in financial year 2012 was:

	2012	2011
Germany	664	452
Other countries	89	29
	753	481

The Group had a total of 756 employees as of December 31, 2012 (December 31, 2011: 725 employees).

Fees of the auditor

in € thousand	2012	2011
Audit services	138	172
Other assurance services	7	48
	145	220

The audit fees for the financial statement comprise the audit of FIS, the FIS consolidated financial statement and major subsidiaries of the FIS Group.

Waiver of disclosure pursuant to Article 264 (3) HGB

The following domestic subsidiaries with the legal status of a limited liability corporation have met the conditions for claiming exemption under Article 264 (3) HGB and have thus exercised the option not to publish annual financial statements.

- Lewicki microelectronic GmbH, Oberdischingen
- Elbau Elektronik Bauelemente GmbH Berlin, Berlin

34. CORPORATE GOVERNANCE

The Management Board and the Supervisory Board have issued a declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act) and this is permanently available on the Company web site.

Berlin, March 26, 2013

First Sensor AG

Dr. Hans-Georg Giering	Joachim Wimmers
Chief Executive Officer	Chief Financial Officer

AUDIT CERTIFICATE

We have given the following audit certificate for the consolidated annual financial statements and the consolidated management report which has been combined with the company management report:

"We audited the consolidated financial statements comprising the balance sheet, the statement of comprehensive income, the consolidated cash flow statement, the statement of changes in equity and the Notes to the financial statements including the segment report, prepared by First Sensor AG, Berlin, and the consolidated management report which has been combined with the company management report for the financial year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and consolidated management report pursuant to IFRS as required in the EU, and in addition the provisions of commercial law pursuant to Article 315a (1) HGB (German Commercial Code) is the responsibility of the company's legal representatives. It is our duty to assess the consolidated financial statements and consolidated management report based on our audit. In addition, we were asked to assess whether the consolidated financial statements conform to IFRS as a whole.
We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB in accordance with the principles adopted by the German Institute of Public Auditors [Institut der Wirtschaftsprüfer (IDW)] for the audit of financial statements. These standards require that the audit is planned and conducted such that misstatements materially affecting the presentation of the assets, financial and earnings situation in the consolidated financial statements in accordance with the applicable financial reporting provisions and in the consolidated management report are detected with reasonable certainty. In determining the audit procedures, knowledge of the business activities and economic and legal environment of the Group as well as expectations as to potential misstatements are taken into account. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report are examined primarily on a random test basis. The audit includes assessment of the financial statements of the companies included in the consolidation, the definition of the scope of consolidation, the accounting policies and principles of consolidation and the significant estimates made by the legal representatives and appraising the overall presentation of the consolidated financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit , the consolidated financial statements comply with IFRS as required in the EU, and in addition the provisions of commercial law pursuant to Article 315a (1) HGB and, in accordance with these provisions, give a full and fair view of the assets, financial and earnings situation of the Group. The consolidated management report is consistent with the consolidated financial statements and, overall, provides a fair view of the situation of the Group and presents the opportunities and risks inherent in its future development."

Berlin, March 26, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Plett	Mattner
Auditor	Auditor

DECLARATION OF COMPLIANCE (BALANCE SHEET OATH) PURSUANT TO ARTICLE 264 (2) P. 3, 289 (1) P. 5 HGB (GERMAN COMMERCIAL CODE)

To the best of our knowledge, and in accordance with the applicable reporting principles for consolidated reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the consolidated management report of the Group 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 over the remainder of the financial year.

Berlin, March 26, 2013

First Sensor AG

Dr. Hans-Georg Giering	Joachim Wimmers
Chief Executive Officer	Chief Financial Officer

DECLARATION BY THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF FIRST SENSOR AG WITH RESPECT TO THE RECOMMENDATIONS OF THE GOVERNMENT COMMISSION GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO ARTICLE 161 AKTIENGESETZ (GERMAN STOCK CORPORATION ACT)

With the exception of deviations from the recommendations listed below, First Sensor AG complies with the recommendations of the Government Commission German Corporate Governance Code (Code) published by the Federal Ministry of Justice in the regulatory section of the German Federal Gazette in the current version from May 15, 2012 and has complied with the recommendations of the Code in the version from May 26, 2010 since issuing the last declaration in March 2012 subject to the limitations listed in the declaration of compliance.

- In line with **Article 3.8 (3)** of the Code, a deductible in accordance with the guidelines shall be agreed in any D&O policy for the Supervisory Board.

  There is no deductible for members of the Supervisory Board because, in the company's view, it is easier to recruit qualified members for the Supervisory Board if there is no deductible.

- In accordance with Article **5.1.2 (1)** of the Code, the Supervisory Board together with the Management Board shall ensure there is long-term succession planning.

  The company currently has no long-term succession planning. There has been no requirement for one to date. Long-term succession planning shall be drawn up for the future.

- In accordance with **Articles 5.3.1, 5.3.2** and **5.3.3** of the Code, the Supervisory Board shall form relevant committees.

  The Supervisory Board of First Sensor AG does not form committees. In the light of a Supervisory Board comprising just three members, the company sees no advantages in forming committees.

- In accordance with **Article 7.1.2 (4)** of the Code, the Consolidated Financial Statements should be publicly accessible within 90 days of the end of the financial year end and the interim reports within 45 days of the end of the reporting period.

  The interim reports of First Sensor AG are not generally published within 45 days because publication of the interim reports within the period set down by the Stock Exchange Rules of Procedures of the Frankfurt Stock Exchange is deemed acceptable.

Berlin, March 26, 2013

First Sensor AG

Dr. Hans-Georg Giering	Joachim Wimmers	Prof. Dr. Alfred Gossner
Chief Executive Officer	Chief Financial Officer	Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

For First Sensor AG, the 2012 financial year was characterized by post-merger integration and consolidation.

The Supervisory Board fulfilled its duties as prescribed by law, the articles of incorporation and the rules of procedure in the reporting year. We regularly advised the Management Board in the course of its management of the Company and regularly reviewed and constantly monitored its activity. The Supervisory Board was directly involved in all decisions of fundamental importance for the Company. The Management Board made regular, prompt and extensive reports to us, both written and verbal, concerning strategic development, business planning, relevant questions relating to the risk situation, risk management and compliance as well as on the current situation of the Group. Any differences between actual business development and the formulated plans and objectives, as well as measures derived from these, were presented to us in detail and the reasons explained. These were then discussed extensively by the Management Board and Supervisory Board.

The Supervisory Board kept itself regularly informed of business development at First Sensor AG and its subsidiaries and was convinced that the management was lawful and regular. In a total of five meetings which were personally attended, five held by telephone and the constituent meeting held on September 11, 2012, the Supervisory Board primarily discussed in detail matters of business policy, corporate strategy, corporate structure and associated measures to increase efficiency with the Management Board.

Agreeing and examining the Company's strategic orientation in the context of post-merger integration and the implementation of the consolidation program with the Management Board constituted two important areas in the work of the Supervisory Board in 2012. These themes ran through all meetings of the Supervisory Board. This included a strategy meeting with a meeting of the Supervisory Board at the same time on January 17 and 18, 2012 which, in addition to the First Sensor AG Management Board and Supervisory Board, was attended by the managers of the Group and its companies. We examined business transactions material to the company on the basis of the reports of the Management Board and external consultants.

In the meeting held on March 27, 2012, the Consolidated Financial Statements and the Annual Financial Statements for the Company were discussed in detail with the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, and subsequently approved and adopted. The remuneration system for the Management Board and the appropriateness of the remuneration paid to the members of the Management Board was also examined at the meeting held on August 29, 2012.

In two meetings of the Supervisory Board held by telephone in June 2012, the Supervisory Board discussed in detail the merger of Sensortechnics GmbH and Silicon Projects GmbH with First Sensor AG on the basis of documentation prepared by the Management Board.

In a resolution of the Annual General Meeting of our Company held on September 11, 2012, Professor Alfred Gossner and Mr. Volker Hichert were elected members of the Supervisory Board in place of Dr. Helge Petersen and Mr. Dieter Althaus who both resigned at their own wishes. The Supervisory Board expresses its thanks to the members leaving the Board on behalf of all the shareholders for the successful work carried out unfailingly for the benefit of the Company.

In its constituent meeting held on September 11, 2012, the Supervisory Board unanimously elected Professor Gossner as Chairman and the previous Chairman Götz Gollan as his Deputy.

In the meetings held in December 2012, in addition to business planning and a range of other topics, it was discussion of the future corporate and management structure and the continuation of consolidation which constituted the focal point of the consultations with the Management Board.

As part of a structured process involving intense personal commitment on the part of the members of the Supervisory Board, the Board recruited a highly-experienced and skilled manager in the person of Mr. Joachim Wimmers to become the Company's new Chief Financial Officer and successor to Dr. Ingo Stein who resigned with effect from March 31, 2012. Mr. Wimmers was appointed as a member of the Management Board with effect from March 1, 2012.

In addition to the above, a range of meetings were held between the Management Board and the Chairman and other members of the Supervisory Board. The Supervisory Board has not formed any separate committees but always discussed collectively. All the current members of the Supervisory Board attended all three meetings. The efficiency of the Supervisory Board's activity was reviewed at the meeting held on August 29, 2012 and, as a result, the reporting procedures were refined among other things. There were no conflicts of interest in the Supervisory Board during financial year 2012.

In its meeting held on March 27, 2012, the Supervisory Board examined in depth the content of the German Corporate Governance Code. Information on Corporate Governance within the Company together with a detailed report on the level and structure of Supervisory Board and Management Board remuneration can be found on page 15 et seq. and 70 et seq. of this Annual Report. At the meeting mentioned above, the Management Board and Supervisory Board decided to issue a declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act). More details are available on pages 73 et seq. of this Annual Report. The declaration of compliance shall be permanently accessible to shareholders on the Company website.

The Consolidated Financial Statements with Management Report and Financial Statements as at December 31, 2012 with Management Report were audited by Ernst & Young GmbH Wirtschaftsprüfungs-gesellschaft, Berlin, and issued with an unqualified audit opinion. The Annual Financial Statements and Consolidated Financial Statements documents and the Management Reports were submitted to the Supervisory Board, were verified by the Board and, at the meeting of the Supervisory Board held on March 26, 2013, were discussed in detail in the presence of the auditors and explained by them. The Supervisory Board approved the 2012 Annual Financial Statements. These are therefore adopted. The 2012 Consolidated Financial Statements were noted by the Supervisory Board with no objections and approved.

The Supervisory Board would like to thank the Management Board and all employees for their dedication and outstanding performance over the past financial year and wishes everyone every success in their future challenges.

Very special thanks go to our existing and new shareholders who have put and continue to put their trust in the company.

Berlin, March 26, 2013

First Sensor AG
The Supervisory Board

Prof. Dr. Alfred Gossner
Chairman

LEGAL NOTICE

This report contains statements of a predictive nature and does not represent any incitement to purchase shares of First Sensor AG, but rather is intended exclusively for information purposes with regard to possible future developments at the company. All future-oriented specifications in this consolidated financial report were produced on the basis of a probability-based plan and represent statements regarding the future which cannot be guaranteed.

FINANCIAL CALENDAR 2013

Date	Topic	Location
2013-05-30	Publication of consolidated interim financial report	
2013-06-25	General meeting	Penta Hotel Berlin Köpenick, Grünauer Str. 1, 12557 Berlin
2013-08-29	Publication of consolidated interim financial report	
2013-11-11 – 2013-11-13	Analysts‘ conference / German Equity Capital Forum 2013	Congress Center at Messe Frankfurt, Frankfurt am Main
2013-11-28	Publication of consolidated interim financial report as at September 30, 2013	

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

INTERNET, INFORMATIONS, CONTACT

This consolidated financial report as at December 31, 2012 is available in German and English.
Both versions are also available for download on the internet at www.first-sensor.com.

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