
Engineering the future

Annual Report 2014

Sensor solutions are synonymous with technical innovation and economic growth. This is because they form the basis for the development and use of intelligent technologies.

First Sensor AG is among the world's leading providers in the area of sensor technology. Our company develops and manufactures both standardized and tailor-made sensor solutions for applications in the industrial, medical and mobility growth markets.

We will be among the top three providers in our core markets by 2019.

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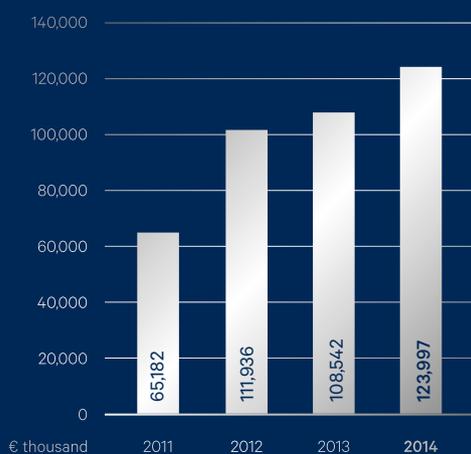
First Sensor in figures

in € thousand, unless otherwise indicated	12M 2014	12M 2013	Δ	Q4 2014	Q4 2013	Δ
Sales revenues	123,998	108,542	15,456	31,784	26,483	5,301
EBITDA	13,547	11,566	1,981	2,461	1,480	981
EBITDA margin (%)	10.8	10.6	0,2	7.8	5.6	2.2
EBIT	4,072	2,744	1,328	-635	-789	154
EBIT margin (%)	3.2	2.5	0,7	-2.0	-3.0	1.0
Net profit for the period*	2,946	4,857	-1,911	-1,518	-1,812	294
Cash flow from operating activities	12,183	13,075	-892	-661	639	-1,626
Cash flow from investment activities	-4,635	-7,145	2,510	107	-631	343
Free cash flow	7,548	5,930	1,618	-554	8	-1,283
Number of shares in thousand	10,131	9,945	186	10,131	9,945	186
Earnings per share (€)*	0.29	0.49	-0.20	-0.15	-0.18	0.03
Incoming orders	139,341	121,411	17,930	29,765	23,784	5,981
Book-to-bill-ratio	1.12	1.11	0.01	0.94	0.90	0.04

in € thousand, unless otherwise indicated	Dec. 31, 2014	Dec. 31, 2013	Δ	in %
Orders on hand	86,428	73,672	12,756	17.3
Shareholders' equity	71,982	70,006	1,976	2.8
Balance sheet total	144,889	144,944	-55	0.0
Equity ratio (%)	49.7	48.3	1.4	
Net debt	-29,726	-35,787	6,061	-16.9
Number of employees (FTE)	756	698	58	8.3

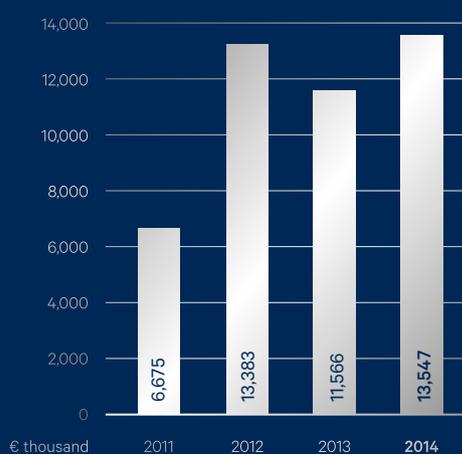
Sales

12M 2011 - 2014



EBITDA

12M 2011 - 2014



At a glance

Sales

revenues
by 14.2%

124.0
€
MILLION

EBITDA

improved
by more than 17%

13.5
€
MILLION

Incoming orders

increased
by 14.8 %

139.3
€
MILLION

Equity ratio

Increase
by 1.4%p

49.7 %

Profile and perspectives

Market orientation and customer focus are the key to corporate success for First Sensor. For us, the development and manufacture of sensor solutions with and for our customers is at the center of our business model. We view markets and customers from a future-focused perspective and ask questions such as: In which direction are the markets developing? What will be needed over the coming years? Where can we offer our customers added value and a competitive advantage? Smart, miniaturized and reliable, our tailor-made sensors and sensor system solutions are the answer to these and similar questions.

Following extensive preparation, we have taken on a new strategic position and organizational structure and implemented this realignment with success in 2014. Our medium-term goal is to be the market leader in the areas of application that are of particular importance to sensor technology. To this end, we have intensively analyzed the global markets and identified three core markets: automotive and transport, industrial applications and medical technology. These core markets have some clear similarities: They combine above-average growth, high profitability and technological attractiveness that can only be successfully occupied by an innovative and competent company like First Sensor.

Our vision

**Our innovation
and excellence
are your success**

Our values

Innovation

development-oriented, impulse-creating, specialized

Excellence

technologically leading, value-creating, sustainable

Proximity

trustful, market- and customer-focused, personal

First Sensor worldwide

First Sensor AG is among the world's leading providers of certified top-quality sensor solutions. Our headquarters are in Berlin. The company is represented with more than 750 employees at six German locations and also has sales and production locations in the USA, Canada, Singapore, the UK, France, Sweden, Denmark and the Netherlands as well as a global partner network.



Australia

China

Germany

Italy

Singapore

United Kingdom

Belgium

Denmark

India

Japan

Spain

United States

Canada

France

Israel

Netherlands

Sweden

For First Sensor,
engineering the future means:

Together
developing
the products
of tomorrow



Our market-oriented, customer-focused strategy has a clear impact on our corporate structure. Since 2014, First Sensor has been organized in three business units: Industrial, Medical and Mobility. These business units are networked across all levels with our competence centers for development and production as well as sales. This new organizational structure enables us to specifically gear our research and development as well as our manufacturing to the performance requirements of both the markets and our customers.

Wherever possible, we work together with our customers in developing new sensor solutions right from the outset. We contribute the technical standards and our expertise, and our customers describe the solution they require. We then work together to configure the tailor-made application. The range extends from individual sensor components to conventional sensors and smart sensor systems.





2

- 1 Headquarters of First Sensor AG
in Berlin
- 2 The Berlin clean room
production facilities

New organizational structure as the basis for market leadership

A key advantage of First Sensor is that we cover the entire value chain of sensor technology, from the wafer to the smart sensor system. We have the necessary in-house technologies to innovatively combine the properties of materials and components in sophisticated processes. Our specialists deal with all aspects of high-quality sensor technology and are therefore able to trigger and implement innovations time and again. This constitutes the ideal basis for implementing new, high-performance products, thereby strengthening our claim of market leadership.

The digitalization of practically all areas of life is extending its impact beyond industry to people's everyday lives. Innovative applications such as smart home automation and the Internet of Things are establishing new growth markets. Sensor technology is taking on the role of a key technology here. Smart sensor solutions for complex applications are drivers for the future. They record the relevant values, process the resulting data and use this as the basis for enabling the appropriate response in an intelligent system. Against this backdrop, we are aiming to secure our leadership in innovation, expand into selected areas and support our customers in developing innovative products with genuine unique selling points as a competent partner.

For the business unit Industrial,
engineering the future means:

Innovative solutions for the automation of industry



Technological advantage for maximum precision

A growing number of industrial sectors are being networked and automated. As a result, demand for intelligent and robust sensor solutions is also growing. The precise measurement of processes in machines and systems is a basic prerequisite for all automation technology. For control purposes, a steadily increasing amount of information is retrieved and processed electronically, which requires all sorts of sensors.

Industrial applications use sensors and sensor systems that allow all types of physical values to be measured: light, radiation, pressure, flow rate, fill level and acceleration. Our sensors monitor all important process parameters, thereby making a key contribution toward the quality, cost-effectiveness and safety of industrial applications. Just like the manufacturing process in general, the sensors and sensor systems used here are also subject to strict quality requirements. First Sensor therefore works according to certified processes and methods when developing and producing sensor solutions for industry. We offer our industrial customers a wide range of technologies that covers the entire value chain, from chips to media-isolated sensors and complex sensor system solutions.

Our business unit Industrial possesses many years of expertise relating to development and production technology as well as a wide range of high-quality sensor solutions that can be adapted to special customer requirements. The key fields of application include length measurement, building automation and air conditioning technology, industrial process monitoring and the areas of radiation and safety. Aviation constitutes another attractive area of application. The requirements here are extremely high in some cases, which in turn benefits our standard applications.

In collaboration with First Sensor, our customers achieve a significant technological advantage in order to manufacture and use durable measuring devices and machines offering maximum precision — in production, quality assurance, research and development or maintenance and monitoring. For example, they are used to measure distance in building and engineering projects, determine flow rates in machine systems, measure fill levels and pressures in tanks and assist with traffic checks as well as X-ray luggage and freight.



- 1 Light sensors support distance length measurement
- 2 Optical sensors ensure machines are optimally aligned



1

Key areas of application for the business unit Industrial are:

Light and radiation sensors for

- distance length measurement
- laser scanners and LIDAR systems
- luggage and container scanners
- passenger counting systems
- laser alignment systems

Pressure, flow rate and fill level sensors for

- analytics and measuring technology
- hydraulic and pneumatic control systems
- heating, ventilation and air conditioning (HVAC) technology
- hydraulic system pressure measurements
- leakage detection, gas analyzers
- fill level monitoring

Inertial sensors for

- monitoring the condition of constructions and buildings



2

For the business unit Medical,
engineering the future means:

Reliable
technology
whenever it
is needed





Medical advances as well as social and demographic changes worldwide are contributing toward dynamic and sustainable growth for the healthcare markets. Medical technology is taking on a key role in this development. Its high technical standards and reliability is largely thanks to tailor-made sensor solutions for medical applications.

Technological requirements are particularly high in the field of medicine. After all, the focus here is on people's health and wellbeing. Quality and reliability are therefore central criteria for all forms of medical technology applications and devices. When it comes to developing and manufacturing sensor solutions for the medical industry, four points are important to the specialists from First Sensor:

- Precision and reliability
- Development and production in compliance with the most stringent quality standards
- Extreme miniaturization and low power consumption
- Focus on long product lifecycles

First Sensor has been manufacturing and supplying sensor solutions for the medical industry for more than 30 years and therefore has extensive experience in this area. It is our specialists' ambition to not only meet standard requirements but also find and implement a solution that is optimum in terms of technology yet also affordable for the relevant measuring task. Medical technology is designed to save lives, enable patient recovery, improve medical treatments and help increase the quality of life for those concerned. We as a company therefore carry particular responsibility that we need and want to fulfill.



Responsibility for sensor technology with the highest level of quality

- 1 Light and radiation sensors facilitate medical diagnosis
- 2 Imaging sensors make computed tomography possible

Thanks to its focus on the highest quality criteria, First Sensor is among the leading producers of sensor solutions for the medical industry. One example is our highly sensitive ultra-low-pressure sensors that detect the onset of even very low spontaneous autonomous breathing, thereby helping to control and improve patients' artificial respiration. Our flow rate sensors quickly and precisely measure and detect flow direction. Their miniaturization makes them suitable even for portable devices. Using our flexible, capacitive fill level sensors, the doctor can determine important values in a contact-free, sterile procedure.

Our medical technology sensor solutions are developed and manufactured according to our customers' specific requirements, which range from the modification of a standard product to the development of a new special sensor and the design of an integrated system comprising multiple components.

Key areas of application for the business unit Medical are:

Light and radiation sensors for

- blood glucose monitors
- pulse oximeters
- computed tomography scanners
- measuring devices for gamma probes

Pressure, flow rate and fill level sensors

- ventilators
- spirometers
- sleep apnea therapy equipment (CPAP)
- anesthesia equipment
- blood pressure measuring devices
- dialysis machines
- infusion pumps



For the business unit Mobility,
engineering the future means:

New ideas for intelligent mobility





1

High-performance innovations for a new era

We are at the beginning of a new era of mobility. Smart mobility has already become part of everyday life in new car models with driver assistance systems from automatic stop-start systems to parking assist systems and options for semi-autonomous driving. The foreseeable future will bring fully autonomous smart cars that transport their passengers from A to B in “driverless mode.”

High-performance, intelligent sensor systems are an essential prerequisite for these highly innovative technologies. Modern cars feature hundreds of sensor components and sensor systems. Market observers estimate the annual growth rate here to be within the double-digit range over the coming years.

First Sensor's business unit Mobility specializes in sensor solutions for all types of car as well as other means of transport. Our tried-and-tested basic technology and high level of application expertise form the basis for manufacturing intelligent, robust and cost-efficient sensor

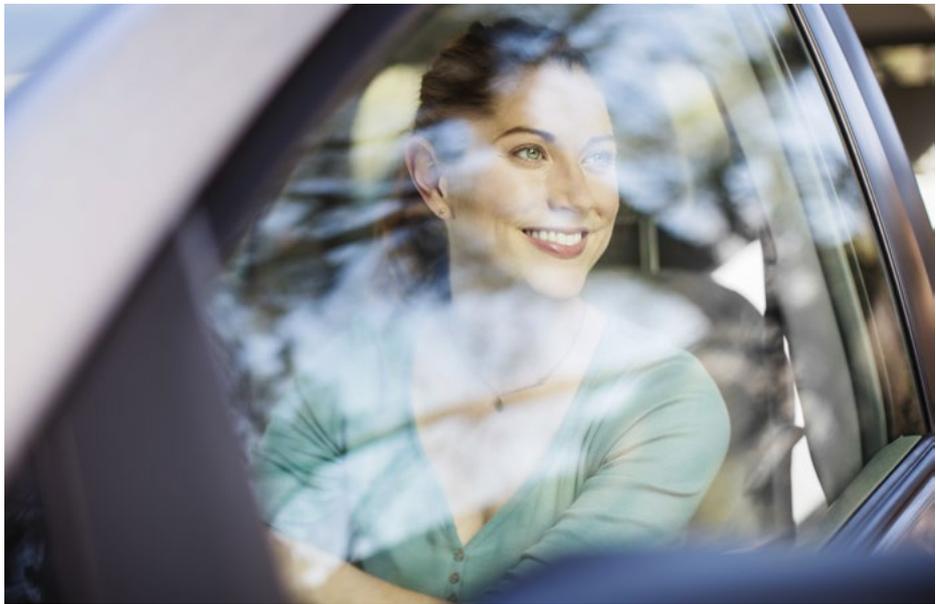
system solutions in line with customer-specific requirements.

Sensors for cars and commercial vehicles must satisfy particularly high requirements. The operating conditions are harsh and the technology must function perfectly when subject to hot and cold temperatures as well as vibration. Our key customers in this market are major car and commercial vehicle manufacturers and system suppliers. On behalf of these customers, we develop, manufacture and supply cameras, sensor components and sensor systems as original equipment for passenger cars, trucks and special vehicles. In addition to this is the aftermarket and retrofit market for these segments. As a development partner and supplier, we cover the entire manufactur-

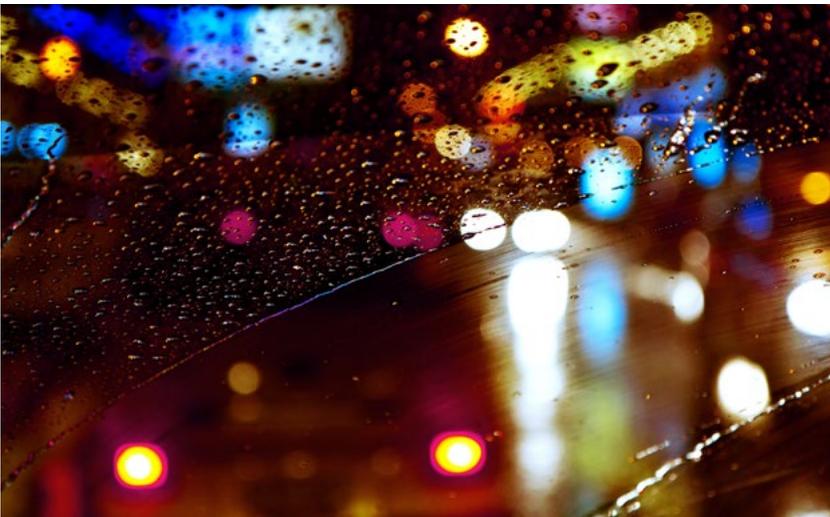
ing process from processing a sensor chip to the ready-to-use sensor or camera system.

The fact that all central components are manufactured in-house ensures the long-term availability of our OEM products for series production and the aftermarket. All customer-specific solutions are developed and manufactured in accordance with the quality management system for the automotive industry ISO/TS 16949.

CMOS cameras constitute a particularly high-growth product segment for our business unit Mobility. They are used in driver assistance systems and detect speed limits, for example, warn drivers of any obstructions and help them to keep to the right lane.



2



3

- 1 Sensors and cameras help monitor traffic
- 2 Optical sensors measure distance and speed
- 3 Camera systems provide assistance in poor visibility

Our pressure sensors represent another central product segment for the mobility market. They are designed for various pressure ranges, from vacuum to high pressure. With their customer-specific electrical connections and pressure connections, their applications include measuring oil, tank and fuel pressure and detecting leaks.

Key areas of application for the business unit Mobility are:

Light sensors and cameras for

- distance and speed measurement (LIDAR)
- adaptive cruise control (ACC)
- distance detection
- traffic sign recognition
- blind spot assist systems
- lane keeping assist
- sun and rain detection

Pressure and fill level sensors for

- monitoring oil and fuel pressure
- automatic stop-start brake systems

1 To our shareholders

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1 CEO, Dr. Martin U. Schefter (on the left)
CFO, Joachim Wimmers

1 To our shareholders

Foreword by the management board

Dear shareholders and business partners,
dear employees,

Our company's positive development in financial year 2014 serves as a clear confirmation of the measures for the strategic and organizational reorientation of First Sensor AG that were initiated in 2013 and that have been systematically implemented since then.

We are proud to present the fruits of our labor to you in this Annual Report 2014.

In our publications during the year, we reported on the sustained positive trend in our business development. This was maintained until the end of the year, with a corresponding positive impact on our company's sales and earnings.

In the period under review, sales increased by 14% year-on-year, from €108.5 million to €124.0 million, while earnings improved significantly.

EBITDA rose by 171% in financial year 2014, from €11.6 million to €13.5 million, while EBIT improved by 48.4%, from €2.7 million to €4.1 million. This corresponds to an EBITDA margin of 10.8% and an EBIT margin of 3.2%.

With these figures, we have exceeded our sales forecast and achieved EBITDA that lies within the target corridor.

Net income also increased from € -0.5 million in 2013 to €0.4 million in financial year 2014, corresponding to a margin of 0.3%. Along with being back in the black again, this serves to underline the profitability of our business model.

We further reduced our net debt as planned and are within the investment grade range.

Engineering the Future: The foundations for our planned market leadership have been laid.

Our aim is to be one of the market leaders in all of our core business areas by 2019.

At the end of the first quarter of 2014, we implemented the necessary strategic and organizational change within First Sensor AG. With the three new business units, Industrial, Medical and Mobility, our company is now optimally geared towards our growth markets.

At the same time, we are adopting a heightened focus on the international market, and especially on expanding our position in Europe, Asia and the USA. We are also aligning our sales and products towards market and customer requirements even more systematically by bundling our knowledge and expanding our product platforms and services. This will allow us to better realize the potential arising from our existing business and accelerate our activities in the area of cross-selling.

Another new feature of the corporate strategy was the creation of the Competence Centers for Development and Production.

The Competence Center Development harnesses cross-site expertise using milestone-based project recording and monitoring. This allows resources to be employed more efficiently throughout the entire First Sensor Group.

The Competence Center Production optimizes the various technologies and production capacities for each location in order to further improve the reliability of delivery and customer satisfaction under a uniform management team.

Another key aspect of the realignment was the establishment of the foundations for a sustainable improvement in the company's

earnings strength. We have achieved this by implementing a lean production project with the aim of improving production efficiency and reducing production-related expenses, among other things. We have also realized additional efficiency improvement and cost optimization measures, such as the targeted bundling of orders on a Group-wide basis.

In 2014, we also successfully implemented a grading project. This will provide our company with a basis for offering performance-oriented, competitive remuneration in future and will be a fixed component of our strategic HR management. The aim is to position our company as an attractive employer for existing and potential future employees alike.

Voluntary takeover bid

Another key topic in 2014 was undoubtedly the voluntary public takeover bid by FS Technology Holding S.à.r.l. to the shareholders of First Sensor AG that was published on July 28, the aim of which was the acquisition of all of the shares in First Sensor AG at a price of €10.33 per share. Following an intensive examination, the Management Board and the Supervisory Board recommended that shareholders did not accept the takeover bid at this price.

By the end of the acceptance period on September 12, the takeover bid had been accepted for a total of 1.54% of the shares. On October 9, the takeover bid was settled and the consideration was paid to those shareholders who had accepted the bid. FS Technology Holding S.à.r.l. submitted a voting right notification stating that its interest in the voting rights of First Sensor AG had exceeded the threshold of 30% on October 9 and amounted to 30.62% on this date.

The challenges ahead: Additional measures to implement our strategy 2019.

Our company is already one of the world's technical leaders in the area of sensor technology, fulfilling the highest quality standards. So that we can maintain this level and increase it even further in future, our activities in the current financial year will focus in particular on the continued development of the strengths of our business units and competence centers.

- In the Industrial business unit, the organization of product management and sales support and the revision and redefinition of processes and interfaces will be on the agenda.
- In the Medical business unit, work will focus on efficiency improvements and process optimization, as well as the modernization of our production technologies. Product management and development will also be reorganized and cooperation in the area of sales and products will continue to be expanded.
- In the current financial year, the Mobility business unit will primarily concentrate on completing the structural changes that have been initiated and defining uniform workflows, as well as working on product launches.
- The Competence Center Development will focus on promising development projects and networked cooperation with sales, product management and manufacturing transfer to production.
- In the Competence Center Production, we will concentrate on expanding our product and service expertise, as well as working to improve our production and delivery efficiency.

We will also continue to press ahead with the substitution of our existing trading business with in-house products, which generate a higher margin. These measures will allow us to largely finance First Sensor's planned growth organically.

In order for us to further expand our market position and increase our high quality level in future, we intend to invest in our employees in the form of targeted training and further education measures, as well as investing in the development of our plant and machinery.

In line with our strategic reorganization, we have also positioned the First Sensor brand and the underlying business units more clearly. Over the coming months, we will realize the various facets of the First Sensor brand both visually and in terms of content. We are proud to be able to give you a first impression of our new corporate image in this Annual Report.

On the right path: Positive outlook for future development.

The realignment of our company began to bear fruit in financial year 2014. For the coming years, our aim is to further expand our good market position in our core markets and sustainably improve First Sensor's sales and earnings strength. The encouraging development in 2014, the successful realization and implementation of an organizational structure that is geared towards growth and income, and the initial momentum generated in the current financial year give grounds for optimism with regard to the future.

We expect to generate sales between €128-€132 million and EBITDA of €14-€16 million in the current financial year.

We would like to take this opportunity to thank our employees for their impressive performance and commitment in the past financial year, without which the realignment of our organizational structure with the new business units and our successful business development would not have been possible. We would also like to thank our shareholders and business partners for the confidence they placed in us in 2014.

We hope you will continue to accompany us on the path to market leadership.

The Management Board



Dr. Martin U. Schefter
CEO



Joachim Wimmers
CFO

128-132

€ million
sales in the current financial year

14-16

€ million
EBITDA in the current financial year

Report of the supervisory board

First Sensor AG can look back on a successful financial year. The key financial ratios clearly show initial results of the measures relating to the strategic and organizational realignment of First Sensor AG. The new organization makes it possible to address customer requirements in more depth, utilize cross-selling potential and achieve significant cost savings from the improvements in efficiency by streamlining processes. With the new corporate structure and the created business units, the foundations for further growth and a successful future for the Group are in place.

In the reporting year, the Supervisory Board fulfilled its duties as prescribed by law, the articles of incorporation and the rules of procedure. It regularly advised the Management Board in the course of its management of the company, and constantly reviewed and monitored its activity. In addition, it was directly involved in all decisions of strategic and fundamental importance to the company. The Management Board regularly notified the Supervisory Board – verbally and in writing – of the current business situation, status of strategy implementation and restructuring of organizational procedures and processes. Matters relating to the risk position, risk management and compliance were also dealt with. Deviations from planning and changes to targets in relation to the internally forecast business development and measures derived therefrom were communicated to the Supervisory Board as the monitoring body, which then discussed them with the Management Board. All relevant information was passed on

promptly and extensively to the Supervisory Board.

Six meetings, including one continued by telephone, and one telephone meeting were held in the last financial year. All the members of the Supervisory Board attended all meetings. In particular, topics such as current business development, the corporate strategy, the realignment of Group structures and the resultant sales and return potential as well as cost savings through efficiency improvements were discussed at the Supervisory Board meetings. These topics were discussed at all meetings of the Supervisory Board. There were also other focal points at the meetings:

At the meeting on February 13, 2014, the members of the Supervisory Board discussed and approved the 2014 budget and the medium-term plan.

Furthermore, an early contract extension for CFO Joachim Wimmers was agreed. In addition, the remuneration system of the Management Board and the appropriateness of the remuneration paid to the members of the Management Board were also examined.

The main points of discussion at the Supervisory Board meeting held on March 25, 2014 were the consolidated financial statements and the annual financial statements of the limited company for financial year 2013. In addition, we dealt with the contents of the German Corporate Governance Code and coordinated and approved the declaration of compliance

pursuant to Article 161 of the German Stock Corporation Act (AktG) at this meeting.

At the meeting on May 22, 2014, the members of the Supervisory Board prepared for the forthcoming Annual General Meeting and reached agreement on the individual agenda items. Following the Annual General Meeting on May 23, 2014, the members of the Supervisory Board held an extraordinary meeting and confirmed Götz Gollan as the Deputy Chairman of the Supervisory Board. The consultancy work of Marc de Jong was also discussed. As a result, it was confirmed that his consultancy services are in line with his Supervisory Board work and do not constitute any conflict.

The takeover bid by FS Technology Holding S.à.r.l. was discussed in detail in an extraordinary meeting on July 31, 2014. In this telephone meeting, the Supervisory Board was informed of the current status of the takeover bid. This took place in the presence of external capital-market consultants and specialists in capital-market law. In connection with this, the joint statement by the Management Board and Supervisory Board pursuant to Article 27 of the German Securities Acquisition and Takeover Act (WpÜG) was extensively discussed and coordinated, and its publication was approved.

In particular, the strategic alignment of the First Sensor Group was presented by the heads of the business units, the head of the Production Competence Center and the head

of sales during the ordinary Supervisory Board meeting on September 2, 2014. This meeting was continued by telephone on October 15, 2014.

The Supervisory Board meeting on December 2, 2014 mainly centered on various strategic topics and budget planning for 2015. In addition, the successful implementation of the harmonization of HR standards was reported on.

In addition to the scheduled meetings, a range of meetings were held between the Management Board and the Chairman and other members of the Supervisory Board. No separate committees were formed.

An efficiency review of the Supervisory Board's activity was conducted using a standardized process of Ebner Stolz Wirtschaftsprüfung GmbH & Co. KG. This did not give rise to any anomalies or clear need for improvement.

As per statutory regulations, the auditors Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, were appointed by the Annual General Meeting on May 23, 2014 to audit the annual financial statements and the consolidated financial statements. Prior to submitting a proposal for appointment, the Supervisory Board obtained a declaration of independence from the auditors.

The financial statements and management report of First Sensor AG prepared by the Managing Board according to the principles of the German Commercial Code (HGB), as well as the consolidated financial statements and

the consolidated management report prepared according to the accounting standards of the International Financial Reporting Standards (IFRS) for the fiscal year 2014, including the accounting, have been audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, and granted an unqualified audit opinion.

Throughout the entire auditing process, the Supervisory Board worked closely together with the Management Board and the auditor.

The Supervisory Board received all final documentation relating to the annual financial statements of the limited company and the Group, the Management Board's proposal on the appropriation of net profit, and the longform audit reports from the auditor before its meeting on March 25, 2015 and had access to it during the meeting. The above-mentioned documents were conclusively examined during this Supervisory Board meeting and discussed in full in the presence of the auditor. The Supervisory Board subsequently concurred with the results of the audit by the auditor and did not raise any objections in the course of its own examination. Accordingly, the separate financial statements of First Sensor AG and the consolidated financial statements have thus been adopted in accordance with Article 172 AktG.

The current declaration of compliance of First Sensor AG was also approved at the same Supervisory Board meeting. Detailed information on corporate governance within the First Sensor Group is available after the notes of this annual report. In addition, the declaration of compliance has been made permanently

available to interested members of the public on the company's website at www.first-sensor.com.

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

In addition the members of the Supervisory Board will seize the opportunity to thank Joachim Wimmers who will leave the company at his own request as of March 31, 2015, for his high sense of personal commitment and his loyal collaboration over three prosperous years.

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

Berlin, March 25, 2015

First Sensor AG

Prof. Dr. Alfred Gossner
Chairman of the Supervisory Board

First Sensor share

Muted share price performance in Q4 / Successful price growth of 17.8% in 2014 as a whole

Market and index comparison of the performance of the First Sensor share in Q4 2014

After more or less stable development in the third quarter, volatility in the trading volume of the First Sensor share increased substantially in the fourth quarter, with October in particular seeing price fluctuations of up to 12%. After climbing to €10.90 following the announcement of the preliminary quarterly figures, the share price fell to €9.15 midway through the month. The factors weighing on the financial markets intensified again in early autumn, pushing the leading German index, the DAX, to its lowest level since September 2013. In addition to the existing geopolitical crises, the downturn on the stock markets was exacerbated by the deterioration in the economic outlook, falling commodity prices and the spread of the Ebola virus.

Although there were some short-term signs of recovery, a positive trend did not establish itself until early November, with the share price gaining ground once more to trade at €10.50 on November 11. At 44,037 shares, this date also saw the highest daily XETRA trading volume in the reporting period. Although this was followed by some minor price corrections, the share price largely stabilized at around €10.00.

However, the First Sensor share was unable to harness the positive impetus on the stock markets in the last trading month of the year, with its price falling substantially as a result.

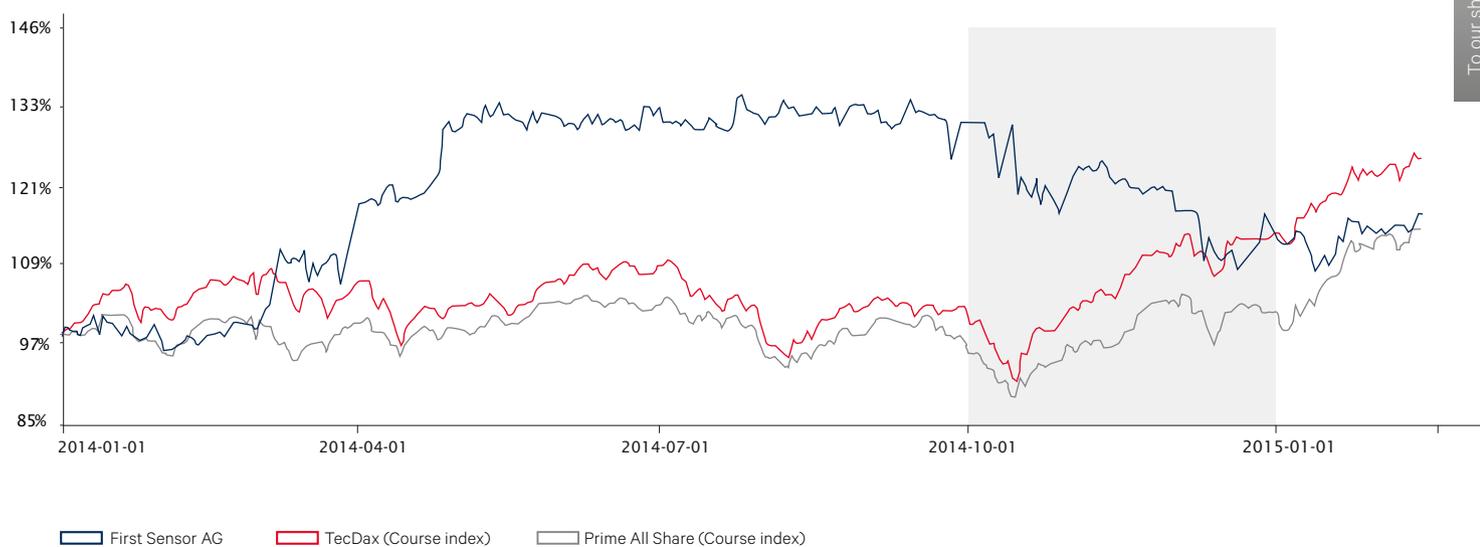
Positive economic data and the postponement of interest rate rises in the USA led to a significant recovery on the stock markets. In December, the DAX reached a new historic high of 10,093 points, while the Dow Jones broke the 18,000-point barrier for the first time.

The share price declined to €9.04 as of December 18, thereby trading at the same level as in March 2014. However, the upturn that took hold in the last trading days meant that First Sensor AG's shares enjoyed a positive end to the year. Despite this, performance for the fourth quarter of 2014 as a whole was disappointing at 10.6%.

The average number of First Sensor shares traded each day declined to 5,763 shares in the fourth quarter, compared with an average daily volume of 9,417 shares in the third quarter.

The TecDAX rose by 9.8% in the reporting period, while the Prime All Share Index climbed by 3.8%.

Performance of the First Sensor share from January 1 to December 30, 2014



First Sensor share key figures

in € thousand, unless otherwise indicated	Dec. 31, 2014	Dec. 31, 2013	Δ	Δ %
Share capital (€)	50,655,055	49,907,215	747,840	1.5
Market capitalization	98,777	82,646	16,131	19.5
Share price (€), XETRA closing price	9.75	8.28	1.47	17.8
Net profit attributable to shareholders*	2,876	4,857	-1,981	-40.8
Number of shares, weighted	10,046,396	9,941,499	149,568	1.5
Earnings per share (€)*	0.29	0.49	-0.20	-40.8

* For purposes of better comparability adjusted by PPA-amortization and one-off expenses due to extraordinary expenses in the respective financial years.

Following a muted start to the year under review, the First Sensor share enjoyed a strong upturn from March until mid-May, with the share price rising to €11.20 as a result. This development was driven in particular by the presentation of the figures for financial year 2013, the publication of the full-year forecast for 2014 and the announcement of the successful implementation of the new organizational structure. Over the next months, the share price moved between €10.80 and €11.00. Above-average demand in late July led to the First Sensor share reaching its high for the year of €11.32. It was unable to maintain this level, however, instead moving in a corridor between €10.80 and €11.20 over the following weeks. The share price lost momentum somewhat towards the end of the year due to the subdued mood on the capital markets as a result of the continued conflict in Ukraine and the unrest in Syria, closing the year at €9.75.

After opening the year at €8.16 (which also represents the low for financial year 2014), the share price recorded considerable growth in the period under review, closing the year up 17.8%.

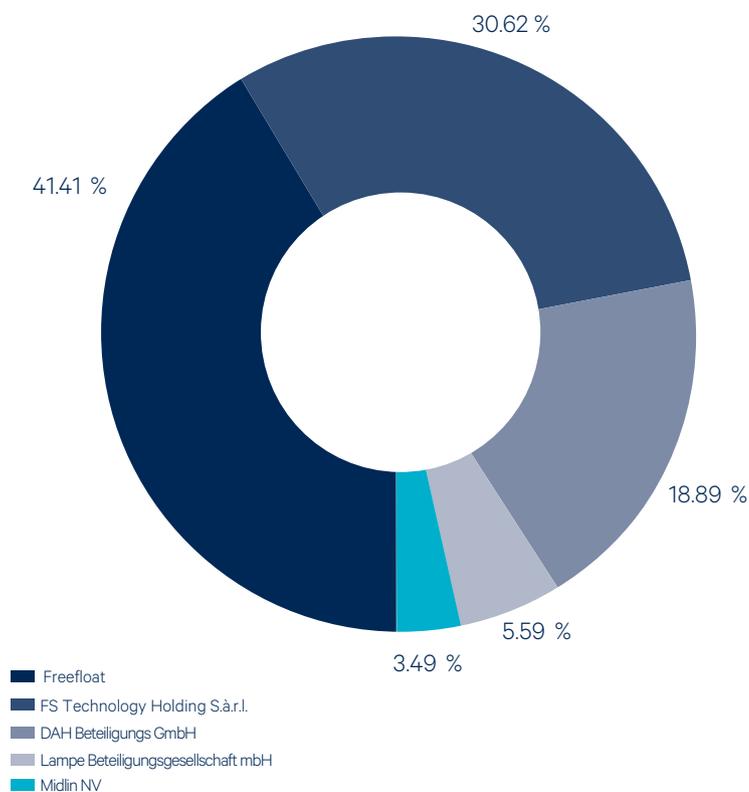
This meant the First Sensor share even outperformed the TecDAX, which rose by 17.6% in 2014. The Prime All Share Index climbed by 2.7% in the same period.

The company's share capital amounted to €50,655,055.00 as at the balance sheet date, divided into 10,131,011 no-par value bearer shares each with a notional interest in the share capital of €5.00. Based on the closing price of €9.75, this results in market capitalization of around €98.8 million at year-end 2014. The average number of First Sensor shares traded each day in financial year 2014 was around 7,800 (previous year: around 11,000).

Annual General Meeting

The Annual General Meeting of First Sensor AG was held at Pentahotel Berlin Köpenick on May 23, 2014. Around 56% of the company's share capital was represented at the meeting. Resolutions on the individual agenda items were adopted by the shareholders with a very large majority.

Shareholder structure as at December 31, 2014 (according to available voting rights notifications)



First Sensor share key data

ISIN	DE0007201907
Abbreviation	SIS
Class of security	No-par value ordinary bearer share
Market segment	Regulated market
Transparency level	Prime Standard
Trading centers	XETRA, all German stock exchanges
Industry	Technologie
IPO	1999
Designated sponsor	equinet Bank AG
Analysts	Warburg Research, Hauck & Aufhäuser Institutional Research

2 Group Management Report

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2 Group management report (IFRS) and management report of First Sensor AG

Basic information on the First Sensor group

Business model

Business activities and organization

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 nonelectric variables (radiation, light, pressure, flow rate, position, speed, fill level, 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.

First Sensor's future strategy for its sensor products will focus on three growing areas of business in the **Industrial, Medical and Mobility** sectors. The three business units have been created as part of this plan, which will ensure a consistent focus on markets and customers. First Sensor is active in a future market, and the broad mix of sectors means that the company is generally independent of cyclical developments in the individual sectors.

The business units are supported by the two Competence Centers for Production and Development as well as a world-wide operating sales department.

Customers include prominent industrial groups and research institutes. First Sensor's sensor solutions are mostly used as key components in a wide range of applications in several different industries.

The product portfolio of the business unit Industrial consists besides others of

- Opto and radiation sensors for**
- Length measurement
 - LIDAR für 3D-Mapping
 - Container- und baggage screening
 - Person counting systems for public local transportation
 - Laser alignment systems

Pressure, flow and level sensors for

- Analytics and measurement
- Hydraulic and pneumatic controls
- Heating, ventilation and air-conditioning systems
- Hydraulic pressure measurement systems
- Leakage detection, gas analyser
- Tank level control

Inertial sensors for

- Condition control on buildings and other constructions

The product portfolio of the business unit Medical consists besides others of

- Opto and radiation sensors for**
- Blood examination monitors
 - Pulse oximetry monitors
 - Equipment for water analysis
 - Equipment for detection of α , β and γ radiation
 - Diagnosis monitors
 - CT scanner

Pressure, flow and level sensors for

- Ventilators
- Spirometers

- Apnoea equipment
- Anesthesia equipment
- Equipment for blood pressure measurement
- Dialysis equipment
- Infusion pumps

The product portfolio of the business unit Mobility consists besides others of

- Opto, radiation sensors and cameras for**
- LIDAR (Light detection and Ranging)
 - Optical distance measurements
 - Advanced driver assistance systems
 - Sun and rain sensors
 - Traffic and velocity measurements
 - Laser control systems

Pressure, flow and level sensors for

- Tank pressure measurements
- Particle filter control
- Cabin pressure control

Targets and strategies

With this clear focus, First Sensor is targeting core markets that are set to grow significantly worldwide in future. In particular, these are medical technology and industrial applications as well as applications in automotive and transport. This focus is complemented by the development and production services that are offered both within the Group itself and for external customers. First Sensor's broad range of expertise in this area is crucial to its success.

To make optimum use of these positive conditions, First Sensor plans to focus its product development more consistently on the market and customers as well as strengthen its sales.

First Sensor continues to achieve a large proportion of its sales in Germany. The company will also systematically continue to tap into markets in Europe, Asia and North America in future. The two sales organizations in the USA have been merged accordingly. This will further help to create the conditions that will allow the company to serve all attractive markets worldwide in future and to sell products and systems there.

First Sensor is aiming to become one of the top market leaders in all prosperous niche applications within the next five years.

Rapidly growing sensor market

Smart sensor systems for complex requirements are drivers in today's sensor technology market. Simply put, they combine the recording of values, the processing of these values and the relevant response all in one intelligent system.

These megatrends can be found in the **health care, smart mobility, smart building, industrial automation and smart home** markets in particular. These core markets have some clear similarities: They combine an above-average growth path, high profitability and technological attractiveness in a niche that can only be successfully occupied by innovative, expertise-intensive companies like First Sensor.

These markets are expected to represent a total market volume of around \$20 billion in 2018. On the one hand, there is above-average growth in these markets with high added value and attractive margins. On the other hand, it is apparent today that technology, and with it product requirements, are evolving at a rapid rate. The sensor functioning as a system will be a central element of each new product generation – miniaturized, reliable and robust. With its broad service range and technological expertise, First Sensor is well equipped to develop, manufacture and supply the right systems to meet the requirements of these key sectors and has already proven this over a number of years. These are excellent conditions which it is now time to leverage in a targeted manner.

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.

Developing market and customer focus

The primary focus on the submarkets of sensor technology was selected in order to create the conditions for logically bundling and networking First Sensor's core competencies, thereby allowing the company to operate in an even more customer-friendly and successful manner.

With this move, the company has laid the necessary foundations to become a market leader in these defined target sectors within the next five years. It is in an excellent position to service three attractive, rapidly growing segments with high added value with its products and services.

The sensor manufacturer can also continue to offer its highly exacting frontend, electronic assembly and sensor system solutions in development and production to long-standing customers and new customer groups.

First Sensor worldwide

First Sensor AG is headquartered in Berlin. The company is represented at six German locations and also has sales and production locations in the USA, Canada, Singapore, the UK, France, Sweden, Denmark and the Netherlands as well as a global partner network.

Australia

- Sydney

Belgium

- Zaventem

China

- Hangzhou
- Shanghai

Denmark

- Kopenhagen

Germany

- Berlin-Oberschöneweide
- Berlin-Weißensee
- Dresden-Klotzsche
- Dresden-Alberstadt
- Munich (Puchheim)
- Türkenfeld
- Ulm (Oberdischingen)

Spain

- Madrid

France

- Charbonnières
- Forbach
- Lisses

United Kingdom

- Rugby

India

- Faridabad

Israel

- Rishon Le-Zion
- Tel Aviv

Italy

- Aicurzio
- Rom

Japan

- Tokio

Canada

- Montreal

Netherlands

- Alphen aan den Rijn
- Dwingeloo
- Valkenswaard

Sweden

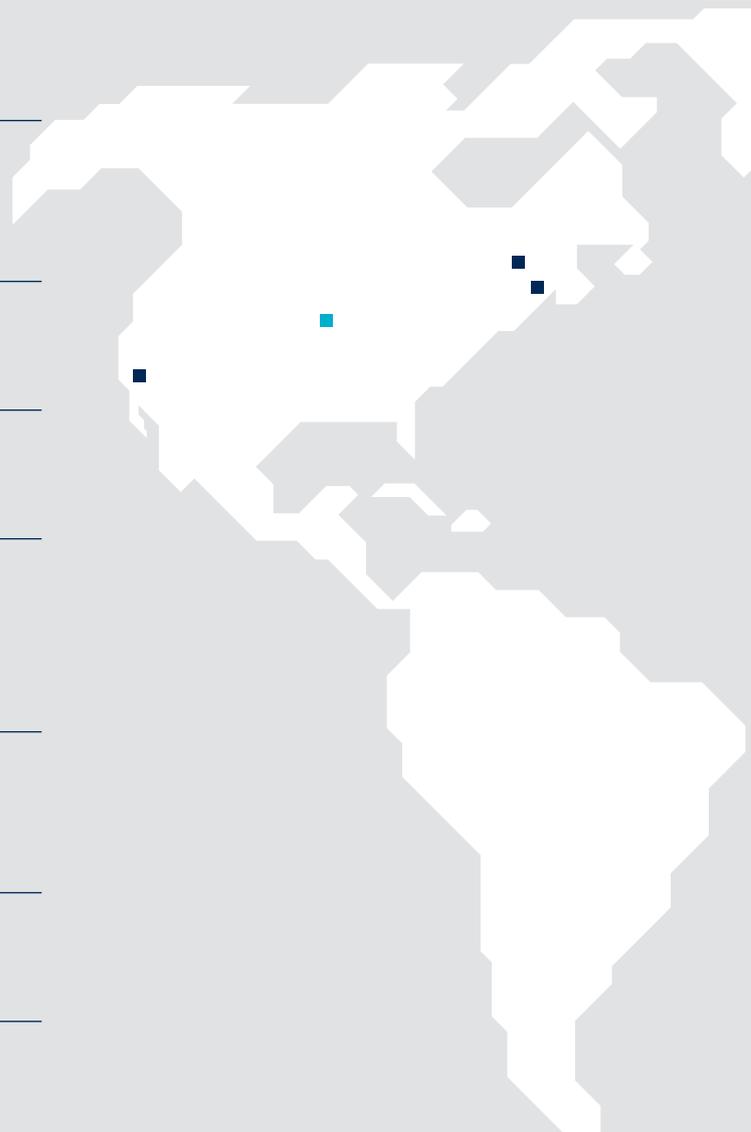
- Kungens Kurva
- Uppsala

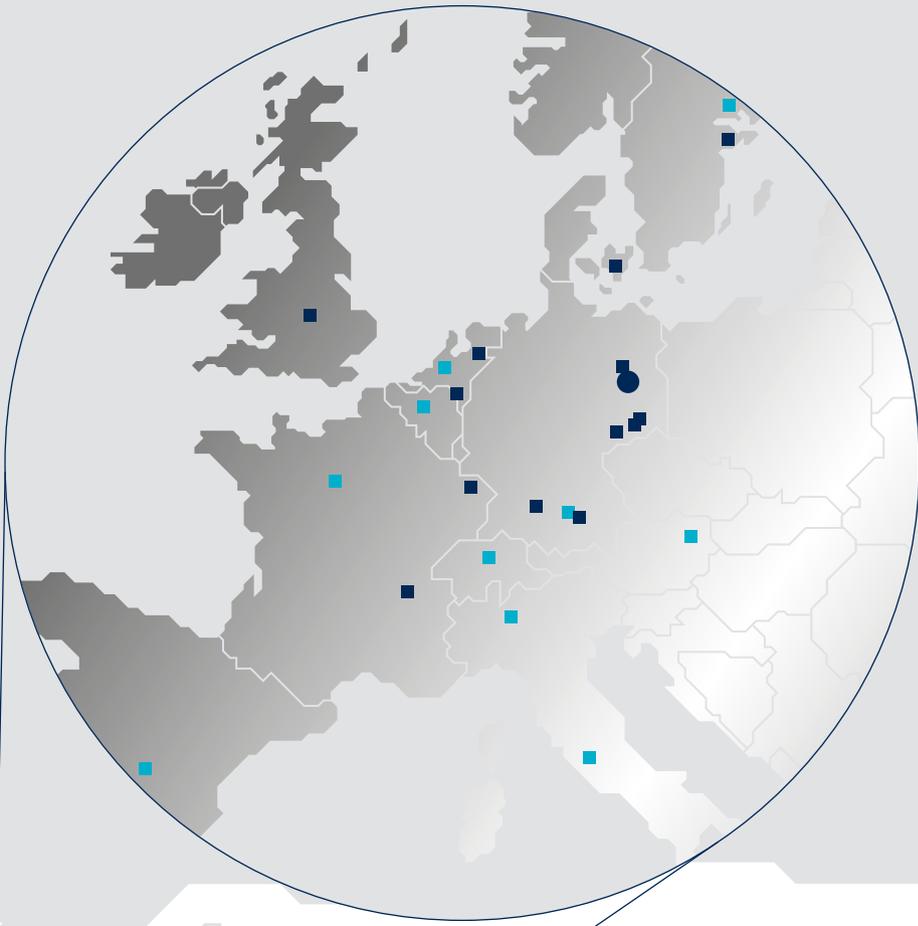
Singapore

- Singapore

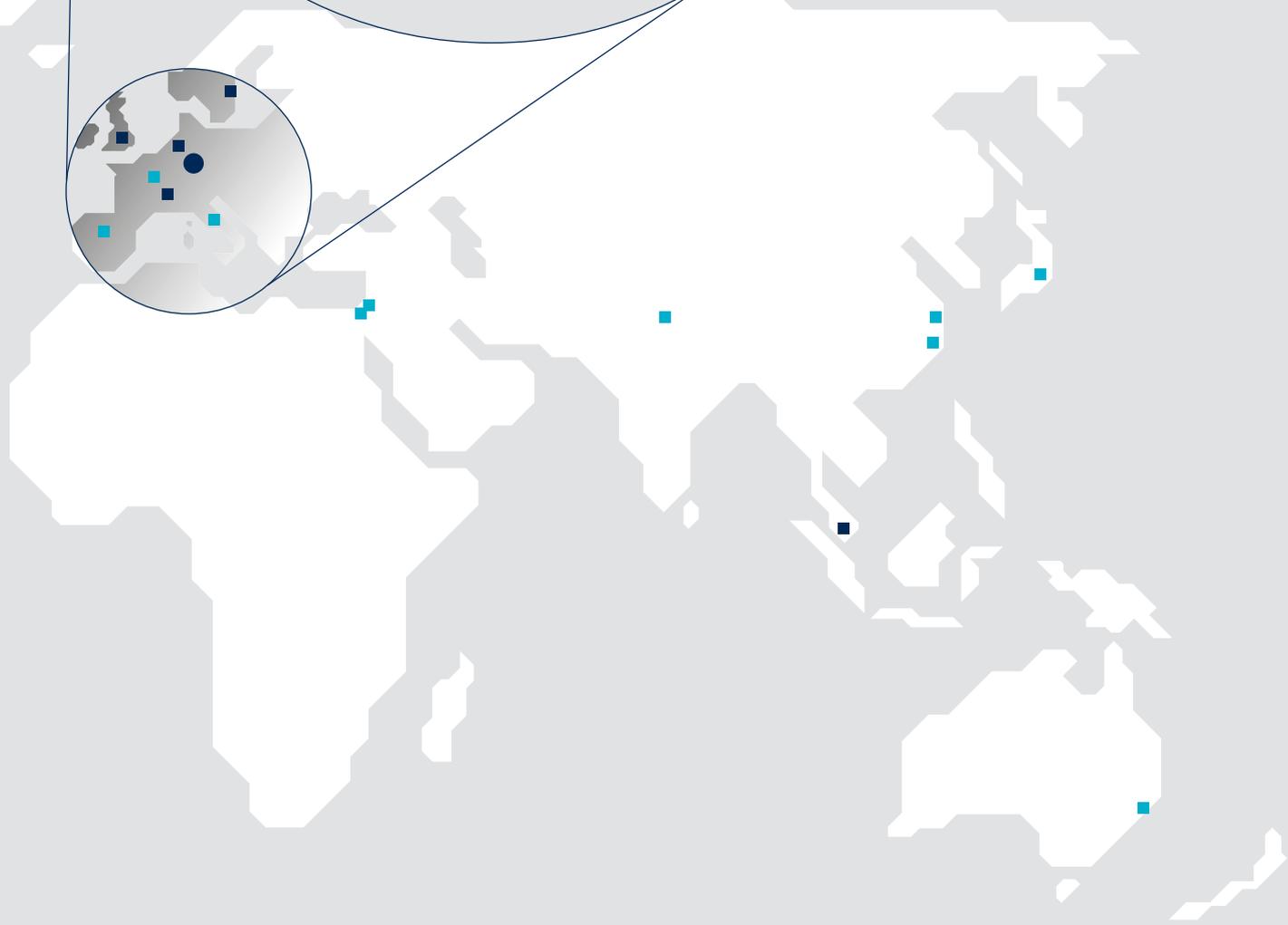
United States

- Lexington
- Mansfield
- Westlake Village



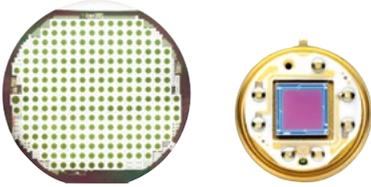


- headquarters
- locations
- partners

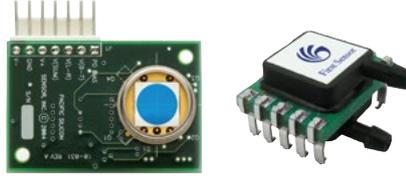


Key locations

WAFER + COMPONENTS



SENSOR



SYSTEM



ELECTRONIC ENGINEERING AND MANUFACTURING SERVICE

The individual companies of First Sensor are active along the entire value chain: In addition to wafers, 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 (near Ulm), Puchheim (near Munich), and the foreign locations in the Netherlands, the UK, Sweden, Singapore, Canada and the USA vary in terms of their position along the value chain. The locations in Mansfield (MA, USA), Rugby (Warwickshire, UK), and Kungens Kurva (Sweden) are sales companies. In several countries, the sales organization also works in cooperation with fixed trading partners.

Wafers and components are developed and manufactured at the headquarters in Berlin-Oberschoneweide. If the 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 or a readymade sensor.

These process steps take place at six locations within the First Sensor Group in Berlin-Weißensee, 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 five locations in Berlin-Weißensee, Dresden, Dwingeloo (The Netherlands) and Munich.

Furthermore, First Sensor is the leading provider for companies seeking a competent, reliable partner with many years' experience in the development of high-performance, customer-specific sensor systems, alongside the production of such systems.

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 to either act as a one-stop shop for its customers or take over individual steps of the value chain. The specific requirements of the customer in each case dictate at which step in the value chain the services are called on. Depending on cost effectiveness, some types of components and services are also purchased externally.

GROUP STRUCTURE

First Sensor 

SPECIALIST AREAS

Industrial

Medical

Mobility

SALES

COMPETENCE CENTER PRODUCTION

COMPETENCE CENTER DEVELOPMENT

Management and governance by the Management Board

As the management body, the Management Board is responsible for the operating activities of the company in accordance with the applicable statutory provisions, the Articles of Association of the company and the rules of procedure with the aim of achieving a continuous and sustainable increase in enterprise value. The members of the Management Board develop and realize the strategic focus of the company. They define the short-term, medium-term and long-term targets and the guidelines and principles for the business policy derived on the basis of these targets, working in close cooperation with the Supervisory Board in each case. The Management Board is also responsible for the company's investment, financial, resource and human resources planning, risk management, compliance, and financial reporting.

As at the end of 2014, the Management Board of First Sensor AG consisted of two members:

As CEO, Dr. Martin U. Schefter is in charge of Strategy, Business Development, Communications and Marketing, Sales, Development, Production, Quality Management and Sustainability.

Joachim Wimmers is appointed Chief Financial Officer. He is responsible for the areas of Accounting & Controlling, Treasury, Taxes, Investor Relations, Procurement, Human Resources, IT, Compliance and Risk Management

As at the end of 2014, the Management Board of First Sensor AG consisted of two members:

As CEO, Dr. Martin U. Schefter is in charge of Strategy, Business Development, Communications and Marketing, Sales, Development, Production, Quality Management and Sustainability.

The regular Management Board meetings are convened by the CEO but may also be convened by any of the other members of the Management Board on request. The CEO chairs the meetings of the Management Board. His tasks include, in particular, managing and coordinating the Management Board, representing the company to the Supervisory Board and obtaining the approval of the Supervisory Board in the cases prescribed by law, by the Articles of Association or by resolution of the Supervisory Board.

A management committee for First Sensor was set up at the beginning of financial year 2014. In addition to the Management Board, this includes the heads of the business units and the Competence Centers Production and Development as well as the heads of the specialist areas of Sales, Marketing, Communications, Procurement, Human Resources, IT, Business Process Engineering, Finance, Controlling and Quality Management. The management committee meets once a month to discuss strategic decisions, current business development and, in particular, issues relating to First Sensor's business unit focus. Its activities are concentrated on monitoring and controlling the course pursued by the company and identifying opportunities and risks.

Based on our strategic objectives, a medium-term plan for a three-year period is drawn up once a year. This is reviewed at regular intervals and adjusted as required. Further information on the planning process can be found in the Outlook.

Monthly results meetings are another body involved in operational control. At these meetings, the persons accountable for the results report to the Management Board on the financial situation, material developments in day-to-day business and any exceptional transactions. An important control tool in this process is a comparison of the actual financial figures with the target figures and the prior-year figures. Plans are also updated on the quarterly balance sheet date.

The following key figures are essentially regarded as relevant to control: sales, incoming orders and orders on hand, gross margin, EBITDA, EBIT, liquidity, working capital and net debt. Forecasts are based in particular on income statement key figures.

Management monitoring and advisory work of the Supervisory Board

The Supervisory Board of First Sensor AG consists of three members. The Chairman of the Supervisory Board is Prof. Alfred Gossner. The regular term of office is five years ending with the Annual General Meeting that votes on the approval of the actions of the members for the fourth financial year after the start of the respective term. From its members, the Supervisory Board elects a Chairman, who convenes and chairs the meetings of the Supervisory Board and represents the Supervisory Board externally and to the Management Board, as well as one or more deputies.

The Supervisory Board exercises a controlling function by monitoring the Management Board's management of the company and its business. It also advises the Management Board to the extent required by law, the Articles of Association and the rules of the procedure of the company, as well as the German Corporate Governance Code. It is directly involved in decisions of fundamental importance to the company. This means that, for example, company acquisitions and disposals, major investments and financing measures require the approval of the Supervisory Board. The Supervisory Board also coordinates the strategic focus of the company with the Management Board and receives regular information on the course of its implementation, as well as appointing and dismissing the members of the Management Board and deciding on their remuneration.

It is also responsible for adopting the single-entity financial statements and approving the consolidated financial statements. The yearly Report of the Supervisory Board provides an overview of its work.

Supervisory Board resolutions are generally passed at meetings. Outside meetings, resolutions may be passed in writing or by circulation.

The Supervisory Board generally meets four times a year. Additional meetings may be convened if requested by a Supervisory Board

member or the Management Board. In addition to the figures that are scheduled for imminent publication, the regular meetings of the Supervisory Board address all issues arising in the course of regular business. The Supervisory Board holds extraordinary meetings as necessary to discuss imminent, unplanned or unexpected events or transactions and take corresponding decisions. Supervisory Board resolutions are passed with a simple majority of the votes cast. All resolutions must be minuted.

Detailed information on the Supervisory Board can be found in the Report of the Supervisory Board, the remuneration report and the notes to the consolidated financial statements.

Working methods of the Management Board and the Supervisory Board

The working methods of the Management Board and the Supervisory Board of First Sensor AG are determined by the statutory framework, the Articles of Association and the rules of procedure. In line with the fundamental principles of German stock corporation law, the management structure of First Sensor AG is based on the dual management system, which requires separate management and supervisory bodies. The Management Board and the Supervisory Board work in close cooperation for the benefit of the company. Trust, transparency and direct communication and reporting channels are important aspects of this cooperation.

The Management Board reports to the Supervisory Board regularly, promptly and comprehensively on all relevant matters concerning the strategic focus, planning, business development, the risk situation, compliance, and significant transactions.

Remuneration report

Remuneration of the Management Board

Management Board remuneration is determined by the Supervisory Board. The principal criteria for the appropriateness of Management Board remuneration are the duties of the respective member of the Management Board, their personal performance as well as the financial situation and success of the company, including with respect to its peer group. The Supervisory Board and the Management Board of First Sensor AG have reached an agreement, irrespective of the existing contract terms, to adjust the employment contracts for both members of the Management Board in accordance with VorstAG (German Act on the Appropriateness of Management Board Remuneration). Sustainable financial success as a criterion for Management Board remuneration was and remains a vital element of the management philosophy and fundamental values of First Sensor AG.

Since its revision, the remuneration of the Management Board has comprised the following components:

- Fixed annual salary
- Variable remuneration in the form of a target agreement
- Participation in a long-term share option plan
- Benefits in kind and other allowances
- Pension arrangements

The fixed annual salary is paid in twelve equal monthly instalments, after statutory and social security deductions.

The variable remuneration in the form of a target agreement is based on assessment criteria that are determined on an annual basis, with the amount depending on the company's performance and on personal targets specified by

the Supervisory Board. EBITDA and net debt were defined as qualitative targets for financial year 2014. Individual targets were agreed for the quantitative component. Qualitative and quantitative targets are assessed differently.

Variable remuneration may be adjusted by the Supervisory Board as appropriate in the event of unforeseen extraordinary developments. A share option plan forms part of the company's remuneration structure to provide a long-term incentive as well as the share matching scheme.

Benefits in kind and other allowances primarily comprise non-cash benefits relating to the private use of company cars, accommodation allowances, the reimbursement of expenses, the employer's contribution to health and long-term care insurance and, in some cases, a pension allowance.

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 members of the Management Board are covered by third-party financial loss insurance (D&O insurance) taken out by the company at an appropriate level in the interests of the company. The company pays the premiums for this insurance. An appropriate deductible is agreed in accordance with the German Corporate Governance Code.

Remuneration is published in the notes to the consolidated financial statements in individualized form including names.

Remuneration of the Supervisory Board

Remuneration of the Supervisory Board is regulated by Article 13 of the Articles of Association and determined by the Annual General Meeting. Supervisory Board remuneration was revised in accordance with the resolution passed by the Annual General Meeting on May 23, 2014. After the financial year has ended, members of the Supervisory Board receive remuneration of €20 thousand for each full year of membership of the Supervisory Board. This increases to €50 thousand for the Chairman and to €30 thousand for his deputy. The members of the Supervisory Board are covered by third-party financial loss insurance (D&O insurance) taken out by the company at an appropriate level in the interests of the company. The company pays the premiums for this insurance.

The company reimburses each member of the Supervisory Board for any reasonable expenses incurred in the performance of their duties for which proof has been provided and for any value-added tax that applies to their remuneration.

Remuneration for members of the Supervisory Board amounted to €100 thousand in financial year 2014. Supervisory Board members do not receive any performance-related remuneration and do not participate in the company's share option plan.

in € thousand	2014	2013
Prof. Dr. Alfred Gossner (Chairperson)	50	32
Götz Gollan (Deputy chairperson)	30	18
Volker Hichert (since May 23, 2014)	8	10
Marc de Jong (from May 23, 2014)	12	0
Total	100	60

Market development

Developments on the sensor market

Sensor technology is one of the key technologies in technological progress. Expectations of this growth sector are increasing as a result. According to a report from INTECHNO CONSULTING, the global **sensor technology** market is expected to grow to €184 billion by 2016, which represents an average annual growth rate of 9%.

Sensors are playing an important role in an increasing number of applications in industry, the automotive sector, safety technology and consumer goods.

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

Development in First Sensor's sectors

According to market surveys conducted by iSuppli, annual growth rates of 8% have been forecast for the pressure sensor market for micromechanical systems (MEMS Micro Electro Mechanical Systems). First Sensor intends to exploit these market opportunities and has specialized in the key sectors of Industrial, Medica and Mobility by setting up dedicated business units (BU).

Industrial

According to estimates by Yole Développement, the Industrial sector is set to grow by an average of around 6% per year between now and 2018. Good opportunities for sensor solutions of First Sensor.

Medical

The growth sector for medical technology is expanding globally at a rate of around 5% per year, according to a study entitled "Impetus for innovation in the health sector" conducted by the Federal Ministry of Economic Affairs. First Sensor is benefiting strongly from this, for example by specializing in the development and manufacture of medical sensor solutions in line with demand, with strong growth in the mentioned areas.

Mobility

According to forecasts from Yole Développement, an average annual growth rate of 13% is anticipated for Mobility between now and 2018. The market oriented and customer-specific sensor solutions offered by First Sensor's Mobility business unit include the above mentioned solutions in particular.

Research and development

As a technology group, First Sensor considers research and development to be a key component of its activities. Innovation and all activities relating to R&D are crucial to the company's future performance.

Our aim is to secure our position as a leader in innovation and to extend it in selected areas, as well as developing products with important unique selling points. First Sensor can act as a competent development partner for customers in many cases.

First Sensor's innovation process involves several stages. Development projects are assessed using appropriate milestones, based on R&D roadmaps. Both product and process innovations are involved. First Sensor cooperates with university and non-university establishments as well as with key customers in the innovation process. The aims of cooperation in research are wide-ranging. First Sensor brings new developments to the market in joint projects with customers and works on reducing development times, for example, in cooperation with research institutes and service providers. In addition, the Group gains access to the latest specialist knowledge from research. Important R&D partners in the field of scientific establishments include the following:

- Fraunhofer Institute for Electronic Nanosystems ENAS, Chemnitz
- Fraunhofer Institute for Integrated Circuits IIS, Erlangen
- Fraunhofer Institute for Modular Solid State Technologies EMFT, Munich
- Fraunhofer Institute for Telecommunications, Heinrich Hertz Institute HHI, Berlin
- Fraunhofer Institute for Reliability and Microintegration IZM, Berlin
- HSG IMIT [Institute of Micromachining and Information Technology], Villingen-Schwenningen

- Leibniz Institute of Agricultural Development, Potsdam
- Institute for Microsensors, Actuators and Systems IMSAS, Bremen
- Institute for Production Systems and Design Technology IPK, Berlin

Employees in the company's development departments are a key factor in the success of its development work. As at the end of 2014, a total of 80 employees (previous year: 75), representing 10.6% of the entire workforce, were employed in R&D. This meant a further five employees were added in the area of R&D compared with the previous year. Expenses in this area declined by €0.2 million year-on-year to €7.7 million.

Expertise clusters have been set up for each key technology through a company-wide transfer of expertise. Employees selected on the basis of their specialist area work together across the company, thereby not only increasing efficiency but also generating new business as a result of rapid access to specialist knowledge.

As at the end of the year under review, First Sensor held a total of 52 patents, utility models and trademarks (previous year: 44). However, the absolute number should not be taken as a reflection of the inventiveness of the development departments; instead, First Sensor follows a targeted registration strategy. Under this strategy, developments are only registered as patents if there is a reasonable relationship between the associated cost and benefit. At the same time, the risk is assessed as to whether the disclosure associated with the patent registration would be more beneficial to the competition than if the development was not registered.

Economic report

Changes in the basis of consolidation

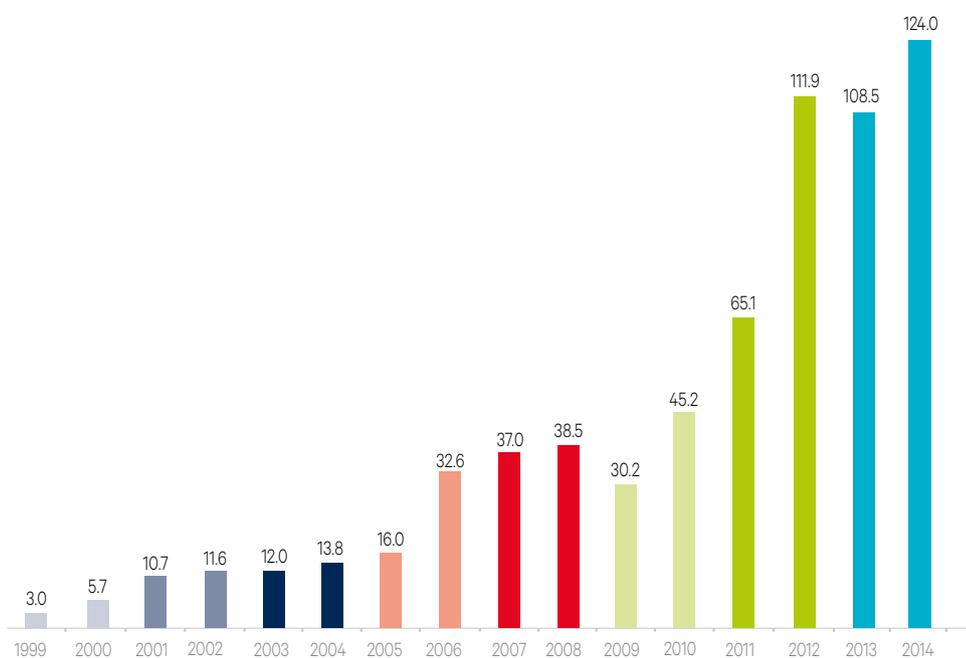
During the past reporting period 2014 no changes in the basis of consolidation have been taken place.

focus, ELBAU Singapore Pte. Ltd. was renamed First Sensor Singapore (FSG) Pte. Ltd. in the past financial year.

In line with the First Sensor Group's strategic

Earnings situation

The graph below shows the development of consolidated sales since the IPO in 1999.



Development of sales

In the past financial year, First Sensor pursued a strategy of concentrating on the identified business units. The following table shows the distribution of sales by segment:

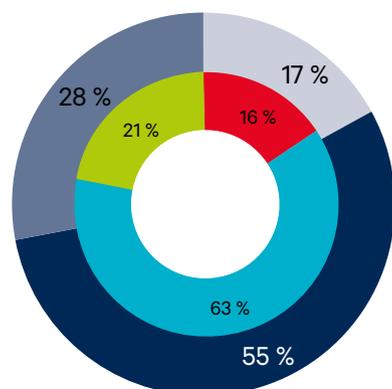
in € thousand	2014	2013
Industrial	68,449	68,286
Medical	20,399	17,678
Mobility	35,150	22,578
Total	123,998	108,542

The following table shows the absolute and percentage changes:

in € thousand, unless otherwise indicated	<u>Δ absolute</u>	<u>Δ in %</u>
Industrial	163	0.2
Medical	2,721	15.4
Mobility	12,572	55.7
Total	15,456	14.2

The strongest growth was recorded in the Mobility segment, where sales increased by more than 55% year-on-year to €35.2 million. Sales in the Medical segment rose from €17.7 million to €20.4 million, corresponding to a growth rate of 15.4%. The largest segment, Industrial, remained largely unchanged year-on-year with growth of 0.2%.

The graph below shows the percentage sales distribution between the business units in 2014. The inner ring shows the corresponding prior-year figures:



2014	2013
■ Industrial	■ Industrial
■ Medical	■ Medical
■ Mobility	■ Mobility

An analysis of regional sales distribution shows muted growth in the company's domestic market compared with the previous year. The highest level of absolute growth was recorded in Europe, where sales success was recorded in the Mobility segment in particular.

The merger of the two sales units in North America led to substantial success in financial year 2014, with sales increasing by 44% as against the previous year.

in € thousand	<u>2014</u>	<u>2013</u>
Germany	53,915	50,846
Europe	52,884	44,544
North America	5,969	4,133
Others	11,230	9,019
Total	123,998	108,542

The following table shows the absolute and percentage changes compared with the previous year:

in TEUR	<u>Δ absolute</u>	<u>Δ in %</u>
Germany	3,069	6.0
Europe	8,340	18.7
North America	1,836	44.4
Others	2,211	24.5
Total	15,456	14.2

The development of the Chinese market was particularly noteworthy, with sales increasing by 40% year-on-year, from €4.8 million to €6.8 million.

The following table provides a multi-year overview of the earnings situation:

in € thousand	2014	in %	2013	in %	2012	in %	2011	in %
Sales	123,998	98.7	108,542	99.6	111,936	97.1	65,182	95.1
Total performance	125,591	100.0	108,992	100.0	115,251	100.0	68,531	100.0
Other operating income	3,545	2.8	3,422	3.1	3,913	3.4	2,286	3.3
Cost of material	-61,190	-48.7	-50,263	-46.1	-54,983	-47.7	-29,950	-43.7
Gross income	67,946	54.1	62,51	57.0	64,181	55.7	40,867	59.6
Personnel expenses	-39,436	-31.4	-36,617	-33.6	-36,306	-31.5	-23,290	-34.0
Other operating expenses	-14,963	-11.9	-13,968	-12.8	-14,492	-12.6	-11,035	-16.1
Share in profit of affiliated companies	0	0.0 %	0	0.0	0	0.0	133	0.2
Operating profit (EBITDA)	13,547	10.8	11,566	10.6	13,383	11.6	6,675	9.7
Depreciation	-6,927	-5.5	-6,194	-5.7	-6,157	-5.3	-4,024	-5.9
PPA amortization	-2,548	-2.0	-2,628	-2.4	-3,384	-2.9	-1,061	-1.5
Other depreciation	0	0.0	0	0.0	-286	0.2	0	0.0
Earnings before interest and tax (EBIT)	4,072	3.2	2,744	2.5	3,556	3.1	1,590	2.3
Financial result	-2,392	-1.9	-3,832	-3.5	-2,612	-2.3	-778	-1.1
Consolidated result before tax	1,680	1.3	-1,088	-1.0	944	0.8	812	1.2
Income tax	-1,282	-1.0	626	0.6	-452	-0.4	-355	-0.5
Consolidated result	398	0.3	-462	-0.4	492	0.4	457	0.7
Minority interest	223	0.2	57	0.1	34	0.0	12	0.0

First Sensor's **total sales** amounted to €124.0 million in the year under review, up 14.2% on the previous year. This was primarily due to the business expansion in the Mobility segment.

Capitalized own work in the amount of €0.8 million (previous year: €1.3 million) primarily relates to developments for the expansion of product platforms, internally generated improvements to production facilities and for future sensor products in connection with specific customer projects.

The **total performance** of €125.6 million (previous year: €109.0 million) includes capitalized own work and changes in inventories of finished goods and work in progress in addition to sales.

The €0.1 million increase in other operating income to €3.5 million (previous year: €3.4

million) is due in particular to income from investment grants and allowances as well as expense subsidies for investment in plant and buildings for research and development.

At 48.7%, the **cost of materials ratio** was up 2.6 percentage points on the previous year. This is mainly due to the sales growth in the Mobility segment, which generally involves a higher materials ratio. The increased use of temporary workers in the past financial year also had an impact on the materials ratio. The cost of materials was also affected by the revision of inventories in a rapidly growing technological environment as a result of marketability and inventory range analyses.

At €-39.4 million, **personnel expenses** increased by 7.7% compared with the previous year (€-36.6 million). Due to the increase in total performance, the ratio of personnel expenses

to total performance declined by 2.2 percentage points to 31.4% (previous year: 33.6%). The workforce was expanded in the areas of logistics and procurement in particular.

The cost-cutting program aimed at permanent optimization continued successfully in the year under review, allowing the ratio of other **operating expenses** to total performance to be reduced by a further 0.9 percentage points. Other operating expenses amounted to €-15.0 million in absolute terms (previous year: €-14.0 million) and are broken down as follows:

in € thousand	2014	2013
Costs of premises	-2,614	-2,665
Vehicle costs	-994	-1,058
Maintenance, repair, IT	-2,012	-1,674
Insurance	-379	-525
Sales and marketing expenses	-886	-966
Advertising and travel expenses	-743	-578
Goods handling expenses	-691	-703
Legal and consultancy fees (incl. annual financial statements expenses)	-3,039	-2,703
Other operating materials	-731	-697
Administration expenses	-168	-427
Other operating expenses	-2,706	-1,972
Total	-14,963	-13,968

Within other operating expenses, there were more significant non-recurring effects in the year under review, especially as a result of the increase in total performance. In particular, this included an increase in maintenance and repair expenses and warranty expenses. Legal and consultancy fees, which remained essentially unchanged year-on-year, are attributable to the high degree of utilization of external services for key positions within the Group until these are finally filled internally.

This resulted in a year-on-year improvement in earnings before interest, taxes, depreciation and amortization (EBITDA) to €13.5 million (previous year: €11.6 million), which corresponds to an improvement in the **EBITDA** margin of 0.2 percentage points to 10.8% (previous year: 10.6%).

Depreciation of property, plant and equipment and amortization of intangible assets amounted to €-9.5 million (previous year: €-8.8 million). This significant increase was primarily due to write-downs on purchased intangible assets in the amount of €0.7 million that were capitalized in prior periods and whose project success was considered to be insufficient.

At €-2.4 million, the **financial result** was much more positive in the year under review than in the previous year (€-3.8 million). This was largely because the interest expenses for the two promissory note loans led to significant interest savings in financial year 2014. In addition, currency hedging was performed in the middle of the financial year for the USD exchange rate at the time, thereby counteracting the depreciation of the euro with currency gains of €0.5 million.

In the previous year, this item still contained the reversal of a deferred item for transaction costs in connection with taking out the syndicated loan and prepayment penalties in the amount of €0.7 million.

The **consolidated result** before taxes of €1.7 million (previous year: €-1.1 million) was achieved as a result of sales growth in particular. This was offset by write-downs of intangible assets, which had a negative impact on the consolidated result in the year under review. The increase in personnel expenses in connection with the planned growth and the realignment of the business unit structure also served to reduce earnings. Earnings attributable to minority interests increased to €223

thousand (previous year: €57 thousand) as a result of the sales and earnings growth in the Mobility segment, where there is a minority interest of 15%.

Order situation

Orders on hand in the Group increased by €12.7 million year-on-year to €86.4 million as at December 31, 2014 (previous year: €73.7 million). **Incoming orders** also recorded encouraging growth of €17.9 million (14.7%) to €139.3 million compared with €121.4 million in the previous year.

The ratio of incoming orders to sales (book-to-bill) as a leading indicator improved slightly to 1.12 (previous year: 1.11). This is a solid basis for the achievement of our growth targets for 2015.

in € thousand, unless otherwise indicated	2014	2013
Incoming orders	139,341	121,411
Orders on hand	86,428	73,672
Book-to-bill-ratio	1.12	1.11

Financial position and net assets

Financial analysis

The aim of First Sensor's financial management is to ensure adequate liquidity at all times for the production processes, growth and investments. The company counters the risk of interest rate increases by using interest rate swaps for variable-interest loans. As part of its financial management, First Sensor counteracts foreign currency risks arising from purchases of materials and purchased services in USD, particularly in Asia, by optimizing customer payments in USD and concluding forward foreign exchange contracts. In the middle of the past year, the subsequent fall in the value of the euro against the USD was successfully hedged in this manner.

First Sensor placed two **promissory note loans** totaling €31.0 million in late 2013. The contractual covenants have been agreed to the end of the year in each case. First Sensor complied with all of the financial covenants as at December 31, 2014:

in € thousand, unless otherwise indicated	2014	2013
Leverage, net debt to EBITDA	2.19	2.63
Interest cover ratio, EBITDA to interest expenses	6.4	5.2
Equity ratio	40%	39%

Net debt is shown in the following table:

in € thousand	2014	2013
Non-current financial liabilities	-4,176	-42,927
Current financial liabilities	-3,075	-4,217
Cash and cash equivalents	14,525	11,357
Net debt	-29,726	-35,787

The change in non-current financial liabilities compared with the previous year is primarily due to scheduled repayments of financing for property, plant and equipment.

Current financial liabilities decreased due to the repayment of money market loans using cash and cash equivalents. Despite this, cash and cash equivalents increased by €3.4 million as at December 31, 2014, illustrating the lower level of repayments under the promissory note loans compared with the syndicated loan that was replaced in 2013. First Sensor has a solid, investment-grade financing structure.

2.2

Leverage in investment-grade

Investment analysis

Cash flow from investing activities in the amount of €-4.6 million is primarily attributable to investments in machinery and equipment (€4.3 million), including for further efficiency improvements to production processes and the integration of the MEMS area into the optoelectronic area at the Berlin head office.

in %	2014	2013
Cash ratio	77,9	60,8
Quick ratio	140,7	117,9
Current ratio	300,8	277,3

The following table shows the condensed consolidated statement of cash flows:

in € thousand	2014	2013	in € thousand	2014	2013
Intangible assets	-1,075	-1,432	Cash flow from operating activities	12,183	13,075
Property, plant and equipment	-4,340	-2,329	Cash flow from investment activities	-4,635	-7,145
Investments	-5,415	-3,761	Cash flow from financing activities	-4,427	-6,741
Deferred purchase price component	0	-4,750	Change in cash and cash equivalents	3,121	-811
Disposal of non-current assets and investments	156	710	Exchange differences	47	-33
Investment grants	592	600	Cash and cash equivalents at the beginning of the financial year	11,357	12,201
Other effects	32	56	Cash and cash equivalents at the end of the financial year	14,525	11,357
Cash flow from investment activities	-4,635	-7,145	Free cash flow	7,548	5,930
Intangible assets	-4,024	-3,250			
Property, plant and equipment	-5,451	-5,572			
Depreciation and amortization	-9,475	-8,822			

Cash flow from operating activities decreased by €0.9 million year-on-year to €12.2 million (previous year: €13.1 million). This was primarily due to the higher level of working capital as a result of the increased business volume and paid taxes.

12.2

€ million
Cash flow from operating activities

Liquidity analysis

In order to allow an assessment of First Sensor's solvency, the following table shows the company's **liquidity** in the form of liquidity ratios. To calculate the cash ratio, cash and cash equivalents are shown in relation to current liabilities. The quick ratio includes current receivables, while the current ratio takes into account inventories as well. The changes compared with the previous year show an improvement in all areas.

Free cash flow, which consists of the total of cash flow from operating activities and cash flow from investing activities, amounted to €7.6 million in the year under review (previous year: €5.9 million). After adjustment for the non-recurring effect from the subsequent purchase price installment of €4.8 million that was paid in the previous year, this increase of €1.7 million becomes a reduction of €3.1 million.

7.6

€ million
Free cash flow

Analysis of asset structure

Total assets for the year under review and the previous year were adjusted to reflect the offsetting of deferred taxes. They amounted to €144.9 million as in the previous year. The equity ratio improved from 48.3% to 49.7%.

The main changes were due to the following factors:

Compared with the previous year, the value of **intangible assets** fell from €21.9 million to €19.1 million as a result of scheduled amortization and write-downs.

Internally generated intangible assets amounted to €3.5 million (previous year: €4.0 million).

The amount of **goodwill** remained unchanged year-on-year. The carrying amounts were subjected to an impairment test and no valuation allowances were found to be necessary.

The value of **property, plant and equipment** fell by €1.1 million year-on-year to €36.4 million. This was due to a reluctance to invest in connection with scheduled depreciation, which resulted in the current carrying amount. Orders for investments in property, plant and equipment, particularly for the capacity expansion in the Mobility segment, measures to increase the efficiency of production facilities and the renovation of production lines, had been placed as at the balance sheet date.

Inventories remained unchanged, although the generated sales growth and the resulting need to be able to deliver goods, as well as an increase in the volume of semi-finished goods in production would have been expected a higher amount. This was partially offset by the

impact of permanent inventory management. Further optimization is expected in financial year 2015 as a result of the lean management project that was conducted in the year under review.

The €2.0 million year-on-year increase in **trade accounts receivable** to €8.6 million is primarily attributable to the sales growth, with the payment terms granted leading to higher receivables.

Cash and cash equivalents amounted to €14.5 million at the end of the year (previous year: €11.4 million) and are composed of bank balances and cash holdings. None of the cash and cash equivalents are restricted or otherwise used as security.

Systematic cash management at the Group was supported by the following measures:

- A system-based approval process for orders with cost center responsibility and limits,
- Rolling liquidity planning with daily liquidity,
- Active receivables management,
- Introduction of an investment guideline with a systematic approval process.

Trade accounts payable rose by €0.5 million year-on-year to €8.2 million, largely as a result of increased purchases of materials and purchased services for the manufacturing process as a result of the sales growth.

Other current liabilities increased by €0.9 million to €6.8 million as at December 31, 2014. This was largely due to VAT liabilities.

Group equity increased by €2.0 million as against December 31, 2013 to €72.0 million at the reporting date. Please refer to the

statement of changes in equity for further information.

In the year under review, the company issued a total of 61,640 new shares with shareholders' pre-emptive subscription rights disapplying to the CEO, Dr. Martin U. Schefter, and a total of 12,500 new shares with shareholders' pre-emptive subscription rights disapplying to the CFO, Joachim Wimmers, at a subscription price of €5.00 per share as part of Authorized Capital 2013/I. Further capital increases of 22,830 new shares from Contingent Capital 2009/II at a subscription price of €6.02 per share and 52,598 new shares from Contingent Capital 2009/II at a subscription price of €7.20 per share resulted from the exercise of the stock options granted in previous years.

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

There were no changes in the basis of consolidation in the year under review.

in € thousand	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013
Sales	55.328	54.539
Change in inventories of finished goods and work-in-progress	57	-753
Other own work capitalized	271	480
Other operating income	3.557	2.836
	59.213	57.103
Cost of materials	-24.845	-23.215
Expenses for services	-2.815	-2.510
	-27.660	-25.725
Salaries and wages	-18.008	-16.245
Expenses for social securities	-3.380	-3.257
	-21.388	-19.501
Depreciation and amortization of intangible assets and property, plant and equipment	-6.403	-5.749
Write-downs of current assets	-400	-1.500
Other operating expenses	-9.482	-9.537
	-6.120	-4.910
Income from profit and loss transfer agreement	2.701	2.328
Income from investments	1.350	2.982
Write-ups of financial assets	0	10.370
Income from other securities	7	0
Interest income	394	379
Write-downs of financial assets	-5.812	0
Interest expenses	-2.189	-3.182
	-3.549	12.877
Results from ordinary operations	-9.669	7.967
Extraordinary result	0	-533
Income taxes	102	-159
Other taxes	-45	-33
Net loss for the financial year (previous year net profit)	-9.613	7.241
Retained earnings	8.245	1.004
Net loss (previous year net profit)	-1.368	8.245

Sales increased slightly year-on-year by €0.8 million. The **gross margin** declined by 2.3 percentage points to 50.3%. This was primarily due to the change in the product mix and valuation allowances on inventories.

Other operating income, which primarily resulted from investment grants, intragroup allocations to subsidiaries, reversals of provisions and exchange gains, amounted to €3.6 million (previous year: €2.8 million).

Personnel expenses increased by €1.9 million to €-21.4 million. This recovery was due to the workforce expansion.

Other operating expenses declined slightly. This was mainly driven by finalizing consultancy projects.

Depreciation of tangible assets in the amount of €-2.8 million related in particular to machinery and equipment, office equipment and the production and office building. In addition, amortization of intangible assets totaled €-3.6 million.

Due to the economic performance of First Sensor Singapore (FSG) Pte. Ltd., the loan reported in financial assets was written off in full in the amount of €5.8 million in the single-entity financial statements.

Interest income related to financial assets from subsidiaries. Interest expenses improved due to lower interest expenses for the promissory note loans and to redeemed loans by €1.0 million. The **financial result** therefor improved to €-2.2 million.

The following table shows the balance sheet as at the 2014 reporting date:

ASSETS

in € thousand	2014	2013
Intangible assets	3,308	3,025
Internally-generated intangible assets	620	845
Goodwill	26,692	28,849
Advance for customers	131	880
Property, plant and equipment	27,044	28,429
Shares in affiliated companies	36,338	36,338
Loans to affiliated companies	785	6,087
Non-current assets	94,918	104,453
Inventories	16,475	18,634
Trade accounts receivables	1,651	1,723
Due from affiliated companies	5,485	4,617
Other assets	1,288	2,049
Cash and cash equivalents	3,858	4,969
Current assets	28,757	31,992
Prepaid expenses	417	455
ASSETS	124,092	136,900

EQUITY AND LIABILITIES

in € thousand	2014	2013
Share capital	50,655	49,907
Capital reserves	20,463	20,324
Earning reserves	1,004	1,004
Retained earnings	-1,368	8,245
Equity	70,754	79,480
Special account with reserve characteristics	4,434	4,566
Provisions	3,307	4,249
Liabilities to banks	9,069	11,494
Promissory note loans	31,000	31,000
Payments received on account of orders	73	97
Trade accounts payables	3,236	3,773
Due to affiliated companies	522	740
Other liabilities	1,205	885
Deferred tax liabilities	492	616
Equity and liabilities	124,092	136,900

The **Equity** of First Sensor AG amounted to €70.8 million at the reporting date (previous year: €79.5 million). This corresponds to an equity ratio of 57.0% (previous year: 58.1%). The increase in the equity ratio is mainly due to the reduction in total assets as a result of the write-downs on the loans to the subsidiary First Sensor Singapore (FSG) Pte. Ltd. in the amount of €5.8 million.

Cash and cash equivalents amounted to €3.9 million at the balance sheet date (previous year: €5.0 million). Please refer to the tables for the Group for information on the financing situation.

The company's Management Board and Supervisory Board will propose to the Annual General Meeting that the net loss for financial year 2014 in the amount of €-1,367,791.19 be carried forward to new account.

In its business plan, the Management Board is forecasting sales of €55-60 million and EBITDA of between €2.5 million and €3.0 million in financial year 2015. While the forecasted sales figures have been fulfilled, EBITDA results have been failed due to a lower gross margin and increased personnel expenses.

First Sensor AG had 359 employees (FTEs) at the end of the year (previous year: 335) additionally of 11 apprentices in both years. The following table provides a breakdown of the workforce across the individual units:

Number of employees (FTE)	2014	2013
Berlin-Oberschöneweide	154	141
Munich branch	72	74
Berlin-Weißensee branch	132	119
Chemnitz branch	1	1
Total	359	335

Development of non-financial performance indicators

Employees

The First Sensor Group had a total of 757 employees (FTEs) as at December 31, 2014, compared with 698 in the previous year. This increase of 59 employees was attributable in particular to the areas of production and logistics as well as development. Additionally the numbers of apprentices are 19 (previous year: 20).

Temporary workers were used to cope with peaks in the order book. At December 31, 2014, the total number of temporary workers was 29 (previous year: 15).

At €-39.4 million, personnel expenses in 2014 were 7.7% higher than the prior-year level of €-36.6 million. Further information on the breakdown of personnel costs can be found in the notes.

Sales per employee improved to €163.8 thousand (previous year: €155.5 thousand) as a result of the sales growth in the Mobility segment. The age structure of the workforce is largely balanced. This was recorded for statistical purposes for the first time in financial year 2014.

Aging structure of employees in %	2014
Age under 30 years	16.9
Age between 31 and 40 years	27.1
Age between 41 and 50 years	28.3
More than 51 years	27.7
Total	100.0

The company-wide sickness absence rate at First Sensor was calculated in 2014 and was found to be 4.6% (previous year: 5.9%). The increase in the proportion of female employees, from 39.3% in 2013 to 41.3% in the year under review, was an encouraging develop-

ment. Around one-third of employees at the company (29.7%; previous year: 31.9%) have a university degree. This figure decreased slightly as against the previous year due to the proportional increase in the number of employees in the areas of production and logistics.

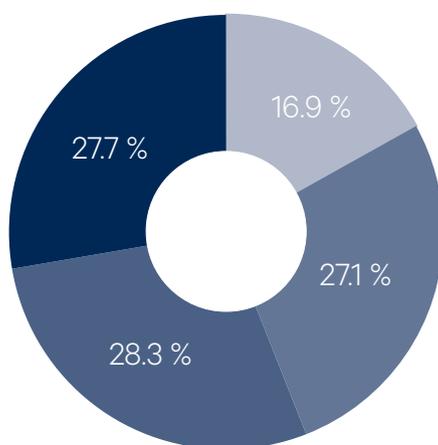
First Sensor has supported employees for many years in financially securing their standard of living in retirement, with an employee financed pension plan model. This is based on deferred compensation and an employer financed private pension allowance.

In view of demographic change and the resulting shortage of skilled workers, an important part of our personnel strategy involves ensuring that we meet our requirements for skilled labor by providing in-house training.

Our aim is to cover our future need for skilled workers through high-quality training in line with demand. This aim is backed up by long-term personnel planning. In particular, First Sensor provides professional training for microtechnologists and industrial clerks. The company had 19 trainees as at December 31, 2014 (previous year: 20).

First Sensor invested €216 thousand in staff training in financial year 2014 (previous year: €160 thousand). This increase was primarily due to a management development program aimed at communicating methodological expertise, strategic thinking and actions and strong management.

Age under 30 years
Age between 31 and 40 years
Age between 41 and 50 years
More than 51 years



Aging structure of employees 2014

The need for staff development within the company is determined once a year as part of the budget in an analysis of further training requirements.

The company introduced a global grading system in the past financial year. An analytical procedure was used to evaluate all of the positions at the company in order to determine their relative values within the organization.

The typical goals included:

- Establishing a shared language for roles in different business areas and regions.
- Harmonizing remuneration programs and additional benefits across all business areas and regions while taking different local market conditions into account.
- Creating a positional architecture with anchor points that are defined in salary ranges and that help to support career paths, employee development and succession planning.

The positional analysis is based on the position and not its current occupant. Individual performance is developed in performance assessments, employee appraisals and discussions on target agreements with the respective employee and monitored regularly. The global grading process was based on a theoretical employee who met the requirements for the respective job description in full.

The grading process involved three main steps:

- Organizational analysis
- Salary range decision
- Positional evaluation

This process has provided First Sensor with a basis for offering performance-oriented, competitive remuneration and positioning itself as an attractive employer for existing and new employees.

Integrated management system

The aim of an integrated management system in line with the German Sustainability Code is being introduced as part of the harmonization of uniform management processes at the First Sensor Group. In addition to quality management, this system will encompass compliance, risk management, the environment, energy, and occupational health and safety.

The primary focus will be on the orientation of internal and external processes. First Sensor places a great deal of importance on high efficiency, low losses, satisfied customers, reliable suppliers and, in particular, effective and motivated employees.

Process development is supported by a central management manual that contains group-wide regulations, information and templates.

To measure and develop the performance of core processes in the divisions, a system of key performance indicators (KPIs) has been established at Management Board level to support the planned strategic development. This includes the definition of appropriate targets, the clear allocation of responsibilities and the derivation of measures.

A Code of Conduct will be developed that describes the working principles for all employees on the basis of integrity, i.e. legally compliant actions in line with ethical principles. The compliance management system and the work of the compliance officer and the compliance committee will be described in a company-wide guideline.

In the area of quality management, the introduction of uniform key figures has identified optimization potential for reducing costs and increasing product quality and customer satisfaction, and an improvement process has been initiated. To ensure that cooperation between the plants and at the interfaces with customers and suppliers is quick and smooth, the introduction of uniform CAQ software for quality management and assurance at all of the First Sensor Group's plants is in preparation.

Preparations have also been made for the introduction of an energy management system

for the sustainable use of resources and the realization of cost savings.

This project coincides with the roll-out of uniform software for environmental management and occupational health and safety. This helps to ensure that all of the relevant statutory and official requirements are met. The software is also a highly effective, upgradable tool for informing and training all employees. This means that the conditions have been established for the certification of the locations in accordance with environmental and energy management standards.

The key achievements resulting from this are reflected in streamlined, uniform processes for reducing additional expenses, clearly defined interfaces and responsibilities, a central quality management system with key figures for measuring effectiveness and efficiency, the presentation of a consistent image to customers and suppliers, support for new business, and support for purchasing activities as part of supplier management.

The following certifications are currently audited and the following guidelines are currently applied at First Sensor:

Types of certifications

DIN EN ISO 9001	Certification of quality management systems
DIN EN 9100	Certification of quality management systems for aviation, aerospace and defense
DIN EN ISO 14001	Certification of environmental management systems
DIN EN ISO 13485	Certification of quality management systems for medical products
ISO/TS 16949	Certification of quality management systems for automotive industry

Guidelines

MIL-STD 883	Test Method Standard Microcircuits for Military Applications
IPCJ-STD-001	Requirements for Soldered Electrical and Electronic Assemblies
IPC A 610	Acceptability of Electronic Assemblies
DVS 2810 / 2811	DVS-Regulations for Wire-bonding and testing procedures
DLR-RF-PS-STD-008	Requirements for Capability Approval of Monolithic Microcircuit Technologies
ESA PSS/ECSS/ESCC	ESA Procedures, Standards and Specifications for Space Applications
RTCA DO 160	Environmental Conditions and Test Procedures for Airborne Equipment

Supplementary report

After the end of the financial year the following issue has to be reported: First Sensor has announced that Joachim Wimmers, CFO of First Sensor AG, will leave the management board at his own request as of March 31, 2015.

The CFO's sphere of ownership will be provisionally managed by Dr. Martin U. Schefter (CEO) as of the same date.

Outlook, opportunity and risk report

Outlook

Premises and assumptions

The forecasts below relate to financial year 2015, are consistent with the consolidated financial statements and do not show any changes in the basis of consolidation or other significant facts that would give rise to a different assessment of the future net assets, financial position or results of operations.

The investments made in the past in the capacity expansion of production facilities, particularly at the Berlin-Oberschöneweide and Dresden locations, will lead to the planned sales and earnings growth in the medium term.

The workforce expansion in the areas of development as well as production and logistics will establish the basis for realizing and implementing new projects with the planned sales potential.

It is assumed that there will be no shortages in the supply of materials, raw materials and components. Furthermore, it is assumed that all key positions in the First Sensor Group will be occupied by qualified personnel.

Planning process

The planning process at the company involves several stages. Firstly, income statement planning is performed at the level of the cash-generating units (CGUs) using the nature of expense method in accordance with HGB for the period 2015-2017 (three-year plan) on the basis of sales, margin and HR planning and cost center-based cost type planning. Once investment and financial plans are added to

this, a balance sheet plan can be drawn up. In the second stage, the units are combined as part of the elimination of intragroup balances and acquisition accounting, converted to IFRS accounting and condensed into Group plans.

The same sales and earnings forecasts for the CGUs in accordance with HGB are applied in goodwill impairment testing in connection with the annual financial statements.

The following exchange rates are used centrally as a guide. No other central guidelines are applied in planning.

Target exchange rates	2015	2016/17
USD-EUR	1.35	1.35
GBP-EUR	0.80	0.80
CAD-EUR	1.50	1.50
SEK-EUR	9.00	9.00
SGD-EUR	1.70	1.70

Changes in the USD exchange rate leading to 1.10 USD/EUR may have influence on the cost of materials of appr. €1.0 million affecting the planning period. Sales in the USD-area and supported by the hedged currency contracts this reduction will be avoided. Furthermore sales prices adjustments related to USD-customers will help balancing this effect.

Development of business

The sensor products and services in First Sensor's portfolio will in future be sold in three growing areas of business with a single strategy:

Industrial
Medical
Mobility

Business units will be created as part of this plan, thereby ensuring a consistent focus on markets and customers. The business units are supported by the two Competence Centers for Production and Development. In addition to field sales, the company will also systematically expand its international sales network in Europe, Asia and North America.

First Sensor is continuing to pursue its goal of becoming a leader in all of the identified business areas in the sensor industry in the medium term. The Management Board is focusing in particular on profitable organic growth.

The future segments at First Sensor are already linked to each other in many ways. The Competence Centers for Production and Development in particular make manufacturing technologies and expertise available to the Group. In addition, First Sensor makes use of shared infrastructure and cross-departmental functions where possible, for example in purchasing and the expansion of the international network. This generates cost benefits. Processes that are harmonized throughout the company improve efficiency. The joint umbrella brand increases awareness and acceptance and allows us to approach large customers on an equal footing.

First Sensor will conduct intensive development projects during the forecast period in order to safeguard its future earnings strength.

A systematic analysis of its production sites with regard to optimizing the utilization of technologies and capacity will allow First Sensor to improve its production workflows.

With the realignment of its financing structure, First Sensor has secured the company's financing for the forecast period. In financial year 2014, net debt was reduced further, thereby

placing the company within the investment grade range. This means that investments and operational expansions are adequately financed at all times.

The following table shows how accurate the company's forecasts were in financial year 2014. The sales realized towards the end of the year, which were attributable to the increase in invoicing in the segment Mobility due to unexpected orders. The sales forecast was exceeded by 4.2%. EBITDA was within the forecast corridor.

Source	Sales	EBITDA
Outlook: For the financial year 2014 management board expects sales between €114 to € 119 million and an operating result EBITDA between €13 and €15 million. (ad hoc disclosure March 18, 2014 as well as outlook in the notes of 2013)	114 - 119	13 - 15
Confirmation of sales and EBITDA expectations between €114 and €119 million, respectively between €13 and €15 million (Corporate news May 9, 2014)	114 - 119	13 - 15
Actuals of the financial year 2014	124.0	13.5

In terms of non-financial performance indicators, no significant changes are expected in human resources and development.

The strategic realignment in financial year 2014 has laid the foundations for successful growth.

The company's opportunity/risk profile is considered to be positive; accordingly, a sales volume of between €128 million and €132 million and EBITDA of €14-16 million are anticipated in the 2015 forecast period.

Risk report

In the course of its national and international business activity, First Sensor is confronted by a range of risks that are inextricably linked to its business actions. These are largely identical for First Sensor AG and its major subsidiaries (Silicon Micro Sensors GmbH, Lewicki micro-electronic GmbH, Microelectronic Packaging Dresden GmbH), the business units and competence centers as a result of their value creation processes. All the activities worldwide are monitored and controlled by the group controlling department.

The Management Board has set up a corresponding early warning system based on the following risk principles in the form of a risk management system:

The principle of decentralized management rests on the organization of operational procedures with adherence to the commonly accepted rules of internal control systems. The subsidiaries, corporate divisions, business units and 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 summarized in a quarterly forecast.

To assess and monitor cumulative risk and individual risks on a cross process and cross company basis, discussions on opportunities and risk between the Management Board and managers of the respective units were conducted at regular meetings in the year under review. Risk assessments comprise a further integral part of the monthly reports.

The company-wide reporting and control system ensures all decision makers are consistently supplied with up-to-date, accurate information. Company performance can be read at all times and changes in the operational environment detected promptly, enabling any necessary countermeasures to be initiated.

Risk management analyzes the crucial issues on a quarterly basis. This includes market risks, sales risks, purchasing risks, IT risks, liquidity risks, exchange rate risks, risks relating to receivables and inventory risks, human resources risks and the status of existing insurance policies. The main individual risks are listed below.

Within the context of international competition, First Sensor is subject to the risk that it may prove impossible to provide the required human resources capacities for the planned levels of growth or that these capacities can only be provided at higher costs than anticipated. This risk relates in particular to highly qualified employees. First Sensor counters this risk with internal professional development programs and long-term demand planning, as well as a grading process that has been introduced for this purpose in order to ensure typical industry salary grades. Risk is reduced by way of rules on representation and the identification of key persons and their key expertise.

In our **sales markets**, there is a risk that competitors may gain significant market share with products that are technologically equal or superior. Furthermore, customers may prove cautious in calling up orders or placing new ones, or may postpone orders, which could lead to a drop in sales.

Increased efforts by a supplier to sell products itself that were previously supplied to First Sensor and to develop competition may make it impossible for us to maintain our market share.

We have to date focused strongly on certain markets, which could lead to a drop in sales on other markets if we are unable to compensate for this in good time.

From the company's perspective, there is no significant concentration of risk in the area of sales. Two customers accounted for a significant share of consolidated sales, at around 9.6% and 7.6% respectively. These two customers are responsible for the sales growth in the Automotive segment. A change in their order behavior would have a pronounced impact on the forecast consolidated sales.

In the area of **procurement**, the First Sensor Group companies are dependent on timely delivery of essential materials for the manufacture of their products. Severe delays, quantity discrepancies, lack of availability or shortcomings in the quality of deliveries can have a significant negative impact on their earnings situation. Where possible, a second source strategy is applied to limit this risk.

In First Sensor's **production** activities, 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. Contingency insurance has been concluded accordingly.

In **R&D**, there is a risk that First Sensor development projects may not lead to the desired results or that innovation trends may not be 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 thanks to the niche position it has achieved through the development of customer-specific special sensors. Despite this, capitalized development projects are subject to risks with regard to reaching market maturity and generating the forecast income.

With regard to financing, German institutional investors subscribed to promissory notes with terms of three years (€19.0 million; term to December 21, 2016) and five years (€12.0 million; term to December 21, 2018) placed by the company. The promissory note with the three-year term pays variable interest with a margin calculated on the basis of 6-month EURIBOR, while the promissory note with the five-year term pays fixed interest. The financial ratios specified were the debt/equity ratio, the equity ratio and the interest cover ratio.

First Sensor has undertaken to adhere to key financial ratios (covenants) in connection with the promissory note loans; these are reviewed regularly and must meet the required targets at the end of the year. Any breach of the co-

venants will provide extraordinary grounds for termination. If the agreement is not terminated as a result, the breach will increase the interest margin by one percentage point.

The company complied with the covenants as at December 31, 2014, and there is no reason to expect the covenants to be breached during the forecast period.

In total, net financial liabilities amounted to €29.7 million at the end of the year (previous year: €35.8 million). A stable earnings situation in the coming years is a prerequisite for the timely servicing of our financial liabilities. There is also a capital market-related risk insofar as the basis used for calculating variable interest may develop unfavorably. Corresponding precautions have been taken in the form of interest rate hedges.

Changes in **exchange rates** have an impact on procurement and sales at First Sensor. Our intensive purchases of production materials on the global market mean that strong fluctuations in the US dollar can push up our purchase prices significantly. Changes in the US dollar also affect the competitiveness of First Sensor's products. We hedge known purchasing volumes in foreign currency using forward foreign exchange contracts.

A data protection officer for the entire Group was appointed in the last financial year to meet the requirements of **data protection** as prescribed by law and required with regard to content. The aim of this measure is to protect individuals against the infringement of their personal rights as a result of the use of their personal data.

Development of First Sensor's **share price** depends to a large extent on the company's earnings strength. Negative business development at the company may result in a lower value for the First Sensor share, restricting potential financial scope with respect to equity measures on a sustained basis or making First Sensor a target for a takeover.

In summary, the risk positions are recorded in full via the risk management system and cover all of the areas of risk to which the company is exposed. First Sensor does not believe that it is subject to risks that could jeopardize its continued existence. The financing and earnings structure show that the follow-up financing for the promissory note bond that expires in 2016 is secured.

Opportunity report

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

The biggest opportunity to increase earnings comes from the reorganization of First Sensor into strategic divisions in order to make better use of existing potential. Three business units will be created as part of this plan, thereby ensuring a consistent focus on markets and customers.

The Competence Centers for Development and Production allow the optimization of production capacity utilization and logistics costs, meaning that internal potential can be harnessed to generate improved margins.

The company will also systematically expand its international sales in Europe, Asia and North America in the existing units. Significant sales and earnings growth can be achieved through partnerships and joint venture structures.

There is potential for optimization in the area of **production** through increased flexibility in the allocation of orders to different locations. The purchasing project is also expected to significantly improve margins.

In **products**, opportunities arise from the possibility of offering sensor solutions developed elsewhere in the company to other sectors or

customers. Areas of overlap have been identified for cross-selling, which would lead to an improvement in sales. The creation of product platforms also enables optimized use for customer-specific sensor solutions.

First Sensor is conducting a large number of internal **development projects**. Depending on the progress of these development projects, solutions may either reach market maturity earlier than planned or leverage additional market potential.

The **critical mass** reached by First Sensor in terms of sales is increasingly becoming a decisive factor in the awarding of contracts which will result in more orders. This is allowing First Sensor to access new customer groups.

In summary, First Sensor believes that its business unit strategy means it is well positioned in the growth market of the sensor industry. The focus on profitable niche applications and well-established, successful cooperation with existing customers represents a solid basis for the achievement of First Sensor's growth targets.

Risk reporting in connection with the use of derivative financial instruments

First Sensor uses derivative financial instruments solely for hedging in its operating business. This involves forward foreign exchange contracts to reduce the impact of exchange rate fluctuations when purchasing materials in foreign currency. Further details can be found in the notes.

In addition, interest rate swaps have been concluded to hedge interest rate risks in connection with the promissory note loans issued. Detailed information can be found in the notes. The counterparty default risk arising from derivative financial instruments is countered by ensuring that these instruments are concluded solely with prominent banks.

Accounting-related internal monitoring system

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

The internal control and risk management system with regard to the accounting process and the Group accounting process is not defined in law.

First Sensor considers the internal control and risk management system to be a comprehensive system and refers to the definitions set out by the German Institute of Auditors (IDW) for the accounting-related internal control system (IDW PS 261, paragraph 19 f.) and for the risk management system (IDW PS 340, paragraph 4).

The internal control system is understood to constitute the principles, procedures and measures introduced by company management and aimed at achieving the organizational implementation of management decisions to safeguard the effectiveness and profitability of business activities. This includes the protection of assets, including the prevention and detection of asset misappropriation, measures aimed at ensuring the appropriateness and reliability

of internal and external accounting, as well as compliance with the statutory provisions applicable to the company.

The risk management system comprises all organizational 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 at the company with respect to the accounting processes of the consolidated companies and the Group accounting process.

The Management Board bears overall responsibility for the internal control and risk management system in relation to the accounting processes of the consolidated companies and the Group accounting process. All of the companies included in the consolidated financial statements are integrated within a strictly defined management and reporting organization.

With respect to the accounting processes of the consolidated companies and the Group accounting process, First Sensor considers those aspects of the internal control and risk management system that have a material influence on Group accounting and the overall

picture conveyed by the consolidated financial statements and Group management report to be significant.

- Deviation analyses to monitor the company-wide accounting process and the results thereof at Management Board level and at the level of the consolidated companies.
- Preventive control measures in finance and accounting at First Sensor AG and the consolidated companies and in operational performance-related processes at the company, which generate material information for the preparation of the consolidated financial statements including the Group management report.
- Measures to ensure the proper, IT-based processing of accounting-related content and data.

Takeover-related disclosures and information disclosures in accordance with sections 289 (4), 315 (4) HGB

Composition of subscribed capital

Subscribed capital amounted to €50,655,055.00 at the reporting date December 31, 2014 (previous year: €49,907,215.00) and is divided into 10,131,011 no-par value bearer shares (previous year: 9,981,443 no-par value bearer shares), meaning that each share has a notional interest in the share capital of €5.00.

All of the company's shares carry the same rights and obligations. Each share grants the bearer one vote at the Annual General Meeting and determines the extent of the shareholders' participation in the company's profits.

Restrictions affecting voting rights or the transfer of shares

In accordance with section 136 (1) AktG, shares directly or indirectly held by members of the Management Board and the Supervisory Board are subject to statutory restrictions affecting voting rights with respect to the vote on the approval of the actions of the members of the Management Board and the Supervisory Board for the respective financial year.

Direct interests in the company's share capital of more than 3%

- An interest of 30.62% is held by FS Technology Holding S.à.r.l., Luxembourg, which is attributable to the ING Group, Netherlands;

- An interest of 18.89% is held by DAH Beteiligungs GmbH, Mannheim, Germany, which is attributable to Daniel Hopp, Germany;
- An interest of 5.59% is held by Lampe Beteiligungsgesellschaft mbH, which is attributable to Bankhaus Lampe KG; and
- An interest of 3.49% is held by Midlin NV, Maarsbergen, Netherlands.

Holders of shares with special rights conferring control powers

The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares. Furthermore, there are no shares with special rights conferring control powers.

Type of voting right control when employees hold an interest in the share capital and do not exercise their controlling rights directly

The Management Board is not aware of any employees with an interest in the company's capital who do not exercise their controlling rights directly.

Statutory provisions and Articles of Association concerning the nomination and dismissal of Management Board members and amendments to the Articles of Association

The provisions governing the nomination and dismissal of members of the Management

Board and amendments to the Articles of Association are determined in line with statutory regulations.

Authorization of the Management Board to issue and repurchase shares

In addition to contingent capital for the issue of stock options for members of the Management Board and employees, the company has Contingent Capital 2012 encompassing up to 3,800,000 no-par value bearer shares for granting shares to the holders of convertible or option bonds in the event that the holders exercise their conversion or option rights.

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

Agreements on compensation in the event of a takeover bid

In the event of a change of control at First Sensor AG, a maximum amount has been allowed for Dr. Martin U. Schefter if he resigns within one month of the change of control. A limited lump sum benefit is to be paid to Joachim Wimmers in the event of a change of control provided that he resigns within two months of the change of control.

Other declarations

The declaration of compliance and the corporate governance declaration are permanently available in the Investor Relations/Corporate

Governance section of the company's website at www.first-sensor.com.

Berlin, den 24. März 2015
First Sensor AG



Dr. Martin U. Schefter
CEO



Joachim Wimmers
CFO

According to the voting rights notifications submitted to us, the following individuals/institutions held more than 3% of the shares in First Sensor AG as at December 31, 2014. This information may deviate from the current voting rights held if a reporting threshold has not been reached since the last notification, meaning that the person or institution concerned was not required to submit a voting rights notification:

Individual/ company	Share (%)	Share (voting rights)	Allocation (direct/indirect)	Date of notification
FS Technology Holding S.à.r.l., Luxemburg	30.62	3,095,189	direct	October 13, 2014
ING Groep N.V., Amsterdam, The Netherlands	30.62	3,095,189	indirect	October 13, 2014
NN Group N.V., Amsterdam, The Netherlands	30.62	3,095,189	indirect	October 13, 2014
ING Insurance Eurasia N.V., Amsterdam, The Netherlands	30.62	3,095,189	indirect	October 13, 2014
Nationale Nederlanden Nederland B.V., Amsterdam, The Netherlands	30.62	3,095,189	indirect	October 13, 2014
Nationale Nederlanden Levensverzekering Maatschappij N.V., Rotterdam, The Netherlands	30.62	3,095,189	indirect	October 13, 2014
Parcom Capital B.V., Schiphol Airport, The Netherlands	30.62	3,095,189	indirect	October 13, 2014
DPE Deutsche Private Equity B.V., Schiphol Airport, The Netherlands	30.62	3,095,189	indirect	October 27, 2014
Parcom Deutschland I GmbH & Co. KG, Munich, Germany	30.62	3,095,189	indirect	October 27, 2014
DPE Deutsche Private Equity GmbH, Munich, Germany	30.62	3,095,189	Indirect	October 27, 2014
Deutsche Private Equity Administration GmbH, Munich, Germany	30.62	3,095,189	Indirect	October 27, 2014
DAH Beteiligungs GmbH, Mannheim, Germany	18.89	1,859,605	direct	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
Lampe Beteiligungsgesellschaft mbH, Düsseldorf, Germany	8.27	814,230		May 16, 2012
Bankhaus Lampe KG, Bielefeld, Germany	8.27	814,230	indirect	May 15, 2012
Midlin NV, Maarsbergen, Niederlande	3.49	352,134	direct	September 16, 2014

3 Financial Statements

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Financial statements 2014 (IFRS)

Consolidated balance sheet ASSETS

ASSETS in € thousand	Notes	Dec. 31, 2014	Dec. 31, 2013	Changes
Intangible assets	(3)	19,069	21,855	-2,786
Internally-generated intangible assets	(4)	3,489	3,951	-462
Goodwill	(5)	29,816	29,816	0
Property, plant and equipment	(6)	36,412	37,528	-1,116
Other non-current assets		0	21	-21
Total non-current assets		88,786	93,171	-4,385
Inventories	(7)	29,862	29,765	97
Trade accounts receivables	(8)	8,611	6,577	2,034
Tax refund claims		576	717	-141
Other current assets	(9)	2,529	3,357	-828
Cash and cash equivalents	(10)	14,525	11,357	3,168
Total current assets		56,103	51,773	4,330
Total ASSETS		144,889	144,944	-55

Consolidated balance sheet EQUITY AND LIABILITIES

<u>EQUITY AND LIABILITIES in € thousand</u>	<u>Notes</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>	<u>Changes</u>
Share capital	(11)	50,655	49,907	748
Capital reserves	(12)	16,363	15,960	403
Revenue reserves	(12)	1,004	1,004	0
Currency translation	(12)	-213	-570	357
Revaluation reserves	(12)	-425	-495	70
Retained earnings		4,193	4,018	175
Minority interest		405	182	223
TOTAL Equity		71,982	70,006	1,976
Non-current post-employment benefit obligation	(13)	323	310	13
Other non-current provisions	(14)	208	195	13
Long-term loans, excluding current portion	(15)	41,176	42,927	-1,751
Other non-current liabilities	(16)	5,602	5,944	-342
Deferred tax liabilities	(26)	4,257	5,044	-787
Total non-current liabilities		51,566	54,420	-2,854
Income tax provisions and liabilities		1,590	1,299	291
Other current provisions	(14)	1,102	550	552
Short-term loans and current portion of long-term loans	(15)	3,075	4,217	-1,142
Payments received on account of orders		545	865	-320
Trade accounts payables		8,211	7,706	505
Other current liabilities	(17)	6,818	5,881	937
Total current liabilities		21,341	20,518	823
Total equity and liabilities		144,889	144,944	-55

Consolidated statement of comprehensive income (IFRS)
January 1 to December 31, 2014 (IFRS)

Consolidated income statement

in € thousand	Notes	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013	Oct.1 – Dec. 31, 2014	Oct. 1 – Dec. 31, 2013
Sales revenues	(19)	123,998	108,542	31,784	26,483
Other operating income	(20)	3,545	3,422	786	1,029
Changes in inventories in finished goods and work-in-progress	(21)	813	-830	-582	-757
Other own work capitalized	(22)	780	1,280	375	506
Cost of material and purchased services	(23)	-61,190	-50,263	-15,032	-11,712
Personnel expenses	(24)	-39,436	-36,617	-10,070	-9,877
Other operating expenses	(25)	-14,963	-13,968	-4,800	-4,192
Profit from operations (EBITDA)		13,547	11,566	2,461	1,480
Depreciation of property, plant and equipment and amortization of intangible assets		-9,475	-8,822	-3,093	-2,269
Earnings before interest and tax (EBIT)		4,072	2,744	-635	-789
Interest income		31	31	21	7
Interest expenses		-2,421	-3,402	-728	-1,415
Currency gains		309	232	114	82
Currency losses		-311	-693	-70	-264
Income before tax and minority interest		1,680	-1,088	-1,298	-2,379
Income tax expenses	(26)	-1,282	626	-876	567
Net profit/loss for the period		398	-462	-2,174	-1,812
Net profit/loss for the period attributable to First Sensor AG shareholders		175	-519	-2,180	-1,749
Net profit/loss for the period attributable to minority interest		223	57	6	-63
Earnings per share in € (basic=diluted)	(27)	0.02	-0.05	-0.22	-0.18

Other comprehensive income
January 1 to December 31, 2014 (IFRS)

in € thousand	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013	Oct.1 – Dec. 31, 2014	Oct. 1 – Dec. 31, 2013
Net profit/loss for the period	398	-462	-2,174	-1,812
Actuarial gains and losses on defined benefit plans	-18	16	-18	16
Taxes on other comprehensive income	6	-5	6	-5
Items not subsequently reclassified to the income statement	-12	11	-12	11
Changes from currency translation	357	-241	25	-28
Revaluation of derivative financial instruments	117	450	76	148
Taxes on other comprehensive income	-35	-135	-35	-71
Items that can be subsequently reclassified to the income statement	439	74	66	49
Total comprehensive income	825	-377	-2,120	-1,752
Total comprehensive income	602	-434	-2,126	-1,689
Thereof attributable to minority interest	223	57	6	-63

Consolidated statement of changes in equity from January 1 to December 31, 2013 (IFRS)

in € thousand	Number of shares in thou.	Capital stock	Capital reserves	Revenue reserves	Currency translation	Revaluation reserves	Retained earnings	Minority interest	Total shareholders' equity
As at January 1, 2013	9,940	49,701	15,699	1,004	-329	-821	4,537	125	69,916
Net profit/loss for the period							-519	57	-462
Other comprehensive income					-241	326			85
Total comprehensive income					-241	326	-519	57	-377
Share-based remuneration			251						251
Capital increase	41	206	10						216
Appropriation of earnings									0
As at December 31, 2013	9,981	49,907	15,960	1,004	-570	-495	4,018	182	70,006

Consolidated statement of changes in equity from January 1 to December 31, 2014 (IFRS)

in € thousand	Number of shares in thou.	Capital stock	Capital reserves	Revenue reserves	Currency translation	Revaluation reserves	Retained earnings	Minority interest	Total shareholders' equity
As at January 1, 2014	9,981	49,907	15,960	1,004	-570	-495	4,018	182	70,006
Net profit/loss for the period							175	223	398
Other comprehensive income					357	70			427
Total comprehensive income					357	70	175	223	825
Share-based remuneration			264						264
Capital increase	150	748	139						887
Appropriation of earnings									0
As at December 31, 2014	10,131	50,655	16,363	1,004	-213	-425	4,193	405	71,982

**Consolidated statement of cash flow
from January 1 to December 31, 2013 (IFRS)**

in € thousand	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013
Income before tax and minority interest	1,680	-1,088
Interest paid	2,390	2,842
Depreciation of property, plant and equipment and amortization of intangible assets	9,475	8,822
Income from investment grants	-592	-600
Income/loss from the disposal of fixed assets	289	42
Other non-cash expenses and income	264	283
Changes in provisions	560	-17
Changes in working capital	-1,626	7,425
Changes in other assets and liabilities	1,550	-3,671
Income tax paid	-1,807	-963
Cash flow from operating activities	12,183	13,075
Payments for investments in property, plant and equipment and intangible assets	-5,415	-3,761
Payments for acquisitions of subsidiaries less cash acquired	0	-4,750
Proceeds from disposal of property, plant and equipment, intangible assets and investments	156	710
Proceeds from investment grants	592	600
Interest received	32	56
Cash flow from investment activities	-4,635	-7,145
Proceeds from shareholders	887	216
Repayments for financial liabilities	-4,880	-41,049
Proceeds from loans	1,988	36,990
Interest paid	-2,422	-2,898
Cash flow from financing activities	-4,427	-6,741
Net change in cash and cash equivalents	3,121	-811
Currency differences from converting funds	47	-33
Cash funds at the beginning of the financial year	11,357	12,201
Cash funds at the end of the financial year	14,525	11,357

3 Notes to the consolidated financial statements (IFRS)

1. Presentation of the situation at the group

Parent company

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

First Sensor AG and its subsidiaries, referred to hereinafter as "First Sensor", operate in the sensor production and microsystems technology industries. The company's business mainly focuses on the development, manufacture and distribution of customer-specific optical and non-optical semiconductor sensors and sensor systems. First Sensor also develops and manufactures highly reliable customized hybrid circuits and products for microsystem engineering and advanced packaging.

It is anticipated that these Consolidated Financial Statements will be authorized for issue by the Supervisory Board on March 25, 2015.

Reporting principles

First Sensor's consolidated financial statements for 2014 have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) as at the balance sheet date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that must be applied in the European Union.

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

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

To improve clarity, individual items have been summarized in the balance sheet and the statement of comprehensive income. The Notes show a breakdown of these items. Rounding differences in the presentation may result in divergence from the exact mathematical values.

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

In financial year 2014, new standards, amendments to existing standards and new interpretations were approved.

Published standards and interpretations for which application was mandatory for the first time for IFRS financial statements as of 12/31/2014:

Amendments to standards:

- Amendments to IAS 27 „Separate Financial Statements“: restriction of the regulations for separate financial statements (entry into force on January 1, 2014)
- Amendments to IAS 28 „Investments in Associates and Joint Ventures“: mandatory application of the equity method (entry into force on January 1, 2014)
- Amendments to IAS 32 „Financial Instruments: Presentation“: Offsetting Financial Assets and Financial Liabilities (entry into force on January 1, 2014)
- Amendments to IAS 36 „Impairment of

Assets“: Recoverable Amount Disclosures for Non-Financial Assets (entry into force on January 1, 2014)

- Amendments to IAS 39 „Financial Instruments: Recognition and Measurement“: Novation of Derivatives, Transfer of Derivatives and Continuation of Hedge Accounting (entry into force on January 1, 2014)
- Amendments to IFRS 10 „Consolidated Financial Statements“, IFRS 11 „Joint Arrangements“ and IFRS 12 „Disclosure of Interests in other Entities“: transition guidance (entry into force on January 1, 2014)
- Amendments to IFRS 10 „Consolidated Financial Statements“, IFRS 12 „Disclosure of Interests in other Entities“ and IAS 27 „Separate Financial Statements“: exceptions to the consolidation obligation for investment entities (entry into force on January 1, 2014)

New standards:

- IFRS 10 „Consolidated Financial Statements“: (entry into force on January 1, 2014)
- IFRS 11 „Joint Arrangements“: (entry into force on January 1, 2014)
- IFRS 12 „Disclosures of Interests in Other Entities“: (entry into force on January 1, 2014)

Published standards and interpretations for which application was not mandatory for IFRS financial statements as of December 31, 2014:

Amendments to standards:

- Amendments to IFRS 10 „Consolidated Financial Statements“, IFRS 12 „Disclosure of Interests in other Entities“ and IAS 28 „Investments in Associates and Joint Ventures“: Applying the Consolidation Exception (entry into force on January 1, 2016) *
- Amendments to IFRS 10 „Consolidated Financial Statements“ and IAS 28 „Investments in Associates and Joint Ventures“: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (entry into force on January 1, 2016) *
- Amendments to IFRS 11 „Joint Arrangements“: Accounting for Acquisitions of Interests in Joint Operations (entry into force on January 1, 2016) *
- Amendments to IAS 16 „Property, Plant and Equipment“ and IAS 38 „Intangible Assets“: Clarification of Acceptable Methods of Depreciation and Amortization (entry into force on January 1, 2016) *
- Amendments to IAS 16 „Property, Plant and Equipment“ and IAS 41 „Agriculture“: Agriculture - Bearer Plants (entry into force on January 1, 2016) *
- Amendments to IAS 19 „Employee Benefits“: Defined Benefit Plans - Employee Contributions (entry into force on July 1, 2014) *
- Amendments to IAS 27 „Separate Financial Statements“: Equity Method in Separate

Financial Statements (entry into force on January 1, 2016) *

- Various amendments: IASB 2010 - 2012 Annual Improvement Project (entry into force on January 1, 2014) *
- Various amendments: IASB 2011 - 2013 Annual Improvement Project (entry into force on January 1, 2015)

New standards:

- IFRS 9 „Financial Instruments“ (entry into force on January 1, 2018) *
- IFRS 14 „Regulatory Deferral Accounts“ (entry into force on January 1, 2016) *
- IFRS 15 „Revenue from Contracts with Customers“ (entry into force on January 1, 2017) *

New interpretations:

- IFRIC 21 „Levies“: accounting for levies imposed by governments (entry into force on July 17, 2014) *

* Endorsement not yet given.

At the present time, the company has taken into account the mandatory application of the new standards and interpretations within the EU and will continue to do so. There has been no material impact on the balance sheet and the income statement and no material impact is expected. Some amendments and additional disclosures were required in the Notes.

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. All assumptions and estimates are made to the best of our knowledge and belief in order to provide a true and fair view of the Group's net assets, financial position and results of operations.

Impairment of goodwill and non-current assets

First Sensor annually tests goodwill and other non-current assets for impairment in accordance with IAS 36. The impairment test is performed on the basis of a comparison between the carrying amount of an asset and the recoverable amount that can be generated from the asset or group of assets or the cash generating unit. The recoverable amount is the higher of the fair value less the costs to sell and the value in use.

The recoverable amount is calculated by means of a discounted cash flow analysis. The recoverable amount is calculated based on the income planning for the cash generating unit in question. The WACC was also applied as a discount factor, which reflects the weighted average cost of capital for a corresponding peer group; the cash flow was estimated in a detailed planning phase up to 2017 and then in a terminal value. The income planning is essentially based on previous experience of management expectations regarding the development

of the respective cash generating unit and the relevant market. The main non-current assets to be subjected to annual impairment testing are the First Sensor Group's reported goodwill as well as intangible assets resulting from business combinations.

Share based remuneration

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

2. Principles of consolidation

Basis of consolidation

The Group's consolidated financial statements comprise First Sensor AG and the companies under its control. First Sensor AG is deemed to control those companies where it directly or indirectly holds over 50% of the voting rights 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, 2013, 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 attributable to shares the Group does not hold (minority interests). Non-controlling interests are recognized separately in the statement of comprehensive income 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.

There were no changes in the basis of consolidation in the year under review.

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

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	Oberdisingen	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.	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%
First Sensor Singapore (FSG) Pte. Ltd. (prev.: Elbau Singapore Pte. Ltd.)	Singapore	Manufacturer of sensor modules	100%
Klay Instruments B. V.	Dwingeloo, The Netherlands	Industrial solutions	100%
Sensortech Ltd.	Rugby, England	Sale of sensor modules	100%
Sensortech Corp.	Dwingeloo, The Netherlands	Development of sensor modules	100%
Sensortech Scandinavia AB	Kungens Kurva, Sweden	Sale of sensor modules	51%

Consolidation methods

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

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

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

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

The agreed contingent consideration is recognized at fair value at the time of the acquisition. Subsequent changes to the fair value of a contingent consideration representing a financial asset or a financial liability are recognized in the income statement 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 in the statement of comprehensive income.

Following initial recognition, goodwill is valued at cost minus accumulated impairment losses. For the purposes of impairment testing, the goodwill gained from a business combination is allocated, as 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 – before December 31, 2008

Based on the methods applied for accounting of company acquisitions as of December 31, 2008, 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 stages, individual acquisition transactions were recorded separately. An 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

Shares in affiliated companies

Affiliated companies are holdings in which First Sensor 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 is recognized in earnings from financial assets recognized using the equity method. Proportionate losses and intragroup profits from transactions with affiliated companies, which have to be eliminated, are offset against the carrying amount of the interest in the income statement.

There were no interests in affiliated companies as at the balance sheet date.

Currency translation

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

Upon initial recognition, foreign currency transactions are translated from the foreign currency into the functional currency at the spot rate applicable on the date of the respective business transaction. Any exchange differences resulting from the settlement of monetary items or the translation of monetary items at exchange rates other than those in force at the time of initial recognition are recognized in the income statement as an expense or income.

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

Foreign subsidiaries

All foreign First Sensor subsidiaries included in consolidation are considered financially independent foreign units since they are financially, economically and organizationally autonomous. Their functional currencies correspond to their local currency. The balance sheets of

foreign subsidiaries are translated at the exchange rate valid on the reporting date using the rates shown below:

Exchange rates	2014	2013
US dollar USD	1.21410	1.37910
Pound sterling GBP	0.77890	0.83370
Swedish krona SEK	9.3930	8.85910
Singapore dollar SGD	1.60580	1.74140
Canadian dollar CAD	1.40630	1.46710

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

Currency translation is recognized directly in equity, i.e. all exchange differences that arise are recognized as a separate component of equity under exchange equalization items.

Cash and cash equivalents

Cash and cash equivalents include cash, term deposits with remaining terms of up to three months and sight deposits. The cash equivalents shown in the cash flow statement are defined in accordance with the company's cash management and are identical to cash.

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

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.

Gains and losses are recorded in the net profit for the period if loans and receivables are derecognized or impaired as well as those resulting from amortization.

Financial assets are reviewed for impairment at the 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 loans 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 measured.

However, an increase in value will be recognized only insofar as it does not exceed the amount of amortized cost.

Derecognition

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

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

First Sensor assesses at the balance sheet date 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 the income statement. First Sensor first assesses whether there is objective evidence of impairment of financial assets that are significant. It then assesses whether 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 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 offset so only the net amount is reported in the balance sheet. This only happens if there is a legal right to offset the recorded amounts with each other at the present time and if the intention is to effect compensation on a net basis or to redeem the liability associated with the asset in question at the same time it is realized.

Fair value

The fair value of financial instruments traded on active markets is determined by the market price quoted on the reporting date or the publicly quoted price (bid price for long positions and asking price for short positions) without any deduction for transaction costs.

The fair value of financial instruments not traded on any active market is determined using valuation measurement methods.

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

Please refer to "Derivative financial instruments" in the Notes for an analysis of the fair values of financial instruments and other details of how financial instruments are valued.

The company assumes that the fair values of financial assets and financial liabilities essentially

correspond to their carrying amounts.

The net result for financial assets and liabilities amounted to €-92 thousand for the financial year (previous year: €-134 thousand).

Inventories

Materials and other supplies held for use in the production of inventories are measured at cost and not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. 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 market value if lower. Manufacturing costs comprise direct personnel costs, costs of materials and the attributable portion of production overheads. They are determined using cost unit accounting. Interest on borrowing is not capitalized. Obsolete articles and those with low turnover are adjusted in value appropriately.

Tangible assets

Tangible assets are accounted for at cost less accumulated amortization.

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

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

Buildings	25 – 33 years
Office equipment	1 – 15 years

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

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

Intangible assets

Intangible assets are capitalized by First Sensor if:

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

This is the method applied when intangible assets are acquired externally. Internally generated intangible assets are measured at the directly attributable development costs if all the requirements of IAS 38 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 must be met for capitalizing development costs under IAS 38.57 and have been met in full in the present cases:

- Technical feasibility of completing the asset so that it will be available for internal use and/or sale; this has been fulfilled.
- The intention is to complete the intangible asset, use or sell it.
- The ability exists to use or sell the intangible asset.
- There is evidence of the expected future economic benefit.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The company is able to measure reliably the expenditure attributable to the intangible asset during its development.

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

Amortizable 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 esti-

mated 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

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 (CGU) to which the goodwill applies is calculated annually. If the carrying amount exceeds the recoverable amount, a valuation allowance is recognized. If the recoverable amount is only 10% more than the carrying amount, the theoretical potential for valuation allowances is calculated in a sensitivity analysis. To do this, the underlying earnings before interest and tax (EBIT) are reduced by 10% and the risk-free basic interest rate is raised by 1 percentage point, and the effects on capitalized goodwill are calculated.

(c) Research and development costs

Expenditure on research and development activities is recognized in income in the period in which it is incurred unless the requirements of IAS 38 can be demonstrated in the case of development costs.

(d) Developments

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

(e) Brands

Identified assets were acquired in the form of brands as part of the acquisition of the Sensortech Group. The Klay brand is not subject to scheduled amortization because it has no defined useful life. The Sensortech and EL-BAU brands are amortized over an estimated useful life of 7 years as of the start of 2012.

(f) Customer base

Customer bases have been acquired as a result of the acquisition of the Sensortech Group and have been recognized as intangible assets. Customer bases are amortized on a straight-line basis over an expected useful life of 6 to 10 years.

(g) Orders on hand

As part of the acquisition of the Sensortech Group, First Sensor had acquired orders on hand, which were recognized as intangible assets. Orders on hand will be written off in accordance with the expected life of the underlying contracts by the end of 2013.

(h) Impairment of non-current assets

Property, plant and equipment and intangible assets are tested for potential impairment if, owing to events or changes in external circumstances, there are indications that the recoverable value for the asset at the balance sheet date will remain less than its carrying amount, or if annual impairment tests are required (goodwill and intangible assets unused to date). If the carrying amount of an asset exceeds the lower fair value, impairment is recognized with respect to property, plant and equipment and intangible assets reported at cost. The recoverable amount is the higher of the fair value less the costs to sell and the value in use. The fair value less costs to sell is the amount that can be achieved by sale of the asset in a normal transaction between knowledgeable parties.

The value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount of each individual asset must be estimated or, if this is not possible, for the smallest identifiable cash generating unit.

Provisions

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

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefit will be required to settle the obligation and
- a reliable estimate can be made of the amount of the obligation.
- The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words, the amount the company would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

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:

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

If the probability of the outflow of resources embodying economic benefits for the company is low, a contingent liability is not disclosed.

Financial liabilities

Financial liabilities are categorized as follows:

- financial liabilities held for trading
- other financial liabilities.

The financial liabilities reported in the First Sensor 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, canceled or have expired.

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 to payments made into state pension schemes.

Share options

A share option plan allows selected employees, i.e. the Management Board, directors and staff of First Sensor, to share in the company's future performance in the medium and long term.

The expenses resulting from the granting of equity instruments and the corresponding increase in equity are recognized over the period within which vesting or service conditions have to be met (vesting period). This period ends on the vesting date, in other words, on the date the employee in question becomes irrevocably entitled. The cumulative expenses reported at each balance sheet date arising from the granting of the equity instruments up to the vesting date reflect the portion of the vesting period that has already expired and the number of equity instruments, according to the Group's best estimate, that will vest at the end of the vesting period. The amount recognized in the income statement reflects the changes in the cumulative expenses at the beginning and end of the reporting period.

No expense is recognized for remuneration entitlements that do not vest. This does not include remuneration entitlements which can only vest subject to fulfillment of certain

market conditions. These are deemed vested irrespective of whether the market conditions are fulfilled provided that all other service conditions are met.

The dilutive effect of the outstanding share options is reflected in the calculation of the earnings per share as additional dilution (see Note 27 Earnings per share for further details).

Non-current post-employment benefit obligation

Pension payments were agreed for a former director who has taken retirement. Provisions were made for the present value of the pension commitment.

The annual pension payments are shown as utilization of provisions.

This is calculated based on an actuarial assessment.

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

Revenue is recognized in accordance with IAS

18 when all the following conditions are met:

- First Sensor has transferred to the buyer the significant risks and opportunities associated with ownership of the sold goods and products.
- There is 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

Income tax expenses

Current tax assets and current tax liabilities for current and prior periods should be measured at the amount expected to be recovered from (paid to) the taxation authorities. The amount is calculated 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

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

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 subsidiaries and associated companies is not recognized if the timing of the reversal of the temporary difference is controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred 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 the 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 partly applied. Non-recognized deferred tax assets are tested on every balance sheet date and recognized to the extent that it has become probable that the taxable result in the future will allow the realization of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when an 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 these relate to taxes levied by the same tax authority on the same tax object.

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.

Derivative financial instruments and hedging

Credit and liquidity risk

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

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

Currency risk

There is no significant exchange rate risk since most of the transactions concluded by the companies within the Group are in euro. However, materials are purchased in dollars abroad. Corresponding forward foreign exchange contracts are concluded for this purpose. Foreign currency risks are reduced by the independent operation of First Sensor Inc. and First Sensor Singapore (FSG) Pte. Ltd.

Interest rate exposure and hedging

The risk of market interest rate fluctuations to which the Group is exposed results predominantly from non-current financial liabilities with variable interest rates. This risk is countered by 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 the income statement.

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

As at December 31, 2014, First Sensor had used hedging instruments to hedge interest rate risks (cash flow hedge). These instruments were reported as follows in accordance with the strict criteria for hedge accounting:

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

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

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

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

3. Intangible assets

in € thousand	Orders on hand	Concessions, licenses and similar	Goodwill	Internally generated intangible assets	Customer base/ brands	Advance payments	2013
Cost of purchase							
January 1, 2013	1,452	10,589	39,112	3,693	24,075	1,045	79,966
Additions	0	145	0	934	0	353	1,432
Disposals	0	-152	0	-36	0	-29	-217
Reclassifications	0	489	0	-433	0	-990	-934
Exchange differences	0	-89	0	-3	0	0	-92
31. Dezember 2013	1,452	10,982	39,112	4,155	24,075	379	80,155
Cumulative depreciation							
January 1, 2013	1,372	7,779	9,296	69	2,883	0	21,399
Depreciation and amortization	80	637	0	134	2,399	0	3,250
Disposals	0	-116	0	0	0	0	-116
December 31, 2013	1,452	8,300	9,296	203	5,282	0	24,533
Carrying amount as at January 1, 2013	80	2,810	29,816	3,624	21,192	1,045	58,567
Carrying amount as at December 31, 2013	0	2,682	29,816	3,952	18,793	379	55,622

in € thousand	Orders on hand	Concessions, licen- ses and similar	Goodwill	Internally gene- rated intangible assets	Customer base/ brands	Advance payments	2014
Cost of purchase							
January 1, 2014	1,452	10,982	39,112	4,155	24,075	379	80,155
Additions	0	449	0	480	0	146	1,075
Disposals	0	-173	0	-255	0	0	-428
Reclassifications	0	416	0	0	0	-394	22
Exchange differences	0	3	0	36	0	0	39
December 31, 2014	1,452	11,677	39,112	4,416	24,075	131	80,863
Cumulative depreciation							
January 1, 2014	1,452	8,300	9,296	203	5,282	0	24,533
Depreciation and amortization	0	901	0	724	2,399	0	4,024
Disposals	0	-70	0	0	0	0	-70
Exchange differences	0	2	0	0	0	0	2
December 31, 2014	1,452	9,133	9,296	927	7,681	0	28,489
Carrying amount as at January 1, 2014	0	2,682	29,816	3,952	18,793	379	55,622
Carrying amount as at December 31, 2014	0	2,544	29,816	3,489	16,394	131	52,374

Intangible assets of €1,077 thousand were reported in the items „Concessions, licenses and similar“ (€576 thousand) and „Advance payments“ (€501 thousand) in the annual financial statements as of December 31, 2014 although the assets involved were internally-generated intangible assets. They were reclassified accordingly in the consolidated balance sheet and in the statement of consolidated fixed assets. This had no other impact on the figures; it was therefore decided not to present an opening balance as at January 1, 2013 separately.

The transfers effected as part of the annual financial statements relate to the reclassification from advance payment to property, plant and equipment both in the previous year and as of December 31, 2014. Intangible assets neither served as securities for liabilities nor were otherwise restricted at the balance sheet date.

Brands

Brands that were acquired as part of the acquisition of 100% of shares in the Sensortech Group in 2011 were identified as intangible assets as follows. The carrying amount has been compared with the previous year's figure.

in € thousand	2014	2013
Brand Sensortech	425	531
Brand ELBAU	357	429
Brand Klay Instruments	797	797
Total	1,579	1,757

With the exception of the Klay Instruments brand, which is not amortized, the brands are amortized over a period of 7 years.

Customer base

Customer bases that were acquired as part of the acquisition of the shares in the Sensortech Group in 2011 were identified as intangible assets. The table shows the carrying amounts. The customer bases are amortized

over an estimated useful life of 6 to 10 years using the straight-line method. The amortization amount was €2,221 thousand in 2014 (previous year: €2,221 thousand).

in € thousand	2014	2013
Sensortech	6,425	7,376
Customized		
Sensortech	120	164
Distributed		
First Sensor AG Niederlassung Berlin-Weißensee (prev.: ELBAU)	5,770	6,624
Klay Instruments B.V.	2,500	2,872
Total	14,815	17,036

Orders on hand

Orders on hand acquired as part of the acquisition of the Sensortech Group in 2011 were identified as intangible assets. Estimated useful lives of between 2 and 4 years were determined. The carrying amounts were written off in full.

Development

The development work reported following the acquisition of Micro Packaging Dresden is subject to scheduled amortization over 20 years starting from the initial marketing. The effective amortization charge in 2014 amounted to €23 thousand (previous year: €23 thousand). The residual carrying amount was €275 thousand at the balance sheet date.

Following the acquisition of First Sensor Technology GmbH, intangible assets of €672 thousand were reported relating to the company's own developments and technologies. The carrying amount remaining as of December 31, 2014 was €216 thousand.

4. Internally generated intangible assets

Internally generated intangible assets are capitalized at First Sensor in connection with developments for new products and technologies. It is assumed in this process that they will be used at a later date and will generate corresponding returns. Carrying amounts of

€3,489 thousand (previous year: €3,951 thousand) were reported for internally generated intangible assets as at the balance sheet date. Write-downs of €724 thousand (previous year: €134 thousand) were recognized on these in the year under review.

5. Goodwill

Goodwill as at December 31, 2014 related to the following companies:

in € thousand	2014	2013
Lewicki microelectronic GmbH	1,846	1,846
First Sensor Technology GmbH	1,125	1,125
Previously Sensortechnics-Gruppe	26,390	26,390
MEMSfab GmbH	455	455
Total	29,816	29,816

To test goodwill for impairment, the value in use of the unit was calculated and compared with the carrying amount. If the carrying amount exceeds the value in use, a valuation allowance is recognized. The value in use is calculated based on operating cash flows

for the planning period, discounted using the WACC method. An indicative check was carried out using the income capitalization approach. The following basic assumptions were made as parameters for the impairment test:

Assumptions in impairment test	2014	2013
Risk-free basic interest rate	1.75 %	2.75 %
Market risk premium	6.00 %	6.25 %
Beta factor	1.0	1.1
Pre-tax borrowing rate	4.5 %	5.0 %

Lewicki microelectronic GmbH

First Sensor reports goodwill amounting to €1,846 thousand resulting from the acquisition of all shares in Lewicki microelectronic GmbH in 2000. In accordance with IAS 36, goodwill on this company was tested for potential impairment as at December 31, 2014 on the basis of the value in use taking into account the following assumptions:

- Sales are expected to increase slightly from 2014 to 2017.
- A growth rate of 1% in the projection variables for 2018 (terminal value).
- The discount factor based on the WACC method will be 7.28% after tax (previous year: 9.63%) and 10.64% before tax (previous year: 14.07%).

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

First Sensor Technology GmbH

First Sensor acquired all shares in First Sensor Technology GmbH in financial year 2010. This acquisition resulted in goodwill of €1,125 thousand. In accordance with IAS 36, goodwill on this company was tested for potential impairment as at December 31, 2014 on the basis of the value in use taking into account the following assumptions:

- Sales are expected to increase slightly from 2014 to 2017.
- A growth rate of 1% in the projection variables for 2018 (terminal value).
- The discount factor based on the WACC method will be 7.28% after tax (previous year: 9.54%) and 10.64% before tax (previous year: 13.94%).

There was no impairment as at the balance sheet date.

Sensortechnics-Gruppe

First Sensor acquired all shares in the Sensortechnics Group in financial year 2011. This acquisition resulted in goodwill of €26,390 thousand. In accordance with IAS 36, the Sensortechnics Group goodwill was tested for potential impairment as at December 31, 2014 on the basis of the value in use taking into account the following assumptions:

- Sales are expected to increase from 2014 to 2017.
- A growth rate of 1% in the projection variables for 2018 (terminal value).
- The discount factor based on the WACC method will be 7.28% after tax (previous year: 9.62%) and 10.64% before tax (previous year: 14.06%).

No impairments were necessary as a result of this analysis in financial year 2014. However, the recoverable amount that was calculated

was not much higher than the carrying amount recognized, so a sensitivity analysis was carried out to determine the impact of a 10% reduction in earnings before interest and tax (EBIT) and an increase of 1 percentage point in the risk-free basic interest rate. A drop of 10% in earnings would result in an impairment requirement of €2.2 million; if the risk-free basic interest rate were to rise by 1 percentage point, a valuation allowance of €2.0 million would be required. The Management Board bases its assumptions relating to forecasts for the determination of value in use on detailed planning discussions and past experience, and does not anticipate any impairment in financial year 2015.

MEMSfab GmbH

First Sensor acquired all shares in MEMSfab GmbH in financial year 2011. In accordance with a merger agreement dated June 27, 2013 with an addendum dated October 30, 2013, the company merged with First Sensor AG and was dissolved without being wound up.

The merger has no effect on the goodwill of €455 thousand (previous year: €455 thousand). This goodwill results mainly from the successive realization of synergies, which is expected as a result of the company acquisition.

There was no impairment as at the balance sheet date.

6. Property, plant and equipment

in € thousand	Land and buildings	Technical equipment and machinery	Office equipment	Advance payments, assets under construction	2013
Cost of purchase					
January 1, 2013	18,909	37,124	6,881	1,372	64,286
Additions	23	1,363	565	378	2,329
Disposals	0	-857	-169	0	-1,026
Reclassifications	0	1,475	61	-602	934
Exchange differences	-34	-102	-21	0	-157
December 31, 2013	18,898	39,003	7,317	1,148	66,366
Cumulative depreciation					
January 1, 2013	3,758	16,692	3,766	43	24,259
Depreciation and amortization	711	3,796	1,060	5	5,572
Disposals	0	-762	-165	0	-927
Exchange differences	-11	-43	-12	0	-66
December 31, 2013	4,458	19,683	4,649	48	28,838
Carrying amount as at January 1, 2013	15,151	20,432	3,115	1,329	40,027
Carrying amount as at December 31, 2013	14,440	19,320	2,668	1,100	37,528
in € thousand	Land and buildings	Technical equipment and machinery	Office equipment	Advance payments, assets under construction	2014
Cost of purchase					
January 1, 2014	18,898	39,003	7,317	1,148	66,366
Additions	11	738	690	2,901	4,340
Disposals	0	-605	-293	-22	-920
Reclassifications	30	1,453	253	-1,758	-22
Exchange differences	36	157	47	0	240
December 31, 2014	18,975	40,746	8,014	2,269	70,004
Cumulative depreciation					
January 1, 2014	4,458	19,683	4,649	48	28,838
Depreciation and amortization	690	3,743	1,018	0	5,451
Disposals	0	-535	-290	-8	-833
Exchange differences	17	80	39	0	136
December 31, 2014	5,165	22,971	5,416	40	33,592
Carrying amount as at January 1, 2014	14,440	19,320	2,668	1,100	37,528
Carrying amount as at December 31, 2014	13,810	17,775	2,598	2,229	36,412

As at the balance sheet date, property, plant and equipment with a carrying amount of €5,508 thousand (previous year: €5,832 thousand) served as securities for liabilities or were otherwise restricted.

7. Inventories

in € thousand	2014	2013
Finished goods and products	8,799	9,881
Work in progress	9,772	9,220
Raw materials and supplies	11,194	10,515
Advance payments on inventories	97	149
Total	29,862	29,765

The write-down on inventories was recognized as expense and amounted to €1,574 thousand (previous year: €1,404 thousand). This expense was reported under cost of materials for write-downs on materials and other supplies and under changes in inventories for work in progress and finished goods and merchandise.

Assigned inventories amounted to €75 thousand as at the balance sheet date (previous year: €3,852 thousand).

8. Trade accounts receivables

in € thousand	2014	2013
Trade accounts receivables	8,703	6,711
Less allowances for doubtful accounts	-92	-134
Total	8,611	6,577

The increase in the portfolio of receivables is primarily the result of the sales growth in the Mobility segment.

Accounts receivable are not interest-bearing and are generally due within 30–90 days. Allowances of €92 thousand (previous year: €134 thousand) were made for doubtful receivables from the sale of goods and services. This equates to a default ratio of 1.1% (previous year: 2.0%).

Changes in the allowance account were as follows:

in € thousand	2014	2013
Beginning of the period	134	126
Allocation to expenses	31	90
Utilization	-1	-2
Reversal	-72	-80
End of the period	92	134

As at December 31, 2014, the age structure of past due accounts receivable is as follows:

in € thousand	2014	2013
Not due	6,169	4,741
Less than 30 days past due	1,711	1,694
Between 30 and 60 days past due	366	91
Between 61 and 90 days past due	141	21
Between 91 and 120 days past due	73	14
More than 120 days past due	151	16
Total	8,611	6,577

9. Other current assets

in € thousand	2014	2013
Prepayments and accrued income	603	620
Receivables from investment grants and subsidies	115	348
Value-added tax receivables	40	202
Insurance claims	312	153
Research and development funding	72	104
Receivables from factoring	864	1,449
Others	523	481
Total	2,529	3,357

Receivables from factoring result from sold receivables. The delcredere risk is transferred to the purchaser in full.

10. Cash and cash equivalents

in € thousand	2014	2013
Cash in hand	7	9
Bank balances	14,518	11,348
Total	14,525	11,357

Bank balances are partly subject to variable interest rates for money at call. The fair value of cash and cash equivalents amounted to €14,525 thousand (previous year: €11,357 thousand).

11. Share capital

The share capital reported as subscribed capital on the balance sheet totaled €50,655,055.00 as at the balance sheet date (previous year: €49,907,215.00). It was made up of 10,131,011 shares, each with a nominal value of €5.00. The share capital of First Sensor AG increased by €747,840.00 year-on-year.

2014	Number of shares	Share capital
Beginning of the financial year	9,981	49,907
Share Matching Scheme	75	371
Share option plan for 2009	75	377
End of the financial year	10,131	50,655

2013	Number of shares	Share capital
Beginning of the financial year	9,940	49,701
Share option plan for 2009	41	206
End of the financial year	9,981	49,907

Authorized capital

The Management Board is authorized to increase the company's share capital by up to €24,081,730.00 by issuing up to 4,816,346 new bearer shares (Authorized Capital 2013/I) up to August 19, 2018, with the approval of the Supervisory Board, in one or more transactions. The capital can be increased against cash or non-cash contributions. Shareholders are granted subscription rights. Shareholders can also be granted 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 subscription right of shareholders in certain circumstances in accordance with the further provisions of point 7 c) of the agenda of the Annual General Meeting as published in the German Federal Gazette (Bundesanzeiger).

As at December 31, 2014, Authorized Capital 2013/I amounted to €24,081,730.00.

Contingent capital

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

in € thousand	2014	2013
Contingent capital 2006/I	0	1,165
Contingent capital 2009/II	536	913
Contingent capital 2012/I	19,000	19,000
Contingent capital 2013/I	2,840	2,840
Total	22,376	23,918

As at December 31, 2014, contingent capital totaled €22,375,510.00 (previous year: €23,917,650). The contingent capital increase will be carried out only to the extent that the bearers of subscription rights exercise the subscription rights granted under the respective share option plans from contingent capital 2009/II and contingent capital 2013/I. The convertible or option bonds on which contingent capital 2012/I is based were not issued up to the balance sheet date.

12. Reserves

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

a) Capital reserves - share premium

Due to the exercising of 75,428 share options from the SOP 2009 at an exercise price of €6.02 and €7.20 respectively, in 2014 the capital reserves increased by the exercise price (€5.00) exceeding the nominal value per share by €139 thousand in total.

b) Capital reserves - share options

Expenses of €264 thousand (previous year: €251 thousand) resulting from the ongoing share option programs (including share matching scheme) were recognized in the income statement under Personnel expenses and as an addition to capital reserves.

c) Revaluation reserves

The portion of the profit or loss from cash flow hedging instruments that is determined to be an effective hedge is recorded in this item.

The actuarial gains and losses from pension provisions are also recorded in this item. The respective tax effects are also recorded here.

Currency translation

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

13. Non-current post-employment benefit obligation

The employees working at the production facilities in Munich (FSM) received pension commitments. The pension plans are based on the number of years of service. The pension commitments are essentially financed through the recognition of pension provisions. The measurement of employee benefits and the expenses required to cover these benefits are based on the procedures prescribed in IAS 19 (Employee benefits). As a result of this change, actuarial gains and losses and past service cost are to be recognized in other comprehensive income

Changes to the defined benefit obligation were as follows:

in € thousand	2014	2013
Defined Benefit Obligation (DBO) as at January 1	310	325
Reclassifications / changes in the scope of consolidation	0	0
Service cost	0	0
Interest cost	10	10
Actuarial gains (-) / losses (+)	29	1
Pension payments	-26	-26
Defined Benefit Obligation (DBO) as at December 31	323	310

The post-employment benefit obligations must be deduced as follows from the defined benefit obligation:

in € thousand	2014	2013
Defined Benefit Obligation	323	310
Plan assets	0	0
Balance sheet recognition	323	310

An overview of the changes in the defined benefit obligation and plan assets is shown in the following table:

in € thousand	2014	2013	2012
Defined Benefit Obligation	323	310	325
Plan assets	0	0	0
Deficit	323	310	325

Pension expense was as follows:

in € thousand	2014	2013
Service cost	0	0
Interest cost	10	10
Actuarial gains (-) / losses (+)	11	1
Total	21	11

The ongoing service cost and the actuarial gains and losses are recognized as a personnel expense in the statement of comprehensive income. The interest cost is recorded separately in the financial result.

Pension payments of €26 thousand are expected for the following financial year – as in the previous year.

The calculations are based on the 2005 G mortality tables produced by K. Heubeck and the following assumptions:

in %	2014	2013
Interest rate	2.20	3.30
Salary trend	0	0
Pension trend	1.80	1.75

A change in the material mathematical assumptions (interest rate, salary trend, pension trend) by 1 percentage point upwards or downwards would have a maximum impact of €60 thousand respectively on the defined benefit obligation.

14. Other provisions

in € thousand	Warranties	Others	Total
Current	550	0	550
Non-current	169	26	195
2013	719	26	745
Utilization	-167	-3,395	-3,562
Reversal	0	548	548
Allocation	350	3,229	3,579
2014	902	408	1,310
Current	694	408	1,102
Non-current	208	0	208

The provision for warranty obligations relating to products sold in the previous two years was classified as a liability. The underlying assumptions for the calculations of warranty provisions are based on sales for which guarantees have been provided and on information currently available regarding complaints within the two-year warranty period. The majority of these expenses 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.

15. Financial liabilities

in € thousand	2014	2013
Current up to 1 year	3,075	4,217
Non-current	41,176	42,927
of which 1 - 5 years	40,735	22,959
of which more than 5 years	441	19,968
Total	44,251	47,144

Promissory note loans

First Sensor placed two promissory note loans totaling €31.0 million on December 17, 2013. As part of the placement, German institutional investors subscribed to promissory notes with terms of three years (€19.0 million) and five years (€12.0 million). The promissory note with the three-year term pays variable interest with a margin calculated on the basis of 6-month EURIBOR, while the promissory note with the five-year term pays fixed interest. The financial ratios specified were the debt/equity ratio, the equity ratio and the interest cover ratio.

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

Leases and hire purchase agreements

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

December 31, 2014		
in € thousand	Minimum lease payments	Present value of minimum lease payments
Current up to 1 year	1,097	1,051
Between 1 and 5 years	623	596
More than 5 years	0	0
Total minimum lease payments	1,720	1,647
Less discount	-73	0
Present value of the minimum lease payments	1,647	1,647

December 31, 2013		
in € thousand	Minimum lease payments	Present value of minimum lease payments
Current up to 1 year	686	641
Between 1 and 5 years	1,582	1,479
More than 5 years	0	0
Total minimum lease payments	2,268	2,120
Less discount	-148	0
Present value of the minimum lease payments	2,120	2,120

Expenses from leases and hire purchase agreements of €821 thousand (previous year: €835 thousand) were reported in the year under review. Operating leases amounting to €515 thousand (previous year: €580 thousand) were recorded.

As at December 31, 2014, the net carrying amount of the technical equipment and machinery financed by means of lease agreements and pledged to the lessor was €703 thousand (previous year: €2,122 thousand). Leased assets with a net carrying amount of €188 thousand were added in this financial year (previous year: €1,217 thousand).

Other

As at the 2014 balance sheet date, First Sensor had unused credit lines of €8,484 thousand (previous year: €3,231 thousand). The utilized money market or overdraft facility as at December 31, 2014 amounted to €1,409 thousand (previous year: €1,519 thousand).

16. Other non-current liabilities

Other non-current liabilities mainly include deferred investment grants/allowances of €4,972 thousand (previous year: €5,197 thousand). These relate to government grants and were paid out mainly in the form of investment grants for the new production facilities built in Berlin. The grants paid are dependent on evidence of implementation of the investment measures and compliance with conditions

related to retention of the assets and future job creation.

In addition, the negative market values of interest rate hedging instruments of €630 thousand (previous year: €747 thousand) are recognized in other non-current financial liabilities.

17. Other current liabilities

in € thousand	2014	2013
Liabilities due to staff	2,728	1,527
Liabilities from income tax	524	735
Liabilities from church tax, social security	30	28
Others	3,536	3,591
Total	6,818	5,881

All of the other liabilities are not interest-bearing.

18. Obligations arising from employee benefits

Share option plan

Two share option plans are currently in place:

- Share option plan for 2009 (SOP 2009)
- Share option plan for 2013 (SOP 2013)

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

	SOP 2009	SOP 2013
Annual shareholders' meeting resolution	June 9, 2009	August 20, 2013
Term of the share option plan	3 years	3 years
Vesting period (following issue)	3 years	4 years
Exercise period (following expiry of vesting period)	5 years	5 years
Maximum subscription rights (total volume)	290,000	568,000

Share options are exercised subject to the following conditions:

SOP 2006

The share option plan SOP 2006 expired on July 10, 2014.

SOP 2009

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

In financial year 2009, 160,000 subscription rights (1st tranches: 80,000, 2nd tranche: 80,000) and in financial year 2010, 130,000 subscription rights were granted to employees, senior executives 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 the price for the options issued on August 25, 2010 was €7.20.

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

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 has been reached if the closing price of shares in the company in XETRA (or a comparable successor system) exceeds the exercise price by at least 30% on ten consecutive trading days.

The options may not be exercised in the three weeks prior to the announcement of the quarterly results or in the period between the financial year end. 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 another 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 general legislation such as the German Securities Trading Act (insider trading).

The maximum term (vesting period plus exercise period) for an option is eight years.

SOP 2013

The SOP 2013 share option plan has a three-year term. A total of 568,000 options can be issued. The plan is divided into three groups of entitled persons:

- A maximum of 300,000 options for members of the company's Management Board (up to around 52.8%)
- A maximum of 90,000 options for directors of affiliated companies (up to around 15.8%)
- A maximum of 178,000 options for employees of the company or of affiliated companies (up to around 31.3%)

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

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

The subscription rights may be exercised only after a vesting period. This vesting period lasts for at least four years from the time the subscription rights are granted. The rights

may be exercised within five years of the end of the respective vesting period. Options that have not been exercised by the end of this period shall be forfeited without replacement or compensation.

Subscription rights may not be exercised in the three weeks preceding the announcement of quarterly results or in the period between the end of a financial year and the publication of the company's consolidated financial statements. The same applies even if an exercise window opens during these blocking periods. The exercise price for subscription rights is €15.00 per subscription right.

Subscription rights may be exercised within the

exercise period only if the performance target has been achieved within a period of six weeks prior to exercise. The performance target has been achieved if the closing price of shares in the company in XETRA (or a comparable successor system on the Frankfurt Stock Exchange) meets or exceeds the exercise price of €15.00 on ten consecutive trading days. Options are non-transferable, except in the event of the death of the entitled person.

Further details of the granting of options and further conditions for exercising them are determined by the Supervisory Board if members of the company's Management Board are affected. If employees of the company are concerned or if options are to be granted to

directors of affiliated companies, the company's Management Board shall determine further details.

In the last financial year, 203,000 subscription rights were granted under the 2013 option plan. The value of an issued option was € 1.66. The Black-Scholes model was used to calculate the value of an option. The calculation was based on the following parameters: Share price on the grant day of €10.86, volatility of 29% and an interest rate of 0.4%.

The following table shows the number and the weighted average exercise prices (WAEP) of the share options granted for financial years 2014 and 2013:

in € thousand	2014		2013	
	Quantity	WAEP	Quantity	WAEP
Outstanding at the beginning	307,038	11.66	397,500	10.53
Vested at the beginning	271,830	11.22	270,700	12.10
Granted in the year	203,000	15.00	35,208	15.00
Forfeited in the year	100,500	18.62	115,500	9.31
Exercised in the year	75,428	6.84	10,170	6.02
Outstanding at the end	334,110	12.68	307,038	11.66
Vested at the end	95,902	6.91	271,830	11.22

For options outstanding at the end of the period under review, the exercise prices range between €6.02 and €15.00 (previous year: €6.02 and €18.68). The average remaining term of

these options is 7.1 years. Personnel expenses of €66 thousand were recognized in the year under review (previous year: €53 thousand).

19. Sales revenues

in € thousand	2014	2013
Germany	53,915	50,846
Europe	52,884	44,544
North America	5,969	4,133
Others	11,230	9,019
Total	123,998	108,542

Revenues mainly result from the sale of customer-specific semiconductor sensors, sensor systems and development and production services. Sales deductions of €315 thousand were granted in the year under review (previous year: €353 thousand).

20. Other operating income

Other operating income breaks down as follows:

in € thousand	2014	2013
Development grants	1,191	977
Investment allowances	494	487
Investment grants	98	113
Income from other benefits in kind	631	537
Prior-period income	191	194
Insurance claim payments	74	83
Proceeds from reversing provisions	548	405
Others	318	626
Total	3,545	3,422

21. Change in inventories of finished goods and work in progress

in € thousand	2014	2013
Work in progress	537	983
Finished goods	276	-1,813
Total	813	-830

22. Own work capitalized

in € thousand	2014	2013
Capitalized development costs	480	934
Other capitalized costs	300	346
Total	780	1,280

Capitalized costs in 2014 amounted to €780 thousand (previous year: €1,280 thousand). Capitalized development costs pursuant to IAS 38 accounted for €480 thousand (previous year: €934 thousand) of this sum. Other capitalized costs related mainly to measures connected to the expansion of capacities (supply of media and machines) and technology at the production site in Berlin Oberschoneweide and the expansion of the ERP system.

Research and development costs recognized in expenses amounted to €7,691 thousand in 2014 (previous year: €7,891 thousand).

23. Cost of materials/purchased services

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

in € thousand	2014	2013
Raw materials and supplies	-54,686	-45,517
Purchased services	-6,504	-4,746
Total	-61,190	-50,263

24. Personnel expenses

The personnel expenses break down as follows:

in € thousand	2014	2013
Wages and salaries	-32,949	-30,505
Social security contributions including pension plans	-6,487	-6,112
Total	-39,436	-36,617

Personnel expenses include €264 thousand (previous year: €251 thousand) in expenditure related to granting share options (including share matching scheme). They also include €24 thousand (previous year: €24 thousand) for defined contribution pension plans.

25. Other operating expenses

Miscellaneous other operating expenses comprise the following items:

in € thousand	2014	2013
Costs of premises	-2,614	-2,665
Vehicle costs	-994	-1,058
Maintenance and repairs	-1,595	-1,301
Insurance	-379	-525
Sales and marketing expenses	-886	-966
Travel expenses	-743	-578
IT-costs	-417	-373
Communication costs	-270	-261
Goods handling costs	-691	-703
Warranty expenses	-568	-213
Legal and consultancy fees	-2,884	-2,514
R&D expenses	-215	-224
Investor relations	-176	-209
Supervisory Board remuneration	-108	-61
Annual financial statements	-155	-189
Other operating materials	-731	-697
Recruitment costs	-263	-61
Training costs	-216	-160
Work clothing and protective equipment	-295	-221
General administrative costs	-168	-427
Other expenses	-532	-502
Other taxes	-63	-60
Total	-14,963	-13,968

26. Income tax expenses

The key components of income tax expenses for financial years 2014 and 2013 break down as follows:

in € thousand	2014	2013
Current income tax	-2,078	-751
Prior-period income tax	-22	24
Deferred taxes	818	1.353
Displayed tax amount	-1,282	626

Deferred taxes of €964 thousand (previous year: €249 thousand) result from the reversal of temporary differences.

The reconciliation of income tax expense with the product of the reported profit for the period and the applicable Group tax rate with respect to the financial years 2014 and 2013 is as follows:

in € thousand	2014	2013
Pre-tax income	1,680	-1,088
Tax rate	30 %	30 %
Calculated tax expenses (previous year: income)	504	-326

in € thousand	2014	2013
Current income tax, prior period	-186	-24
Different tax rate in other countries	100	63
Used, non-capitalized loss carry forwards	-51	-780
Tax loss carry forwards, not capitalized	987	206
Additional trade income tax	91	105
Tax-free income	-142	-62
Non-deductible operating expenses	60	166
Others	-81	26
Tax expenses (previous year: income)	1,282	-626

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

in € thousand	2014	2013
Loss carry forwards	1,200	1,372
Property, plant and equipment	94	114
Inventories	46	56
Market value of derivatives	189	224
Other provisions	31	25
Deferred tax assets	1,560	1,791

in € thousand	2014	2013
Internally generated intangible assets	822	902
Property, plant and equipment	236	278
Other provisions	5	18
Acquired customer bases	4,320	5,110
Acquired brands	434	527
Deferred tax liabilities	5,817	6,835

Deferred taxes were offset at the level of the individual companies for the first time in the year under review. The previous year was adjusted accordingly. Deferred tax assets of €1,791 thousand were offset against deferred tax liabilities of €6,835 thousand, meaning that the adjusted deferred tax liabilities amounted to €5,044 thousand as of December 31, 2013. This had no impact on either the income statement or equity. It was therefore decided not to present an opening balance as of January 1, 2013 separately.

Income taxes comprise the income taxes paid or payable in the respective countries as well as deferred taxes. The deferred taxes on the

market values of derivatives of €189 thousand (previous year: €224 thousand) as well as on actuarial gains and losses on pension provisions of €6 thousand (previous year: €-5 thousand) relate to deferred taxes recognized outside the net profit for the period.

Income taxes for 2014 and 2013 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%.

Deferred taxes on loss carry forwards at foreign consolidated companies were not recognized for prudential reasons. The estimated tax loss carry forwards for consolidated companies in Germany do not expire and amount to €5,187 thousand (previous year: €5,096 thousand) with respect to corporation tax and €4,018 thousand (previous year: €4,356 thousand) with respect to trade income tax. These were included in the valuation in the amount of €1,200 thousand and were capitalized as deferred tax assets. The loss carry forwards are estimated in the absence of tax assessment notices.

27. 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 shows the amounts used in calculating the undiluted and diluted earnings per share:

in € thousand, unless otherwise indicated	2014	2013
Net profit attributable to shareholders	175	-519
Weighted average outstanding shares (undiluted)	10,046	9,945
Earnings per share (undiluted)	0.02	-0.05
Dilutive effect from share options	30	17
Weighted average outstanding shares (diluted)	10,076	9,962
Earnings per share (diluted)	0.02	-0.05

28. Notes to the Cash flow statement

In accordance with IAS 7 „Statement of cash flows“, First Sensor reports the cash flow from operating activities using the indirect method, in which the profit or loss for the period is adjusted by the effects of non-cash transactions, deferrals of past or future in and outflows from operating activities and items of income or expense in connection with the cash flow from investment or financing activity. Reconciliation

is carried out on the basis of pre-tax income, 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. This includes cash and bank balances. The composition of the cash is expressed as follows.

in € thousand	2014	2013
Cash on hand	7	9
Bank balances	14,518	11,348
Total	14,525	11,357

29. Notes to the statement of changes in equity

The company did not make any distributions in 2014 (previous year: €0 thousand).

30. Contingent liabilities and other financial obligations

Court actions and claims arising from disputes that occur in the ordinary course of business could be enforced against the companies in the group. The risks involved are analyzed in the light of the likelihood of their occurrence. Although the outcome of these disputes cannot always be accurately forecast, the Management Board is of the view that no material obligations will arise from them.

Further financial obligations arise from renting office premises and office equipment, from

leases for 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 a purchase option. No obligations of any kind were imposed on the lessee at the conclusion of these leases.

The resultant financial obligations break down as follows:

in € thousand	2015	2016 to 2019	From 2020
Rent and lease expenses	1,975	6,707	2,709
Defined contribution pension plans	24	72	0
Purchase obligations	6,671	12	0
Long-term building lease	40	160	800
Total	8,710	6,951	3,509

The purchase obligation in 2015 relates entirely to inventories

31. Segment reporting

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

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

In future, First Sensor will focus on a strategy involving three business units, Medical, Industrial and Mobility, for its sensor products, thereby ensuring a consistent focus on markets and customers and constituting the basis for future internal management and internal reporting. The reporting structures needed for detailed segment reporting are currently still being implemented. Sales break down across the business units as follows:

in € thousand	2014	2013
Industrial	68,449	68,286
Medical	20,399	17,678
Mobility	35,150	22,578
Total	123,998	108,542

Since additional business unit-related data of the cogency required are not yet available, the presentation of the following key figures reflects the performance of the individual legal units, as it did last year. Every month, the results of the parent company and its subsidiaries are measured, processed and then analyzed by the Management Board. However, the business units do not represent segments within the meaning of IFRS 8.

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

Sales by region in € thousand	2014	2013
Germany	53,915	50,846
Europe	52,884	44,544
North America	5,969	4,133
Others	11,230	9,019
Total	123,998	108,542

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

Non-current assets in € thousand	2014	2013
Germany	87,028	90,992
Europe	188	163
North America	530	832
Others	1,040	1,184
Total	88,786	93,171

Investments in € thousand	2014	2013
Germany	4,904	3,678
Europe	62	48
North America	338	13
Others	111	22
Total	5,415	3,761

Number of employees (FTE)	2014	2013
Germany	676	618
Europe	26	29
North America	22	21
Others	33	30
Total	757	698

32. 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 First Sensor:

Management Board

Dr. Martin U. Schefter, Bonn, since June 17, 2013
Joachim Wimmers, Cologne, since March 1, 2012

Please refer to the table below for details of remuneration paid to members of the Management Board in 2014:

in € thousand	Dr. Martin U.	Joachim	2014	Dr. Martin U.	Joachim	Dr.	2013
	Schefter	Wimmers		Schefter	Wimmers	Hans-Georg Giering	
Fixed annual remuneration	300	216	516	162	216	164	542
Short-term variable remuneration	81	170	251	0	0	0	0
Long-term variable remuneration	0	0	0	0	0	0	0
Additional benefits	27	19	46	77	55	121	253
Share Matching Scheme	157	41	198	93	0	0	93
Severance payment	0	0	0	0	0	351	351
Total	565	446	1,011	332	271	636	1,239

The following table shows the remuneration granted to members of the Management Board for 2014:

in € thousand	Dr. Martin U.	Joachim	2014	Dr. Martin U.	Joachim	Dr.	2013
	Schefter	Wimmers		Schefter	Wimmers	Hans-Georg Giering	
Fixed annual remuneration	300	216	516	162	216	164	542
Short-term variable remuneration	148	288	436	0	0	0	0
Long-term variable remuneration	0	0	0	0	0	0	0
Additional benefits	27	19	46	77	55	121	253
Share Matching Scheme	0	41	41	198	0	0	198
Share options granted	108	33	141	37	0	0	37
Severance payment	0	0	0	0	0	351	351
Total	583	597	1,180	474	271	636	1,381

The contract with the CEO, Dr. Martin U. Schefter, began on June 17, 2013 and has been concluded for a period of three years. In accordance with his contract, he will receive fixed annual remuneration of €300 thousand and a variable target component of €150 thousand.

In the event of a change of control he will receive maximum compensation of €500 thousand if he resigns within one month of the change of control. He will be subject to a non-competition clause for a period of 24 months from the end of his contract of employment for which he will receive a monthly, subsequent compensation of 50% of a twelfth of his fixed salary applicable at the time.

In the year under review, the company issued a total of 61,640 new shares with shareholders' pre-emptive subscription rights disappplied to the CEO at a subscription price of €5.00 per share as part of Authorized Capital 2013/I as part of the share matching scheme granted in 2013. This resulted in personnel expenses of €157 thousand in the year under review. This exercise means that the program is fully exercised.

Dr. Schefter also takes part in a share option program, under which he is entitled to 65,000 share options each year at an exercise price of €15.00 from the 2013 share option plan. The value per option granted amounted to €1.66 for financial year 2014. In the previous year, 35,208 subscription rights were granted under the 2013 option plan. The value of this issued option was € 1.05. In total, this resulted in personnel expenses of €108 thousand in financial year 2014.

The contract with the CFO, Joachim Wimmers, dated March 1, 2012, was extended by four years until February 28, 2018 by resolution of the Annual General Meeting on March 25, 2014. In accordance with his contract, he will receive fi-

xed annual remuneration of €216 thousand and a variable target component of €120 thousand. A signing bonus of €170 thousand was also agreed to compensate for his entitlement to bonuses under his previous contract.

In the year under review, the company issued a total of 12,500 new shares to the CFO at a subscription price of €5.00 per share with shareholders' pre-emptive subscription rights disappplied, under a share matching scheme granted in the year under review, as part of Authorized Capital 2013/I. This resulted in personnel expenses of €41 thousand. This exercise means that the program is fully exercised.

The CFO takes part in a share option program, under which he is entitled to 20,000 share options each year at an exercise price of €15.00 from the 2013 share option plan. The value per option granted amounted to €1.66 for financial year 2014. This resulted in personnel expenses of €33 thousand.

In the event of a change of control he is entitled to a one-off payment of €500 thousand if he resigns within one month of the change of control. He will be subject to a non-competition clause for a period of 24 months from the end of his contract of employment for which he will receive a monthly, subsequent compensation of 50% of a twelfth of his fixed salary applicable at the time.

The additional benefits under contracts of Management Board members include cash benefits for the private use of company cars, the employer contribution to health and long-term care insurance, accommodation allowances and contributions to pensions.

The variable remuneration components of both Management Board contracts are linked to the achievement of specific ratios by the company. 80% of the variable salary is 64% dependent

on EBITDA and 16% dependent on net debt. The remaining 20% depends on individual, qualitative targets, which are agreed with the Supervisory Board.

In the year under review, variable components amounting to €251 thousand (previous year: €0 thousand) were paid out, which are reported under annual variable remuneration. Multi-annual remuneration components have not been agreed.

No remuneration was paid to former members of managements or their surviving dependents in the financial year.

The share options granted to former Management Board members in previous years were exercised in the amount of 30,000 options. The remaining 100,000 share options expired in the year under review. As of December 31, 2014, former Management Board members had no share options.

Share options	2014	2013
Dr. Hans-Georg Giering	0	70,000
Dr. Ingo Stein	0	10,000
Dr. Bernd Kriegel	0	50,000
Total	0	130,000

Supervisory Board

Remuneration of the Supervisory Board is regulated by Article 13 of the Articles of Association and determined by the Annual General Meeting. In accordance with the resolution passed at the Annual General Meeting on Friday, May 23, 2014 Supervisory Board remuneration was revised. After the financial year has ended, members of the Supervisory Board receive remuneration of €20 thousand for each full year of membership of the Supervisory Board. This increases to €50 thousand for the Chairman and to €30 thousand for his deputy. The members of the Supervisory Board are covered by third-party financial loss insurance (D&O insurance) taken out by the company at an appropriate level in the interests of the company. The company pays the premiums for this insurance. No deductible has been agreed.

The company reimburses each member of the Supervisory Board for any reasonable expenses incurred in the performance of their duties for which proof has been provided and for any value-added tax that applies to their remuneration.

Remuneration for members of the Supervisory Board amounted to €100 thousand in financial year 2014 (previous year: €60 thousand). Supervisory Board members do not receive any performance-related remuneration and do not participate in the company's share option plan.

Other related parties

The director of a subsidiary leased an office property to the subsidiary at standard market conditions. He received €93 thousand (previous year: €91 thousand) for this.

On March 1, 2014, the company concluded an agreement covering consultancy services in the areas of technology, strategy and benchmarking with Marc de Jong, who was a future member of the Supervisory at the time before his election as a member of the Supervisory Board. In return, he received a performance-focused remuneration of €45 thousand plus reimbursement of expenses of €4 thousand. The Supervisory Board expressly approved this agreement.

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

33. Financial risk management

Risk management for financial instruments

First Sensor sells its products and services worldwide and purchases materials on an international market, which leads to market risks owing to changes in exchange rates.

The company also finances its operations partly with bank loans, which involve interest rate risks owing to variable interest conditions. The company hedges the interest rate risk. Foreign currency risks are partly reduced by concluding forward foreign exchange contracts in connection with purchases of materials.

In addition to trade accounts receivables, the company's main financial instruments comprise cash and cash equivalents and utilized

overdraft facilities and loans. The aim of these financial liabilities is to finance the company's business operations. The principal risks result from default, liquidity, currency, interest rate and fair value risks. The company is not exposed to other price risks related to financial instruments.

The company has concluded interest rate swaps to hedge against interest rate risks from variable interest agreements. The interest caps expired on September 30, 2014.

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 used to calculate fair values are as follows:

- Cash and cash equivalents and current deposits, trade accounts receivables, trade accounts payables and other current liabilities are shown at their carrying amount, owing to their short terms.
- The fair value of unquoted instruments, 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.

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

Fair value hierarchy

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

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

As at December 31, 2014, First Sensor measured specific liabilities at fair value using the level 2 valuation technique. These liabilities included several interest rate swaps to hedge the interest rate risk.

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

Derivative financial instruments

The First Sensor Group uses interest rate swaps to hedge the exposure to interest rate risk arising from variable rate liabilities and forward foreign exchange transactions to hedge exposure to currency risk. The following table shows the market values:

Interest rate swaps and caps

in € thousand	Maturity	Hedge	Interest rate	Nominal 2014	Nominal 2013	Market value 2014	Market value 2013
Interest rate swap I (3145170UK)	Dec. 31, 2020	3M EURIBOR	3,83 %	1,253	1,462	-144	-148
Interest rate swap II (3467328UK)	Dec. 31, 2020	3M EURIBOR	2,17 %	615	718	-39	-30
Interest rate swap III (3665880UK)	Oct. 14, 2016	3M EURIBOR	2,15 %	7,775	7,212	-204	-284
Interest rate swap IV (4449932L)	Oct. 14, 2016	3M EURIBOR	2,15 %	7,775	7,212	-204	-284
Interest rate swap V (841175)	Dec. 30, 2016	3M EURIBOR	0,29 %	3,400	0	-39	0
Interest rate cap I (3665880UK)	Sep. 30, 2014	3M EURIBOR	2,15 %	0	3,062	0	0
Interest rate cap II (4449941L)	Sep. 30, 2014	3M EURIBOR	2,15 %	0	3,062	0	0
				20,818	22,728	-630	-747

Forward exchange contracts

in € thousand	Maturity	Buying currency	Nominal purchase	Selling currency	Nominal sold	Traded exchange rate	Market value
CAF0052763379/04	Jan 30, 2015	USD	500	EUR	393	1.27170	19
CAF0052763396/04	Feb. 27, 2015	USD	500	EUR	393	1.27200	19
CAF0052763399/04	Mar. 31, 2015	USD	500	EUR	393	1.27220	19
CAF0052763388/04	Apr. 30, 2015	USD	500	EUR	393	1.27220	19
CAF0052763390/04	May 29, 2015	USD	500	EUR	393	1.27240	19
CAF0052763393/04	Jun. 30, 2015	USD	500	EUR	393	1.27280	19
CAF0052763381/04	Jul. 31, 2015	USD	500	EUR	393	1.27320	18
CAF0052763411/04	Aug 28, 2015	USD	500	EUR	393	1.27370	18
CAF0052763415/04	Sep 30, 2015	USD	500	EUR	392	1.27425	18
Total			4.500				168

There were no forward exchange contracts as of December 31, 2013.

Two interest caps, which were included in the previous year, expired in the year under review. The stated fair values are 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 caps were identified for cash flow hedging and classified as effective.

Currency sensitivity

The domestic subsidiaries usually have trade business in euro. Only a small amount of trade accounts receivables and trade accounts payables were nominated in foreign currencies. Appreciation or depreciation of the euro by 10% compared with the major currencies would have a maximum impact on the profit of €0.1 million (previous year: €0.1 million).

Appreciation or depreciation of the euro by 10% compared with the relevant currencies would decrease or increase the exchange equalization item in equity by a maximum of €0.3 million (previous year: €0.3 million) because financial statements of subsidiaries denominated in foreign currencies are converted using the modified reporting date method.

Interest rate sensitivity

The risk of market interest rate fluctuations to which the Group is exposed results predominantly from cash invested in a way that bears interest as well as from floating rate liabilities that are not hedged against interest rate risks via interest rate hedging instruments.

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

Direct effects on equity from interest rate hedging instruments used in hedge accounting would amount to approximately €+/-0.1 million if the interest rate were to increase by 15 basis points or were to decrease by 10 basis points.

Liquidity risk

The Group monitors liquidity using an automated planning tool. This tool assesses cash and cash equivalents on a daily basis, the terms of financial investments and financial assets (e.g.

receivables, other financial assets) together with expected cash flow from the business activity.

As at December 31, 2014, the Group's financial liabilities show the following maturities. All data are based on contractual, non-discounted payment obligations.

in € thousand	Due within 1 year	Due between 1 to 5 years	Due in over 5 years	2014 Total
Interest-bearing loans	3,075	40,735	441	44,251
Trade accounts payables	8,211	0	0	8,211
Other liabilities	6,818	0	0	6,818
Total	18,104	40,735	441	59,280

in € thousand	Due within 1 year	Due between 1 to 5 years	Due in over 5 years	2013 Total
Interest-bearing loans	4,217	22,959	19,968	47,144
Trade accounts payables	7,706	0	0	7,706
Other liabilities	5,881	5,944	0	11,825
Total	17,804	28,903	19,968	66,675

Capital control

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

The Group uses the equity ratio to monitor its capital:

in € thousand, unless otherwise indicated	2014	2013
Shareholders' equity	71,982	70,006
Total assets	144,889	144,944
Equity ratio	49.7 %	48.3 %

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

34. 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

Name	Position on the Board
Dr. Martin U. Schefter	CEO (since June 17, 2013)
Joachim Wimmers	CFO (since March 1, 2012)

Supervisory Board

Name/ job title	Position on the Board	Membership of statutory supervisory boards	Membership of comparable domestic or foreign supervisory committees
Prof. Dr. Alfred Gossner Executive Officer for Finance, Controlling, IT Fraunhofer-Gesellschaft, Munich	Chairman of the Supervisory Board since September 11, 2012	Bayern Innovativ GmbH, Nuremberg, since 2003	None
Götz Gollan Executive Officer of Privatbank Berlin von 1929 AG, Berlin	Deputy Chairman of the Supervisory Board since September 11, 2012	Capitell Vermögens-Management AG, Frankfurt am Main, Member of the Supervisory Board	None
Marc de Jong Managing Director Innomarket Consultancy BV, Eindhoven, The Netherlands	Member of the Supervisory Board since May 23, 2014	None	Technical University Eindhoven, The Netherlands (Member of the Supervisory Board)
Volker Hichert Managing Director DPE Deutsche Private Equity GmbH, Munich	Member of the Supervisory Board Till May 23, 2014	None	SLM Solutions GmbH, Lübeck (Member of the Advisory Council) Availon GmbH, Rheine (Member the Advisory Council) Westfalia Automotive GmbH, Rheda-Wiedenbrück (Member of the Advisory Council) proFagus Holding GmbH, Bodenfelde Member of the Advisory Council (Member of the Advisory Council)

Disclosure in accordance with Article 160 (1) 8 AktG

According to the voting rights notifications issued to us, the following individuals/companies held more than 3% of shares in First Sensor AG on December 31, 2014: This information may deviate from the current voting rights held if a reporting threshold has not been reached since the last notification, meaning that the person or institution concerned was not required to submit a voting rights notification:

Individual/ company	Domicile	Date of notification	Date of threshold touched	Date of publication	Threshold value reached exceeded or fallen below	Percentage of shares at time of notification		Allocation according to
						%	Voting rights	
ING Groep N.V.	Amsterdam, The Netherlands	Oct. 13, 2014	Oct. 09, 2014	Oct. 14, 2014	3 %, 5 %, 10 %, 13 %, 5 %, 10 %, 15 %, 20 %, 25 % and 30% exceeded	30,62	3,095,189	Article 22 paragraph 1 sentence 1 no. 1 WpHG
Total voting power were attributable to ING Groep N.V.:								
The attributable voting power will be held by the following companies, controlled by ING Groep N.V.								
<ul style="list-style-type: none"> - NN Group 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, - FS Technology Holding S.à.r.l. 								
Bankhaus Lampe KG	Bielefeld, Germany	May 16, 2012	May 14, 2012	May 16, 2012	3 % and 5 % exceeded	8.27	814,230	Article 22 paragraph 1 sentence 1 no. 1 WpHG
Total voting power were attributable to Bankhaus Lampe KG:								
The attributable voting power will be held by the following company, controlled by Bankhaus Lampe KG								
<ul style="list-style-type: none"> - Lampe Beteiligungsgesellschaft mbH. 								
Daniel Hopp	Germany	Nov. 01, 2011	Oct. 25, 2011	Nov. 01, 2011	25 % and 20 % fallen below	18.89	1,859,605	Article 22 paragraph 1 sentence 1 no. 1 WpHG
Total voting power were attributable to Mr. Daniel Hopp:								
Total voting power were attributable to Mr. Daniel Hopp::								
<ul style="list-style-type: none"> - Hopp Verwaltungs GmbH, - Hopp Beteiligungsgesellschaft mbH & Co. KG, - DAH Beteiligungs GmbH 								
Midlin N.V.	Maarsbergen, The Netherlands	Sep. 16, 2014	Sep. 15, 2014	Sep. 16, 2014	3% exceeded	3.49	352,134	Article 21 paragraph 1 WpHG

Employees

The average number of employees is stated as full-time equivalents (FTE) on the respective reporting date:

Full time equivalents	2014	2013
Germany	638	606
Europe	28	28
North America	21	23
Others	32	29
Total	719	686

Additionally the average number of apprentices was 18 (previous year: 19).

Fees of the auditor

in € thousand	2014
Annual audit	146
Other advisory services	30
Total	176

Of the fee for auditing the annual financial statements, €10 thousand is attributable to the previous year's audit.

The audit fees for the financial statements comprise the audit of First Sensor AG's separate financial statement pursuant to HGB, First Sensor's consolidated financial statement pursuant to IFRS and the financial statements of major subsidiaries of First Sensor pursuant to HGB.

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) German Commercial Code HGB and have thus exercised the option not to publish annual financial statements:

- Lewicki microelectronic GmbH, Oberdischingen
- Micro Packaging Dresden GmbH, Dresden
- First Sensor Technology GmbH, Berlin

35. Corporate Governance

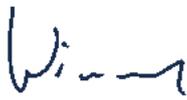
The company has issued a declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act) and this is permanently available on the company's website.

Berlin, March 24, 2015

First Sensor AG



Dr. Martin U. Schefter
CEO



Joachim Wimmers
CFO

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Corporate Governance Report

In the following corporate governance report, the Management Board and the Supervisory Board report in accordance with the German Corporate Governance Code in the version dated June 24, 2014.

Corporate governance declaration

The corporate governance declaration in accordance with section 289 of the German Commercial Code (HGB) describes the working methods of the Management Board and the Supervisory Board and their corporate governance practices. The declaration of compliance and the corporate governance declaration are permanently available in the Investor Relations/Corporate Governance section of the company's website at www.first-sensor.com.

The Management Board and the Supervisory Board of First Sensor AG act in accordance with the rules and principles of responsible corporate governance. With the provisions of the German Stock Corporation Act (AktG) and the Articles of Association of First Sensor AG, the rules on the Management Board of the company and its monitoring are consistent with the requirements of the German Corporate Governance Code.

Values such as sustainability and integrity form the basis for corporate governance at First Sensor and shape the way in which the company acts towards its customers, business partners, employees, and shareholders. For the management and supervisory bodies, compliance with the law has the highest priority when it comes to corporate governance. All decision-making and controlling processes in the Management Board and the Supervisory

Board are based on the provisions and recommendations set out in the German Corporate Governance Code.

Declaration of compliance by the Management Board and the Supervisory Board in accordance with section 161 (1) sentence 1 AktG

In accordance with section 161 (1) sentence 1 AktG, the Management Board and the Supervisory Board of a listed corporation are required to submit an annual declaration of compliance with the recommendations of the Government Commission of the German Corporate Governance Code as published by the German Federal Ministry of Justice in the official section of the German Federal Gazette (Bundesanzeiger), including information on the recommendations that have not been or are not applied and the reasons why this is the case.

The Management Board and the Supervisory Board are committed to upholding the recommendations of the Government Commission of the German Corporate Governance Code and hereby submit the following declaration in accordance with section 161 (1) sentence 1 AktG:

The recommendations of the Government Commission of the German Corporate Governance Code in the version dated June 24, 2014 have been complied with since the last declaration of compliance on March 25, 2014, with the following exceptions:

Deviating from the recommendation in the German Corporate Governance Code on the formation of committees with sufficient expertise, the Supervisory Board of First Sensor AG does not form any committees. As the Supervisory Board comprises just three members, the company sees no advantages in forming committees.

The members of the Supervisory Board jointly address all of the topics the Code requires to be transferred to specific committees, thereby complying with the objectives of the Code. In line with the recommendation set out in section 5.4.1 paragraph 3 of the German Corporate Governance Code, the Supervisory Board has set itself the objective of having at least one female member by no later than 2020. The three current members of the Supervisory Board are all male.

The company currently has no long-term succession planning. There has been no requirement for long-term succession planning to date, but this will be drawn up for the future.

Directors' and officers' (D&O) insurance has been concluded for all of the members of the Management Board and the Supervisory Board. The deductible for Management Board members is 1.5 times the annual salary of the respective member in accordance with section 93 (2) sentence 3 AktG, while there is no deductible for the Supervisory Board members.

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

The interim reports of First Sensor AG are not generally published within 45 days as recommended in section 7.1.2 sentence 4 of the Code because publication of the interim reports within the period set out in the Stock Exchange Rules and Regulations of the Frankfurt Stock Exchange is deemed acceptable.

Section 15a of the German Securities Trading Act (WpHG) also requires the members of the Management Board and the Supervisory Board of First Sensor AG to inform the company and the German Federal Financial Supervisory Authority if they acquire or dispose of shares in First Sensor. In addition to acquisitions and disposals of First Sensor shares, securities transactions relating to First Sensor shares (e.g. acquisitions or disposals of options) are subject to this notification requirement. No notification is required for the acquisition or granting of options in accordance with the respective member's contract of employment or as part of their remuneration and the exercise of these options. Securities transactions by individuals and legal entities that are considered to be related parties of one of the aforementioned members are also subject to the notification requirement. First Sensor voluntarily publishes details of transactions above and beyond the statutory one-month period.

Shareholders and Annual General Meeting

Shareholders can exercise their rights and vote at the Annual General Meeting. Each share in First Sensor AG grants the bearer one vote. The Annual General Meeting is chaired by the Chairman of the Supervisory Board. The invitation to the Annual General Meeting, including the agenda and the additional docu-

ments that are required to be made available, can be inspected by shareholders at the premises of First Sensor AG (Peter-Behrens-Str. 15, 12459 Berlin, Germany) from the date on which the Annual General Meeting is convened, and can also be viewed on First Sensor AG's website. These documents are also available for inspection at the Annual General Meeting. First Sensor AG provides its shareholders with the option of authorizing a proxy appointed by the company to vote in accordance with their instructions both prior to and during the Annual General Meeting.

Accounting and auditing

First Sensor AG prepares its annual and quarterly consolidated financial reports in accordance with the International Financial Reporting Standards (IFRS). The annual financial report of First Sensor AG is prepared in accordance with the provisions of the German Commercial Code (HGB). The consolidated and single-entity financial statements are prepared by the Management Board and audited by the auditor. The Supervisory Board adopts the single-entity financial statements and approves the consolidated financial statements. The Supervisory Board works in close cooperation with the Management Board and the auditor throughout the entire audit process. The auditor informs the Chairman of the Supervisory Board immediately about all significant matters and events arising in the course of the audit process that are relevant for the work of the Supervisory Board.

Transparency

The Management Board of First Sensor AG is committed to a policy of transparent communication.

First Sensor AG provides regular, compre-

hensive and timely information on its current business development and the position of the Group to shareholders, analysts and shareholder associations, as well as the media and interested members of the public. All addresses are treated equally and provided with information simultaneously. The capital market-relevant information that is required to be communicated is published on First Sensor AG's website in both German and English. This includes changes in First Sensor AG's shareholder structure and changes in the shareholdings of members of the Management Board and Supervisory Board.

In the past financial year, the share of the voting rights held by the CEO, Dr. Martin U. Schefter, increased to 112,340 no-par value shares with a notional interest in the share capital of 1.11%.

Berlin, March 24, 2015

First Sensor AG



Dr. Martin U. Schefter
CEO



Joachim Wimmers
CFO



Prof. Dr. Alfred Gossner
Chairman of the Supervisory Board

Sustainability Report

First Sensor supports the German Sustainability Code, a voluntary instrument aimed at spreading the concept of sustainability and promoting sustainable business. The company sees economic performance, social responsibility and the Earth's capacity for regeneration as an integrative objective.

The demand for sustainability is increasingly being voiced not only by First Sensor's custo-

mers, but also by its investors. The company includes sustainability in its long-term strategy and imposes the corresponding requirements throughout its value chain.

The framework for this is the German Sustainability Code (GSC) as revised by the German Council for Sustainable Development, which First Sensor is complying with for the first time with this report. The European Commission

has named the German Sustainability Code as a potential standard for the fulfillment of the European requirement on non-financial reporting by public-interest companies with more than 500 employees that will come into force in 2016. With this sustainability report, First Sensor is meeting this requirement ahead of schedule.

Strategy

Strategic analysis and measures

First Sensor's future strategy for its sensor products will focus on three growing areas of business in the **Industrial, Medical and Mobility** sectors. The three business units have been created as part of this plan, which will ensure a consistent focus on markets and customers. First Sensor is active in a future market, and the broad mix of sectors means that the company is generally independent of cyclical developments in the individual sectors.

The business units are supported by the two Competence Centers for Production and Development as well as a world-wide operating sales department.

Materiality

The material factors behind the decision to invest in the new business areas from a sustainability perspective were the attractiveness of the respective markets in terms of the forecast growth and the state of the market for sensor products in niche applications, as well as earnings strength and long-term custo-

mer retention through technically complex development work. First Sensor considers the expertise of its employees to be a key function in this respect. The company is continuing to work to improve its earnings strength for the benefit of its shareholders and to ensure that suppliers are selected in a responsible manner. Responsibility in this context means minimizing logistics services in order to protect resources and ensuring compliance with the internationally recognized standards on occupational health and safety published by the International Labour Organisation (ILO) at the Group's own operating units and its suppliers worldwide.

Targets

Targets must be clearly defined in order to allow the achievement of this strategy to be reviewed. Targets must be specific, measurable, accepted, realistic, and with a defined deadline in order to be adopted as targets. As First Sensor is only just beginning to implement its sustainability strategy, it has not yet defined all of the concrete targets for achieving this and will work continuously to do so over the

coming years. The level of employee training is currently measured by reference to the proportion of academics at the company and is considered to be an indicator of a highly qualified workforce. First Sensor intends to communicate this figure regularly in its quarterly financial reports and to increase it to a third as of December 31, 2015.

The ratio of development costs to total performance is also applied in assessing First Sensor's innovative strength. The target for the 2015 annual financial statements is 8%. Manufacturing sensor solutions is an energy-intensive process. As well as operating high-temperature furnaces in the frontend process and power-intensive production facilities, maintaining clean rooms and ultra-clean rooms in production requires significant energy consumption. Electricity consumption is being recorded on a Group-wide basis for the first time in financial year 2015 so that it can be used as an indicator for a resource-conserving, environmentally friendly internal value chain and to identify savings potential in future.

Depth of the value chain

First Sensor has a broad positioning in the area of sensor production. Starting from wafers in the frontend process, via sensor chips, housed sensor components and sensor modules, through to complete sensor systems for opto, pressure, flow rate, force, inertia and radiation sensor technologies, First Sensor develops, produces and distributes its products and related services in the global B2B sensor market. First Sensor does not see itself as a mass provider of low-cost sensor elements; rather, it develops specific sensor solutions for high-tech niche applications, mostly in conjunction with the respective customer.

As a responsible company, First Sensor includes its suppliers and customers in the discussion on sustainability. Supplier audits and customer audits ensure that sustainability is actively applied throughout the entire value chain.

As a solution provider, First Sensor delivers its products and services to the healthcare, industrial solutions and automotive markets via its business units. The typical product lifetime in these markets is several years, meaning that responsibility for product disposal lies with the distributor. First Sensor ensures that this is documented in the customer audit.

EU directive 2011/65/EU and its predecessor 2002/95/EG set out restrictions on the use of certain hazardous substances in electric and electronic devices and govern the use and distribution of hazardous substances in devices and electronic components. The aim is to eliminate problematic elements from electrical waste. This includes replacing the leaded soldering of electronic components with lead-free soldering, prohibiting environmentally unfriendly flame-retardant materials

in cable insulation, and introducing equivalent replacement products to the greatest possible extent. The electrical elements and components used must also be free from problematic substances. First Sensor has been using RoHS-compliant products for a number of years and has disposed of its inventories of hazardous materials.

A global network of suppliers, service providers and production units requires an elaborate logistics process for the transportation of raw materials, intermediates and finished products. First Sensor is aware of the environmental impact of this process and is working to reduce the distances traveled by its products.

Process management

In the area of process management, First Sensor examines compliance with targets in terms of process efficiency with a view to meeting the defined sustainability targets..

Responsibility

Responsibility for sustainability is established at the highest level of the company. Responsible behavior can only be accepted and realized by the organization if its importance is prescribed by the Management Board. The CEO delegates responsibility for implementation to a corporate social responsibility officer (CSR) within the company, who ensures that the targets are communicated and observed as required at every level of the company. The CSR is also responsible for the continued development of the defined targets. He reports on new projects and their status, and initiates measures and coordinates their implementation at the company. The CSR reports directly to the Management Board in a quarterly status report.

Rules and processes

To achieve the aims of the sustainability strategy, process flows and behaviors must be examined in terms of their sustainability. First Sensor has created an organizational manual setting out clear Group-wide instructions and responsibilities in the form of guidelines. Based on the principle “as centralized as necessary, as decentralized as possible”, the implementation of changes in daily workflows and the mindset of all employees at all levels of the

company is established as a condition for the successful implementation of the sustainability targets. In the area of production controlling, for example, First Sensor intends to work towards implementing logistically optimized material deliveries within the production chain. The strategic HR department will use job fairs and direct contact with universities and research institutes in order to attract qualified employees to First Sensor.

On a Group-wide basis, the company has established and, in some cases, certified quality standards in order to ensure that sustainability issues are covered.

Control

To document the success and progress of the sustainability strategy, the defined targets set out in the “Targets” section are recorded regularly on the basis of key figures. Uniform, consistent recording is essential to ensure the comparability of the figures for certain periods or at certain dates. The performance indicators described above serve to enable this control function. Key figures that are not currently recorded or that will be added to the catalog of targets in future will therefore successively satisfy the business sustainability targets.

Incentive systems

No Group-wide incentive system is currently established to provide monetary remuneration for the attainment of sustainability targets. First Sensor will work with the strategic HR department to establish effective incentive

systems in future. Some locations already have an employee suggestion scheme that provides a financial incentive for innovations and improvements.

The remuneration structure prescribed by the Supervisory Board means that part of the variable remuneration paid to the Management Board takes the form of stock options and the issue of discounted shares in the company is approved. The exercise of these options and the sale of the shares are subject to a holding period, meaning that the long-term remuneration components only have the desired effect if the company’s long-term targets are achieved in the form of share price growth.

Stakeholder participation

As a commercial enterprise, First Sensor is closely integrated into the value chain of its suppliers and customers. Supplier and customer audits help to create a tightly-knit relationship that leads to the interactive exchange of information on sustainability topics. As an employer, the Group has a social commitment and seeks to employ the best employees in a market where there is a shortage of specialists. Participation in job fairs and trade fairs allows the company to position itself as an attractive employer.

Thanks to its close cooperation with research institutions and membership of professional bodies, First Sensor is able to identify future technological changes at an early stage and respond appropriately. Last but not least, the

capital markets and the banking sector are an important source of financing and must be informed about First Sensor's sustainability policy comprehensively and in good time.

First Sensor's locations are also integrated into their immediate environment and have contact with the authorities and their respective local neighborhoods.

To ensure that these stakeholder groups are kept adequately informed ad hoc disclosures, corporate news and financial reports are published on the company's website to the extent required of listed companies. Shareholders can also exercise their rights of information and consultation directly at the Annual General Meeting. The company presents itself and discusses aspects of sustainability at events for investors and media representatives, such as the annual press conference, analyst events and roadshows.

Innovation and product management

First Sensor is facing up to the competition in a rapidly growing and innovative market environment. The company's core competency is its ability to satisfy its customers' needs with specific development and manufacturing expertise. The aforementioned industry specialization is relevant when it comes to sustainability issues. In the healthcare market, there is long-term demand for pioneering solutions that benefit patients. The various niche industrial markets can only be served successfully

if innovation leads to a competitive advantage and First Sensor's customers are able to successfully exist in the respective niches.

Meanwhile, niche players can only justify their existence in the highly competitive automotive sector if they succeed in manufacturing innovative products more cost-effectively and intelligently than the competition, thereby leading to economies of scale and production improvements at a constant margin and offsetting the discounted prices that are required to be granted. To allow it to successfully serve the rapidly growing sensor market, First Sensor must ensure that its technology is permanently at the state of the art by cooperating with universities and research institutions. It awards bachelor, master and doctoral theses with the aim of strengthening this cooperation.

Environment

First Sensor considers environmental aspects to be the primary concern when it comes to sustainability. The company is aware of the impact of its resource consumption on the environment. An active commitment to resource-friendly consumption and environmental compatibility is one of the fundamental objectives of its corporate strategy.

Use of natural resources

First Sensor's production process is energy-intensive. A central element of the indicators will be energy consumption per production unit. The heterogeneous nature of the company's structure, the different production methods used and the varying depth of the value chain means this figure will be recorded for each location individually and monitored over time. All of the company's logistics processes consume energy and result in a CO2 emission per kilometer travelled. Recording these figures represents a significant challenge to the control mechanisms in the logistics departments. The main mode of transportation used is air freight, meaning that comparative

values for carbon dioxide emissions per flight kilometer can be used.

Resource management

First Sensor has identified the following optimization potential in the area of resource management: Energy consumption is recorded as described above and documented in the form of defined improvement factors. Packaging is not yet designed to be returnable in all cases. This means that some goods are still delivered in disposable packaging and are not reused by specially designed fallback systems. This applies to transportation between the company's locations as well as deliveries of goods and materials from suppliers and to customers. Paper consumption is recorded on a company-wide basis and kept to a minimum. Electronic data archiving is a key topic that First Sensor will intensively address from financial year 2015 in order to reduce its paper consumption. In the company-wide car policy, employees who are provided with a company car on account of their position are offered financial compensation if they decide not to

use the car. This serves to contribute to an environmentally friendly approach to individual mobility. As the person with primary responsibility for the implementation of sustainability at First Sensor, the CEO sets an example by using an electric car.

Climate-relevant emissions

In accordance with the Greenhouse Gas Protocol (GHG), greenhouse gas emissions are calculated in a multi-stage process. First Sensor will address this process in future in order to calculate CO2 emissions and allow them to be compared as key figures. The company does not currently have any corresponding information.

Society

The social integration of First Sensor and the respect it affords this position are described in the following section. The company is aware of its social and societal responsibility and takes this extremely seriously.

Employee rights

Upholding employee rights is a priority for First Sensor. The company is committed to observing the minimum requirements set out

in the declaration of the International Labour Organisation (ILO). First Sensor also monitors compliance with the protective regulations that are typical in Europe, such as protection against dismissal, transparent disciplinary and dismissal practices, agreements on working time and vacation in works agreements, maximum working times and maternity leave. The company offers occupational medical checkups and vaccinations in order to benefit its employees and achieve reduced sickness

rates and a higher level of workforce health in a preventive manner.

Temporary workers are only used in cases where the company is unable to find a sufficient number of its own employees or to cope with peaks in demand.

Works councils have been established at some locations, meaning that employee rights are exercised by the corresponding employee

representatives. These works councils have combined to form a General Works Council for the company as a whole. Communication, cooperation and the exchange of information take place in a spirit of fairness, partnership and cooperation.

All of the company's employees are informed about current topics and news about First Sensor via periodical internal communications.

Equal opportunities

As part of a company-wide grading process in financial year 2014, job descriptions were prepared for positions, evaluated, compared with typical industry salary grades and adjusted in order to satisfy the aim of fair pay for work of equal value.

Every appointment to a vacant position is advertised internally in order to give the company's employees the opportunity to obtain more advanced qualifications and pursue a specialist or management career path. Recruitment processes are conducted neutrally and without prejudice and appointments are made solely on the basis of professional and personal characteristics. Where applicants are equally suitable, candidates with disabilities and women are given preference in order to increase the proportion of disabled and female employees, particularly in management positions.

Qualifications

First Sensor is aware of the importance of its employees' qualifications. By creating

more apprenticeships in desired professions, the company is training young talents in fields such as microsystems technology and microtechnology. Expenditure on training is budgeted and funded on an annual basis. A qualification matrix is used to identify deficits and resolve them in a targeted manner. This also includes rules on representation and the aim of ensuring that key functions are performed by at least two employees. This approach is established within the company-wide risk management system.

Human rights

As part of its supplier and customer information, First Sensor prescribes standardized measures to ensure respect for human rights, guidelines on child labor, decent working conditions and minimum requirements in terms of occupational health and safety throughout the value chain. First Sensor is aware that this cannot be controlled directly, but rather that it takes the form of a symbolic commitment to human rights. When making site visits to suppliers and customers, the company seeks to obtain a personal impression of the respective local conditions.

Community

First Sensor forms part of a social network with its immediate environment. Employees are the main instrument of exchange in this respect. To raise awareness of the company's activities and position it as an attractive employer, First Sensor offers internships primarily to school pupils and relatives of employees, but also to local people with an interest in the company.

Political influence

First Sensor identifies and responds to technological innovations by participating in boards and panels within the sensor industry. This includes membership of bodies such as the AMA, as well as industry associations. Further political influence is not practiced by the company.

Compliance with the law and regulations

Compliance is a keyword in this context. In financial year 2014, First Sensor initiated a compliance project to ensure its adherence to the relevant laws and regulations. Corruption, the acceptance or granting of benefits for the placement of orders, fraud and injury to the company, the conduct of internal audit and compliance with internal guidelines and provisions are all placed under close scrutiny.

Auditors' report

On behalf of First Sensor AG, Berlin, we have audited the consolidated financial statements – consisting of balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes – and the consolidated management report for the fiscal year from January 1, 2014 until December 31, 2014. Preparation of the consolidated financial statements and the consolidated management report in accordance with the regulations of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional regulations to be applied in accordance with section 315a (1) of the German Commercial Code (HGB) is the responsibility of the legal representative of the company. Our task is to provide an assessment of the financial statements and the consolidated management report on the basis of our audit.

We have carried out our audit in accordance with section 317 of German Commercial Code (HGB), taking into account the German principles of proper accounting established by the German Institute of Accountants (IDW). These principles stipulate that the audit is planned and conducted in such a way that

misstatements and infringements having an impact on the asset, financial and profit situation conveyed by the financial statements and consolidated management report under consideration of the basic principles of proper accounting can be recognized with reasonable assurance. When defining the audit activities, knowledge about the business activity and the economic and legal environment of the group, as well as expectations of possible errors are taken into account.

Within the scope of the audit, the effectiveness of accounting-related internal control systems and evidence for statements made in the financial statements and consolidated management report are mainly examined on the basis of spot checks. The audit comprises the assessment of annual accounts of the companies included in the financial statements; the delineation of the scope of consolidation, the accounting and consolidation principles applied and the main estimates of the legal representative, as well as appraisal of the audit provides a sufficiently secure basis of our assessment.

Our audit did not raise any objections.

According to our assessment from knowledge gained during the audit, the consolidated financial statements conform with the regulations of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional regulations to be applied in accordance with section 315a (1) of the German Commercial Code (HGB) and give a fair view of the asset, financial and earning situation of the group, in accordance with the above regulations. The consolidated management report agrees with the financial statements, conveys a true and fair view of the group's situation and accurately represents the opportunities and risks of the future development.

Hanover, March 25, 2015

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Steffen Fleitmann
Auditor

Hans-Peter Möller
Auditor



Assurance of the legal representatives According to Articles 264 (2) sentence 3, 289 (1) sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, financial position and profit or loss of the group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Berlin, March 24, 2015

First Sensor AG



Dr. Martin U. Schefter
CEO



Joachim Wimmers
CFO

Legal notice, financial calendar 2015

Legal disclaimer

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 2015

Date	Topic	Location
March 26, 2015	Publication of consolidated financial report 2014	
May 12, 2015	Publication of consolidated interim financial report as at March 31, 2015	
May 28, 2015	Annual General Meeting	Penta Hotel Berlin Köpenick, Grünauer Str. 1, 12557 Berlin
August 13, 2015	Publication of consolidated interim financial report as at June 30, 2015	
November 12, 2015	Publication of consolidated interim financial report as at September 30, 2015	
November 23 – 25, 2015	Analysts' conference First Sensor AG/ German Equity Capital Forum 2015	Congress Center of Messe Frankfurt, Frankfurt am Main

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>

Internet, information, contact

This consolidated financial report as at December 31, 2014 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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