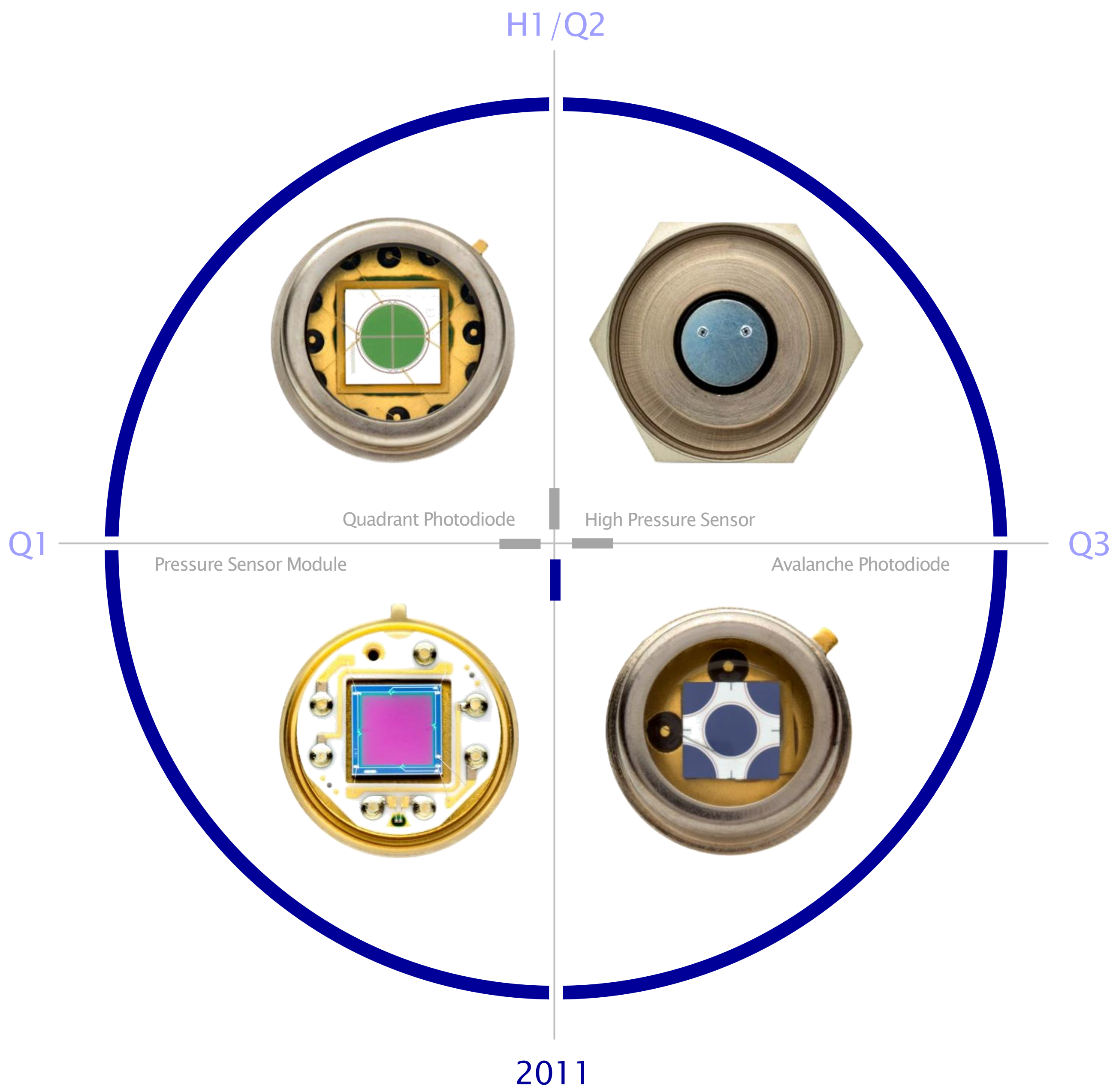
First Sensor



GROUP ANNUAL FINANCIAL REPORT AS AT DECEMBER 31, 2011

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FOREWORD BY THE MANAGEMENT BOARD

First Sensor commences 2012 with new-found strength

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

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

With sales of €118 million to €122 million expected for the 2012 financial year, we will almost double our business volume. As such, we have closed the gap on the world's largest companies in our industry. Over the next two years, we will focus on further consolidating our business activities, increasing profitability and exploiting the numerous potential synergies to an even greater degree. Our ambitious aim is to increase EBITA before amortization due to purchase allocation to €13 to 15 million in the 2012 financial year.

Successful acquisition of the Sensortechnics Group strengthens the strategic edge of First Sensor

Over the past two decades, First Sensor has established itself on the market as a provider of high-quality, customer-specific sensor solutions for prominent customers from a wide range of industries. Here, the Group is positioned in such a way that it is able to cover the entire value chain from its various locations, ranging from sensor components and modules through to complete sensor systems. With the acquisition of the Sensortechnics Group, which consists of Sensortechnics GmbH (Munich), Elbau Elektronik Bauelemente GmbH (Berlin) and Klay-Instruments B.V. (Dwingeloo, Netherlands) and other subsidiaries in Europe, North America and Asia, First Sensor once again expanded its strong, strategic market position:

- Sensortechnics GmbH, with its significant distribution activities, will considerably strengthen the distribution potential of First Sensor. Thanks to the direct acquisition of over 2,000 new customers and by understanding their requirements, targeted industry solutions from the Group as a whole can be offered. Sensortechnics GmbH is also an important addition to our expertise in the area of life science.

- Elbau Elektronik Bauelemente GmbH Berlin develops and produces sensor systems in medium production volumes ranging from one hundred thousand to five hundred thousand units per year and customer. As such, First Sensor will be able to supply customers with small, medium or large volumes. It will also be possible to arrange services in the field of structural and connection technology across four sites in total, which will improve security and delivery reliability for our customers.
- Klay-Instruments B.V. strengthens our expertise in the area of industrial solutions, particularly in the food and logistics industries (shipbuilding). The first sensor components have already been supplied by First Sensor for further processing by Klay-Instruments B.V. This boosts both the innovative capacity and competitiveness of the products of Klay-Instruments B.V..

Thanks to the successful completion of the acquisition in the fourth quarter of 2011, an integrated industrial group with global operations and a number of strategic options has been created.

- Almost 750 employees develop and produce sensor solutions at 14 locations in Germany, the USA, Canada, the Netherlands, the UK, Sweden and Singapore. There is also a broad-based network of distributors and sales partners.
- Around 4,000 customers from the mobility, life science, industrial, security and aerospace sectors are supplied with sensor solutions from First Sensor. With its MEMS-based and optoelectronic sensor solutions, First Sensor focuses on the two state-of-the-art sensor technology areas with the strongest sales. A number of innovative solutions have already been developed and successfully marketed for both areas over the last twenty years.
- We will realize significant economies of scale over the coming years, particularly on the strength of the following: strengthened cross-selling along the entire value chain, expanded distribution options, a broader base of expertise and resources in research and development, the amplified marketability of an extensive range of industry solutions and the ability to transfer these to other industries.
- More and more customers will become aware of us as an effective solutions provider for their projects as the Company grows in size. As such, it will become more likely that we will gain further large orders. By covering the entire value chain, we also reduce qualification costs for our customers. Initial significant volume expansions on the part of two customers for the production of camera systems and steering angle sensors in the 2011 financial year underline this trend.

The fact that we have been able to finance this major acquisition in a difficult market environment also demonstrates the confidence that the capital markets have in the operating capability of First Sensor AG. The purchase was financed with equal amounts of own and borrowed funds. We successfully placed 3.2 million new shares from authorized capital at an issue price of €10 and raised a syndicated loan of €39 million at normal market conditions. At this point we would like to thank the banks and our shareholders for their confidence in us.

Initial integration tasks have been completed

We can look back on an extraordinarily eventful 2011 financial year comprising a number of one-off additional tasks and the first stages in the integration of our acquisition:

- a major acquisition which has made us one of the world's leading providers of sensor solutions,
- the successful relocation of a production facility and the associated comprehensive recertification by our customers,
- winding up the sites in Berlin-Adlershof and Berlin Mitte,
- the creation of joint operations management for First Sensor AG and First Sensor Technology GmbH at the Berlin site as a precursor to merging the two companies,
- the introduction of state-of-the-art software solutions to ensure efficient management, planning and consolidation of all processes within the First Sensor Group,
- the 20th anniversary of First Sensor,
- a complete overhaul of our website including the introduction of a powerful online content management system to enable ongoing content updates,
- extensive investments in the scalability of our business activities,
- extensive technical modernization of the production site in Dresden and
- continued strong organic growth,

to name just the major highlights of the past year in addition to everyday business activities.

All of these activities, which have involved a huge effort on the part of our employees, essentially serve one sole aim: Expanding the benefits and range of sensor solutions we can offer our customers. This also boosts enterprise value and guarantees stability.

Investments in scalability and products

We have invested not only in the acquisition of new companies, but also in capacity, efficiency, technologies and products in order to increase the scalability of our business. We inaugurated a state-of-the-art sensor plant for the production of optoelectronic sensors at the Berlin-Oberschöneweide site back in 2008. In the years that followed, we gradually expanded the capacity and production efficiency of the plant through the purchase of new equipment. In the past financial year, we went to great lengths to enable the relocation of MEMS-based sensor production from Berlin-Adlershof to the state-of-the-art plant in Berlin-Oberschöneweide. Since basic production processes in these two areas overlap considerably, this will lead to a higher utilization rate and further cost savings, which will very quickly offset the investments amounting to approximately €2.5 million from 2011 for the modification and relocation.

We also considerably strengthened our expertise in the field of high-precision, MEMS-based inertial sensors (acceleration, inclination and vibration sensors) by means of a smaller acquisition. The patents and technologies acquired which enable highly-accurate measurements and can be used in, for example, air traffic control systems, drilling platforms and container ships, will give rise to a range of new products from First Sensor over the next few years.

Twentieth anniversary

Since its formation as Silicon Sensor GmbH in 1991, First Sensor AG can look back on a twenty-year history during which it has grown from a manufacturer of optoelectronic sensor components into an integrated industrial company with global operations.

What have been the driving forces behind our 20-year success story?

These have been:

1. our commitment to performance,
2. our innovative capacity and
3. the sound training of our physicists, engineers and technicians.

This will also remain the basis for our success in the future. Over 20 years, we have developed so quickly and expanded our range of services to such a wide extent that we deemed it appropriate to clearly express this with our new name "First Sensor AG". Our valued shareholders approved this request at our Annual General Meeting on June 9, 2011. For us, "First Sensor" not only means changing the company name, but is also an incentive to continue with the success we have achieved over the last twenty years with undiminished vigor and, in particular, to ensure that we preserve our key values – precision, individuality and reliability.

In the 2011 financial year, as part of our further development to become an integrated industrial company for innovative sensor solutions, we also took our first steps towards integrating business processes in North America. At the end of 2011, we changed the name of Pacific Silicon Sensor Inc. to First Sensor Inc. and implemented a range of integration measures. Our first major trade fair appearance at Photonics West in San Francisco at the start of 2012 confirmed that we must continue to successfully pursue this path towards integration. Feedback in the USA regarding the rebranding was incredibly positive and had not been expected by us to such an extent. The broad approval of our customers and increased awareness on the part of potential new customers pleased us all the more. Even our largest competitors ungrudgingly congratulated us on our success, although they will now be paying closer attention to us.

Renewed sales growth – non-recurring charges – sound balance sheet structure

Once again we increased sales significantly. After boosting sales by around 50% to €45.2 million in 2010, we achieved another increase of around 44% in 2011 to €65.2 million. Without including the Sensortechnics Group, which is included in the consolidated financial statements from October 1, 2011, this results in consolidated sales of approximately €53 million.

In the second half of the year, primarily in the fourth quarter of 2011, there was a range of non-recurring charges as have already been described. Non-recurring expenses from the acquisition of the Sensortechnics Group for banks, lawyers, auditors, notaries and other service providers totaled approximately €2.6 million. Added to these were one-off costs for the extensive modification and relocation measures at the Berlin-Oberschöneweide site and investment in the new brand image for First Sensor AG.

A significant proportion of the acquisition-related transaction costs was expensed in 2011 and constituted a non-recurring drag on earnings. Furthermore, the modification and relocation measures taken in the course of the integration of the two Berlin-based sensor production lines led to unavoidable delays in production processes and to non-recurring charges.

Based on the circumstances described, it is clear that looking at the results for the fourth quarter of the past financial year in isolation would not do justice to our actual business development, as these non-recurring effects would significantly outweigh this.

The operating result (EBITDA) before non-recurring expenses increased by approximately 38% to €9.7 million compared to the same period of the previous year (2010 financial year: €7.0 million). Correspondingly, this results in adjusted cash EPS of €0.51, despite the increased number of shares, which is a year-on-year increase of around 36%.

Equity was once again strengthened considerably thanks to the capital increase and amounts to €69 million, corresponding to an equity ratio of 43% at the balance sheet date. Cash and cash equivalents in the Group totaled €12.8 million.

Joachim Wimmers was appointed Chief Financial Officer of First Sensor AG with effect from March 1, 2012

The Supervisory Board of First Sensor AG appointed Joachim Wimmers Chief Financial Officer of the company with effect from March 1, 2012. He succeeds Dr. Ingo Stein who informed the Supervisory Board of his resignation from the post for personal reasons with effect from March 31, 2012. Joachim Wimmers, 47 years old, was most recently managing director for four years of an international manufacturer of electro-technical products with annual sales of around €100 million, employing more than 750 employees. He has over 15 years' professional experience of an executive role in the Finance department of manufacturing companies. He will lead First Sensor AG together with Chief Executive Officer, Dr. Hans-Georg Giering. In the words of Götz Gollan, Chairman of the Supervisory Board: "With his outstanding skills in financial controlling, integration, strategic and corporate development and also lean management, Joachim Wimmers, a proven financial expert, is an ideal choice for both the current corporate phase and the further development of the First Sensor Group." The Supervisory Board expresses its regret at the departure of Dr. Ingo Stein and thanks him for his contribution. He played a key role in the structuring and financing of the company's strong growth over recent years and in the acquisition of the Sensortechnics Group in 2011. Dr. Ingo Stein will remain linked to the company by strong ties of friendship.

Above-average growth in sales and profits targeted

2012 will be characterized by the consolidation of our business processes and structures and in particular by the integration of Sensortechnics. Following completion of the acquisition, we immediately commenced the related tasks. From today's perspective, a significantly lower number of non-recurring charges is to be expected compared to 2011. Over the next few years, in return, seven-digit synergies will be generated from a wide range of areas. Sales are set to almost double and earnings almost triple. These are ambitious targets. However, we are certain that we can achieve these provided that the general economic environment does not deteriorate significantly.

We are also paying particular attention to the development of orders on hand. As at December 31, 2011, this figure rose by around 200% to €63.6 million compared to the level seen on the same date the previous year (€21.7 million). The number of employees also rose from 341 (December 31, 2010) to the present number of 725.

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

In financial year 2012, we forecast sales in the region of €118 to €122 million. We currently anticipate operating profit before integration costs and amortization due to purchase price allocation (EBITA) will be between €13 and €15 million. Sales are set to continue to rise over the next few years at a growth rate above average expected market growth of around 8% and will total more than €150 million as early as 2015. Thanks to the improved scalability of the business model and emerging synergy effects from the integration of the Sensortechnics Group, the medium-term goal of an operating margin before amortization due to purchase price allocation of 15% (EBITA margin) is maintained.

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

Kind regards,
The Management Board

Dr. Hans-Georg Giering	Joachim Wimmers	Dr. Ingo Stein
Chief Executive Officer	Chief Financial Officer	Member of the Management Board

BUSINESS MODEL

First Sensor is a developer and manufacturer of customer-specific high-end sensor solutions. These innovative sensor solutions are used for the high-quality conversion of non-electric variables (radiation, light, pressure, flow, position, speed, temperature, moisture, etc.) into electric variables that can then be used in our customers' electronic systems. This means that our sensor solutions make an important contribution to the competitiveness of their products. Our key areas include solutions in the field of optical sensors and pressure sensors.

The individual companies of the First Sensor Group are active along the entire value chain: In addition to sensor components, First Sensor develops and manufactures highly reliable customer-specific hybrid circuits and products in the areas of micro systems technology and advanced packaging (sensor modules) right through to complete sensor systems. Customers include prominent industrial groups and research institutes. A project generally starts with the customer issuing the specifications and the joint preparation of a development strategy. Following an extensive development and test phase, a supply relationship is initiated that generally lasts for a number of years.

First Sensor's sensor solutions are mostly used as key components in a wide variety of applications across a broad range of sectors. These include electronic folding rules, tank pressure and sun angle sensors for motor vehicles, level measurement in the food industry, air-conditioning systems, blood glucose monitors, X-ray machines for baggage screening, machine controls, aerospace research, cancer diagnosis and even truck toll monitoring or measurement systems for the pharmaceutical industry and environmental technology. In this way, First Sensor does not tend to be dependent on the cycles in individual sectors. The market for high-end sensor solutions that we address remains a strong growth market.

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

First Sensor develops and produces sensor solutions at all stages along the value chain. The various locations in Berlin, Dresden, Oberdischingen, Munich and also the foreign subsidiaries in the Netherlands, UK, Sweden, Singapore and the US differ from one another according to their position in the value chain (incl. distribution). In many cases, several of the Group's companies are involved in the processing of one customer order.

Sensor components are developed and manufactured at the head office in Berlin:

First Sensor AG (Berlin) develops and produces optoelectronic components in its state-of-the-art sensor factory in Berlin-Oberschöneweide. In financial year 2011, the *First Sensor Technology GmbH* MEMS activities (pressure, acceleration and position sensors) were incorporated into this location in order, primarily, to exploit synergies arising from the overlapping of production processes.

If the sensor component is subsequently combined with other electronic components and switches into a circuit (structural and connection technology, hybrid technology, microsystems technology), this produces a **Sensor module**. These process steps are completed at five locations within the First Sensor Group:

The *Microelectronic Packaging Dresden GmbH* (Dresden) has been specializing in structural and connection technology (including packaging) for 15 years. The range extends from the manufacture of small batch sizes through to high-volume production of, for example, steering angle sensors for the automotive industry.

*Elbau Elektronik Bauelemente GmbH Berlin (*Berlin) develops and manufactures customer-specific sensor and microsystems solutions and special products in moderate quantities with emphasis on pressure, optoelectronic and flow sensors for use, for example, in high-value products in the field of medical technology. Individual projects in the low-cost range are taken on by the subsidiary, *Elbau Singapur Pte. Ltd. (*Singapore).

*Lewicki microelectronic GmbH (*Oberdischingen near Ulm) has been supplying highly-reliable hybrid circuits and microsystems technology applications for over 40 years, for example for space technology.

First Sensor Inc. (Westlake Village/USA) is responsible not only for the sales of our sensor solutions in the US but also for the development and production of sensor modules using state-of-the-art microsystems technology.

If the sensor module is enhanced with further value-adding levels such as signal evaluation, calibration or product design, this creates a **Sensor system.** These value-adding levels are processed at four locations:

Silicon Micro Sensors GmbH (Dresden) handles the development, manufacture and commercialization of sensor-based systems such as camera systems or pressure-sensor systems for the automotive industry.

*Klay Instruments BV (*Dwingeloo/Netherlands) develops and produces pressure and level-measurement sensors in the areas of food industry and shipbuilding in particular.

Sensortechnics GmbH (Puchheim near Munich) develops, produces and refines pressure, flow and level-measurement sensor systems in the area of life science and in industrial applications such as environment measurement technology. The company also markets these systems together with products from other manufacturers.

First Sensor AG has also developed a probe used in cancer operations. The third generation of this product was commercialized at the end of 2011.

With this orientation and the co-operation between the individual locations, First Sensor covers the entire value chain in the special sensor solutions business enabling the company to provide a holistic solution or to assume individual steps in the value chain. The specific requirements of the customer in each case dictate at which step in the value chain our services are called on. Owing to the economic considerations, in certain areas, components and services are outsourced. Split orders are allocated to the individual locations centrally.

BUSINESS DEVELOPMENT

General economic environment

With a 51% share in sales, Germany remains First Sensor's most important market. Despite considerable uncertainty on the international financial market, in particular in the euro zone, high levels of indebtedness in some countries, prolonged debate concerning various bail-out packages and the weakening economy in important Asian countries, the German economy continued to grow, if not as strongly as in financial year 2010. Gross domestic product rose 3% although there was a 0.2% decrease in the fourth quarter arising as a counter-effect to lower exports and private spending with increased investment. This was the first decrease in three years. The German government anticipates growth of just 0.7% in 2012.

According to AMA Association for Sensor Technology estimates, there will be a comparable business cycle in the sensor sector, although with a slight time-shift. For the whole financial year 2011 the sector recorded year-on-year sales growth of 15% (previous year's growth: 32%). However, in comparison to the previous quarter sales declined 3% in the third quarter and 4% in the fourth quarter. Overall growth of 5% is anticipated for financial year 2012. The export ratio amounted to 40% in 2011 (previous year: 37%) of which approximately 2/3 was within Europe. The industry's optimistic expectations for the coming years are reflected in investment behavior: Investment increased 16% in financial year 2011, a further 4% upturn expected for 2012.

The global sensor market, the total volume of which was estimated by the AMA Association for Sensor Technology at between USD 70 to 120 billion in 2010 has seen outstanding growth over the last 25 years, doubling in the last ten years alone. Sensors play an important role in an increasing number of applications in both industry and consumer goods. Special providers such as First Sensor, developing and manufacturing high-quality solutions for their customers matched to specific sectors will benefit from this trend. A decisive factor for development in the coming years will be whether and to what extent the uncertainties on the financial markets spread to the real economy and whether the economic downturn in the fourth quarter of 2011 was a passing phenomenon.

DEVELOPMENT OF THE FIRST SENSOR GROUP

Rise to one of the world's leading providers of sensor solutions

With the acquisition of Sensortechnics GmbH, First Sensor AG obtained control over the Sensortechnics Group with effect from October 1, 2011. This acquisition has doubled the size of the First Sensor Group. The Sensortechnics Group was included in the consolidated financial statements for the first time on October 1, 2011. The Sensortechnics Group consists of Sensortechnics GmbH (Puchheim near Munich), Elbau Elektronik Bauelemente GmbH Berlin (Berlin) and Klay-Instruments B.V. (Dwingeloo, Netherlands) and other subsidiaries in Europe, North America and Asia. With the takeover, First Sensor AG further expanded its strategic competitive position by reinforcing its integrated value chain. In 2012, with almost 750 employees at 14 locations in Germany, USA, Canada, Netherlands, Great Britain, Sweden and Singapore and a broad-based network of distributors and cooperation partners, the new group will develop and produce sensor solutions for approximately 4,000 customers in the areas of mobility, life science, industrial, security and aerospace. We anticipate sales between €118 and €122 million for 2012 which equates to double the figure recorded the previous year and places First Sensor in the top ten global manufacturers of special sensors.

As the company increases in size, First Sensor attracts an increasing number of customers looking to place major projects. The expansion of the value chain in the areas of modules (Elbau) and systems (Sensortechnics, Klay) enhances First Sensor's opportunities to act as a "one-stop shop" for their customers. Also, the opportunity of cross-selling between the value-chain stages arises. For example, customers who up to now have purchased components can now be offered the option of processing these components into modules or systems and vice versa. The growing number of locations in the area of packaging increases flexibility with respect to placing orders within the Group and raises delivery reliability for the customer. The distribution strength of Sensortechnics GmbH with some 2,000 direct customer significantly strengthens First Sensor Group's sales expertise. The expanded group of companies will also have a broader technology and resources base to draw on and will be in a position to accelerate product development further by, for example, extending sensor solutions to other sectors. Diversifying across a wider range of sectors also reduces exposure to cycles in individual areas. The coming years will be heavily characterized by the integration of the company units and the achieving of synergies.

The purchase price of €66.75 million (entity value on debt free/cash free basis: equity value €54.2 million) was financed by means of a capital increase from authorized capital by placement of 3.2 million shares at €10 per share and the raising of a €34 million syndicated loan at normal market conditions. The fact that we have been able to raise the financing in a very difficult market environment demonstrates the confidence that the capital markets have in First Sensor AG and in the operation.

Further organic sales growth – high extraordinary charges in the second half-year

Die First Sensor-Gruppe hat im abgelaufenen Jahr einen In the financial year just closed, First Sensor Group achieved sales of €65.2 million (previous year: €45.2 million). This equates to sales growth of 44% (previous year: 50%). The Sensortechnics Group, acquired in 2011 and whose results are included in the First Sensor consolidated financial statements from October 1, 2011, contributed €12.6 million to this figure. The organic growth rate, not including the Sensortechnics Group, amounts to 16% which is above the figure for the sector. The increase was notably among existing customers where, in some cases, significant expansion in major orders was achieved.

EBIT before transaction costs relating to the acquisition of the Sensortechnics Group, before non-recurring expenses and before amortization due to purchase-price allocation amounts to €5.7 million, a 47% increase compared to the previous year (€3.9 million before amortization due to purchase-price allocation). The Sensortechnics Group contribution to EBIT is €1.4 million. The transaction costs amounted to a total of €2.6 million, of which €1.0 million were expensed in financial year 2011. Amortization due to purchase-price allocation increased as a result of the acquisition from €0.2 million to €1.1 million. The non-recurring expenses due to integration measures amounted to €2.1 million.

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

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

First Sensor has been investing in the growth potential and the increased scalability of the business model since 2008. We inaugurated a state-of-the-art sensor plant for optoelectronic sensors with extensive clean room capacity at the Berlin-Oberschöneweide site back in 2008. Moreover, we have been investing heavily in the enhancement of production efficiency at the same location since 2009. In the financial year just closed, the MEMS area at this location was integrated into the existing clean room. This should result in synergies, due notably to overlapping of basic production stages. The integration will result in a higher utilization rate for the plant. With the new capacities, from the point of view of production technology, significant increases in sales can be realized in the coming years. The MEMS area was also reinforced in terms of technology during the financial year just closed through minor acquisitions and the acquisition of patents. These investments in the area of inertial sensor technology should, over the coming years, result in sensor solutions capable of measuring position and acceleration with an extremely high degree of accuracy. Areas of application include air traffic control systems and stabilization systems for drilling platforms.

EARNINGS, ASSETS AND FINANCIAL SITUATION

Accounts, reporting entity and non-recurring expenses

The consolidated financial statements for First Sensor AG (until June 24, 2011, Silicon Sensor International AG) were prepared, pursuant to Article 315a HGB (German Commercial Code), in accordance with International Financial Reporting Standards (IFRS).

With the acquisition of 100% of the shares of Sensortechnics GmbH, First Sensor AG obtained control over the Sensortechnics Group with effect from October 1, 2011. The companies were consolidated for the first time at this reporting date.

The First Sensor AG results were impacted by a number of non-recurring expenses in financial year 2011, details of which are given in the notes on the earnings situation.

Earnings situation

The following table shows sales and EBIT for the First Sensor Group with and without non-recurring items and a breakdown of the individual non-recurring effects.

First Sensor Group earnings situation

	First Sensor as a whole	First Sensor as a whole		First Sensor without Sensortechnics		Sensortechnics	Sensortechnics
in € thousand	2011	2010	%	2011	%	Q4 2011	2011
Sales	65,182	45,232	44	52,609	16	12,573	58,404
EBIT before transaction costs non-recurring expenses and PPA amortization	5,680	3,851	47	4,276	11	1,404	7,877
Non-recurring expenses	2,052	0		2,052		0	0
EBIT before transaction costs and PPA amortization	3,628	3,851	-6	2,224	-42	1,404	7,877
Transaction costs	977	0		977		0	0
EBIT before PPA amortization	2,651	3,851	-31	1,247	-68	1,404	7,877
PPA amortization	1,061	234		237		824	n.a.
EBIT	1,590	3,617	-56	1,010	-72	580	7,877

The operating result before interest and taxes (EBIT) was characterized by several non-recurring charges.

- The transaction costs expensed in financial year 2011 in connection with the acquisition of the Sensortechnics Group amounted to €1.0 million. These consist predominantly of legal fees and consultancy costs relating to due diligence, valuations, support during negotiations and preparation of purchase and loan agreements etc.
- Other non-recurring expenses amounting to €2.1 million were incurred by the merging of the MEMS area and the optoelectronic area at the Berlin-Oberschöneweide location (relocation of First Sensor Technology GmbH including the creation of buffer stores), integration and restructuring measures in organization and management and investments in the new brand image for First Sensor AG which changed its name on June 25, 2011.
- The acquisition of the Sensortechnics Group resulted in additional write-downs on the purchase price allocation of €0.8 million in the fourth quarter of 2011.

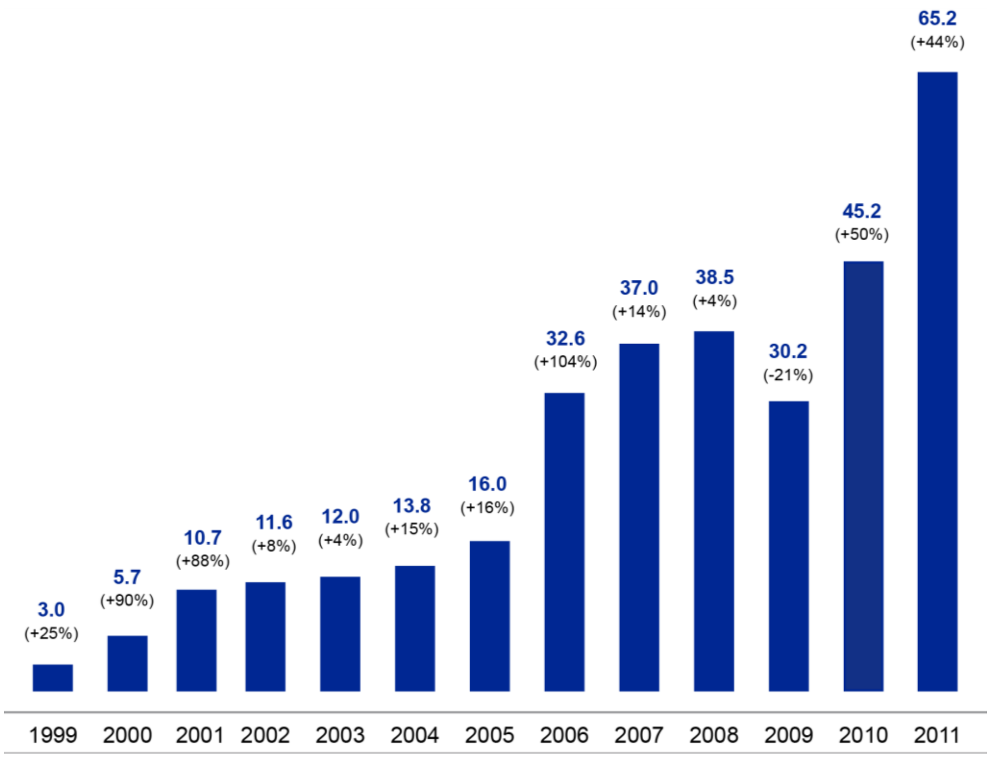
The EBIT before extraordinary expenses, transaction costs and amortization due to purchase-price allocation amounts to €5.7 million, a 47% increase on the previous year (€3.8 million). The Sensortechnics Group contributed €1.4 million to these results. Earnings after extraordinary expenses, transaction costs and PPA amortization amounted to €1.6 million (previous year: €3.6 million).

The following two tables show the breakdown of the earnings situation and the sales trend over recent years:

Structure of the consolidated income statement

in € thousand	2011	% of total performance	2010	% of total performance
Sales	**65,182**	**92**	**45,232**	**93**
Total performance	**70,817**	**100**	**48,484**	**100**
Consumption of materials	-29,950	42	-19,001	39
Gross income	**40,867**	**58**	**29,483**	**61**
Personnel expenses	-23,290	33	-15,321	32
Depreciation	-5,085	7	-3,415	7
Other expenses	-11,035	16	-7,140	15
Share in profit of affiliated companies	133	0	10	0
Operating result (EBIT)	**1,590**	**2**	**3,617**	**7**
Financial result	-778	1	-636	1
Net profit before tax	**812**	**1**	**2,981**	**6**
Income tax	-355	0	-671	1
Consolidated net profit	**457**	**1**	**2,310**	**5**
Result attributable to other shareholders	**-12**	**0**	**84**	**0**

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



Total sales for the First Sensor Group amounted to €65.2 million which equates to a growth rate of 44%. The contribution to sales by the Sensortechnics Group in the fourth quarter amounted to €12.6 million. This results in organic sales growth for the First Sensor Group, before the acquisition, of €7.4 million equating to an increase of 16% which is just above the market average. Growth in sales was primarily attributable to increased orders from existing customers. For example, substantial volume expansion was achieved in the automotive sector with some major orders extending over several years. In the fourth quarter, First Sensor saw a weakening in the sales trend before acquisition. While cumulative sales as at September 30, 2011 had increased 26% compared with the previous year, sales for the fourth quarter at €11.9 million were slightly below the level seen in the same period of the previous year (€12.9 million). The principal reason lay in the transfer of call-ups to the following year.

Increases in inventory of €1.8 million (previous year: €0.8 million) related predominantly to the creation of buffer stores requested by our customers as a contingency measure in connection with the relocation of a subsidiary as part of merging the optoelectronic area with the MEMS area at the Berlin-Oberschöneweide location. Capitalized own work amounting to €1.6 million (previous year: €0.8 million) relates predominantly to developments for future sensor products in connection with specific customer projects. Other operating income amounting to €2.3 million (previous year: €1.7 million) arose predominantly from investment grants paid in relation to investment in plant and buildings and expense subsidies for research and development.

This resulted in total performance of €70.8 million (previous year: €48.5 million).

The materials expense ratio was 42% which is higher than the previous year (39%). This is due mainly to the altered product mix on the projects involving the whole Group, the changed way in which revenues are distributed between the locations and the resulting altered value chain. Moreover, with the addition of the Sensortechnics Group, the share of merchandise has increased.

Personnel expenses for the Group increased by 52% to €23.3 million. The increase is attributable to the first-time consolidation together with the investments initiated in mid-2009 in a competent, technological sales structure and in research and development as well as the production-related increase in head count.

Other operating expenses amounted to €11.0 million (previous year: €7.1 million). This increase is due to non-recurring expenses as well as to the first-time consolidation of the Sensortechnics Group. These include the transaction costs in connection with the acquisition of the Sensortechnics Group and consist of legal fees and consultancy costs relating to due diligence, valuations, support during negotiations and preparation of purchase and loan agreements etc. The results were also influenced by expenses for the integration of the MEMS activities into the optoelectronic area and expenses related to the new strategic First Sensor AG brand image.

The adjusted EBITDA amounts to €9.7 million before non-recurring effects (previous year: €7.0 million) and €6.6 million after non-recurring effects.

Depreciation of property, plant and equipment and amortization of intangible assets amounted to €5.1 million (previous year: €3.4 million). The increase in deprecation, amortization and impairment is due predominantly to the purchase price allocation relating to the first-time consolidation of the Sensortechnics Group (€0.8 million in the fourth quarter) and from the new investments in measures to increase efficiency, in particular at the Berlin-Oberschöneweide location.

The adjusted EBITDA amounts to €5.7 million before non-recurring effects (previous year: €3.9 million) and €2.7 million after non-recurring effects.

The financial result amounted to €-0.8 million (previous year: €-0.6 million). Interest expense amounted to €1.2 million (previous year: €0.8 million) were largely offset against interest income, earnings from holdings and currency gains.

Earnings before tax amounted to €0.8 million (previous year: €3.0 million). Net profit after tax and minority interests amounted to €0.4 million (previous year: €2.4 million).

Assets situation

The balance sheet total increased 135% year-on-year to €160 million. The main reason for this was the first-time consolidation of the assets of the Sensortechnics Group as at October 1, 2011. This resulted in substantial increases for the following items:

- Intangible assets increased by €27.9 million to €30.2 million. The increase was predominantly attributable to the purchase price allocation following the acquisition of the Sensortechnics Group. This involved allocation of €2.0 million to trademarks, €22.0 million to customer bases and €1.2 million to orders on hand.

- Goodwill increased by €27.3 million to €30.3 million. Additional goodwill amounting to €26.9 million was identified in the course of the acquisition of the Sensortechnics Group.

- Inventories increased by €19.7 million to €31.4 million. The increase is predominantly attributable to the purchase price allocation following the first time consolidation of the Sensortechnics Group which has a high inventory volume, notably in the area of systems and owing to the high portion of merchandise.

- The value of property, plant and equipment increased by €12.2 million to €39.1 million. In addition to the effect of the first-time consolidation of the fixed assets of the Sensortechnics Group, a total of €8.4 million was invested in machinery and facilities, in particular in the integration of the MEMS area into the optoelectronic area at the Berlin-Oberschöneweide location, in measures to increase efficiency of production facilities and in expanding the production lines at all the locations.

Cash and cash equivalents amounted to €12.8 million as at December 31, 2011. The €1.8 million decline compared with the same date the previous year is attributable notably to the high level of non-recurring expenses generated as a result of the acquisition of the Sensortechnics Group, the high level of investment and the weak fourth-quarter earnings trend.

Group equity is up €31.0 million on the figure for December 31, 2010 to €69.9 million. This equates to an equity ratio of 43% (56% as at December 31, 2010).

The increase is attributable to the capital increase in conjunction with the acquisition of the Sensortechnics Group 3.2 million shares were placed from authorized capital with a notional share of the share capital of €5 per share at a price of €10 per share. The decline in the equity ratio is attributable to the increase in the balance sheet total due to the acquisition of the Sensortechnics Group with approximately half of the acquisition being financed with loans.

Total current and non-current loans increased by €32.9 million to €46.1 million compared with December 31, 2010. The increase is attributable to the first drawings on the syndicated loan in conjunction with the acquisition of the Sensortechnics Group (€21.1 million as at December 31, 2011). Investment loans were also taken up.

The €6.6 million increase in the deferred taxes liabilities to €7.8 million is attributable to the purchase price allocation and relates to the difference between the revalued intangible assets and the value for tax purposes.

Financial situation

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

The following table shows the consolidated statement of cash flows:

in € thousand	2011	2010
Cash flow from operating activities	-2,608	6,177
Cash flow from investment activities	-55,522	-8,384
Cash flow from financing activities	54,373	-401
Exchange differences	3	14
Change in cash and cash equivalents	-3,745	-2,594
Cash and cash equivalents at the start of the financial year*	**14,058**	**16,652**
Cash and cash equivalents at the end of the financial year*	**10,304**	**14,058**

*less overdrafts

Cash flow from operating activities at €-2.6 million was well below the level of the previous year (€6.2 million) due primarily to the non-recurring expenses related to integration measures and the transaction costs in conjunction with the acquisition of the Sensortechnics Group (€2.6 million). Cash flow from investment activities of €-55.5 million relates predominantly to the acquisition of the Sensortechnics Group. A further, important element was investments in machinery and equipment, among other things for further measures to improve efficiency of production processes at the Berlin location and the integration of the MEMS area into the optoelectronic area at the head office. Cash flow from financial activities amounting to €54.4 million is characterized by the capital increase and raising loans for the acquisition of the Sensortechnics Group and other drawings on facilities to finance investments. Cash and cash equivalents were down by €3.8 million on the figure for December 31, 2010 to €10.3 million.

Overall view

With the acquisition of the Sensortechnics Group, First Sensor became one of the top ten global manufacturers of special sensors. Business volume will approximately double in 2012. The acquisition gives rise to a whole range of strategic options and opportunities for synergies which need to be leveraged through appropriate integration measures. These integration measures and the optimization of the Group management and controlling structures will constitute a focal point for management in 2012. By reaching a critical mass and increasing the depth of value added in the development and production of sensor solutions, First Sensor will come to the attention of new customers, in particular with respect to major projects extending over several years.

The operating result in 2011 was impacted by non-recurring expenses which will not arise in subsequent years. Financial liabilities taken on predominantly to finance the acquisition of the Sensortechnics Group amounted to €46.9 million as at December 31, 2011. In accordance with the planning for the coming financial years the company currently anticipates that all financial liabilities will be serviced on schedule. Plans are based on an unchanged general economic situation with no turbulence on the capital markets.

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

In the financial year 2011, First Sensor AG achieved sales of €12.6 million which was the level for the previous year. Finished goods and work in progress increased by €0.7 million (previous year: €0.5 million). Other operating income arising predominantly from investment grants, intragroup allocations to affiliated companies and exchange differences amounted to €1.1 million (previous year: €0.8 million).

Costs of materials amounted to €3.9 million (previous year: €3.5 million). This resulted in a gross profit margin of €10.8 million (previous year: €10.7 million). Personnel expenses amounted to €7.2 million (previous year: €5.5 million). To the end of the year, First Sensor AG employed a staff of 102 in Production, Research and Development and Administration which was an increase of 16 employees against the previous year. Depreciation amortization and write-downs amounting to €1.3 million (previous year: €1.2 million) related to machinery and also to office equipment and the new factory and office buildings.

Other operating expenses amounted to €5.0 million and consisted of legal fees and consultancy costs, advertising and selling expenses, maintenance costs as well as rent and incidental premises expenses (previous year: €3.6 million). In the course of the acquisition of the Sensortechnics Group, transaction costs and costs of raising capital amounting to a total of €2.6 million were incurred, of which €1.8 million were expensed in financial year 2011 and €0.8 million were recognized directly in equity or offset against equity.

Net interest income amounted to €-0.6 million (previous year: €-0.5 million) and relates in particular to loans taken out to finance new construction and the first drawings on the syndicated loan for the financing of the Sensortechnics Group takeover. The result from ordinary activities amounted to €-1.3 million (previous year: €1.9 million) and is characterized by high transaction costs for the acquisition of the Sensortechnics Group and one-off expenses for the integration of First Sensor Technology GmbH.

The equity of First Sensor AG amounted to €69.4 million at the balance sheet date (previous year: €38.4 million). This equates to an equity ratio of 57% (previous year: 67%). The increase in equity is attributable to a capital increase from authorized capital for the purposes of financing the Sensortechnics Group takeover. In total, 3.2 million shares were successfully placed with a notional share of the share capital of €5 per share at a price of €10 per share.

Cash and cash equivalents of First Sensor AG amounted to €5.5 million at the balance sheet date (previous year: €9.9 million).

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

ORDERS ON HAND

Orders on hand within the Group increased by €41.8 million as at December 31, 2011 compared with the same date the previous year. This is a good basis for the achievement of our growth targets for 2012. Our customers are tending to place their orders within increasingly short time frames.

CHANGES IN HUMAN RESOURCES

As at December 31, 2011, a total of 725 employees were working for the First Sensor Group worldwide compared with 341 employees as at December 31, 2010. This included 639 in Germany and 86 abroad.

The main reason for the increase in the head count is the inclusion of the Sensortechnics Group in the consolidated financial statements for the first time. Moreover, as a result of the increase in production and the expansion of sales and development activity, there was fresh recruitment at almost all locations.

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

The subscribed capital amounting to €49.2 million is divided into 9.9 million shares. Of this 27.33% are held by Alegria Beteiligungsgesellschaft mbH, part of the ING Group, Netherlands and 18.89% by Mr. Daniel Hopp, Germany and by companies under his control, DAH Beteiligungs GmbH, Hopp Beteiligungsgesellschaft mbH & Co. KG und Hopp Verwaltungs GmbH, with the stakes attributable to them.

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

In addition to contingent capital for issuing share options to Management Board members and employees, there is contingent capital for up to 600,000 shares if holders of convertible bonds exercise conversion rights. The Management Board is authorized to acquire treasury shares up to a limit of 10% of the share capital.

In the event of a change of control at First Sensor AG, payment of the cash value of the future remuneration due under Dr. Hans-Georg Giering's employment contract has been provided for. This payment is limited to three annual salaries. This payment is only made if the Supervisory Board revokes the appointment of Dr. Hans-Georg Giering within six months of the change of control or if Dr. Hans-Georg Giering wishes the same.

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

A. The Management Board

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

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

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

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

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

As a long-term incentive, the members of the Management Board participate in the Company's share option plan. The exercise period for the share option plan resolved at the Annual General Meeting on June 9, 2011 is five years after a vesting period of four years.

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

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

The fixed salary for Management Board members totaled €670 thousand in 2011 (previous year: €687 thousand. The variable compensation (performance-related bonus) totaled €224 thousand (previous year: €256 thousand). In addition, a payment of €650 thousand was agreed for the retirement of Dr. Ingo Stein. The non-performance-related payments include cash benefits for the private use of company cars by members of the Management Board and the employer contribution to health and long-term care insurance. Furthermore, payments amounting to €108 thousand (previous year: €108 thousand) were made into defined contribution pension plans for members of the Management Board. (previous year: €108 thousand). Please refer to Section 30 in the Notes to the Financial Statements for a summary of Management Board compensation.

B. The Supervisory Board

Remuneration of the Supervisory Board is determined by Article 13 of the articles of incorporation and by the Annual General Meeting. In accordance with the resolution of the Annual General Meeting held on June 17, 2010, remuneration for the Supervisory Board comprises a fixed fee of €5 thousand (whereby the chairman receives double and the deputy one and a half times this sum) plus attendance fees of €500 per meeting. Remuneration for members of the Supervisory Board including attendance fees amounted to €32 thousand in financial year 2011. Members of the Supervisory Board do not receive any performance-related remuneration and do not participate in the Company's share option plan.

REPORT ON POST-BALANCE SHEET EVENTS

On February 14, 2012, the Company announced that, on this day, the Supervisory Board had appointed Joachim Wimmers Chief Financial Officer with effect from March 1, 2012. Dr. Ingo Stein is leaving the Company on March 31, 2012 voluntarily for personal reasons.

The subsidiary, Microelectronic Packaging Dresden GmbH, sold its minority holding (24.9%) in Heimann Sensor GmbH (Dresden) with effect from January 1, 2012 in economic and legal terms.

RISK REPORT

Description of the internal monitoring system

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

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

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

First Sensor has a uniform Company strategy, planning and budget procedure for recording, evaluating, monitoring and controlling business processes and this was also applied in 2011. This procedure is backed up by ongoing analyses of the market and the competition as well as monthly reporting. Data on the orders, employment, earnings and assets situation are reported.

Planning for the subsidiaries is rolled on a monthly basis. The EBIT is a key benchmark. Major investments and other expenditure are agreed with the Management Board.

To assess and cumulative risk and individual risks on cross-process and cross-company basis, discussions on opportunities and risk between the Management Board and managers of the subsidiaries were conducted at regular meetings in 2011. Risk assessments comprise a further integral part of the monthly reports.

The Group-wide reporting and monitoring system ensures all decision-makers are consistently supplied with up-to-date, accurate information. Company performance can be read off at any time and changes in the operational environment detected promptly enabling any necessary countermeasures to be initiated. Against the background of the sales growth achieved in the previous years and the significantly enlarged and expanded corporate structure in 2011, the extension of the reporting and monitoring system will continue to be a key area in management activities through 2012.

Risks to the future development of the Group

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

- Within the context of international competition, a risk exists for the First Sensor Group that it proves impossible to provide the required human resources capacities for the planned levels of growth or that these can only be provided at higher costs than scheduled. This risk relates in particular to highly-qualified employees. First Sensor counters this risk with internal professional development programs and long-term demand planning.
- On the sales market, there is a risk that, in the light of global economic and political developments, and in particular due to growing uncertainty on the financial markets, the economic upturn that we are seeing at the moment may come to an end and this will cause our customers to restrain from calling up orders and from placing new ones.
- In the area of procurement, the First Sensor Group companies are dependent on timely delivery of essential materials for the manufacture of their products. This also affects merchandise. Severe delays, quantity discrepancies, lack of availability or shortcomings in quality on deliveries can have a significant, negative impact on the earnings situation.
- In R&D, there is the risk that First Sensor development projects do not lead to the desired results or that innovation trends are not recognized in time. Production processes that are more cost-effective or innovations on the part of our competitors may impact the market position of the established First Sensor products. The First Sensor Group is in a strong competitive position due to its niche position achieved by the development of customer-specific special sensors.
- The acquisition of the Sensortechnics group was partly financed by a syndicated loan of €39 million. In total, financial liabilities amounted to €46.1 million as of December 31, 2011. A stable earnings situation in the coming years is the prerequisite for timely servicing of our financial liabilities. One condition for achieving the planned level of earnings is the successful integration of the Sensortechnics Group into the consolidated Group.
- Under the terms of the syndicated loan agreement, First Sensor undertakes to comply with key financial ratios or covenants. Breach of the covenants provides an extraordinary reason for termination.
- Developments on the global stock markets and in particular the small cap sector, may result in a lower value for the First Sensor share, restricting the First Sensor Group's future financial scope with respect to equity measures on a sustained basis or making the First Sensor group a target for takeover.

Opportunities

- Aside from the risks described above, there are also a range of opportunities as the business develops which could lead to better than expected improvements in the The strongest opportunity for increases in earnings is provided by the acquisition of the Sensortechnics group with the associated synergy potential in the following areas:
    - In sales due to the marketing strength of the Sensortechnics distribution network and the possibility of cross-selling along the whole value chain. The additions to the value chain brought about by the new companies enhance the Group's capability to act as a "one-stop shop" for customers.
    - In Production, owing to the increased flexibility in the allocation of orders to different locations.
    - In products, owing to the possibility to offer sensor solutions developed elsewhere in the Group to other sectors or customers.

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

Accounting-related internal monitoring system

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

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

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

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

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

Against the background of the sales growth achieved in the previous years and the significantly enlarged and expanded corporate structure in 2011, expansion of the financial reporting and monitoring system will be a key area for management activity in 2012.

REPORTING ACCORDING TO ARTICLE 289A HGB

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

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

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

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

OUTLOOK

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

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

- We are assuming that there will be no economic downturn in the markets served by us that would result in significant inventory reduction by our customers. This depends primarily on how long the uncertain situation on the financial markets persists and how the economic situation in Asia evolves.
- The costs of integration following the acquisition of the Sensortechnics Group exceed the synergy effects in the initial phase only by a negligible amount. In the subsequent periods, 2014 at the latest, significant synergies can be achieved from the integration.
- The orientation of First Sensor as an industrial company covering the entire value chain with experience in a variety of different sectors combined with the increasing importance of sensor solutions for innovative product development results in our winning new customers.
- The investments made between 2008 and 2011 in further raising the efficiency of our production processes, in particular at the Berlin location together with establishing the optoelectronic and MEMS areas under one roof generate the planned synergy effects and economies of scale in the medium-term.
- Important customer projects, currently in the preparatory phase, go ahead without any delays.
- The recruitment of highly-qualified employees necessary to ensure growth can go ahead as planned.
- There are no shortages in the supply of materials, raw materials and components.
- In the light of its quality leadership, First Sensor is only exposed to pricing competition at the usual level.

The Management Board is forecasting total sales for financial year 2012 of between €118 and €122 million. The resulting EBITA before integration costs is forecast to be between €13 and 15 million. Investments will remain around the level of depreciation amortization in the long term.

In the following years, the Company will aim for a double-digit growth in sales which are expected to reach the €150 million level by 2015 at the latest. We are maintaining our target of an EBITA margin of 15% in the medium term. The successful integration of the Sensortechnics Group and generation of the economies of scale from the investments made in the financial years 2008 to 2011 will be decisive for improvements in margins.

STATEMENTS REGARDING THE FUTURE

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

Berlin, March 29, 2012

First Sensor AG

Dr. Hans-Georg Giering	Joachim Wimmers	Dr. Ingo Stein
Chief Executive Officer	Chief Financial Officer	Member of the Management Board

FIRST SENSOR SHARE

The share performed comparatively well over the course of the year in a turbulent capital market environment. While most share indexes fell, the First Sensor share increased by 4%. Following the year's high of €11.00 in February 2011, it was priced at €9.10 at the end of December.

Capital market environment

The steady growth seen on the capital markets at the start of the 2011 financial year was reined in by ongoing political instability in North Africa and the Middle East, the impact of the natural disaster in Japan and doubts surrounding the management of the debt crisis in Europe and the USA.

In March 2011, global share prices took a dramatic tumble due to uncertainty regarding the effects of the flood disaster caused by an earthquake off the east coast of Japan and the incident triggered as a result at the Fukushima nuclear power plant. Following a short-term recovery of the capital markets, the intensification of the European debt crisis and the threat of a US default including the downgrading of its credit rating led to a rapid decline on the equity markets in August 2011. As such, the DAX slipped temporarily below the psychologically important 5,000-point mark on September 12, 2011, but was able to regain some ground in the last quarter of 2011.

Overall, most share price indexes saw double-digit percentage losses in the 2011 reporting year, including the DAX leading index with -14.69% and the TecDAX 50 with -19.47%.

Market comparison of the performance of the First Sensor share

Although the markets were characterized by high price momentum in 2011 and the international equity markets in particular suffered sharp falls in prices in August 2011, the First Sensor share defended its position comparatively well in this market environment.

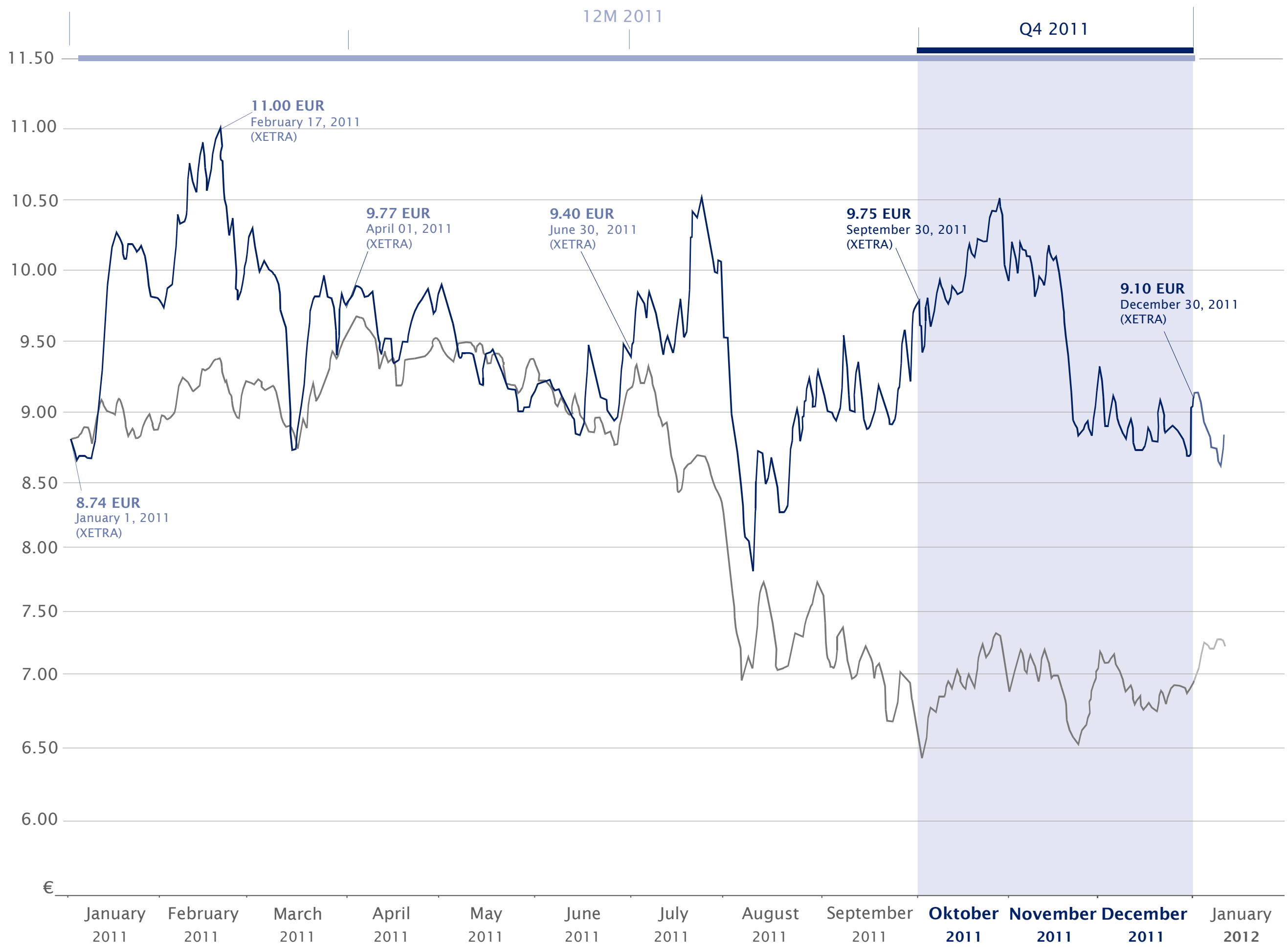
Over the course of the 2011 financial year, the price of the First Sensor share tended to perform more strongly than the TecDAX benchmark index.

Following price increases in the first two months of the year and the annual high of €11.00 in February 2011, the performance of the First Sensor share turned out to be a mirror image of the performance of the TecDAX in the months that followed. However, from August, the First Sensor share increasingly broke away from TecDAX performance and achieved its highest price of the fourth quarter with €10.54 (October 2011), significantly up on the benchmark index value. Despite price declines in November, the First Sensor share continued to perform considerably above the level of the TecDAX and was priced at €9.10 at the end of the financial year.

Annual review

Over the course of the 2011 financial year, the First Sensor share price rose from €8.75 to €9.10, which is equivalent to an increase in value of 4%. The average daily trading volume was 29,588 (2010: 16,725), representing a 77% year-on-year increase, with most shares being traded in August with an average volume of 60,273 shares. The market capitalization of €100 million, which signaled the strengthened perception of the security on the capital market, was exceeded in October and to some extent in November and stood at €90 million as at December 31 2011.

Performance of the First Sensor share I January 1 to December 31, 2011



First Sensor share key data

Security ID number		720190
ISIN		DE0007201907
Share capital	€	49,214,965
divided into	Shares	9,842,973
Class of security		No-par value ordinary bearer shares
Transparency level		Prime Standard
Market segment		Regulated market
Trading centers		(Xetra), all German stock exchanges
Segment/industry		Technology
IPO		1999

Annual General Meeting

38.83% of the share capital was represented at this year's Annual General Meeting which took place on June 6, 2011 in Berlin. Resolutions on the individual agenda items were adopted with a large majority.

Cash capital increase in the fourth quarter (entered into the commercial register on October 25, 2011)

In October 2011, First Sensor AG carried out a cash capital increase from authorized capital (2010/I). This capital measure carried out in order to part-finance the major acquisition was entered into the commercial register on October 25, 2011. A total of 3.2 million new shares were placed at an issue price of €10. In the light of the turbulence on the capital markets, this was a huge demonstration of the confidence of our shareholders and something for which we would once again like to express our gratitude.

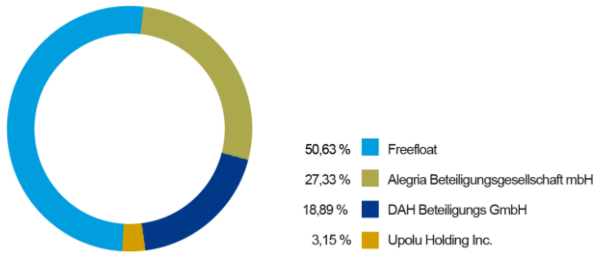
Number of shares	Date
6,625,899	Prior to capital increase
3,217,074	From the capital increase
9,842,973	After capital increase

Following the capital increase, market capitalization totaled €104,827,662 (October 27, 2011).

Shareholder structure

First Sensor AG continued to succeed in widening its shareholder base to include long-term investors in the 2011 financial year. In the wake of the cash capital increase in order to part-finance the major acquisition in the fourth quarter of 2011, First Sensor AG obtained another major shareholder in the form of Alegria Beteiligungsgesellschaft mbH in addition to DAH Beteiligungs GmbH.

First Sensor AG shareholder structure as at December 31, 2011



According to the voting rights notifications issued to us, the following individuals/institutions held more than 3% of shares in First Sensor AG on December 31, 2011:

Individual/company	Share (%)	Share (voting rights)	Allocation (direct/indirect)	Date of notification
Alegria Beteiligungs Gesellschaft mbH	27.33	2,690,000		November 1, 2011
ING Groep N.V., Amsterdam, Netherlands	27.33	2,690,000	indirect	November 1, 2011
ING Groep N.V., Amsterdam, Netherlands	27.33	2,690,000	indirect	November 1, 2011
ING Groep N.V., Amsterdam, Netherlands	27.33	2,690,000	indirect	November 1, 2011
Nationale-Nederlanden Nederland B.V., Amsterdam, Netherlands	27.33	2,690,000	indirect	November 1, 2011
Nationale-Nederlanden Nederland B.V., Rotterdam, Netherlands	27.33	2,690,000	indirect	November 1, 2011
Parcom Capital B.V., Schiphol Airport, Netherlands	27.33	2,690,000	indirect	November 1, 2011
DPE Deutsche Private Equity B.V., Schiphol Airport, Netherlands	27.33	2,690,000	indirect	November 3, 2011
Parcom Deutschland I GmbH & Co. KG, Munich, Germany	27.33	2,690,000	indirect	November 1, 2011
Alegria Beteiligungsgesellschaft mbH, Munich, Germany	27.33	2,690,000	(direct)	November 1, 2011
DAH Beteiligungs GmbH	18.89	1,859,605		October 28, 2011
Daniel Hopp, Germany	18.89	1,859,605	indirect	October 28, 2011
Hopp Verwaltungs GmbH, Mannheim, Germany	18.89	1,859,605	indirect	October 28, 2011
Parcom Deutschland I GmbH & Co. KG, Mannheim, Germany	18.89	1,859,605	indirect	October 28, 2011
DAH Beteiligungs GmbH Mannheim, Germany	18.89	1,859,605	(direct)	October 28, 2011
Upolu Holding Inc.	3.15	208,710		September 26, 2010
Upolu Holding Inc.	3.15	208,710	(direct)	September 26, 2010

FIRST SENSOR AG

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CONSOLIDATED BALANCE SHEET (IFRS)

ASSETS

in € thousand	Note	31.12.2011	31.12.2010
Cash and cash equivalents	(3)	12,800	14,604
Accounts receivable	(4)	11,101	6,145
Due from affiliated companies		29	24
Inventories	(5)	31,368	11,704
Tax refund claims		438	115
Other current assets	(6)	2,747	1,456
Total current assets		**58,483**	**34,048**
Property, plant and equipment	(7)	39,141	26,989
Intangible assets	(8)	30,166	2,227
Shares in affiliated companies	(9)	980	906
Securities in fixed assets		141	0
Goodwill	(8)	30,306	2,971
Deferred tax assets	(24)	982	946
Other non-current assets		35	22
Total non-current assets		**101,751**	**34,061**
TOTAL ASSETS		**160,234**	**68,109**

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CONSOLIDATED BALANCE SHEET (IFRS)

LIABILITIES

in € thousand	Note	31.12.2011	31.12.2010
Current loans	(12)	10,470	4,659
Accounts payable		8,130	3,778
Due to affiliated companies		55	0
Advances from customers		2,174	1,914
Provisions	(10)	846	515
Liabilities from income tax		2,273	771
Other current liabilities	(11)	12,331	2,983
Total current liabilities		36,279	14,620
Non-current interest-bearing loans	(12)	35,652	8,533
Provisions	(10)	467	165
Deferred taxes	(23)	7,812	1,174
Deferred investment grants / allowances		6,142	5,531
Other non-current liabilities		4,750	0
Total non-current liabilities		54,823	15,403
Subscribed capital	(15)	49,215	33,130
Reserves	(16)	15,032	1,642
Exchange equalization items		-289	-241
Net profit		5,083	3,477
Equity attributable to First Sensor AG shareholders		69,041	38,008
Minority interests		91	78
Total equity		69,132	38,086
TOTAL EQUITY AND LIABILITIES		160,234	68,109

FIRST SENSOR AG

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

in € thousand	01.01.2011 – 31.12.2011	01.01.2010 – 31.12.2010	Note	01.10.2011 – 31.12.2011	01.10.2010 – 31.12.2010
Sales	65,182	45.232	(17)	24.471	12.949
Other operating income	2,286	1.735	(18)	1.133	651
Change in inventories of finished goods and work in progress	1,768	763	(19)	735	-99
Other own work capitalized	1,581	754	(20)	225	219
Cost of materials/purchased services	-29,950	-19.001	(21)	-10.514	-5.214
Personnel expenses	-23,290	-15.321	(22)	-10.358	-4.047
Depreciation of property, plant and equipment and amortization of intangible assets	-5,085	-3.415	(7; 8)	-2.353	-976
Other operating expenses	-11,035	-7.140	(23)	-4.893	-2.393
Share in profit of affiliated companies	133	10		133	10
OPERATING RESULT	**1,590**	**3.617**		**-1.554**	**1.100**
Interest income	199	118		125	55
Interest expense	-1,191	-836		-567	-223
Currency gains	414	273		297	78
Currency losses	-200	-191		-95	-55
PRE-TAX INCOME	**812**	**2.981**		**-1.794**	**955**
Taxes on income	-355	-671	(24)	51	-527
NET PROFIT/LOSS FOR THE PERIOD	**457**	**2.310**		**-1.743**	**428**
Net profit/loss for the period attributable to First Sensor AG shareholders	445	2.226		-1.779	442
Net profit /loss for the period attributable to minority interests	12	84		36	-14

Expenses and income recognized directly in equity					
Differences from currency conversion	-48	98	*(3)*	-44	43
Net gain/loss from cash flow hedges (after taxes)	-346	119	*(4)*	-304	37
Net gain/loss from transaction costs	-543	0		-283	0
Total expenses and income recognized directly in equity	**-937**	**217**	*(5)*	**-631**	**80**
TOTAL NET PROFIT FOR THE PERIOD	**-480**	**2,527**		**-2,374**	**508**
Net profit for the period attributable to Silicon Sensor AG shareholders	-492	2,443	*(6)*	-2,277	522
Net profit for the period attributable to minority interests	12	84		36	-14

Earnings per share (EUR)	**0.06**	**0.34**	(25)	**-0.20**	**0.07**
Number of shares applied in the calculation of basic earnings per share (thousand)	7,162	6,626		8,770	6,626
Diluted earnings per share (EUR)	**0.06**	**0.34**	(25)	**-0.20**	**0.07**
Number of shares applied in the calculation of diluted earnings per share (thousand)	7,224	6,641		8,834	6,662

FIRST SENSOR AG

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CONSOLIDATED STATEMENT OF CASH FLOW (IFRS)

in € thousand	01.01. 2011–31.12.2011	01.10.2010 – 31.12.2010
PRE-TAX INCOME	812	2,981
Adjustments to reconcile operating result with cash flow from operating activities		
Depreciation of property, plant and equipment and amortization of intangible assets	5,085	3,415
Other non-cash expenses/income	155	182
Income from investment grants	-572	-602
Loss on asset disposal	34	110
Interest income	-199	-118
Interest expense	1.191	836
Income from asset disposal	-1	0
Increase/decrease in provisions	-1,965	-247
Increase/decrease in inventories, accounts receivable and other assets not assigned to investment/financing activities	-1,345	-2,225
Increase/decrease in accounts payable and other liabilities not assigned to investment/financing activities	-4,524	2,391
Interest paid	-1,152	-840
Income tax paid	-496	294
Other profits/losses	369	0
CASH FLOW FROM OPERATING ACTIVITIES	**-2,608**	**6,177**
Payments for investments in property, plant and equipment and intangible assets	-10,789	-4,198
Payments for investments in affiliated companies	-323	-482
Receipts from disposal of property, plant and equipment and intangible assets	83	0
Payments for acquisition of subsidiaries less cash acquired	-45,023	-4,195
Payments for acquisition of other financial assets	-3	0
Receipts from investment grants	334	373
Interest received	199	118
CASHFLOW AUS INVESTITIONSTÄTIGKEIT	**-55,522**	**-8,384**
Receipts from appropriations to equity	31,383	0
Repayments of financial liabilities	-7,505	-2,469
Transaction costs for issuing shares	-543	0
Proceeds from borrowings	31,038	2,068
CASHFLOW AUS FINANZIERUNGSTÄTIGKEIT	**54,373**	**-401**
CURRENCY DIFFERENCES FROM CONVERTING FUNDS	3	14
NET CHANGE IN CASH AND CASH EQUIVALENTS	-3,754	-2,594
Cash and cash equivalents at the start of the financial year	14,058	16,652
CASH AND CASH EQUIVALENTS AT THE REPORTING DATE (December 31, 2011)	**10,304**	**14,058**

FIRST SENSOR AG

GROUP ANNUAL FINANCIAL REPORT 2011

STATEMENT OF CHANGES IN EQUITY (IFRS)

in € thousand	Number of shares in thousand	Subscribed capital	Share premium	Revenue reserves	Unrealized profit/loss	Consolidated balance sheet Loss/profit	Exchange equalization items	Equity attributable to First Sensor AG shareholders	Minority interests	Total equity
As at January 1, 2010	**6,626**	**33,130**	**4,618**	**-586**	**-209**	**-1,231**	**-339**	**35,383**	**-6**	**35,377**
Net profit/loss for the period						2,226		2,226	84	2,310
Expenses and income recognized directly in equity					119		98	217		217
Total net profit for the period					**119**	**2,226**	**98**	**2,443**	**84**	**2,527**
Share-based remuneration				182				182		182
Appropriation of balance sheet loss			-2,482			2,482		0		0
As at December 31, 2010	**6,626**	**33,130**	**2,136**	**-404**	**-90**	**3,477**	**-241**	**38,008**	**78**	**38,086**
As at January 1, 2011	**6,626**	**33,130**	**2,136**	**-404**	**-90**	**3,477**	**-241**	**38,008**	**78**	**38,086**
Net profit/loss for the period						445		445	13	458
Result shown directly as equity, total			-543		-346		-48	-937		-937
Total net profit for the period			**-543**		**-346**	**445**	**-48**	**-492**	**13**	**-479**
Share-based remuneration				155				155		155
Capital increase	3,217	16,085	16,085					32,170		32,170
Acquisition of minority interests			-800					-800		-800
Appropriation of balance sheet loss			-1,161			1,161		0		0
As at December 31, 2010	**9,843**	**49,215**	**15,717**	**-249**	**-436**	**5,083**	**-289**	**69,041**	**91**	**69,132**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(all figures in € thousand unless otherwise indicated)

1. GENERAL

First Sensor AG, Berlin is a listed corporation domiciled in Berlin. The company is listed in the regulated market on the Frankfurt Stock Exchange in the Prime Standard segment under ISIN DE0007201907. At the Annual General Meeting on June 9, 2011, the shareholders resolved to rename the Silicon Sensor International AG as First Sensor AG. The new name was entered in the commercial register on June 25, 2011.

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

The Group balance sheet date is December 31, 2011.

In the 2011 business year, the average number of employees increased from 323 to 481. FIS is domiciled at Peter-Behrens-Str. 15 in Berlin (Federal Republic of Germany).

These Consolidated Financial Statements relate to the year beginning January 1, 2011 to December 31, 2011.

2. ACCOUNTING POLICIES

Basis for the preparation of financial statements

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

Declaration of IFRS compliance

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

Changes to accounting policies

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

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

- IFRS 1 – First-time adoption of the International Financial Reporting Standards (revised 2008)
- Amendments to IFRS 1 – Additional Exemptions for First-time Adopters
- Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures
- IFRS 7
- Amendments to IFRS 2 – Group Cash-settled Share-based Payments
- Amendments to IAS 24 – Related Party Disclosures Amendments to IAS 32 – Classification of Subscription Rights
- Improvements to IFRS 2009
- Improvements to IFRS 2010

- IFRIC 15 – Agreements for the Construction of Real estate
- IFRIC 17 – Sales of Non-cash Assets to Owners
- IFRIC 18 – Transfer of Assets from Customers
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

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

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

The following Standards and Interpretations which are relevant for the Group were published as at December 31, 2011 but their application was not mandatory at this date:

- IFRS 7 – Financial instruments: · Disclosures (on/after July 1, 2011) – IFRS 9 – Financial instruments: Classification and valuation (on/after January 1, 2013)
- Further Development of IFRS 9 – Recognition of Financial Liabilities (on/after January 1, 2013)
- IFRS 10 – Consolidated Financial Statements (on/after January 1, 2013)
- IFRS 11 – Joint Arrangements (on/after January 1, 2013)
- IFRS 12 – Disclosure of Interests in Other Entities on/after January 1, 2013)
- IFRS 13 – Fair Value Measurement (on/after January 1, 2013)
- IAS 1 (2011) – Presentation of Items contained in other comprehensive income (on/after January 1, 2012)
- IAS 12 – Deferred Taxes: Realization of underlying assets (on/after January 1, 2012)
- IAS 19 – Employee Benefits (on/after January 1, 2013)
- IAS 27 – Individual financial statements (revised 2011) (on/after January 1, 2013)
- IAS 28 – Investments in Associates and Joint Ventures (revised 2011) (on/after January 1, 2013)

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.

Acquisition of Sensortechnics

In the course of the acquisition of Sensortechnics, estimates relating to the level of an earn out and in, the purchase price allocation, regarding expected future sales, were applied in determining the balance sheet amounts.

Impairment goodwill and non-current assets (Note 7)

The First Sensor Group annually tests goodwill and other non-current assets in accordance with IAS 36. The impairment test is based on the future cash flows generated from the individual assets or groups of assets combined to form cash-generating units. The main non-current assets to be subjected to annual impairment testing are the First Sensor Group's reported goodwill as well as intangible assets resulting from business combinations.

Share-based remuneration (Note 13)

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

Principles of consolidation

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

Business combinations are reported according to the purchase method. The costs of a company acquisition are calculated as the total of the consideration transferred, assessed at its fair value at the acquisition date and the non-controlling shares in the acquired company. In any business combination, the non-controlling shares in the acquired company are measured either at fair value or as the relevant proportion of identifiable net assets. Costs incurred as a result of the business combination are recognized as expenditure. If the Group acquires a company, it assesses the appropriate classification and designation of the financial assets and liabilities assumed in accordance with the contract terms, economic conditions and the prevailing conditions at the time of the acquisition.

The agreed contingent consideration is recognized at fair value at the time of the acquisition. Subsequent changes to the fair value of a contingent consideration representing an asset or a liability are recognized either in the income statement or in other comprehensive income in accordance with IAS 39. A contingent consideration classified as equity is not remeasured and its subsequent payment is accounted for as equity capital.

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

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

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

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

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

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

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

Subsidiaries

The Group's consolidated financial statements comprise FIS and the companies under its control. First Sensor AG is deemed to control those companies where it directly or indirectly holds over 50% of the voting rights of the company's subscribed capital and/or is in a position to control the financial and business policy of a company such that it profits from the company's activities. As at December 31, 2011, the non-controlling interests correspond to the part of the total net profit for the period and the net worth of Silicon Micro Sensors GmbH (SMS), which are attributable to shares the Group does not hold (minority interests). Non-controlling interests are recognized separately in the income statement and under equity capital in the consolidated balance sheet. Recognition under equity is presented in the consolidated balance sheet separately from the parent shareholders' equity. When non-controlling interests are acquired, the carrying amounts for the parent shareholders and the non-controlling interests are adjusted accordingly. Any difference between the adjustment of the non-controlling interest and the received or paid contingent consideration is recognized directly in equity and allocated to the parent company equity holders. Losses incurred by a subsidiary are allocated to non-controlling interests even where this results in a negative balance.

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

Company	Head office	Core business activity	Ownership interest
First Sensor Technology GmbH	Berlin	Development, manufacture and sale of piezoresistive pressure sensors for all industry sectors	100%
Lewicki microelectronic GmbH	Oberdischingen	Manufacture and sale of microelectronic components and assemblies	100%
Microelectronic Packaging Dresden GmbH	Dresden	Manufacture and sale of microelectronic components and assemblies	100%
First Sensor Inc. (formerly Pacific Silicon Sensor Inc.)	Westlake Village, USA	Development, production and sale of Sensor systems and sale of sensor chips	100%
Silicon Micro Sensors GmbH	Dresden	Development, production and sale of microelectronic and micromechanical sensor systems, components, modules and microsystems	85%
Silicon Projects GmbH	Berlin	Development, production and sale of software and hardware and internet services	100%
memsfab GmbH	Chemnitz	Development and production of microelectronic sensor systems	100%
Sensortechnics GmbH	Puchheim	Development and sale of high-quality sensor solutions in areas such as medical technology	100%
Elbau Elektronik Bauelemente GmbH Berlin	Berlin	Developer and manufacturer of sensor modules	100%

Elbau Singapore Pte. Ltd.	Singapur	Developer and manufacturer of sensor modules	100%
Klay-Instruments BV	Dwingeloo, Netherlands	Industrial solutions	100%
Pressure & Flow Ltd.	Rugby, England	Sale of sensor modules	100%
Sensortechnics Inc.	Walpole, USA	Sale of sensor modules	100%
Sensortechnics Corp.	Montreal, Canada	Development of sensor modules	100%
Sensortechnics Scandinavia AB	Kungens Kurva, Sweden	Sale of sensor modules	100%

Company acquisitions

Acquisition of First Sensor Technology GmbH

In financial year 2010, with the approval of the Supervisory Board on February 11, 2010, FIS acquired all the shares in First Sensor Technology GmbH, Berlin, (hereinafter, FST). The share purchase agreement was signed on March 24, 2010. On payment of the purchase price, FIS took control of FST on April 1, 2010 in accordance with the terms in the agreement. There were no subsequent purchase price adjustments in financial year 2011.

Acquisition of the Sensortechnics Group

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

The Sensortechnics Group comprises Sensortechnics GmbH (development and sale of high-quality sensor solutions in areas such as medical technology), Puchheim near Munich; Elbau GmbH (developer and manufacturer of sensor modules), Berlin; Elbau Singapore Pte. Ltd. (development and manufacture of sensor modules), Singapore; Klay Instruments BV (Industrial solutions), Dwingeloo (Netherlands); Pressure & Flow Ltd. (sale of sensor modules), Warwickshire (England), Sensortechnics Inc. (sale of sensor modules), Walpole (USA), Sensortechnics Corp. (development of sensor modules), Montreal (Canada) and Sensortechnics Scandinavia AB (sale of sensor modules), Kungens Kurva (Sweden).

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

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

in € thousand	2011
Property, plant and equipment	6,954
Intangible assets	1,824
Customer-related intangible assets	23,197
Brand-related intangible assets	2,042
Non-current financial assets	137
Other non-current assets	58
Cash and cash equivalents	987
Current financial assets	104
Accounts receivable	5,824
Inventories	15,081
Payments and accrued income and other short-term assets	325
Fair values of identifiable assets	**56,533**
Current:	
Accounts payable	4,352
Bank liabilities	7,397
Other current financial liabilities	2,906
Tax liabilities	69
Tax provisions	1,438
Provisions	734
Other current liabilities	1,429
Non-current:	
Non-current financial liabilities	3,450
Pension liabilities	285
Non-current provisions	149
Other non-current liabilities	26
Deferred tax liabilities	6,975
Fair value of identifiable liabilities	**29,210**
Fair value of net assets	27,323
Goodwill	26,880
Transferred consideration	**54,203**

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

The costs relating to the business combination total €54,203 thousand. The actual cash outflow and the fair value of the other components of the consideration relating to the company acquisition are as follows:

in € thousand	2011
Considerations – cash and cash equivalents	44,292
Earn Out	5,000
Deferred purchase price	4,750
Transaction costs of the company acquisition recognized as costs of acquisition of the holding	161
Sub-total	54,203
Transaction costs of the company acquisition recognized under equity (net of tax)	543
Transaction costs of the company acquisition entered as expenditure	977
Credit procurement costs	747
Actual cash outflow relating to the company acquisition	**56,470**

The acquisition of SET resulted in a payment outflow of €56,470 thousand. In financial year 2011, costs not part of the costs of acquisition of the investment amounting to €776 thousand were recognized against equity and €977 thousand were expensed. In connection with the transaction costs recognized outside profit and loss, account was taken of deferred taxes totaling €233 thousand (net €543 thousand). Credit procurement costs of €747 thousand were deducted from the relevant credit liabilities.

Contingent purchase price components amounting to €9,750 thousand are part of the total consideration which comprise an earn out and a deferred purchase price component. The earn out is dependent on future earnings performance.

Goodwill amounting to €26,880 thousand includes the value of expected synergies resulting from the company acquisition. The Company assumes that the recognized goodwill is not tax-deductible.

Between the date of the acquisition and the reporting date, sales attributable to SET amounting to €12,572 thousand and a net profit for the period of €918 thousand before amortization due to purchase price allocation have been entered in the statement of comprehensive income. If SET had been included in the consolidated financial statement as at January 1, 2011, the sales entered in the statement of comprehensive income would have amounted to €58,409 thousand and the net profit for the period, €5,949 thousand.

Acquisition of memsfab GmbH

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

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

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

in € thousand	2011
Intangible assets	15
Cash and cash equivalents	31
Accounts receivable	0
Payments and accrued income and other current asset	15,081
Fair values of identifiable assets	6
Accounts payable	**52**
Accounts payable	0
Other current liabilities	5
Deferred income	0
Fair value of identifiable liabilities	**5**
Fair value of net assets	47
Goodwill	455
Transferred consideration	**502**

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

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

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

The acquisition of MSF resulted in a cash outflow of €455 thousand. The transaction costs were expensed in financial year 2011.

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

Between the date of the acquisition and the reporting date, sales attributable to MSF amounting to €34 thousand and a net profit for the period of €-29 thousand have been entered in the statement of comprehensive income. If MSF had been included in the consolidated financial statement as at January 1, 2011, the sales entered in the statement of comprehensive income would have amounted to €133 thousand and the net profit for the period €-12 thousand.

Consolidation adjustments and Group ac-counting

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

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

Shares in affiliated companies

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

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

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

Foreign currencies

The reporting currency of the First Sensor Group is euro which is also the functional currency of the parent company.
Each company within the Group determines its own functional currency. The items contained in the financial statements of each company are measured using this functional currency. Foreign currency transactions are initially translated into the functional currency at the spot rate applicable on the date of the respective business transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency on every reporting date using the rate valid on that day. Any currency differences are recognized in accordance with IAS 21. Non-monetary items measured in a foreign currency at historical cost are translated using the exchange rate valid at the date of the transaction. Non-monetary items measured in a foreign currency at fair value are translated using the exchange rate valid at the time of the measurement of fair value.

Foreign subsidiaries

All foreign subsidiaries included in the FIS consolidation are considered financially independent foreign units since they are financially, economically and organizationally autonomous. Their functional currencies correspond to their local currency. The balance sheets of the foreign subsidiaries are converted at the exchange rate valid on the reporting date (December 31, 2011: 0.77286 EUR/USD; 0.59457 EUR/SGD; 1.19717 EUR/GBP; 0.11221 EUR/SK; 0.75672 EUR/CAD). The income statement is converted at the monthly average exchange rate. Any exchange differences are recorded as a separate component of equity.

Cash and cash equivalents

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

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

Financial assets

Financial assets are generally broken down into the following categories:

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost applying the effective interest method minus any impairment costs. Amortized costs are calculated taking into consideration any discounts or premiums at acquisition and include all fees which are an integral part of the effective interest rate and the transaction costs. Profits and losses are recorded in the total profit or loss for the period if loans and receivables are derecognized or impaired and in the context of amortization.

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

Derecognition

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

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

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

Offsetting

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

Fair value

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

The fair value of financial instruments not traded on any active market is determined using valuation measurement methods. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow methods and other valuation models.
Please refer to Item 31 for an analysis of the fair values of financial instruments and other relevant details such as how financial instruments are valued.

The carrying amount of financial assets amounted to €11,101 thousand at the balance sheet date.

The net result for financial assets and liabilities amounted to €-938 thousand for the financial year.

Inventories

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Sale costs still to be incurred are also taken into account. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realizable value, the materials are written down to net realizable value.

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

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

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

Intangible assets are capitalized by the FIS Group if,

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

This is the method applied when intangible assets are acquired externally. Internally-generated intangible assets are measured at the directly attributable development costs if all the requirements of IAS 38.57 are met. Overheads necessary to generate the asset and that can be directly attributed to it are also capitalized. Capitalization ceases once the product is completed and available for general use. The following six requirements are required for capitalizing development costs under IAS 38.57 and must be met in the present cases:

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

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

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

(a) Software

New software is capitalized at cost and reported as an intangible asset provided this cost does not constitute an integral part of the associated hardware. Software is amortized over a period of three to four years using the straight-line method.

(b) Goodwill

On initial recognition, goodwill is measured at cost. The cost is calculated as the excess of the consideration received and the amount of the non-controlling interest over the acquired identifiable assets and liabilities assumed by the Group.

Irrespective of whether any indication of impairment exists, the recoverable amount for the cash-generating unit to which the goodwill applies is calculated annually. If the carrying amount exceeds the recoverable amount, a valuation allowance is recognized.

(c) Research and development costs

Expenditure on research and development activities is recognized in income in the period in which it is incurred unless the requirements of IAS 38.57 can be demonstrated in the case of development costs.

(d) Developments

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

(e) Brands

As part of the acquisition of the SET Group, the FIS Group acquired identified assets in the form of brands. These are not amortized because they have no defined useful life.

(f) Customer base

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

(g) Orders on hand

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

(h) Impairment of non-current assets

Tangible and intangible assets are tested for potential impairment if, owing to events or changes in external circumstances, there are indications that the recoverable value for the asset at the balance sheet date will remain less than its carrying amount, or if annual impairment tests are required (goodwill and intangible assets unused to date). If the carrying amount of an asset exceeds the lower fair value, impairment is recognized with respect to tangible and intangible assets reported at cost. The recoverable amount is the higher of the fair value less the costs to sell and the value in use. The fair value less costs to sell is the amount that can be achieved by sale of the asset in a normal transaction between knowledgeable parties. The value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount of each individual asset must be estimated or, if this is not possible, for the smallest identifiable cash-generating unit.

Provisions

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

a) the company has a present obligation (legal or constructive) as a result of a past event;
b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefit will be required to settle the obligation and
c) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words, the amount the company would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

Non-current provisions are discounted at a pre-tax interest rate provided that the effect of discounting is significant. If provisions are discounted, the increase in the provision with the passage of time is reported as financial expenditure.

Liabilities relating to a potential obligation resulting from a past event and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise, are reported in the Notes as contingent liabilities. Contingent liabilities may also result from a current obligation related to past events but not recorded, because:

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

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

Financial liabilities

Financial liabilities are categorized as follows:

- financial liabilities held for trading and
- other financial liabilities

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

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

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

The carrying amount of the financial liabilities amounted to €56,499 thousand at the balance sheet date.

Employee benefits

Defined contribution plans

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

Share options

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

The costs of granting these equity instruments, after November 7, 2002, are measured at the fair value of the equity instruments at the date they are granted. The fair value is determined using a suitable option pricing model.
The expenses resulting from the granting of equity instruments and the corresponding increase in equity are recognized over the period within which vesting or service conditions have to be met (vesting period). This period ends on the vesting date, in other words, on the date the employee in question becomes irrevocably entitled. The cumulative expenses reported at each balance sheet date arising from the granting of the equity instruments up to the vesting date, reflect the portion of the vesting period that has already expired and the number of equity instruments, according to the Group's best estimate, that will vest at the end of the vesting period. The amount charged or credited to the income statement reflects the changes in the cumulative expenses at the beginning and end of the reporting period.

No expense is recognized for remuneration entitlements that do not vest. This does not include remuneration entitlements which can only vest subject to fulfillment of certain market conditions. These are deemed vested irrespective of whether or not the market conditions are fulfilled provided that all other service conditions are met.

The dilutive effect of the outstanding share options is reflected in the calculation of the earnings per share as additional dilution (see Note 25 for further details).

Provisions for pensions

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

Government grants

Government grants are recognized if there is sufficient certainty that the grants will be paid out and the company meets the attached conditions. Expenditure-based grants are reported as income over the period required to match them against the expenditure they are intended to compensate. Grants related to assets are shown on the consolidated balance sheet as deferred investment grants or subsidies. The latter is released as income in equal annual installments over the expected useful life of the relevant asset.

Recognition of revenue and income

Sale of goods and products

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

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

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

Other operating income

Other operating income is recognized if the economic benefit can be reliably estimated and is gained during the reporting period.

Interest income

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

Dividends

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

Taxes

Current tax assets and current tax liabilities for current and prior periods should be measured at the amount expected to be recovered from (paid to) the taxation authorities. The amount is calculated on the basis of the tax rates and tax legislation effective at the balance sheet date.

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

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

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

- Deferred tax arising from deductible temporary differences in connection with investments in 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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or a liability is settled based on tax rates (and tax legislation) that have been enacted by the balance sheet date. Future changes to tax rates must be taken into account at the balance sheet date providing the material conditions for their effectiveness exist within the scope of a legislative procedure. Deferred taxes relating to items entered directly in equity are entered in equity and not in the income statement.

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

Value-added tax

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

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

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

Leases

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

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

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

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

Risk management, derivative financial instruments and hedging

Credit and liquidity risk

The Group strives to ensure that it has sufficient funds and irrevocable credit lines available to meet its financial obligations in the coming years. For this purpose, the company has access to credit lines amounting to €21,378 thousand (2010: €4,720 thousand), of which €1,270 thousand is in the form of an overdraft facility. The Company also has access to contingent capital amounting to €5,749 thousand, of which €3,000 thousand is for the issue of convertible bonds. The authorized capital as at December 31, 2011 amounted to €479 thousand (December 31, 2010: €16,565 thousand).

Credit risk, or the risk that a contractual partner fails to meet its payment obligations, is managed by means of loan commitments, credit lines and control measures. Where appropriate, the Company obtains security in the form of rights in securities or arranges master netting agreements. The maximum credit risk amounting to €11,101 thousand relates to the amounts of financial assets capitalized on the balance sheet.

Currency risk

There is no significant exchange-rate risk since most of the transactions concluded by the companies within the Group are in euro. The corresponding hedges are only entered into occasionally. Foreign currency risks are reduced by the independent operation of First Sensor Inc. (FSI) and Elbau Singapore.

Interest-rate exposure and hedging

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

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

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

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

As at December 31, 2011 and December 31, 2010, FIS only used hedging instruments to hedge cash flows.

These instruments were reported as follows in accordance with the strict criteria for hedge accounting:

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

The amounts recognized in equity are reclassified to profit or loss in the period during which the hedged transaction affects profit or loss for the period, for example when hedged financial income or expenses are reported or when a forecast sale takes place. If hedging results in the recognition of a non-financial asset or a non-financial liability, the amounts recorded in equity become part of the cost at the initial measurement of the non-financial asset or liability.

There was a €-424 thousand change in the net fair values of interest rate hedging instruments in the financial year just closed.

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

3. CASH AND CASH EQUIVALENTS

in € thousand	2011	2010
Cash in hand	9	4
Bank balances	12,791	14,600
	12,800	14,604

Bank balances are subject to variable interest rates for money at call. The fair value of cash and cash equivalents amounted to €12,800 thousand (2010: €14,604 thousand).

As at December 31, 2011, the group had unused credit lines for which all conditions had been fulfilled amounting to €21,378 thousand (2010: €4,174 thousand). The utilized money-market or overdraft facility as at December 31, 2011 amounted to €2,495 thousand (2010: €546 thousand).

As at December 31, 2011, cash and cash equivalents amounting to €266 thousand are providing loan collateral. Additional cash and cash equivalents amounting to €350 thousand served as a contract performance guarantee.

4. ACCOUNTS RECEIVABLE

in € thousand	2011	2010
Accounts receivable	11,227	6,207
Less allowances for doubtful accounts	-126	-62
	11,101	6,145

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

Doubtful accounts in connection with the sale of goods were written down in the amount of €126 thousand (2010: €62 thousand) (impact on profit and loss: expenses of €39 thousand (2010: €62 thousand) and income of €14 thousand (2010: €14 thousand)). The allowance amount was determined on the basis of previous defaults.

Changes in the allowance account are as follows:

in € thousand	Value adjusted
As at Jan. 1, 2010	**104**
Allocation to expenses	62
Utilization	-90
Reversal	-14
As at December 31, 2010	**62**
Allocation to expenses	39
Utilization	-60
Acquisition of the SET Group	99
Reversal	-14
As at Dec. 31, 2011	**126**

As at December 31, 2011, the age structure of accounts receivable is as follows:

	Total	Neither past due nor impaired			Past due but not impaired		
in € thousand			*< 30 days*	*30 - 60 days*	*60 - 90 days*	*90 - 120 days*	*> 120 days*
2011	**6,145**	3,918	1,819	200	142	3	63
2010	**4,868**	3,542	753	176	46	49	302

5. INVENTORIES

in € thousand	2011	2010
Finished products and goods at cost	12,363	2,916
Work in progress at cost	8,563	4,968
Raw materials and supplies at cost	10,443	3,814
Advance payments on inventories	0	6
	31,368	11,704

The write-down of inventories recognized as expense amounted to €78 thousand (2010: €0 thousand). This expense was reported under cost of materials.

To secure the claims under the syndicated loan agreement, an agreement relating to the fiduciary transfer of inventories was concluded. The value of the inventories assigned under this agreement amounted to €19,313 thousand at the balance sheet date.

6. OTHER CURRENT ASSETS

in € thousand	2011	2010
Prepayments and accrued income	661	770
Receivables from investment grants and subsidies	662	315
Value-added tax receivables	208	191
Insurance claims	726	208
Claims for research and development	140	84
Other	558	79
	2,747	1,456

7. PROPERTY, PLANT AND EQUIPMENT

in € thousand	Land and buildings	Plant and machinery	Office and Goodwill equipment	Advances from customers and machinery under construction	2010 Total
Costs of purchase					
January 1, 2010	14,260	24,116	4,317	672	43,365
Additions from FST acquisition	0	124	239	0	363
Additions	51	289	545	2,339	3,224
Disposals	0	−2,433	−1,212	−23	−3,668
Reclassifications	0	545	52	−618	−21
Exchange differences	0	19	19	0	38
December 31, 2010	14,311	22,660	3,960	2,370	43,301
Cumulative depreciation					
January 1, 2010	2,258	11,557	2,903	9	16,727
Depreciation	420	2,190	506	0	3,116
Disposals	0	−2,417	−1,137	−4	−3,558
Reclassifications	0	107	−107	0	0
Exchange differences	0	12	15	0	27
December 31, 2010	2,678	11,449	2,180	5	16,312
Net carrying amount Jan. 1, 2010	12,002	12,559	1,414	663	26,638
Net carrying amount December 31, 2010	11,633	11,211	1,780	2,365	26,989

in € thousand	Land and buildings	Plant and machinery	Office and Goodwill equipment	Advances from customers and machinery under construction	2011 Total
Costs of purchase					
January 1, 2011	14,311	22,660	3,960	2,370	43,301
Additions from FST acquisition	1,596	3,946	996	416	6,954
Additions	458	2,730	978	4,776	8,954
Disposals	0	−954	−273	−21	−1,248
Reclassifications	1,103	3,108	74	−4,318	−1,248
Exchange differences	11	43	9	0	63
December 31, 2011	17,479	31,533	5,744	3,223	57,979
Cumulative depreciation					
January 1, 2011	2,678	11,449	2,180	5	16,312
Depreciation	380	2,548	806	0	3,734
Disposals	0	−942	−258	0	−1.200
Reclassifications	0	0	−22	0	−22
Exchange differences	16	6	0	13	35
December 31, 2011	3,059	13,061	2,712	5	18,837
Net carrying amount Jan. 1, 2011	11,633	11,211	1,780	2,365	26,989
Net carrying amount December 31, 2011	14,420	18,472	3,032	3,219	39,143

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

8. INTANGIBLE ASSETS AND GOODWILL

in € thousand	Orders On hand	Software	Goodwill	Developments	Advances for customers	2010 Total
Costs of purchase						
January 1, 2010	**0**	**1,158**	**11,142**	**6,000**	**0**	18,300
Additions from FST acquisition	288	41	1,125	672	0	2,126
Additions	0	235	0	530	209	974
Disposals	0	-79	0	0	0	-79
Reclassifications	0	21	0	0	0	21
Exchange differences	0	0	0	0	0	0
December 31, 2010	288	1,376	12,267	7,202	209	21,342
Cumulative depreciation						
January 1, 2010	**0**	**1,017**	**9,296**	**5,611**	**0**	15,924
Depreciation (scheduled)	108	95	0	96	0	299
Impairments	0	0	0	0	0	0
Disposals	0	-79	0	0	0	-79
Exchange differences	0	0	0	0	0	0
December 31, 2010	108	1,033	9,296	5,707	0	16,144
Net carrying amount Jan. 1, 2010	**0**	**141**	**1,846**	**389**	**0**	2,376
Net carrying amount December 31, 2010	180	343	2,971	1,495	209	5,198

in € thousand	Orders On hand	Software	Goodwill	Develop ments	Customer base/Brands	Advances for customers	2011 Total
Costs of purchase							
January 1, 2011	**288**	**1,376**	**12,267**	**7,202**	**0**	**209**	21,342
Additions from FST acquisition	1,164	1,740	26,880	24,075	0	0	53,859
Additions	0	22	455	0	0	0	477
Disposals	0	396	0	1,161	0	789	2,346
Reclassifications	0	0	0	-68	0	0	-68
Exchange differences	0	339	0	32	0	-361	10
December 31, 2011	0	1	0	0	0	0	1
Costs of purchase	1,452	3,784	39,602	8,327	24,075	637	77,967
Cumulative depreciation							
January 1, 2011	**108**	**1,033**	**9,296**	**5,707**	**0**	**0**	16,144
Depreciation (scheduled)	356	272	0	166	556	0	1,350
Impairments	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Exchange differences	0	0	0	0	0	0	0
December 31, 2011	464	1,305	9,296	5,873	556	0	17,494
Net carrying amount Jan. 1, 2011	**180**	**344**	**2.971**	**1,495**	**0**	**209**	5,198
Net carrying amount December 31, 2011	988	2,569	30,306	2,454	23,519	637	60,473

Goodwill as at December 31, 2011 related to Lewicki microelectronic GmbH, Oberdischingen, (hereinafter, LME) amounting to €1,846 (December 2010: €1,846 thousand), First Sensor Technology GmbH (hereinafter, FST) amounting to €1,125 thousand (December 31, 2010: €1,125 thousand), Sensortechnics GmbH (hereinafter, SET) amounting to €26,880 thousand and MSF amounting to €487 thousand.

The historical cost of the assets fully amortized at the balance sheet date but still in use amounted to €3,312 thousand.

LME goodwill

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

In accordance with IAS 36, the LME goodwill was tested for potential impairment as at December 31, 2011 on the basis of the value in use taking into account the following assumptions

- Sales will remain stable from 2011 to 2015
- No specific growth rates assumed in the projection variables for 2015 (terminal value).
- Discount factor of 6.94% (2010: 5.96%) after taxes and 8.02% (2010: 6.86%) before taxes based on the WACC method.

No impairments were necessary as a result of this analysis in financial year 2011. There was no write-down for LME in financial year 2010 either. The Management Board bases it assumptions relating to forecasts for the determination of value in use on past experience.

FST goodwill

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

In accordance with IAS 36, the goodwill of FST was examined for potential impairment as at December 31, 2011 on the basis of the value in use taking into account the following assumptions

- Average growth of 8.9% per annum from 2011.
- No specific growth rates assumed in the projection variables for 2015 (terminal value).
- Discount factor of 6.94% (2010: 5.96%) after taxes and 8.02% (2010: 6.86%) before taxes based on the WACC method.

No impairments were necessary as a result of this analysis in financial year 2011. The Management Board bases it assumptions relating to forecasts for the determination of value in use on past experience.

SET goodwill

FIS acquired all the shares in the SET Group in financial year 2011. This acquisition resulted in goodwill of €26,880 thousand. See Section "Subsidiaries" under 2 Presentation of Accounting Policies for a detailed description of the SET acquisition.

In view of the acquisition date of October 1, 2011, no impairment test was required with respect to SET goodwill as at December 31, 2011 under IAS 36.

MSF goodwill

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

In view of the acquisition date of July 1, 2011, no impairment test was required with respect to MSF goodwill as at December 31, 2011 under IAS 36.

Brands

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

Customer base

In the context of the acquisition of a 100% stake in the SET Group in 2011, the acquired customer bases were identified as intangible assets as follows: Sensortechnics Customized (€9,518 thousand), Sensortechnics Distributed (€263 thousand) Elbau (€8,548), Klay (€3,705 thousand). The customer bases are amortized over an estimated useful life of 6 – 10 years using the straight-line method. The amortization amount amounted to €556 thousand in 2011.

Orders on Hand

As a result of the acquisition of FST in 2010, orders on hand amounting to €288 thousand were capitalized and are expected to be amortized over 3 years to end 2012 using the straight-line method. In financial year 2011, they were written down by €88 thousand; in 2010, by €108 thousand. The residual carrying amount was €92 thousand as at the balance sheet date.

As a result of the acquisition of the SET Group in 2011, the following volumes of orders on hand were identified as intangible assets: Sensortechnics Customized (€56 thousand), Sensortechnics Distributed (€127 thousand) ELBAU (€981 thousand). Estimated useful lives of between 2 and 4 years were determined. The amortization charge was €269 thousand in 2011. The residual carrying amount was €343 at the balance sheet date.

Development work

The development work reported following the acquisition of MPD is subject to scheduled amortization over 20 years starting from the initial marketing. The effective amortization charge in 2011 amounted to €23 thousand. The residual carrying amount is €117 as at the balance sheet date.

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

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

The intangible assets were measured using a risk-adjusted discount rate of 8%. The intangible assets are amortized over a period of 7 years using the straight-line method. The effective amortization charge is €96 thousand in 2011.

9. INTERESTS IN AFFILIATED COMPANIES

The following interests in affiliated companies were carried at equity in 2011:

in € thousand	Share	2011	2010
Heimann Sensor GmbH	24,9%	208	159
Vereta GmbH	24,9%	771	747
		979	906

a) Heimann Sensor GmbH
The interest in Heimann Sensor GmbH remains unchanged at 24.9% as at December 31, 2011 (December 31, 2010: 24.9%). The average number of employees during financial year 2011 was 25 (2010: 25).

in € thousand	2011	2010
Share in the balance sheet of affiliated companies		
– Current assets	577	517
– Non-current assets	262	203
– Current liabilities	408	543
– Non-current liabilities	151	0
– Accrued investment grants and subsidies	35	16
– Equity	190	161
Share in sales and earnings of affiliated companies		
– Sales	1,455	1,141
– Result	109	35
Carrying amount of interests in affiliated companies	208	159

b) Vereta GmbH

The share in Vereta GmbH amounts to% as at December 31, 2011 (December 31, 2010: 24.9%). The average number of employees during financial year 2011 was 6 (2010: 6)

in € thousand	2011	2010
Share in the balance sheet of affiliated companies		
– Current assets	73	22
– Non-current assets	14	14
– Current liabilities	88	162
– Equity	-40	-126
Share in sales and earnings of affiliated companies		
– Sales	218	36
– Result	25	-25
Carrying amount of interests in affiliated companies	771	747

10. PROVISIONS

in € thousand	Pen-sions	War-ranty	Unfa-vorable contra-cts	Other	Total
December 31, 2010	**0**	**447**	**163**	**70**	**680**
Current	0	348	97	70	515
Medium-/long-term	0	99	66	0	165
Additions from SET acquisition	296	462	0	0	758
Allocation	0	247	0	0	247
Utilization	-2	-130	-137	0	-269
Reversal	0	-77	-26	0	-130
December 31, 2011	**294**	**949**	**0**	**70**	**1,313**
Current	0	776	0	70	846
Medium-/long-term	249	173	0	0	467

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

11. OTHER LIABILITIES

in € thousand	2011	2010
Liabilities from company acquisitions	9,750	0
Liabilities due to staff	2.122	782
Prepaid expenses	84	105
Customer bonuses	0	154
Liabilities from outstanding invoices	808	440
Liabilities from income tax and church tax, social security	522	299
Preparation of tax declarations, annual audits	235	133
Contractual obligations to related companies	50	300
Other financial liabilities		
Market value of interest-rate hedging instruments	627	133
Other	2,798	637
	16,996	**2,983**

With the exception of the deferred purchase price amounting to €4,750 thousand and some of the interest-rate hedging instruments, the other liabilities are non-current (due between 1 and 5 years). None of the other liabilities are interest-bearing.

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

December 31, 2011 (in € thousand)	Total	Current up to 1 year	Non-current	of which 1 – 5 years	of which > 5 years
Secured					
Debts from finance leases and hire purchase agreements	**3,241**	**1,184**	**2,057**	**1,994**	**63**
Bank loans					
11 - Loan €34.0 million*	17,590	0	17,590	17,590	0
11 - Loan €3.5 million	1,874	375	1,499	1,499	0
11 - Loan €2.5 million	2,500	2,500	0	0	0
11 - Loan €1.5 million	263	0,00	263	263	0
11 - Loan €1.4 million	1,447	223	1,224	890	334
11 - Loan €1.0 million I	923	102	821	411	410
11 - Loan €1.0 million II	1,000	0	1,000	1,000	0
11 - Loan €1.0 million III	1,000	0	1,000	1,000	0
11 - Loan €1.0 million IV	800	0	800	800	0
11 - Loan €0.8 million	800	800	0	0	0
11 - Loan €0.6 million	525	150	375	375	0
11 - Loan €0.5 million	412	85	327	327	0
10 - Loan €2.0 million	1,320	667	653	653	0
10 - Loan €0.2million	134	56	78	78	0
09 - Loan €3.5 million	3,209	535	2,674	2,139	535
09 - Loan €2.0 million	1,125	500	625	625	0
08 - Loan €3.0 million	1,822	209	1,613	835	778
08 - Loan €0.1 million I	25	17	8	8	0
08 - Loan €0.1 million II	66	24	42	42	0
07 - Loan €3.0 million	2,247	300	1,947	1,200	747
05 - Loan €1.5 million I	371	187	184	184	0
05 - Loan €1.5 million II	372	187	185	185	0
00 - Loan €1.5 million	724	85	639	341	298
00 - Loan €0.8 million	385	45	340	181	159
Other	1,947	1,947	1,462	485	485
	46,122	**9,693**	**36,429**	**34,105**	**3,234**

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

December 31, 2011 (in € thousand)	Total	Current up to 1 year	Non-current	of which 1 – 5 years	of which > 5 years
Secured					
Secured liabilities from finance leases and hire purchase agreements	**1.235**	**675**	**560**	**560**	**0**
Bank loans					
05 - Loan €1.5 million I	563	563	0	0	0
05 - Loan €1.5 million II	563	563	0	0	0
07 - Loan €3.0 million	2,550	300	2,250	1,200	1,050
08 - Loan €1.5 million	1,125	250	875	875	0
08 - Loan €3.0 million	2,143	429	1,714	1,714	0
09 - Loan €3.5 million	2,068	267	1,801	1,801	0
10 - Loan €2.0 million	2,000	667	1,333	1,333	0
06 - Loan €2.0 million	400	400	0	0	0
Money-market loans	545	545	0	0	0
	13,192	**4,659**	**8,533**	**7,483**	**1,050**

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

Zur teilweise Finanzierung des Erwerbs von 100 % der In October, First Sensor AG concluded a syndicated loan agreement for a total of €39 million to finance part of the acquisition of all the shares in Sensortechnics GmbH, Puchheim near Munich, including the acquisition of a minority interest in the Sensortechnics subsidiary, Elbau GmbH. The syndicate members are Commerzbank, Deutsche Bank and Investitionsbank Berlin. The agreement has a five-year term. The loan consists of two tranches: A total of €34 million for the acquisition of the shares including subsequent purchase price components and for settlement of the target companies' financial liabilities, as well as a further €5 million as an operating resources facility. The initial quarterly repayment of Tranche A will be made on March 31, 2013 and the final repayment on September 30, 2016. The remaining Tranche A loan amount of approximately 42% of the original total loan (when drawn down in full) matures as at October 1, 2016. The working funds facility is repayable in full on October 18, 2016. There is an option to make unscheduled payments during the term of the facility. The interest rate is based on the EURIBOR plus a standard margin. Hence, the market value and carrying amount of the loan are identical because future market conditions will be factored in due to the variable interest rate. The initial margin will be reduced if there is an improvement in the debt/equity ratio. In addition to First Sensor AG, a total of six subsidiaries (post-acquisition) share liability under the loan agreement. Collateral is provided by storage assignment (excluding customer inventories) of German debtors. The carrying amount of the assigned goods amounted to €19.3 million as at December 31, 2011. The shares in Sensortechnics GmbH were also pledged. The carrying amount of the Sensortechnics GmbH equity amounted to €19.2 million as at December 31, 2011. By December 31, 2011, a total of €21.1 million had been drawn down under the loan facility, including €0.8 million in the form of bilateral loans between the syndicate banks and the other debtors. The Company undertook to comply with certain key ratios (covenants): the debt/equity ratio, the equity ratio and the interest-cover ratio. A failure to comply with the financial benchmarks entitles the lenders to demand termination on exceptional grounds. First Sensor AG has undertaken to arrange interest hedging for at least 50% of the loans. The interest-rate hedging instruments are set down in Note 31.

Finance leases

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

December 31, 2011 in € thousand	Minimum lease payments	Cash value of the minimum lease payments
Within one year	693	648
Between one and five years	1.094	1.021
Over 5 years	0	0
Total minimum lease payments	**1,787**	**1,669**
Less interest expense following discounting	-118	0
Present value of the minimum lease payments	**1,669**	**1,669**

December 31, 2010 in € thousand	Minimum lease payments	Cash value of the minimum lease payments
Within one year	696	675
Between one and five years	625	560
Total minimum lease payments	**1,321**	**1,235**
Less interest expense following discounting	-86	0
Present value of the minimum lease payments	**1,235**	**1,235**

As at 31 December 2011, the net carrying amount of the technical equipment and machinery financed by means of lease agreements and pledged to the lessor amounted to €1,594 thousand (previous year: €1,297 thousand). Leased assets with a net carrying amount of €872 thousand were added in this financial year.

13. OBLIGATIONS ARISING FROM EMPLOYEE BENEFITS

Pension plans

In addition to payments into state pension schemes amounting to approximately €1,127 thousand (2010: approximately €971 thousand), the Company makes payments into contribution-based plans for members of the FIS Management Board, directors of subsidiaries and managers amounting to €165 thousand (2010: €159 thousand).

Share option plan

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

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

The exercise price per share corresponds to the market price of these shares on the Frankfurt Stock Exchange during a period of five days preceding the grant date.

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

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

The share options can only be exercised after a two-year vesting period from the issue date (SOP 2006) or four-year vesting period (SOP 2011). Share options are exercised subject to the following conditions:

Exercise hurdle:

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

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

Term /Exercise price:

SOP 2006:
The SOP 2006 share option scheme has a three-year term. A maximum of 233,000 subscription rights from the total volume for the share option can be issued in yearly tranches to all entitled parties within this term. The subscription rights can only be issued during each nine-month period following the announcement of the previous financial year's results by the Management Board.
In financial year 2006, 130,000 subscription rights (1st tranche) and in financial year 2007, 100,000 subscription rights (2nd tranche) were granted to employees, managers and members of the 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 company share. The average price for the options issued on June 29, 2006 was €9.33. The average price for the option issued on July 11, 2007 was €18.68.

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

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

SOP 2011:
The SOP 2011 share option scheme has a three-year term. A total of 120,000 options were issued. No subscription rights were issued in financial year 2011.

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

However, this does not apply to rights granted to members of the Management Board.

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

The following table shows the number and the weighted average exercise prices (WAEP) of the share options granted during financial years 2010 and 2011:

	2011 Number	2011 WAEP	2010 Number	2010 WAEP
Outstanding at the beginning of the period under review	518,000	9.54	396,500	10.21
Vested at the beginning of the period under review	218,000	13.62	–	–
Granted during the period under review	0	0	130,000	7.20
Expired during the period under review	26,500	7.55	8,500	4.91
Exercised during the period under review	0	0	0	0
Outstanding at the end of the period under review	491,500	9.65	518,000	9.54
Vested at the end of the period under review	216,500	13.65	228,000	13.43

The weighted average remaining contractual life for share options outstanding as at December 31, 2011 was 4.37 years (2010: 5.35 years).
For options outstanding at the end of the period, the exercise prices range between €9.33 and €18.68 (2010: €5.80 – €18.68).

The personnel expenses recognized relating to the share options granted in 2011 amount to €155 thousand (previous year: €182 thousand).

14. DEFERRED INVESTMENT GRANTS / ALLOWANCES

The deferred investment grants and allowances amounting to €5,454 thousand (previous year: €5,223 thousand) relate to government grants. These were paid out for example in the form of investment grants for the new production facilities built in Berlin. The grants paid are dependent on evidence of implementation of the investment measures and compliance with conditions related to retention of the assets and future job creation. The special item grants from customers for development projects amounted to €688 thousand (previous year: €308 thousand). Changes to the deferred income reversed over the useful lives of the subsidized assets were as follows:

in € thousand	2011	2010
January 1	**5,531**	**5,525**
Granted during the financial year	715	608
Acquisition of the SET Group	469	–
Released through profit and loss	572	602
December 31	**6,143**	**5,531**

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

15.SUBSCRIBED CAPITAL

The share capital reported as subscribed capital on the balance sheet totaled €49,215 thousand on December 31, 2011. It was made up of 9,842,973 shares each with a notional value of €5.00. This represents a €16,085 thousand increase in the First Sensor AG share capital compared with the previous year.

in € thousand unless otherwise indicated	Common shares (issued and fully-paid)		Amount of share capital	
	2011	2010	2011	2010
Januar 1	6,626	6,626	33,130	33,130
Issue of new shares by cash capital increase - Oct. 2011	3.217	0	16.085	0
December 31	9,843	6,626	49,215	33,130

Authorized capital

By resolution of the Annual General Meeting held on June 17, 2010, the Management Board was authorized to increase the share capital by €16,565 thousand (Authorized Capital 2010/I). The authorization expires on June 16, 2015. The capital is increased by issuing new bearer shares against cash or non-cash contributions.

Following the capital increase carried out in October 2011 from authorized capital against cash contribution, Authorized Capital 2010/I was almost entirely depleted.

As of December 31, 2011, Authorized Capital 2010/I amounted to €479 thousand.

Contingent capital

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

in € thousand		2011	2010
Contingent Capital I		0	23
Contingent Capital II		0	21
Contingent Capital IV	(2006/I)	699	699
Contingent Capital V	(2009/I)	3,000	3,000
Contingent Capital VI	(2009/II)	1,450	1,450
Contingent Capital VII	(2011/I)	600	-
		5,749	5,149

Contingent capital as at December 31, 2011 amounted to €5,749 thousand. The contingent capital increase is carried out only to the extent that the bearers of subscription rights exercise the subscription rights granted under the respective share options, IV (2006/I), V (2009/I), VI (2009/II) and VII (2011/I).

Contingent capital IV (2006/I)

At the Annual General Meeting held on June 15, 2006, the share capital was contingently increased by a nominal amount of up to €699 thousand by the issue of up to 233,000 new bearer shares with entitlement to profits from the beginning of the financial year of their issue (Contingent Capital IV). The contingent capital increase is carried out only to the extent that the bearers of subscription rights granted in the context of the authorization granted on June 15, 2006 on the basis of the 2006 Share Option Plan exercise their subscription rights.

No options under Contingent Capital IV were exercised in 2011.

Contingent Capital V (2009/I, convertible bonds)

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

No convertible bonds were issued in financial year 2011.

Contingent capital VI (2009/II)

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

In financial year 2010, a total of 130,000 share options were issued (2009: 160,000 share options) under Contingent Capital VI.

In financial year 2011, no options under Contingent Capital VI vested owing to the waiting time.

Contingent Capital VII (2011/I)

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

In financial year 2011, no share options under Contingent Capital VII were issued.

16. RESERVES

Changes to reserves in financial year 2010 and 2011 were as follows:

in € thousand	Share premium	Revenue Profits	Unrealized earnings losses	Total
January 1, 2010	**4,618**	**-586**	**-209**	**3,823**
Appropriation of balance sheet loss	-2,482	0	0	-2,482
Share-based remuneration	0	182	0	182
Net gain from cash flow hedge	0	0	80	80
Deferred tax asset related to cash flow hedge		0	39	39
December 31, 2010	**2,136**	**-404**	**-90**	**1,642**
Capital increase	16,085			16,085
Acquisition of minority interests	-800			-800
Transaction costs	-543			-543
Appropriation of balance sheet loss	-1,161			1,161
Share-based remuneration		155		155
Net loss from cash flow hedge			-494	-494
Deferred tax asset related to cash flow hedge		148	148	
December 31, 2011	**15,717**	**-249**	**-469**	**15,032**

* all disclosures after tax effects accounted for

a) Share premium

As a result of the cash capital increases carried out in October 2011, the capital reserve increased by the amount of the subscription price per share exceeding the nominal amount (€16,085 thousand). The transaction costs attributable to placing the shares amounting to €543 thousand result in a reduction in the share premium.

b) Retained earnings – share options

Expenses of €155 thousand resulting from the ongoing share options programs allocated to the vesting period (previous year: €182 thousand) was recognized in the income statement under Personnel expenses and as addition to retained earnings.

c) Reserve for unrealized profit/loss

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

In 2011, the costs incurred for regulatory fees and consultants in relation to the issue of new shares were shown in the retained earnings reserves as a deduction from equity (net of any income tax benefit).

Exchange equalization items

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

17. SALES

in € thousand	2011	%	2010	%
Germany	32,957	50.56	21,928	48.48
Europe	22,330	34.26	15,653	34.61
USA	3,974	6.10	3,576	7.90
Other	5,921	9.08	4,075	9.01
	65,182	**100.00**	**45,232**	**100.00**

18. OTHER OPERATING INCOME

Other operating income breaks down as follows:

in € thousand	**2011**	2010
Costs subsidies for research and development	331	300
Income from government grants.		
• Investment allowances for investments	511	514
• Investment grants	61	89
Income from other benefits in kind	347	177
Prior-period income	114	117
Insurance claim payments	175	54
Proceeds from reversing provisions	191	130
Other	556	354
	2,286	**1,735**

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

in € thousand	2011	2010
Work in progress	961	906
Finished goods	807	–143
	1,768	**763**

20. OTHER OWN WORK CAPITALIZED

Capitalized development costs amounted to €1,581 thousand in 2011. Development costs amounting to €754 thousand were capitalized in 2010. The capitalized costs related primarily to development projects and measures connected to the FST relocation.

21. COST OF MATERIALS/PURCHASED SERVICES

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

in € thousand	2011	2010
Raw materials and supplies	24,882	15,126
Purchased services	5,068	3,875
	29,950	**19,001**

22. PERSONNEL EXPENSES

The personnel expenses break down as follows:

in € thousand	2011	2010
Wages and salaries	19,636	12,955
Social security contributions including pension plans	3,654	2,366
	23,290	**15,321**

Personnel expenses include €155 thousand (2010: €182 thousand) in expenditure related to granting share options.

23. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

in € thousand	2011	2010
Costs of premises	1,741	1,288
Advertising costs	232	572
Vehicle costs	646	538
Maintenance expenses	1,124	877
Auditing and preparing financial statements /legal and consultancy fees	1,807	890
Distribution costs	614	351
Losses from disposal of non-current and current assets	57	96
Valuation allowances and derecognition of trade receivables	39	135
Insurance	556	401
Travel costs, corporate hospitality, company events	693	212
Costs of investor relations/public relations	234	158
Communications costs	161	89
Shipping costs	258	20
Warranties	334	126
Packaging materials, goods handling and other operating materials	807	578
Annual General Meeting costs	57	70
Supervisory Board remuneration	32	42
Ancillary transaction costs	94	73
Patent costs	57	61
Other	1,492	655
	11,035	**7,140**

Research and development costs recognized in profit and loss amounted to €5,322 thousand in 2011 and €3,197 thousand in 2010.

24. TAXES ON INCOME

The principal components of the income tax expense for financial years 2011 and 2010 break down as follows:

in € thousand	2011	2010
Current tax expense	541	317
Adjustments recognized in the period for current tax of prior periods	-233	436
Deferred tax income from reversal of temporary differences	47	-82
Income tax expense / income reported on the consolidated income statement	**355**	**671**

The reconciliation of income tax expense with the product of accounting profit and applicable tax rate for the Group with respect to the financial years 2011 and 2010 is as follows:

in € thousand	2011	2010
Pre-tax income	**812**	**2,981**
Tax expense at the 29% tax rate (previous year: 30%)	**235**	**894**
Reconciliation to reported income tax expense		
Current income tax, prior period	-233	436
Carry forward of tax losses from previous years and from this year were capitalized	0	-60
Used, not capitalized tax loss carry forwards	-58	-478
Tax loss carry forwards, not capitalized	359	0
Non-taxable investment allowances	54	-145
Non-deductible operating expenses	40	12
Other	-42	12
Tax expense	**355**	**671**

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

	Consolidated balance sheet		Consolidated income statement	
in € thousand	2011	2010	2011	2010
Loss carry forwards	533	718	-185	6
Property, plant and equipment	103	106	-3	7
Financial assets	0	1	0	1
Inventories	0	12	0	12
Deferred tax assets resulting from business combinations	157	0	-82	0
Other provisions	189	110	0	6
Deferred tax assets	**982**	**947**	-270	32
Orders on hand acquired in a business combination	128	54	107	33
Own development work	90	83	-90	-83
Adjustment to fair value following acquisition (developments)	0	290	35	28
Property, plant and equipment	101	136	9	9
Other provisions	0	82	-5	63
Due to affiliated companies	529	529	0	0
Customer bases acquired as a result of business combinations	6,352	0	167	0
Brands acquired as a result of business combinations	612	0	0	0
Deferred tax liabilities as a result of business combination	0	0	0	0
Deferred tax liabilities	**7,812**	**1,174**	223	50
(previous year: income)			**-47**	**82**

The item Income taxes includes the income tax paid or payable in the respective countries and any deferred taxes. Deferred tax assets amounting to €148 thousand relate to provisions for cash flow hedges recognized outside profit or loss.

Income taxes for 2011 and 2010 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%.

Since in the Group's current tax planning, it is assumed that no significant profits will arise from the companies within the group in the short- to medium-term which would result in an income tax expense, any potential effect resulting from different tax rates in other countries is ignored. Accordingly, not all loss carry forwards from foreign companies in the Group are capitalized in full. At PSS tax loss carry forwards total €754 thousand (2010: €457 thousand). The PSS loss carry forwards expire after 20 years. The estimated tax loss carry forwards for consolidated companies in Germany do not expire and amount to €1,076 thousand (2010: €3,709 thousand) relating to corporation tax and €1,438 thousand (2010: €3,562 thousand) with respect to trade income tax. These were with €1,777 thousand included in the valuation and were capitalized as deferred tax assets with €533 thousand. The loss carry forwards are estimated in the absence of tax assessment notices.

25. EARNINGS PER SHARE

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

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

The following table contains the amounts underlying the calculation of the undiluted and basic earnings per share for 2011:

in € thousand unless otherwise indicated	
Earnings attributable to the bearers of ordinary shares in the parent company	455
Weighted, average number of ordinary shares for the calculation of the basic earnings per share	7,162
Dilutive effect: Share options	61
Weighted, average number of ordinary shares adjusted for the dilutive effect	7,223

26. NOTES TO THE CASH FLOW STATEMENT

In accordance with IAS 7 "Statement of cash flows", FIS reports the cash flow from operating activities using the indirect method, in which the profit or loss for the period is adjusted by the effects of non-cash transactions, deferrals of past or future in- and outflows from operating activities and items of income or expense in connection with the cash flow from investment or financing activity. Reconciliation is carried out on the basis of the operating profit so that interest and tax payments are shown as separate items within the operating cash flow.

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

in € thousand	2011	2010
Cash and cash equivalents	12,800	14,604
Bank borrowings	-2,495	-546
	10,305	**14,058**

27. NOTES TO THE STATEMENT OF CHANGES IN EQUITY

The company did not make any distributions in 2011 (2010: €0 thousand).

28. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

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

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

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

in TEUR	2012	2013 bis 2016	ab 2017
Rental and leasing expenses	2,048	4,635	4,616
Contribution-based pension plans	84	336	200

The rent and lease expenses payable over the total remaining contractual term amount to €11,919 thousand (previous year: €10,166 thousand). Total expenses for rent and lease commitments amounting to €1,548 thousand (previous year: €1,164 thousand) were recorded in financial year 2011 and expensed on the income statement.

29. REPORTING IN LINE WITH IFRS 8

The integrated industrial Group, First Sensor, is a provider of sensor solutions for many different sectors. The individual subsidiaries of the First Sensor Group occupy different positions in the value chain (component, module, system) for the production of sensor solutions. The specific requirements of the customer in each case dictate at which step in the value chain the services are called on. The FIS Group is controlled through the monitoring of the financial performance of its individual legal units. Control is based on earnings before interest and taxes (EBIT) as prescribed by the German Commercial Code. Every month, the results of FIS and its subsidiaries are measured, processed and then analyzed by the Management Board. These business units do not represent segments as defined in IFRS 8. The assets and liabilities of the companies are not part of the regular reports. Reports are made available to the Supervisory Board ahead of its meetings.

The other disclosures required under IFRS 8 are shown below:

Geographical segment

Sales in € thousand	2011	2010
Germany	32,957	21,928
Europe	22,330	15,653
USA	3,974	3,576
Other	5,921	4,075
	65,182	**45,232**

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

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

30. TRANSACTIONS BETWEEN RELATED PARTIES

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

The following transactions were carried out with individuals and companies deemed parties related to the FIS Group:

FIS Management Board

Dr. Hans-Georg Giering, Deuben
Dr. Ingo Stein, Berlin

Current remuneration for the members of the Management Board amounted to the following in financial year 2011:

in € thousand	Dr. Giering	Dr. Stein	Total	Previous year
Non-performance-related earnings	407	263	670	687
Performance-related earnings	174	50	224	256
Total	**581**	**313**	**894**	**943**

The non-performance-related payments also include cash benefits for the private use of company cars by members of the Management Board and the employer contribution to health and long-term care insurance. Furthermore, payments amounting to €108 thousand (previous year: €108 thousand) were made into defined contribution pension plans for members of the Management Board. . Together with the share options, these comprise the remuneration components with long-term incentive effect.

In the event of a change of control at FIS, payment of the cash value of future remuneration due under the terms of his employment contract was agreed for Dr. Giering in financial year 2009. This payment is limited to three annual salaries. In addition, account is to be taken of the higher amount of the previous and current year bonus. These payments are made if the Supervisory Board revokes the appointment of Dr. Giering within six month of a change of control or if Dr. Giering wishes the same.

At the balance sheet date, members of the Management Board hold at total of 190,000 options (2010:190,000). As at the balance sheet date, the former member of the Management Board, Dr. Kriegel, still holds 80,000 options (2010: 80,000), which are not extinguished as a result of his retirement in accordance with the arrangements under his employment contract.

In financial year 2011, the Management Board received total non-performance-related remuneration amounting to €670 thousand (2010: €687 thousand), performance-related remuneration amounting to €224 (2010: €256 thousand) and long-term incentive remuneration components amounting to €108 thousand (2010: €185 thousand). In addition, a payment of €650 thousand was agreed for the retirement of Dr. Ingo Stein

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

FIS Supervisory Board

Remuneration for the members of the Supervisory Board including attendance fees amounted to €32 thousand in financial year 2011 (2010: €42 thousand). The Supervisory Board remuneration including attendance fees for the year 2011 and unpaid as at the balance sheet date amounted to €20 thousand.

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

Dr. Besse, who resigned from the Supervisory Board in June 2011, is a partner in the firm of lawyers, Hogan & Hartson Raue LLP, now Hogan Lovells International LLP. In financial year 2011 up until the resignation of Dr. Besse, €487 thousand (2010: €283 thousand) was paid out for the services and instructions of Hogan & Hartson Raue LLP or Hogan Lovells International LLP .
Mr Ernst Hofmann resigned as Chief Executive Officer in financial year in 2011. The Supervisory Board

remuneration paid to him in 2011 for the period, January to June, amounts to €5 thousand plus attendance fees of €2 thousand.

Other related parties

Heimann Sensor GmbH, Dresden (associate 24.9% holding)

in € thousand	2011	2010
MPD sales with Heimann Sensor GmbH	127	222
Earnings from holdings	60	0
Total	**187**	**222**

in € thousand	2011	2010
Receivables from Heimann Sensor GmbH	29	24
Total	**29**	**24**

Vereta GmbH, Einbeck (affiliate: 24.9% holding)

Under the terms of the agreement, FIS undertook to Vereta GmbH to pay into the capital reserves in accordance with an agreed milestone plan. Payment amounting to €250 thousand was made on this basis in 2011. As at December 31, 2011, other current liabilities were recognized also related to this agreement €50 thousand, 2010: €300 thousand).

*31.*FINANCIAL RISK MANAGEMENT

Risk management for financial instruments

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

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

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

Fair value risk

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

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

The fair value of unquoted instruments, bank loans and other financial liabilities, obligations under finance leases and other non-current financial liabilities is estimated by discounting the future cash flow on the basis of interest rates currently available for borrowings on similar terms, credit risks and remaining maturities.

The Group enters into derivative financial transactions with various parties in particular with banks with good credit rating. Derivatives measured using a valuation technique with input parameters that can be observed on the market are interest-rate swaps and interest-rate caps. Among the most frequently-used measurement methods are forward-price and swap models using present values. The models include various variables such as the credit rating of business partners, foreign exchange spot and forward rates, yield curves and forward rates for the underlying raw materials. As at December 31, 2011, the marked-to-market-value derivative asset position is considered net of a credit valuation adjustment attributable to derivative counterparty default risk. Changes to the counterparty default risk had no material effects on the assessment of the hedge effectiveness of derivatives attributed to a hedge and other financial instruments measured at fair value.

Fair value hierarchy

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

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

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

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

Interest rate swaps and interest rate cap

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

	Payments		**Reference amount**		**Fair value**	
in € thousand unless otherwise indicated	**FIS pays**	**FIS receives**	**2011**	2010	**2011**	2010
Interest rate swaps						
Loan €1.5 million I	3.63%	EURIBOR	375	563	-11	-20
Loan €1.5 million II	3.63%	EURIBOR	375	563	-11	-20
Loan €1.0 million I	2.17%	EURIBOR	923	0	-20	0
Loan €3.0 million	3.83%	EURIBOR	1,879	2,143	-179	0
Loan €7.4 million	2.15%	EURIBOR	3,700	0	-406	0
Interest-rate caps						
Loan €7.4 million	2.15%	EURIBOR	3,700	0	0	0

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

Interest rate sensitivity

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

	Increase/decrease in basis points	Impact on pre-tax income € thousand
2011	+15	66
	-10	-44
2010	+15	20
	-10	-14

Currency sensitivity

The Group achieved sales in USD amounting to $11,462 thousand. And cash and cash equivalents amount to $1,763 thousand as at December 31, 2011. The effect on earnings before tax of a fluctuation in the exchange rate of +/- 0.01 €/$ amounts to +/- €132 thousand or in the case of a fluctuation of +/- 0.10 €/$, +/- €-1,323 thousand.

Liquidity risk

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

As at December 31, 2011, the Group's financial liabilities show the following maturities. All data is based on contractual, non-discounted payment.

Financial year as at Dec. 31, 2010	**Maturity up to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
in € thousand				
Interest-bearing loans	10,462	32,620	3,324	46,406
Accounts payable	8,131	-	-	8,131
Liabilities to affiliated companies	55	-	-	55
Financial derivatives	451	88	15	554
Other liabilities	11,871	4,750	0	16,621
Total	**30,970**	**37,458**	**3,339**	**71,767**

Financial year as at Dec. 31, 2010	**Maturity up to 1 year**	**1 - 5 years**	**Over 5 years**	**Total**
in € thousand				
Interest-bearing loans	5,089	8,271	1,138	14,498
Accounts payable	3.778	0	0	3,778
Financial derivatives	68	79	0	147
Other current liabilities	2,850	0	0	2,850
Total	**11,785**	**8,350**	**1,138**	**21,273**

Capital management

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

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

in € thousand	2011	2010
Equity	69,132	38,086
Balance sheet total	160,234	68,109
Equity ratio	43%	56 %

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

32. FINANCIAL INSTRUMENTS

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

33. FURTHER NOTES IN LINE WITH HGB REGULATIONS

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

Management Board

Members of the Management Board

First name, Last name	Position on the Board
Dr. Hans-Georg Giering	Chief Executive Officer
Dr. Ingo Stein	Chief Financial Officer

Supervisory Board

Members of the Supervisory Board

First name, Last name/ Job title	**Position on the Supervisory Board**	Membership statutory supervisory boards	**Membership of comparable domestic or foreign supervisory committees**
Götz Gollan Executive Officer of Bankhaus Dr. Masel AG, Berlin	Chief Executive Officer since June 9, 2011 Member of the Supervisory Board since June 17, 2010	Crossgate AG, Munich (Chairman), Until October 31, 2011 Capitell Vermögens-Management AG, Frankfurt am Main Augusta Technologie AG, Munich, since December 6, 2011	none
Dr. Helge Petersen Managing Director of Petersen, Waldheim & Cie. GmbH, Frankfurt am Main	Deputy Chairman of the Supervisory Board since June 9, 2011	none	Häusermann GmbH, Gars, Austria (Member of the Advisory Council)
Dieter Althaus Vice President Governmental Affairs, Magna Europe, Heilbad Heiligenstadt	Member of the Supervisory Board since June 9, 2011	Pax-Bank e. G., Cologne	none

Former members of the Supervisory Board

First name, Last name/ Job title	Position on the Supervisory Board	Membership statutory supervisory boards	Membership of comparable domestic or foreign supervisory committees
Ernst Hofmann Management consultant	Chief Executive Officer Until June 9, 2011 Member of the Supervisory Board since June 18, 2002	none	none
Dr. Dirk Besse Lawyer Partner at Hogan Lovells International LLP, Berlin	Deputy Chairman of the Supervisory Board to June 9, 2011	LBi Germany AG, Cologne (Chairman) MetaDesign AG, Cologne (Chairman)	none

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

First Sensor AG has published the following announcements relevant at the time of the preparation of the Notes in accordance with Article 21 (1) German Securities Trading Act (WpHG), by December 31, 2011 and by publication of the annual report and published in accordance with Article 26 (1) WpHG.

Reportable name/company	Residence/head office	Date of notification	Date threshold touched	Date of publication	Threshold value reached exceeded/fallen below	Level of voting share at time of notification %	Voting rights	Allocation according to
1.) **Daniel Hopp**	Germany	28.10.2011	25.10.2011	01.11.2011	Fallen below 25% and 20%	18.89%	1,859,605	Article 22 1 sentence 1 no. 1 WpHG
To be attributed to Mr Daniel Hopp:						18.89%	1,859,605	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following companies controlled by Mr Daniel Hopp each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

DAH Beteiligungs GmbH
– Hopp Beteiligungsgesellschaft mbH & Co. KG
– Hopp Verwaltungs GmbH

Reportable name/company	Residence/head office	Date of notification	Date threshold touched	Date of publication	Threshold value reached exceeded/fallen below	Level of voting share at time of notification %	Voting rights	Allocation according to
2.) **Hopp Verwaltungs GmbH**	Mannheim, Germany	28.10.2011	25,10,2011	01,11,2011	Fallen below 25% and 20%	18.89%	1,859,605	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to Hopp Verwaltungs GmbH:						18.89%	1,859,605	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

DAH Beteiligungs GmbH – Hopp Beteiligungsgesellschaft mbH & Co. KG								
3.)								
Hopp Beteiligungs-gesellschaft mbH & Co. KG	Mannheim, Germany	28.10.2011	25.10.2011	01.11.2011	Fallen below 25% and 20%	18.89%	1,859,605	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to Hopp Beteiligungsgesellschaft mbH & Co. KG:						18.89%	1,859,605	Article 22 1 sentence 1 no. 1 WpHG
The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more: – DAH Beteiligungs GmbH								
4.)								
DAH Beteiligungs GmbH	Mannheim, Germany	28.10.2011	25.10.2011	01.11.2011	Fallen below 25% and 20%	18.89%	1,859,605	
1.)								
ING Groep N.V.	Amsterdam, Netherlands	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to ING Groep N.V. :						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more: – ING Verzekeringen N.V., – ING Insurance Eurasia N.V., – Nationale Nederlanden Nederland B.V., – Nationale Nederlanden Levensverzekering Maatschappij N.V., – Parcom Capital B.V., – Parcom Deutschland I GmbH & Co KG, – Alegria Beteiligungsgesellschaft mbH.								
2.)								
ING Verzekeringen N.V.	Amsterdam, Netherlands	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%,15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to ING Verzekeringen N.V.:						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more: – ING Insurance Eurasia N.V., – Nationale Nederlanden Nederland B.V., – Nationale Nederlanden Levensverzekering Maatschappij N.V., – Parcom Capital B.V., – Parcom Deutschland I GmbH & Co KG, – Alegria Beteiligungsgesellschaft mbH.								

Reportable name/company	Residence/head office	Date of notification	Date threshold touched	Date of publication	Threshold value reached exceeded/fallen below	Level of voting share at time of notification %	Voting rights	Allocation according
3.)								
ING Insurance Eurasia N.V.	Amsterdam, Netherlands	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to ING Insurance Eurasia N.V.:						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more: – Nationale Nederlanden Nederland B.V., – Nationale Nederlanden Levensverzekering Maatschappij N.V., – Parcom Capital B.V., – Parcom Deutschland I GmbH & Co KG, – Alegria Beteiligungsgesellschaft mbH.								

4.)

Nationale-Nederlanden Nederland B.V.	Amsterdam, Netherlands	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to Nationale Nederlanden Nederland B.V. :						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

- Nationale Nederlanden Levensverzekering Maatschappij N.V.,
- Parcom Capital B.V.,
- Parcom Deutschland I GmbH & Co KG,
- Alegria Beteiligungsgesellschaft mbH.

5.)

Nationale Nederlanden Levensverzekering Maatschappij N.V.	Rotterdam, Netherlands	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to Nederlanden Levensverzekering Maatschappij N.V.:						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

- Parcom Capital B.V.,
- Parcom Deutschland I GmbH & Co KG,
- Alegria Beteiligungsgesellschaft mbH.

6.)

Parcom Capital B.V.	Schiphol Airport, Netherlands (Haarlemmermeer)	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%,15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to Parcom Capital B.V.:						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

- Parcom Deutschland I GmbH & Co KG,
- Alegria Beteiligungsgesellschaft mbH.

7.)

Parcom Deutschland I GmbH & Co KG	Munich, Germany	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to Parcom Deutschland I GmbH & Co KG:						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following company it controls, whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

- Alegria Beteiligungsgesellschaft mbH.

8.)

Alegria Beteiligungs-gesellschaft mbH	Munich, Germany	01.11.2011	27.10.2011	02.11.2011	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	

DPE Deutsche Private Equity B.V.,	Schiphol Airport, Netherlands	03.11.2011	27.10.2011	07.11.2011	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to DPE Deutsche Private Equity B.V.:						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following companies it controls, each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

- Parcom Deutschland I GmbH & Co KG,
- Alegria Beteiligungsgesellschaft mbH.

Reportable name/company	Residence/head office	Date of notification	Date threshold touched	Date of publication	Threshold value reached exceeded/fallen below	Level of voting share at time of notification		Allocation according
						%	Voting rights	
Voit Foundation	Eschen, Principality of Liechtenstein	04.11.2011	28.10.2011	07.11.2011	Moved below 3%	2.35%	231,500	

Voit Foundation	Eschen, Principality of Liechtenstein	21.11.2011	25.10.2011	23.11.2011[1]	Moved below 3%	2.35%	231,500	
ING Insurance Topholding N.V.	Amsterdam, Netherlands	22.02.2012	29.12.2011	23.02.2012	Exceeded 3%, 5%, 10%, 15%, 20% and 25%	27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG
Of which to be attributed to ING Insurance Topholding N.V:						27.33%	2,690,000	Article 22 1 sentence 1 no. 1 WpHG

The attributed voting rights are held by the following companies controlled by ING Insurance Topholding N. V. each of whose voting rights in First Sensor AG, Berlin, Germany are 3% or more:

- ING Verzekeringen N.V.,
- ING Insurance Eurasia N.V.,
- Nationale Nederlanden Nederland B.V.,
- Nationale Nederlanden Levensverzekering Maatschappij N.V.,
- Parcom Capital B.V.,
- Parcom Deutschland I GmbH & Co. KG,
- Alegria Beteiligungsgesellschaft mbH.

[1] Correction of the publication on November 7, 2011

Employees

The average number of employees in financial year 2011 was:

	2011	2010
Germany	452	314
Other countries	29	9
	481	323

The Group had a total of 725 employees as of December 31, 2011 (December 31, 2010: 341 employees). The increase is attributable in particular to the acquisition of the SET group.

Fees of the auditor

in € thousand	2011	2010
Audit services	172	88
Other assurance services	48	40
Other services	0	107
	220	235

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

Waiver of disclosure pursuant to Article 264 (3) HGB

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

Lewicki microelectronic GmbH, Oberdischingen
Sensortechnics GmbH, Puchheim
Elbau GmbH, Berlin

34. CORPORATE GOVERNANCE

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

Berlin, March 29, 2012

First Sensor AG

Dr. Hans-Georg Giering	Joachim Wimmers	Dr. Ingo Stein
Chief Executive Officer	Chief Financial Officer	Member of the Management Board

AUDIT CERTIFICATE

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

"We audited the consolidated financial statements comprising the balance sheet, the statement of comprehensive income, the consolidated cash flow statement, the statement of changes in equity and the Notes to the financial statements including the segment report, prepared by First Sensor AG, Berlin, and the consolidated management report which has been combined with the company management report for the financial year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and consolidated management report pursuant to IFRS as required in the EU, and in addition the provisions of commercial law pursuant to Article 315a (1) HGB (German Commercial Code) is the responsibility of the company's legal representatives. It is our duty to assess the consolidated financial statements and consolidated management report based on our audit. In addition, we were asked to assess whether the consolidated financial statements conform to IFRS as a whole.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB in accordance with the principles adopted by the German Institute of Public Auditors [Institut der Wirtschaftsprüfer (IDW)] for the audit of financial statements. These standards require that the audit is planned and conducted such that misstatements materially affecting the presentation of the assets, financial and earnings situation in the consolidated financial statements in accordance with the applicable financial reporting provisions and in the consolidated management report are detected with reasonable certainty. In determining the audit procedures, knowledge of the business activities and economic and legal environment of the Group as well as expectations as to potential misstatements are taken into account. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report are examined primarily on a random test basis. The audit includes assessment of the financial statements of the companies included in the consolidation, the definition of the scope of consolidation, the accounting policies and principles of consolidation and the significant estimates made by the legal representatives and appraising the overall presentation of the consolidated financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Berlin, March 27, 2012
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Plett	Mattner
Wirtschaftsprüfer	Wirtschaftsprüfer

DECLARATION OF COMPLIANCE (BALANCE SHEET OATH) PURSUANT TO ARTICLE 264 (2 P. 3, 289 (1) P. 5 HGB (GERMAN COMMERCIAL CODE) (NO. 3)

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group over the remainder of the financial year.

Berlin, March 29, 2012

First Sensor AG

Dr. Hans-Georg Giering	Joachim Wimmers	Dr. Ingo Stein
Chief Executive Officer	Chief Financial Officer	Member of the Management Board

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

With the exception of the recommendations listed below, First Sensor AG complies with the recommendations of the Government Commission German Corporate Governance Code (Code) published by the Federal Ministry of Justice in the regulatory section of the electronic German Federal Gazette in the current version from May 26, 2010 and has complied with the recommendations of the Code in the version from May 26, 2010 since issuing the last declaration in March 2011 subject to the limitations listed in the declaration of compliance.

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

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

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

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

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

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

- In **Article 5.4.6 (2)** the Code recommends additional performance-related remuneration for members of the Supervisory Board.

  The members of the Supervisory Board of First Sensor AG do not receive any performance-related remuneration. The company considers fixed remuneration better suited to reflect the supervisory role of the Supervisory Board which remains independent of the company's performance.

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

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

Berlin, March 29, 2012

First Sensor AG

Dr. Hans-Georg Giering	Götz Gollan
Chief Executive Officer	Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

2011 was an exceptional year for First Sensor AG. Looking back, in the summer, the Company celebrated twenty successful years in operation and with the acquisition of the Sensortechnics Group and the relocation of First Sensor Technology GmbH from Berlin Adlershof to Berlin Oberschöneweide, key steps were taken for the future development of the Group.

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

The Supervisory Board kept itself regularly informed of business development at First Sensor AG and its subsidiaries and was convinced that the management was lawful and regular. In a total of five meetings which were personally attended, five held by telephone and the constituent meeting held on June 9, 2011, the Supervisory Board primarily discussed in detail matters of business policy and corporate strategy with the Management Board.

Agreeing and examining the strategic orientation with the Management Board and associated acquisition measures constituted an important area in the work of the Supervisory Board in 2011. This included a strategy meeting over several days with a meeting of the Supervisory Board at the same time in January 2011 which, in addition to the First Sensor AG Management Board and Supervisory Board, was attended by the managers of the companies within the Group. We examined business transactions material to the company on the basis of the reports of the Management Board and external consultants.

In the meeting held in March 2011, the Consolidated Financial Statements and the Annual Financial Statements for the Company were discussed in detail with the auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, and subsequently approved and adopted. The remuneration system for the Management Board and the appropriateness of the remuneration paid to the members of the Management Board was also examined.

The acquisition of MSF GmbH was unanimously approved following the provision of comprehensive information from the Management Board and in depth debate concerning the acquisition outside the ordinary meeting.

In a resolution of the Annual General Meeting of our Company held on June 9, 2011, Dr. Helge Petersen and Dr. Dieter Althaus were elected members of the Supervisory Board in the place of Mr. Ernst Hofmann and Dr. Dirk Besse who both resigned at their own wishes. The Supervisory Board expresses its thanks to the members leaving the Board on behalf of all the shareholders for the successful work carried out unfailingly for the benefit of the Company.

In its constituent meeting held on June 9, 2011, the Supervisory Board elected Mr. Gollan as Chairman and Dr. Petersen as his Deputy.

In two meetings of the Supervisory Board held by telephone in July and August 2011, the Board discussed in detail progress in the negotiations for the acquisition of the Sensortechnics Group on the basis of the documentation prepared by the Management Board, auditors and lawyers.

In September 2011, the Supervisory Board discussed the main focus of the audit for financial year 2011 with the Company's auditors. In addition to the current business situation, the Supervisory Board also tackled the risk early-warning system and the progress of the measures towards the acquisition of the Sensortechnics Group and the First Sensor AG capital increase planned for this purpose. On September 28, 2011, the Supervisory Board gave its approval in another telephone meeting of the Supervisory Board for the signature of the corresponding purchase agreement and the associated financing and capital increase.

In its meetings in November and December 2011, in addition to business planning and a range of other topics, it was discussion of the future corporate and management structure and measures for the integration of the Sensortechnics Group which constituted the focal point of the consultations with the Management Board.

The Supervisory Board also reached an understanding with the Company's Chief Financial Officer, Dr. Ingo Stein, concerning his resignation for personal reasons with effect from March 31, 2012 and appointed a suitable successor to the post of Chief Financial Officer of the Company. As part of a structured process involving intense personal commitment on the part of the members of the Supervisory Board, after the close of the financial year, a highly-experienced and skilled manager was recruited in the person of Mr. Joachim Wimmers who is appointed Chief Financial Officer with effect from March 1, 2012. The Supervisory Board expresses its thanks to Dr. Stein for his work and looks forward to working with Mr. Wimmers.

In addition to the above, a range of meetings were held between the Management Board and the Chairman of the Supervisory Board and with other members. The Supervisory Board has not formed any separate committees but always advised collectively. All the current members of the Supervisory Board attended all three meetings. The efficiency of the Supervisory Board's activity was reviewed regularly and, as a result, the reporting procedures were refined among other things. There were no conflicts of interest in the Supervisory Board during financial year 2011.

In its meeting held on March 25, 2011, the Supervisory Board examined in depth the content of the German Corporate Governance Code. Information on Corporate Governance within the Company together with a detailed report on the level and structure of Supervisory Board and Management Board remuneration can be found on page 19 and 20 of this Annual Report. At the meeting mentioned above, the Management Board and Supervisory Board decided to issue a declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act). More details are available on page 83 of this Annual report. The declaration of compliance shall be permanently accessible to shareholders on the Company web site.

The Consolidated Financial Statements with Management Report and Financial Statements as at December 31, 2011 with Management Report were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Berlin, and issued with an unqualified audit opinion. The Annual Financial Statements and Consolidated Financial Statements documents and the Management Reports were submitted to the Supervisory Board, were verified by the Board and, at the meeting of the Supervisory Board held on March 27, 2012, were discussed in detail in the presence of the auditors and explained by them. The Supervisory Board approved the 2011 Annual Financial Statements. These are therefore adopted. The 2011 Consolidated Financial Statements were noted by the Supervisory Board with no objections and approved.

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

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

Berlin, March 2012

First Sensor AG
The Supervisory Board

Götz Gollan
Chairman

FIRST SENSOR AG

GROUP ANNUAL FINANCIAL REPORT 2011

LEGAL NOTICE

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

FINANCIAL CALENDAR 2012

Date	Topic	Location
2012-05-30	Publication of consolidated interim financial report as at March 31, 2012	
2012-08-27 – 2012-08-29	Analysts´ conference SCC Small Cap Conference	Frankfurt am Main
2012-08-30	Publication of consolidated interim financial report as at June 30, 2012	
2012-11-12 – 2012-11-14	German Equity Capital Forum	Congress Center at Messe Frankfurt, Frankfurt am Main
2012-11-29	Publication of Consolidated interim financial report as at September 30, 2012	

INTERNET, INFORMATION, CONTACT

This group annual financial report 2012 is available in German and English.
Both versions are also available for download on the internet at www.first-sensor.com.

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