First Sensor

We sense the future

Annual Report 2015

First Sensor in figures

in € million, unless otherwise indicated	2011	2012	2013	2014	2015
Sales revenues	65.2	111.9	108.5	124.0	137.7
Industrial	–	–	–	68,4	74.1
Medical	–	–	–	20,4	23.8
Mobility	–	–	–	35.2	39.8
EBITDA	6.7	13.4	11.6	13.5	11.4
EBITDA margin (%) as compared to total output	9.7	11.6	10.6	10.8	8.3
EBIT	1.6	3.6	2.7	4.1	1.2
EBIT margin (%) as compared to total output	2.3	3.1	2.5	3.2	0.9
Net profit for the period	0.5	0.5	-0.5	0.4	-1.5
Earnings per share (€)	0.06	0.05	-0.05	0.02	-0.17
Cash flow from operating activities	-2.6	10.0	13.1	12.2	5.0
Free cash flow	-58.1	-2.9	5.9	7.5	-1.8
Balance sheet total	160.2	158.6	144.9	144.9	153.5
Shareholders' equity	69.1	69.9	70.0	72.0	71.3
Equity ratio (%)	43.1	44.1	48.3	49.7	46.4
Net debt	33.3	39.0	35,8	29,7	33.0
Working capital	34.3	36.3	28.6	30.3	36.5
ROCE	1.2	2.6	2.3	3.4	1.0
Incoming orders	29.7	117.8	121.4	139.3	142.3
Orders on hand	63.6	73.4	73.7	86.4	90.7
Book-to-bill-ratio	0.46	1.05	1.11	1.12	1.03
Employees (average of the period)	–	691	686	719	770
Sales revenues per employee		161.9	158.2	172.5	178.8
Number of shares in thousand as of 31.12.	9,843	9,940	9,981	10,131	10,167

Company profile

Today, 25 years after its foundation in Berlin, First Sensor AG is one of the world's leading providers of sensor technology. This success is the result of our innovative strength, our commitment to excellence and our proximity to our customers, employees, and partners.

By focusing on the industrial, medical, and mobility growth markets, not only do we ensure the continuous growth of our company, we also, against the backdrop of trends such as Industry 4.0, the miniaturization of medical devices, or autonomous driving, help to shape the future of the economy and of society.

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In the growth market of sensor systems, First Sensor develops and produces **customer-specific solutions** for the ever-increasing number of applications in the i**ndustrial, medical,** and **mobility** target markets.

Based on innovative technology platforms, we develop products such as chips, components, sensors, and entire sensor systems. These products give our customers a real competitive edge. Using our detailed understanding of customer applications, we develop solutions whose capabilities go far beyond those of standard components already on the market.

By focusing on technology-driven target markets, we are already playing a role in their exceptionally rapid growth. In the future, too, we will benefit from the megatrends that drive these markets. Our goal here is to identify and meet the challenges of the future early on – a goal that is firmly anchored in our corporate culture.

For example, Industry 4.0 – the intelligent networking of products and processes – is a growth driver for the Industrial segment. Experts are expecting additional value creation potential of €78 billion by 2025 in Germany alone. Intelligent sensor systems play a key role in this networking process. Thanks to our broad technology platforms, we are in a position to develop specialized solutions that support our customers' ever-increasing demand for process automation.

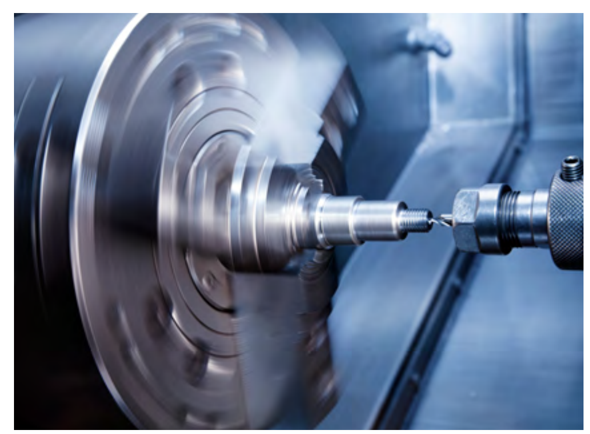
Another growth driver is the use of sensors in the vehicle industry. A whole range of comfort and safety applications can be realized only with the help of intelligent sensor systems. Partially and fully autonomous driving is possible only thanks to sensor-based driver assistance systems, for example. Self-driving cars are still in the pilot phase, but forecasts predict that as many as 54 million of these vehicles could be on the road by 2025.

The Mobility segment is profiting from this trend not only among passenger cars but also increasingly among trucks, commercial vehicles, and specialized vehicles. Our experience based on the multiple millions of units we have already delivered and our reputation as a reliable and innovative partner to leading suppliers and automotive groups constitute a sound basis for playing an increasingly important role in this market in the future.

In the field of medical technology, too, the trend is toward ever more intelligent solutions that connect data in the cloud prior to communicating with the control technology, thereby enabling semi-automated diagnosis. At the same time, the ongoing miniaturization of medical technology means that dialysis machines for home use are no longer merely visions of the future; Self-tracking will become an increasingly important part of the daily routines of billions of people. Many of these decentralized applications allow the monitoring of patient health or the assessment of the success of treatments, thereby ensuring that e-health applications will play an important role in the health growth market in the future.

2 Medical

3 Mobility



1 Industrial

As a manufacturer of sensors and sensor systems that are "Made in Germany," First Sensor is already well represented on many markets worldwide. In the future, the targeted expansion of our international presence will increase our proximity to our customers, for example in North America and China, thereby securing additional sales potential. Internationalization is therefore a key pillar for achieving our medium-term growth targets.

Furthermore, as a major player in the highly fragmented sensor systems market, First Sensor is well positioned to play an active role in ongoing consolidation. For us, "perfect-fit" companies are those that support our vertical integration by offering complementary technology. To further expand our position as a supplier and integrator of smart sensor systems, therefore, we regularly review the options available to us as part of our "buy-and-build" strategy. Our goal is to enhance value continuously and sustainably.

We are there when visions become everyday life.

Visions put innovations – pioneering innovations – into motion. First Sensor develops and manufactures innovative sensor technology solutions that make life better, safer, and more comfortable. For people all over the world.

1 Intersections that regulate traffic using sensors or tell vehicles where a hazard is coming from are already a reality.


1

"Cars are becoming autonomous, industries are becoming smart, and medical devices are becoming mobile. We are attuned to the growth markets we want to shape with our innovations."

DR. MARTIN U. SCHEFTER, CEO

The symbiosis of vision and innovation is firmly rooted in our DNA. Founded as a technology start-up, our goal today, as it was 25 years ago, is to play an active role in shaping the future. Thanks to the rapid development of technological progress, in the future sensors will also help to continuously improve our quality of life.

1

Sensors are the sensory organs of machines, vehicles, and devices. They sense physical or chemical properties or qualities and convert them into electrical signals for further processing. These signals don't just provide us with the basis for the control and automation of products and processes, they show us the whole picture: Our sensors help people make decisions and help increase safety – at work and in everyday life.

First Sensor's innovative sensor solutions make an important contribution to the solving of the challenges of the future and to enabling the digital transformation of the economy and of society.

Inspiring, specialized, and development-oriented: We are in an excellent position to make visions that ensure a better and attractive future for people a reality. This is an ideal starting point for the creation of innovative and high-performance products. We are already developing, in close partnership with our customers, future-defining solutions for tomorrow's growth markets and will therefore be there when cities become "smart", illness are diagnosed in time and can therefore be cured, or when driver assistance systems save lives.

We are there, when mobility is redefined.

The wrong speed, insufficient gaps between vehicles, lane departure: 90% of all traffic accidents are caused by human error. By developing innovative sensor solutions, First Sensor aims to help make driving safer and to set new trends for partially and fully automated driver assistance systems.

It has been more than five years since Google announced its research into driverless cars. Since then, car manufacturers around the world have been refining a technology in which vehicles are able to replicate our sensory perception, for which cameras and cameras systems are the basic prerequisites.

Today's trends become tomorrow's markets

"First Sensor is increasing its presence on its target markets through new applications that develop from smart sensors, for example. These sensors don't just measure; they react intelligently to the measurement results and communicate with other systems."

DR. MATHIAS GOLLWITZER, CFO

1 By 2050, 70 percent of people in the world will live in cities. First Sensor is participating in the creation of smart cities.

1

Sensors are a central element of the digital transformation and an essential component of technology-based products. Experts estimate that the number of sensors that is integrated in B2B applications worldwide will double every eight to nine years. There's no question that this will mean increased demand for First Sensor's high-quality products and solutions.

But how exactly is the sensor technology market developing? Which market segments will have the greatest growth potential in the long term? First Sensor has considered this question in detail and has specialized in markets that represent megatrends that change the world fundamentally and for the long term.

This is also reflected in the structure of the company, with its three business units Industrial, Medical, and Mobility. Their customers are well-known industrial groups and young technology companies that utilize our know-how and many years of expertise to develop their own innovative products. They appreciate the opportunity to make individual adjustments at every stage of the value chain in order to create exceptionally powerful sensors and sensor systems with tailored features. This joint development work frequently forms the basis for long-standing partnerships.

Megatrend Industry 4.0

Following mechanization, industrialization, and computerization, the industrial revolution has entered a new, fourth phase, characterized by the networking of software components with machine systems. The connection of the physical and the virtual world in the production process is achieved with the help of processors and sensors that communicate intensively with each other via radio connections, thus optimizing and individualizing the production processes. This development not only defines the industry, it also influences our urban life.

First Sensor entwickelt u.a. Sensorlösungen für:
- smart factories that automate and control industrial processesSmart Cities
- smart cities that know when a parking space is free
- smart products that make everyday work easier

Megatrend: Health

The innovative developments in the health sector range from medical and clinical care to e-health applications to the miniaturization of medical devices. They enable essential elements of diagnostics and treatment to be carried out locally and medical treatments to also be increasingly carried out at home. Sensor solutions that are becoming ever smaller and more powerful represent the basis for this future.

First Sensor develops sensor solutions for:
- new imaging diagnostics systems
- minimally invasive operation techniques
- mobile medical devices and assistance systems

Megatrend: Mobility

Mobility is an essential attribute of globalized society and forms an indispensable foundation of modern life and economy. The near future will be a multi-mobile era, in which means of transport interact intelligently and in a cross-system network. New technological options will open up a wide range of new possibilities for implementing the latest, mobile requirements and needs, economically, safely, conveniently, and sustainably.

First Sensor develops sensor solutions for:
- partially and fully autonomous cars and trucks
- assistance systems in commercial vehicles and in construction and agricultural machinery

We are there when smart things become standard.

The fourth industrial revolution has begun and will change both people's lives and the global economy forever. The intelligent networking of the physical and virtual world enables the automated production of highly customized products. Sensor solutions play a crucial role here.

In automated processes, personal protection is becoming increasingly important. In safety light barriers or safety light grids, optical sensors ensure that a stop is triggered in the event of unauthorized access or reaching into hazard areas.

1

"The new platform technology for manufacturing highly accurate inertial sensors for measuring incline, acceleration, and vibration will be used not only in smart cities but in geo-engineering and in navigation in the aerospace sector too."

OLAF HUG, VICE PRESIDENT BUSINESS UNIT INDUSTRIAL

Small sensor, big impact

We are at the start of a new level of urbanization. The cities of the future will be more efficient, technologically more progressive, greener, and more socially inclusive. From on-demand street lighting, sensor-based parking guidance systems to intelligent home control technology, networked systems and smart-controlled infrastructures are becoming increasingly important.

For instance, we are contributing to the development toward smart cities with our inertial sensors technology. Thanks to a new patented technology, they are able to detect whether there is a hair under one end of a ten-meter long steel girder or not, for example. Thanks to this accuracy of less than a thousandth of a degree, our inertial sensors are extremely well suited to structural health monitoring.

Structural health monitoring is a term used to describe a process that enables the monitoring of structures and the state diagnosis of components at any time during their service life. The collapse of a structure, e.g. in towers, hall roofs, or power plants, can, in a worst case scenario, lead to loss of life and have serious repercussions such as environmental damage and severe economic consequences. In particular, structural damage caused by chemical aging, material fatigue, or even geotechnical processes can be the causes of unexpected behavior in buildings.

Our inertial sensors can measure the distortion on structures and detect the deformation and stress state. This enables the early detection of the threatened failure of the components, making it possible to take appropriate maintenance measures in time.

Currently a range of customers are already testing and sampling the new First Sensor inertial sensors. For the planned start of production in 2016, we are focusing initially on four types of sensors. These are two variants in the "SensAcc" product series for measuring accelerations and two types of "SensIncline" sensors for determining inclines.

In addition, First Sensor is working with the Bauhaus Universität Weimar's "Zukunft Bau" research initiative on the smart version of the inertial sensor. Within a monitoring system, the sensor is intended to not only continuously monitor the state of structures or buildings but also communicate changes to other systems and thus support measures such as the reduction of a speed limit on a bridge, for example.

1 In Germany alone, around 9,500 public bridges are in a state of disrepair; indeed, almost half of these bridges will need to be replaced by 2030 for financial reasons. Structural health monitoring thus becomes all the more important.

We are there when little miracles start being taken for granted.

Over 50,000 babies are born prematurely every year in Germany alone. With our sensor technology for incubators, we help them get a good start in life.

Where innovations become reality

INTERVIEW WITH ROMAN SCHMIDT, HEAD OF COMPETENCE CENTER RESEARCH AND DEVELOPMENT AT FIRST SENSOR AG

Mr. Schmidt, wherever you listen, whatever you read—everyone's talking about sensors. But how do these tiny products manage to automate our industry, improve medical technology, or allow cars to drive themselves?

A sensor is a technical component that converts a physical impulse into an electrical value, for example. As well as measuring, the new generation of sensors – smart sensors – also process and evaluate the measurements as well as communicating them with additional sensors or networks, and have their own electrical power supply. These intelligent sensors will be an integral part of the everyday life of the future.

So smart sensor applications will soon become standard everywhere?

Yes, I'm sure of it. Because they make life easier, safer, and more convenient. Think about automated driving for example. The driver assistance systems already in use today make parking easier and enable the car to brake autonomously in front of an obstacle. That wouldn't be possible without sensors, and no one wants to do without it anymore.

How does this development affect your everyday work?

Not only do we have to observe how the markets and technologies are developing, we also need to think about the further development of our customers' products. For example, if a medical technology manufacturer wants to make their optical diagnosis devices even more precise, the imaging sensors must become more powerful and more sensitive. And for that to be possible tomorrow, we have to work on that new technology today. In addition, we need to recognize at an early stage which visions of, for example, self-driving cars or smart cities can become reality and react correspondingly quickly.

"Our platform concept for technologies and products serves as a springboard for the development of customized solutions. For example, an innovation from the Business Unit Industrial can also be used for a new application from the Business Unit Mobility—or vice versa."

ROMAN SCHMIDT, HEAD OF COMPETENCE CENTER RESEARCH AND DEVELOPMENT

And you're taking on all this work alone?

No, luckily not. First of all, that wouldn't be feasible, but most of all, it wouldn't be sensible. The Competence Center Research and Development functions as a trend scout for new technologies, while our business units and sales know how their markets are developing or what their customers require. Then together, we check whether the required solution is technically feasible and can be economically produced. Here, the expertise of our Competence Center Production plays an important role.

What are the other advantages of this close cooperation?

Thanks to our structure of business units and Competence Center, we are able to better coordinate the development of products and avoid parallel research and development work. And, right from the initial phase of a project, we are able to decide to what extent it could be relevant for customers in other market segments. We have flanked this approach with the implementation of modular technology and product platforms. In this way, we create a homogeneous and therefore strong, scalable product portfolio.

For First Sensor, innovation is a key issue. How do you identify promising concepts?

In our opinion, there are two essential drivers in the innovation process: technology push and market pull. One has to do with technological progress, for example in IT or in materials, however, more than anything it is about our own research and development work. This doesn't take place in a vacuum though—it is connected to the requirements and preferences of our customers. This is where market pull comes into play. There too, there is something of a general level: These are the trends and megatrends that we carefully observe.

How do you distinguish good ideas and concepts from the bad? Or to put it an other way, can innovation be organized?

Not only can you, there's no other way of doing it. That's the only way we can focus, in technical and economic terms, on the wide range of possibilities offered by sensor technology and identify valuable ideas and make them into a market success. When organizing this innovation process from the idea to the market launch, we use the stage-gate model. This helps us to manage innovations in a targeted way, in other words, to develop the products for tomorrow from ideas systematically and in line with our strategy.

And what are they currently?

In line with a sensor roadmap, we have to advance many technologies and products in parallel. Important development projects are, for example, new generations of inertial and flow sensors as well as product developments in the field of optical technologies such as LiDAR or microring resonators for medical and industrial material analysis.

Thank you, Mr. Schmidt, for this interesting insight.

1 To our shareholders

1 To our shareholders

Foreword by the management board

1 CEO, Dr. Martin U. Schefter (right) with CFO, Dr. Mathias Gollwitzer (left)

Dear shareholders and business partners,

The transformation of First Sensor dominated the past fiscal year: The new appearance of the Group makes the ongoing integration of the different companies visible to the outside world as well, and with our mission statement we have firmly established a shared understanding of our values of innovation, excellence, and proximity within the company. At the same time, we have successfully intensified our market focus with the business unit structure, as planned.

Our realignment also had a positive impact on the business performance. Instead of the originally planned sales of between €128 million and €132 million, we generated sales of €137.7 million in fiscal year 2015, thus also exceeding the forecast last increased in November. This corresponds to year-on-year growth of over 11% or almost €14 million. All three business units contributed to this successful result, albeit to a differing extent over the course of the quarters. Whereas the Business Unit Medical posted a substantial increase at the end of the year, the other two business units developed more dynamically in the first half of the year.

However, this positive overall situation as regards organic growth cannot hide the fact that we cannot be satisfied with the development of profitability. With EBITDA of €11.4 million, we did not reach our most recent earnings forecast of between €12 million and €14 million as of the end of the year. Even when the non-recurring effects with a negative impact on fiscal year 2015 are taken into account, this earnings quality still is not satisfactory.

Improving profitability will be core task for the years ahead

In the management team with the new CFO Dr. Mathias Gollwitzer, we have addressed this issue and taken measures that will sustainably improve profitability. It is particularly important to standardize core processes in the Group, from product development to production, from the tender process to contract management and billing, and from procurement decisions to payment transactions. There is significant potential here to further improve cooperation between the specialist departments, business units, and competence centers and to leverage synergies to an even greater extent in the future. We expect to see results gradually over the current fiscal year and – to a more significant degree – in the next fiscal year. Our target is ultimately to increase operating earnings step by step to an EBIT margin of 10%.

The closure of our production site in Singapore as of the end of the year already formed part of these measures. The fixed costs associated with a production satellite of this kind left no other option, and we expect the corresponding volume effects at our German plants to contribute to improving earnings here, too. In addition, we are delighted to have gained a proven expert as head of our Competence Center for Production in the form of Dr. Matthias Peschke, whose experience will prove valuable in making the cooperation between our production locations in Germany even more efficient.

The introduction of uniform ERP software at all locations will support these plans. In Dresden, the implementation was completed within just three months at the end of 2015, and three more locations are to follow in 2016. Anyone who has ever witnessed a major software project like this knows that it involves an enormous amount of work. For this reason, we are very pleased that the pilot project in Dresden went so well and are confident that we will have similarly positive experiences at the other locations. This investment, which was necessary in light of the complexity of the production structures, is also expected to bring a higher degree of precision in our planning and management.

New promissory note loan provides liquidity for investments

These change processes within the company are taking place on a healthy financial basis. Just a few weeks before the end of the year, we reduced future financing costs by means of new promissory note loans and extended their maturities until 2020/2022. In the future, we will be able to choose between investing surplus liquidity in company growth or in early repayment.

Improvements in profitability and efficiency go hand in hand with our strategies for shaping the future growth of the company. Sensors are an indispensable component of technology-based products, and experts estimate that the number of sensors that is integrated in B2B applications worldwide will double every eight to nine years. We therefore anticipate further growth in demand for our products and solutions. Our positioning as a specialist in customer-specific solutions is the starting point for many development projects that we work on in partnership with our customers. These often form the basis for a long-lasting collaboration.

Growth through proximity to customers, internationalization, and cooperations

One good example of this was the development of a camera system for mining machines that provides warning of collisions. It was not just the special conditions here – temperatures, vibrations, wetness, and dirt – that placed very high requirements on the hardware. The fact that the machines can have extreme dimensions and are used with very different supply voltages around the world also had to be taken into account. To keep cabling and installation work to a minimum, the camera was equipped with a programmable microcontroller. This means that, for example, image recognition algorithms are run directly in the camera system, and the camera can send corresponding commands directly. The result is therefore a product that is compatible with many different vehicles and conveyor systems and can also find uses in other industries.

To further increase our proximity to our customers worldwide, we will selectively expand the internationalization of the Group, initially focusing on the North America and China. With these investments, we are tapping additional sales potential that will support the dynamic growth of the First Sensor Group in the medium and long term.

We are also tapping further potential with cooperations and possible M&A activities. The focus here is on companies with expertise in complementary technologies. For example, last year we began a cooperation with the Optoi Group, a leading provider in the area of SiPM (silicon photomultiplier) technology. In this cooperation, we benefit from the expertise that is used in the development of smart sensor systems.

Improvement in sales and earnings in 2016

First Sensor is a high-growth company, but when it comes to the further development of the company we place a clear focus on qualitative growth. We have laid the foundations for gradually improving profitability to an EBIT margin of 10% over the coming years, while we anticipate annual sales growth of around 10%. This will enable us to achieve our goal of a continuous increase in value. For fiscal year 2016, we are initially planning for sales of approximately €145 million to €150 million, while the EBIT margin is expected to reach between 5% and 6%.

These targets are ambitious and will require a great deal of effort on the part of our employees, too. But when we look at what we have achieved in the past year, we know that we can rely on our highly motivated and qualified team. We would therefore like to thank them for their commitment and look forward to shaping the successful future of First Sensor together with them.

We will also be delighted if you continue to offer us your constructive support on this path, and we would like to thank you for your trust.

The Management Board

Dr. Martin U. Schefter
CEO

Dr. Mathias Gollwitzer
CFO

145-150

€ million
sales in 2016

5-6

percent
EBIT margin in 2016

Report of the Supervisory Board

First Sensor AG is looking back at a year of solid growth. On the basis of sales growth, the success of measures related to the strategic and organizational realignment of First Sensor AG can already be perceived. The new corporate structure makes it possible to respond to customer requirements in more depth, implement focused market approaches, make use of industry expertise more efficiently and exploit cross-selling potential for the Group. To do this, First Sensor had to resort to external expertise to a certain extent; this was nevertheless replaced with our own qualified staff during the year. Necessary improvements in efficiency will be pursued by streamlining processes in order to make the necessary cost savings. This was not fully reflected in the result in the past fiscal year. However, the foundations for further growth, gradual margin improvements and a successful future for the Group are already in place.

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

Six meetings in person, two meetings on the phone and twelve circular resolutions took place in the past fiscal year. All the members of the Supervisory Board attended all meetings. In particular, topics such as current business development, the corporate strategy, the appointment of a new CFO, the realignment of Group structures and the resultant sales and return potential as well as cost savings through efficiency improvements were discussed at the Supervisory Board meetings. There were also other focal points at the meetings:

At the meeting on January 28, 2015, the members of the Supervisory Board discussed and approved the 2015 budget and the medium-term plan. Furthermore, potential acquisition projects and the development of a long-term oriented employee share ownership program were discussed. During a confidential meeting on the same day without the members of the Management Board, long-term remuneration for Management Board members was discussed. Talks on this issue continued during a telephone meeting on February 16, 2015.

At the Supervisory Board meeting held on March 25, 2015, the separate and consolidated financial statements for fiscal year 2014 were discussed in-depth. The auditor stated his findings from the audit during a presentation. Afterwards, First Sensor AG's consolidated financial statements and annual financial statements for fiscal year 2014 were approved. During the meeting, the Supervisory Board was also informed about the employee share ownership program's progress, potential acquisition projects, draft resolutions for the Annual General Meeting and the status of the Singapore location. In addition, the contents of the Corporate Governance Code and the declaration of compliance in accordance with article 161 of the German Stock Corporation Act (AktG) were on the agenda.

At the meeting held by telephone on April 9, 2015, the members of the Supervisory Board prepared for the forthcoming Annual General Meeting and reached an agreement on the individual agenda items. In particular, the performance share program as a long-term investment program for selected employees was endorsed and the conclusion of a profit and loss transfer agreement with First Sensor Microelectronic Packaging GmbH, Dresden, was proposed to the Annual General Meeting. Furthermore, the organization of the Management Board's bonus agreement for fiscal year 2015 and the level attained in the past year was resolved during the meeting.

On the evening preceding the Annual General Meeting on May 27, 2015, the members of the Supervisory Board convened at an ordinary meeting and agreed on the forthcoming Annual General Meeting in terms of its content and procedure. Moreover, an updated overview of the situation in Singapore and potential acquisition projects was given by the Management Board.

In a circular resolution dated September 30, 2015, the early repayment of the €19.0 million promissory note loan with the placement of other promissory note loans was approved in order to take advantage of the favorable interest-rate situation.

At the beginning of the ordinary Supervisory Board meeting on October 5, 2015 and October 6, 2015, Dr. Gollwitzer was welcomed as the new CFO. The contents of this meeting were predominately the strategic alignment of the First Sensor Group, presented by the heads of the business units, the heads of Competence Center Production and Research & Development and the head of Sales. On the following day, the specialist areas of HR, IT and strategic procurement presented their specialist strategies.

By circular resolution of November 19, 2015, the placement of promissory note loans was resolved.

The Supervisory Board meeting on December 1, 2015 mainly centered on various strategic topics and budget planning for 2016.

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

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

As per statutory regulations, the auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, was appointed by the Annual General Meeting on May 28, 2015 to audit the annual financial statements and the consolidated financial statements for fiscal year 2015. Prior to submitting a proposal for appointment, the Supervisory Board obtained a declaration of independence from the auditors.

The financial statements and management report of First Sensor AG prepared by the Management Board according to the principles of the German Commercial Code (HGB), as well as the consolidated financial statements and the consolidated management report prepared according to the accounting standards of the International Financial Reporting Standards (IFRS) for the fiscal year 2015, including the accounting, have been audited by Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hanover, and granted an unqualified audit opinion.

Throughout the entire auditing process, the Supervisory Board worked closely together with the Management Board and the auditor. The Supervisory Board received all final documentation relating to the annual financial statements of the limited company and the Group, the Management Board's proposal on the appropriation of net profit, and the long-form audit reports from the auditor before its meeting on March 21, 2016 and had access to it during the meeting. The above-mentioned documents were conclusively examined during this Supervisory Board meeting and discussed in full in the presence of the auditor. The Supervisory Board subsequently concurred with the results of the audit by the auditor and did not raise any objections in the course of its own examination. Accordingly, the separate financial statements of First Sensor AG and the consolidated financial statements have thus been adopted in accordance with article 172 AktG.

The current declaration of compliance of First Sensor AG was also approved at the same Supervisory Board meeting. Detailed information on corporate governance within the First Sensor Group is available in the annual report in the corporate governance report in this chapter. In addition, the declaration of compliance has been made permanently available to interested members of the public on the company's website at www.first-sensor.com.

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

The Supervisory Board would particularly like to thank, Joachim Wimmers, who is leaving his position as CFO, for his high sense of personal commitment and his loyal collaboration over three prosperous years.

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

Berlin, March 21, 2016

First Sensor AG

Prof. Dr. Alfred Gossner
Chairman of the Supervisory Board

First Sensor share

A successful performance in fiscal year 2015

The First Sensor share gave a clear signal three times in the 2015 stock market year, by jumping above the €10, €11 and €12 marks and returning to a level that the company's observers had most recently seen at the start of 2008. This certainly demonstrates that the growth strategy of the new management team is finding increasing recognition among private and institutional investors. Analysts covering the company believe that these share prices still have potential, as their target prices are €14 for the next 12 months. As a result, their opinion is reflected in a unanimous "buy."

During a nerve-racking stock market year shaped by significant fluctuations and influenced by the Greek crisis, growing doubt with regard to future economic development in China, the slump in oil prices, the imminent interest rate reversal in the United States and the European Central Bank's ongoing cheap monetary policy, the German leading index DAX rose by 9.56% to 10,743 points – following a rise of just about 2.65% in the previous year – thus closing the fourth year in a row with an increase. In 2015, the Prime All Share Index went up by 12.8%, 10 points above the prior-year result. The technology index TecDAX even rose by 33.5% over the course of the year.

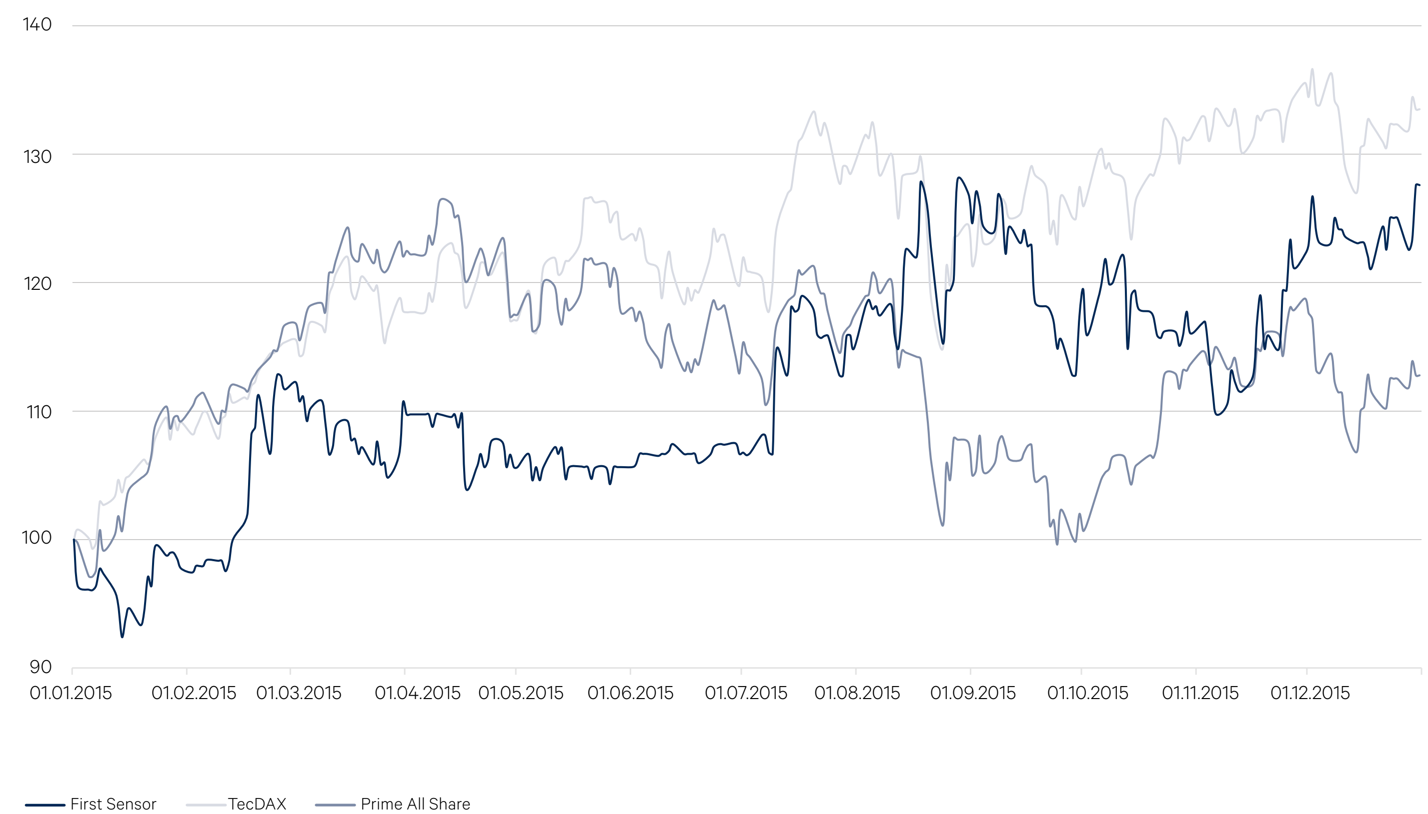
In the 2015 stock market year, First Sensor AG's share started at a price of €9.80 (all prices below are Xetra closing prices). Following a period of slight weakness in the first trading weeks, it exceeded the €10 mark in the second half of February. Spurred by a positive market environment, the leading index (DAX) rose to its highest level of the year in April: 12,374. In the following weeks and months, it fluctuated within the range of €10 and €11 before the share crossed the €11 mark on July 13. Already at the end of August, after several attempts, the €12 hurdle was also exceeded, achieving its intraday high for the year at €12.95 on September 2. Until mid-September, the First Sensor share maintained this level, before it fell below the €12 threshold again. At this moment in time, the DAX had already lost more than its gains in the first half of the year and dropped to its lowest level of the year: 9,427 points. The news published in mid-October regarding the adjustment of the earnings forecast for 2015 resulted in a short-term drop in price. However, the price of the First Sensor share continued to be between €11 and €12 until the end of November. In December, the price jumped above the €12 mark again, finally ending 2015 at €12.44. As a result, First Sensor AG's share rose by 26.9% since the beginning of the year.

First Sensor's market capitalization was continuously above €100 million in the last 10 months of the year. This value is significant since there is a considerable number of institutional investors whose regulations allow an investment to be made only above this threshold. The group of potential investors has therefore favorably grown.

The daily trading volume also climbed over the year, making it easier for investors to develop their position. Therefore, the Management Board wants to further intensify capital market communications in fiscal year 2016 to expand the group of interested parties in First Sensor's growth story.

The average number of First Sensor shares traded each day in fiscal year 2015 was around 8,452 (previous year: 7,844).

Performance of the First Sensor share from January 1 to December 31, 2015



First Sensor share key figures

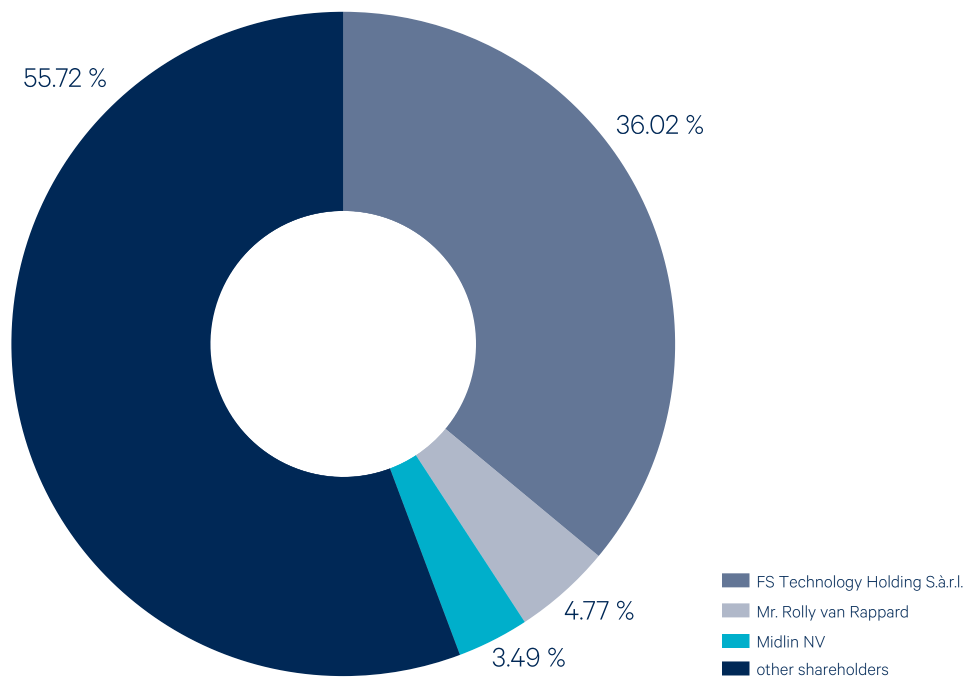
in € thousand, unless otherwise indicated	Dec. 31, 2014	Dec. 31, 2015	Δ	Δ %
Share capital (€)	50,655,055	50,835,480	180,425	0.4
Market capitalization	98,777	126,479	27,702	28.0
Share price (€), XETRA closing price	9.75	12.44	2.69	27.6
Net profit attributable to shareholders	175	-1,717	-1,892	-1.081.1
Number of shares, weighted	10,046,396	10,154,654	108,258	1.1
Earnings per share (€)	0.02	-0.17	-0.19	-950.0

The company's share capital amounted to €50,835,480.00 as at the end of the reporting period, divided into 10,167,096 no-par value bearer shares each with a notional interest in the share capital of €5.00. Based on the closing price of €12.44, this results in market capitalization of around €126.5 million at year-end 2015.

First Sensor share key data

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

Shareholder structure as at February 25, 2016 (according to available voting rights notifications)



While DAH Beteiligungs GmbH, which has accompanied the company for years, gradually reduced its stake, on March 25, 2016 a new investor joined the group of those holding over 3% of shares: Mr. Rolly van Rappard, Co-Founder and Co-Chairman of CVC Capital Partners. CVC manages capital on behalf of over 300 institutional, governmental and private investors worldwide.

Corporate Governance Report and Declaration of Business Management

The principles of responsible and sustainable business management govern the actions of management and supervisory bodies at First Sensor AG. In this declaration, the Management Board reports – also at the same time for the Supervisory Board – on corporate governance in accordance with item 3.10 of the German Corporate Governance Code and on business management in accordance with section 289a(1) of the German Commercial Code (HGB).

Implementation of the German Corporate Governance Code

In the year under review, the Management Board and Supervisory Board of First Sensor AG dealt with the recommendations and suggestions of the Government Commission of the German Corporate Governance Code (GCGC) in the version dated June 24, 2014 (published in the Federal Gazette of September 30, 2014) and in the version dated May 5, 2015 (published in the Federal Gazette of June 12, 2015). On March 21, 2016, they issued an updated joint declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG).

The recommendations and key suggestions of the GCGC are implemented apart from a few exceptions. Deviations from the recommendations are presented and justified in the declaration of compliance. All declarations of compliance already issued are permanently available on First Sensor AG's website.

Diversity and equal opportunity at First Sensor AG

As a global company, First Sensor pays great attention to diversity. We consider diversity and equal opportunity as key principles of our work environment. Employees from countries were working for the First Sensor AG Group as of December 31, 2015. 36.1% of these 773 employees were women.

On September 14, 2015, the Management Board resolved the establishment of targets for the quota for women at the two management levels below the Management Board in accordance with section 76(4) AktG, which contains the following:

a. The two management levels below the Management Board are made up of First Sensor AG employees who, as managers/directors of companies included in consolidation, bear responsibility for a region or a business area and/or staff, employees working at the headquarters who, owing to their key area of responsibility, perform management functions and/or bear responsibility for staff in addition to department heads with staff responsibility. At the moment, 17 employees are working at the two management levels below the Management Board, including three women (which corresponds to a proportion of 18%).

b. The company's Management Board has established targets of 18% for the quota for women at both of these management levels in accordance with section 76(4) AktG.

On September 21, 2015, the Supervisory Board resolved the establishment of targets for the quota for women on the Management Board and on the Supervisory Board in accordance with section 111(5) AktG, which contains the following:

a. For the Management Board, a target of 0% was established for the quota for women in accordance with section 111(5) AktG.

b. For the Supervisory Board, a target of 0% was established for the quota for women in accordance with section 111(5) AktG.

Size of the Supervisory Board

First Sensor AG's Supervisory Board is made up of three members who were all elected by the Annual General Meeting.

Supervisory Board expertise

The professional and personal requirements to fulfill its duties are regularly analyzed by the Supervisory Board using a comprehensive survey. These are then compared with potential areas that are represented on the board in a SWOT analysis. This results in the basis for continued education for relevant individuals and staff planning.

The variety of responsibilities and duties within the Supervisory Board (such as finance, legal affairs, market and specialized knowledge of sensor technology, internationality, corporate finance and human resources) must be largely reflected by the specialisms of its members. In addition, professional suitability and social skills are to be considered in their selection.

Objectives for the composition of the Supervisory Board

In view of the particular challenges of business activities at First Sensor AG, the focus on the system provider business and the size of the company and the Group, the Supervisory Board has established the following goals with regard to its intended composition in the future:

- Ideally, one Supervisory Board member shall embody the criterion of internationality to a certain degree, whether this entails a foreign nationality and/or significant experience abroad.

- Moreover, members of the Supervisory Board must be independent.

- The Supervisory Board strives to find optimal members in line with specialist criteria and the requirements of the company's situation. Here, the requirements profile that has been established shall be used regardless of the gender of potential applicants and women with the same qualifications and experience shall be given preference.

- The creation of committees is rejected due to the low number of Supervisory Board members and the rapid decision-making processes that exist.

With Prof. Alfred Gossner and Götz Gollan, two shareholder representatives with an above-average shareholding are represented on the Supervisory Board; therefore, they are not referred to as independent members. All Supervisory Board members are not in a personal or business relationship with the company or its bodies, which could create a significant conflict of interests that is not only of temporary nature, nor do they function as advisors for or members of a body among customers, suppliers, creditors or other third-parties. At the moment, women are not represented on the Supervisory Board.

Opportunity and risk management and internal control system

Business actions are not the only area associated with risks. Risks also apply to opportunities that have been missed. This is why it is our responsibility to increase the number of opportunities and their implementation for the company and reduce risks. First Sensor AG has therefore implemented risk management as a permanent process that covers all divisions and identifies, assesses, manages and controls the risks incurred. Risks threatening the company's existence are reported in addition to activities, events and developments that could significantly impact the company's performance in the future. Goals, processes and the allocation of tasks as part of the risk management system are implemented H.

First Sensor AG has a clear management and corporate structure, in which key cross-functional duties are centrally managed. With regard to finances and the preparation of financial reports, integrity and responsibility by means of compliance with existing accounting guidelines and other guidelines that are relevant to the accounting process are presented. This is compulsory for all those involved in the process.

The internal control and risk management system regarding the process of (Group) accounting ensures that corporate issues are properly accounted for, handled and included in the accounting process. Suitable staff requirements, the use of adequate software in addition to clear statutory and internal guidelines are the basis for a proper, consistent and continuous accounting process.

Shareholdings and Directors' Dealings

Disclosures on securities transactions of the Management Board and the Supervisory Board in accordance with section 15a of the German Securities Trading Act (WpHG) (Directors' Dealings) in First Sensor AG shares are available in the company register. They can also be found on the internet at www.first-sensor.com in the "Investor Relations" section under "Corporate Governance" and under "Directors' Dealings," which are all currently listed and can be consulted beyond the statutory time lapse of one month.

The company is not aware of any reportable transactions in line with section 15a WpHG in fiscal year 2015.

As of December 31, 2015, Dr. Schefter held a total of 112,340 shares or 1.1% of the votes (previous year: 112,340 shares or 1.1%). Supervisory Board member Marc de Jong held a total of 5,439 shares or 0.1% of the shares (previous year: 5,439 shares or 0.1%).

Together, the members of the two bodies hold shares in the company amounting to 1.2% (previous year: 1.2%).

Remuneration report

Details of the remuneration system for the Management Board and Supervisory Board are to be found in the consolidated management report. The itemized list by individual regarding payments can be found under item 32 of the consolidated financial statements.

Declaration of business management in accordance with section 289a HGB

In accordance with article 289a HGB, First Sensor AG has to submit a declaration on business management. The declaration is permanently available on the company's website.

Berlin, March 21, 2016

First Sensor AG

Dr. Martin U. Schefter
CEO

Dr. Mathias Gollwitzer
CFO

Prof. Dr. Alfred Gossner
Chairman of the Supervisory Board

First Sensor AG voluntarily applies the German Sustainability Code. The company has also issued a declaration for fiscal year 2015 with a particular emphasis on future development – based on the twenty criteria of the code – regarding the measures it takes on the ecological, social and economic dimension of sustainability. In the following declaration of compliance, First Sensor reports on how it complies with the code's criteria or explains in a plausible fashion why a criterion has not been reported on, if applicable.

Strategy

1. Strategic analysis and measures

First Sensor AG sees economic performance, social responsibility and the Earth's capacity for regeneration as an integrative objective. To ensure that the company operates in line with the same key recognized industry-specific, national and international standards at all locations, these must be integrated in the management handbook, which is used by management as a compulsory element.

2. Materiality

Various aspects have a significant impact on business activities in terms of sustainability, such as the use of resources in connection with production, aspects pertaining to logistics and packaging or the reduction of the use of hazardous materials in production. Since these aspects also have, in some cases, a considerable impact on the company's economic situation, dealing with them in a particularly responsible manner is in the company's own interest. The company's strategy is aimed at sustainably increasing value in the long run and the implementation of the strategy therefore automatically addresses ecological aspects as well in order to attain economic objectives.

3. Targets

Manufacturing sensor solutions is an energy-intensive process. As well as operating high-temperature furnaces in the frontend process and power-intensive production facilities, maintaining clean rooms and ultra-clean rooms in production requires significant energy consumption. Electricity consumption has been identified as a key figure that should particularly be taken into account in order to find ways for resource-conserving, environmentally friendly production and to implement savings potential in the future.

In addition, a global network of suppliers, service providers and production units requires an elaborate logistics process for the transportation of raw materials, intermediates and finished products. First Sensor is aware of the environmental impact of this process and intends to continue reducing the distances traveled by its products. For example, in the area of production controlling, the company intends to work towards implementing logistically optimized material deliveries within the production chain.

EU directive 2011/65/EU and its predecessor 2002/95/EG set out restrictions on the use of certain hazardous substances in electric and electronic devices and govern the use and distribution of hazardous substances in devices and electronic components. The aim is to eliminate problematic elements from electrical waste. This includes replacing the leaded soldering of electronic components with lead-free soldering, prohibiting environmentally unfriendly flame-retardant materials in cable insulation, and introducing equivalent replacement products to the greatest possible extent. The electrical elements and components used must also be free from problematic substances. First Sensor uses exclusively RoHS-compliant products; inventories of old hazardous materials were professionally disposed of.

As First Sensor has just started implementing its sustainability strategy, the elaboration of further targets is currently being dealt with.

4. Depth of the value chain

As a responsible company, First Sensor equally includes its suppliers and customers in the implementation of the sustainability strategy. Supplier audits and customer audits ensure that aspects pertaining to sustainability are actively anchored throughout the entire value chain. As a result, this is a concrete element of procurement management to oblige suppliers to comply with certain minimum standards. These individuals also undergo inspections during supplier audits. Another aspect to be seen as having a positive effect on sustainability is the long service life of First Sensor products. As "distributors" as defined in regulations, customers still receive information about responsible disposal at an early stage. This is also discussed in the customer audits.

Process management

5. Responsibility

The CFO is in charge of corporate responsibility. In future, he will delegate activities to a corporate social responsibility officer (CSR) in the company. This officer will develop the CSR strategy in accordance with the triad of economic, ecological and civil responsibility and be in charge of its implementation. He will bear the responsibility of communicating the objectives agreed with the Management Board and attracting the necessary level of attention at all levels of the company. He will also launch new projects, report on their status, take measures and coordinate their implementation within the company. The CSR will report directly to the Management Board in a quarterly status report. The function of CSR will be part of the integrated management system, the components of which will be introduced within the Group in the form of a management handbook, and will also manage the Code of Conduct and compliance.

6. Rules and processes

First Sensor has created a management handbook to implement processes that also support the objectives of the sustainability strategy. Based on the principle "as centralized as necessary, as decentralized as possible" guidelines and clear instructions are provided to ensure that responsibilities are clearly regulated across the Group. In this way, a requirement is laid down in order to integrate changes to daily workflows and the mindset of all employees at all levels of the company. A Group-wide quality management system complements these guidelines in terms of sustainability.

7. Control

First Sensor AG is currently in a process that will lead to the establishment of performance indicators in relation to sustainability. Issues that have already been identified affect energy consumption, logistics and the way in which packaging materials are dealt with. Planning and monitoring parameters must be defined after the process has been completed to ensure that comparable data in the future can be evaluated. Future regulatory measures are to be anticipated in such a way that external communication requirements are also fully met.

8. Incentive systems

A long-term increase in value is one of the most important objectives of management at First Sensor. The remuneration policy for the Management Board is also accordingly oriented towards long-term corporate development. The Supervisory Board monitors the achievement of goals and decides on the respective amount of variable remuneration components. Further details can be found in the consolidated management report and the remuneration report.

The company's managers are remunerated based on the achievement of operating and personal objectives in addition to a fixed salary. The introduction of a compensation component oriented towards the company's long-term development is currently being assessed. Members of the Supervisory Board are remunerated as established in the Articles of Association. A component oriented towards sustainability is not provided for.

9. Stakeholder participation

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

Thanks to its close cooperation with research institutions and membership of professional bodies, First Sensor is able to identify future technological changes at an early stage and respond appropriately. Last but not least, the capital markets and the banking sector are an important source of financing and must be informed about First Sensor's sustainability policy comprehensively and in good time. First Sensor's locations are also integrated into their immediate environment and have contact with the authorities and their respective local neighborhoods. To ensure that these stakeholder groups are kept adequately informed, all relevant information is also published on the company's website to the extent required of listed companies. Shareholders can also exercise their rights of information and consultation directly at the Annual General Meeting. The company presents itself and discusses aspects of sustainability at events for investors and media representatives, such as the annual press conference, analyst events and roadshows.

10. Innovation and product management

First Sensor develops products, from chips to components, sensors, and sensor systems. In several decentralized applications, energy consumption is a key criterion to fulfill customer requirements and secure competitive advantages for both product buyers and the company itself. This is why great emphasis has been placed on the energy consumption of sensors and sensor systems in the development process. However, First Sensor's contribution cannot exclude the possibility that the energy consumption of applications, in which sensors and sensor systems are used, is several times higher and the contribution towards energy savings fluctuates here in the per-mil range overall compared with the energy requirements of end products.

Thanks to a continuous optimization process, First Sensor is striving to make particularly resource-conserving efforts in production. This process comprises the use of energy, the use of raw materials and supplies in addition to the materials and components that are supplied. This is not only done in the interest of reducing the ecological impact of the company's own activities but is, of course, also in the company's economic interest.

In this context, quality is another important aspect. By means of relevant control systems, quality is continuously improved in the production process. This not only reduces the reject rate and thus prevents production waste, but also secures long-term customer satisfaction and contributes to the fact that First Sensor products are able to fulfill the high standards set for the service life – as a rule, for several years and, in some cases, for decades – of customer products.

Environment

11. Use of natural resources

Across the company, First Sensor verifies to what extent natural resources can be used in business activities. Materials and the input and output of water, land, waste, energy, surfaces, biodiversity and the emissions of the lifecycle of products and services are considered here. No reliable data on the key aspects for the company has been identified yet. The energy audit that has been stipulated since 2015 is currently being implemented at all German production sites.

12. Resource management

First Sensor identifies the qualitative and quantitative objectives it would like to use to achieve resource efficiency, for the use of renewable energy, the increase in raw material productivity and decrease in the use of ecosystem services and how these objectives must be attained. At the moment, no reliable data has been identified yet. As a result, no concrete objectives could be derived from this area.

13. Climate-relevant emissions

At the moment, greenhouse gas emissions are not systematically recognized at First Sensor AG. As part of the development of the CSR program, these values – provided they are relevant to the CSR strategy – are calculated at a later date where applicable, relevant objectives are worded, reduction measures are implemented and a report is then written on these aspects.

Society

14. Employee rights

As a company whose highly qualified and motivated employees are a decisive factor for future success, First Sensor does not limit itself to compliance with only the minimum standards of national and international standards. The health of and professional training opportunities for employees are key matters that are of significant importance in the area of strategic HR management in order to link the best talents to the company in the long run. Of course, this includes anti-discriminatory recruitment and a work environment in which diversity is perceived as an asset every day. As for the participation of female employees, please refer to the information found in the Corporate Governance report. Since First Sensor is currently only present in countries that have similarly high standards, these declarations affect all company locations.

15. Equal opportunities

First Sensor supports all initiatives that contribute to preserving and promoting equal opportunities and diversity within the company. In addition to the issues mentioned under 14, the impartial integration of people with disabilities in the work process naturally contributes to this as well. In light of current developments, options will also be assessed to offer job prospects at First Sensor to qualified individuals from the influx of refugees. Owing to the aging structure, it is also highly relevant to create the conditions required to help employees find a healthy work-life balance. This includes efforts to extensively make individual working hours more flexible and the planned cooperation with daycare facilities that are receptive to the specific requirements of managers in relation to the time during which their children need to be looked after.

16. Qualifications

The average age of employees at First Sensor AG is well-balanced. The Management Board is aware that this is no reason to ignore the challenges of demographic trends in the long run. As a growth company, the challenge rather lies in the recruitment of additional employees to secure the planned implementation of the strategy than in concerns related to the loss of expertise as a result of employees leaving due to their age. Should these individuals be interested in employment over a longer period of time, plans to regulate this will be in place on the basis of individual agreements.

17. Human rights

Human rights, fundamental principles and employment rights are fully recognized, supported and promoted by First Sensor wherever possible. This includes the company's support to protect international human rights and its efforts to make sure to the best of its belief that it is not complicit in human rights violations. The freedom of association among employees, the recognition of the right to collective bargaining and the will to abolish all forms of forced labor, child labor and eliminate discrimination in recruitment and employment are also matters of course. These principles are also conveyed as expected behavior among all partners in the supply chain.

18. Community

The main contribution of First Sensor AG and its Group companies to the common good is the payment of taxes. A shift of earnings exclusively based on tax considerations is not performed. In addition, the company gets involved by means of support for local non-profit initiatives and allowing employees to be acknowledged for their volunteer involvement in the form of individual financial support or working hour concessions.

19. Political influence

First Sensor does not exert political influence based on basic considerations.

20. Compliance with the law and regulations

Compliance with the law is a top priority at First Sensor. This is also firmly expressed in the future CSR department. Corruption is not a trivial offense that gives companies a supposed advantage in the short term but is rather likely to permanently damage their market position. Fairness towards all business partners, customers, suppliers and employees is a condition for long-term corporate success. Violations of these principles shall not be tolerated. In 2015, there were no breaches of the law or complaints in this regard and there were no corresponding financial penalties that were pending.

2 Group Management Report

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

Basic information on the First Sensor group

Business model

Organizational structure of the Group

The First Sensor Group consists of First Sensor AG and 10 subsidiaries. The parent company, First Sensor AG, domiciled in Berlin, holds majority stakes in all subsidiaries. A presentation of the companies in the Group and their locations can be found in the Notes under "Basis of consolidation".

Changes in fiscal year 2015:

First Sensor Technology GmbH, Berlin, was merged into First Sensor AG by dissolution without liquidation effective January 1, 2015 by way of the transfer of its entire assets under the terms of the merger agreement dated August 24, 2015 and the resolution approving the merger that was passed on the same day.

The French sales company First Sensor France S.A.S. was founded in Paris with a share capital of €20,000 on December 8, 2015. The company will assume sales activities for the France sales region.

The operating business of First Sensor Singapore (FSG) Pte. Ltd., Singapore, was discontinued through the relocation of the production activities at the Singapore location to other locations in the First Sensor Group.

To support the reorganized company structure, the following companies were renamed with uniform company names each beginning with "First Sensor" in the second quarter:

Previous company names	New company names
Microelectronic Packaging Dresden GmbH	First Sensor Microelectronic Packaging GmbH
Silicon Micro Sensors GmbH	First Sensor Mobility GmbH
Lewicki microelectronic GmbH	First Sensor Lewicki GmbH
Sensortechnics Scandinavia AB	First Sensor Scandinavia AB
Sensortechnics Ltd.	First Sensor Technics Ltd.

Segments

In the growth market of sensor systems, First Sensor develops and produces customer-specific solutions for the ever-increasing number of applications in the industrial, medical, and mobility target markets. These three target markets are addressed through business units with the same names, which simultaneously depict the structure of the segments in which the company reports.

Locations

The different locations in Berlin, Dresden, Oberdischingen (near Ulm), Puchheim (near Munich), and the foreign locations in the Netherlands, the UK, Sweden, Canada and the USA vary in terms of their position along the value chain. The locations in Mansfield (MA, USA), Rugby (Warwickshire, UK), and Kungens Kurva (Sweden) are sales companies. In several countries, the sales organization also works in cooperation with fixed trading partners.

Wafers and components are developed and manufactured at the headquarters in Berlin-Oberschöneweide. If the component is later connected to a circuit together with other electronic components and switching circuits (layout and connection technology, hybrid technology, microsystems technology), this creates a sensor module or a readymade sensor.

These process steps take place at six locations within the First Sensor Group in Berlin-Weißensee, Puchheim, Dresden-Klotzsche, Dresden-Albertstadt, Oberdischingen and Westlake Village (USA). If the sensor module is supplemented with additional stages of the value chain such as signal processing, calibration and product design, this creates a sensor system. This stage of the value chain is implemented at five locations in Berlin-Weißensee, Dresden-Klotzsche, Dresden-Albertstadt, Dwingeloo (The Netherlands) and Munich.

With this positioning and interaction of the individual locations, First Sensor covers the entire value chain for a specialized sensor solution and is therefore able to either act as a one-stop shop for its customers or take over individual steps of the value chain. The specific requirements of the customer in each case dictate at which step in the value chain the services are called on. Depending on cost effectiveness or customer request, some types of components and services are also purchased externally.

Products and services

First Sensor is a developer and manufacturer of customer-specific high-end sensor solutions. These innovative specialized sensor solutions are used for the high-quality conversion of nonelectric variables (radiation, light, pressure, flow rate, position, speed, fill level, etc.) into electric variables that are then used in our customers' electronic systems in the industrial, medical and mobility target markets. This means that our sensor solutions make an important contribution to the competitiveness of our customers' products. The broad mix of sectors means that the company is generally independent of cyclical developments in the individual sectors.

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

Among First Sensor's customers are international industrial groups and young technology companies that utilize our know-how and many years of expertise to develop their own innovative products. Most of First Sensor's sensor solutions are used as key components in a wide range of applications in many different industries.

The product portfolio of the Business Unit Industrial includes but is not limited to:

Optical and radiation sensors for
- Laser rangefinders
- Laser scanners/LiDAR
- Laser alignment systems
- Encoders
- Spectrometers
- Container and baggage scanners
- Passenger counting systems

Pressure, flow rate, and fill level sensors
- Volumetric flow controllers
- Filter monitoring
- Leak detection
- Fill level monitoring
- Industrial printers
- Cabin air pressure measurement

Inertial sensors for
- Status monitoring
- Control and navigation systems

The product portfolio of the Business Unit Medical includes but is not limited to:

Optical and radiation sensors for
- Computer tomography
- Video endoscopy
- Pulse oximeters
- Blood glucose monitors
- Gamma probes

Pressure, flow rate, and fill level sensors
- Ventilators
- Sleep diagnostic devices
- Sleep apnea therapy equipment (CPAP)
- Spirometers
- Anesthesia equipment
- Dialysis machines
- Infusion pumps
- Oxygen concentrators
- Insufflators

The product portfolio of the Business Unit Mobility includes but is not limited to:

Camera systems and optical sensors for
- Driver assistance systems
- LiDAR
- Adaptive cruise control (ACC)
- Distance detection
- Traffic sign recognition
- Blind spot assistance
- Lane departure warning systems
- Sun and rain sensors

OEM pressure sensors for
- Tank pressure measurement
- Fuel delivery systems
- Tank leakage diagnostics
- Tank air intake and extraction
- Brake booster systems
- Power steering
- Engine suspension
- Air conditioning systems
- Exhaust gas recirculation systems
- Filter monitoring

Business processes

The individual companies of First Sensor are active along the entire value chain: In addition to wafers, First Sensor develops and manufactures highly reliable customer-specific hybrid circuits and products in the areas of micro-systems technology and advanced packaging (sensor modules) right through to complete sensor systems. Thanks to the substantial degree of vertical integration, First Sensor is able to make individual adjustments at every stage and consequently develop customer-specific solutions.

Sales markets

First Sensor continues to achieve a large proportion of its sales in Germany. The company will also increasingly invest in tapping into additional markets, such as in North America, China and Europe in future. With this move, the conditions will be created to develop our proximity to customers in attractive markets throughout the world in future.

First Sensor worldwide

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

Australia
- ■ Sydney

Belgium
- ■ Zaventem

China
- ■ Hangzhou
- ■ Shanghai

Denmark
- ■ Copenhagen

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

Spain
- ■ Madrid

France
- ■ Paris
- ■ Lisses

United Kingdom
- ■ Rugby

India
- ■ Faridabad

Israel
- ■ Rishon Le-Zion
- ■ Tel Aviv

Italy
- ■ Aicurzio
- ■ Rome

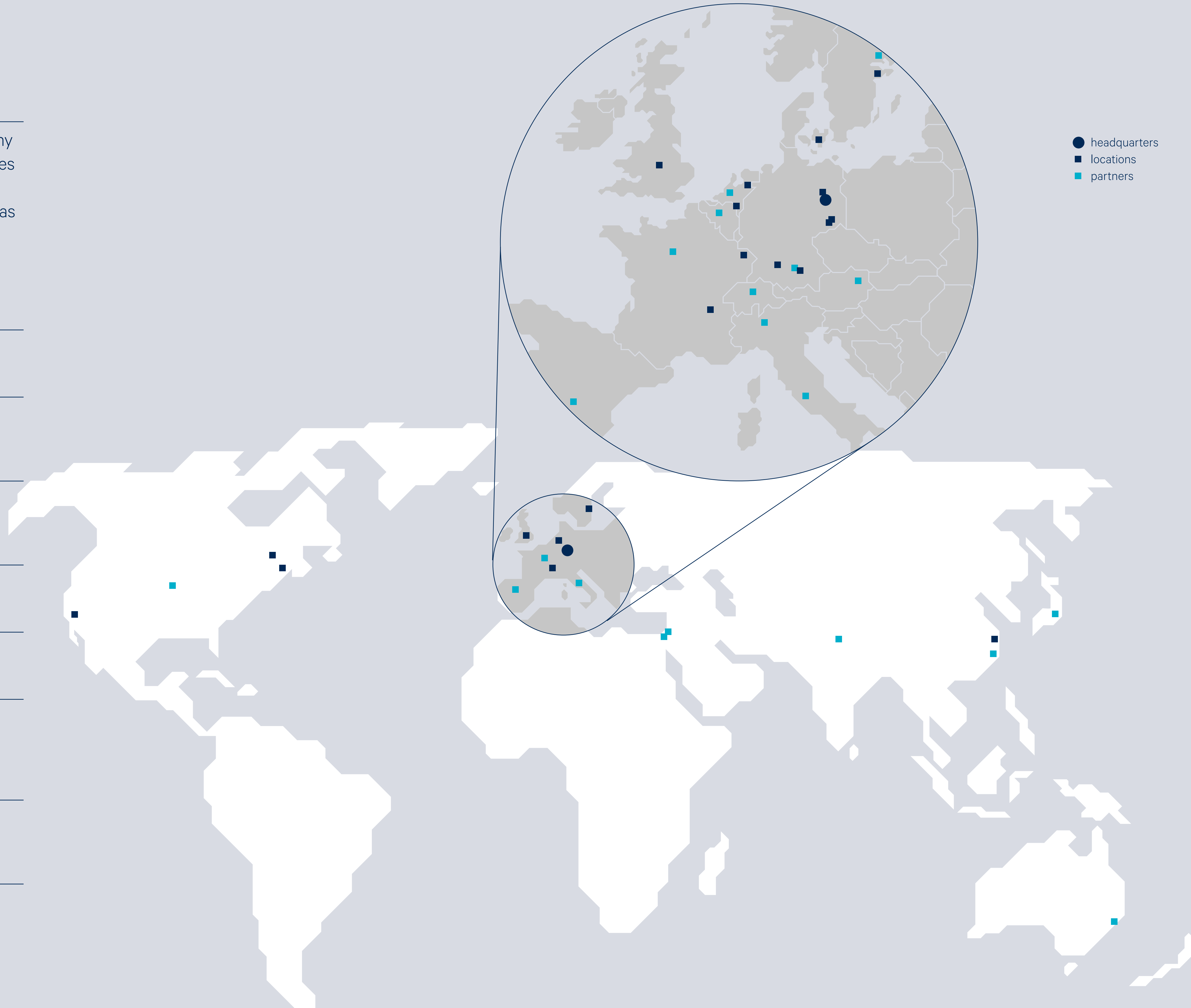
Japan
- ■ Tokio

Canada
- ■ Montreal

Netherlands
- ■ Alphen aan den Rijn
- ■ Dwingeloo
- ■ Valkenswaard

Sweden
- ■ Kungens Kurva
- ■ Uppsala

United States
- ■ Lexington
- ■ Mansfield
- ■ Westlake Village



External factors affecting the business

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

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

Since, as a rule, First Sensor agrees long-term delivery contracts with customers following joint development projects, customer retention is comparatively high. However, economic fluctuations affecting customers' target markets may have a positive or negative impact on the performance of the business. These fluctuations are countered by diversifying the target sectors.

Targets and strategies

In the growth market of sensor systems, First Sensor develops and produces customer-specific solutions for the ever-increasing number of applications in the industrial, medical, and mobility target markets. Based on tried-and-tested technology platforms, we develop products – such as chips, components, sensors, and complex sensor systems – that give our customers a real competitive edge.

Using our detailed understanding of customer applications, we develop solutions whose capabilities go far beyond those of standard components already on the market. By focusing on technology-driven target markets, we are already playing a role in their exceptionally rapid growth. In the future, too, we will benefit from the megatrends that drive these markets. Our goal here is to identify and meet the challenges of the future early on with our innovative sensor technologies, a goal that is firmly anchored in our corporate mission statement.

For example, Industry 4.0 – the intelligent networking of products and processes – is a growth driver for the Industrial segment. Experts are expecting additional value creation potential of €78 billion by 2025 in Germany alone. Intelligent sensor systems play a key role in this networking process, for example, they allow industrial process monitoring. This one of First Sensor's market segments is therefore experiencing above-average momentum across all sectors. Thanks to the broad technology platforms, we are in a position here to develop specialized solutions that support our customers' ever-increasing demand for process automation.

Another growth driver is the use of sensors in the vehicle industry. A whole range of comfort and safety applications can be realized only with the help of intelligent sensor systems. Partially and fully autonomous driving is possible only thanks to sensor-based driver assistance systems, for example. Self-driving cars are still in the pilot phase, but forecasts predict that as many as 54 million of these vehicles could be on the road by 2025. The Mobility segment is profiting from this trend not only among passenger cars but also increasingly among trucks, commercial vehicles, and specialized vehicles. Our experience based on the multiple millions of units we have already delivered and our reputation as a reliable and innovative partner to leading suppliers and automotive groups constitute a sound basis for playing an increasingly important role in this market in the future.
In the field of medical technology, too, the trend is towards ever more intelligent solutions that connect data in the cloud prior to communicating with the control technology, thereby enabling semi-automated diagnosis.. At the same time, the ongoing miniaturization of medical technology means that dialysis machines for home use are no longer merely visions of the future; self-tracking will become an increasingly important part of the daily routines of billions of people. Many of these decentralized applications allow the monitoring of patient health or the assessment of the success of treatments, thereby ensuring that e-health applications will play an important role in the health growth market in the future.

As a manufacturer of sensors and sensor systems that are "Made in Germany," First Sensor is already well represented on many markets worldwide. In the future, the targeted expansion of our international presence will increase our proximity to our customers, for example in North America and in China, thereby securing additional sales potential. Internationalization is therefore a key pillar for achieving our medium-term growth targets.

Furthermore, as a major player in the highly fragmented sensor systems market, First Sensor is well positioned to play an active role in ongoing consolidation. For us, "perfect-fit" companies are those that support our vertical integration by offering complementary technology. To further expand our position as a supplier and integrator of smart sensor systems, therefore, we regularly review the options available to us as part of our "buy-and-build" strategy. Our goal is to enhance value continuously and sustainably.

Control system

The Management Board manages the operating business. It consists of two members and is monitored by the Supervisory Board, as required by law and the Articles of Association. The members of the Management Board and the Supervisory Board are listed under 34. Further notes in line with HGB regulations The declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act), together with further explanations can be found in the separate corporate governance report, which is part of the annual report.

Within the Group, control serves to monitor implementation of corporate strategy. The aim is identify deviations as early as possible so that suitable measures can be implemented promptly if necessary. When implementing strategy, the interests of customers, suppliers, employees and investors are taken into account to the best possible extent.

First Sensor AG and its subsidiaries are primarily controlled in accordance with sales and earnings figures (EBIT margin); from a Group perspective, EBITDA and net debt are also calculated at regular intervals. A cash flow-oriented corporate planning system is also in place. The company plans to develop an integrated control tool based on key performance indicators to generate control values both across the Group and on a location-based basis.

The management committee for First Sensor, which in addition to the Management Board, includes the heads of the business units and the Competence Centers Production and Development as well as the heads of the specialist areas of Sales, Marketing, Communications, Procurement, Human Resources, IT, Finance, Controlling, Technology, Quality Management and Business Development, meets regularly and discusses strategic decisions, current business development and the identification of opportunities and risks. Monthly results meetings are also another body involved in operational control. At these meetings, the persons accountable for the results report to the Management Board on the financial situation, material developments in day-to-day business and any exceptional transactions, taking particular account of the comparison of actual financial figures with the target figures and the prior-year figures in each case.

Based on our strategic objectives, a medium-term plan for a three-year period is drawn up once a year. This is reviewed at regular intervals and adjusted as required.
At Group-level, the company last planned to generate sales of approximately up to €136 million for fiscal year 2015. Following the revised forecast from October 2015, the corresponding earnings (EBITDA) should reach €12 to €14 million. Ultimately sales of €137.7 million were achieved and consequently this forecast was exceeded once more. However, this positive overall situation as regards organic growth cannot hide the fact that we cannot be satisfied with the development of profitability. The revised forecast for EBITDA, dating from October 2015, was not achieved. Even when the non-recurring effects with a negative impact on fiscal year 2015 are taken into account, this earnings quality still is not satisfactory. Consequently, the operational performance did not match expectations by and large.

Remuneration report

Management Board remuneration is determined by the Supervisory Board. The principal criteria for the appropriateness of Management Board remuneration are the duties of the respective member of the Management Board, their personal performance as well as the financial situation and success of the company, including with respect to its peer group. Sustainable financial success as a criterion for Management Board remuneration was and remains a vital element of the management philosophy and fundamental values of First Sensor AG

Report on the remuneration system for the Management Board

The remuneration of the Management Board comprises the following components:

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

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

The variable remuneration in the form of a target agreement is based on assessment criteria that are determined on an annual basis, with the amount depending on the company's performance and on personal targets specified by the Supervisory Board. EBITDA and net debt were defined as qualitative targets for fiscal year 2015. Individual targets were agreed for the quantitative component. Qualitative and quantitative targets are assessed differently. Variable remuneration may be adjusted by the Supervisory Board as appropriate in the event of unforeseen extraordinary developments. The company's share option plan forms part of the company's remuneration structure to provide a long-term incentive.

Benefits in kind and other allowances primarily comprise non-cash benefits relating to the private use of company cars, compensation if a company car is not used, accommodation allowances, the reimbursement of expenses, the employer's contribution to health and long-term care insurance and, in some cases, a pension allowance.

Severance payments for members resigning from the Management Board are limited under the terms of the employment contract in accordance with the recommendations of the German Corporate Governance Code.

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

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

Report on the remuneration system for the Supervisory Board

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

The company reimburses each member of the Supervisory Board for any reasonable expenses incurred in the performance of their duties for which proof has been provided and for any value-added tax that applies to their remuneration. Remuneration for members of the Supervisory Board amounted to €100 thousand in fiscal year 2015. Supervisory Board members do not receive any performance-related remuneration and do not participate in the company's share option plan.

in € thousand	2014	2015
Prof. Dr. Alfred Gossner (Chairperson)	50	50
Götz Gollan (Deputy chairperson)	30	30
Volker Hichert (since May 23, 2014)	8	0
Marc de Jong (from May 23, 2014)	12	20
Total	**100**	**100**

Research and development

As a technology group, First Sensor considers research and development to be a key component of its activities. Innovation and all activities relating to R&D are crucial to the company's future performance. Research and development costs recognized in expenses amounted to €7,849 thousand in 2015 (previous year: €7,691 thousand).

Our aim is to forward innovations, as well as developing products with important unique selling points. First Sensor can act as a competent development partner for customers in many cases.

In most projects, developments are carried out with customers or individual product platforms are developed. The criteria for qualification under IAS 38 are met in selected areas, meaning that development costs are capitalized. In fiscal year 2015, new development costs were capitalized in the amount of €0.9 million (previous year: €0.5 million). €4.0 million (previous year: €3.5 million) were reported for internally generated intangible assets at the end of the year.

In 2015, the most important projects included developments in

- LiDAR (Light detection and ranging) for the key applications driver assistance systems (Mobility) and length measurement (Industrial)
- X-ray sensors for the key applications radiation and safety (Industrial) and diagnostics (Medical)
- Miniature pressure sensors for the key applications dialysis, breathing and respiration (Medical) and building automation and air conditioning technology (Industrial)
- High pressure sensors for the key applications industrial process monitoring (Industrial) and OEM pressure sensors, e.g. for electro-hydraulic power steering (Mobility)
- Flow rate sensors for the key applications building automation and air conditioning technology, industrial process monitoring (Industrial) and breathing and respiration, diagnostics (Medical)
- Inertial sensors (position, acceleration, vibration) for the key applications building automation and air conditioning technology (monitoring the condition of buildings), aviation (Navigation) (Industrial)
- Smart sensors: platform development for all sensors

First Sensor's innovation and development process involves several stages. A stage-gate process has been implemented to control the process, where defined stages are subjected to a specific review with regard to performance and cost controls. Stop criteria are defined for each gate.

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

Employees in the company's development departments are a key factor in the success of its development work. As at the end of 2015, a total of 83 employees (previous year: 80), representing 10.7% of the entire workforce, were employed in R&D.

Expertise clusters have been set up for each key technology through a company-wide transfer of expertise. Employees selected on the basis of their specialist area work together across the company, thereby increasing efficiency and generating additional potential as a result of rapid access to specialist knowledge. Economies of scale are to be allowed through a broadly based platform strategy, which also aims to ensure innovations can be utilized across business units.

As at the end of the year under review, First Sensor held a total of 55 patents, utility models and trademarks (previous year: 52). However, the absolute number should not be taken as a reflection of the inventiveness of the development departments; instead, First Sensor follows a targeted registration strategy. Under this strategy, developments are only registered as patents if there is a reasonable relationship between the associated cost and benefit. At the same time, the risk is assessed as to whether the disclosure associated with the patent registration would be more beneficial to the competition than if the development was not registered.

Economic report

Macroeconomic and sector-related conditions

Developments in the economy as a whole

DIn view of the weakness in key emerging countries over the year, the global economy posted only moderate growth. Turbulence on financial markets, most notably in China, persuaded the Federal Reserve to keep the key interest rate in the USA at a record low. The International Monetary Fund (IMF) warned central banks throughout the world not to raise interest rates prematurely. The Chinese central bank devalued the local currency in the middle of last year to stabilize exports. The appreciation in the US dollar could also cast doubt on the strength of the upturn in the USA. In the meantime, the sustained fall in the price of oil and commodities depressed the global economy. Taken in isolation, the effect of falling energy costs is clearly positive for the Eurozone. The fall in energy prices compared with the level, which was included in the December forecast by Eurosystem staff, is bringing consumers and companies savings – both in Germany and in the Eurozone as a whole.

Developments on the sensor market

Sensor technology is one of the key technologies in technological progress. According to a report from INTECHNO CONSULTING, the global sensor technology market grown to €184 billion in the last five years, which represents an average annual growth rate of 9%.

First Sensor intends to exploit these market opportunities and has specialized in the key sectors of Industrial, Medical and Mobility by setting up dedicated business units (BU).

Industrial

According to estimates by Yole Développement, the Industrial sector is set to grow by an average of around 6% per year and therefore opens up good opportunities for First Sensor's sensor solutions.

Medical

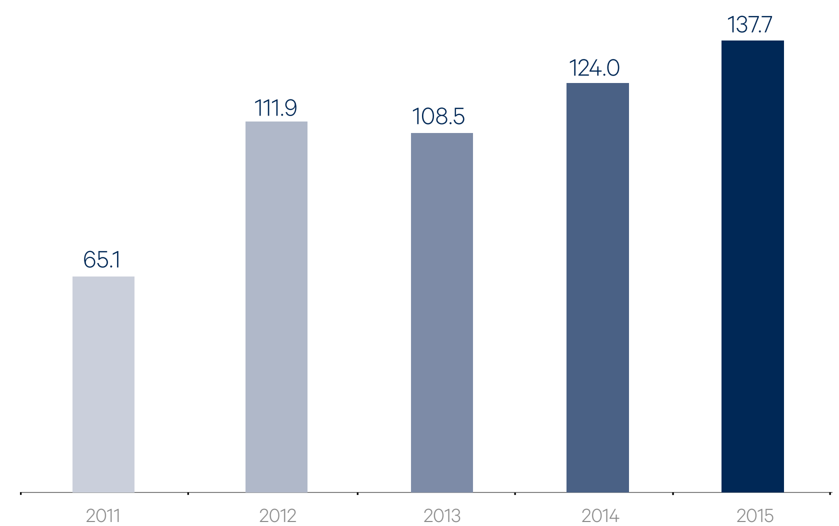
The growth sector for medical technology is expanding globally at a rate of around 5% per year, according to a study entitled "Impetus for innovation in the health sector" conducted by the Federal Ministry of Economic Affairs. First Sensor is benefiting strongly from this, for example by specializing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

Mobility

According to forecasts from Yole Développement, an average annual growth rate of 13% is anticipated for Mobility. We shall participate in this growth by expanding our activities and introducing more innovations.

Results of operations

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



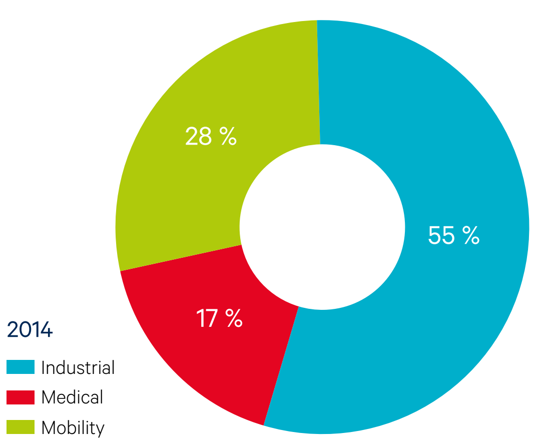
Development of sales

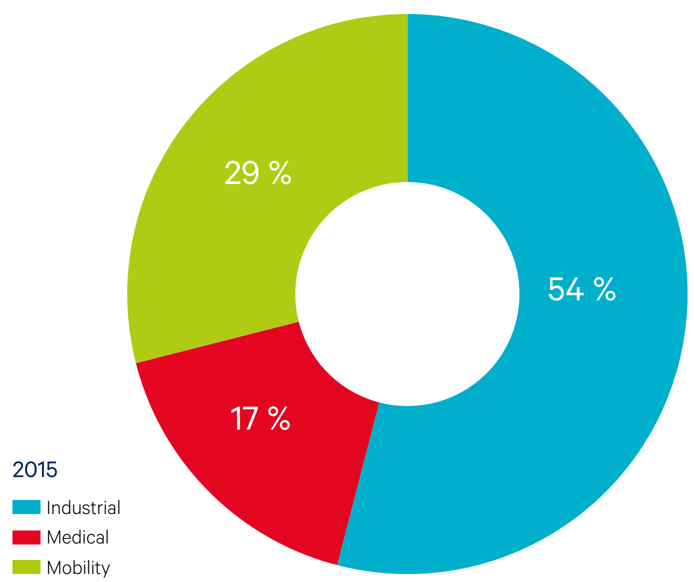
First Sensor focuses on the Industrial, Mobility and Medical segments. The following table shows the distribution of sales by segment and changes thereto:

in € thousand	2014	2015	∆∆ ∆absolute	in %
Industrial	68,449	74,132	5,683	8.3
Medical	20,399	23,766	3,367	16.5
Mobility	35,150	39,844	4,694	13.4
Total	**123,998**	**137,742**	**13,744**	**11.1**

The strongest percentage growth, at 16.5%, was recorded in the Medical segment, followed by percentage growth of 13.4% in the Mobility segment. The Industrial segment posted ye-ar-on-year growth of 8.3%. In absolute terms, all segments reported significant growth. Group sales grew by 11.1% year-on-year to reach €137.7 million, exceeding both the original planning and the forecast, which was last raised in October 2015.

The graph below shows the percentage sales distribution between the business units in 2015 and the previous year:



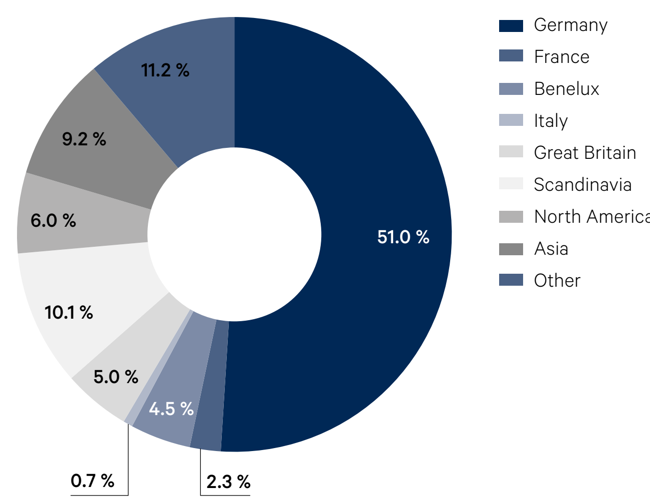


Regional sales distribution:

in € thousand	2014	2015	∆ absolute	in %
Germany	62,604	70,318	7,714	12.3
France	2,760	3,174	414	15.0
Benelux	5,963	6,190	227	3.8
Italy	1,006	904	-102	-10.1
Great Britain	6,574	6,855	281	4.3
Scandinavia	15,375	13,986	-1,389	-9.0
North America	4,389	8,207	3,818	87.0
Asia	11,566	12,706	1,140	9.9
Other	13,761	15,402	1,641	11.9
Total	**123,998**	**137,742**	**13,744**	**11.1**

An analysis of regional sales distribution shows marked growth in the company's German domestic market compared with the previous year. Sales growth in France is also being taken into account through the establishment of a separate sales company in December, which will focus specifically on tapping the French market. Strong growth in North America, which contributed almost 6% to Group sales by virtually doubling sales, is also encouraging.

Business in Scandinavia, which, as planned, reported a fall in sales of €1.4 million following the end of customer project, declined. The sales situation in Italy remained virtually con-stant although a project was terminated here too. A slight increase was reported in the UK. The sales performance in Asia is encouraging. A 10% increase of € 11.6 million to €12.7 million was achieved here.



Group Management Report

Order situation

Orders on hand in the Group increased by €4.3 million year-on-year to €90.7 million as at December 31, 2015 (previous year: €86.4 million). **Incoming orders** increased by €3.0 million (2.1%) to €142.3 million (previous year: €139.3 million). This was mainly attributable to the fact that general orders were not placed until the beginning of fiscal year 2016.

in € thousand	2014	2015	Δ Δ Δabsolute	in %
Sales	123,998	137,742	13,744	11.1
Incoming orders	139,341	142,319	2,978	2.1
Orders on hand	86,428	90,724	4,296	5.0
Book-to-bill-ratio	1.12	1.03	-0.09	-8.0

First Sensor's **total sales** amounted to €137.7 million in the year under review, up 11.1% on the previous year. They were spread across all divisions, as stated above, and expanded significantly in the domestic market Germany and in North America.

Capitalized own work in the amount of €1.0 million (previous year: €0.8 million) primarily relates to developments for the expansion of product platforms, internally generated improvements to production facilities and for future sensor products in connection with specific customer projects.

The **total performance** of €137.6 million (previous year: €125.6 million) includes capitalized own work and changes in inventories of finished goods and work in progress in addition to sales.

The €0.7 million decrease in **other operating income** to €2.8 million (previous year: €3.5 million) is due in particular to a reduction in the income from development projects (€0.5 million), to lower prior-period income (€0.1 million) and to lower proceeds from reversing provisions (€0.1 million).

At 50.4%, the **cost of materials ratio** was up 1.7 percentage points on the previous year. This is mainly due to the sales growth in products, which generally involve a higher materials ratio. The increased use of temporary workers in the past fiscal year and the less favorable dollar exchange rate for purchases of materials also had an impact on the materials ratio. Inventories were revised as a result of marketability and inventory range analyses following the introduction of a Group-wide valuation technique. A write-down of 100% was recognized if products had not been used for more than 3 years, while products that had not moved for more than 2 years and for more than one year were written down by 50% and 33% respectively. This led to inventories being adjusted by €3.1 million (previous year: €1.6 million) and affected the cost of materials significantly.

At €41.9 million, **personnel expenses** increased by 6.3% compared with the previous year (€39.4 million). Due to the increase in total performance, the ratio of personnel expenses to total performance declined by 0.9 percentage points to 30.5% (previous year: 31.4%). The workforce was expanded in the areas of sales and production in particular. The changes in the Management Board in the past fiscal year also resulted in non-recurring expenses.

Other operating expenses increased by 1.1 percentage points in relation to total performance. This was attributable to increased use of consultancy services, increased warranty expenses, higher insurance expenses and the costs of closing the Singapore site. Other operating expenses amounted to €17.8 million in absolute terms (previous year: €15.0 million).

This resulted in a year-on-year reduction in earnings before interest, taxes, depreciation and amortization **(EBITDA)** to €11.4 million (previous year: €13.5 million) This corresponds to an EBIT margin of 8.3%, which has fallen by 2.5% from 10.8% in the previous year. As a result, the most recent earnings forecast of between €12 million and €14 million was not reached as of the end of the year. Even when the non-recurring effects with a negative impact on fiscal year 2015 are taken into account, this earnings quality is not satisfactory. The non-recurring effects related to the closure of the production site in Singapore, at €0.7 million, the change in the Management Board, at €0.5 million and increased write-downs on materials of €1.5 million. After taking account of these effects, adjusted EBITDA of €14.1 million and an EBITDA margin of 10.2% would have been produced.

Depreciation of property, plant and equipment and amortization of intangible assets rose by €0.7 million to €10.2 million (previous year: €9.5 million) as a consequence of the valuation allowances on the ELBAU and Sensortechnics brands, which were recognized when the companies were first consolidated and are no longer considered of value.

The **financial result** was unchanged in the year under review at €-2.4 million (previous year: €- 2.4 million). However, the adverse change in the dollar exchange rate meant that an increase in exchange rate losses had to be reported, which was reduced to €0.2 million through currency hedging. The discontinuation of factoring led to savings of €0.1 million compared with the previous year. Over fiscal year 2016 as a whole, the savings from factoring and the reduction in interest expenses resulting from the newly raised promissory note loan will lead to an improvement in the financial result of €0.6 million.

The **consolidated loss before tax** of €1.2 million (previous year: consolidated profit of €1.7 million) resulted in essence from the non-recurring effects described above as well as sales growth in products, which generally involve a higher materials ratio, meaning that despite the positive sales performance, the effects could not be offset. The share of results attributable to minority interests reduced to €189 thousand (previous year: €223 thousand).

Financial position

The aim of First Sensor's financial management is to ensure adequate liquidity at all times for the production processes, growth and investments. The company counters the risk of interest rate increases by using interest rate swaps for variable-interest loans. As part of its financial management, First Sensor counteracts foreign currency risks arising from purchases of materials and purchased services in USD, particularly in Asia, by optimizing customer payments in USD (natural hedge) and concluding forward foreign exchange contracts.

First Sensor placed three **promissory note loans** totaling €28.0 million on December 15, 2015. This allowed the company to exploit the low level of interest rates and repay the variable rate promissory note loan of €19.0 million prematurely. This resulted in a lower borrowing rate of 3.5% (previous year: 4.5%). The contractual covenants have been agreed to the end of the year in each case. At December 31, 2015, First Sensor fulfilled all required key financial ratios.

in € thousand	2014	2015	Δ Δabsolute	in %
Leverage, net debt to EBITDA	2.19	2.90	0.71	32.4
Interest cover ratio, EBITDA to interest expenses	6.4	6.5	0.1	1.6
Equity ratio	40 %	37 %	-3 %	-7.5

The method of calculation specified in the contract was used for these figures.

in € thousand	2014	2015	Δabsolute	in %
Non-current financial liabilities	41,176	46,543	5,367	13.0
Current financial liabilities	3,075	7,987	4,912	159.7
Cash and cash equivalents	-14,525	-21,523	-6,998	-48.2
Net debt	**29,726**	**33,007**	**3,281**	**11.0**

The change in non-current financial liabilities compared with the previous year is primarily due to raising new promissory note loans. All promissory note loans have a term in excess of one year.

In the area of current financial liabilities, loans due within one year were reported. The increase was primarily due to the conclusion of new short-term money market loans. As a result of the placement of the promissory note loans, cash and cash equivalents increased by €7.0 million as of December 31, 2015. First Sensor therefore has a solid financing structure and qualifies as investment grade with a debt/equity ratio below 3.0.

It can also be assumed for the future that First Sensor will be in a position to finance planned growth from the resources at its disposal. Utilization of the capital market is not planned at present.

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

Investments and depreciation/amortization

in € thousand	2014	2015	Δabsolute	in %
Investments intangible assets	-1,075	-2,002	-927	-86.2
Investments in property, plant and equipment	-4,340	-5,079	-739	-17.0
Investments	**-5,415**	**-7,081**	**-1,666**	**-30.8**
Disposal of non-current assets and investments	156	325	169	108.3
Investment grants	592	0	-592	-100.0
Other effects	32	18	-14	-43.8
Cash flow from investment activities	**-4,635**	**-6,738**	**-2,103**	**-45.4**
Amortization of intangible assets	-4,024	4,405	381	9.5
Depreciation of property, plant and equipment	-5,451	5,751	300	5.5
Depreciation and amortization	**9,475**	**10,156**	**681**	**7.2**

Cash flow from investing activities in the amount of €-6.7 million is primarily attributable to investments in machinery and equipment (€-5.1 million), including for further efficiency improvements to production processes and the expansion of capacity at the Dresden site. The company also invested in intangible assets through the introduction of SAP. The company is assuming investment above the amount of depreciation in the coming year.

Liquidity analysis

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

in %	2014	2015	Δ absolute	in %
Cash ratio	77.9	90.7	12.8	16.4
Quick ratio	140.7	173.9	33.2	23.6
Current ratio	300.8	288.3	-12.5	-4.2

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

in € thousand	2014	2015	Δ absolute	in %
Cash flow from operating activities	12,183	4,979	-7,204	-59.1
Cash flow from investment activities	-4,635	-6,738	-2,103	-45.4
Cash flow from financing activities	-4,427	8,716	13,143	296.9
Change in cash and cash equivalents	3,121	6,957	3,836	122.9
Exchange differences	47	41	-6	-12.8
Cash and cash equivalents at the beginning of the financial year	11,357	14,525	3,168	27.9
Cash and cash equivalents at the end of the financial year	14,525	21,523	6,998	48.2
Free cash flow	7,548	-1,759	-9,307	-123.3

Cash flow from operating activities decreased by €7.2 million year-on-year to €5.0 million (previous year: €12.2 million). This was largely due to discontinuing factoring and the associated increase in trade accounts receivable of €8.4 million.

Cash flow from financing activities is affected by the increase in the promissory note loans of €9.0 million. Proceeds from share options exercised of €0.2 million and interest payments of €1.8 million also had to be reported.

Free cash flow, which consists of the total of cash flow from operating activities and cash flow from investing activities, amounted to €-1.8 million in the year under review (previous year: €7.6 million).

Analysis of asset structure

Total assets amounted to €153.5 million (previous year: €144.9 million). The equity ratio decreased from 49.7% to 46.4%. The main change resulted from the balance sheet extension in the amount of €9.0 million resulting from the placement of the promissory note loans. Adjusted for this effect, the equity ratio would have been 49.3%. The breakdown of equity to borrowings is virtually equal. Equity and non-current financial liabilities exceed fixed assets by a factor of 1.4. The company has a balanced balance sheet structure. Other changes were due to the following factors:

Compared with the previous year, the value of **intangible assets** fell from €19.1 million to €16.2 million as a result of scheduled amortization and write-downs. Here, €0.4 million was invested in SAP.

Internally generated intangible assets increased in 2015 as a result of an expansion in project activities to €4.0 million (previous year: €3.5 million).

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

The value of **property, plant and equipment** fell by €1.4 million year-on-year to €35.0 million. This was due to a reluctance to invest, which resulted in the current reduced carrying amount following scheduled depreciation. Orders for investments in the capacity expansion in the Mobility segment, measures to increase the efficiency of production facilities and the renovation of production lines, had been placed as at the balance sheet date.

Inventories decreased by €2.8 million to €27.1 million (previous year: €29.9 million). This was due primarily to valuation allowances on inventories, which were recognized in the amount of €3.1 million. The valuation rules applies are described in Cost of materials.

The €8.4 million year-on-year increase in **trade accounts receivable** to €17.0 million was primarily due to discontinuing factoring in fiscal year 2015. Following the ending of factoring, the accounts receivable, which were previously liquidated prematurely, were received during the term for payment. The expansion in sales also led to an increase in outstanding invoices. Customers' payment behavior has not changed.

Cash and cash equivalents amounted to €21.5 million at the end of the year (previous year: €14.5 million) and are composed of bank balances and cash holdings. None of the cash and cash equivalents are restricted or otherwise used as security.

Accounts payable decreased year-on-year by €0.6 million to €7.6 million. This was primarily due to the reporting date-related reduction in purchases of materials at the end of the year. Large items for materials, which were acquired on more favorable terms earlier in the fiscal year, have already been paid.

Other current liabilities increased slightly by €0.2 million to €7.0 million (previous year: €6.8 million) as at December 31, 2015. This item was largely due to deferred payment obligations.

Working capital is calculated from inventories, and trade accounts receivable less trade accounts payable. The figure has risen by €6.2 million year-on-year to €36.5 million (previous year: €30.3 million). The valuation allowances on inventories described above and the discontinuation of factoring were crucial factors in the change.

Group equity decreased by €0.7 million year-on-year to €71.3 million at the reporting date. Please refer to the statement of changes in equity for further information.

Within the framework of the share option program, the company issued 9,000 new shares from Contingent Capital 2009/II at a subscription price of €6.02 per share and 27,085 new shares from Contingent Capital 2009/II at a subscription price of €7.20 per share in the year under review.

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

In the year under review, First Sensor Technology GmbH, Berlin (FST) was merged into First Sensor AG effective January 1, 2015. The figures can therefore only be compared with the previous year to a limited extent.

in € thousand	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2015	Δabsolute	in %
Sales	55.328	69.595	14.267	25,8
Change in inventories of finished goods and work-in-progress	57	-1.014	-1.071	-1.878,9
Other own work capitalized	271	845	574	211,8
Other operating income	3.557	2.516	-1.041	-29,3
	59.213	**71.942**	**12.729**	**21,5**
Cost of materials	-24.845	-28.559	-3.714	-14,9
Expenses for services	-2.815	-6.452	-3.637	-129,2
	-27.660	**-35.011**	**-7.351**	**-26,6**
Salaries and wages	-18.008	-19.421	-1.413	-7,8
Expenses for social securities	-3.380	-3.790	-410	-12,1
	-21.388	**-23.211**	**-1.823**	**-8,5**
Depreciation and amortization of intangible assets and property, plant and equipment	-6.403	-6.207	196	3,1
Write-downs of current assets	-400	-552	-152	-38,0
Other operating expenses	-9.482	-12.842	-3.360	-35,4
	-6.120	**-5.881**	**-239**	**-3,9**
Income from profit and loss transfer agreement	2.701	5.717	3.016	111,7
Income from investments	1.350	1.500	150	11,1
Income from other securities	7	0	-7	-100,0
Interest income	394	369	-25	-6,3
Write-downs of financial assets	-5.812	0	5.812	100,0
Interest expenses	-2.189	-2.063	126	5,8
	-3.550	**5.523**	**9.073**	**255,6**
Results from ordinary operations	**-9.669**	**-358**	**9.311**	**96,3**
Extraordinary result	0	124	124	-
Income taxes	102	1.073	971	952,0
Other taxes	-45	-56	-11	-24,4
Net loss for the financial year (previous year net profit)	**-9.613**	**783**	**10.396**	**108,1**
Retained earnings	8.245	-1.368	-9.613	-116,6
Net loss (previous year net profit)	**-1.368**	**-585**	**783**	**57,3**

Sales increased by €14.3 million year-on-year. The **gross margin** declined by 0.7 percentage points to 49.6%. This was primarily due to the change in the product mix and valuation allowances on inventories.

Other operating income, which primarily resulted from investment grants, intragroup allocations to subsidiaries, reversals of provisions and exchange gains, amounted to €2.5 million (previous year: €3.6 million).

Personnel expenses increased by €1.8 million to €23.2 million. This recovery was due to the workforce expansion and the merger of FST. Nevertheless, the personnel expenses ratio decreased from 38.4% to 33.5%.

Other operating expenses rose by €3.4 million, with the increase being primarily attributable to the merger, higher sales expenses and increased expenses for warranties.

The €0.4 million increase in **depreciation of property, plant and equipment** and amortization of intangible assets is attributable primarily to the valuation allowances on the ELBAU and Sensortechnics brands. Above and beyond this, depreciation and amortization relates mainly to goodwill, machinery and equipment, operating and office equipment, and the production and office building. In addition, write-downs of current assets were recognized on the loan to the subsidiary in Canada in the amount of €0.6 million. On April 10, 2015, the company entered into a profit and loss transfer agreement with First Sensor Microelectronic Packaging GmbH with retrospective effect from January 1, 2015. Furthermore, a profit and loss transfer agreement with First Sensor Lewicki GmbH has been in place since 2006. The profit and loss transfer agreements resulted in income from profit transfers in the amount of €5.7 million (previous year: €2.7 million). In addition, a distribution by a subsidiary resulted in income from investments in the amount of €1.5 million (previous year: €1.4 million).

Interest income related to loans to affiliated companies. **Interest expenses** improved due to lower interest expenses for promissory note loans and redeemed loans by €0.1 million to €2.1 million.

The following table shows the balance sheet as at December 31, 2015:

ASSETS

in € thousand	2014	2015	Δabsolute	in %
Intangible assets	3,308	2,847	-461	-13.9
Internally-generated intangible assets	620	1,552	932	150.3
Goodwill	26,692	24,535	-2,157	-8.1
Advance for customers	131	441	310	236.6
Property, plant and equipment	27,044	26,507	-537	-2.0
Shares in affiliated companies	36,338	32,618	-3,720	-10.2
Loans to affiliated companies	785	0	-785	-100.0
Non-current assets	**94,918**	**88.500**	**-6,418**	**-6.8**
Inventories	16,475	17,770	1,295	7.9
Trade accounts receivables	1,651	6,372	4,721	285.9
Due from affiliated companies	5,485	5,553	68	1.2
Other assets	1,288	1,467	179	13.9
Cash and cash equivalents	3,858	14,323	10,465	271.3
Current assets	**28,757**	**45,485**	**16,728**	**58.2**
Prepaid expenses	417	502	85	20.4
Deferred tax assets	0	550	550	-
ASSETS	**124,092**	**135,037**	**10,945**	**8.8**

EQUITY AND LIABILITIES

in € thousand	2014	2015	Δabsolute	in %
Share capital	50,655	50,835	180	0.4
Capital reserves	20,463	20,532	69	0.3
Earning reserves	1,004	1,004	0	0.0
Retained earnings	-1,368	-584	784	57.3
Equity	**70,754**	**71,787**	**1,033**	**1.5**
Special account with reserve characteristics	4,434	3,774	-660	-14.9
Provisions	3,307	4,972	1,665	50.3
Liabilities to banks	9,069	9,206	137	1.5
Promissory note loans	31,000	40,000	9,000	29.0
Payments received on account of orders	73	197	124	169.9
Trade accounts payables	3,236	3,861	625	19.3
Due to affiliated companies	522	520	-2	-0.4
Other liabilities	1,205	720	-485	-40.2
Deferred tax liabilities	492	0	-492	-100.0
Equity and liabilities	**124,092**	**135,037**	**10,945**	**8.8**

The **equity** of First Sensor AG amounted to €71.8 million at the reporting date (previous year: €70.8 million). This corresponds to an equity ratio of 53.2% (previous year: 57.0%). The decrease in the equity ratio is mainly due to the increase in total assets following the merger of FST and the placement of promissory loans resulting in a net inflow of €9.0 million.

Cash and cash equivalents amounted to €14.3 million at the balance sheet date (previous year: €3.9 million). Please refer to the tables for the Group for information on the financing situation.

The company's Management Board and Supervisory Board will propose to the Annual General Meeting that the net loss for fiscal year 2015 in the amount of €584,940 be carried forward to new account.

In its business plan, the Management Board is forecasting sales of €75-80 million and positive results from ordinary operations in fiscal year 2016. While the forecasted sales figures have been fulfilled, EBITDA results failed to meet expectations (€2.5-3.0 million) due, in particular, to a lower gross margin as a consequence of the valuation allowances on inventories, increased personnel expenses and the increased expenses for sales and warranties.

First Sensor AG had 417 employees (FTEs) at the end of the year (previous year: 359) plus 18 apprentices (previous year: 11). The following table provides a breakdown of the workforce across the individual units. Following the merger, there were organizational changes in the breakdown, which make comparison with the previous year's figures difficult in Berlin-Oberschöneweide.

Number of employees (FTE)	2014	2015	Δabsolute	in %
Berlin-Oberschöneweide	154	170	16	10.4
Attributable due to the merger of First Sensor Technology GmbH	15	17	2	13.3
Munich branch	72	75	3	4.2
Berlin-Weißensee branch	132	154	22	16.7
Chemnitz branch	1	1	0	0.0
Total	**359**	**417**	**58**	**16.2**

Overall picture

Our realignment also had a positive impact on the business performance. Instead of the originally planned sales of between €128 million and €132 million, we generated sales of €137.7 million in fiscal year 2015, thus also exceeding the forecast last increased in October 2015. This corresponds to year-on-year growth of over 11% or almost €14 million. All three business units contributed to this successful result, albeit to a differing extent over the course of the quarters. Hereby the Medical BU posted a substantial increase at the end of the year. However, this positive overall situation as regards organic growth cannot hide the fact that we cannot be satisfied with the development of profitability. We therefore missed our most recent earnings forecast of between €12 million and €14 million by €0.6 million at the end of the year. Even when the non-recurring effects with a negative impact on fiscal year 2015 are taken into account, this earnings quality still is not satisfactory.

Development of non-financial performance indicators

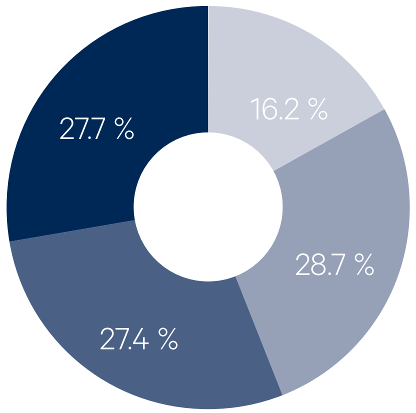
Employees

The First Sensor Group had a total of 773 employees (FTEs) as at December 31, 2015, compared with 757 in the previous year. This increase of 16 employees was attributable in particular to the areas of sales and product management as well as development.

Additionally the numbers of apprentices are 29 (previous year: 19).

Temporary workers were used to cope with peaks in the order book. At December 31, 2015, the total number of temporary workers was 39 (previous year: 29).

At €41.9 million, personnel expenses in 2015 were 6.3% higher than the prior-year level of €39.4 million. Further information on the breakdown of personnel costs can be found in the notes.



Aging structure of employees 2015

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

Sales per employee improved to €178.9 thousand (previous year: €172.5 thousand) as a result of sales growth. The age structure of the workforce is largely balanced:

Aging structure of employees in %	2014	2015	Δabsolute	in %
Age under 30 years	16.9	16.2	-0.7	-4.1
Age between 31 and 40 years	27.1	28.7	1.6	5.9
Age between 41 and 50 years	28.3	27.4	-0.9	-3.2
More than 51 years	27.7	27.7	0.0	0.0
Total	**100.0**	**100.0**	**0.0**	**0.0**

The company-wide sickness absence rate at First Sensor was calculated in 2015 and was found to be 5.2% (previous year: 4.6%). The proportion of female employees increased from 34.4% in 2014 to 36.1% in the year under review. Around one-third of employees at the company (32.1%; previous year: 29.7%) have a university degree. This figure increased as against the previous year due to the proportional increase in the number of employees in the areas of sales and development.

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

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

Our aim is to cover our future need for skilled workers through high-quality training in line with demand. This aim is backed up by long-term personnel planning. First Sensor provides professional training for microtechnologists, industrial clerks and specialists in warehouse logistics. The number of trainees in the company was increased by ten to 29 trainees as at December 31, 2015 (previous year: 19).

First Sensor invested €250 thousand in staff training in fiscal year 2015 (previous year: €216 thousand). This increase was primarily due to a management development program aimed at communicating methodological expertise, strategic thinking and actions and strong management.

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

First Sensor has introduced a global grading system in the company. An analytical procedure was used to evaluate all of the positions at the company in order to determine their relative values within the organization.

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

Definition of core processes

In the moment, the company's core processes are developed and defined in a Group-wide project to improve structural cooperation. Operational instructions can be derived from this. The primary focus will be on the orientation of internal and external processes. First Sensor places a great deal of importance on high efficiency, low losses, satisfied customers, reliable suppliers and, in particular, effective and motivated employees. Weaknesses also become apparent with the help of an interface management system and potential for improvement will be leveraged and implemented.

Innovation management

An orderly process is needed to manage innovations. With the stage-gate process, the First Sensor Group has established a process to ensure a controlled sequence from the idea to the market launch in precisely defined phases. The next gate will only open after a unanimous board resolution once a stage is completed and all conditions are met. All decision makers according to each phase are involved in this process meaning that the company can guarantee that development expertise is deployed optimally according to objective criteria and clearly defined processes.

Quality management

To ensure that cooperation between the plants and at the interfaces with customers and suppliers is quick and smooth, the introduction of uniform CAQ software for quality management and assurance at all of the First Sensor Group's plants is in preparation.

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

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

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

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

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

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

Supplementary report

The key components and conditions remained similar in structure. The company is not aware of other key events following the end of the fiscal year, which will affect the net assets, financial position and results of operations.

Outlook, opportunity and risk report

Outlook

Premises and assumptions

The experts at the Organization for Economic Co-operation and Development (OECD) expect the global economy to cool slightly in 2016. They still expect the global economy to grow by 3%; the OECD expects gross domestic product (GDP) in the Federal Republic to grow by 1.3%.

The experts are assuming that prospects for the target markets of First Sensor AG will be more dynamic:

Industrial

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

Medical

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

Mobility

According to forecasts from Yole Développement, an average annual growth rate of 13% is anticipated for Mobility between now and 2018. We shall participate in this growth by expanding our activities and introducing more innovations.

The management forecasts mentioned below are the result of the various measures implemented in fiscal year 2015.
The investments made in the past in the capacity expansion of production facilities, particularly at the Berlin-Oberschöneweide and Dresden locations, will allow the planned sales and earnings growth in the medium term.

The workforce expansion in the areas of sales and product management as well as development will establish the basis for realizing new projects with the planned sales potential. An increased focus on platform technologies will allow production to be scaled up.

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

With the integration and the aim of clearly positioning the company as a quality provider in a higher-margin environment over the medium term, the Group also began to develop a sophisticated Group-wide risk and quality management system. Owing to the increased transparency and a redefined risk assessment, additional quality risks have already been identified and taken into account. The expansion of risk and quality management will continue on an ongoing basis.

Planning process

The planning process at the company involves several stages. Firstly, income statement planning is performed at the level of the cash-generating units (CGUs) using the nature of expense method in accordance with HGB for the period 2016-2018 (three-year plan) on the basis of sales, margin and HR planning and cost center-based cost type planning. Once investment and financial plans are added to this, a balance sheet plan can be drawn up. In the second stage, the units are combined as part of the elimination of intragroup balances and acquisition accounting, converted to IFRS accounting and condensed into Group plans. The same sales and earnings forecasts for the CGUs in accordance with HGB are applied in goodwill impairment testing in connection with the annual financial statements.

The following exchange rates are used centrally as a guide.

Target exchange rates	2016	2017/18
USD-EUR	1.12	1.12
GBP-EUR	0.70	0.70
CAD-EUR	1.41	1.41
SEK-EUR	9.30	9.30
SGD-EUR	1.50	1.50

Changes in the USD exchange rate leading to 1.00 USD/EUR (parity) would have no significant impact on the earnings situation. Exchange rate risk is countered through sales in the USD-area and through the hedged currency contracts. Furthermore, price escalation clauses are used selectively with foreign currency customers.

Development of business

The sensor products and services in First Sensor's portfolio are sold in three growing areas of business:

Industrial
Medical
Mobility

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

The Management Board is focusing in particular on profitable organic growth.

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

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

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

With the realignment of its financing structure, First Sensor has secured the company's financing for the forecast period. In fiscal year 2015, net debt rose by €3.3 million for reporting date-related reasons. The company is still rated investment grade. This means that investments and operational expansions are adequately financed at all times.

The following table shows the changes in forecasts in fiscal year 2015. The fact that the sales forecast was exceeded by 1.3% despite the increase in the sales forecast was attributable to the increase in invoicing due to unexpected orders at the end of the year. The earnings forecast was adjusted in October 2015 due to non-recurring effects resulting from the closure of the Singapore site and the valuation allowances applied to inventories. EBITDA was slightly below the forecast corridor because earnings were depressed by further non-recurring effects.

Source	Sales	EBITDA
Forecast: We expect to generate sales of between €128 and €132 million and EBITDA of €14 and €16 million in the current fiscal year. (ad hoc disclosure dated March 13, 2015 and forecast in the 2014 consolidated management report)	128 - 132	14 – 16
Confirmation of sales and EBITDA expectations of between €128 and €132 million and EBITDA forecast of between €14 and €16 million (ad hoc disclosure dated May 12, 2015)	128 - 132	14 – 16
Forecast raised: New sales target €130 and €134 million, new EBITDA target €15 and €17 million (ad hoc disclosure dated July 29, 2015)	130 - 134	15 - 17
Forecast adjusted due to non-recurring effects: Sales guidance raised to €136 million. EBITDA guidance lowered to €12 to €14 million (ad hoc disclosure dated October 12, 2015)	136	12 - 14
Actuals for fiscal year 2015	137.7	11.4

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

Overall picture

The strategic realignment in fiscal year 2015 has laid the foundations for successful growth. The performance of the business in 2015 has confirmed this. We are therefore assuming further growth in the upcoming fiscal year.

The Management Board is therefore forecasting sales in the order of magnitude of €145-150 million in fiscal year 2016. Sales growth is also expected to amount to 10% p.a. over the next few years.

However, the trend in profitability and earnings quality is still not satisfactory. The Management Board has addressed this issue and taken measures that will sustainably improve profitability. It is particularly important to standardize core processes in the Group, from product development to production, from the tender process to contract management and billing, from procurement decisions to payment transactions. There is significant potential here to further improve cooperation between the specialist departments, business units and competence centers and to leverage synergies to an even greater extent in the future. We expect to see results gradually over the current fiscal year and – to a more significant degree – in the next fiscal year. An EBIT margin between 5% and 6% is planned for fiscal year 2016. Our target is ultimately to increase operating earnings step by step to an EBIT margin of 10%.

Risk report

In the course of its national and international business activity, First Sensor is confronted by a range of risks that are inextricably linked to its business actions. These are largely identical for First Sensor AG and its major subsidiaries (First Sensor Mobility GmbH, First Sensor Lewicki GmbH, First Sensor Microelectronic Packaging GmbH), the business units and competence centers as a result of their value creation processes. All the activities worldwide are monitored and controlled by the group controlling department. Generally, insurable risks are covered through a comprehensive insurance package in line with standard practice in the industry.

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

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

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

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

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

Risk management analyzes the crucial issues on a quarterly basis. This includes market risks, sales risks, purchasing risks, IT risks, liquidity risks, exchange rate risks, risks relating to receivables and inventory risks, human resources risks and the status of existing insurance policies. Risks are assessed with their probability of occurrence and rated according to their impact on the financial position, net assets and results of operations. The probability of occurrence and effects are weighted on a scale from zero to three and multiplied with each other. If the overall risk is more than six, measures are derived therefrom. The main individual risks are listed below.

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

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

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

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

From the company's perspective, there is no significant concentration of risk in the area of sales. Two customers accounted for a significant share of consolidated sales, at around 7.9% and 6.2% respectively (previous year: 9.6% and 7.6% respectively). These two customers are assigned to the Mobility segment. A change in their order behavior would have a pronounced impact on the forecast segment sales. We consider this risk for the group is low because of the longstanding business relationship.

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

Changes in the product mix in particular may lead to further valuation allowances recognized on inventories.

In First Sensor's **production activities**, specialist machinery is used for which it is impossible to maintain full redundancy. There is the risk that production may be disrupted if a specialist machine breaks down, which could lead to temporary restrictions in the company's ability to deliver goods.

In **R&D**, there is a risk that First Sensor development projects may not lead to the desired results or that innovation trends may not be recognized in time. Production processes that are more cost-effective or innovations on the part of our competitors may impact the market position of the established First Sensor products. The First Sensor Group is in a strong competitive position thanks to the niche position it has achieved through the development of customer-specific special sensors. Despite this, capitalized development projects are subject to risks with regard to reaching market maturity and generating the forecast income. This risk is considered low.

With regard to **financing**, German institutional investors subscribed to three additional promissory notes with terms of three, five and seven years (€18.0 million variable interest until December 21, 2020, €7.0 million fixed interest until December 21, 2020 and €3.0 million fixed interest until December 21, 2022) to repay the variable three-year tranche of €19.0 million early. The variable interest on the promissory note is calculated with a margin based on 6-month EURIBOR. The financial ratios specified were the debt/equity ratio and the equity ratio. The additional liquidity of €9.0 million will be used to expand operating business.

First Sensor has undertaken to adhere to key financial ratios (covenants) in connection with the promissory note loans; these are reviewed regularly and must meet the required targets at the end of the year. Any breach of the covenants will provide extraordinary grounds for termination. If the agreement is not terminated as a result, the breach will increase the interest margin.

The company complied with the covenants as at December 31, 2015, and there is no reason to expect the covenants to be breached during the forecast period. This risk is therefore considered low.

In total, net financial liabilities amounted to €33.0 million at the end of the year (previous year: €29.7 million). A stable earnings situation in the coming years is a prerequisite for the timely servicing of our financial liabilities. There is also a capital market-related risk insofar as the basis used for calculating variable interest may develop unfavorably. Corresponding precautions have been taken in the form of interest rate hedges.

Movements in **exchange** rates affect First Sensor's procurement and sales. Our intensive purchases of production materials on the global market mean that strong fluctuations in the US dollar can push up our purchase prices significantly. Changes in the US dollar also affect the competitiveness of First Sensor's products. We hedge known purchasing volumes in US dollars using forward foreign exchange contracts. Exchange risk is also countered through sales in the USD-area and price escalation clauses.

The data protection officer works to ensure compliance with the German Federal Data Protection Act (BDSG) and other legislation. One of the key tasks of this role is controlling and monitoring the correct use of computer programs. The employees tasked with handling personal data are familiarized with the law and its practical implementation in the form of suitable training. The data protection officer performs this role autonomously.

In summary, the risk positions are recorded in full via the risk management system and cover all of the areas of risk to which the company is exposed. First Sensor does not believe that it is subject to risks that could jeopardize its continued existence. The financing and earnings structure show that the First Sensor Group's economic position is secure.

Opportunity report

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

The biggest opportunity to increase earnings comes from the reorganization of First Sensor into strategic divisions in order to make better use of existing potential. This offers the opportunity to be successful with the right solutions for the right customers in the right projects. The three business units have been created as part of this plan, which will ensure a consistent focus on markets and customers.

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

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

A separate sales company was established in Paris specifically to increase sales in the French market.

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

In **products,** opportunities arise from the possibility of offering sensor solutions developed elsewhere in the company to other sectors or customers. Areas of overlap have been identified for cross-selling, which can lead to an improvement in sales. The creation of product platforms also enables optimized use for customer-specific sensor solutions.

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

First Sensor is increasingly perceived as an important partner. The critical mass reached by First Sensor in **terms of sales** is helping to influence the awarding of contracts positively which will result in more orders. This is allowing First Sensor to access new customer groups.

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

Risk reporting in connection with the use of derivative financial instruments

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

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

Accounting-related internal monitoring system

With regard to the accounting process, the objective of the ICS is to guarantee with sufficient certainty by implementing controls that, despite the identified risks, (consolidated) financial statements are produced, which comply with accounting standards. The decentralized organization of the accounting-related ICS has a uniform, centrally prescribed reporting structure, which is both consistent with Group principles and based on local legal requirements. The subsidiaries report periodically in compliance with IFRS within the context of Group reporting.

The Group does not yet have a uniform structure for its ERP and bookkeeping systems; data are integrated in the consolidated accounting system via uniform reporting structures. There are corporate guidelines, such as accounting and consolidation manuals, to guarantee uniform reporting, compliance with which is checked in regular compliance audits. Accounting by subsidiaries is subject to random, on site checks and plausibility checks at regular intervals; the material local financial statements are audited at the end of the fiscal year before being released for the consolidated financial statements. All measures taken and the ongoing development and amendment of the ICS contribute to guaranteeing that the accounting is reliable. However, even appropriate and functional systems cannot guarantee with absolute certainty that risks will be identified and managed.

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

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

The following structures and processes have been implemented at the company with respect to the accounting processes of the consolidated companies and the Group accounting process.

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

With respect to the accounting processes of the consolidated companies and the Group accounting process, First Sensor considers those aspects of the internal control and risk management system that have a material influence on Group accounting and the overall picture conveyed by the consolidated financial statements and Group management report to be significant.

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

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

Composition of subscribed capital

Subscribed capital amounted to €50,835,480.00 at the reporting date December 31, 2015 (previous year: €50,655,055.00) and is divided into 10,167,096 no-par value bearer shares (previous year: 10,131,011 no-par value bearer shares), meaning that each share has a notional interest in the share capital of €5.00.

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

Restrictions affecting voting rights or the transfer of shares

In accordance with section 136 (1) AktG, shares directly or indirectly held by members of the Management Board and the Supervisory Board are subject to statutory restrictions affecting voting rights with respect to the vote on the approval of the actions of the members of the Management Board and the Supervisory Board for the respective fiscal year. The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares.

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

- An interest of 36.02% is held by FS Technology Holding S.à.r.l., Luxembourg, which is attributable to the NN Group B.V., Netherlands;

Holders of shares with special rights conferring control powers

All shares grant identical rights. There are no shares with special rights, in particular, no shares conferring control powers

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

Employees who hold an interest in the share capital exercise their voting rights directly

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

The provisions governing the nomination and dismissal of members of the Management Board and amendments to the Articles of Association are determined in line with statutory regulations.

Authorization of the Management Board to issue shares and repurchase shares

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

The Management Board is authorized to increase the company's share capital by up to €25,379,150 by issuing up to 5,075,830 new bearer shares (Authorized Capital 2015/I) up to May 27, 2020, with the approval of the Supervisory Board, in one or more transactions. The Management Board is authorized to acquire treasury shares up to a maximum of 10% of the share capital.

Agreements on compensation in the event of a takeover bid

In the event of a change of control at First Sensor AG, a maximum amount has been allowed for each of the members of the Management Board if the member in question resigns within one month of the change of control.

Other declarations

The declaration of compliance pursuant to Article 161 AktG (German Stock Corporation Act) and the declaration of business management pursuant to Article 289a HGB (German Commercial Code) are permanently available in the Investor Relations/Corporate Governance section of the company's website at **www.first-sensor.com.**

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

Berlin, March 18, 2016
First Sensor AG

Dr. Martin U. Schefter
CEO

Dr. Mathias Gollwitzer
CFO

Individual/ company	Share (%)	Share (voting rights)	Allocation (direct/indirect)	Date of notification
FS Technology Holding S.à.r.l., Luxemburg	**36.02**	**3,659,419**	**direct**	**November 09, 2015**
ING Groep N.V., Amsterdam, The Netherlands	36.02	3,659,419	indirect	November 09, 2015
NN Insurance Eurasia N.V., Amsterdam, The Netherlands	36.02	3,659,419	indirect	November 09, 2015
Nationale Nederlanden Nederland B.V., Amsterdam, The Netherlands	36.02	3,659,419	indirect	November 09, 2015
Nationale Nederlanden Levensverzekering Maatschappij N.V., Rotterdam, The Netherlands	36.02	3,659,419	indirect	November 09, 2015
Parcom Capital B.V., Schiphol Airport, The Netherlands	36.02	3,659,419	indirect	November 09, 2015
DPE Deutsche Private Equity B.V., Schiphol Airport, The Netherlands	36.02	3,659,419	indirect	November 09, 2015
Parcom Deutschland I GmbH & Co. KG, Munich, Germany	36.02	3,659,419	indirect	November 06, 2015
DPE Deutsche Private Equity GmbH, Munich, Germany	36.02	3,659,419	indirect	November 06, 2015
Deutsche Private Equity Administration GmbH, Munich, Germany	36.02	3,659,419	indirect	November 06, 2015
DAH Beteiligungs GmbH, Mannheim, Germany	**9.99**	**1,015,137**	**direct**	**November 20, 2015**
Daniel Hopp, Germany	9.99	1,015,137	indirect	November 20, 2015
Hopp Verwaltungs GmbH, Mannheim, Germany	9.99	1,015,137	indirect	November 20, 2015
Hopp Beteiligungsgesellschaft mbH & Co. KG, Mannheim, Germany	9.99	1,015,137	indirect	November 20, 2015
Grandeur Peak Global Advisors, LLC, Salt Lake City, Utah, United States of America	**3.01**	**306,046**	**direct**	**November 04, 2015**
Midlin NV, Maarsbergen, The Netherlands	**3.49**	**352,134**	**direct**	**September 16, 2014**

3 Financial Statements

3 Financial statements 2015 (IFRS)

Consolidated balance sheet ASSETS

ASSETS in € thousand	Notes	Dec. 31, 2014	Dec. 31, 2015	Changes
Intangible assets	(3)	19,069	16,246	-2,823
Internally-generated intangible assets	(4)	3,489	3,978	489
Goodwill	(5)	29,816	29,816	0
Property, plant and equipment	(6)	36,412	35,036	-1,376
Total non-current assets		**88,786**	**85,076**	**-3,710**
Inventories	(7)	29,862	27,135	-2,727
Trade accounts receivables	(8)	8,611	17,004	8,393
Tax refund claims		576	908	332
Other current assets	(9)	2,529	1,850	-679
Cash and cash equivalents	(10)	14,525	21,523	6,998
Total current assets		**56,103**	**68,420**	**12,317**
Total ASSETS		**144,889**	**153,496**	**8,607**

Consolidated balance sheet EQUITY AND LIABILITIES

EQUITY AND LIABILITIES in € thousand	Notes	Dec. 31, 2014	Dec. 31, 2015	Changes
Share capital	(11)	50,655	50,835	180
Capital reserves	(12)	16,363	16,527	164
Revenue reserves	(12)	1,004	1,004	0
Currency translation	(12)	-213	62	275
Revaluation reserves	(12)	-425	-227	198
Retained earnings		4,193	2,476	-1,717
Minority interest		405	594	189
TOTAL Equity		**71,982**	**71,271**	**-711**
Non-current post-employment benefit obligation	(13)	323	312	-11
Other non-current provisions	(14)	208	430	222
Long-term loans, excluding current portion	(15)	41,176	46,543	5,367
Other non-current liabilities	(16)	5,602	4,487	-1,115
Deferred tax liabilities	(26)	4,257	3,524	-733
Total non-current liabilities		**51,566**	**55,296**	**3,730**
Income tax provisions and liabilities		1,590	1,456	-134
Other current provisions	(14)	1,102	1,739	637
Short-term loans and current portion of long-term loans	(15)	3,075	7,987	4,912
Payments received on account of orders		545	1,171	626
Trade accounts payables		8,211	7,612	-599
Other current liabilities	(17)	6,818	6,964	146
Total current liabilities		**21,341**	**26,929**	**5,588**
Total equity and liabilities		**144,889**	**153,496**	**8,607**

Consolidated statement of comprehensive income (IFRS)

Consolidated income statement

in € thousand	Notes	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2015	Oct. 1 – Dec. 31, 2014	Oct. 1 – Dec. 31, 2015
Sales revenues	(19)	123,998	137,742	31,784	35,107
Other operating income	(20)	3,545	2,844	786	727
Changes in inventories in finished goods and work-in-progress	(21)	813	-1,222	-582	-230
Other own work capitalized	(22)	780	1,043	375	339
Cost of material and purchased services	(23)	-61,190	-69,282	-15,032	-17,375
Personnel expenses	(24)	-39,436	-41,905	-10,070	-10,895
Other operating expenses	(25)	-14,963	-17,848	-4,800	-5,539
Profit from operations (EBITDA)		**13,547**	**11,372**	**2,461**	**2,134**
Depreciation of property, plant and equipment and amortization of intagible assets		-9,475	-10,156	-3,093	-3,175
Earnings before interest and tax (EBIT)		**4,072**	**1,216**	**-635**	**-1,041**
Interest income		31	18	21	12
Interest expenses		-2,421	-2,199	-728	-567
Currency gains		309	1,636	114	9
Currency losses		-311	-1,844	-70	-270
Income before tax and minority interest		**1,680**	**-1,173**	**-1,298**	**-1,857**
Income tax expenses	(26)	-1,282	-355	-876	-88
Net profit/loss for the period		**398**	**-1,528**	**-2,174**	**-1,945**
Net profit/loss for the period attributable to First Sensor AG shareholders		175	-1,717	-2,180	-1,964
Net profit/loss for the period attributable to minority interest		223	189	6	19
Earnings per share in € (basic=diluted)	(27)	**0.02**	**-0.17**	**-0.22**	**-0.19**

Other comprehensive income

in € thousand	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2015	Oct. 1 – Dec. 31, 2014	Oct. 1 – Dec. 31, 2015
Net profit/loss for the period	**398**	**-1,528**	**-2,174**	**-1,945**
Actuarial gains and losses on defined benefit plans	-18	-8	-18	-8
Taxes on other comprehensive income	6	2	6	2
Items not subsequently reclassified to the income statement	-12	-6	-12	-6
Changes from currency translation	357	276	25	43
Revaluation of derivative financial instruments	117	290	76	120
Taxes on other comprehensive income	-35	-87	-35	-36
Items that can be subsequently reclassified to the income statement	**439**	**479**	**66**	**127**
Total comprehensive income	**825**	**-1,055**	**-2,120**	**-1,824**
Total comprehensive income	602	-1,244	-2,126	-1,841
Thereof attributable to minority interest	223	189	6	17

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

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

Consolidated statement of changes in equity from January 1 to December 31, 2015 (IFRS)

in € thousand	Number of shares in thou.	Capital stock	Capital reserves	Revenue reserves	Currency translation	Revaluation reserves	Retained earnings	Minority interest	Total shareholders' equity
As at January 1, 2015	**10,131**	**50,655**	**16,363**	**1,004**	**-213**	**-425**	**4,193**	**405**	**71,982**
Net profit/loss for the period							-1,717	189	**-1,528**
Other comprehensive income					275	198			**473**
Total comprehensive income					**275**	**198**	**-1,717**	**189**	**-1,055**
Share-based remuneration			95						**95**
Capital increase	36	180	69						**249**
Appropriation of earnings									**0**
As at December 31, 2015	**10,167**	**50,835**	**16,527**	**1,004**	**62**	**-227**	**2,476**	**594**	**71,271**

Consolidated statement of cash flow from January 1 to December 31, 2015 (IFRS)

in € thousand	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2015	Oct. 1 – Dec. 31, 2014	Oct. 1 – Dec. 31, 2015
Income before tax and minority interest	**1,680**	**-1,173**	**-1,298**	**-1,857**
Interest paid	2,390	1,794	707	168
Depreciation of property, plant and equipment and amortization of intangible assets	9,475	10,156	3	3,175
Income from investment grants	-592	0	-246	661
Income/loss from the disposal of fixed assets	289	334	302	342
Other non-cash expenses and income	264	95	1,039	41
Changes in provisions	560	840	792	642
Changes in working capital	-1,626	-6,265	320	2,666
Changes in other assets and liabilities	1,550	505	-182	1,078
Income tax paid	-1,807	-1,307	-2,098	-842
Cash flow from operating activities	**12,183**	**4,979**	**-661**	**6,074**
Payments for investments in property, plant and equipment and intangible assets	-5,415	-7,081	-304	-2,210
Proceeds from disposal of property, plant and equipment, intangible assets and investments	156	325	143	325
Proceeds from investment grants	592	0	246	-661
Interest received	32	18	22	12
Cash flow from investment activities	**-4,635**	**-6,738**	**107**	**-2,534**
Proceeds from shareholders	887	249	802	-72
Repayments for financial liabilities	-4,880	-8,215	-1,800	-5,809
Proceeds from loans	1,988	18,494	1,802	12,715
Interest paid	-2,422	-1,812	-1,539	-470
Cash flow from financing activities	**-4,427**	**8,716**	**-735**	**6,364**
Net change in cash and cash equivalents	**3,121**	**6,957**	**-1,289**	**9,904**
Currency differences from converting funds	47	41	-6	80
Cash funds at the beginning of the financial year	**11,357**	**14,525**	**15,820**	**11,539**
Cash funds at the end of the financial year	**14,525**	**21,523**	**14,525**	**21,523**

4 Notes to the consolidated interim financial statements

4 Notes to the consolidated interim financial statements (IFRS)

1. Presentation of the situation at the group

Parent company

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

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

These Consolidated Financial Statements were authorized for issue by the Supervisory Board on March 21, 2016.

Reporting principles

First Sensor's consolidated financial statements for 2015 have been prepared in accordance with the applicable International Financial Reporting Standards (IFRS) as at the balance sheet date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that must be applied in the European Union.

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

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

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

In fiscal year 2015, new standards, amendments to existing standards and new interpretations were approved.

Published standards and interpretations for which application was mandatory for the first time for IFRS financial statements as of 12/31/2015:

Amendments to standards:

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

New interpretations:

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

Published standards and interpretations for which application was not mandatory for IFRS financial statements as of December 31, 2015:

Amendments to standards:

- Amendments to IAS 1 "Presentation of Financial Statements": Disclosure Initiative (entry into force on January 1, 2016)
- Amendments to IAS 19 "Employee Benefits": Employee Contributions (entry into force on February 1, 2015) *
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarification of Acceptable Methods of Depreciation and Amortization (entry into force on January 1, 2016)
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture": Agriculture - Bearer Plants (entry into force on January 1, 2016)
- Amendments to IAS 27 "Separate Financial Statements": applying the equity method in separate financial statements (entry into force on January 1, 2016)
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in other Entities" and IAS 28 "Investments in Associates and Joint Ventures": Investment Entities - applying the consolidation exception (entry into force on January 1, 2016)
- Amendments to IFRS 11 "Joint Arrangements": Accounting for Acquisitions of Interests in Joint Operations (entry into force on January 1, 2016)
- Various amendments: IASB 2010 - 2012 Annual Improvement Project (entry into force on February 1, 2015)
- Various amendments: IASB 2012 - 2014 Annual Improvement Project (entry into force on January 1, 2016)

New standards:

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

* EU endorsement not yet given.
** IFRS 14 is not to be included in EU law..

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

Important discretionary decisions and uncertainty of estimates

In preparing the consolidated financial statements, some assumptions and estimates have been made which affected the amount and the disclosure of reported assets and liabilities, earnings and expenses. In individual cases, the actual values may deviate from these assumptions or estimates at a later stage. Relevant changes will be made once more accurate information is available. All assumptions and estimates are made to the best of our knowledge and belief in order to provide a true and fair view of the Group's net assets, financial position and results of operations.

Impairment of goodwill and non-current assets

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

The recoverable amount is calculated by means of a discounted cash flow analysis. The recoverable amount is calculated based on the income planning for the cash generating unit in question. The WACC was also applied as a discount factor, which reflects the weighted average cost of capital for a corresponding peer group; the cash flow was estimated in a detailed planning phase up to 2017 and then in a terminal value. The income planning is essentially based on previous experience of management expectations regarding the development of the respective cash generating unit and the relevant market. The main non-current assets to be subjected to annual impairment testing are the First Sensor Group's reported goodwill as well as intangible assets resulting from business combinations.

Share based remuneration

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

2. Principles of consolidation

Basis of consolidation

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

As at December 31, 2013, the non-controlling interests correspond to the part of the total net profit for the period and the net worth of Silicon Micro Sensors GmbH attributable to shares the Group does not hold (minority interests). 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 by a subsidiary are also assigned to minority interests even when this leads to a negative balance if there is a matching right to reimbursement vis-à-vis the minority interests.

There were the following changes in the basis of consolidation in the year under review:

First Sensor Technology GmbH, Berlin, was merged into First Sensor AG by dissolution without liquidation by way of the transfer of its entire assets under the terms of the merger agreement dated August 24, 2015 and the resolution approving the merger that was passed on the same day.

The French sales company First Sensor France S.A.S. was founded in Paris with a share capital of €20,000 on December 8, 2015. The company will assume sales activities for the France sales region.

Operating business in Singapore was discontinued through the relocation of the production activities at the Singapore location to existing locations in the First Sensor Group.

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

Company	Head office	Core business activity	Ownership interest
First Sensor Lewicki GmbH	Oberdischingen	Manufacture and sale of microelectronic components and assemblies	100%
First Sensor Microelectronic Packaging GmbH	Dresden	Manufacture and sale of microelectronic components and assemblies	100%
First Sensor Mobility GmbH	Dresden	Development, production and sale of microelectronic and micromechanical sensor systems, components, modules and microsystems	85%
First Sensor France S.A.S.	Paris, France	Sale of sensor modules	100%
First Sensor Inc.	Westlake Village, USA	Development, production and sale of sensor systems and sale of sensor chips	100%
First Sensor Singapore (FSG) Pte. Ltd.	Singapur	Manufacturer of sensor modules (production relocated)	100%
Klay Instruments B. V.	Dwingeloo, The Netherlands	Industrial solutions	100%
First Sensor Technics Ltd.	Rugby, England	Sale of sensor modules	100%
First Sensor Corp.	Montreal, Canada	Development of sensor modules	100%
First Sensor Scandinavia AB	Kungens Kurva, Sweden	Sale of sensor modules	51%

Consolidation methods

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

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

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

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

The agreed contingent consideration is recognized at fair value at the time of the acquisition. Subsequent changes to the fair value of a contingent consideration representing a financial asset or a financial liability are recognized in the income statement in accordance with IAS 39. A contingent consideration classified as equity is not remeasured and its subsequent payment is accounted for as equity capital. Upon initial recognition, goodwill is valued at cost, calculated as the surplus of the transferred consideration over the acquired identifiable assets and liabilities assumed by the Group. If this consideration is lower than the fair value of the acquired subsidiary's net worth, the difference is recognized in the statement of comprehensive income.

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

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

Business combinations and goodwill - before December 31, 2008

Based on the methods applied for accounting of company acquisitions as of December 31, 2008, the following different principles applied in comparison to the above requirements: Transaction costs directly attributable to the acquisition constituted part of the acquisition costs.

The non-controlling interest (formerly, "minority interest") was measured as the relevant share of the identifiable net assets of the acquired company.

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

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

Shares in affiliated companies

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

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

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

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

Currency translation

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

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

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

Foreign subsidiaries

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

Exchange rates	2014	2015
US Dollar USD	1,21410	1,0887
Britische Pfund GBP	0,73395	0,77890
Swedish Krona SEK	9,1895	9,3930
Singapore Dollar SGD	1,5417	1,60580
Canadian Dollar CAD	1,5417	1,40630

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

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

Cash and cash equivalents

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

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

Financial assets

Financial assets are generally broken down into the following categories:

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

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

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

Financial assets are reviewed for impairment at the balance sheet date. When it is improbable, in the case of financial assets carried at amortized cost, that the company will be able to collect all loans and receivables due under the terms of the contract, an impairment or value adjustment of the receivables is recognized in the income statement. A value adjustment previously expensed will be corrected in the income statement if the subsequent partial recovery (or reduced impairment) can be objectively measured.

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

Derecognition/impairment

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

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

First Sensor assesses at the balance sheet date whether a financial asset is impaired. If there is objective evidence of impairment on loans and receivables recognized at amortized cost, the amount of the loss is determined as the difference between the carrying amount of the asset and the cash value of expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the interest rate originally recognized).

The carrying amount of the asset is then either reduced directly or an allowance account is used. The amount of the loss is recognized in the income statement. First Sensor first assesses whether there is objective evidence of impairment of financial assets that are significant. It then assesses whether there is objective evidence of impairment of financial assets that are not significant, individually or collectively. If the Group determines that in the case of a financial asset assessed individually, whether significant or not, there is no objective evidence of impairment, it includes this asset in a group of financial assets with a similar default risk profile and examines them collectively for impairment. Assets individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective impairment assessment.

Offsetting

Financial assets and liabilities are offset so only the net amount is reported in the balance sheet. This only happens if there is a legal right to offset the recorded amounts with each other at the present time and if the intention is to effect compensation on a net basis or to redeem the liability associated with the asset in question at the same time it is realized.

Fair value

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

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

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

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

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

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

Inventories

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

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

Property, plant and equipment

Tangible assets are accounted for at cost less accumulated amortization.

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

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

Buildings	25 – 33 Jahre
Office equipment	1 – 15 Jahre

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

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

Intangible assets

Intangible assets are capitalized by First Sensor if:

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

This is the method applied when intangible assets are acquired externally. Internally generated intangible assets are measured at the directly attributable development costs if all the requirements of IAS 38 are met. Overheads necessary to generate the asset and that can be directly attributed to it are also capitalized. Capitalization ceases once the product is completed and available for general use.

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

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

Furthermore, acquired developments (manufacturing expertise) are recognized as intangible assets if they can be measured reliably and the company controls exploitation of the results of these development projects.

Intangible assets subject to wear and tear are recognized at cost minus accumulated depreciation and accumulated impairments. Intangible assets not subject to wear and tear (goodwill) are recognized at cost minus accumulated impairment losses. According to IAS 38, intangible assets subject to wear and tear are amortized uniformly over the estimated useful life. The amortization period starts as soon as the asset can be used. The amortization period and amortization schedule are reviewed annually at the end of the fiscal year.

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

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

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

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

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

(e) Brands
Identified assets were acquired in the form of brands as part of the acquisition of the Sensortechnics Group. The Klay brand is not subject to scheduled amortization because it has no defined useful life. The Sensortechnics and ELBAU brands were written off in full as of December 31, 2015, since both brand names are no longer used as a result of concentrating on the "First Sensor" umbrella brand.

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

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

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

Provisions

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

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

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

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

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

- it is not probable that an outflow of resources embodying economic benefits will be required to settle this obligation; or

- the amount of the obligation can be estimated sufficiently reliably.

Financial liabilities

Financial liabilities are categorized as follows:

- Δfinancial liabilities held for trading

- Δother financial liabilities.

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

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

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

Employee benefits

Defined contribution plans

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

Share options

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

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

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

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

Non-current post-employment benefit obligation

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

The annual pension payments are shown as utilization of provisions. This is calculated based on an actuarial assessment.

Government grants

Zuwendungen der öffentlichen Hand werden erfasst, wenn Government grants are recognized if there is sufficient certainty that the grants will be paid out and the company meets the attached conditions.

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

Recognition of revenue

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

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

- There is neither a continuing managerial involvement to the degree usually associated with economic ownership, nor effective control over the sold items and entitlements.

- The amount of revenue can be measured reliably.

- It is probable that the economic benefits associated with the transaction will flow to the enterprise.

- The costs incurred or to be incurred in respect of the transaction can be reliably estimated.

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

Other operating income

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

Interest income

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

Taxes

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

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

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

with the following exceptions:

- The deferred tax liability must not be recognized when it arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither the accounting profits defined under commercial law nor the taxable profit.
- Deferred tax arising from deductible temporary differences in connection with investments in subsidiaries and associated companies is not recognized if the timing of the reversal of the temporary difference is controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, 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 carryforward of unused tax losses and unused tax credits can be utilized, with the following exceptions:

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

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

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

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

Leases

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

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

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

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

Derivative financial instruments and hedging

Credit and liquidity risk

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

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

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

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

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

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

As at December 31, 2015, First Sensor had used hedging instruments to hedge interest rate risks (cash flow hedge). These instruments were reported as follows in accordance with the strict criteria for hedge accounting:

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

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

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

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

3. 3. Intangible assets

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

in € thousand	Orders on hand	Concessions, licenses and similar	Goodwill	Internally generated intangible assets	Customer base/ brands	Advance payments	2015
Cost of purchase							
January 1, 2015	1,452	11,677	39,112	4,416	24,075	131	80,863
Additions	0	793	0	853	0	356	2,002
Disposals	0	-1,595	0	-37	0	0	-1,632
Reclassifications	0	227	0	-29	0	-46	152
Exchange differences	0	3	0	-29	0	0	-26
December 31, 2015	1,452	11,105	39,112	5,174	24,075	441	81,359
Cumulative depreciation							
January 1, 2015	1,452	9,133	9,296	927	7,681	0	28,489
Depreciation and amortization	0	1,134	0	269	3,002	0	4,405
Disposals	0	-1,577	0	0	0	0	-1,577
Exchange differences	0	2	0	0	0	0	2
December 31, 2015	1,452	8,692	9,262	1,196	10,683	0	31,319
Carrying amount as at January 1, 2015	0	2,544	29,816	3,489	16,394	131	52,374
Carrying amount as at December 31, 2015	0	2,413	29,816	3,978	13,392	441	50,040

The transfers effected as part of the annual financial statements relate to the reclassification from advance payment to fixed assets both in the previous year and as of December 31, 2015. Intangible assets neither served as securities for liabilities nor were otherwise restricted at the balance sheet date.

Brands

The Klay Instruments brand is not amortized. The Sensortechnics and ELBAU brands were written off in full as of December 31, 2015, since both brand names are no longer used as a result of concentrating on the "First Sensor" umbrella brand.

in € thousand	2014	2015	Δabsolute	in %
Brand Sensortechnics	425	0	-425	-100.0
Brand ELBAU	357	0	-357	-100.0
Brand Klay Instruments	797	797	0	0.0
Total	**1,579**	**797**	**-782**	**-49.5**

The Klay Instruments brand is not amortized. The Sensortechnics and ELBAU brands were written off in full as of December 31, 2015, since both brand names are no longer used as a result of concentrating on the "First Sensor" umbrella brand.

Customer base

Customer bases that were acquired as part of the acquisition of the shares in the Sensortechnics Group in 2011 were identified as intangible assets. The table shows the carrying amounts. The customer bases are amortized over an estimated useful life of 6 to 10 years using the straight-line method. The amortization amount was €2,221 thousand in 2015 (previous year: €2,221 thousand).

in € thousand	2014	2015	Δabsolute	in %
Sensortechnics Customized	6,425	5,473	-952	-14.8
Sensortechnics Distributed	120	77	-43	-35.8
First Sensor AG subsidiary Berlin-Weißensee (prev.: ELBAU)	5,770	4,915	-855	-14.8
Klay Instruments B.V.	2,500	2,130	-370	-14.8
Total	**14,815**	**12,595**	**-2,220**	**-15.0**

Development

The development work reported following the acquisition of First Sensor Microelectronic Packaging GmbH in 2005 is subject to scheduled amortization over 20 years starting from the initial marketing. The effective amortization charge in 2015 amounted to €23 thousand (previous year: €23 thousand). The residual carrying amount was €252 thousand at the balance sheet date.

Following the acquisition of First Sensor Technology GmbH, intangible assets of €672 thousand were reported relating to the company's own developments and technologies. The carrying amount remaining €120 thousand.

4. Internally-generated intangible assets

Internally generated intangible assets are capitalized at First Sensor in connection with developments for new products and technologies. It is assumed in this process that they will be used at a later date and will generate corresponding returns. €3,978 thousand (previous year: €3,489 thousand) were reported for internally generated intangible assets as at the balance sheet date. Write-downs of €269 thousand (previous year: €724 thousand) were recognized on these in the year under review.

5. Goodwill

Goodwill as at December 31, 2015 related to the following companies:

in € thousand	2014	2015
First Sensor Lewicki GmbH	1,846	1,846
First Sensor Technology GmbH	1,125	1,125
Ehemalige Sensortechnics-Gruppe	26,390	26,390
MEMSfab GmbH	455	455
Total	**29,816**	**29,816**

To test goodwill for impairment, the value in use of the unit was calculated and compared with the carrying amount. If the carrying amount exceeds the value in use, a valuation allowance is recognized. Based on a peer group analysis, the value in use is calculated based on operating cash flows for the planning period, discounted using the WACC method. An indicative check was carried out using the income capitalization approach. The following basic assumptions were made as parameters for the impairment test:

Assumptions in impairment test	2014	2015
Risk-free basic interest rate	1.75 %	1.50 %
Market risk premium	6.00%	6.00 %
Beta factor	1.0	1,0
Pre-tax borrowing rate	4.50 %	3.50 %

First Sensor Lewicki GmbH

First Sensor reports goodwill amounting to €1,846 thousand resulting from the acquisition of all shares in First Sensor Lewicki GmbH in 2000. In accordance with IAS 36, goodwill on this company was tested for potential impairment as at December 31, 2015 on the basis of the value in use taking into account the following assumptions:

- Sales are expected to increase slightly from 2015 to 2018.
- A growth rate of 1.00% in the projection variables for 2019 (terminal value).
- The discount factor based on the WACC method will be 6.99% after tax (previous year: 7.28%) and 10.21% before tax (previous year: 10.64%).

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

First Sensor Technology GmbH

First Sensor acquired all shares in First Sensor Technology GmbH in fiscal year 2010. This acquisition resulted in goodwill of €1,125 thousand. In accordance with IAS 36, goodwill on this company was tested for potential impairment as at December 31, 2015 on the basis of the value in use taking into account the following assumptions::

- Sales are expected to increase slightly from 2015 to 2018.
- A growth rate of 1.00% in the projection variables for 2019 (terminal value).
- The discount factor based on the WACC method will be 6.99% after tax (previous year: 7.28%) and 10.21% before tax (previous year: 10.64%).

There was no impairment as at the balance sheet date.

Sensortechnics Group

First Sensor acquired all shares in the Sensortechnics Group in fiscal year 2011. This acquisition resulted in goodwill of €26,390 thousand. In accordance with IAS 36, the Sensortechnics Group goodwill was tested for potential impairment as at December 31, 2015 on the basis of the value in use taking into account the following assumptions:

- Sales are expected to increase slightly from 2015 to 2018.
- A growth rate of 1.00% in the projection variables for 2019 (terminal value).
- The discount factor based on the WACC method will be 6.99% after tax (previous year: 7.28%) and 10.21% before tax (previous year: 10.64%).

No impairments resulted from this analysis in fiscal year 2015.

MEMSfab GmbH

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

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

There was no impairment as at the balance sheet date.

6. Property, plant and equipment

in € thousand	Land and buildings	Technical equipment and machinery	Office equipment	Advance payments, assets under construction	2014
Cost of purchase					
January 1, 2014	**18.898**	**39.003**	**7.317**	**1.148**	**66.366**
Additions	11	738	690	2.901	**4.340**
Disposals	0	-605	-293	-22	**-920**
Reclassifications	30	1.453	253	-1.758	**-22**
Exchange differences	**36**	**157**	**47**	**0**	**240**
December 31, 2014	**18.975**	**40.746**	**8.014**	**2.269**	**70.004**
Cumulative depreciation					
January 1, 2014	**4.458**	**19.683**	**4.649**	**48**	**28.838**
Depreciation and amortization Depreciation and amortization	690	3.743	1.018	0	5.451
Disposals	0	-535	-290	-8	-833
Exchange differences	17	80	39	0	136
December 31, 2014	**5.165**	**22.971**	**5.416**	**40**	**33.592**
Carrying amount as at January 1, 2014	**14.440**	**19.320**	**2.668**	**1.100**	**37.528**
Carrying amount as atDecember 31, 2014	**13.810**	**17.775**	**2.598**	**2.229**	**36.412**

in € thousand	Land and buildings	Technical equipment and machinery	Office equipment	Advance payments, assets under construction	2015
Cost of purchase					
January 1, 2015	**18.975**	**40.746**	**8.014**	**2.269**	**70.004**
Additions	24	1.292	1.148	2.615	**5.079**
Disposals	-731	-1.954	-615	-81	**-3.381**
Reclassifications	22	3.153	424	-3.751	**-152**
Exchange differences	**23**	**82**	**36**	**0**	**141**
December 31, 2015	**18.313**	**43.319**	**9.007**	**1.052**	**71.691**
Cumulative depreciation					
January 1, 2015	**5.165**	**22.971**	**5.416**	**40**	**33.592**
Depreciation and amortization	685	3.969	1.066	31	**5.751**
Disposals	-486	-1.718	-555	-18	**-2.777**
Exchange differences	13	43	33	0	**89**
December 31, 2015	**5.377**	**25.265**	**5.960**	**53**	**36.655**
Carrying amount as at January 1, 2015	**13.810**	**17.775**	**2.598**	**2.229**	**36.412**
Carrying amount as at December 31, 2015	**12.936**	**18.054**	**3.047**	**999**	**35.036**

As at the balance sheet date, property, plant and equipment with a carrying amount of €3,567 thousand (previous year: €5,508 thousand) served as securities for liabilities or were otherwise restricted.

7. Inventories

in € thousand	2014	2015	Δabsolute	in %
Finished goods and products	11,194	10,377	-817	-7.3
Work in progress	9,772	7,714	-2,058	-21.1
Raw materials and supplies	8,799	9,014	215	2.4
Advance payments on inventories	97	30	-67	-69.1
Total	**29,862**	**27,135**	**-2,727**	**-9.1**

The write-down on inventories was recognized as expense and amounted to €3,086 thousand (previous year: €1,574 thousand). This expense was reported under cost of materials for write-downs on materials and other supplies and under changes in inventories for work in progress and finished goods and merchandise.

Assigned inventories amounted to €557 thousand as at the balance sheet date (previous year: €75 thousand).

8. Trade accounts receivables

in € thousand	2014	2015	Δabsolute	in %
Trade accounts receivables	8,703	17,096	8,393	96.4
Less allowances for doubtful accounts	-92	-92	0	0.0
Total	**8,611**	**17,004**	**8,393**	**97.5**

The increase in the portfolio of receivables is primarily the result of discontinuing factoring in April 2015.

Accounts receivable are not interest-bearing and are generally due within 30-90 days. Allowances of €92 thousand (previous year: €92 thousand) were made for doubtful receivables from the sale of goods and services. This equates to a default ratio of 0.5% (previous year: 1.1%).

Changes in the allowance account were as follows:

in € thousand	2014	2015	Δabsolute	in %
Beginning of the period	134	92	-42	-31.3
Allocation to expenses	31	108	77	248.4
Utilization	-1	-3	-2	-200.0
Reversal	-72	-105	-33	-45.8
End of the period	**92**	**92**	**0**	**0.0**

As at December 31, 2015, the age structure of past due accounts receivable is as follows:

in € thousand	2014	2015	Δ absolute	in %
Not due	6,169	14,077	7,908	128.2
Less than 30 days past due	1,711	2,201	490	28.6
Between 30 and 60 days past due	366	379	13	3.6
Between 61 and 90 days past due	141	111	-30	-21.3
Between 91 and 120 days past due	73	67	-6	-8.2
More than 120 days past due	151	169	18	11.9
Total	**8,611**	**17,004**	**8,393**	**97.5**

9. Other current assets

in € thousand	2014	2015	Δ absolute	in %
Prepayments and accrued income	603	691	88	14.6
Receivables from investment grants and subsidies	115	0	-115	-100.0
Value-added tax receivables	40	166	126	315.0
Insurance claims	312	142	-170	-54.5
Research and development funding	72	36	-36	-50.0
Receivables from factoring	864	0	-864	-100.0
Others	523	815	292	55.8
Total	**2,529**	**1,850**	**-679**	**-26.8**

Receivables from factoring resulted from sold receivables in the previous year. Factoring was discontinued in April 2015.

10. Cash and cash equivalents

in € thousand	2014	2015	Δ absolute	in %
Cash in hand	7	10	3	42.9
Guthaben bei Kreditinstituten	14,518	21,513	6,995	48.2
Total	**14,525**	**21,523**	**6,998**	**48.2**

Bank balances are partly subject to variable interest rates for money at call. The fair value of cash and cash equivalents amounted to €21,523 thousand (previous year: €14,525 thousand).

11. Capital stock

The share capital reported as subscribed capital on the balance sheet totaled €50,835,480.00 as at the balance sheet date (previous year: €50,655,055.00). It was made up of 10,167,096 shares (previous year: 10,131,011 shares), each with a nominal value of €5.00. The share capital of First Sensor AG increased by €180.425.00 year-on-year as a result of share options from the 2009 share option plan being exercised.

2015	Number of shares	Share capital
Beginning of the financial year	10,131	50,655
Aktienoptionsplan 2009	36	180
End of the financial year	**10,167**	**50,835**

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

Authorized capital

The Management Board is authorized to increase the company's share capital by up to €25,379,150.00 by issuing up to 5,075,830 new bearer shares (Authorized Capital 2015/1) up to May 27, 2020, with the approval of the Supervisory Board, in one or more transactions. The capital can be increased against cash or non-cash contributions. Shareholders are granted subscription rights. Shareholders can also be granted subscription rights indirectly in accordance with Article 186 (5) AktG (German Stock Corporation Act).

The Management Board is, however, authorized, with the approval of the Supervisory Board, to disapply the subscription right of shareholders in certain circumstances in accordance with the further provisions of point 5c) of the agenda of the Annual General Meeting as published in the German Federal Gazette (Bundesanzeiger).

As at December 31, 2015, Authorized Capital 2015/I amounted to €25,379,150.00.

Contingent capital

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

in € thousand	2014	2015
Contingent capital 2006/I	536	355
Contingent capital 2009/II	19,000	19,000
Contingent capital 2012/I	2,840	1,665
Contingent capital 2013/I	0	2,875
Total	**22,376**	**23,895**

As at December 31, 2015, contingent capital totaled €23,895,285.00 (previous year: €22,375,510.00). The contingent capital increase will be carried out only to the extent that the bearers of subscription rights exercise the subscription rights granted under the respective share option plans from Contingent Capital 2009/II, Contingent Capital 2013/I and Contingent Capital 2015/I. The convertible or option bonds on which Contingent Capital 2012 is based were not issued up to the balance sheet date.

12. Reserves

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

a) Capital reserves - share premium
Due to the exercising of 36,085 share options from the SOP 2009/II at an exercise price of €6.02 and €7.20 respectively, in 2015 the capital reserves increased by the exercise price (€5.00) exceeding the nominal value per share by €69 thousand in total.

b) Capital reserves – share options
Expenses of €95 thousand (previous year: €264 thousand) resulting from the ongoing share option programs were recognized in the income statement under Personnel expenses and as an addition to capital reserves.

c) Revaluation reserves
The portion of the profit or loss from cash flow hedging instruments that is determined to be an effective hedge is recorded in this item. The actuarial gains and losses from pension provisions are also recorded in this item. The respective tax effects are also recorded here.

Currency translation

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

13. Non-current post-employment benefit obligation

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

Changes to the defined benefit obligation were as follows:

in € thousand	2014	2015
Defined Benefit Obligation (DBO) as at January 1	310	323
Reclassifications / changes in the scope of consolidation	0	0
Service cost	0	0
Interest cost	10	7
Actuarial gains (-) / losses (+)	18	8
Pension payments	-15	-26
Defined Benefit Obligation (DBO) as at December 31	**323**	**312**

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

in € thousand	2014	2015
Defined Benefit Obligation	323	312
Plan assets	0	0
Balance sheet recognition	323	312

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

in € thousand	2012	2013	2014	2015
Defined Benefit Obligation	325	310	323	312
Plan assets	0	0	0	0
Deficit	325	310	323	312

Pension expense was as follows:

in € thousand	2014	2015
Service cost	0	0
Interest cost	10	7
Actuarial gains (-) / losses (+)	18	8
Total	**28**	**15**

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

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

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

in %	2014	2015
Interest rate	2.20	1.95
Salary trend	0	0
Pension trend	1.80	1.80

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

14. Other provisions

in € thousand	Warranties	Others	Total
Current	694	408	1,102
Non-current	208	0	208
2014	**902**	**408**	**1,310**
Utilization	-28	-402	-430
Reversal	-98	-370	-468
Allocation	1,274	483	1,757
2015	**2,050**	**119**	**2,169**
Current	1,620	119	1,739
Non-current	430	0	430

The provision for warranty obligations relating to products sold in the previous two years was classified as a liability. The underlying assumptions for the calculations of warranty provisions are based on sales for which guarantees have been provided and on information currently available regarding complaints within the two-year warranty period. Warranty provisions of €1,050 thousand were created for ongoing complaints in accordance with anticipated utilization. The majority of these expenses are expected to be incurred during the next fiscal year and the entire sum recorded as a liability utilized within two years of the balance sheet date.

15. Financial liabilities

in € thousand	2014	2015
Current up to 1 year	3,075	7,987
Non-current	41,176	46,543
of which 1 - 5 years	40,735	43,543
of which more than 5 years	441	3,000
Total	**44,251**	**54,530**

Promissory note loans

First Sensor placed three promissory note loans totaling €28.0 million on December 15, 2015. The variable rate promissory note loan for €19.0 million placed in December 2013 was repaid early with the cash and cash equivalents received in order to take advantage of the favorable interest-rate situation for the company and to secure liquidity for growth.

As part of the placement, German institutional investors subscribed to promissory notes with terms of five years (€18.0 million, variable rate and €7.0 million, fixed rate) and seven years (€3.0 million, fixed rate). The promissory note pays variable interest with a margin calculated on the basis of 6-month EURIBOR. The financial ratios specified for the placed promissory notes were the debt/equity ratio and the equity ratio.

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

Leases and hire purchase agreements

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

December 31, 2015 in € thousand	Minimum lease payments	Present value of minimum lease payments
Current up to 1 year	1.017	972
Between 1 and 5 years	2.047	1.931
More than 5 years	514	461
Total minimum lease payments	**3.578**	**3.364**
Less discount	-214	0
Present value of the minimum lease payments	**3.364**	**3.364**

December 31, 2014 in € thousand	Minimum lease payments	Present value of minimum lease payments
Current up to 1 year	1.097	1.051
Between 1 and 5 years	623	596
More than 5 years	0	0
Total minimum lease payments	**1.720**	**1.647**
Less discount	-73	0
Present value of the minimum lease payments	**1.647**	**1.647**

Expenses from leases and hire purchase agreements of €947 thousand (previous year: €821 thousand) were reported in the year under review. Operating leases amounting to €535 thousand (previous year: €515 thousand) were recorded.

As at December 31, 2015, the net carrying amount of the technical equipment and machinery financed by means of hire purchase and pledged to the lender was €2,492 thousand (previous year: €703 thousand). Assets financed by means of hire purchase with a net carrying amount of €1,207 thousand were added in this fiscal year (previous year: €188 thousand).

Others

As at the 2015 balance sheet date, First Sensor had unused credit lines of €8,550 thousand (previous year: €8,484 thousand). Of this figure, no lines were used as of December 31, 2015 (previous year: €1,409 thousand).

16. Other non-current liabilities

Other non-current liabilities mainly include deferred investment grants/allowances of €4,147 thousand (previous year: €4,972 thousand). These relate to government grants and were paid out mainly in the form of investment grants for the new production facilities built in Berlin. The grants paid are dependent on evidence of implementation of the investment measures and compliance with conditions related to retention of the assets and future job creation.

In addition, the negative market values of interest rate hedging instruments of €340 thousand (previous year: €630 thousand) are recognized in other non-current financial liabilities.

17. Other current liabilities

in € thousand	2014	2015
Liabilities due to staff	2,728	2,199
Liabilities from income tax	524	746
Liabilities from church tax, social security	30	28
Others	3,536	3,991
Total	**6,818**	**6,964**

All of the other liabilities are not interest-bearing.

18. Obligations arising from employee benefits

Share option plan

Three share option plans are currently in place:

- ΔShare option plan for 2009 (SOP 2009)
- ΔShare option plan for 2013 (SOP 2013)
- ΔPerformance share program (PSP 2015)

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

	SOP 2009	SOP 2013	PSP 2015
Annual shareholders' meeting resolution	**June 9, 2009**	**August 20, 2013***	**May 28, 2015**
Term of the share option plan	3 years	3 years	3 years
Vesting period (following issue)	3 years	4 years	4 years
Exercise period (following expiry of vesting period)	5 years	5 years	2 years
Maximum subscription rights (total volume)	**290,000**	**333,000***	**575,040**

*Adjusted by resolution of the Annual General Meeting on May 28, 2015

Share options are exercised subject to the following conditions:

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

In fiscal year 2009, 160,000 subscription rights (1st tranche: 80,000, 2nd tranche: 80,000) and in fiscal year 2010, 130,000 subscription rights were granted to employees, senior executives and members of the Management Board.

The exercise price is the average price for the company's shares in the XETRA trading system (or comparable successor) during the five trading days preceding the announcement of the issue amount for the subscription right, but no less than the proportionate amount of the share capital attributable to one share. The average price for the options issued on November 17, 2009 was €6.02; the price for the options issued on December 9, 2009 was €5.80 and the price for the options issued on August 25, 2010 was €7.20.

Shares acquired by exercising the options carry full voting rights and dividend entitlement. Options can only be exercised if the exercise hurdle has been reached at least once in the six week period prior to exercise ("exercising window"). The exercise hurdle has been reached if the closing price of shares in the company in XETRA (or a comparable successor system) exceeds the exercise price by at least 30% on ten consecutive trading days.

The options may not be exercised in the three weeks prior to the announcement of the quarterly results or in the period between the fiscal year end. Options may not be exercised either in the period extending from the day on which the company publishes a share subscription offer to its shareholders or the option to purchase bonds with conversion or option rights in the electronic German Federal Gazette (Bundesanzeiger), until the date on which the company shares are once again quoted "ex subscription rights" on the Frankfurt Stock Exchange or another stock exchange (blocking periods).

The same applies even if an exercise window opens during these blocking periods. Furthermore, entitled parties must comply with the restrictions set down in general legislation such as the German Securities Trading Act (insider trading).

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

SOP 2013
The SOP 2013 share option plan has a three-year term. The option program was reduced to 333,000 options by resolution of the Annual General Meeting on May 28, 2015. The plan is divided into three groups of entitled persons:

- A maximum of 215,000 options for members of the company's Management Board (up to around 64.6%)
- A maximum of 20,000 options for directors of affiliated companies (up to around 6.0%)
- A maximum of 98,000 options for employees of the company or of affiliated companies (up to around 29.4%)

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

Subscription rights may be issued to entitled persons only during the period from the announcement of the previous fiscal year's results by the Management Board to the end of the fiscal year and not before Contingent Capital 2013/1 has been entered in the commercial register.

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

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

Subscription rights may be exercised within the exercise period only if the performance target has been achieved within a period of six weeks prior to exercise. The performance target has been achieved if the closing price of shares in the company in XETRA (or a comparable successor system on the Frankfurt Stock Exchange) meets or exceeds the exercise price of €15.00 on ten consecutive trading days. Options are non-transferable, except in the event of the death of the entitled person. Further details of the granting of options and further conditions for exercising them are determined by the Supervisory Board if members of the company's Management Board are affected. If employees of the company are concerned or if options are to be granted to directors of affiliated companies, the company's Management Board shall determine further details.

In fiscal year 2013, 35,208 subscription rights were issued to Dr. Schefter. In fiscal year 2014,118,000 subscription rights were granted to directors of affiliated companies and employees of the company and affiliated companies and 65,000 to the CEO and 20,000 options to the CFO.

In the last fiscal year, 65,000 subscription rights were granted to the CEO under the 2013 option plan. The value of the option issued amounted to €0.68 and was calculated using the Black-Scholes model. The calculation was based on the following parameters: Share price on the grant day of €10.32, volatility of 20% and an interest rate of 0.6%.

PSP 2015
The performance share plan 2015 has a three-year term. A maximum of 575,040 options from the total volume for the share option plan can be issued to entitled parties within this term. If performance share units are forfeited because entitled persons resign from First Sensor AG or an affiliated company or because an affiliated company withdraws from the First Sensor Group within the authorization period, a corresponding number of performance share units may be issued in addition.

Each performance share unit entitles the holder to remuneration in the amount of the stock market price of one share in First Sensor AG and the right to subscribe to a new bearer share in First Sensor AG in return for contribution of the remuneration attributable to a performance share unit as contribution in kind.

The plan is divided into three groups of entitled persons:

- A maximum of 243,400 options for members of the company's Management Board (up to around 42.3%)
- A maximum of 66,330 options for directors of affiliated companies (up to around 11.5%)
- A maximum of 265,310 options for employees of the company or of affiliated companies (up to around 46.1%)

Subscription rights may be issued to entitled persons only during the period from the announcement of the previous fiscal year's results by the Management Board to the end of the fiscal year and not before Contingent Capital 2015/1 has been entered in the commercial register.

Shares to service subscription rights from the performance share units may not be issued before the end of the waiting period of four years since the issue date.

Shares will only be issued in relation to the subscription rights if the sales of the First Sensor Group have amounted to at least €150 million in the last year before the end of the waiting period. The issue is also conditional on the share price and the EBITDA margin.

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

Further details of the granting and fulfillment of subscription rights and the issue of shares from options contingent capital are determined by the Supervisory Board if members of the company's Management Board are affected. The Management Board is authorized to determine further details of the granting and fulfillment of subscription rights and the issue of shares from contingent capital.

In the last fiscal year, no subscription rights were granted under the performance share program.

The following table shows the number and the weighted average exercise prices (WAEP) of the share options granted for fiscal years 2015 and 2014:

in € thousand	2014 Quantity	WAEP	2015 Quantity	WAEP
Outstanding at the beginning	307,038	11.66	334,110	12.68
Vested at the beginning	271,830	11.22	95,902	6.91
Granted in the year	203,000	15.00	65,000	15.00
Forfeited in the year	100,500	18.62	33,000	14.53
Exercised in the year	75,428	6.84	36,085	6.91
Outstanding at the end	334,110	12.68	330,025	13.58
Vested at the end	95,902	6.91	59,817	6.91

For options outstanding at the end of the period under review, the exercise prices range between €6.02 and €15.00 (previous year: €6.02 and €15.00). The average remaining term of these options is 6.9 years. Personnel expenses of €95 thousand were recognized in the year under review (previous year: €264 thousand incl. share matching scheme).

19. Sales revenues

in € thousand	2014	2015	Δabsolute	in %
Germany	62,604	70,318	7,714	12.3
France	2,760	3,174	414	15.0
Benelux	5,963	6,190	227	3.8
Italy	1,006	904	-102	-10.1
Great Britain	6,574	6,855	281	4.3
Scandinavia	15,375	13,986	-1,389	-9.0
North America	4,389	8,207	3,818	87.0
Asia	11,566	12,706	1,140	9.9
Others	13,761	15,402	1,641	11.9
Total	**123,998**	**137,742**	**13,744**	**11.1**

Revenues mainly result from the sale of customer-specific semiconductor sensors, sensor systems and development and production services. Sales deductions of €377 thousand were granted in the year under review (previous year: €315 thousand).

20. Other operating income

in € thousand	2014	2015	Δabsolute	in %
Development grants	1,191	755	-436	-36.6
Investment allowances	494	343	-151	-30.6
Investment grants	98	163	65	66.3
Income from other benefits in kind	631	601	-30	-4.8
Prior-period income	191	68	-123	-64.4
Insurance claim payments	74	102	28	37.8
Proceeds from reversing provisions	548	468	-80	-14.6
Others	318	344	26	8.2
Total	**3,545**	**2,844**	**-701**	**-19.8**

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

in € thousand	2014	2015	Δabsolute	in %
Work in progress	537	-1,968	-2,505	-466.5
Finished goods	276	746	470	170.3
Total	**813**	**-1,222**	**-2,035**	**-250.3**

22. Own work capitalized

in € thousand	2014	2015	Δabsolute	in %
Capitalized development costs	480	671	191	39.8
Other capitalized costs	300	372	72	24.0
Total	**780**	**1,043**	**263**	**33.7**

Capitalized costs in 2015 amounted to €1,043 thousand (previous year: €780 thousand). Capitalized development costs pursuant to IAS 38 accounted for €671 thousand (previous year: €480 thousand) of this sum. Other capitalized costs related mainly to measures connected to the expansion of capacities (supply of media and machines) and technology at the production site in Berlin Oberschoneweide and the expansion of the ERP system.

Research and development costs recognized in expenses amounted to €7,849 thousand in 2015 (previous year: €7,691 thousand).

23. Cost of materials/purchased services

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

in € thousand	2014	2015	Δabsolute	in %
Raw materials and supplies	54,686	62.092	7,406	13.5
Purchased services	6,504	7.190	686	10.5
Total	**61,190**	**69,282**	**8,092**	**13.2**

24. Personnel expenses

The personnel expenses break down as follows:

in € thousand	2014	2015	Δabsolute	in %
Wages and salaries	32,949	34,987	2,038	6.2
Social security contributions including pension plans	6,487	6,918	431	6.6
Total	**39,436**	**41,905**	**2,469**	**6.3**

Personnel expenses include €95 thousand (previous year: €264 thousand) in expenditure related to granting share options (previous year: including share matching scheme). They also include €24 thousand (previous year: €24 thousand) for defined contribution pension plans.

25. Other operating expenses

Miscellaneous other operating expenses comprise the following items:

in € thousand	2014	2015	Δabsolute	in %
Costs of premises	2.614	2.887	273	10,4
Vehicle costs	994	1.007	13	1,3
Maintenance and repairs	1.595	1.741	146	9,2
Insurance	379	618	239	63,0
Sales and marketing expenses	886	1.218	332	37,5
Travel expenses	743	772	29	3,9
IT-costs	417	667	250	60,0
Communication costs	270	266	-4	-1,5
Goods handling costs	691	-739	48	6,9
Warranty expenses	568	1.148	580	102,1
Legal and consultancy fees	2.884	3.293	409	14,2
R&D expenses	215	211	-4	-1,9
Investor relations	176	173	-3	-1,7
Supervisory Board remuneration	108	104	-4	-3,7
Annual financial statements	155	176	21	13,5
Other operating materials	731	714	17	2,3
Recruitment costs	263	330	67	25,5
Training costs	216	250	34	15,7
Work clothing and protective equipment	295	299	-4	1,4
General administration expenses	-68	249	81	48,2
Expenses related to other periods	76	334	258	339,5
Other expenses	456	580	124	27,2
Other taxes	63	72	9	14,3
Total	**14.963**	**17.848**	**2.885**	**-19,3**

26. Income tax expenses

The key components of income tax expenses for fiscal years 2015 and 2014 break down as follows:

in € thousand	2014	2015	Δ absolute	in %
Current income tax	2,255	966	-1,289	-57.1
Prior-period income tax	-186	122	308	165.6
Deferred taxes	-787	-733	54	6.7
Displayed tax amount	**-1,282**	**-355**	**-927**	**-72.3**

Deferred taxes of €-733 thousand (previous year: €-959 thousand) result from the reversal of temporary differences.

The reconciliation of income tax expense with the product of the reported profit for the period and the applicable Group tax rate with respect to the fiscal years 2014 and 2015 is as follows:

in € thousand	2014	2015	Δ absolute	in %
Pre-tax income	**1,680**	**-1,173**	**-2,853**	**-169.8**
Tax rate	30 %	30 %	-	-
Calculated tax income (previous year: expenses)	**-504**	**352**	**856**	**169.8**

in € thousand	2014	2015	Δ absolute	in %
Calculated tax income (previous year: expenses)	**504**	**-352**	**-856**	**-169.8**
Current income tax, prior period	186	-122	-308	-165.6
Different tax rate in other countries	-100	-151	-51	-51.0
Used, non-capitalized loss carry forwards	51	212	161	315.7
Tax loss carry forwards, not capitalized	-987	-401	586	59.4
Additional trade income tax	-91	-81	10	11.0
Tax-free income	142	21	-121	-85.2
Non-deductible operating expenses	-60	-111	-51	-85.0
Others	81	-74	-155	-191.4
Tax expenses (previous year: income)	**-1,282**	**-355**	**927**	**72.3**

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

in € thousand	2014	2015	Δ absolute	in %
Loss carry forwards	1,200	1,197	-3	-0.3
Property, plant and equipment	94	91	-3	-3.2
Inventories	46	95	49	106.5
Market value of derivatives	189	129	-60	-31.7
Other provisions	31	27	-4	-12.9
Deferred tax assets	**1,560**	**1,539**	**-21**	**-1.3**

in € thousand	2014	2015	Δ absolute	in %
Internally generated intangible assets	822	979	157	19.1
Property, plant and equipment	236	195	-41	-17.4
Other provisions	5	16	11	220.0
Acquired customer bases	4,320	3,674	-646	-15.0
Acquired brands	434	199	-235	-54.1
Deferred tax liabilities	**5,817**	**5,063**	**-754**	**-13.0**

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

Income taxes comprise the income taxes paid or payable in the respective countries as well as deferred taxes. The deferred taxes on the market values of derivatives of €102 thousand (previous year: €189 thousand) as well as on actuarial gains and losses on pension provisions of €2 thousand (previous year: €6 thousand) relate to deferred taxes recognized outside the net profit for the period.

Income taxes for 2014 and 2015 include corporation tax, trade income tax, solidarity surcharge and the corresponding foreign taxes. In the Federal Republic of Germany, corporation tax on distributed and undistributed profits is 15%. A solidarity surcharge is levied at a rate of 5.5% on the corporation tax. The trade income tax was calculated on the basis of the assessment rate applied by the relevant municipal authority at 11.55% and 14.35%.

Deferred taxes on loss carryforwards at foreign consolidated companies were not recognized for prudential reasons. The estimated tax loss carry forwards for consolidated companies in Germany do not expire and amount to €4,765 thousand (previous year: €5,187 thousand) with respect to corporation tax and €3,127 thousand (previous year: €4,018 thousand) with respect to trade income tax. These were included in the valuation and were capitalized as deferred tax assets. The loss carry forwards are estimated in the absence of tax assessment notices.

27. Earnings per share

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

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

The following table shows the amounts used in calculating the undiluted and diluted earnings per share:

in € thousand, unless otherwise indicated	2014	2015	Δabsolute	in %
Net profit attributable to shareholders	175	-1.717	-1,892	-1,081.1
Weighted average outstanding shares (undiluted)	10,046	10,155	109	1.1
Earnings per share (undiluted)	**0.02**	**-0.17**	**-0.19**	**-950.0**
Dilutive effect from share options	30	21	-9	-30.0
Weighted average outstanding shares (diluted)	10,076	10,176	100	1.0
Total	**0.02**	**-0.17**	**-0.19**	**-950.0**

28. Notes to the Cash flow statement

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

Cash and cash equivalents are defined according to the company's cash management. This includes cash and bank balances. The composition of the cash is expressed as follows.

in € thousand	2014	2015	Δabsolute	in %
Cash on hand	7	10	3	42.9
Bank balances	14,518	21,513	6,995	48.2
Total	**14,525**	**21,523**	**6,998**	**48.2**

29. Notes to the statement of changes in equity

The company did not make any distributions in 2015 (previous year: €0 thousand).

30. Contingent liabilities and other financial obligations

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

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

The resultant financial obligations break down as follows:

in € thousand	2016	2017 to 2020	From 2021
Rent and lease expenses	1,956	6,258	3,084
Defined contribution pension plans	24	72	0
Purchase obligations	7,237	0	0
Long-term building lease	20	80	780
Total	**9,237**	**6,410**	**3,864**

The purchase obligation in 2016 relates entirely to inventories

31. Segment Reporting

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

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

To ensure a consistent focus on markets and customers, First Sensor is focusing on the three business units, Industrial, Medical and Mobility, for its sensor products. These constitute the basis for internal management and internal reporting. Sales break down across the business units as follows:

in € thousand	2014	2015	Δabsolute	in %
Industrial	68,449	74,132	5,683	8.3
Medical	20,399	23,766	3,367	16.5
Mobility	35,150	39,844	4,694	13.4
Total	**123,998**	**137,742**	**13,744**	**11.1**

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

Non-current assets and investments in non-current assets relate almost exclusively to Germany and only to a small degree to North America. The production site in Singapore, which was closed in 2015, had no non-current fixed assets as of December 31, 2015.

Non-current assets in € thousand	2014	2015	Δabsolute	in %
Germany	87,028	84,466	-2,562	-2.9
Europe	188	133	-55	-29.3
North America	530	477	-53	-10.0
Others	1,040	0	-1,040	-100.0
Total	**88,786**	**85,076**	**-3,710**	**-4.2**

Investments in € thousand	2014	2015	Δabsolute	in %
Germany	4,904	6,665	1,761	35.9
Europe	62	10	-52	-83.9
North America	338	406	68	20.1
Others	111	0	-111	-100.0
Total	**5,415**	**7,081**	**1,666**	**30.8**

Number of employees (FTE)	2014	2015	Δabsolute	in %
Germany	674	718	44	6.4
Europe	28	30	2	7.1
North America	22	24	2	9.1
Others	33	1	-32	-97.0
Total	**757**	**773**	**16**	**2.1**

32. Transactions between related parties

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

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

Management Board

Dr. Martin U. Schefter, Bonn, since June 17, 2013
Dr. Mathias Gollwitzer, Karlsruhe, since August 10, 2015
Joachim Wimmers, Cologne, until March 31, 2015

Please refer to the table below for details of remuneration paid to members of the Management Board in 2015:

in € thousand	Dr. Martin U. Schefter	Joachim Wimmers	2014	Dr. Martin U. Schefter	Dr. Mathias Gollwitzer	Joachim Wimmers	2015
Fixed annual remuneration	300	216	516	300	118	55	473
Short-term variable remuneration	81	170	251	155	0	100	255
Long-term variable remuneration	0	0	0	0	0	0	0
Additional benefits	27	19	46	8	20	8	36
Share Matching Scheme	157	41	198	0	0	0	0
Severance payment	0	0	0	0	0	400	400
Total	**565**	**446**	**1,011**	**463**	**138**	**563**	**1,164**

The following table shows the remuneration granted to members of the Management Board for 2015:

in € thousand	Dr. Martin U. Schefter	Joachim Wimmers	2014	Dr. Martin U. Schefter	Dr. Mathias Gollwitzer	Joachim Wimmers	2015
Fixed annual remuneration	300	216	516	300	118	55	473
Short-term variable remuneration	148	228	436	150	39	100	289
Long-term variable remuneration	0	0	0	0	0	0	0
Additional benefits	27	19	46	8	20	8	36
Share Matching Scheme	0	41	41	0	0	0	0
Share options granted	108	33	141	44	0	0	44
Severance payment	0	0	0	0	0	400	400
Total	**583**	**597**	**1,180**	**502**	**177**	**563**	**1,242**

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

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

Dr. Schefter also takes part in a share option program, under which he is entitled to 65,000 share options each year at an exercise price of €15.00 from the 2013 share option plan. The value per option granted amounted to €0.68 for fiscal year 2015. In total, this resulted in personnel expenses of €44 thousand in fiscal year 2015.

The CFO, Joachim Wimmers, stepped down from the Management Board at his own request on March 31, 2015. He received compensation of €400 thousand in accordance with his contract. Mr Wimmers received a bonus of €100 thousand for fiscal year 2014.

Dr. Mathias Gollwitzer assumed the role of CFO on August 10, 2015. He receives fixed annual remuneration of €300 thousand and a variable target component of €150 thousand. Dr. Gollwitzer received the variable remuneration pro rata temporis for fiscal year 2015.

In the event of a change of control he is entitled to a one-off payment of €700 thousand if he resigns within one month of the change of control. He will be subject to a non-competition clause for a period of 6 months from the end of his contract of employment for which he will receive a monthly, subsequent compensation of 50% of a twelfth of his fixed salary applicable at the time.

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

The variable remuneration components of Management Board contracts are linked to the achievement of specific ratios by the company. 70% of the variable salary is dependent on quantitative targets (85% on EBITDA and 15% on net debt as per the budget) and 30% on qualitative targets. The qualitative targets are agreed individually between each Management Board member and the Supervisory Board.

In the year under review, variable components amounting to €255 thousand (previous year: €251 thousand) were paid out, which are reported under annual variable remuneration. Multi-annual remuneration components have not been agreed.

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

As of December 31, 2015, former Management Board members had no share options.

Supervisory Board

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

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

Remuneration for members of the Supervisory Board amounted to €100 thousand in fiscal year 2015 (previous year: €100 thousand). Supervisory Board members do not receive any performance-related remuneration and do not participate in the company's share option plan.

Other related parties

The director of a subsidiary leased an office property to the subsidiary at standard market conditions. He received €94 thousand (previous year: €93 thousand) for this.

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

33. Financial risk management

Risk management for financial instruments

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

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

The company's main financial instruments comprise trade accounts receivable, cash and cash equivalents, promissory note loans, utilized overdraft facilities and money market loans. The aim of these financial liabilities is to finance the company's business operations. The principal risks result from default, liquidity, currency, interest rate and fair value risks. There are no other price risks from financial instruments.

The company has concluded interest rate swaps to hedge against interest rate risks from variable interest agreements.

Fair value risk

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

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

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

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

Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

- Level 2: techniques where all input parameters which have a material effect on the recognized fair value are observable, either directly or indirectly.

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

As at December 31, 2015, First Sensor measured specific liabilities at fair value using the level 2 valuation technique. These liabilities included several interest rate swaps to hedge the interest rate risk.

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

Derivative financial instruments

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

Interest rate swaps and caps

in € thousand	Maturity	Hedge	Interest rate	Nominal 2014	Nominal 2015	Market value 2014	Market value 2015
Interest rate swap I (3145170UK)	Dec. 31, 2020	3M EURIBOR	3.83 %	1,253	1,044	-144	-106
Interest rate swap II (3467328UK)	Dec. 31, 2020	3M EURIBOR	2.17 %	615	513	-39	-29
Interest rate swap III (3665880UK)	Oct. 14, 2016	3M EURIBOR	2.15 %	7,775	4,775	-204	-72
Interest rate swap IV (4449932L)	Oct. 14, 2016	3M EURIBOR	2.15 %	7,775	4,775	-204	-72
Interest rate swap V (841175)	Dec. 30, 2016	3M EURIBOR	0.29 %	3,400	9,400	-39	-61
				20,818	**20,507**	**-630**	**-340**

Forward foreign exchange contracts 2015

in € thousand	Maturity	Buying currency	Nominal purchase	Selling currency	Nominal sold	Traded exchange rate	Market value
Forward foreign exchange contact	Jan. 29, 2016	USD	500	EUR	471	1.06110	-12
FX Option (number of fixings 5)	March 31, 2017	USD	3,000	EUR	2,679	1.12300	-47
CFX Option (Window)	March 29, 2017	USD	3,000	EUR	2,778	1.15500	-31
			6,500		**5,928**		**-90**

Forward foreign exchange contracts 2014

in € thousand	Maturity	Buying currency	Nominal purchase	Selling currency	Nominal sold	Traded exchange rate	Market value
CAF0052763379/04	Jan 30, 2015	USD	500	EUR	393	1.27170	19
CAF0052763396/04	Feb. 27, 2015	USD	500	EUR	393	1.27200	19
CAF0052763399/04	Mar. 31, 2015	USD	500	EUR	393	1.27220	19
CAF0052763388/04	Apr. 30, 2015	USD	500	EUR	393	1.27220	19
CAF0052763390/04	May 29, 2015	USD	500	EUR	393	1.27240	19
CAF0052763393/04	Jun. 30, 2015	USD	500	EUR	393	1.27280	19
CAF0052763381/04	Jul. 31, 2015	USD	500	EUR	393	1.27320	18
CAF0052763411/04	Aug 28, 2015	USD	500	EUR	393	1.27370	18
CAF0052763415/04	Sep 30, 2015	USD	500	EUR	392	1.27425	18
			4.500		**3.536**		**168**

Currency sensitivity

The domestic subsidiaries usually have trade business in euro. Only a small amount of trade accounts receivables and trade accounts payables were nominated in foreign currencies. Appreciation or depreciation of the euro by 10% compared with the major currencies would have a maximum impact on the profit of €0.3 million (previous year: €0.1 million).

Appreciation or depreciation of the euro by 10% compared with the relevant currencies would decrease or increase the exchange equalization item in equity by a maximum of €0.4 million (previous year: €0.3 million) because financial statements of subsidiaries denominated in foreign currencies are converted using the modified reporting date method.

Interest rate sensitivity

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

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

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

Liquidity risk

The Group monitors liquidity using an automated planning tool. This tool assesses cash and cash equivalents on a daily basis, the terms of financial investments and financial assets (e.g. receivables, other financial assets) together with expected cash flow from the business activity.

As at December 31, 2015, the Group's financial liabilities show the following maturities. All data are based on contractual, non-discounted payment obligations.

in € thousand	Due within 1 year	Due between 1 to 5 years	Due in over 5 years	2015 Total
Interest-bearing loans	7,987	43,543	3,000	54,530
Trade accounts payables	7,612	0	0	7,612
Other liabilities	6,964	0	0	6,964
Total	**22,563**	**43,543**	**3,000**	**69,106**

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

Capital management

The primary aim of capital management at the company is to ensure a high credit rating and a good equity ratio, which helps to support the business and maximize shareholder value.

Minimum equity ratios are stipulated as conditions in some loan agreements. The equity ratio also affects the credit rating, which is one of several factors determining the applicable interest rate. The credit rating is also a deciding factor for customers when deciding which company to award a contract to

The Group uses the equity ratio to monitor its capital:

in € thousand	Dec. 31, 2014	Dec. 31, 2015	Δabsolute	in %
Shareholders' equity	71,982	71,271	-711	-1.0
Total assets	144,889	153,496	8,607	5.9
Equity ratio	49.7 %	46.4	-3.3	-6.6

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

34. Further notes in line with HGB regulations

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

Vorstand

Name	Position on the Board
Dr. Martin U. Schefter	CEO (since June 17, 2013)
Dr. Mathias Gollwitzer	CFO (since August 10, 2015)
Joachim Wimmers	CFO (to March 31, 2015)

As CEO, Dr. Martin U. Schefter is responsible for business policy guidelines, Supervisory Board concerns, company law, corporate strategy, corporate communication, management development, M&A, investments, subsidiaries, sales and marketing, research & development, technology, product development, production, market analysis and market development, shareholder and investor support.

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

Supervisory Board

Name/ job title	Position on the Board	Membership of statutory supervisory boards	Membership of comparable domestic or foreign supervisory committees
Prof. Dr. Alfred Gossner Vorstand Finanzen, Controlling, Informationstechnik Fraunhofer-Gesellschaft, München	Chairman of the Supervisory Board since September 11, 2012	Bayern Innovativ GmbH, Nuremberg, since 2003	None
Götz Gollan Vorstand der Privatbank Berlin von 1929 AG, Berlin	Deputy Chairman of the Supervisory Board since September 11, 2012	Capitell Vermögens-Management AG, Frankfurt am Main, Member of the Supervisory Board	None
Marc de Jong Managing Director Innomarket Consultancy BV, Eindhoven, Niederlande CEO LM Wind Power A/S, Kolding, Dänemark	Member of the Supervisory Board since May 23, 2014	None	Technical University Ei ndhoven, The Netherlands (Member of the Supervisory Board) Sioux BV, The Netherlands (Member of the Supervisory Board)

Disclosure in accordance with Article 160 (1) 8 AktG

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

Individual/ company	Domicile	Date of notification	Date of threshold touched	Date of publication	Threshold value reached exceeded or fallen below	Percentage of shares at time of notification		Allocation according to
						%	Stimmrechte	
ING Groep N.V.	Amsterdam, The Netherlands	06.11.2015	05.11.2015	09.11.2015	3 %, 5 %, 10 %, 15 %, 20 %, 25 % and 30% exceeded	36.02	3,659,419	Article 22 paragraph 1 sentence 1 no. 1 WpHG

Total voting power were attributable to ING Groep N. V.:

The attributable voting power will be held by the following companies, controlled by **ING Groep N.V.** each of which has a share of the voting rights of First Sensor AG, Berlin, Germany, of 3% or more:
- NN Insurance Eurasia N.V.
- Nationale Nederlanden Nederland B.V.
- Nationale Nederlanden Levensverzekering Maatschappij N.V.
- Parcom Capital B.V.
- Parcom Deutschland I GmbH & Co KG
- FS Technology Holding S.à.r.l.

The same voting rights are also attributable to the following companies:

DPE Deutsche Private Equity B.V., Schiphol Airport, The Netherlands
The attributable voting rights are held by the following companies controlled by **DPE Deutsche Private Equity B.V.**, each of which has a share of the voting rights of First Sensor AG, Berlin, Germany, of 3% or more:
- DPE Deutsche Private Equity GmbH
- Deutsche Private Equity Administration GmbH
- Parcom Capital B.V.
- Parcom Deutschland I GmbH & Co. KG
- FS Technology Holding S.à.r.l.

Individual/ company	Domicile	Date of notification	Date of threshold touched	Date of publication	Threshold value reached exceeded or fallen below	%	Stimmrechte	Allocation according to
Bankhaus Lampe KG	Bielefeld, Deutschland	Nov. 09, 2015	Nov. 5, 2015	Nov. 10, 2015	3 % and 5 % exceeded	0.00	0	Article 22 paragraph 1 sentence 1 no. 1 WpHG

Total voting power were attributable to Bankhaus Lampe KG:
The attributable voting rights are held by the following companies controlled by **Bankhaus Lampe KG**, each of which has a share of the voting rights of First Sensor AG, Berlin, Germany, of 3% or more:
- Lampe Beteiligungsgesellschaft mbH.

Individual/ company	Domicile	Date of notification	Date of threshold touched	Date of publication	Threshold value reached exceeded or fallen below	%	Stimmrechte	Allocation according to
Daniel Hopp	Deutschland	05.08.2015	03.08.2015	06.08.2015	15% fallen below	14.97	1,519,983	Article 22 paragraph 1 sentence 1 no. 1 WpHG
		Nov. 20, 2015	Nov. 19, 2015	Nov. 23, 2015	10% fallen below	9.99	1,015,137	Article 22 paragraph 1 sentence 1 no. 1 WpHG

Total voting power were attributable to Mr. Daniel Hopp:

The attributable voting rights are held by the following companies controlled by **Mr. Daniel Hopp**, each of which has a share of the voting rights of First Sensor AG, Berlin, Germany, of 3% or more:
- Hopp Verwaltungs GmbH,
- Hopp Beteiligungsgesellschaft mbH & Co. KG,
- DAH Beteiligungs GmbH.

Individual/ company	Domicile	Date of notification	Date of threshold touched	Date of publication	Threshold value reached exceeded or fallen below	%	Stimmrechte	Allocation according to
Midlin N.V.	Maarsbergen, The Netherlands	16.09.2014	Sep. 15, 2014	Sep. 16, 2014	3% exceeded	3.49	352,134	Article 21 paragraph 1 WpHG
Grandeur Peak Global Advisors LLC	Salt Lake City, Utah, United States of America	04.11.2015	Nov. 03, 2015	Nov. 09, 2015	3% exceeded	3.01	306,046	§ 21 Abs. 1 WpHG

Employees

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

Average full time equivalents	2014	2015	Δ absolute	in %
Germany	638	696	58	9.1
Europe	28	30	2	7.1
North America	21	22	1	4.8
Others	32	22	-10	-31.3
Total	**719**	**770**	**51**	**7.1**

Additionally the average number of apprentices was 21 (previous year: 18).

Fees of the auditor

in € thousand	2015
Annual audit	131
Other advisory services	24
Total	**155**

Of the fee for auditing the annual financial statements, €9 thousand is attributable to the previous year's audit.

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

Waiver of disclosure pursuant to Article 264 (3) HGB

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

- First Sensor Lewicki GmbH, Oberdischingen
- First Sensor Microelectronic Packaging GmbH, Dresden

35. Corporate Governance

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

Berlin, March 18, 2016

First Sensor AG

Dr. Martin U. Schefter
CEO

Dr. Mathias Gollwitzer
CFO

Notes to the consolidated interim financial statements

5 Further information

Assurance of the legal representatives According to Articles 264 (2) sentence 3, 289 (1) sentence 5 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, financial position and profit or loss of the group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Berlin, March 21, 2016

First Sensor AG

Dr. Martin U. Schefter
CEO

Dr. Mathias Gollwitzer
CFO

Auditors's report

On behalf of First Sensor AG, Berlin, we have audited the consolidated financial statements – consisting of balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes – and the consolidated management report for the fiscal year from January 1, 2015 until December 31, 2015 Preparation of the consolidated financial statements and the consolidated management report in accordance with the regulations of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional regulations to be applied in accordance with section 315a (1) of the German Commercial Code (HGB) is the responsibility of the legal representative of the company. Our task is to provide an assessment of the financial statements and the consolidated management report on the basis of our audit.

We have carried out our audit in accordance with section 317 of German Commercial Code (HGB), taking into account the German principles of proper accounting established by the German Institute of Accountants (IDW). These principles stipulate that the audit is planned and conducted in such a way that misstatements and infringements having an impact on the asset, financial and profit situation conveyed by the financial statements and consolidated management report under consideration of the basic principles of proper accounting can be recognized with reasonable assurance. When defining the audit activities, knowledge about the business activity and the economic and legal environment of the group, as well as expectations of possible errors are taken into account.

Within the scope of the audit, the effectiveness of accounting-related internal control systems and evidence for statements made in the financial statements and consolidated management report are mainly examined on the basis of spot checks. The audit comprises the assessment of annual accounts of the companies included in the financial statements; the delineation of the scope of consolidation, the accounting and consolidation principles applied and the main estimates of the legal representative, as well as appraisal of the audit provides a sufficiently secure basis of our assessment.

Our audit did not raise any objections. According to our assessment from knowledge gained during the audit, the consolidated financial statements conform with the regulations of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the additional regulations to be applied in accordance with section 315a (1) of the German Commercial Code (HGB) and give a fair view of the asset, financial and earning situation of the group, in accordance with the above regulations. The consolidated management report agrees with the financial statements, conveys a true and fair view of the group's situation and accurately represents the opportunities and risks of the future development.

Hanover, March 21, 2016

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Steffen Fleitmann
Auditor

Hans-Peter Möller
Auditor

Legal notice, financial calendar 2016 and Contact

Legal disclaimer

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

Financial calendar 2016

Date	Topic	Location
March 23, 2016	Publication of consolidated financial report 2015	
March 23, 2016	Annual press conference 2016	First Sensor AG, Peter-Behrens-Str. 15, 12459 Berlin
May 02, 2016	Q1, Interim Report	
May 04, 2016	Annual General Meeting	Penta Hotel, Grünauer Str. 1, 12557 Berlin
August 11, 2016	6-Month Financial Report	
November 10, 2016	Q3, Interim Report	
November 21 – 23, 2016	Analysts‘ conference	Frankfurt am Main

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

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This consolidated financial report as at December 31, 2015 is available in German and English. Both versions are also available for download on the internet at **www.first-sensor.com.**

Innovation, excellence, and proximity serve as the compass for our actions. They shape a strong corporate culture that makes our vision a reality.