

## Report of the Supervisory Board

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 Executive 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 Executive Board regularly informed the Supervisory Board of the current business situation, the planning, and the status of strategy implementation, as well as the improvement 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 Executive Board. All relevant information was passed on promptly and extensively to the Supervisory Board.

Six meetings in person took place in the past fiscal year; details of their content are provided below. In addition, nine circular resolutions were adopted. All the members of the Supervisory Board attended all meetings. At all Supervisory Board meetings, the current business development, the status of implementation of the corporate strategy, key highlights, and opportunities for the company and its subsidiaries were discussed. In addition, the company's risk profile in the context of risk management and key topics with regard to the accounting process were discussed. The Executive Board also provided the Supervisory Board with monthly financial reporting with a comprehensive presentation of the First Sensor Group's current net assets, financial position and results of operations including deviations from targets and detailed comments. In addition, the Chairman of the Supervisory Board and the Executive Board

members Dr. Martin U. Schefter and Dr. Mathias Gollwitzer discussed current topics in regular telephone calls.

By way of a resolution on January 12, 2016, the change in the wording of the articles of incorporation as a result of share options having been exercised by employees of the company in fiscal year 2015 was resolved.

At the meeting on February 2, 2016, the Supervisory Board members' unanswered questions regarding the 2016 budget presented in the last meeting of 2015 and the medium-term planning presented for fiscal years 2016 to 2018 were answered by the Executive Board and both matters were definitively approved. In addition, the head of Production and a plant manager, who were present as guests, were given the opportunity to report in detail on the current status of efficiency improvements, using the example of the Berlin-Weissensee plant, and on the plant's current projects and prospects. The topic of appointing a new head of sales was also on the agenda. Finally, the target agreements for Executive Board remuneration and the organization of the share option program to be put forward for resolution at the upcoming Annual General Meeting were discussed and their key elements were resolved.

In a circular resolution on February 9, 2016, the appointment of a head of sales was approved.

At the Supervisory Board meeting held on March 21, 2016, the separate and consolidated financial statements for fiscal year 2015 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 2015 were approved. The Supervisory Board also decided on the key aspects of the 2016 share option program and the targets for variable Executive Board

remuneration in 2016 at this meeting. As a special topic, the director of First Sensor Mobility GmbH was invited to speak on the current development and prospects of the Mobility segment at this meeting. In addition, the contents of the Corporate Governance Code and the declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG) were on the agenda and were also approved. Another topic of the meeting was the extension of Dr. Martin U. Schefter's Executive Board mandate. In this context, the Supervisory Board and the Executive Board discussed the goals and content of continuing cooperation and subsequently gave Dr. Schefter time to consider the offer presented to him.

At the meeting held on May 3, 2016, the members of the Supervisory Board prepared for the forthcoming Annual General Meeting and reached an agreement on the individual agenda items. In addition, the status of the project to improve core processes was discussed and the implementation of a Technology Advisory Board was approved.

CEO Dr. Martin U. Schefter informed the Supervisory Board Chairman Prof. Alfred Gossner in a telephone call on May 25, 2016, and the entire Supervisory Board in an e-mail, that he would not be available for an extension of his mandate and that he would be leaving First Sensor AG at the end of his term of office on June 16, 2016. The Supervisory Board thereupon entrusted CFO Dr. Mathias Gollwitzer with taking on Dr. Schefter's tasks on a provisional basis following his departure and initially managing the company as the sole Executive Board member. As the company temporarily did not comply with section 4.2.1 sentence 1 of the Corporate Governance Code due to its management by a single individual, the declaration of compliance was updated on July 8, 2016, by way of a circular resolution and was subsequently published on First Sensor AG's website.

In addition, four circular resolutions on personnel changes at the company were adopted in the second quarter of 2016.

As part of an ordinary Supervisory Board meeting on July 20, 2016, the Vice President of Technology Strategy and Alliance Management, who attended as a guest, gave a detailed presentation of the strategy and current situation of the development departments within the Group. The Supervisory Board also received a status report on the specialist departments below the CFO.

In a telephone call on August 15, 2016, the Supervisory Board Chairman Prof. Alfred Gossner informed the Executive Board member Dr. Mathias Gollwitzer that Dr. Dirk Michael Rothweiler would be the new CEO of First Sensor AG and that the company would aim to appoint him before the end of 2016. The exact start date had not yet been determined at that time. The Supervisory Board meeting on September 30, 2016, primarily dealt with the topic of the First Sensor Group's production locations. In this context, the head of Production spoke on capacity utilization, potential for synergies, and the optimization of manufacturing processes to improve lead teams and quality in production.

On November 4, 2016, the Supervisory Board resolved the appointment of the new CEO Dr. Dirk Michael Rothweiler as at January 1, 2017, by way of a circular resolution.

As a key focus of the meeting on December 6, 2016, the strategic and operational development of the company was presented to the Supervisory Board in detail by the operational managers. Another focus was the medium-term planning for fiscal years 2017-2019 and the plans and measures for implementing the CSR reporting requirement. As a precaution, the Supervisory Board also approved the designated sponsoring agreement between First Sensor and equinet Bank AG that has been in place since January 2014, both for the past and for the future, in accordance with section 114 (1) AktG, as the Deputy Chairman of the Supervisory Board Götz Gollan was appointed to the Executive Board of equinet Bank AG as at September 1, 2016.

In addition to the scheduled meetings, a range of meetings were held between the Executive Board and members of the Supervisory Board. No separate committees were formed. The requirements for the independent financial expert as defined in section 100 (5) AktG were and are fulfilled by Götz Gollan, who is a banker and business administration graduate (UAS) and whose main occupation since 2002 has been as a Executive Board member for banks.

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 4, 2016 to audit the annual financial statements and the consolidated financial statements for fiscal year 2016. 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 Executive 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 2016, 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 Executive 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 Executive Board's proposal on the appropriation of net profit, and the longform audit reports

from the auditor before its meeting on March 16, 2017 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 have been adopted and the consolidated financial statements have been approved in accordance with section 172 AktG. It also resolved to follow the Executive Board's proposal on the appropriation of net profit.

The declaration of compliance of First Sensor AG in accordance with section 161 AktG was also approved at the same Supervisory Board meeting. It was subsequently made permanently available on the company's website. Detailed information is provided in the company's corporate governance report.

I would like to take this opportunity – both personally and on behalf of my colleagues on the Supervisory Board – to thank the Executive 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 Dr. Martin U. Schefter, who has now left his position as CEO, 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 16, 2017

First Sensor AG



Prof. Dr. Alfred Gossner  
Chairman of the Supervisory Board