CONTRACT REPORT

Joint report

of the Executive Board of

First Sensor AG, Berlin,

and

of the Executive Board of

TE Connectivity Sensors Germany Holding AG, Bensheim, Germany

pursuant to

Section 293a of the German Stock Corporation Act (*Aktiengesetz*)

on the Domination and Profit and Loss Transfer Agreement

between

First Sensor AG and TE Connectivity Sensors Germany Holding AG

14 April 2020

CONTENTS

LIST OF ANNEXES

The Executive Board of First Sensor AG (hereinafter ***First Sensor***, and together with the controlled companies of First Sensor within the meaning of section 17 of the German Stock Corporation Act (*Aktiengesetz* - ***AktG***) the ***First Sensor Group***) and the Executive Board of TE Connectivity Sensors Germany Holding AG (hereinafter ***TE Connectivity***) have jointly prepared the following report pursuant to section 293a AktG (hereinafter the ***Contract Report***) on the Domination and Profit and Loss Transfer Agreement (hereinafter the ***Agreement***) between TE Connectivity as the controlling company and First Sensor as the controlled company (together hereinafter the ***Parties***).

A. Introduction

TE Connectivity, on 3 June 2019, published its decision to make a voluntary public takeover offer to all shareholders of First Sensor (hereinafter the ***First Sensor Shareholders***).

On 8 July 2019, TE Connectivity published a voluntary public takeover offer (the ***Takeover Offer***) to the First Sensor Shareholders for the acquisition of all no-par value bearer shares (*Stückaktien*) of First Sensor (the ***First Sensor Shares***). On 8 July 2019, TE Connectivity further published a correction of the offer document pursuant to section 12 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz* - ***WpÜG***).

The acceptance period ended on 2 September 2019, 24:00 hours (Frankfurt am Main local time). The additional acceptance period ended on 19 September 2019, 24:00 hours (Frankfurt am Main local time). The Takeover Offer was accepted for 7,376,321 First Sensor Shares at the end of the acceptance period and for additional 4,584 First Sensor Shares at the end of the additional acceptance period, this is a total of 7,380,905 First Sensor Shares, which corresponds to approximately 71.87% of the voting rights and share capital in First Sensor. The Takeover Offer was settled on 12 March 2020.

On 10 December 2019, TE Connectivity announced that it intended to conclude a domination and profit and loss transfer agreement between TE Connectivity as the controlling company and First Sensor as the controlled company. The Executive Board of First Sensor resolved on the same day to enter into negotiations with TE Connectivity on concluding such an agreement, and disclosed this resolution by ad-hoc announcement on 10 December 2019.

At the joint request of the Executive Board of First Sensor and the Executive Board of TE Connectivity, the Berlin Regional Court (*Landgericht*), by decision dated 22 January 2020 appointed ADKL AG, Wirtschaftsprüfungsgesellschaft, Breite Straße 29-31, 40213 Düsseldorf, Germany, as the joint contract auditor (hereinafter the ***Contract Auditor*** or ***ADKL***) to audit the Agreement.

The Agreement, which is the subject matter of the present joint Contract Report, was concluded on 14 April 2020. Before the Agreement was signed, the Supervisory Board of First Sensor, in its meeting held on 14 April 2020, consented to the conclusion of the Agreement. When adopting its resolution, the following documents were available to the Supervisory Board:

(i) the final draft of the Agreement,

(ii) the final draft of this Contract Report,

(iii) the signed copy of the expert opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bernhard-Wicki-Straße 8, 80636 Munich, Germany (hereinafter the ***Valuation Expert*** or ***PwC***), dated 9 April 2020 (hereinafter the ***Expert Opinion***), and

(iv) a written confirmation by the Contract Auditor that the determination of the recurring compensation (*Ausgleich*) and the compensation (*Abfindung*) in the Agreement will be confirmed as being appropriate in the report on the audit of the Agreement to be executed on 16 April 2020 (hereinafter the ***Audit Report***).

Through the Agreement, First Sensor places the management of its company under the control of TE Connectivity and undertakes to transfer all of its profits to TE Connectivity. TE Connectivity undertakes to assume any First Sensor annual net loss and to pay appropriate recurring compensation (*Ausgleich*) or appropriate compensation (*Abfindung*) to outside First Sensor Shareholders. The consenting resolution is to be adopted by the general meeting of TE Connectivity on 16 April 2020. The consenting resolution of the First Sensor general meeting is to be adopted on 26 May 2020. Pursuant to section 294(2) AktG, the Agreement will become effective upon registration in the commercial register (*Handelsregister*) at the registered office of First Sensor.

B. The Parties

I. First Sensor and the First Sensor Group

1. Overview

The First Sensor Group's business model focuses on the development, production and sale of sensor chips, sensor components, sensors and sensor systems, with the First Sensor Group developing and producing both standard products and customer-specific solutions. Its business activity is divided into the sections Industrial, Mobility and Medical. The First Sensor Group, by means of the design and production of silicon-based sensor chips, detects physical parameters and uses its expertise in microelectronic layout and connection technology to build sensor chips for the required application. The First Sensor Group is an expert in the areas of photonics, pressure and advanced electronics. Furthermore, the First Sensor Group develops new applications that are created via system solutions (sensor systems) and react to measurement results and adapt accordingly. In addition, the First Sensor Group sells a variety of proprietary standard sensors which can be complemented by specific products of partner companies.

The First Sensor Group's strategy focuses on (i) participating in the promising growth of its technology-driven Industrial, Medical and Mobility target markets, (ii) achieving profitable growth through key customers and key products, (iii) pressing ahead with forward integration along the value chain as an expert in the aforementioned areas of photonics, pressure and advanced electronics, (iv) expanding its international presence in target markets by using the "made in

Germany” brand, and (v) enhancing and preserving the companies’ operational excellence.

The First Sensor Group employed a total of 892 regular employees (“full time equivalents”), 23 temporary workers and 30 trainees as of 31 December 2019. In financial year 2019, the First Sensor Group generated consolidated sales (according to IFRS) of EUR 161.3 million and an operating EBIT margin of 8.4%. In financial year 2019, the Industrial segment accounted for 53.7%, Mobility for 24.4% and Medical for 21.9% of adjusted group sales.

2. History and development of business

First Sensor was established as Silicon Sensor GmbH in 1991. The aim of Silicon Sensor GmbH was to supply innovative sensors to the technology market of Germany. After establishing a sales structure in Germany, the company opened up the UK and US markets in 1992. Production activities were also developed, and the first 4-inch wafer production line was put into operation in 1995. The company has grown continuously by customer and employee numbers in subsequent years.

In order to enhance its competitiveness, the company went public via Silicon Sensor International AG in 1999. The funds raised in the IPO were invested in further growth. Sales revenues at that time amounted to EUR 2.97 million (DM 5.8 million) per year. Between 2000 and 2010, the company grew along the value chain through acquisitions of national and international suppliers of sensor technology. Sales revenue increased from EUR 5.7 million to EUR 45.2 million during this period. Furthermore, the layout and connection technology, packaging and MEMS technology areas were expanded.

In 2011, the company was renamed “First Sensor AG”. Further acquisitions strengthened sales, and First Sensor developed from a manufacturer of customer-specific, silicon-based optical sensor components to an integrated, international industrial enterprise. In 2015, First Sensor consolidated its subsidiaries under a singly family brand.

In 2019, TE Connectivity published the Takeover Offer to First Sensor Shareholders. The Takover Offer was settled on 12 March 2020.

3. Legal form, registered office, financial year and corporate purpose

First Sensor is a German stock corporation (*Aktiengesellschaft*) with its registered office in Berlin, Germany, and registered in the commercial register of the Berlin-Charlottenburg Local Court (*Amtsgericht*) under number HRB 69326. The financial year of First Sensor corresponds to the calendar year.

The corporate purpose of First Sensor as set out in its articles of association is the development, production and distribution in Germany and abroad of all kinds of sensor systems and of electronic components and devices.

First Sensor further has the right to establish branch offices in Germany and abroad, to conclude inter-company agreements and to participate in other undertakings. In addition, the Company has the right to take all measures appropriate to serve its corporate purpose.

4. Capital, shareholders and stock exchange trading

4.1 Share capital

The share capital amounts to EUR 51,346,980 and is divided into 10,269,396 no-par value bearer shares (*Stückaktien*) with a proportionate amount of the share capital of EUR 5.00 per First Sensor Share.

4.2 Authorised Capital 2015/1

Pursuant to § 5(5) of First Sensor's articles of association, the Executive Board of First Sensor, with the approval of the Supervisory Board, is authorised to increase the share capital of First Sensor in one or several tranches until 27 May 2020, by issuing up to 5,075,830 no-par value bearer shares (*Stückaktien*) against contribution in cash or in kind, by a total amount of up to EUR 25,379,150 (***Authorised Capital 2015/I***). The shareholders are generally entitled to subscription rights. In accordance with section 186(5) AktG, the new shares may also be subscribed by a credit institution or an undertaking conducting business pursuant to section 53(1) sentence 1 or section 53b(1) sentence 1 or section 53b(7) of the German Banking Act (*Kreditwesengesetz* – ***KWG***), with the obligation to offer them to the shareholders for subscription (indirect subscription right). However, the Executive Board of First Sensor is authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in whole or in part in the cases listed in § 5(6) of the articles of association of First Sensor.

4.3 Share Option Program 2013; Contingent Capital 2013/1

Pursuant to § 5(11) of the articles of association of First Sensor, the share capital of First Sensor is conditionally increased by up to EUR 190,000 by the issuance of up to 38,000 no-par value bearer shares (*Stückaktien*) with the right to receive dividends from the beginning of the financial year in which they are issued (***Contingent Capital 2013/I***). The conditional capital increase will be implemented only to the extent that the holders of subscription rights issued by First Sensor under a share option program that was granted by resolution of the general meeting on 20 August 2013 and amended by resolution of the general meeting on 28 May 2015, with the authorisation to issue subscription rights until 31 December 2016 (***Share Option Program 2013***), have exercised their subscription rights. On the date this Contract Report is signed, a remaining number of 1,000 options may be exercised under the Share Option Program 2013.

4.4 Share Option Program 2016/II; Contingent Capital 2016/II

Pursuant to § 5(13) of the articles of association of First Sensor, the share capital of First Sensor is conditionally increased by up to EUR 2,600,000 by the issuance of up to 520,000 no-par value bearer shares (*Stückaktien*) with the right to receive dividends from the beginning of the financial year for which no resolution on the appropriation of profits has yet been passed at the time such shares are issued (***Contingent Capital 2016/II***). The conditional capital increase will be implemented only to the extent that the holders of subscription rights issued by First Sensor under a share option program that was granted by resolution of the general meeting on 4 August 2016 (***Share Option Program 2016/II***), exercise their subscription rights and the Company does not deliver treasury shares to satisfy these obligations.

4.5 Share Option Program 2017/I; Contingent Capital 2017/I

Pursuant to § 5(12) of the articles of association of First Sensor, the share capital of First Sensor is conditionally increased by up to EUR 1,200,000 by the issuance of up to 240,000 no-par value bearer shares (*Stückaktien*) with the right to receive dividends from the beginning of the financial year for which no resolution on the appropriation of profits has yet been passed at the time such shares are issued (***Contingent Capital 2017/I***). The conditional capital increase will be implemented only to the extent that the holders of subscription rights issued by First Sensor under a share option program that was granted by resolution of the general meeting on 24 Mai 2017 (***Share Option Program 2017/I***), exercise their subscription rights and the Company does not deliver treasury shares to satisfy these obligations.

4.6 Contingent Capital 2017/II

Pursuant to § 5(9) of the articles of association of First Sensor, the share capital of First Sensor is conditionally increased by up to EUR 19,000,000 by the issuance of up to 3,800,000 no-par value bearer shares (*Stückaktien*) with the right to receive dividends from the beginning of the financial year for which no resolution on the appropriation of net retained earnings has yet been passed by the general meeting at the time the conversion right is exercised or, as appropriate, at the time conversion obligations are fulfilled (***Contingent Capital 2017/II***). The conditional capital increase serves the exclusive purpose of granting the holders of new conversion or option rights new shares that are issued under the authorisation resolution passed by the general meeting on 24 May 2017 under agenda item 9 b) by First Sensor or by companies in which First Sensor has a direct or indirect majority holding. The conditional capital increase will be implemented only to the extent that the holders of conversion or option rights exercise their conversion or option rights or fulfil conversion obligations arising from such bonds. The shares will be issued at the conversion or option price to be determined in accordance with the aforementioned resolution.

4.7 Treasury shares

First Sensor holds no treasury shares on the date this Contract Report is signed. The Executive Board of First Sensor is authorised to acquire treasury shares for the Company in the amount of up to 10% of the share capital.

4.8 Shareholders

TE Connectivity holds 7,380,905 First Sensor Shares on the date this Contract Report is signed. This corresponds to an ownership interest of approx. 71.87% of First Sensor’s share capital, which is divided into 10,269,396 shares (for further details, reference is made to paragraph B.II.8).

Based on voting rights notifications published pursuant to sections 33 et seqq. of the German Securities Trading Act (*Wertpapierhandelsgesetz* – ***WpHG***), First Sensor's shareholder structure as of 13 April 2020 is as follows:

Shareholder	**Total voting rights share in %**
John Addis	5.32
TE Connectivity Ltd.	71.87

The remaining 2,342,103 First Sensor Shares are held in free float. This corresponds to approx. 22.81% of First Sensor's share capital.

4.9 Stock exchange trading

First Sensor Shares are admitted to trading on the regulated market with additional post-admission obligations (Prime Standard) on the Frankfurt Stock Exchange under ISIN DE0007201907 and traded on the electronic trading system (***XETRA***) of Deutsche Börse AG, Frankfurt am Main, Germany. In addition, First Sensor Shares are included in trading on the regulated unofficial market of the stock exchanges in Berlin, Düsseldorf, Hamburg, Munich and Stuttgart and are traded on the Tradegate Exchange.

5. Executive Board and Supervisory Board of First Sensor

5.1 Executive Board

Pursuant to § 6(1) of First Sensor's articles of association, the Executive Board of First Sensor comprises one or more persons as further determined by the Supervisory Board.

The Executive Board of First Sensor has the following members:

- Dr Dirk Rothweiler (CEO, since 1 June 2017) and
- Marcus Resch (since 14 March 2020).

Pursuant to § 7 of First Sensor's articles of association, if First Sensor has more than one Executive Board member, First Sensor is represented by two members of the Executive Board or by one member of the Executive Board acting jointly with a holder of general commercial power of attorney (*Prokurist*). Pursuant to § 7 of First Sensor's articles of association, the Supervisory Board can further determine that individual Executive Board members be entitled to sole representation of First Sensor.

The Supervisory Board of First Sensor has not adopted any special representation rules for First Sensor's Executive Board that deviate from the relevant provision in the articles of association. First Sensor's two Executive Board members are released from the restrictions provided for in section 181 option 2 of the German Civil Code (*Bürgerliches Gesetzbuch* - ***BGB***).

5.2 Supervisory Board

The Supervisory Board is comprised in accordance with § 8(1) of First Sensor's articles of association and statutory requirements. Pursuant to § 8(1) of First Sensor's articles of association and section 95 sentence 4 AktG in conjunction with section 4(1) of the German One-Third Participation Act (*Drittelbeteiligungsgesetz* - ***DrittelbG***), the Supervisory Board of First Sensor has six members, comprising four shareholder representatives and two employee representatives.

The shareholder representatives are:

- Prof Dr Alfred Gossner; Chairperson of the Supervisory Board;
- Prof ScD Christoph Kutter; Deputy Chairperson of the Supervisory Board;
- Marc de Jong; and
- Guido Prehn.

Supervisory Board members Prof Dr Alfred Gossner, Prof ScD Christoph Kutter, Marc de Jong and Guido Prehn resigned from their offices as Supervisory Board members as of the end of day on 30 April 2020. On 20 March 2020, TE Connectivity requested pursuant to section 104(1), (2) AktG to appoint John Mitchell, Jörg Mann, Peter McCarthy and Stephan Itter as new Supervisory Board members with effect as of 1 May 2020 and until conclusion of the next general meeting.

The employee representatives are:

- Mr Tilo Vollprecht, employee representative; and
- Ms Olga Wolfenberg, employee representative.

6. Structure of the First Sensor Group

6.1 Legal structure and substantial holdings

The First Sensor Group is an internationally operating sensor technology group. The First Sensor Group's parent company is First Sensor, a stock corporation (*Aktiengesellschaft*) with its registered office in Berlin, Germany, and its business address at Peter-Behrens-Straße 15, 12459 Berlin, Germany. Its business activities focus on the development, production and sale of sensor chips, sensor components, sensors and sensor systems. As of 31 December 2019, First Sensor held interests in nine companies that are part of the First Sensor Group.

First Sensor provides all typical management and holding functions within the First Sensor Group and is responsible for the group's strategic development.

First Sensor holds regional companies in a number of countries where the First Sensor Group has business activities. All subsidiaries of First Sensor as of the end of financial year 2019 are shown in the following overview:

Company	Registered office	Holding
First Sensor Lewicki GmbH	Oberdischingen, Germany	100%
First Sensor Microelectronic Packaging GmbH*	Dresden, Germany	100%
First Sensor Mobility GmbH	Dresden, Germany	85%
First Sensor France S.A.S.	Paris, France	100%
First Sensor Inc.	Westlake Village, USA	100%
Klay Instruments B. V.	Dwingeloo, Netherlands	100%
First Sensor Technics Ltd	Shepshed, County of Leicestershire, UK	100%
First Sensor Corp.	Montreal, Canada	100%
First Sensor Scandinavia AB	Kungens Kurva, Sweden	51%

* The Executive Board of First Sensor resolved to merge First Sensor Microelectronic Packaging GmbH into First Sensor on 7 April 2020.

6.2 Governance structures

The governance and organisation structure of the First Sensor Group is divided into the following functional areas:

Chief Executive Officer (CEO)	Chief Financial Officer (CFO)
Dr Dirk Rothweiler	Marcus Resch
Business policy guidelines, Supervisory Board matters, corporate law	Finance – Accounting, group accounting, preparing financial statements (quarterly, semi-annual and annual financial statements) – Financing and cash management (banks, auditors, tax advisors) – Taxes
Corporate strategy, corporate communications, executive development	Investor relations – General meeting, financial statement press conference, analyst conference – Analyst support – Insider list – Road shows, ad-hoc announcements and press releases – Shareholder and investor support
M&A, holdings, subsidiaries	Planning, controlling, reporting – Controlling, reporting, monthly reports – Annual and medium-term planning, budgeting
Sales and marketing	Personnel
Research & development, product development, production	Legal – Contract law – Environmental law
Market analysis and market development	Information technology – Information systems (including enterprise resource planning, financial accounting, email) – Infrastructure
Shareholder and investor support	Procurement
	Group risk management, internal control, compliance – Compliance Officer, Corporate Governance

7. Business activities of the First Sensor Group

The First Sensor Group's business activities encompass the development, production and sale of sensor chips, sensor components, sensors and sensor systems. In the sensor systems market, the First Sensor Group develops and manufactures standard products and customer-specific solutions for applications in its Industrial, Medical and Mobility target markets.

Value creation is characterised by two competencies. Firstly, First Sensor uses technologies to detect physical parameters thanks to the design and manufacture of its silicon-based sensor chips. Secondly, First Sensor uses its expertise in microelectronic layout and connection technology to continue to process the sensor chips with the best "form factor" for the application.

The First Sensor Group as a whole develops, produces and sells a wide range of its own standard sensors. This portfolio is supplemented by other sensors and complementary products from partner companies. In addition, the First Sensor Group uses its long-standing expertise in sensor systems to offer tailored solutions.

The First Sensor Group has a total of nine development and production sites that specialise in different products and stages of the value chain. Most development work and production is performed in Germany, with sites located in Berlin, Dresden, Oberdischingen and Puchheim. International sites are located in Dwingeloo (the Netherlands), Westlake Village (USA) and Montreal (Canada).

The First Sensor Group operates six other sites that act as sales companies in Paris (France), Shepshed (Great Britain), Valkenswaard (the Netherlands), Copenhagen (Denmark), Kungens Kurva (Sweden), and Mansfield (USA). In addition, a sales organisation is being established in China on the date of this Contract Report.

The First Sensor Group operates in its Industrial, Medical and Mobility target markets as described below. By focussing on these target markets, the First Sensor Group is participating in the dynamically growing number of sensor applications developed for new functionalities and for safety, comfort and efficiency.

7.1 Industrial

The Industrial target market generates approximately half of the First Sensor Group's sales revenue. It primarily relates to the networking of products and production processes as part of Industry 4.0, and focuses on interconnecting physical and virtual devices in what is referred to as the "Internet of Things" as well as the intelligent interaction between urban residents and their surrounding technology in "smart cities".

The sensors produced form components of applications such as "smart building" or "factory automation", which make industrial processes more efficient and improve the interaction between humans and machines.

7.2 Medical

In the Medical target market, the First Sensor Group supplies precise and reliable products to customers. Approximately one fourth of the First Sensor Group's sales revenue is generated by sensor technology for medical applications. The Medical target market as a whole benefits from the increasing level of health awareness.

In addition, the First Sensor Group covers the increasing demand in prevention and offers assistance systems. The sensors and sensor solutions produced by the First Sensor Group are used in optical diagnostics and ventilator systems in particular.

7.3 Mobility

In the Mobility target market, the First Sensor Group responds to the trend towards partially and fully autonomous driving as well as low-consumption and low-emissions mobility. This market accounts for approximately one fourth of the First Sensor Group's sales revenue. The importance of sensor technology for use in commercial and special-purpose vehicles is structurally increasing in this market. The First Sensor Group operates in this market based on solid partnerships, having supplied several million units, and has established stable relationships as a reliable supplier to leading automotive groups.

In the Mobility target market, optical sensors and camera systems are used in connection with the introduction of partially and fully autonomous driving. In addition to the various options to use optical sensor technology in the mobility area, "Green Mobility" is gaining importance as an application. Pressure sensors produced by First Sensor are applied in low-consumption and low-emissions combustion engines and are also used in the introduction of new drive technologies (such as plug-in hybrid vehicles).

8. Development of business and earnings situation of the First Sensor Group

8.1 Key financial figures for financial years 2019, 2018 and 2017

The results of the individual segments were consolidated in the table below. The consolidated financial statements were prepared in accordance with the International Financial Report Standards (IFRS) as applicable in the European Union. In addition, the provisions of section 315a(1) of the German Commercial Code (*Handelsgesetzbuch – HGB*) were applied.

Selected key financial figures for financial years 2019, 2018 and 2017:

in EUR million, unless otherwise indicated	**2019**	**2018**	**2017**
Sales revenues	161.3	155.1	147.5
Industrial	86.6	80.4	75.1
Medical	35.4	34.6	27.9
Mobility	39.2	40.2	44.5
EBITDA	24.6*	21.3	19.6
EBITDA margin (%)	15.3*	13.7	13.3
EBITA	15.7*	12.2	10.6
EBIT	13.5*	7.9	7.2
EBIT margin (%)	8.4*	14.5	12.8

in EUR million, unless otherwise indicated	2019	2018	2017
Earnings before taxes (EBT)	11.9*	10.4	7.2
Net profit for the period	10.9*	7.5	4.4
Earnings per share (EUR)	1.08*	0.72	0.40
Cash flow from operating activities	21.7*	15.9	16.0
Free cash flow	10.1*	6.2	3.5
Balance sheet total	179.7	168.4	159.6
Shareholders' equity	89.9	88.8	81.9
Equity ratio (%)	50.0	52.7	51.3
Net debt	22.0*	19.5	22.8
Working capital	39.2	37.3	37.5
ROCE (%)	9.0*	9.9	8.6
Incoming orders	156.2	159.6	163.7
Orders on hand	92.9	97.6	92.5
Book-to-bill-ratio	1.0	1.03	1.11
Employees (FTE average of the period)	882	835	787
Number of shares in thousand as of Dec. 31	10,269	10,222	10,216

* adjusted for transaction costs and reserves in connection with the takeover offer.

8.2 Development of business and results of operations in financial years 2019 and 2018

(i) Results of operations

in EUR thousand	2019	2018	Change
Industrial	86,628	80,387	6,241
Medical	35,417	34,559	858
Mobility	39,230	40,202	-972
Total sales revenues	161,275	155,148	6,127
Net profit for the financial year	2,473	7,521	-5,039

(ii) Net assets

in EUR thousand	2019	2018	Change
Assets (material items)			
Intangible assets	8,767	11,248	-2,481
Goodwill	29,816	29,816	0
Property, plant and equipment	41,102	38,696	2,406
Total current assets	84,255	82,502	1,753
Total assets	179,656	168,383	11,273

Equity and liabilities (material items)			
Equity	89,881	88,767	1,114
Total non-current liabilities	32,619	51,347	-18,728
Current liabilities	57,156	28,269	28,887
Total equity and liabilities	179,656	168,383	11,273

9. Employees and co-determination

9.1 Employees

The First Sensor Group employed 892 regular employees ("full-time equivalents") and 23 temporary workers as of 31 December 2019. In addition, 30 trainees were employed by the First Sensor Group as of 31 December 2019.

9.2 Co-determination

The Supervisory Board of First Sensor comprises six members, two of which are elected by the employees in accordance with the provisions of the German One-Third Participation Act (*Drittelbeteiligungsgesetz*).

II. TE Connectivity Ltd. and the TE Group

1. Overview

TE Connectivity Ltd. (***TE Ltd.***, and together with its affiliated undertakings the ***TE Group***) is a global industrial technology leader creating a safer, sustainable, productive, and connected future. Its broad range of connectivity and sensor solutions, proven in the harshest environments, enable advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

The TE Group's net sales in the first quarter of its 2019/2020 fiscal year (ending 25 September 2020) as reported in its condensed consolidated statement of operations for the quarterly period ended 27 December 2019, which were prepared in accordance with generally accepted accounting principles in the United States (***U.S. GAAP***), amounted to USD 3.2 billion. The US Dollar to Euro (USD/EUR) conversion rate as of 27 December 2019 was 1 : 0.91 (source: European Central Bank).

The TE Group's net sales in its full 2018/2019 fiscal year ending 27 September 2019 as reported in its consolidated statement of operations for the fiscal year ended 27 September 2019, which were prepared in accordance with US GAAP, amounted to USD 13.448 billion.

The website of TE Ltd. can be accessed at http://www.te.com.

The TE Group conducts its business through its three segments, Transportation Solutions, Industrial Solutions, and Communications Solutions.

1.1 Transportation Solutions

The TE Group's Transportation Solutions segment offers its customers a variety of connectivity and sensor technology products, including terminals and connector systems and components, sensors, antennas, relays, application tooling, and wire and heat shrink tubing.

1.2 Industrial Solutions

The TE Group's Industrial Solutions segment supplies products connecting and distributing power, data, and signals. The offering includes in particular terminals and connector systems and components, heat shrink tubing, relays, and wire and cable. These products are used in industrial equipment (including factory automation and process control, intelligent building, rail, solar and medical); aerospace, defense and marine (including oil and gas); and energy applications.

1.3 Communications Solutions

The TE Group's Communications Solutions segment offers electronic components for data and devices and the appliances markets. Products sold in this segment include terminals and connector systems and components, relays, heat shrink tubing, and antennas.

2. History and development of business

TE Ltd. (formerly named Tyco Electronics Ltd. until 10 March 2011) was incorporated in Bermuda in February 2000 as a wholly-owned subsidiary of Tyco International Ltd. (***Tyco International***). For the period following its incorporation, TE Ltd. did not engage in any significant business activities and held minimal assets. Effective 29 June 2007, Tyco International distributed all of its shares of TE Ltd. to its common shareholders (referred to in this section as the ***Separation***). TE Ltd. became an independent, publicly listed company owning the former electronics businesses of Tyco International. In connection with the Separation, the interests in the entities that held all of the assets and liabilities of Tyco International's electronics businesses were transferred to TE Ltd.

TE Ltd.'s business was formed principally through a series of acquisitions, from 1999 through 2002, of established electronics companies and divisions, including the acquisition of AMP Incorporated and Raychem Corporation in 1999 and the Electromechanical Components Division of Siemens and OEM Division of Thomas & Betts in 2000. These companies each had more than 50 years of history in engineering and innovation excellence. TE Ltd. operated as a segment of Tyco International prior to its Separation.

Effective 25 June 2009, TE Ltd. discontinued its existence as a Bermuda company as provided in section 132G of The Companies Act of 1981 of Bermuda, as amended, and, in accordance with article 161 of the Swiss Federal Code on International Private Law, continued its existence as a Swiss corporation under articles 620 et seq. of the Swiss Code of Obligations.

TE Ltd. changed its name from Tyco Electronics Ltd. to TE Connectivity Ltd. effective 11 March 2011.

3. Legal form, registered office, corporate purpose, fiscal year

TE Ltd. is a stock corporation (*Aktiengesellschaft*) under the laws of Switzerland with its registered office in Schaffhausen, Switzerland, and registered in the commercial register of the Canton of Schaffhausen (*Handelsregisteramt des Kantons Schaffhausen*) under number CHE-114.934.754. TE Ltd. is the TE Group's ultimate parent company.

Its fiscal year covers a 52- or 53-week year, ending on the last Friday of September in each year. In fiscal years with 53 weeks, the fourth quarter covers a period of 14 weeks. Fiscal years 2019, 2018 and 2017 ended on 27 September 2019, 28 September 2018, and 29 September 2017 respectively.

The main purpose of TE Ltd. is acquiring, holding, managing and selling interests in undertakings, in particular in the electronics industry. The company may carry out financial and management transactions. It may establish branch offices and subsidiaries in Switzerland and abroad. The company may acquire, hold and sell properties in Switzerland and abroad.

4. Share capital, shareholders and stock exchange trading

4.1 Share capital

The issued share capital as of 27 September 2019 was CHF 200,042,287.17, divided into 350,951,381 registered shares with a nominal value of CHF 0.57 per share. The Swiss Franc to Euro (CHF/EUR) conversion rate as of 27 September 2019 was 1 : 0.92 (source: European Central Bank).

4.2 Shareholders and treasury shares

TE Ltd. held 15,862,337 treasury common shares as of 27 September 2019. TE Ltd. is not controlled by any of its shareholders.

4.3 Stock exchange trading

TE Ltd. is a publicly listed company that trades on the New York Stock Exchange (NYSE) under ticker symbol "TEL". As of 27 September 2019, 19,193 registered holders of TE Ltd. common shares were registered. Its market capitalisation on that date was approx. USD 32.5 billion.

5. Corporate bodies

5.1 Board of Directors

On the date this Contract Report is signed, the Board of Directors of TE Ltd. has the following members:

- Thomas J. Lynch, Non-Executive Chairman
- Dr Pierre R. Brondeau, Lead Independent Director
- Terrence R. Curtin, Board Member
- Carol A. Davidson, Board Member

- Lynn A. Dugle, Board Member
- Dr William A. Jeffrey, Board Member
- David M. Kerko, Board Member
- Yong Nam, Board Member
- Daniel J. Phelan, Board Member
- Abhijit Y. Talwalkar, Board Member
- Mark Trudeau, Board Member
- Dawn C. Willoughby, Board Member
- Laura H. Wright, Board Member

5.2 Leadership Team and Officers

On the date this Contract Report is signed, the Leadership Team and Officers of TE Ltd. are the following:

- Terrence R. Curtin, Chief Executive Officer
- Heath A. Mitts, Executive Vice President and Chief Financial Officer
- John S. Jenkins Jr., Executive Vice President and General Counsel
- Shad W. Kroeger, President, Communications Solutions
- Steven T. Merkt, President, Transportation Solutions
- Kevin N. Rock, President, Industrial Solutions
- Karen Leggio, Senior Vice President and General Manager, Channel
- Alan Amici, Vice President and Chief Technology Officer, Transportation Solutions
- Claudia Anderson, Vice President and Chief Continuous Improvement Officer
- Mario Calastri, Senior Vice President and Treasurer
- Joel Dubs, Senior Vice President, Operations
- Joseph F. Eckroth Jr., Senior Vice President and Chief Information Officer
- Kari Janavitz, Vice President and Chief Marketing Officer
- Arvind Kaushal, Senior Vice President and Chief Strategy Officer
- Nitin Mathur, Vice President and Chief Digital and eBusiness Officer
- Jimmy McDonald, Vice President and Chief Supply Chain Officer

- Timothy J. Murphy, Senior Vice President and Chief Human Resources Officer
- Robert J. Ott, Senior Vice President, Corporate Controller
- Jeanne Quirk, Senior Vice President, Mergers and Acquisitions
- Eric J. Resch, Senior Vice President, Chief Tax Officer

6. Structure of the TE Group

6.1 Operating and legal structure

In addition to its interest in First Sensor, TE Ltd. as the TE Group's parent company holds direct and indirect interests in more than 200 subsidiaries.

The TE Group is operating in three business segments (Transportation Solutions, Industrial Solutions, and Communications Solutions). The Transportation segment focuses on connectivity and sensor technologies, the Industrial Solutions segment focuses on products that connect and distribute power, data and signals, and the Communications Solutions segment focuses on electronic components for the data and devices and the appliances markets.

6.2 Significant subsidiaries

The consolidated annual report of TE Ltd. dated 27 September 2019 includes a total of 13 holdings in the United States of America and other countries. Reference is otherwise made to the list of holdings as of 27 September 2019 in the annual report of TE Ltd. for fiscal year 2018/2019.

7. Business activities of the TE Group

The TE Group has business activities in the following areas:

7.1 Transportation Solutions

The Transportation Solutions is a leader in connectivity and sensor technologies. The primary products of this segment include terminals and connector systems and components, sensors, relays, application tooling, and wire and heat shrink tubing. The products of this segment, which must withstand harsh conditions, are used in the following end markets:

- Automotive (73% of segment's net sales): The automotive industry uses the TE Group's products in automotive technologies for body and chassis systems, convenience applications, driver information, infotainment solutions, miniaturisation solutions, motor and powertrain applications, and safety and security systems. Hybrid and electronic mobility solutions include in-vehicle technologies, battery technologies, and charging solutions.
- Commercial transportation (15% of segment's net sales) The TE Group delivers connectivity products designed to withstand harsh environmental conditions for on- and off-highway vehicles and recreational transportation, including heavy trucks, construction, agriculture, buses, and other vehicles.

- Sensors (12% of segment's net sales) The TE Group offers a portfolio of intelligent, efficient, and high-performing sensor solutions that are used by customers across multiple industries, including automotive, industrial equipment, commercial transportation, medical solutions, aerospace and defense, and consumer applications.

7.2 Industrial Solutions

The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. The primary products sold by this segment include terminals and connector systems and components, heat shrink tubing, relays, and wire and cable. This segment's products are used in the following end markets:

- Industrial Equipment (49% of segment's net sales). These products are used in factory automation and process control systems, in particular industrial controls, robotics, human machine interface, industrial communication, and power distribution. The intelligent building products are used to connect lighting, and offer solutions in HVAC, elevators/escalators, and security. The company's rail products are used in high-speed trains, metros, light rail vehicles, locomotives, and signalling switching equipment. These products are also used by the solar industry. The medical industry uses the company's products in imaging, diagnostic, surgical, and minimally invasive interventional applications.

- Aerospace, defense, oil, and gas (33% of segment's net sales). In this segment, the TE Group designs, develops, and manufactures a comprehensive portfolio of critical electronic components and systems for the harsh operating conditions of the aerospace, defense, and marine industries.

- Energy (18% of segment's net sales). These products are used by OEMs and utility companies in the electrical power industry. They use the wide range of solutions for the electrical power generation, transmission, distribution, and industrial markets.

7.3 Communications Solutions

The Communications Solutions segment is a leading supplier of electronic components for the data and devices and the appliances markets. The primary products sold by the Communications Solutions segment include terminals and connector systems and components, relays, heat shrink tubing, and antennas. This segment's products are used in the following end markets:

- Data and devices (59% of segment's net sales): This segment's products and solutions are used in a variety of equipment architectures within the networking equipment, data center equipment, and wireless infrastructure industries. Additionally, this segment delivers a range of connectivity solutions for the "Internet of Things", smartphones, tablet computers, notebooks, and virtual reality applications to help its customers meet their current challenges and future innovations.

- Appliances (41% of segment's net sales) The TE Group provides solutions to meet the daily demands of home appliances. These products are used in many household appliances, including washers, dryers, refrigerators, air conditioners, dishwashers, cooking appliances, water heaters, air purifiers, floor care devices, and microwaves.

8. Development of business and earnings situation of the TE Group

In the fiscal year ended 27 September 2019, the TE Group generated sales of USD 13.448 billion, income from continuing operations before taxes of USD 1.931 billion and net income of USD 1.844 billion.

The following table provides an overview of key financial figures for the fiscal years of TE Ltd. ended on 27 September 2019, 28 September 2018, and 29 September 2017. This information was taken from the audited, consolidated annual reports of TE Ltd. for the fiscal years ended 27 September 2019, 28 September 2018 (each as adjusted by continuing activities), and 29 September 2017 respectively. These consolidated annual reports were prepared in accordance with U.S. GAAP.

In addition, reference is made to the information on the development of business and the earnings situation as described in the annual reports published by TE Ltd. for fiscal years 2019, 2018 and 2017.

All values are rounded commercially, unless otherwise stated.

8.1 Selected financial information for fiscal years 2017, 2018 and 2019

(**in USD millions, except Per Share Data and employees**)	**2019**	**2018**	**2017**
Statement of Operations Data			
Net sales	13,448	13,988	12,185
Acquisition and integration costs	27	14	6
Restructuring and other charges (credits), net	255	126	147
Other income (expense), net	2	1	(42)
Income tax (expense) benefit	15	344	(180)
Income from continuing operations	1,946	2,584	1,540
Income (loss) from discontinued operations, net of income taxes	(102)	(19)	143
Net income	1,844	2,565	1,683
Per Share Data			
Basic earnings per share:			
Income from continuing operations	5.76	7.38	4.34
Net income	5.46	7.33	4.74
Diluted earnings per share:			
Income from continuing operations	5.72	7.32	4.30
Net income	5.42	7.27	4.70
Dividends paid per common share	1.80	1.68	1.54
Balance Sheet Data			
Total assets	19,694	20,386	19,403
Long-term liabilities	5,584	5,145	5,805
Total shareholders' equity	10,570	10,831	9,751
TE Ltd. employees	78,000	80,000	77,000

8.2 Development of business and earnings situation in fiscal years 2019 and 2018

(i) Earnings

(in USD millions)	2019	2018	Change
Net sales	13,448	13,988	-540
Net income	1,844	2,565	-721

(ii) Financial situation

a) Assets (significant items)

(in USD millions)	2019	2018	2017
Goodwill	5,740	5,684	5,651
Intangible assets, net	1,596	1,704	1,841
Property, plant, and equipment, net	3,574	3,497	3,159
Current assets	5,554	6,199	5,926
Total assets	19,694	20,386	19,403

b) Liabilities and shareholders' equity (significant items)

(in USD millions)	2019	2018	2017
Shareholders' equity	10,570	10,831	9,751
Current liabilities	3,540	4,410	3,847
Long-term debt	3,395	3,037	3,634
Total liabilities and shareholders' equity	19,694	20,386	19,403

As of 27 September 2019, the consolidated balance sheet total decreased by approximately 3.4% compared to 28 September 2018.

8.3 Financial information for the TE Group's business segments

(i) Transportation Solutions

(in USD millions)	2019	2018	Change
Net sales	7,821	8,290	-469
Operating income	1,226	1,578	-352

(ii) Industrial Solutions

(in USD millions)	2019	2018	Change
Net sales	3,954	3,856	98
Operating income	543	465	78

(iii) Communications Solutions

(**in USD millions**)	**2019**	**2018**	**Change**
Net sales	1,673	1,842	-169
Operating income	209	288	-79

9. Employees

As at the end of fiscal year 2019, the TE Group excluding First Sensor and First Sensor's subsidiaries had approximately 78,000 employees worldwide, of which 31,000 were employed in the EMEA region, 22,000 in the Asia-Pacific region and 25,000 in the Americas region. A total of approx. 49,000 employees were employed in manufacturing.

III. TE Connectivity

1. Overview

TE Connectivity is an indirect subsidiary of TE Ltd.

2. Legal form, registered office, corporate purpose, share capital, fiscal year

TE Connectivity is a stock corporation (*Aktiengesellschaft*) established under German law on 24 April 2019 and incorporated by registration in the commercial register (*Handelsregister*) on 31 May 2019, with its registered office in Bensheim, Germany. It is registered in the commercial register of the Darmstadt Local Court (*Amtsgericht*) under HRB 99155. Its German business address is Ampèrestraße 12-14, 64625 Bensheim.

The corporate purpose of TE Connectivity is the acquisition, the sale and the management of participations and interests in other undertakings in Germany and abroad in its own name and for its own account, especially in the function of a holding company, as well as the acquisition, the use and the exploitation of rights including industrial property rights from current and future technologies of associated companies.

The share capital of TE Connectivity amounts to EUR 50,000 and is divided into 50,000 no-par value shares (*Stückaktien*). The share capital has been fully paid up. Its sole shareholder is Tyco Electronics Germany Holdings GmbH.

Its fiscal year commences on 1 October and ends on 30 September of the next following calendar year.

3. Governing bodies and representation

Pursuant to § 5(1) of the articles of association of TE Connectivity, its Executive Board comprises one or more persons, who are appointed and removed by the Supervisory Board of TE Connectivity. Pursuant to § 6(2) of its articles of association, TE Connectivity, where only one Executive Board member has been appointed, is represented by one Executive Board member and otherwise by two Executive Board members acting jointly or by one Executive Board member acting jointly with a holder of general commercial power of attorney (*Prokurist*).

The following persons have been appointed as Executive Board members of TE Connectivity with power of joint representation at the time this Contract Report is signed: (i) Mr Harold Gregory Barksdale, (ii) Mr Jörg Mann and (iii) Mr Erik Olsson. They are released from the restrictions provided for in section 181 option 2 BGB.

The members of TE Connectivity's Supervisory Board are (i) Mr Mark Schlueter (Chairman of the Supervisory Board), (ii) Mr Henning Rademacher (Deputy Chairman of the Supervisory Board) and (iii) Ms Martina Ullmann. TE Connectivity is not subject to provisions of co-determination law. Therefore, the Supervisory Board comprises shareholder representatives only.

4. Business activities

The business activities of TE Connectivity include the acquisition, the sale and the management of participations and interests in other undertakings in Germany and abroad in its own name and for its own account.

On the date this Contract Report is signed, TE Connectivity holds 7,380,905 First Sensor Shares, corresponding to approx. 71.87% of the share capital and voting rights in First Sensor.

TE Connectivity holds no other interests.

5. Shareholder structure

A simplified overview of TE Connectivity's shareholder structure is attached to this Contract Report as Annex 1:

- The sole shareholder of TE Connectivity is Tyco Electronics Germany Holdings GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law with its registered office in Bensheim and registered in the commercial register of the Darmstadt Local Court (*Amtsgericht*) under HRB 86154.
- The sole shareholder of Tyco Electronics Germany Holdings GmbH is Tyco Electronics Group S.A., a stock corporation (*société anonyme*) under Luxembourg law with its registered office in Luxembourg and registered in the Luxembourg trade and company register (*Registre de Commerce et des Sociétés*) under number B123549.
- The sole shareholder of Tyco Electronics Group S.A. is TE Ltd.

6. Earnings situation and financial position of TE Connectivity

The first fiscal year of TE Connectivity – due to its establishment on 24 April 2019 – is a short fiscal year, which ended at the end of day on 30 September 2019.

TE Connectivity's share capital was provided by Tyco Electronics Germany Holdings GmbH by way of cash contribution. As of the date of this Contract Report, TE Connectivity holds 7,380,905 First Sensor Shares, corresponding to an ownership interest of approx. 71.87%.

7. Financial resources of TE Connectivity to meet its liabilities under the Domination and Profit and Loss Transfer Agreement

Before signing this Contract Report, the Executive Board of First Sensor and the Executive Board of TE Connectivity examined whether TE Connectivity will be able to fulfil its payment obligations under the Agreement. Based on the current economic, financial and contractual conditions of TE Connectivity, the Executive Board of First Sensor and the Executive Board of TE Connectivity have arrived at the conclusion that TE Connectivity will be able to meet its liabilities under the Agreement.

The Executive Board of First Sensor and the Executive Board of TE Connectivity substantially based their conclusion on the following aspects:

The future payment obligations of TE Connectivity under the Agreement include the payment of recurring compensation (*Ausgleich*) under § 4(2) of the Agreement and the payment of compensation (*Abfindung*) under § 5(1) of the Agreement and, where relevant, the loss absorption obligation under § 3 of the Agreement.

Following effectiveness of the profit transfer obligation under the Agreement, First Sensor's profit will be available to meet TE Connectivity's future payment obligations (see paragraph D.I.2), with TE Connectivity being obliged, pursuant to section 302 AktG, to assume any First Sensor annual net loss that may arise during the duration of the Agreement. No evidence exists that indicates that First Sensor might suffer such annual net loss after the current financial year. First Sensor generated a consolidated profit of approx. EUR 2.5 million in the financial year ended 31 December 2019. Its free cashflow amounted to approx. EUR 10.1 million.

In addition to the above, TE Ltd., without acceding to the Agreement as a party, issued a letter of comfort to First Sensor by separate declaration, which is attached to this Contract Report together with the Agreement as Annex 2.

In this letter of comfort, TE Ltd. provided an unrestricted and irrevocable undertaking to ensure that TE Connectivity will have sufficient financial resources available to enable TE Connectivity at any time to meet any of its liabilities arising from or in connection with the Agreement in full and in due time. This applies, in particular, to the obligation to assume losses pursuant to section 302 AktG. In addition, in the event that TE Connectivity does not meet its obligations to outside First Sensor Shareholders arising from or in connection with the Agreement in full and in due time and TE Ltd. does not meet its above obligation to provide sufficient resources, TE Ltd. provides an unrestricted and irrevocable undertaking to outside First Sensor Shareholders to ensure that TE Connectivity will meet any obligations to First Sensor Shareholders arising from or in connection with the Agreement, in particular the obligation to pay recurring compensation (*Ausgleich*) and compensation (*Abfindung*), in full and in due time. In this regard, outside First Sensor Shareholders have separate claims under section 328(1) BGB for payment to TE Connectivity (see paragraph D.I.8).

8. Takeover Offer and potential share acquisitions by TE Connectivity

8.1 Takeover Offer

On 8 July 2019, TE Connectivity published the Takeover Offer to First Sensor Shareholders for the acquisition of all First Sensor Shares at an Offer Price of EUR 28.25 per First Sensor Share. The Executive Board and Supervisory Board of First Sensor stated in the reasoned statement published on 18 July 2019 that, in their opinion, the consideration offered by TE Connectivity is appropriate and that the performance of the Takeover Offer is in the interests of First Sensor and its shareholders.

As at the end of the acceptance period on 2 September 2019, a total of 7,348,040, or 71.62%, of the First Sensor Shares then outstanding had been tendered. The additional acceptance period for the Takeover Offer ended at the end of day on 19 September 2019. As at the end of the additional acceptance period, an additional number of 4,584 outstanding First Sensor Shares had been tendered.

The purchase agreements that came into existence by the acceptance of the Takeover Offer were settled on 12 March 2020 and TE Connectivity obtained ownership in such First Sensor Shares.

8.2 Potential acquisitions outside the compensation offer

TE Connectivity reserves the right at any time, to the extent permitted by law, to directly or indirectly acquire additional First Sensor Shares outside the contractual compensation offer pursuant to § 5 of the Agreement (see paragraph D.I.5) on the stock exchange.

C. Reasons for concluding a Domination and Profit and Loss Transfer Agreement

I. Economic and legal reasons

1. Enhancing the strength and integration of the First Sensor Group

The Agreement is essential in establishing an integrated group. It will enable closer and more effective cooperation between First Sensor and TE Connectivity. The contractual right to give instructions enables TE Connectivity's Executive Board to implement single managerial control in the group's interest and single Group structures and strategies also in respect of First Sensor. This is a vital requirement for the proposed cooperation between TE Connectivity and First Sensor.

Due to the higher demands place globally on connectivity solutions, the demand for an even broader portfolio of integrated sensor solutions increases also among TE Connectivity's existing and potential customers. The present integration aims at combining the solutions and expertise offered by the First Sensor Group, in particular in the areas of low-pressure sensors and photonics (also including avalanche photodiodes, cameras and digital imaging solutions), with the TE Group's extensive operational resources, client base and existing sensor technologies. The integration will further increase the portfolio of sensors and application solutions the two companies offer in major growth industries, in particular in the industry, medical technology and transportation areas. This will allow the two companies to continue aligning the strategic development of their application solutions to long-term global growth trends.

First Sensor and TE Connectivity expect to realise synergies in the future, which requires concluding the Agreement. Such synergies could result from the efficiency and scale of TE Connectivity’s business activities, for example by optimising procurement activities and production processes as well as from cost savings.

Therefore, after conclusion of the Agreement, First Sensor’s development is to be promoted in accordance with the business plan to be developed together with the management. On the basis of the Agreement, First Sensor and TE Connectivity have set themselves the goal to strengthen and further improve First Sensor’s position in global competition. The integration aims at providing a comprehensive offer of sensor solutions to customers from a vast range of industries around the world. This will significantly strengthen the positions of the TE Group and the First Sensor Group on the sensor systems market. In addition to this, the integration will allow capitalising on the TE Group’s size of operations, customer base and existing sensor expertise with a view to expanding First Sensor’s offer of solutions and/or its international orientation.

2. Limits and restrictions to cooperation in the current *de facto* corporate group

Due to TE Connectivity’s majority holding in First Sensor, a *de facto* corporate group currently exists between First Sensor and TE Connectivity. Strict limits apply to controlling and coordinating activities in a *de facto* corporate group. In addition, pursuant to section 76(1) AktG, the Executive Board of First Sensor is obliged to manage First Sensor in its own responsibility. If influence exerted interferes in the independent managerial control of First Sensor’s Executive Board and results in adverse effects to First Sensor, then First Sensor’s Executive Board must not comply with it unless the adverse effects caused by such influence are compensated by TE Connectivity or the entity of the TE Group exerting influence, section 311(1) AktG. Such compensation of adverse effects must be effected by the end of the financial year of First Sensor in which such adverse influence was exerted, this means within a narrow time frame, by providing factual compensation or by granting a relevant legal entitlement, section 311(2) AktG. First Sensor’s Executive Board must not execute the relevant measure or transaction if the adverse effect cannot be quantified and hence not be compensated. Therefore, First Sensor’s Executive Board must examine for each measure effected or omitted and each legal transaction of First Sensor effected or omitted upon request or in the interest of TE Connectivity whether such influence is legally permitted and whether it results in adverse effects to First Sensor. Such a case-by-case examination may require extensive analyses and tie up significant resources of the Executive Board without resulting in absolute legal certainty in each case. In many cases, in particular measures with a long-term objective, it is very difficult to determine whether the relevant measure has adverse effects. Adverse effects in the short term may be offset by positive effects in the long term. However, it is often uncertain whether and to what extent such positive effects materialise. In addition, First Sensor's Executive Board must always take the interests of minority shareholders into consideration.

Furthermore, in a *de facto* corporate group, all measures and legal transactions effected with the controlling entity or any of its affiliated entities or upon request or in the interest of any of these entities must be documented in detail. The Executive Board of First Sensor must report thereon in an annual control report (*Abhängigkeitsbericht*), quantifying any potential adverse effects (section 312 AktG). This control report must then be audited by an auditor and thereafter by First Sensor's Supervisory Board (sections 313, 314 AktG).

All of these provisions require substantial amounts of time and financial and personnel resources on both sides, and in particular on the side of First Sensor as the controlled entity. This is because all measures and legal transactions by First Sensor which are effected upon request of TE Connectivity or any of its affiliated entities or effected or omitted in their interest, either with TE Connectivity or with third parties, must be reviewed with the involvement of the Executive Board and other departments of First Sensor (e.g. the legal, accounting and tax or finance departments) to ensure compliance with the applicable rules in a *de facto* corporate group. In addition to tying up resources and the impossibility to achieve absolute legal certainty, this necessary audit further causes delays to the planned cooperation between the First Sensor Group and the TE Group. This complicates the expeditious and efficient implementation of urgent business decisions to be taken and of those decisions that are in both parties' mutual interest.

In addition, determining the compensation for adverse effects, in particular quantifying and determining the nature and scope of adverse effects' eligibility for compensation, generally causes practical difficulties. Such difficulties are often encountered in relation to measures and legal transactions that go beyond the mere exchange of performance and consideration (e.g. receipt of goods or provision of services) or for whose consideration a market price cannot be determined (with sufficient certainty). Such measures may exist, for example, when exchanging know-how or business information. In these cases it is practically difficult, or often even impossible, to quantify and compensate adverse effects or corresponding advantages that may result for the controlled entity. As a result, such measures may not be taken in a *de facto* corporate group with sufficient legal certainty and may require substantial audit and documentation efforts or may have to be omitted in their entirety.

3. Establishment of a contractual corporate group by concluding the Domination and Profit and Loss Transfer Agreement

These difficulties in a *de facto* corporate group are avoided where a domination and profit and loss transfer agreement exists, as this creates a contractual basis for the planned close cooperation. The provisions on case-by-case compensation for adverse legal transactions or measures caused by the controlling entity or any of its affiliated entities or effected or omitted in their interest do not apply in a contractual corporate group. The controlling contractual party, due to the part of the contract that relates to domination, has the right, in particular, to directly instruct the executive board of the controlled entity to effect measures or legal transactions in the interest of the controlling contractual party or any of its affiliated entities. This applies even where such measures or legal transactions, in an isolated consideration, should have adverse effects for the controlled entity (section 308 AktG), the adverse effects cannot be compensated within the same financial year and/or the adverse effects cannot be precisely quantified. This enables a more efficient employment of resources and allows implementing cooperation measures for which adverse effects and, where appropriate, corresponding advantages cannot be quantified with legal certainty. Management measures can thus be taken in line with the affiliated undertakings' mutual interests without requiring a burdensome examination of each measure as to its effects on the controlled entity. Furthermore, no expenditure is required for preparing and auditing a control report (*Abhängigkeitsbericht*), as no such report needs to be prepared in a contractual corporate group.

For TE Connectivity, on the other side, the Agreement enables better control of the planned cooperation with the First Sensor Group in the mutual interest of the group of undertakings as a whole. The Agreement will further facilitate the unrestricted exchange of information, including with regard to best practice policies between First Sensor and the TE Group.

Concluding the Agreement thus proves to be a suitable legal means to implement the proposed comprehensive cooperation of the undertakings involved, which is also applied by other undertakings in similar cases and is provided for by law particularly for this purpose.

The interests of First Sensor are further protected after conclusion of the Agreement by the fact that the right to give instructions is not unlimited (see paragraph D.I.1). In particular, First Sensor must not be deprived of its capability to continue existing as a result of adverse instructions, as the legal provisions assume the controlled entity's continued existence even after the Agreement may have been terminated. Furthermore, adverse instructions are prohibited and do not trigger an obligation to comply where they apparently do not serve the interests of the controlling company or any affiliate of the controlling company or of the controlled company.

Due to the combination of a domination agreement and a profit and loss transfer agreement, TE Connectivity will have a claim for the transfer of profits as from 1 January 2021, provided that the Agreement is registered in the commercial register by 31 December 2021. In return, First Sensor is grated a claim for compensation of losses under the Agreement, starting already from the commencement of effectiveness of only the domination part of the Agreement, in the event that during the duration of the Agreement an annual net loss is incurred by First Sensor. Thus, after conclusion of the Agreement, unlike in the case of a mere *de facto* corporate group, First Sensor will not depend on individual compensation of adverse effects that may have been suffered by influence exerted, but will have a statutory claim for full compensation of losses by TE Connectivity, irrespective of influence exerted or any other factors (see section 302 AktG).

For outside First Sensor Shareholders, the Agreement provides a safeguard of interests that does not exist in a *de facto* corporate group. Outside First Sensor Shareholders obtain a statutory claim against TE Connectivity either for receipt of a guaranteed dividend or appropriate annual recurring compensation (*Ausgleich*) for the duration of the Agreement pursuant to section 304 AktG (see paragraph D.I.4) or for acquisition of the outside shareholder’s shares against appropriate compensation (*Abfindung*) pursuant to section 305 AktG as determined in the Agreement (see paragraph D.I.5).

The letter of comfort issued by TE Ltd. to First Sensor provides an additional safeguard (see paragraph D.I.8).

4. Summary result

The establishment of a contractual corporate group between First Sensor and TE Connectivity strengthens and expands the opportunities for a closer and strong cooperation between First Sensor and its major shareholder, TE Connectivity. Compared to the *de facto* corporate group currently existing, the contractual corporate group will result in saving costs and avoiding expenditure as, for example, no audit and documentation obligations have to be fulfilled in respect of adverse effects of influence exerted. The contractual corporate group further establishes legal certainty in the cooperation between First Sensor and TE Connectivity and in implementing organisational and structural measures. It offers more flexibility to issue instructions and makes decision processes and their implementation faster and more efficient. After the Agreement has become effective, the close cooperation could further achieve additional synergies. Finally, the contractual corporate group grants First Sensor as the controlled entity a claim for compensation of any annual net loss, irrespective of influence exerted or of the amount of any adverse effects, and offers outside shareholders a safeguard in the form of appropriate recurring compensation (*Ausgleich*) or appropriate compensation (*Abfindung*).

II. Tax reasons

If the additional conditions are fulfilled, conclusion of the Agreement will result in the establishment of a consolidated tax group for corporate income tax and trade tax purposes (consolidated tax group for income tax purposes) between TE Connectivity as the controlling entity and First Sensor as the controlled entity in this tax group.

The existence of a consolidated tax group for income tax purposes requires, among other things, that TE Connectivity has continuously held a participation in First Sensor since the beginning of the latter’s financial year which grants to it the majority of voting rights attaching to the shares in the controlled entity in the tax group (section 14(1) sentence 1 no. 1 sentence 1 of the German Corporation Tax Act (*Körperschaftsteuergesetz* - ***KStG***), and that the participation is continuously attributable to a German permanent establishment of TE Connectivity during the entire existence of the tax group (section 14(1) sentence 1 no. 2 sentence 4 KStG). Furthermore, the Agreement must have been concluded for a minimum term of five years and must in fact be performed during its entire term (section 14(1) sentence 1 no. 3 sentence 1 KStG).

The consolidated tax group for income tax purposes would come into existence initially on 1 January 2021, provided that the Agreement will be registered in the commercial register where First Sensor has its registered office by the end of financial year 2021. Should the Agreement be registered at a later date, the consoliated tax group for income tax purposes would be established as from the beginning of the First Sensor financial year in which the Agreement is registered.

The existence of a consolidated tax group for income tax purposes will not make First Sensor's general tax law obligations inapplicable. As before, First Sensor will have to determine its tax results separately from TE Connectivity in accordance with general provisions. For corporate income tax purposes, First Sensor's income will be determined separately, and uniformly and with binding effect towards TE Connectivity and First Sensor. As a result of the existence of a consolidated tax group for income tax purposes, however, First Sensor's taxable income will be attributed to TE Connectivity starting from the financial year as from which the consolidated tax group first exists, taking into consideration certain statutory limitations, and will then be taxed at the level of TE Connectivity. However, First Sensor itself must pay tax on its income at a current rate of 20/17 of the annual cash compensations (*Ausgleichszahlungen*) made to outside First Sensor Shareholders (section 16 KStG).

Establishment of the consolidated tax group for income tax purposes will result in positive liquidity effects for TE Connectivity, as profit transfers under commercial law from First Sensor to TE Connectivity in a consolidated tax group for income tax purposes, contrary to profit distributions, are not subject to the deduction of withholding tax plus solidarity surcharge. If the Agreement was not concluded and First Sensor's profit was distributed as a dividend, withholding tax plus solidarity surcharge would be credited or refunded, since the dividend should generally be excluded when determining TE Connectivity's income (section 8b(1) KStG). Such credit or refund would, in general, only be made in connection with the corporate income tax assessment after filing the tax return for the assessment period in which the dividend was received. In addition, a transfer of profits under commercial law in a consolidated tax group for income tax purposes, contrary to a dividend distribution, is not subject to the prohibition to deduct a fictitious amount of five percent as business expenses, as provided for in section 8b(5) KStG.

In addition, as a result of the establishment of a consolidated tax group for income tax purposes, TE Connectivity will be able to offset its tax result against the tax result of First Sensor, meaning that financing expenditure will be offset against operative earnings, which due to the lower tax payments on balance results in a corresponding liquidity benefit. Due to the resulting 95% tax exemption, such offset would be available to a very limited extent only in the event of dividend distributions by First Sensor to TE Connectivity.

III. Alternatives

The Executive Board of First Sensor and the Executive Board of TE Connectivity have thoroughly examined alternatives to concluding the Agreement. They arrived at the conclusion that no other structural measure they examined is suitable to achieve the described objectives in a similar or even more beneficial manner. Against this background, the following other structures were examined in particular:

1. Conclusion of an isolated domination agreement and an isolated profit and loss transfer agreement

The conclusion of an isolated domination agreement between First Sensor and TE Connectivity is legally permitted. However, an isolated domination agreement does not allow transferring profits, while nevertheless creating an obligation to assume losses. In addition, the tax advantages sought by establishing a consolidated tax group for corporate income and trade tax purposes (consolidated tax group for income tax purposes) and the liquidity benefit resulting from the transfer of profits could not be achieved by means of an isolated domination agreement.

The conclusion of an isolated profit and loss transfer agreement between First Sensor and TE Connectivity is also legally permitted. However, a profit and loss transfer agreement provides no sufficient legal basis to allow the intended comprehensive cooperation and the unrestricted exchange of information between First Sensor and the TE Group. The intended close cooperation can only be achieved with legal certainty if a contractual basis is established for the current de facto corporate group by means of a domination agreement which gives TE Connectivity comprehensive rights to give instructions to First Sensor (see paragraphs C.I.2 and C.I.3). Accordingly, the benefits of comprehensive cooperation that are also sought to be achieved could not be realised by means of a mere profit and loss transfer agreement.

Therefore, the Parties have decided to conclude a domination and profit and loss transfer agreement. This contractual form, by providing for a recurring compensation (*Ausgleich*) and compensation (*Abfindung*), pays due consideration to the interests of First Sensor minority shareholders and has been tried and tested in practice in stock corporation law.

2. Exclusion of minority shareholders (squeeze-out)

The minority shareholders of First Sensor cannot be excluded pursuant to sections 327a et seqq. AktG (squeeze-out under stock corporation law) on the date the Agreement is signed, as this would require that TE Connectivity holds a minimum participation of 95% in First Sensor's share capital.

The same holds true for excluding First Sensor's minority shareholders pursuant to section 62(5) of the German Transformation Act (*Umwandlungsgesetz* - ***UmwG***) in conjunction with section 327a et seqq. AktG after a previous merger (squeeze-out under merger law), as this requires a minimum participation of 90%.

Excluding First Sensor's minority shareholders pursuant to section 39a et seqq. WpÜG (squeeze-out under takeover law) is not possible either. TE Connectivity does not hold the required minimum participation of 95% in First Sensor's share capital and, therefore, does not fulfil the requirements for a squeeze-out under takeover law.

Even if a squeeze-out was possible and implemented, the consequent position of TE Connectivity as the sole shareholder in First Sensor would not remove the restrictions and difficulties that result from the continued existence of a *de facto* corporate group (see paragraph C.I.2) as long as First Sensor has the legal form of a stock corporation (*Aktiengesellschaft*) or a European company (*Societas Europaea*) with its registered office in Germany. Furthermore, the objectives pursued with the Domination and Profit and Loss Transfer Agreement (see paragraphs C.I.1 and C.I.3), in particular the establishment of a consolidated tax group for income tax purposes (see paragraph C.II), could not be achieved.

To the extent that First Sensor owns real property in Germany or holds a minimum participation, directly or indirectly, of 95% in the capital or assets of corporations or partnerships owning real property in Germany, a squeeze-out would further trigger real estate transfer tax (*Grunderwerbsteuer*).

3. Integration or merger

Integration into a group by way of integration pursuant to section 319 et seqq. AktG is not possible. As TE Connectivity is neither the sole shareholder (section 319(1) sentence 1 AktG) nor holds a participation of at least 95% in First Sensor's share capital, it does not fulfil the requirements for integration.

A merger of TE Connectivity with First Sensor (downstream merger) is no alternative as is, conversely, a merger of First Sensor with TE Connectivity (upstream merger). A downstream merger would not change anything about the requirement of a domination and profit and loss transfer agreement to implement the envisaged integration of First Sensor. First Sensor would then be required to conclude a domination and profit and loss transfer agreement with Tyco Electronics Germany Holdings GmbH as the sole shareholder of TE Connectivity, which would then have ceased to exist. Nor is an upstream merger a suitable alternative. In this case, outside First Sensor Shareholders would obtain the same participation in value in TE Connectivity as their previous participation in First Sensor. In addition, First Sensor Shares would no longer be tradable, because First Sensor Shares would be cancelled and the shares in TE Connectivity would only be tradable after its initial public offering, which is not intended, however.

Under the same conditions as a squeeze-out, an upstream merger would also trigger real estate transfer tax (*Grunderwerbsteuer*).

4. Change of legal form

A transformation of First Sensor changing its legal form into that of another corporation or a partnership is not suitable either to achieve the objectives pursued with the Agreement. Furthermore, First Sensor's corporate structure as a stock corporation is to be maintained for the time being.

First of all, the intended tax group for income tax purposes would not be achieved by means of a change of legal form, and would still have to be established, in particularly, by means of a profit and loss transfer agreement. Further, a change of legal form to a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) would not change anything about the applicability of the rules for a *de facto* corporate group and the consequent disadvantages compared to the legal situation if a domination and profit and loss transfer agreement was concluded.

If its legal form was changed to that of a limited liability company (*Gesellschaft mit beschränkter Haftung*) or a partnership, instructions issued in the group's interest would also have to be examined on a case-by-case basis as to whether they cause adverse effects to First Sensor. This is because the fiduciary duty the controlling company has as a shareholder or partner would have to be observed also in relation to a limited liability company or a partnership, which would cause difficulties when implementing adverse measures.

Finally, a change of legal form would have caused additional expenditure and delays and, in the case of a change of legal form to a limited liability company (Gesellschaft mit beschränkter Haftung) or a partnership, the loss of the First Sensor Shares' admission to exchange trading. This would affect the tradability of First Sensor Shares. There is no legal obligation to change the legal form when concluding a domination and profit and loss transfer agreement.

5. Summary

The Executive Board of First Sensor and the Executive Board of TE Connectivity, after thorough and careful consideration, arrived at the conclusion that the intended close and efficient cooperation between First Sensor and TE Connectivity as well as the TE Group can only be achieved by concluding a domination and profit and loss transfer agreement. Concluding a domination and profit and loss transfer agreement is the only option that allows avoiding the limitations of a de facto corporate group (see paragraph C.I) and establishing a consolidated tax group for corporate income tax and trade tax purposes (see paragraph C.II).

D. The Domination and Profit and Loss Transfer Agreement

I. Explanation of the Agreement's content

The individual provisions of the Agreement are explained below.

1. Managerial control (§ 1 of the Agreement)

§ 1 of the Agreement contains the constitutive provision for a domination agreement that First Sensor as the controlled entity agrees to place the management of its company under the control of TE Connectivity as the controlling entity. TE Connectivity is therefore entitled to give instructions to First Sensor's Executive Board generally and on a case-by-case basis with regard to the exercise of First Sensor's management and with regard to preparing First Sensor's annual financial statements (§ 1(1) of the Agreement). TE Connectivity is a mere holding company. The group's management by its shareholder is exercised at a level above that of TE Connectivity (see TE Connectivity's shareholder structure in Annex 1).

Notwithstanding the domination and the consequent instruction right, First Sensor continues to be a legally independent entity with its own corporate bodies. Accordingly, First Sensor's Executive Board continues to be responsible for the management and representation of First Sensor. To the extent that no instructions were given, First Sensor's Executive Board continues to be responsible for First Sensor's management in its own responsibility.

The scope of the instruction right is primarily determined pursuant to section 308 AktG. Section 308(1) sentence 2 AktG allows to issue instructions which have adverse effects for First Sensor to the extent that they serve the interest of TE Connectivity or any of its affiliated group companies. First Sensor's Executive Board is obliged to comply with legally permitted instructions (§ 1(2) of the Agreement) and, therefore, is generally not permitted to refuse compliance with instructions given. However, First Sensor's Executive Board is not required to comply with instructions that obviously do not serve the interests of TE Connectivity or any of its affiliated group companies. The same applies to impermissible instructions (such as an instruction the compliance with which would violate statutory provisions or provisions of First Sensor's articles of association) and instructions that would jeopardise First Sensor's existence. In the opinion of the Parties, First Sensor's Executive Board is not required to comply with instructions given, for as long as TE Connectivity does not (fully) fulfil its obligations under the Agreement, in particular its obligations to assume losses and to pay appropriate recurring compensation (*Ausgleich*) to outside First Sensor Shareholders, or is not expected to be able to fulfil these obligations (for First Sensor's extraordinary termination right, see paragraph D.I.7.4). Further, First Sensor's Executive Board cannot be instructed to amend, maintain or terminate the Agreement (section 299 AktG, § 1(4) of the Agreement).

The instruction right exists only towards First Sensor's Executive Board (section 308 AktG), but not towards the Supervisory Board, the general meeting or employees of First Sensor nor towards corporate bodies or employees of any subsidiary of First Sensor. If First Sensor's Executive Board is instructed to effect a transaction which may only be effected with the consent of First Sensor's Supervisory Board and if the Supervisory Board does not give its consent or does not give its consent within a reasonable period, the consent of First Sensor's Supervisory Board may be replaced by renewing the instruction (section 308(3) AktG). The participation rights of First Sensor's general meeting are in no way affected by the Agreement.

Instructions must be given in text form within the meaning of section 126b BGB (for example, by e-mail or by telefax or computer fax) or, if given orally, must be confirmed in text form without undue delay if so requested by First Sensor's Executive Board (§ 1(5) of the Agreement).

TE Connectivity's right to give instructions and First Sensor's corresponding obligation to comply with such instructions exist from the time the Agreement becomes effective by virtue of its registration in the commercial register where First Sensor has its registered office (section 294(2) AktG, § 1(1), § 7(2) of the Agreement and paragraph D.I.7.2(i)).

2. Transfer of profits (§ 2 of the Agreement)

§ 2 of the Agreement contains the constitutive provision for a profit and loss transfer agreement that First Sensor undertakes to transfer its entire profit (*Gewinnabführung*) to TE Connectivity. Subject to the creation or release of reserves pursuant to § 2(2) of the Agreement, the amount of profits to be transferred is determined in accordance with section 301 AktG as amended from time to time (§ 2(1) of the Agreement).

Pursuant to the current version of section 301 AktG, the amount of profits to be transferred is the net income for the year arising without such transfer of profits, reduced by a loss carryforward from the previous year, by the amount to be allocated to the statutory reserve pursuant to section 300 AktG and by the amount subject to the distribution ban pursuant to section 268(8) HGB.

The amount to be allocated to the statutory reserve is determined in accordance with section 300 no. 1 AktG and depends on the amount of share capital, the net income for the year and the amount already allocated to the statutory reserve. The statutory reserve of First Sensor is currently established in the full amount. Therefore, it is not necessary to allocate additional amounts to the statutory reserve pursuant to section 300 no. 1 AktG.

If internally generated intangible fixed assets (section 248(2) sentence 1 HGB) are capitalised on First Sensor's balance sheet, the distribution ban pursuant to section 268(8) sentence 1 HGB applies. In this case, profits may be distributed only to the extent that the amount of freely available reserves after the distribution, plus a profit carried forward and less a loss carried forward, at least equals the total amount capitalised as internally generated intangible assets less deferred tax liabilities established in respect thereof. If deferred taxes (section 274(1) sentence 2 HGB) are capitalised on First Sensor's balance sheet, section 268(8) sentence 2 HGB provides that the amount of freely available reserves after the distribution, plus a profit carried forward and less a loss carried forward, must at least equal the amount of deferred tax assets less deferred tax liabilities. In the case of assets to which no creditors have access and whose sole purpose is to fulfil pension obligations or similar obligations that are due in the long term (section 246(2) sentence 2 HGB), section 268(8) sentence 3 HGB requires that the amount of freely available reserves after the distribution, plus a profit carried forward and less a loss carried forward, must at least equal the difference between the sum of the fair values stated in the balance sheet for these assets, reduced by deferred tax liabilities established in respect thereof, and the historical cost of these assets. The term "freely available reserves" (*frei verfügbare Rücklagen*) includes both profit reserves and certain capital reserves. Accordingly, profit reserves whose distribution is not prevented by statutory provisions or the articles of association and freely available capital reserves pursuant to section 272(2) no. 4 HGB have to be taken into account in determining the maximum distribution amount.

The amount to be transferred as profit pursuant to § 2(1) of the Agreement is reduced pursuant to § 2(2) sentence 1 of the Agreement if and to the extent that First Sensor with the consent of TE Connectivity, given in writing or in text form within the meaning of section 126b BGB, allocates amounts from the net income for the year generated without the profit transfer to other profit reserves (section 272(3) sentence 2 HGB). The allocation of such amounts to other profit reserves is only recognised for the purposes of the consolidated tax group for income tax purposes (see paragraph D.I.7.4) if this is economically justified in accordance with a reasonable commercial assessment (section 14(1) sentence 1 no. 4 KStG). § 2(2) sentence 1 of the Agreement pays consideration to this measure.

If, during the duration of the Agreement, amounts were allocated to other profit reserves (section 272(3) sentence 2 HGB), such amounts may subsequently be withdrawn from other profit reserves on TE Connectivity's request pursuant to § 2(2) sentence 2 of the Agreement and be used to balance any annual net loss or be transferred as profit (section 301 sentence 2 AktG).

§ 2(2) sentence 3 of the Agreement provides that other reserves or a profit carried forward from the period before commencement of the Agreement must neither be transferred as profit nor be used to balance any annual net loss. The term "other reserves" (*sonstige Rücklagen*) includes any reserves pursuant to section 272 HGB except for other profit reserves established during the duration of the Agreement. As a result thereof, neither the statutory reserve, the reserves established on the basis of First Sensor's articles of association or the capital reserves, irrespective of the time of their establishment, nor other profit reserves established before the Agreement's commencement may be transferred as profit or be used to balance an annual net loss. This provision corresponds to the requirements of section 301 AktG and supreme court rulings on the use of reserves under a domination and profit and loss transfer agreement.

Pursuant to § 2(3) of the Agreement, the obligation to transfer profits exists for the first time for First Sensor's financial year beginning on 1 January 2021 or such subsequent financial year of First Sensor in which the Agreement becomes effective pursuant to § 7(2) of the Agreement. In any case, the obligation becomes due within two weeks after adoption of the annual financial statements for First Sensor's relevant financial year.

3. Assumption of losses (§ 3 of the Agreement)

§ 3(1) of the Agreement refers to the provisions of section 302 AktG, which in its entirety is applicable as amended from time to time. Pursuant to the current version of section 302(1) AktG, any annual net loss arising during the duration of the Agreement "otherwise", that is to say without the existence of the obligation to assume losses, has to be balanced unless such annual net loss is balanced by withdrawing from other profit reserves (section 272(3) sentence 2 HGB) amounts that were allocated to the former during the duration of the Agreement. The obligation to assume losses ensures that First Sensor's equity stated on its balance sheet on the date the Agreement becomes effective will not reduce during the duration of the Agreement. Hence, it serves to safeguard the property interests of First Sensor, its shareholders and creditors during the term of the Agreement.

Pursuant to § 3(2) of the Agreement, the obligation to assume losses exists for the first time for First Sensor's financial year beginning on 1 January 2020, provided that the existence of the Agreement is registered in 2020 in the commercial register where First Sensor has its registered office and the Agreement thus becomes effective, or otherwise such subsequent financial year of First Sensor in which the Agreement becomes effective pursuant to § 7(2) of the Agreement. In any case, the obligation becomes due at the end of each financial year of First Sensor.

If the Agreement is terminated during a financial year of First Sensor, that is in the event of its regular termination by TE Connectivity or in the event of its termination by TE Connectivity or First Sensor for good cause (*aus wichtigem Grund*) (see paragraph D.I.7.4), TE Connectivity is obliged to assume such deficit of First Sensor as results from a balance sheet to be prepared as of the date of termination of the Agreement (§ 3(3) of the Agreement).

Pursuant to the current version of section 302(4) AktG, First Sensor's entitlement to compensation for an annual deficit is statute-barred after ten years from the date on which the entry of the Agreement's termination in the commercial register where First Sensor has its registered office has been announced in accordance with section 10 HGB.

4. Recurring compensation (*Ausgleich*) (§ 4 of the Agreement)

4.1 Guaranteed dividend and annual cash compensation (*Ausgleichszahlung*)

Pursuant to section 304(1) AktG, the Agreement, to be effective, must contain an obligation to grant appropriate recurring compensation (*Ausgleich*) to outside First Sensor Shareholders. Accordingly, TE Connectivity undertakes towards outside First Sensor Shareholders in § 4(1) and (2) of the Agreement to pay a guaranteed dividend (***guaranteed dividend***) or to pay an annual fixed recurring cash payment (***annual cash compensation***) (together with the guaranteed dividend the ***recurring compensation***). For the term of domination (meaning First Sensor's obligation to place the management of its business under the control of TE Connectivity as the controlling entity in accordance with § 1 of the Agreement) without the obligation to transfer profits, that is for financial year 2020 if the Agreement is registered in the commercial register in 2020, there exists the obligation to grant appropriate recurring compensation (*Ausgleich*) in the form of the obligation to pay a guaranteed dividend. For financial years in which the obligation to transfer profits exists in addition to domination, such obligation to grant appropriate recurring compensation (*Ausgleich*) exists in the form of the obligation to grant the annual cash compensation (*Ausgleichszahlung*), which replaces the obligation to pay the guaranteed dividend.

(i) Guaranteed dividend (§ 4(1) of the Agreement)

Following effectiveness of First Sensor's obligation to place the management of its business under the control of TE Connectivity as the controlling entity in accordance with § 1 of the Agreement, the conduct of First Sensor's corporate bodies, in addition to the interests of the company, is also based on the instructions given by TE Connectivity, even if such instructions should turn out to have adverse effects for First Sensor. To compensate for the obligation to place the management of its business to the control of TE Connectivity as the controlling entity and to act in compliance with TE Connectivity's instructions, TE Connectivity undertakes in § 4(1) of the Agreement to pay an appropriate guaranteed dividend to outside First Sensor Shareholders. To this extent, TE Connectivity guarantees outside First Sensor Shareholders the payment of a specific annual share in profits by TE Connectivity for financial year 2020. This guaranteed dividend is granted if the Agreement takes effect in the year 2020. To the extent that the dividend (including any dividend deductions) per First Sensor Share paid by First Sensor for financial year 2020 is less than the guaranteed dividend, TE Connectivity will pay the relevant differential amount per First Sensor Share to each outside First Sensor Shareholder. Payment of such differential amount, as necessary, will be due on the third banking day after the ordinary general meeting of First Sensor which resolves on financial year 2020.

(ii) Annual cash compensation (*Ausgleichszahlung*) (§ 4(2) of the Agreement)

After the profit transfer obligation pursuant to § 2(3) of the Agreement has become effective, that is for the first time for First Sensor's financial year beginning on 1 January 2021 or such subsequent financial year in which the Agreement is entered in First Sensor's commercial register, no distributable profit will continue to be reported generally for First Sensor for the relevant financial year and for subsequent financial years. As a general rule, the First Sensor Shareholders' right to decide on the appropriation of distributable profits generated will cease to exist from that date. To compensate for the loss of their dividend rights, § 4(2) of the Agreement provides for the obligation of TE Connectivity to grant outside First Sensor Shareholders an appropriate annual cash compensation (*Ausgleichszahlung*).

This annual cash compensation (*Ausgleichszahlung*) is granted from the financial year of First Sensor for which TE Connectivity's claim for profit transfer becomes effective pursuant to § 2(3) of the Agreement, for the duration of the Agreement. The annual cash compensation (*Ausgleichszahlung*) is due on the third banking day after First Sensor's ordinary general meeting for the preceding financial year and eight months after the present financial year of First Sensor at the latest.

If the Agreement terminates during a financial year of First Sensor or if recurring compensation (*Ausgleich*) is payable for a short financial year of First Sensor of less than twelve months, the amount of recurring compensation (*Ausgleich*) is reduced for such financial year on a *pro rata temporis* basis (§ 4(6) of the Agreement). This takes account of the fact that the amount of recurring compensation (*Ausgleich*) is determined for a period of twelve months, that is a full financial year.

4.2 Type of the compensation regime

(i) Legal bases

A domination and profit and loss transfer agreement must provide for appropriate recurring compensation (*Ausgleich*) for the controlled entity's outside shareholders (section 304(1) sentence 1 and 2 AktG), that means the outside First Sensor Shareholders in the present case. If only an isolated domination agreement exists, this agreement must guarantee an appropriate guarantee dividend to outside shareholders (section 304(1) sentence 2 AktG). Both the guaranteed dividend and the annual cash compensation (*Ausgleichszahlung*) must consist of a recurring cash payment in relation to each share of outside shareholders (section 304(1) sentences 1 and 2 AktG). It may be granted either as fixed or as variable recurring compensation (*Ausgleich*).

(ii) Fixed recurring compensation (*Ausgleich*)

In the case of fixed recurring compensation (*Ausgleich*), the annually recurring payment of a fixed cash amount is guaranteed. The amount of fixed recurring compensation (*Ausgleich*) must equal the amount which could be expected to be distributed on each individual share as average profit share, that is to say as distributable profit for commercial law purposes, in view of the controlled entity's past profitability and future earnings prospects, taking into account adequate depreciation, amortisation and value allowances, but excluding other profit reserves (section 304(2) sentence 1 AktG).

(iii) Variable recurring compensation (*Ausgleich*)

The variable recurring compensation (*Ausgleich*) guarantees a recurring payment based on the controlling entity's profit. However, the controlling entity must be a German stock corporation (*Aktiengesellschaft*), a partnership limited by shares (*Kommanditgesellschaft auf Aktien*) or a European company (*Societas Europaea*) which has its registered office in Germany. The amount of variable recurring compensation (*Ausgleich*) must correspond to the amount which, using an appropriate conversion ratio, is attributable to each share of the controlling entity as a dividend (section 304(2) sentences 2 and 3 AktG).

(iv) Reasons for determining fixed recurring compensation (*Ausgleich*)

The Agreement between First Sensor and TE Connectivity provides for fixed annual recurring compensation (*Ausgleich*). The main reasons for this are essentially the following:

TE Connectivity as the controlling entity is a stock corporation (*Aktiengesellschaft*) under German law, meaning that the option to choose the type of recurring compensation (*Ausgleich*) generally exists. However, variable recurring compensation (*Ausgleich*) based on TE Connectivity's profit would not be suitable to safeguard the rights of outside First Sensor Shareholders. TE Connectivity's interest in First Sensor is the only major asset of TE Connectivity, which is why, in economic terms, outside First Sensor Shareholders would only receive recurring compensation (*Ausgleich*) based on the profit of First Sensor. However, TE Connectivity could use its control of First Sensor in a manner that results in the reduction of First Sensor's profits. This, in turn, would lead to lower recurring compensation (*Ausgleich*) for outside First Sensor Shareholders.

Variable recurring compensation (*Ausgleich*) based on the profit of TE Ltd. as TE Connectivity's ultimate group parent is not expressly permitted by law. It is not certain whether such variable recurring compensation

(*Ausgleich*) would be legally permitted. Another argument against variable recurring compensation (*Ausgleich*) is that outside shareholders of TE Ltd., as is the case for TE Connectivity, would have no influence on decisions taken by TE Ltd. shareholders on the appropriation of profits. Furthermore, determining variable recurring compensation (*Ausgleich*) based on the profit of TE Ltd. would have required the valuation of TE Ltd. including any of its affiliated undertakings. This would have caused considerable additional expenditure in preparing the Agreement. Furthermore, there would be foreign exchange risks due to exchange fluctuations between Swiss francs and the euro, as TE Ltd. is a Swiss company.

4.3 Determination of recurring compensation (*Ausgleich*) as a gross payment, amount of recurring compensation

Under § 4(1) and (2) of the Agreement, TE Connectivity grants outside First Sensor Shareholders a guaranteed dividend for financial year 2020 if the Agreement takes effect in financial year 2020 already, and an annual cash compensation (*Ausgleichszahlung*) for subsequent financial years in which the Agreement is effective, for the duration of the Agreement. The description of and reasons for the amount of the appropriate guaranteed dividend and the appropriate annual cash compensation (*Ausgleichszahlung*) as well as the manner of their determination are set out in paragraph E.II below.

(i) Amount of recurring compensation (*Ausgleich*)

For outside First Sensor Shareholders, § 4(1) of the Agreement provides for a guaranteed dividend of EUR 0.47 net (corresponding to a gross amount of EUR 0.56 before current corporate income tax and solidarity surcharge) per First Sensor Share for financial year 2020 if the Agreement takes effect in financial year 2020 already. To the extent that the dividend distributed by First Sensor to outside First Sensor Shareholders for financial year 2020 is less than the amount of the guaranteed dividend, TE Connectivity will pay to outside First Sensor Shareholders the difference between the dividend actually distributed for financial year 2020 and the guaranteed amount of the guaranteed dividend.

In addition, § 4(2) of the Agreement provides for an annual cash compensation (*Ausgleichszahlung*) of EUR 0.47 net per First Sensor Share (corresponding to a gross amount of EUR 0.56 before current corporate income tax and solidarity surcharge), starting from effectiveness of the profit transfer obligation pursuant to § 2 of the Agreement, this is for the first time for the First Sensor financial year beginning on 1 January 2021 or for such subsequent financial year in which the Agreement takes effect. This amount is due in full on an annual basis, since from when the profit transfer obligation becomes effective, no distributable profit will be reported any longer (except for any income from the release of reserves that are not subject to the transfer of profits under the Agreement, or distributable profits due to a profit carried forward from the time before commencement of the Agreement), and First Sensor Shareholders will no longer have the right to decide on the appropriation of distributable profits.

(ii) Mechanism for adjusting recurring compensation (*Ausgleich*)

In determining and adjusting the recurring compensation (*Ausgleich*), the Parties adhered to the requirements established by the German Federal Court of Justice (*Bundesgerichtshof*) (decision of 21 July 2003 - II ZB 17/01 - "Ytong"). In accordance therewith, the recurring compensation (*Ausgleich*) to be granted to outside shareholders pursuant to section 304(1) sentence 1 and 2, and 304(2) sentence 1 AktG is the expected gross distributable profit per share as a fixed basis, less the statutory amount of corporate income tax. This is to ensure that a reduced corporate income tax rate from the relevant rate on the valuation date does not result in an unjustified advantage to the controlling entity to the detriment of outside shareholders. Conversely, this further is to prevent an unjustified advantage to outside shareholders to the detriment of the controlling entity in the event of an increase in the corporate income tax rate. These principles apply accordingly to the solidarity surcharge levied in addition to corporate income tax.

On this basis, the fixed recurring compensation (*Ausgleich*) in the form of the guaranteed dividend or the annual cash compensation (*Ausgleichszahlung*) is to be determined as a gross profit share per First Sensor Share (***Gross Amount of Recurring Compensation***) from which corporate income tax plus solidarity surcharge at the applicable rate for the relevant financial year are to be deducted (***Net Amount of Recurring Compensation***). In the event the rates of corporate income tax or solidarity surcharge change, this provides a variable provision which immediately results in a corresponding adjustment to the Net Amount of Recurring Compensation. However, withholding tax and solidarity surcharge are to be deducted only from the portion of the Gross Amount of Recurring Compensation which relates to profits subject to German corporate income tax.

According to the corporate income tax rate of 15% and the solidarity surcharge rate of 5.5% applicable on the signing date of the Contract Report, a total of EUR 0.56 per First Sensor share is to be deducted from the Gross Amount of Recurring Compensation of EUR 0.09 per First Sensor Share. This results in a Net Amount of Recurring Compensation of EUR 0.47 per First Sensor Share.

The mechanism for adjusting the recurring compensation (*Ausgleich*) based on changes to the tax rate can be illustrated by the following example: If the corporate income tax rate of 15% is reduced by two percentage points to 13%, the variable provision in § 4(3) of the Agreement results in the current deduction for corporate income tax and solidarity surcharge of EUR 0.09 per First Sensor Share being reduced by EUR 0.01 (2.0% plus solidarity surcharge of 5.5%, together 2.110% of the portion contained in the Gross Amount of Recurring Compensation which relates to the profits on which German corporate income tax is charged). This increases the Net Amount of Recurring Compensation from EUR 0.47 per First Sensor Share by EUR 0.01 to EUR 0.48. Conversely, an increase in the corporate income tax rate by two percentage points to 17% results in a reduction in the Net

Amount of Recurring Compensation from EUR 0.47 per First Sensor Share by EUR 0.01 to EUR 0.46.

In addition, § 4(3) of the Agreement provides that any accruing taxes deducted at source (such as withholding tax plus solidarity surcharge) are withheld from the Net Amount of Recurring Compensation to the extent required by law. This also applies to the solidarity surcharge levied as a supplemental tax and church tax, if any, to be levied (see paragraph D.IV.3 for details).

4.4 Further explanations of § 4 of the Agreement

The guaranteed dividend will be granted for First Sensor's full financial year 2020 if the Agreement takes effect in 2020 (§ 4(1) of the Agreement). The guaranteed dividend will be granted for financial year 2020 only.

The annual cash compensation (*Ausgleichszahlung*) is granted for the first time for the full First Sensor financial year for which the profit transfer obligation of First Sensor pursuant to § 2 of the Agreement becomes effective (§ 4(2) of the Agreement). Pursuant to § 2(3) of the Agreement, this is first the case for the entire profit of the First Sensor financial year beginning on 1 January 2021 or the subsequent First Sensor financial year in which the Agreement becomes effective. If the Agreement becomes effective by 31 December 2021, the obligation to transfer profits exists as from 1 January 2021 for the 2021 financial year. If the Agreement becomes effective in a subsequent financial year, the obligation to transfer profits applies as from the relevant later financial year.

As of the effectiveness of the profit transfer pursuant to § 2 of the Agreement, outside First Sensor Shareholders have no dividend entitlement unless a distributable profit is formed from reserves or profits carried forward from periods before the commencement of the Agreement and the general meeting resolves to make a distribution.

§ 4(1) and (4) of the Agreement provide for the due date of the guaranteed dividend and of the annual cash compensation (*Ausgleichszahlung*). The recurring compensation (*Ausgleich*) payable by TE Connectivity is due on the third banking day (Frankfurt am Main) after the ordinary general meeting of First Sensor for the relevant preceding financial year, and eight months from the end of the financial year at the latest.

§ 4(6) of the Agreement provides that, if the Agreement ends during the course of a First Sensor financial year or if a short financial year is created during the duration of the Agreement, the recurring compensation (*Ausgleich*) for this financial year will be reduced. This takes account of the fact that the determined amount of recurring compensation (*Ausgleich*) is based on a period of twelve months, that is a full financial year.

§ 4(7) sentence 1 of the Agreement governs the adjustment of the recurring compensation (*Ausgleich*) in the event the First Sensor share capital is increased from company funds. If new First Sensor Shares are issued in this manner, the

Gross Amount of Recurring Compensation per First Sensor Share decreases by such amount that the total amount of the Gross Amount of Recurring Compensation remains unchanged. However, as an outside First Sensor Shareholder receives a corresponding number of new First Sensor Shares, the total amount of recurring compensation (*Ausgleich*) received by the outside First Sensor Shareholder remains unchanged. This provision is necessary because a capital increase from company funds, that is the conversion of profit or certain capital reserves into share capital, has no impact on the value or profitability of First Sensor and because the new First Sensor Shares from the capital increase from company funds are issued to First Sensor Shareholders without consideration. Furthermore, this is in accordance with section 216(3) AktG, which provides that the economic content of contractual relationships between First Sensor and third parties are not affected by the capital increase from company funds. If no new First Sensor Shares are issued in the capital increase from company funds, it is not necessary to adjust the recurring compensation (*Ausgleich*).

§ 4(7) sentence 2 of the Agreement provides that if the share capital of First Sensor is increased by issuing new First Sensor Shares against contribution in cash and/or in kind, the entitlement to payment of recurring compensation (*Ausgleich*) also covers these newly issued First Sensor Shares. This ensures in the event of such increases to First Sensor's share capital that not only the claims of previous outside First Sensor Shareholders to receive recurring compensation (*Ausgleich*) remain unaffected, but also that new outside First Sensor Shareholders are treated equally. The amount of recurring compensation (*Ausgleich*) does not change, although new shares have been issued. This is justified because the new shares have been issued in return for providing capital contributions.

§ 4(8) of the Agreement serves to protect outside First Sensor Shareholders. If a First Sensor Shareholder claims that the recurring compensation (*Ausgleich*) offered is too low, they can file an application for the court to determine the appropriate annual cash compensation (*Ausgleichszahlung*) or the appropriate guaranteed dividend in appraisal proceedings pursuant to section 1 et seqq. of the German Appraisal Proceedings Act (*Spruchverfahrensgesetz* - ***SpruchG***). In the event of appraisal proceedings, the provision in § 4(8) sentence 1 of the Agreement grants all outside First Sensor Shareholders claims to receive an additional payment to the amount of recurring compensation (*Ausgleich*) if the court establishes higher recurring compensation (*Ausgleich*) in a final decision; this corresponds to the statutory regulation in section 13 sentence 2 SpruchG. These claims are also available to those First Sensor Shareholders who in the meantime accepted the offer for compensation (*Abfindung*) pursuant to § 5 of the Agreement. Furthermore, these claims exist regardless of whether the First Sensor Shareholder was involved in any appraisal proceedings (see section 13 sentence 2 SpruchG). If such appraisal proceedings are terminated by a judicially recorded settlement, the rights of all outside First Sensor Shareholders are protected by the fact that section 11(2) SpruchG permits the termination of such proceedings only with the consent of the joint representative of the outside First Sensor Shareholders. § 4(8) of the Agreement provides that, in the event of a judicially recorded settlement, shareholders who already received compensation (*Abfindung*) in accordance with § 5 of the Agreement may also demand a relevant additional payment to the annual cash compensation (*Ausgleichszahlung*) already received by them, to the extent provided for by law (see also paragraph D.III.2.3).

5. Compensation (*Abfindung*) (§ 5 of the Agreement)

5.1 Type of compensation (*Abfindung*)

In addition to the obligation to grant recurring compensation (*Ausgleich*) in the form of the guaranteed dividend or the annual cash compensation (*Ausgleichszahlung*), the Agreement must contain an obligation for TE Connectivity to acquire the shares of an outside First Sensor Shareholder upon demand by such shareholder in return for appropriate compensation (*Abfindung*) specified in the Agreement (section 305(1) AktG). The German Stock Corporation Act (*Aktiengesetz*) generally distinguishes between three types of compensation (*Abfindung*) under section 305(2) AktG:

(i) Compensation (*Abfindung*) in shares of the other party

If the other party (TE Connectivity) were a non-controlled and non-majority-owned stock corporation (*Aktiengesellschaft*) or partnership limited by shares (*Kommanditgesellschaft auf Aktien*) with its registered office in a Member State of the European Union or another contracting state to the Agreement on the European Economic Area, then the Agreement would have to provide for granting own shares of the relevant entity as compensation (*Abfindung*) (section 305(2) no. 1 AktG).

(ii) Choice between cash compensation and compensation in shares of the controlling entity or in the entity holding a majority interest in the other party

If the other party (TE Connectivity) were a controlled or majority-owned stock corporation (*Aktiengesellschaft*) or partnership limited by shares (*Kommanditgesellschaft auf Aktien*) and the controlling entity were a stock corporation (*Aktiengesellschaft*) or partnership limited by shares (*Kommanditgesellschaft auf Aktien*) with its registered office in a Member State of the European Union or another contracting state to the Agreement on the European Economic Area, then the Agreement would have to provide either for granting shares in the controlling entity or the entity holding a majority interest or for granting cash compensation (*Barabfindung*) (section 305(2) no. 2 AktG).

(iii) Cash compensation (*Barabfindung*)

In any other cases, the Agreement must provide for cash compensation (section 305(2) no. 3 AktG).

5.2 Reasons for granting cash compensation

The main reasons for granting cash compensation were essentially the following:

TE Connectivity is organised as a stock corporation (*Aktiengesellschaft*) under German law and a controlled entity within the meaning of section 17 AktG, meaning that section 305(2) no. 1 AktG does not apply.

Furthermore, the Parties to the Agreement do not have the option right pursuant to section 305(2) no. 2 AktG to provide for compensation (*Abfindung*) in shares of the controlling entity or the entity holding a majority interest in the other party. The relevant consideration must relate to the ultimate group holding company, which in the present case is TE Ltd. as the indirect parent of the TE Group's subsidiaries. Although TE Ltd. is a stock corporation (*Aktiengesellschaft*), section 305(2) no. 2 AktG grants the option only where the controlling entity or entity holding a majority interest in the other party has its registered office in a Member State of the European Union or in another contracting state to the Agreement on the European Economic Area. This is not the case for TE Ltd., which has its registered office in Switzerland. Accordingly, cash compensation (*Barabfindung*) must be granted pursuant to section 305(2) no. 3 AktG

5.3 Amount of compensation (*Abfindung*)

TE Connectivity offers cash compensation of EUR 33.27 per First Sensor Share to outside First Sensor Shareholders who withdraw as First Sensor Shareholders due to the conclusion of the Agreement (section 305(1) and (2) no. 3 AktG and § 5(1) of the Agreement). Details of how the appropriate compensation (*Abfindung*) is determined and set are contained in paragraph E.III.

5.4 Further explanations of § 5 of the Agreement

The obligation of TE Connectivity to acquire the First Sensor Shares in return for compensation (*Abfindung*) is time-limited pursuant to § 5(2) of the Agreement. The time limit ends two months after the date on which the registration of the Agreement's existence in the commercial register where First Sensor has its registered office was announced pursuant to section 10 HGB. The time limit on the compensation offer is permitted by the Stock Corporation Act and is customary. The two-month limit is in accordance with section 305(4) sentence 2 AktG. This time limit is extended if, pursuant to section 4(1) sentence 1 no. 1 SpruchG, outside First Sensor Shareholders file an application for the judicial determination of compensation (*Abfindung*) to be granted, within three months after the date on which the registration of the Agreement's existence in the commercial register where First Sensor has its registered office was announced pursuant to section 10 HGB. In this case, the period for accepting the offer for transferring the shares to TE Connectivity in return for payment of compensation (*Abfindung*) will end, pursuant to section 305(4) sentence 3 AktG, no earlier than two months after the date on which the decision on the last-decided application by a shareholder was announced in the Federal Gazette (*Bundesanzeiger*). § 5(2) sentence 3 of the Agreement clarifies that this statutory provision applies without reservation.

Following registration of the Agreement's existence in the commercial register where First Sensor has its registered office, outside First Sensor Shareholders may decide to either withdraw as First Sensor Shareholders and, in return, to receive the appropriate compensation (*Abfindung*) offered, or to remain as First Sensor Shareholders and to receive the appropriate guaranteed dividend or annual cash compensation (*Ausgleichszahlung*) offered in § 4 of the Agreement. However, the declaration by outside First Sensor Shareholders that they wish to accept the compensation (*Abfindung*) offered by TE Connectivity must be received by the Central Settlement Agent appointed by TE Connectivity within the period set out above (see paragraph D.II for details of acceptance). After this period has expired, the compensation offer can no longer be accepted.

§ 5(3) of the Agreement governs the implementation of capital measures at First Sensor prior to the expiry of the period specified in § 5(2) of the Agreement. If such capital measures are implemented within this period, the compensation (*Abfindung*) will be adjusted to the extent required by law. Reference is made in this regard to paragraph D.I.4.4.

Pursuant to § 5(4) of the Agreement, acceptance of the compensation (*Abfindung*) offered is free of charge for outside First Sensor Shareholders provided they have a domestic securities account. This ensures that outside First Sensor Shareholders are not burdened with expenses, commissions or other handling fees by the banks and the amount of cash compensation is maintained. This does not affect taxes incurred by an outside First Sensor Shareholder on a gain on the sale. Such taxes are to be borne by the outside First Sensor Shareholder concerned (see paragraph D.IV.4 for tax implications).

§ 5(5) of the Agreement serves to protect outside First Sensor Shareholders. In the event of appraisal proceedings, section 1 et seqq. SpruchG grants all outside First Sensor Shareholders claims to receive an additional payment to the compensation (*Abfindung*) if the court establishes higher compensation (*Abfindung*) in a final decision; this corresponds to the statutory regulation in section 13(2) SpruchG. These claims also exist if the outside First Sensor Shareholder already received compensation (*Abfindung*), regardless of whether the outside First Sensor Shareholder participated in any appraisal proceedings. If such appraisal proceedings are terminated by a judicially recorded settlement, the rights of all outside First Sensor Shareholders are protected by the fact that section 11(2) SpruchG permits the termination of such proceedings only with the consent of the joint representative of the outside First Sensor Shareholders. Pursuant to § 5(5) of the Agreement, TE Connectivity will also acquire the First Sensor Shares offered by outside First Sensor Shareholders in return for payment of the increased compensation (*Abfindung*) in the event of a judicially recorded settlement to terminate appraisal proceedings, to the extent required by law (see also paragraph D.III.2.3).

The Agreement can be terminated in accordance with § 7(3) to (4). If the Agreement is terminated at a time at which the acceptance period for the cash compensation offer under § 5(2) of the Agreement has expired, each outside First Sensor Shareholder then existing is granted the right under § 5(6) sentence 1 of the

Agreement to offer the First Sensor Shares they hold at the time the termination becomes effective to TE Connectivity in return for payment of the cash compensation (*Barabfindung*) of EUR 33.27 and, in turn, TE Connectivity is obliged to acquire the shares offered by the outside First Sensor Shareholder. This amount corresponds to the appropriate compensation (*Abfindung*) determined by the Parties in § 5(1) of the Agreement. If the amount of compensation (*Abfindung*) is increased by a final decision in appraisal proceedings, TE Connectivity will acquire the shares offered by outside First Sensor Shareholders in return for payment of the compensation (*Abfindung*) determined in the appraisal proceedings.

This right of sale provides additional protection to outside First Sensor Shareholders who initially decide not to accept the offer for compensation (*Abfindungsangebot*) from TE Connectivity and instead to remain First Sensor Shareholders and receive the recurring compensation (*Ausgleich*). A statutory obligation to make such renewed compensation (*Abfindung*) offer in the event of termination of a domination and profit and loss transfer agreement does not exist.

This renewed right of sale is also time-limited. It can be exercised within a period of two months after the date on which the registration of the Agreement's termination in First Sensor's commercial register was announced pursuant to section 10 HGB. The sale of First Sensor Shares pursuant to § 5(6) of the Agreement is also free of charge for outside First Sensor Shareholders, as results from the analogous application of § 5(4) of the Agreement. The analogous application of § 5(3) of the Agreement accounts for possible increases of First Sensor's share capital from company funds or against contributions (see paragraph D.I.4.4). The aforementioned right of sale applies both in the event of termination by TE Connectivity and in the event of termination by First Sensor. It should be noted in this context that the Agreement's regular termination is excluded during the fixed term of the Agreement pursuant to § 7(3) of the Agreement (see paragraph D.I.7.3).

No provision is made for interest payments on the amount payable under § 5(6) of the Agreement by analogous application of section 305(3) sentence 3 AktG.

6. Information right (§ 6 of the Agreement)

§ 6 of the Agreement governs TE Connectivity's information right and First Sensor's information duties.

Pursuant to § 6(1) of the Agreement, TE Connectivity has the right to inspect books and records of First Sensor at any time. In addition, the Executive Board of First Sensor is obliged under § 6(2) of the Agreement to provide TE Connectivity at any time with all requested information about all of First Sensor's affairs. The Executive Board of First Sensor is further obliged under § 6(3) of the Agreement to keep TE Connectivity informed about the development of business and in particular about material transactions.

The purpose of this information right is to enable TE Connectivity to exercise its managerial control and its instruction right towards First Sensor on the basis of appropriate information. Accordingly, TE Connectivity is granted a comprehensive inspection right, which is supplemented by an information duty of First Sensor that exists independently of this right. This allows to quickly and efficiently adjust any information imbalances and enables TE Connectivity to exercise its managerial power and its right to give instructions in the interests of the Group and on the basis of full information.

§ 6(4) of the Agreement clarifies that, as long as First Sensor is a listed stock corporation, the Parties are obliged to comply with the provisions of capital market law, in particular the Market Abuse Regulation (EU) No 596/2014.

7. Effectiveness and duration (§ 7 of the Agreement)

7.1 Effectiveness

In accordance with section 293 AktG, this Agreement further requires the consent of the First Sensor general meeting and of the TE Connectivity general meeting to become effective (§ 7(1) of the Agreement). It is proposed that the TE Connectivity general meeting gives its consent on 16 April 2020 and that the First Sensor general meeting gives its consent to the Agreement on 26 May 2020.

The Executive Board of TE Connectivity gave its consent to the Agreement on 13 April 2020. The Executive Board and the Supervisory Board of First Sensor gave their consent to the Agreement on 14 April 2020. The Executive Boards of both Parties each signed the Agreement on 14 April 2020.

The Agreement will become effective only when its existence has been registered in the commercial register where First Sensor has its registered office (section 294(2) AktG and § 7(2) of the Agreement).

7.2 Commencement of the term of the Agreement

(i) Effectiveness of the right of managerial control and the right to give instructions under § 1 of the Agreement

TE Connectivity's right of managerial control and right to give instructions and First Sensor's corresponding obligation to comply exist from the time the Agreement becomes effective by virtue of its registration in the commercial register where First Sensor has its registered office.

(ii) Effectiveness of the obligation to transfer profits under § 2 of the Agreement

First Sensor's obligation to transfer profits exists for the first time for the financial year beginning on 1 January 2021, provided that the existence of the Agreement is registered by the end of that financial year in the commercial register where First Sensor has its registered office and the Agreement thus becomes effective. If the Agreement becomes effective in a subsequent financial year only (because, for example, its registration is delayed due to an action for annulment or for avoidance), the obligation to transfer profits will exist as from such subsequent financial year only.

(iii) Effectiveness of the obligation to compensate losses under § 3 of the Agreement

TE Connectivity’s obligation to compensate any annual net loss exists for the first time for First Sensor’s financial year beginning on 1 January 2020, provided that the existence of the Agreement is registered in 2020 in the commercial register where First Sensor has its registered office and the Agreement thus becomes effective. If the Agreement, as is generally the case, is not registered in the commercial register on the date the financial year begins, but is registered on a later date, the obligation to assume losses also applies retroactively to the part of the financial year that has already lapsed on the date of registration in the commercial register.

7.3 Term of the Agreement/Minimum term

The Agreement is concluded for an indefinite period (§ 7(3) sentence 1 of the Agreement). First Sensor’s regular termination right is excluded (§ 7(3) sentence 3 of the Agreement). In return, outside shareholders are granted an additional compensation right pursuant to § 5(6) (see paragraph D.I.5.4 above). TE Connectivity’s regular termination right is excluded for the first five years of time (60 months) after the beginning of the First Sensor financial year in which the obligation to transfer profits pursuant to § 2(3) of the Agreement becomes effective (§ 7(3) sentence 2 of the Agreement). As a result thereof, the Agreement has a minimum term of five consecutive years of time from the beginning of the First Sensor financial year in which the obligation to transfer profits becomes effective. If the transfer of profits begins as from 1 January 2021, the minimum term would run until the end of day on 31 December 2025. Pursuant to section 14(1) sentence 1 no. 3 KStG, the minimum term of five consecutive years of time is a requirement for effectively establishing a consolidated tax group for corporate income tax and trade tax purposes between TE Connectivity and First Sensor.

7.4 Termination of the Agreement

First Sensor’s regular termination right is excluded. TE Connectivity’s regular termination right is excluded for the first five consecutive years of time from the beginning of the First Sensor financial year in which the obligation to transfer profits pursuant to § 2(3) of the Agreement becomes effective. Therefore, the Agreement cannot be terminated before the end of the financial year that ends after the expiry of at least five years of time after the beginning of the First Sensor financial year in which the obligation to transfer profts becomes effective, subject to a notice period of three months. Thereafter, notice of regular termination of the Agreement as at the end of a subsequent financial year can be given with the same notice period (§ 7(3) sentence 2 of the Agreement). Notice of termination must be given in writing (§ 7(8) of the Agreement).

In accordance with § 7(4) of the Agreement, this does not affect the Parties’ right to terminate the Agreement for good cause (*wichtiger Grund*) without complying with a notice period. For civil law purposes, good cause for termination exists where, considering all circumstances, the terminating party can no longer be reasonably expected to continue the contractual relationship until the end of the regular notice period. Such termination right is mandatorily prescribed by law and cannot be contractually excluded. As an example of terminating a domination agreement for good cause, section 297(1) sentence 2 AktG refers to the case that the controlling company is unlikely to be able to satisfy its obligations under the agreement. For instance, the deterioration of the financial or earnings situation of First Sensor as the controlled entity gives TE Connectivity as the controlling entity the right to termination if the risks are no longer acceptable to the controlling entity and it is not responsible for the situation. First Sensor as the controlled entity can give notice of termination, for example, if TE Connectivity as the controlling entity is unable to satisfy its contractual obligations (assumption of losses, recurring compensation (*Ausgleich*) and compensation (*Abfindung*)). Section 297(1) sentence 2 AktG remains unaffected.

§ 7(5) of the Agreement provides for further cases in which the Parties have the right to terminate the Agreement for good cause (*aus wichtigem Grund*). The Parties have the right to termination for good cause, in particular, if TE Connectivity due to the sale of First Sensor Shares, the contribution of its interest in First Sensor in another company or for any other reason no longer has the majority of voting rights in First Sensor’s general meeting or in the case of a change of legal form, a merger, demerger or liquidation of First Sensor or TE Connectivity. These provisions must be considered in view of tax law: A profit and loss transfer agreement is concluded to establish a consolidated tax group for corporate income tax and trade tax purposes between TE Connectivity and First Sensor. The existence of a consolidated tax group for income tax purposes requires, among other things, that First Sensor as the controlled entity is integrated financially into TE Connectivity as the controlling entity, from the beginning of its financial year, such that the controlling entity has the majority of voting rights. In addition, a profit and loss transfer agreement must be concluded for a minimum term of five years (60 months) and must in fact be performed during its entire duration (section 14(1) sentence 1 no. 3, sentence 2 KStG).

The only case in which terminating the profit and loss transfer agreement before the end of the minimum term will not result in the non-recognition of the consolidated tax group from the outset is where the agreement is terminated for good cause that is recognised for tax purposes. Whether good cause that is recognised for tax purposes exists for terminating the profit and loss termination agreement has to be examined on a case-by-case basis. The loss of the interest and thus the voting rights may constitute good cause for the purposes of section 14(1) sentence 1 no. 3 sentence 2 KStG for the controlling entity to prematurely terminate the agreement for good cause which does not affect the recognition of the consolidated tax group for financial years already ended. The same may apply to the merger, demerger or liquidation of the controlling or the controlled entity in the fiscal unit. However, there is legal uncertainty about the question whether transfer or conversion acts within the group are to be recognised as good cause for tax purposes (see German Federal Fiscal Court (*BFH*), judgment of 13 November 2013 – I R 45/12).

If the Agreement is terminated for good cause without notice period, the Agreement ends at the end of day on the date specified in the termination notice, and not before the end of day on the date the termination notice is received (§ 7(5) of the Agreement). If the profit and loss transfer agreement is terminated as of a date during the financial year of First Sensor, such termination will take retroactive effect for tax purposes from the beginning of such financial year, or the consolidated tax group for income tax purposes is not to be recognised from the outset if the Agreement is terminated as of a date before expiry of the minimum term and no good cause exists that is to be recognised for tax purposes.

Upon termination of the Agreement, TE Connectivity must provide security to the creditors of First Sensor in accordance with section 303 AktG if they contact TE Connectivity for this purpose within six months from the announcement of registration of the Agreement's termination (§ 7(6) of the Agreement). Pursuant to section 303(1) and (2) AktG, this obligation only exists towards creditors whose claims were established before the registration of the Agreement's termination in the commercial register where First Sensor has its registered office was announced pursuant to section 10 HGB and who, in the event of insolvency proceedings, have no right to preferential satisfaction from cover funds that have been established for their protection and are state-monitored. Instead of providing security, TE Connectivity may provide a guarantee for the claim; in this event, section 349 HGB concerning the exclusion of the defence of the failure to pursue remedies is not applicable (section 303(3) AktG).

8. Letter of comfort (§ 8 of the Agreement)

§ 8 of the Agreement contains a reference that TE Ltd., without acceding to the Agreement as a party, issued a letter of comfort to First Sensor by separate declaration. This letter of comfort is attached to the Contract Report together with the Agreement as Annex 2.

In the letter of comfort, TE Ltd. provided an unrestricted and irrevocable undertaking to ensure that TE Connectivity will have sufficient financial resources available to enable TE Connectivity at any time to meet any of its liabilities arising from or in connection with the Agreement in full and in due time. This applies, in particular, to the obligation to assume losses pursuant to section 302 AktG. In addition, TE Ltd. irrevocably undertakes to outside First Sensor Shareholders that TE Connectivity will meet any obligations to them arising from or in connection with the Agreement, in particular those regarding payment of the guaranteed dividend, the annual cash compensation (*Ausgleichszahlung*) and compensation (*Abfindung*), in full and in due time. In this regard, outside First Sensor Shareholders have separate claims under section 328(1) BGB for payment to TE Connectivity. These claims and a relevant liability of TE Ltd. to outside First Sensor Shareholders are limited to the case that TE Connectivity does not meet its obligations to outside First Sensor Shareholders arising from or in connection with the Agreement in full and in due time and TE Ltd. does not meet its above obligation to provide sufficient resources. This means that outside First Sensor Shareholders enjoy additional overall protection beyond the extent required by law.

Enforcement of the claims arising from or in connection with the letter of comfort is ensured in procedural terms by the fact that TE Ltd. submits to the jurisdiction of German courts and to the local jurisdiction of the courts in Berlin with regard to any disputes or claims arising from or in connection with the letter of comfort. In addition, TE Ltd. acknowledged the enforceability of final and unappealable decisions of German courts in this regard. TE Connectivity was appointed as agent for service of process for TE Ltd. in Germany in the enforcement of claims arising from or in connection with the letter of comfort.

9. Final provisions (§ 9 of the Agreement)

§ 9(1) of the Agreement (severability clause) ensures that the material content of the Agreement will continue to apply if, contrary to expectations, any provision of the Agreement or any provision subsequently included therein proves to be invalid, unenforceable or incomplete in whole or in part. This is a common provision in domination and profit and loss transfer agreements.

Pursuant to § 9(2) of the Agreement, any interpretation of the Agreement must consider the income tax provisions and requirements for the recognition of a consolidated tax group, in particular those of sections 14 to 19 KStG as amended from time to time.

§ 9(3) of the Agreement clarifies that the Agreement is legally independent from, and does not form a legal unit within the meaning of section 139 BGB with, other legal instruments and arrangements concluded in the past or in the future between First Sensor and TE Connectivity.

§ 9(4) of the Agreement requires that any amendments and supplements to the Agreement must be made in written form to be effective. This also applies to the requirement of written form itself. In any other respects, section 295 AktG will apply, which provides that inter-company agreements may only be amended with the consent of the First Sensor general meeting and the TE Connectivity general meeting.

§ 9(5) of the Agreement determines Berlin as the place of performance for the obligations of both sides under the Agreement and the exclusive place of jurisdiction to the extent that this is legally permissible. These provisions ensure that the courts where TE Connectivity and First Sensor have their registered offices have jurisdiction to decide on disputes that arise from or in connection with the Agreement.

§ 9(6) of the Agreement clarifies that only the German text of the Agreement is legally binding and that the English text represents a non-binding translation only.

II. Payment of compensation (*Abfindung*) and of recurring compensation (*Ausgleich*) (processing by banks)

TE Connectivity will appoint Deutsche Bank Aktiengesellschaft, Post IPO Services, Taunusanlage 12, 60325 Frankfurt am Main, Germany (***Central Settlement Agent***), to settle the acquisition of First Sensor Shares tendered by outside First Sensor Shareholders in return for appropriate compensation (*Abfindung*) pursuant to § 5 of the Agreement. First Sensor Shareholders who want to accept the compensation offer must instruct their custodian bank, to receive such compensation, to provide their First Sensor Shares to the Central Settlement Agent by way of the collective security deposit system. The Central Settlement Agent will provide the custodian banks in advance with forms of an acceptance notice. Thereafter, the compensation will paid to the Central Settlement Agent concurrently (*Zug um Zug*) with the proper transfer of such First Sensor Shares. The closing date occurs no later than on the 10th banking day (Frankfurt am Main) after the Central Settlement Agent is informed of the relevant number of First Sensor Shares for which the compensation offer is to be accepted. Settlement of the compensation is free of commissions and charges for outside First Sensor Shareholders (see paragraph D.I.5.4). Further details of the settlement process will be announced without undue delay after registration of the Agreement in the commercial register.

Payment of the fixed recurring compensation (*Ausgleich*) pursuant to § 4 of the Agreement will be processed in the same manner as a dividend payment.

III. Legal implications for outside First Sensor Shareholders

1. Corporate law implications

Performance of the Agreement will affect outside First Sensor Shareholders' positions under ownership and property law they have by virtue of their ownership in shares.

After conclusion of the Agreement, TE Connectivity will have the right to give binding instructions to the Executive Board of First Sensor with regard to the management of First Sensor, and the management of First Sensor may then be aligned solely with the interests of TE Connectivity. Pursuant to the Agreement, TE Connectivity can give adverse instructions to First Sensor provided that they serve the interests of TE Connectivity and are not otherwise impermissible, for example by violating mandatory legal provisions. Irrespective of TE Connectivity's obligation to assume any annual net loss that may arise to First Sensor, permissible adverse instructions may have considerable negative implications for First Sensor's financial and earnings situation, which may persist after termination of the Agreement.

TE Connectivity's right of managerial control and right to give instructions towards First Sensor as provided for in the Agreement will impair the ownership rights and potentially the property rights of outside First Sensor Shareholders. Outside First Sensor Shareholders will be economically compensated for such impairment for the financial year in which only the right of managerial control and the right to give instructions pursuant to § 1 of the Agreement, but not the profit transfer obligation pursuant to § 2 of the Agreement, take effect, that is for First

Sensor's financial year 2020 if the Agreement takes effect in First Sensor's financial year 2020 by its registration in the commercial register, by means of TE Connectivity's obligation to pay a guaranteed dividend or, for financial years for which the profit transfer obligation pursuant to § 2 of the Agreement also exists, by means of an appropriate annual cash compensation (*Ausgleichszahlung*) or appropriate compensation (*Abfindung*). The compensation (*Abfindung*) compensates for the loss of membership and the resulting ownership and property rights that existed unimpaired before conclusion of the Agreement; the recurring compensation (*Ausgleich*) compensates for the loss of the property right to receive a dividend. Outside shareholders have the option of whether to request recurring compensation (*Ausgleich*) or compensation (*Abfindung*) (for the amount, see also paragraph E).

Once the profit transfer obligation pursuant to § 2 of the Agreement has become effective, that is at the earliest from the financial year beginning on 1 January 2021 if the Agreement is registered in the commercial register of First Sensor by the end of the financial year beginning on 1 January 2021 or in the relevant subsequent financial year if such registration is made in a subsequent financial year only, First Sensor will no longer report any annual net income or distributable profit, apart from potential earnings from the release of reserves not subject to the contractual transfer of profits or a distributable profit as a result of any pre-contractual profit brought forward. This means that, once the profit transfer obligation has become effective, outside First Sensor Shareholders will generally not receive any dividends for the duration of the Agreement. They will generally not have the right to decide on the appropriation of distributable profits that arise during the duration of the Agreement.

To safeguard the interests of outside shareholders, they have claims against TE Connectivity for a guaranteed dividend and an annual cash compensation (*Ausgleichszahlung*) pursuant to section 304 AktG. The recurring compensation (*Ausgleich*) to be granted in accordance with § 4 of the Agreement will be paid to outside First Sensor Shareholders without undue delay after the due date specified in § 4(1) and (4) of the Agreement. This payment will be technically processed via the relevant custodian banks, as in the case of a dividend payment (see paragraph D.II).

As an alternative to receiving the guaranteed dividend or the annual cash compensation (*Ausgleichszahlung*), outside First Sensor Shareholders can avail of the compensation (*Abfindung*) offer pursuant section 305 AktG and sell their shares to TE Connectivity in return for being granted the compensation (*Abfindung*) determined in § 5(1) of the Agreement. With regard to the details of the guaranteed dividend, the annual cash compensation (*Ausgleichszahlung*) and the compensation (*Abfindung*), reference is made to the above explanations in paragraph D.I.4 and paragraph D.I.5 on § 4 and § 5 of the Agreement.

Outside First Sensor Shareholders do not lose the right to compensation (*Abfindung*) as a result of having received the guaranteed dividend or the annual cash compensation (*Ausgleichszahlung*). If the offer of compensation (*Abfindung*) is only accepted after recurring compensation (*Ausgleich*) has been paid, which can particularly be the case where the compensation (*Abfindung*) offer is accepted during or after conclusion of appraisal proceedings (see section 305(4) sentence 3 AktG and § 5(2) of the Agreement), any payments in the form of the guaranteed dividend and the annual cash compensation (*Ausgleichszahlung*) already received will be offset against the claim to the payment of interest on the compensation (*Abfindung*) under section 305(3) sentence 3 AktG. The offset will be made on the basis of reference periods, which normally are financial years, and the First Sensor Shareholder entitled to compensation (*Abfindung*) will have the right to receive the difference between recurring compensation (*Ausgleich*) and interest on compensation (*Abfindung*) for the relevant reference period if recurring compensation (*Ausgleich*) received is lower than the interest on compensation (*Abfindung*) and also if the interest on compensation (*Abfindung*) is lower than the higher recurring compensation (*Ausgleich*) in each period. Recurring compensation (*Ausgleich*) will be offset against the interest payable on compensation (*Abfindung*) only for recurring compensation (*Ausgleich*) that relates to the period beginning on registration of the Agreement. Recurring compensation (*Ausgleich*) already received will not be offset against the compensation (*Abfindung*) payment itself. This conforms with the statutory provisions taking into consideration the German Federal Court of Justice (*Bundesgerichtshof*) rulings (judgment of 16 September 2002 – II ZR 284/01 – "Rütgers"; judgment of 2 June 2003 – II ZR 85/02; judgment of 10 December 2007 – II ZR 199/06).

Upon effectiveness of the Agreement, TE Connectivity will be obliged to acquire the First Sensor Shares from outside First Sensor Shareholders at their request and in return for payment of the compensation (*Abfindung*) determined in § 5(1) of the Agreement. As from this date, outside First Sensor Shareholders, by notice to their relevant custodian bank, can exercise their right to transfer their First Sensor Shares to TE Connectivity in return for payment of the compensation (*Abfindung*) determined in the Agreement (for the details of acceptance, see paragraph D.II). As from the end of the day on which the Agreement becomes effective by registration in the commercial register, interest is payable on the compensation (*Abfindung*) pursuant to § 5(1) of the Agreement at an annual rate of five percentage points above the relevant base rate pursuant to section 247 BGB (section 305(3) sentence 3 AktG). First Sensor Shareholders who do not exercise their right to transfer their First Sensor Shares to TE Connectivity will remain First Sensor Shareholders and receive recurring compensation (*Ausgleich*) in the form of the guaranteed dividend or the annual cash compensation (*Ausgleichszahlung*) on an annual basis.

Immediately after registration of the Agreement, the further details of the compensation (*Abfindung*) process will be announced in the Federal Gazette (*Bundesanzeiger*) and communicated to outside First Sensor Shareholders via their custodian banks. Settlement of the transfer of First Sensor Shares to TE Connectivity due to acceptance of the compensation (*Abfindung*) offer will be made free of charge for First Sensor Shareholders (§ 5(4) of the Agreement).

TE Connectivity's obligation to take over shares of outside First Sensor Shareholders in return for the payment of compensation (*Abfindung*) is time-limited pursuant to § 5(2) of the Agreement. The notice by outside First Sensor Shareholders to accept the compensation (*Abfindung*) offered by TE Connectivity must be received by the Central Settlement Agent appointed by TE Connectivity within this period (see explanations in paragraph D.I.5.4 on the details of the period for which TE Connectivity's obligation exists). After this period has expired, the compensation (*Abfindung*) offer can no longer be accepted.

If the period for accepting the compensation (*Abfindung*) offered is extended due to appraisal proceedings pursuant to section 305(4) sentence 3 AktG and outside First Sensor Shareholders accept the compensation (*Abfindung*) offered in due time after conclusion of the appraisal proceedings although they already received the guaranteed dividend or annual cash compensations (*Ausgleichszahlungen*) under § 4 of the Agreement, the payments received will be offset against the claim for interest on the compensation (*Abfindung*) pursuant to § 305(3) sentence 3 AktG.

Beyond this, the conclusion of the Agreement has no legal implications for the interests of outside First Sensor Shareholders. In particular, the conclusion of the Agreement or its registration in the commercial register will not cause any changes to the voting or other participation rights attaching to their shares.

The stock exchange listing of the First Sensor Shares will not be affected by the Agreement's registration in the commercial register. However, it cannot be excluded that a large part of outside First Sensor Shareholders will accept the compensation (*Abfindung*) offered and that the number of First Sensor Shares in free float will further reduce. The consequent reduced liquidity of First Sensor Shares may result in higher price fluctuations of First Sensor Shares than in the past.

The number of First Sensor Shares in free float will reduce to the extent that the compensation (*Abfindung*) offered under the Agreement will be accepted. As a consequence, First Sensor may no longer meet the relevant criteria for remaining in stock market indices that contain the First Sensor Shares. Among other things, exclusion from a stock market index can cause institutional investors replicating the relevant index in their portfolio to sell their First Sensor Shares and refrain from acquiring First Sensor Shares in the future. Increased supply of First Sensor Shares combined with reduced demand for First Sensor Shares can negatively influence the market price of First Sensor Shares.

2. Protection of outside First Sensor Shareholders

As described in more detail below, the protection of outside First Sensor Shareholders in connection with concluding the Agreement is ensured by granting a guaranteed dividend, a annual cash compensation (*Ausgleichszahlung*) and compensation (*Abfindung*). Their appropriateness will be audited by a court-appointed Contract Auditor (see paragraph D.III.2.2). If, in the opinion of outside First Sensor Shareholders, the guaranteed dividend or annual cash compensation (*Ausgleichszahlung*) and/or compensation (*Abfindung*) as determined in the Agreement are not appropriate, they can have the appropriateness reviewed in appraisal proceedings.

2.1 Compensation (*Abfindung*) and recurring compensation (*Ausgleich*)

The interests of outside First Sensor Shareholders are accounted for by the duty to grant compensation (*Abfindung*) and recurring compensation (*Ausgleich*) and their implementation in the Agreement in the form of a guarantee dividend, annual cash compensation (*Ausgleichszahlung*) and compensation (*Abfindung*).

In return for the restriction of their ownership rights caused by the effectiveness of the right of managerial control and the right to give instructions pursuant to § 1 of the Agreement, outside First Sensor Shareholders are granted full financial compensation for the loss of their dividends for financial year 2020, if the Agreement takes effect in financial year 2020, by TE Connectivity's obligation to pay a guaranteed dividend pursuant to § 4(1) of the Agreement in conjunction with section 304 AktG.

In respect of subsequent financial years for which First Sensor also has the duty to transfer profits pursuant to § 2 of the Agreement, outside First Sensor Shareholders are granted full financial compensation for the loss of their dividends by TE Connectivity's obligation to make an annual cash compensation (*Ausgleichszahlung*) pursuant to § 4(2) of the Agreement in conjunction with section 304 AktG.

On the basis of the Expert Opinion provided by PwC (Annex 4), the Parties determined a fixed guaranteed dividend or an annual cash compensation (*Ausgleichszahlung*) in the gross amount of EUR 0.56 (EUR 0.47 net).

In the Expert Opinion, PwC concludes that the relevant objectified business value pursuant to IDW S 1 of First Sensor as of 26 May 2020, which is referred to in court rulings for determining the compensation (*Abfindung*) and the recurring compensation (*Ausgleich*), is approximately EUR 241.8 million. In its valuation, PwC refers to the number of outstanding shares (the ***Outstanding First Sensor Shares***) when calculating the value per First Sensor Share. On the basis of 10,269,396 Outstanding First Sensor Shares, the objectified business value per Outstanding First Sensor Share is EUR 23.55. Appropriate recurring compensation (*Ausgleich*) within the meaning of section 304 AktG and derived from the objectified business value pursuant to IDW S1, as determined by the Valuation Expert, is EUR 0.56 gross (EUR 0.47 net) per First Sensor Share.

As an alternative, outside First Sensor Shareholders can accept the compensation (*Abfindung*) offer pursuant to section 305 AktG and, after registration of the Agreement, transfer the First Sensor Shares held by them to TE Connectivity in return for receiving appropriate compensation (*Abfindung*). The amount of compensation provided for in § 5(1) of the Agreement was determined to be EUR 33.27 per First Sensor Share, which also considered First Sensor's circumstances at the time the resolution of First Sensor's planned general meeting on 26 May 2020 is adopted. In this context, and in addition to the company valuation carried out by PwC, the trading volume-weighted average stock exchange price of First Sensor in the three-month period prior to the announcement of the intention to conclude a Domination and Profit and Loss Transfer Agreement on 10 December 2019 also had to be considered. This three-month average price was EUR 33.27 as determined by the German Federal Financial Supervisory Authority (*BaFin*). In accordance with supreme court rulings, this is the lower limit of appropriate compensation (see the detailed explanation and reasoning provided for the appropriateness of compensation (*Abfindung*) in paragraph E.III).

If the Agreement is terminated by any of the Parties, the outside First Sensor Shareholders existing at the time of termination are entitled under § 5(6) of the Agreement to sell their First Sensor Shares to TE Connectivity within a period of two months after the date on which the registration of termination of the Agreement in the commercial register of First Sensor is announced pursuant to section 10 HGB (see paragraph D.I.5.4).

2.2 Contract audit by expert auditor

Upon joint application by the Executive Board of First Sensor and the Executive Board of TE Connectivity, the Berlin Regional Court (*Landgericht*), by decision of 22 January 2020, selected and appointed ADKL AG Wirtschaftsprüfungsgesellschaft, Breite Straße 29-31, 40213 Düsseldorf, Germany, as expert auditor for the purposes of section 293b(1) AktG. This decision is attached to the Contract Report as <u>Annex 3</u>. ADKL will audit the Agreement and, in particular, the appropriateness of compensation (*Abfindung*) and of the annual cash compensation (*Ausgleichszahlung*) and the guaranteed dividend, and will prepare a separate Audit Report thereon pursuant to section 293e AktG. This Audit Report together with the documents specified in section 293f(1) AktG will be available via First Sensor's website at https://www.first-sensor.com/de/investor-relations/hauptversammlung/ as from the date the general meeting which is due to be held on 26 May 2020 is convened. These documents will further be available for inspection by shareholders at the offices of First Sensor from the date the general meeting is convened until its conclusion. Upon request, copies of these documents will be available to each First Sensor Shareholder without delay and free of charge. Please refer to the notice of the general meeting to be held on 26 May 2020 for details.

2.3 Appraisal proceedings

If First Sensor Shareholders are of the opinion that the amount of the guaranteed dividend or of the annual cash compensation (*Ausgleichszahlung*) specified in the Agreement under § 4(3) is not appropriate in accordance with section 304 AktG, they can have the appropriateness of the recurring compensation (*Ausgleich*) reviewed by a court in appraisal proceedings pursuant to section 304(3) sentence 3 AktG in conjunction with section 1 no. 1 SpruchG after the Agreement has taken effect. The right to request the initiation of appraisal proceedings does not depend on whether objection was declared by electronic means in the general meeting to the resolution on the approval of the Agreement and recorded in the minutes taken by the officiating notary. The judicial review of the recurring compensation (*Ausgleich*) in appraisal proceedings pursuant to section 304(3) sentence 3 AktG in conjunction with section 1 no. 1 SpruchG can be requested within three months after the date on which the registration of the Agreement's existence in the commercial register of First Sensor was announced pursuant to section 10 HGB. A statement of reasons for the request pursuant to section 4(2) SpruchG must be submitted within the above period of three months. If the competent court determines a higher guaranteed dividend or annual cash compensation (*Ausgleichszahlung*) in a final and non-appealable decision in such appraisal proceedings, such decision will be effective for and against all outside First Sensor Shareholders; therefore, First Sensor Shareholders not involved in the appraisal proceedings also have a claim against TE Connectivity for increase of the amount of recurring compensation (*Ausgleich*) (section 13 sentence 2 SpruchG). TE Connectivity can terminate the Agreement in this event within two months after the court decision has become final and non-appealable (section 304(4) AktG). If such appraisal proceedings are terminated by a judicially recorded settlement, the rights of all outside First Sensor Shareholders are protected by the fact that section 11(2) SpruchG permits the termination of such proceedings only with the consent of the joint representative of the outside First Sensor Shareholders. § 4(8) of the Agreement provides that, in the event of a judicially recorded settlement, shareholders who already received compensation (*Abfindung*) in accordance with § 5 of the Agreement may also demand a relevant additional payment to the guaranteed dividend or annual cash compensation (*Ausgleichszahlung*) already received by them, to the extent provided for by law.

If outside First Sensor Shareholders are of the opinion that the compensation (*Abfindung*) specified in § 5(1) of the Agreement is not appropriate, they can also have the appropriateness of the offered compensation reviewed by a court in appraisal proceedings pursuant to section 305(5) sentence 2 AktG in conjunction with section 1 no. 1 SpruchG. The above statements concerning the guaranteed dividend and the annual cash compensation (*Ausgleichszahlung*) apply accordingly with regard to the period for submitting the request, the statement of reasons for the request, the effect of the court decision in appraisal proceedings, the termination right of TE Connectivity after judicial determination of the compensation (*Abfindung*) as well as the termination of such proceedings by judicially recorded settlement.

IV. Tax implications for outside First Sensor Shareholders

1. Preliminary remarks

The following statements include a brief summary of some important German taxation principles which may be relevant in connection with the conclusion of the Agreement for outside First Sensor Shareholders subject to unlimited tax liability in Germany.

Tax implications for outside First Sensor Shareholders subject to limited tax liability in Germany are not explained below. They depend, among other factors, on special provisions of German tax law, the tax law in the country in which the relevant shareholder is domiciled and on the provisions of any existing treaty for the avoidance of double taxation (double taxation treaty).

The description in general relates only to corporate income tax, income tax, withholding tax and trade tax as well as solidarity surcharge which accrue in

Germany, but not to church tax, and deals only with some of the aspects of these types of taxes. For example, the description does not address the special characteristics of so-called lock-up shares acquired as consideration for a tax-privileged contribution under the German Transformation Tax Act (*Umwandlungsteuergesetz*), nor the special provisions for certain companies in the financial and insurance industries. This summary is based only on the currently applicable law as applied by tax authorities and finance courts in their rulings as of the date of this Contract Report. This law can change, even with retroactive effect.

No liability is assumed for the completeness and accuracy of this description. This summary is not intended to be, and should not be construed as, legal or tax advice. Shareholders are recommended to consult their tax advisors. Only tax advisors are able to reasonably consider the specific tax circumstances of the individual shareholder.

2. Taxation of a difference payable as a result of the guaranteed dividend at the level of shareholders

The following statements under paragraph D.IV.3 on the taxation of annual cash compensations (*Ausgleichszahlungen*) apply accordingly to the difference payable pursuant to § 4(1) of the Agreement between the dividend paid by First Sensor and the guaranteed dividend guaranteed by TE Connectivity for financial year 2020.

3. Taxation of annual cash compensations (*Ausgleichszahlungen*) at the shareholder level

The annual annual cash compensation (*Ausgleichszahlung*) made by TE Connectivity to First Sensor Shareholders as provided for in § 4(2) of the Agreement is likely to be subject to the general rules on the taxation of dividends at the level of the shareholders concerned.

3.1 Withholding tax

Withholding tax of 25% and solidarity surcharge levied thereon at a rate of 5.5% (resulting in a tax deduction including solidarity surcharge of 26.375%) will generally be deducted from the annual cash compensation (*Ausgleichszahlung*) at the time it is made. Withholding tax is generally deducted and paid irrespective of the amount in which the payment is actually subject to tax at the level of First Sensor Shareholders.

With regard to First Sensor Shareholders holding their shares as private assets, the collection of withholding tax generally discharges the shareholder's tax liability for the annual cash compensations (*Ausgleichszahlungen*) (referred to as flat-rate withholding tax (*Abgeltungsteuer*)). Subject to certain requirements, shareholders holding their shares as private assets can apply for exemption from such flat-rate withholding tax. By contrast, withholding tax accruing to First Sensor Shareholders holding their shares as part of their business assets is generally credited against the relevant shareholder's income tax or corporate income tax. Withholding tax deducted in excess of such shareholders' personal tax liability will be refunded. This applies accordingly to the solidarity surcharge.

3.2 Shares held as private assets

The annual cash compensations (*Ausgleichszahlungen*) for shares held as private assets constitute income from capital assets and, as such, are subject to income tax; in this case, the deduction of withholding tax has the effect of finally settling the tax liability (referred to as flat-rate withholding tax) and the annual cash compensation (*Ausgleichszahlung*) no longer has to be declared in the First Sensor Shareholder's annual tax return. In certain cases (for example, where a non-assessment certificate from the tax office was submitted or where a sufficient exemption order was issued), the annual cash compensation (*Ausgleichszahlung*) can be paid to First Sensor Shareholders without deduction of withholding tax and solidarity surcharge.

At the request of a First Sensor Shareholder, their annual cash compensation (*Ausgleichszahlung*) can also be subject to the income tax according to the basic scale instead of deducting flat-rate withholding tax if this leads to a lower tax burden for the shareholder (most favourable tax treatment test - *Günstigerprüfung*). In this event, the relevant amounts for taxation are the capital gains less the saver's tax-free allowance of EUR 801 (or EUR 1,602 for jointly assessed spouses), and the deduction of actual income-related expenses is excluded. The income from capital investments so calculated is subject to the relevant First Sensor Shareholder's personal income tax rate in their income tax assessment. Withholding tax initially deducted will be credited against income tax so levied.

If a First Sensor Shareholder meets the relevant requirements and applies for exemption from flat-rate withholding tax, taxation will be similar to that of a sole proprietor (see paragraph D.IV.3.3(ii)).

3.3 Shares held as business assets

If shares are held as business assets, taxation will depend on whether the First Sensor Shareholder is a corporation, a sole proprietor or a partnership (joint proprietors):

(i) Corporations

Recurring compensation payments (*Ausgleichszahlungen*) are generally subject to corporate income tax for corporations unless the First Sensor Shareholder held a share of at least 10% in First Sensor's share capital at the beginning of the relevant calendar year. In this event, annual cash compensations (*Ausgleichszahlungen*) are generally exempt from corporate income tax. However, 5% of this tax-exempt income is deemed to be expenses which must not be deducted as business expenses for tax purposes and is therefore subject to corporate income tax (plus solidarity surcharge). In return, business expenses actually incurred in relation to annual cash compensations (*Ausgleichszahlungen*) can generally be deducted in full (subject to other restrictions on deduction). Recurring compensation payments (*Ausgleichszahlungen*) are subject to trade tax at their full amounts unless the First Sensor Shareholder held a minimum share of 15% in First Sensor's share capital (intercompany participation) at the beginning of the relevant tax period. In the latter case, the exemption of 95% of annual cash compensations (*Ausgleichszahlungen*) from corporate income tax applies accordingly for trade tax purposes.

(ii) Sole proprietors

In the case of sole proprietors (individuals), 60% of the annual cash compensation (*Ausgleichszahlung*) is subject to the applicable income tax rate (referred to as partial income method (*Teileinkünfteverfahren*)). Accordingly, any expenses economically related to the annual cash compensation (*Ausgleichszahlung*) are deductible for tax purposes at a rate of 60% only (subject to other restrictions on deduction). If the shares belong to the assets of a permanent establishment located in Germany, the full amount of the annual cash compensation (*Ausgleichszahlung*) is subject to trade tax if and to the extent the First Sensor Shareholder is subject to trade tax and does not hold a minimum share of 15% in First Sensor's share capital at the beginning of the relevant tax period. However, trade tax is credited in full or in part against the First Sensor Shareholder's income tax by way of a flat-rate procedure.

(iii) Partnerships

If the shares are held by a partnership (joint proprietors), income tax or corporate income tax is assessed at the level of its partners only. For partners subject to corporate income tax which hold a minimum share of 10% in the share capital at the beginning of the relevant calendar year, 95% of the annual cash compensation (*Ausgleichszahlung*) is finally exempt from taxation, while the remainder is taxable (see paragraph (i) above). However, if the partner is liable to income tax, 60% of the annual cash compensation (*Ausgleichszahlung*) is subject to taxation (see paragraph (ii) above). As regards the deductibility of business expenses, the statements made under (i) above apply to partners liable to corporate income tax and the statements made under (ii) above apply to partners liable to income tax. The full amount of the annual cash compensation (*Ausgleichszahlung*) is subject to trade tax at the level of the partnership if the partnership is subject to trade tax and does not hold a minimum share of 15% in the Company's share capital at the beginning of the relevant tax period. If individuals hold interests in the partnership, trade tax levied at the level of the partnership is credited in full or in part against their income tax by way of a flat-rate procedure. If the partnership holds a minimum share of 15% in the Company's share capital at the beginning of the relevant tax period, 5% of the annual cash compensation (*Ausgleichszahlung*) is subject to trade tax if corporations hold interests.

4. Taxation of compensation at the level of First Sensor Shareholders

Pursuant to § 5(1) of the Agreement, TE Connectivity undertakes towards First Sensor Shareholders who want to exit First Sensor on the occasion of the conclusion of the Agreement to purchase their shares in return for appropriate compensation (*Abfindung*) in the amount of EUR 33.27 per First Sensor Share. For the First Sensor Shareholders concerned, a gain generated from the resulting transfer of First Sensor Shares in return for the above compensation is likely to be subject to the rules on the taxation of gains from the sale of shares in a corporation. A capital gain is realised if the compensation (*Abfindung*) less any costs of sale exceeds the acquisition costs for tax purposes or the book value for tax purposes for the relevant shares at the level of the First Sensor Shareholder. If the compensation less any costs of sale is less than the acquisition costs or the book value of the shares at the level of the First Sensor Shareholder, a capital loss is incurred.

4.1 Withholding tax

Capital gains are generally subject to the deduction of withholding tax at a rate of 25% plus solidarity surcharge thereon at a rate of 5.5% (resulting in a total rate of 26.375%). Such deduction requires the existence of a domestic paying agent (domestic branch office of a foreign credit institution, financial services institution, securities trading company or securities trading bank) which holds in custody or administers the First Sensor Shares or carries out their sale and pays out or issues a credit for capital gains.

Compensation paid for shares held as private assets and acquired prior to 1 January 2009 is not subject to withholding tax. Furthermore, withholding tax is not deducted from capital gains for shares held as business assets by corporations with unlimited tax liability. Subject to certain requirements, the same applies to shares held by individuals or partnerships as part of their business assets.

If withholding tax and solidarity surcharge are deducted, they generally discharge the shareholder’s tax liability with regard to shares held as private assets. The deduction of withholding tax will not discharge the shareholder’s tax liability in relation to shares held as private assets if the shareholder held a minimum interest of 1% in First Sensor’s share capital at any time during the last five years prior to the sale, and in relation to shares held as business assets. In these cases, tax deducted will rather be credited against the seller’s tax liability for income or corporate income tax and solidarity surcharge or will be refunded in the amount of any excess.

4.2 Shares held as private assets

The taxation of compensation (*Abfindung*) payments depends on whether First Sensor Shareholders acquired the shares prior to 1 January 2009 or after 31 December 2008:

(i) Shares acquired prior to 1 January 2009

In the case of shares acquired prior to 1 January 2009 and held as private assets, the previously applicable tax exemption of capital gains continues to be generally available for compensation payments, if any.

However, gains from compensation (*Abfindung*) payments to a First Sensor Shareholder who or, in the case of an acquisition without consideration, whose predecessor in title directly or indirectly held a minimum interest of

1% in First Sensor's share capital at any time during the five years preceding the acquisition by TE Connectivity pursuant to § 5(1) of the Agreement, are subject to the so-called partial income method (*Teileinkünfteverfahren*), meaning that 60% of the gains are subject to taxation. Accordingly, only 60% of the expenses economically related to the compensation payments and of any capital losses are deductible for tax purposes in this case.

(ii) Shares acquired after 31 December 2008

Capital gains from the sale of First Sensor Shares acquired after 31 December 2008 are always taxable, irrespective of their holding period. Corresponding capital losses may only be offset against capital gains from the sale of shares in the current year or in a subsequent year.

Capital gains resulting from compensation (*Abfindung*) for shares acquired after 31 December 2008 are subject to the deduction of withholding tax if a German paying agent is involved. The deduction of withholding tax will generally discharge the relevant tax liability, meaning that the investor's relevant income tax liability is settled by the tax deduction, and the capital gain no longer has to be declared in the shareholder's annual tax return. In certain cases (for example, where a non-assessment certificate from the tax office was submitted or where a sufficient exemption order was issued), the annual cash compensation (*Ausgleichszahlung*) can be paid to First Sensor Shareholders without deduction of withholding tax and solidarity surcharge. If no withholding tax is deducted in other cases (for example, where no German paying agent is involved), the First Sensor Shareholder must state the capital gain in their income tax return. However, the capital gain in these cases will not be subject to the shareholder's personal income tax rate; instead, the capital gain will be assessed at the flat rate of withholding tax.

At the request of the First Sensor Shareholder, the gain resulting from compensation (*Abfindung*) can be taxed according to the basic scale of income tax instead of deducting flat-rate withholding tax if this leads to a lower tax burden for the shareholder. In this case, withholding tax initially deducted will be credited against income tax levied by way of assessment. When determining the income from capital investments, the deduction of income-related expenses is limited to the saver's tax-free allowance of EUR 801 (or EUR 1,602 for jointly assessed spouses). The deduction of actual income-related expenses is excluded.

60% of a capital gain is taxable if the First Sensor Shareholders held a minimum interest of 1% in First Sensor's share capital at any time during the last five years prior to the sale. The deducted withholding tax and solidarity surcharge will be credited against the First Sensor Shareholder's tax liability in their tax assessment, or refunded in the amount of any excess. In these cases, 60% of any capital losses and expenses economically related to the sale are deductible for tax purposes.

4.3 Shares held as business assets

If the First Sensor Shares are held as business assets, taxation of the capital gains on their sale will depend on whether the First Sensor Shareholder is a corporation, a sole proprietor or a partnership (joint proprietors):

(i) Corporations

Capital gains from the sale of First Sensor Shares are generally exempt from corporate income tax and trade tax for corporations. However, 5% of the capital gains is deemed to be expenses which must not be deducted as business expenses for tax purposes and is therefore subject to corporate income tax (plus solidarity surcharge) and trade tax. Capital losses and other profit reductions economically related to the sold shares cannot be taken into account for tax purposes.

(ii) Sole proprietors

If First Sensor Shares are held by sole proprietors, 60% of the capital gains are taxable. Accordingly, only 60% of the business expenses related to such capital gains and only 60% of any capital losses can be taken into account for tax purposes. If First Sensor Shares are part of the assets of a permanent establishment located in Germany, 60% of the capital gains are subject to trade tax if the sole proprietor is liable to trade tax. However, such trade tax is credited in whole or in part against the investor's income tax by way of a flat-rate procedure.

(iii) Partnerships

If First Sensor Shares are held by a partnership (joint proprietors), taxation will depend on whether its partners are liable to income tax or corporate income tax. 95% of the capital gains from the sale of shares are generally exempt from taxation for partners liable to corporate income tax (see paragraph (i) above). 60% of the capital gains from the sale of shares are generally taxable for partners liable to income tax (see paragraph (ii) above). In addition, 60% (if individuals hold interests) and 5% (if corporations hold interests) of the capital gains from the sale of shares are subject to trade tax at the level of the partnership liable to trade tax if they are attributed to a domestic permanent establishment. However, if individuals hold interests in the partnership, trade tax is credited in full or in part against their income tax by way of a flat-rate procedure. As regards the deductibility of business expenses and capital losses related to capital gains, the statements made under (i) above apply to partners liable to corporate income tax and the statements made under (ii) above apply to partners liable to income tax.

V. Tax implications for First Sensor

If the other statutory requirements for the existence a consolidated tax group for corporate income tax and trade tax purposes are also met, the Agreement will have the effect that First Sensor's income will be attributed to, and tax thereon paid by, TE Connectivity for corporate income tax and trade tax purposes. However, First Sensor will be liable to pay tax on income at the current rate of 20/17 of the annual cash compensations (*Ausgleichszahlungen*) made (section 16 KStG). The consolidated tax group does not begin to exist before First Sensor's financial year in which the obligation to transfer profits pursuant to § 2 of the Agreement and the financial integration of First Sensor in TE Connectivity exist from the beginning of the year, which is expected to be 1 January 2021, provided that the Agreement has been registered in the commercial register by the end of this financial year pursuant to § 7(2) of the Agreement. Whereas any loss carry forward for tax purposes existing on the date the consolidated tax group becomes effective will continue to exist, it cannot be deducted for tax purposes for the duration of the consolidated tax group.

Due to the consolidation for tax purposes, First Sensor is liable pursuant to section 73 of the German Fiscal Code (*Abgabenordnung*) for such taxes of the parent company of the consolidated tax group for which the consolidated tax group between them is relevant for tax purposes. The above provisions on taxes apply equally to claims for the reimbursement of tax credits.

VI. Costs of the Domination and Profit and Loss Transfer Agreement

One-time costs were incurred by concluding the Agreement. First Sensor incurred such costs in particular for appointing the Valuation Expert (see paragraph E.I), for providing the Audit Report (see paragraph D.III.2.2) and for obtaining legal advice. The costs for providing the Expert Opinion and the Audit Report will be borne by First Sensor and TE Connectivity in equal parts. Apart from that, each Party will bear its own costs, including the costs of its external advisors. The external costs to be borne by First Sensor are expected to amount to approx. EUR 0.4 million in total. The external costs to be borne by TE Connectivity are expected to amount to approx. EUR 0.8 million.

E. Type and amount of recurring compensation (*Ausgleich*) and of compensation (*Abfindung*) pursuant to sections 304, 305 AktG

I. Overview

Section 304 AktG provides that a domination and profit and loss transfer agreement must provide for appropriate recurring compensation (*Ausgleich*) for outside shareholders by means of a recurring payment of money based on their relevant interests in the share capital. The type of recurring compensation (*Ausgleich*) and the reasons for determining a fixed amount of recurring compensation (*Ausgleich*) were explained under paragraph D.I.4.2 above.

Section 304(1) sentence 1 and (2) sentence 1 AktG provide that recurring compensation (*Ausgleich*) guaranteed must at least be equal to the annual payment of the amount which could be expected to be distributed on each individual share as average profit share in view of the company's past profitability and future earnings prospects, taking into account adequate depreciation, amortisation and value allowances, but excluding other profit reserves.

Section 305(1) AktG provides that a domination and profit and loss transfer agreement must further provide for the obligation of the controlling company to purchase the shares of an outside shareholder upon their request in return for appropriate compensation (*Abfindung*) specified in the agreement. Section 305(3) sentence 2 AktG provides that the appropriate compensation (*Abfindung*) must take into account the situation of the company at the time its general meeting resolves on the agreement. This applies accordingly to the guaranteed dividend and the annual cash compensation (*Ausgleichszahlung*) within the meaning of section 304 AktG. According to a decision of the German Federal Constitutional Court (*Bundesverfassungsgericht*) of 27 April 1999 (BvR 1613/94), the stock exchange price, if existing, must also be taken into account when calculating the amount of compensation (*Abfindung*) pursuant to section 305 AktG. The stock exchange price generally represents the lowest amount of compensation (*Abfindung*) to be paid to the shareholder.

The relevant valuation date for the amount of recurring compensation (*Ausgleich*) and compensation (*Abfindung*) is the date of the planned ordinary general meeting of First Sensor which is to resolve on the Agreement, that is 26 May 2020.

The Executive Board of First Sensor and the Executive Board of TE Connectivity appointed PwC as Valuation Expert to prepare an Expert Opinion on the business value of First Sensor as of the date of the planned ordinary general meeting, 26 May 2020, and on the amounts of the appropriate guaranteed dividend and annual cash compensation (*Ausgleichszahlung*) within the meaning of section 304 AktG and of appropriate compensation (*Abfindung*) within the meaning of section 305 AktG.

The Valuation Expert carried out the work necessary for the Expert Opinion from 15 January 2020 to 9 April 2020. On 9 April 2020, the Valuation Expert provided its Expert Opinion on the determination of First Sensor's business value as of 26 May 2020, that is the date of the ordinary general meeting of First Sensor that resolves on the Agreement. In its function as neutral expert for the purposes of IDW S 1, PwC concludes in the Expert Opinion that the objectified business value within the meaning of IDW S 1 of First Sensor as of 26 May 2020 is approximately EUR 241.8 million. On the basis of 10,269,396 Outstanding First Sensor Shares, this corresponds to a value per Outstanding First Sensor Share of EUR 23.55.

The Valuation Expert further arrives at the conclusion that the relevant average stock exchange price is EUR 33.27 per First Sensor Share. The relevant price in this context is the volume-weighted average stock exchange price determined for First Sensor Shares by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) for the three-month period preceding the announcement on 10 December 2019 of TE Connectivity's intention to enter into a domination and profit and loss transfer agreement between First Sensor and TE Connectivity (see paragraph E.III). The value per First Sensor Share calculated by using the earnings value method (*Ertragswertverfahren*) is EUR 9.72 below the relevant stock exchange price; therefore, the stock exchange price is the relevant price as the absolute minimum value for the appropriate compensation (*Abfindung*). Accordingly, it results from the Expert Opinion that the appropriate compensation (*Abfindung*) for the purposes of section 305 AktG is EUR 33.27 per First Sensor Share. Appropriate recurring compensation (*Ausgleich*) within the meaning of section 304 AktG and derived from the objectified business value pursuant to IDW S1, as determined by the Valuation Expert, is EUR 0.56 gross (EUR 0.47 net) per First Sensor Share.

The full Expert Opinion of PwC on the business value of First Sensor dated 9 April 2020 is attached hereto as Annex 4 and thus forms an integral part of this Contract Report.

Following their own reviews, the Executive Board of First Sensor and the Executive Board of TE Connectivity adopt as their own the full content of PwC's statements in the above Expert Opinion on First Sensor's business value, on appropriate recurring compensation (*Ausgleich*) and on appropriate compensation (*Abfindung*) and include such statements in this Contract Report. In their own assessments, the Executive Board of First Sensor and the Executive Board of TE Connectivity consider as appropriate an amount of EUR 33.27 per First Sensor Share for the compensation (*Abfindung*) within the meaning of section 305 AktG and a gross amount of EUR 0.56 (EUR 0.47 net) per First Sensor Share for recurring compensation (*Ausgleich*) in the form of the guaranteed dividend or the annual cash compensation (*Ausgleichszahlung*) within the meaning of section 304 AktG.

The Expert Opinion provided by PwC, as this present Contract Report, will be available, together with the other documents required under section 293f(1) AktG, via First Sensor's website at https://first-sensor.com/de/investor-relations/hauptversammlung as from the date of the notice of First Sensor's general meeting that will resolve on approving the Agreement. These documents will further be available for inspection by shareholders at the offices of First Sensor from the date the general meeting is convened until its conclusion. Upon request, each shareholder will be provided with copies of these documents without delay and free of charge. With regard to the details of inspecting and requesting copies of these and other documents, reference is made to the notice of the general meeting that resolves on First Sensor's approval of the Agreement.

For avoiding any liability risks, the Executive Board of First Sensor and the Executive Board of TE Connectivity explicitly note that while First Sensor's plans on which the business valuation is based were prepared to the best of their knowledge and belief, they are also based on future circumstances or changes to market and competitive conditions whose realisation may be outside First Sensor's control, and that neither First Sensor nor TE Connectivity will or can assume any liability for the actual realisation of the facts and forecasts on which the plans are based. The sole purpose of this Contract Report is to comply with the statutory information duty pursuant to section 293a AktG.

II. Determination and fixing of the amount of the appropriate guaranteed dividend and of the appropriate annual cash compensation (*Ausgleichszahlung*) pursuant to section 304 AktG

Pursuant to § 4(1) of the Agreement, TE Connectivity guarantees to outside First Sensor Shareholders a fixed guaranteed dividend for financial year 2020 provided that the Agreements takes effect in 2020. The amount of the guaranteed dividend is EUR 0.56 gross and EUR 0.47 net per First Sensor Share.

Pursuant to § 4(2) of the Agreement, TE Connectivity will grant outside First Sensor Shareholders a fixed annual cash compensation (*Ausgleichszahlung*) from the financial year as of which the obligation to transfer profits under § 2 of the Agreement takes effect, which is expected to be the financial year starting on 1 January 2021, for the duration of the Agreement.

The annual cash compensation (*Ausgleichszahlung*) amounts to EUR 0.56 gross and EUR 0.47 net per First Sensor Share.

The reasons why the Parties agreed on a fixed guaranteed dividend and a fixed annual cash compensation (*Ausgleichszahlung*) are set out in paragraph D.I.4.2 above. The Parties agreed on a gross amount in accordance with the ruling of the German Federal Court of Justice (*Bundesgerichtshof*) (decision of 21 July 2003 - II ZB 17/01 - “Ytong”). Reference is made in this regard to the explanations in paragraph D.I.4.3 above.

The Executive Board of First Sensor and the Executive Board of TE Connectivity, by mutual agreement, fixed the amount of the guaranteed dividend and of the annual cash compensation (*Ausgleichszahlung*) on the basis of the conclusions of PwC’s Expert Opinion dated 9 April 2020, in which the Valuation Expert arrives at the conclusion that the amount of appropriate recurring compensation (*Ausgleich*) is EUR 0.56 gross (EUR 0.47 net) per First Sensor Share.

III. Determination and fixing of the amount of appropriate compensation (*Abfindung*) pursuant to section 305 AktG

Pursuant to § 5 of the Agreement, TE Connectivity is obliged, at the request of any outside First Sensor Shareholder, to acquire such shareholder’s First Sensor Shares against payment of compensation (*Abfindung*) (section 305(2) no. 3 AktG). Each outside First Sensor Shareholder accepting the compensation (*Abfindung*) offer will receive compensation (*Abfindung*) in the amount of EUR 33.27 per First Sensor Share. The decisive reasons for agreeing on cash compensation (*Barabfindung*) as the offered type of compensation are set out in paragraph D.I.5.2 above.

The Executive Board of First Sensor and the Executive Board of TE Connectivity agreed in fixing the amount of compensation paid on the basis of the conclusions of the Expert Opinion dated 9 April 2020. In that Expert Opinion, the Valuation Expert determined an amount of EUR 23.55 per First Sensor Share, based on the objectified business value pursuant to IDW S 1.

The Valuation Expert and the Parties also considered the stock exchange price of the First Sensor Share in determining the amount of compensation (*Abfindung*). In accordance with the ruling of the German Federal Constitutional Court (*Bundesverfassungsgericht*) of 27 April 1999 - BvR 1613/94, the stock exchange price generally represents the lowest limit for determining the amount of compensation to be offered to outside shareholders. The German Federal Court of Justice (*Bundesgerichtshof*) (judgment of 12 March 2001 - II ZB 15/00) specified the requirements laid down by the German Federal Constitutional Court with regard to the relevance of the stock exchange price for determining the amount of appropriate recurring compensation (*Ausgleich*). In its judgment of 19 July 2010 (ZB II 18/09 “Stollwerk”), it established additional requirements in this respect by specifying that the relevant stock exchange price must be determined on the basis of a sales-weighted average stock exchange price during a three-month reference period preceding the announcement of a structural measure.

First Sensor announced by way of ad-hoc announcement on 10 December 2019 that TE Connectivity approached First Sensor on that same date to inform First Sensor about the intention to initiate the conclusion of a domination and profit and loss transfer agreement between First Sensor as the controlled entity and TE Connectivity as the controlling entity. On the same date, 10 December 2019, TE Connectivity by way of a press release announced its intention to enter into a domination and profit and loss transfer agreement with First Sensor. The volume-weighted stock exchange price of the First Sensor Share determined by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin*) for the three-month period preceding the publication of the ad-hoc announcement on 10 December 2019 is EUR 33.27. As this value is above the objectified value per share as determined by PwC according to IDW S 1 of EUR 23.55, the volume-weighted stock exchange price of EUR 33.27 was the relevant price for determining the amount of compensation (*Abfindung*) in the present case.

The volume-weighted stock exchange price does not need to be adjusted and extrapolated to the date of the general meeting. According to the Stollwerck decision of the German Federal Court of Justice (*Bundesgerichtshof*), this would only be necessary if a longer period of time has passed between the public announcement of the structural measure and the date of the general meeting and if the development of the stock exchange prices appears to make such adjustment necessary. In the present case, however, it is not necessary to adjust the volume-weighted three-month stock exchange price for the reason alone that a period of less than six months lies between the announcement of the intention to enter into a Domination and Profit and Loss Transfer Agreement (10 December 2019) and the date on which the Agreement will be submitted to the ordinary general meeting for approval (26 May 2020). This does not constitute a longer period of time within the meaning of the Stollwerck decision.

F. Contract audit

The Contract Auditor prepared an Audit Report which, together with the documents referred to in section 293f(1) AktG, will be available on First Sensor's website at https://www.first-sensor.com/de/investor-relations/hauptversammlung/ from the date the ordinary general meeting is convened. Furthermore, the Audit Report together with the documents referred to above will also be available for inspection by shareholders at the offices of First Sensor from the date on which the general meeting is convened until it is concluded. Upon request, copies of these documents will be available to each First Sensor Shareholder without delay and free of charge (paragraph D.III.2.2).

First Sensor AG

The Executive Board

Berlin, 14 April 2020

(signed)	*(signed)*
Dr Dirk Rothweiler	Marcus Resch
Chairman of the Executive Board	Chief Financial Officer

TE Connectivity Sensors Holding AG

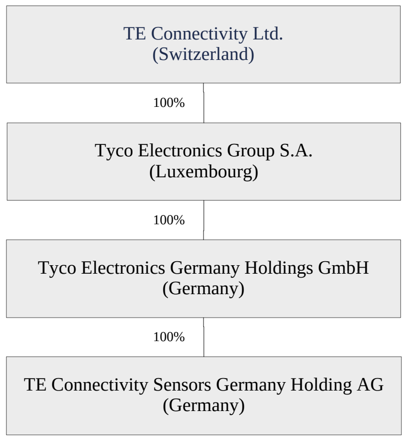
The Executive Board

Bensheim, 14 April 2020

(signed)	*(signed)*
Jörg Mann	Erik Olsson
Member of the Executive Board	Member of the Executive Board

Annex 1

Simplified ownership structure of TE Connectivity Sensors Germany Holding AG



Annex 2

Domination and Profit and Loss Transfer Agreement between First Sensor AG and TE Connectivity Sensors Germany Holding AG including letter of comfort

Beherrschungs- und Gewinnabführungsvertrag	**Domination and Profit and Loss Transfer Agreement**
zwischen	by and between

First Sensor AG,

Peter-Behrens-Straße 15, 12459 Berlin,

eingetragen im Handelsregister des Amtsgerichts Berlin-Charlottenburg unter HRB 69326	registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Berlin-Charlottenburg under register number HRB 69326
(im Folgenden "**First Sensor**")	(hereinafter referred to as "**First Sensor**")
und	and

TE Connectivity Sensors Germany Holding AG,

Ampèrestraße 12-14, 64625 Bensheim,

eingetragen im Handelsregister des Amtsgerichts Darmstadt unter HRB 99155	registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Darmstadt under register number HRB 99155
(im Folgenden "**TE Connectivity**");	(hereinafter referred to as "**TE Connectivity**");
dieser Beherrschungs- und Gewinnabführungsvertrag im Folgenden "**Vertrag**" genannt.	this domination and profit and loss transfer agreement hereinafter referred to as "**Agreement**".
§ 1 **Leitung**	**§ 1** **Managerial Control**
(1) First Sensor unterstellt TE Connectivity die Leitung ihrer Gesellschaft ab dem Zeitpunkt der Wirksamkeit dieses Vertrags. Dementsprechend ist TE Connectivity berechtigt, dem Vorstand der First Sensor in Bezug auf die Leitung der First Sensor sowohl allgemeine als auch auf den Einzelfall bezogene Weisungen zu erteilen. TE Connectivity ist ebenfalls be-	(1) First Sensor agrees that the management of its company shall be under the control of TE Connectivity as from the date of the effectiveness of this Agreement. Accordingly, TE Connectivity shall be entitled to give instructions to the management board of First Sensor with respect to the management of First Sensor in general or on a case

rechtigt, Weisungen in Bezug auf die Aufstellung des Jahresabschlusses der First Sensor zu erteilen. Unbeschadet des Weisungsrechts obliegen die Geschäftsführung und Vertretung der First Sensor dem Vorstand der First Sensor.

by case basis. TE Connectivity is also entitled to give instructions with respect to the preparation of the annual accounts of First Sensor. Notwithstanding the right to give instructions, the Management Board of First Sensor is responsible for the management and representation of First Sensor.

(2) Der Vorstand der First Sensor ist verpflichtet, Weisungen der TE Connectivity nach § 1 Abs. 1 dieses Vertrags und in Übereinstimmung mit § 308 AktG zu befolgen.

(2) The management board of First Sensor is required to comply with the instructions of TE Connectivity as specified in § 1 para. 1 of this Agreement and in accordance with § 308 of the German Stock Corporation Act (*Aktiengesetz* – "**AktG**").

(3) TE Connectivity ist nicht berechtigt, dem Vorstand der First Sensor Weisungen in Bezug auf die Änderung, Aufrechterhaltung oder Beendigung dieses Vertrags zu erteilen.

(3) TE Connectivity shall not be entitled to give instructions to the management board of First Sensor pertaining to amending, maintaining, or terminating this Agreement.

(4) Weisungen bedürfen der Textform nach § 126b BGB oder sind, sofern sie mündlich erteilt werden, unverzüglich in Textform zu bestätigen, sofern der Vorstand der First Sensor dies verlangt.

(4) Any instructions require text form according to § 126b of the German Civil Code (*Bürgerliches Gesetzbuch* – "**BGB**") or, if the instructions are given orally, they shall be confirmed in text form without undue delay, if requested by the management board of First Sensor.

§ 2
Gewinnabführung

§ 2
Transfer of Profit

(1) First Sensor verpflichtet sich, ihren ganzen Gewinn an TE Connectivity abzuführen. Vorbehaltlich der Bildung oder Auflösung von Rücklagen nach § 2 Abs. 2 dieses Vertrags ist der nach § 301 AktG in dessen jeweils geltender Fassung zulässige Höchstbetrag abzuführen.

(1) First Sensor undertakes to transfer its entire annual profit (*Gewinnabführung*) to TE Connectivity. Subject to establishing or dissolving reserves in accordance with § 2 para. 2 of this Agreement, the maximum amount permissible under § 301 AktG, as amended from time to time, shall be

transferred.

(2) First Sensor kann mit schriftlicher oder in Textform nach § 126b BGB erfolgender Zustimmung der TE Connectivity Beträge aus dem Jahresüberschuss in andere Gewinnrücklagen (§ 272 Abs. 3 HGB) einstellen, soweit dies handelsrechtlich zulässig und bei vernünftiger kaufmännischer Beurteilung wirtschaftlich begründet ist. Während der Vertragslaufzeit gebildete andere Gewinnrücklagen sind auf schriftliches oder in Textform nach § 126b BGB erfolgendes Verlangen der TE Connectivity aufzulösen und als Gewinn abzuführen. Sonstige Rücklagen oder ein Gewinnvortrag, der aus der Zeit vor der Wirksamkeit dieses Vertrags stammt, dürfen weder als Gewinn abgeführt noch zum Ausgleich eines Jahresfehlbetrages verwendet werden.

(2) If and to the extent permissible under commercial law and economically justified by reasonable commercial judgement, First Sensor may, with the consent of TE Connectivity in writing or text form pursuant to § 126b BGB, allocate parts of its annual profit to other profit reserves (§ 272 para. 3 of the German Commercial Code (*Handelsgesetzbuch* – "**HGB**"). Other profit reserves which have been created during the term of this Agreement shall be liquidated upon request of TE Connectivity in writing or text form according to § 126b BGB and transferred as profit. Other reserves or profits carried forward from the period prior to the term of this Agreement may neither be transferred as profit nor be used to compensate for any annual deficit.

(3) Die Verpflichtung zur Abführung des gesamten Gewinns besteht erstmals für das am 1. Januar 2021 beginnende Geschäftsjahr oder dasjenige spätere Geschäftsjahr der First Sensor, in dem dieser Vertrag nach § 7 Abs. 2 dieses Vertrages wirksam wird. Die Verpflichtung ist in jedem Fall innerhalb von zwei Wochen nach Feststellung des Jahresabschlusses für das betreffende Geschäftsjahr der First Sensor fällig.

(3) The obligation to transfer the annual profit applies for the first time to the entire profits generated in the fiscal year of First Sensor beginning on 1 January 2021 or to the entire profits of any later fiscal year in which this Agreement becomes effective pursuant to § 7 para. 2 of this Agreement. In each case, the obligation becomes due within two weeks following the approval of the respective annual financial statement of First Sensor.

§ 3
Verlustübernahme

(1) Die Vorschrift des § 302 AktG ist in ihrer Gesamtheit in der jeweils geltenden Fassung anzuwenden.

§ 3
Balancing of Losses

(1) The provision of § 302 AktG applies in its entirety, as amended from time to time.

(2) Die Verpflichtung zum Ausgleich des gesamten Jahresfehlbetrags besteht erstmals für das am 1. Januar 2020 beginnende Geschäftsjahr oder dasjenige spätere Geschäftsjahr der First Sensor, in dem dieser Vertrag nach § 7 Abs. 2 dieses Vertrages wirksam wird. Die Verpflichtung wird in jedem Fall zum Ende eines Geschäftsjahrs der First Sensor fällig.

(2) The obligation to balance any losses applies for the first time to the entire losses generated in the fiscal year of First Sensor beginning on 1 January 2020 or to the entire losses of any later fiscal year in which this Agreement becomes effective pursuant to § 7 para. 2 of this Agreement. In each case, the obligation becomes due at the end of the respective fiscal year of First Sensor.

(3) Bei einer Beendigung dieses Vertrags während eines Geschäftsjahrs, insbesondere durch eine Kündigung aus wichtigem Grund, ist TE Connectivity zur Übernahme desjenigen Fehlbetrags der First Sensor, wie er sich aus einer auf den Tag des Wirksamwerdens der Beendigung zu erstellenden Stichtagsbilanz ergibt, verpflichtet.

(3) In the event this Agreement is terminated during a fiscal year, and specifically in the event of termination for cause (*wichtiger Grund*), TE Connectivity is required to balance the losses of First Sensor as shown in the balance sheet to be drawn up as of the date of the effectiveness of the termination in accordance with applicable accounting rules.

§ 4
Garantiedividende und Ausgleichszahlung

§ 4
Guaranteed Dividend and Recurring Compensation Payment

(1) TE Connectivity garantiert den außenstehenden Aktionären von First Sensor für das Geschäftsjahr 2020 von First Sensor die Zahlung eines bestimmten Gewinnanteils gemäß nachfolgendem § 4 Abs. 3 dieses Vertrages als angemessenen Ausgleich ("**Garantiedividende**"). Soweit die für das Geschäftsjahr 2020 von First Sensor gezahlte Dividende (einschließlich eventueller Abschlagszahlungen) je First Sensor-Aktie hinter der Garantiedividende zurückbleibt, wird TE Connectivity jedem außenstehenden Aktionär von First Sensor den entsprechenden Differenzbetrag je First Sensor-Aktie zahlen. Die Zahlung eines etwaigen Differenzbetrags

(1) TE Connectivity guarantees that it will pay to the outside shareholders of First Sensor in respect of the fiscal year 2020 of First Sensor a certain portion of the profit pursuant to § 4 para. 3 of this Agreement below as adequate cash compensation ("**Guaranteed Dividend**") (*Garantiedividende*). To the extent that the dividend (including any payments on account) paid in respect of the fiscal year 2020 by First Sensor for each share of First Sensor falls short of the Guaranteed Dividend, TE Connectivity will pay to each outside shareholder of First Sensor the corresponding difference per share. Payment

ist am dritten Bankarbeitstag nach der ordentlichen Hauptversammlung von First Sensor für das Geschäftsjahr 2020 fällig.

of any such difference is due on the third banking day after the ordinary general shareholders’ meeting of First Sensor for First Sensor's fiscal year 2020.

(2) TE Connectivity verpflichtet sich, den außenstehenden Aktionären der First Sensor ab dem Geschäftsjahr der First Sensor, für das der Anspruch der TE Connectivity auf Gewinnabführung gemäß § 2 Abs. 3 dieses Vertrages wirksam wird, für die Dauer dieses Vertrags als angemessenen Ausgleich nach § 304 Abs. 1 AktG eine wiederkehrende Geldleistung ("**Ausgleichszahlung**") zu zahlen.

(2) TE Connectivity undertakes to pay to outside shareholders of First Sensor as adequate compensation pursuant to § 304 para. 1 AktG a recurring cash compensation ("**Recurring Compensation Payment**") (*Ausgleich*) from and including the fiscal year of First Sensor in relation to which the claim of TE Connectivity for the transfer of the annual profit under § 2 para. 3 of this Agreement takes effect, and for the further duration of this Agreement.

(3) Die Garantiedividende und die Ausgleichszahlung betragen für jedes volle Geschäftsjahr der First Sensor für jede auf den Inhaber lautende Stückaktie der First Sensor mit einem rechnerischen Anteil am Grundkapital von EUR 5,00 (jede einzelne eine "**First Sensor-Aktie**", insgesamt die "**First Sensor-Aktien**") brutto EUR 0,56 ("**Bruttoausgleichsbetrag**"), abzüglich eines etwaigen Betrags für Körperschaftsteuer und Solidaritätszuschlag in Höhe des für diese Steuern für das jeweilige Geschäftsjahr jeweils geltenden Steuersatzes ("**Nettoausgleichsbetrag**"), wobei dieser Abzug nur auf den Teil des Bruttoausgleichsbetrags, der sich auf die der deutschen Körperschaftsteuer unterliegenden Gewinne bezieht, vorzunehmen ist. Klarstellend wird vereinbart, dass, soweit gesetzlich vorgeschrieben, anfallende Quellensteuern (etwa Kapitalertragsteuer zuzüglich Solidaritätszuschlag) von dem Nettoausgleichsbetrag

(3) The Guaranteed Dividend and the Recurring Compensation Payment payable for each full fiscal year of First Sensor with respect to each no-par value bearer share of First Sensor (*nennwertlose Inhaberaktie*), each representing a proportionate amount of the share capital of EUR 5.00 (each a "**First Sensor Share**", together the "**First Sensor Shares**"), shall be equal to EUR 0.56 gross ("**Gross Compensation Amount**"), less any amount of corporate income tax (*Körperschaftsteuer*) and solidarity surcharge (*Solidaritätszuschlag*) at the prevailing rate of these taxes for the relevant fiscal year ("**Net Compensation Amount**"), provided that this deduction is to be effected only on such portion of the Gross Compensation Amount that relates to profits subject to German corporate income tax. For the avoidance of doubt, it is agreed that any withholding tax (such as capital gains tax plus soli-

einbehalten werden.

darity surcharge thereon) shall be withheld from the Net Compensation Amount to the extent required by statutory law.

(4) Die Ausgleichszahlung ist am dritten Bankarbeitstag (Frankfurt am Main) nach der ordentlichen Hauptversammlung der First Sensor für das jeweils abgelaufene Geschäftsjahr, jedoch spätestens acht Monate nach Ablauf des jeweiligen Geschäftsjahrs fällig.

(4) The Recurring Compensation Payment is due on the third banking day (Frankfurt am Main) following the ordinary general shareholders' meeting of First Sensor for the respective preceding fiscal year, but in any event within eight months following expiration of this fiscal year.

(5) Die Garantiedividende wird für das Geschäftsjahr 2020 der First Sensor gewährt, wenn dieser Vertrag im Jahr 2020 wirksam wird. Die Ausgleichszahlung wird erstmals für dasjenige Geschäftsjahr der First Sensor gewährt, für das der Anspruch der TE Connectivity auf Gewinnabführung gemäß § 2 Abs. 3 dieses Vertrages wirksam wird.

(5) For the fiscal year 2020 of First Sensor the Guaranteed Dividend is granted if this Agreement becomes effective in the year 2020. The Recurring Compensation Payment is first granted for the fiscal year of First Sensor in which the claim of TE Connectivity for transfer of profit under § 2 para. 3 becomes effective.

(6) Falls dieser Vertrag während eines Geschäftsjahrs der First Sensor endet oder First Sensor während der Laufzeit dieses Vertrags ein Rumpfgeschäftsjahr bildet, vermindert sich der Bruttoausgleichsbetrag für das betroffene Geschäftsjahr zeitanteilig.

(6) If this Agreement ends during a fiscal year of First Sensor or if First Sensor establishes a short fiscal year (*Rumpfgeschäftsjahr*) during the term of this Agreement, the Gross Compensation Amount is reduced *pro rata temporis* for the relevant fiscal year.

(7) Falls das Grundkapital der First Sensor aus Gesellschaftsmitteln gegen Ausgabe neuer Aktien erhöht wird, vermindert sich der Bruttoausgleichsbetrag je First Sensor-Aktie in dem Maße, dass der Gesamtbetrag des Bruttoausgleichsbetrags unverändert bleibt. Falls das Grundkapital der First Sensor durch Ausgabe neuer Aktien gegen Bar- und/oder Sacheinlagen erhöht wird, gelten die Rechte aus diesem § 4 dieses Vertrages auch für die von au-

(7) If the share capital of First Sensor is increased from own funds of First Sensor in exchange for the issuance of new shares, the Gross Compensation Amount per First Sensor Share is reduced to such extent that the aggregate amount of the Gross Compensation Amount remains unchanged. If the share capital is increased by the issuance of new shares against cash contributions and/or contributions in kind,

ßenstehenden Aktionären bezogenen Aktien aus einer solchen Kapitalerhöhung. Der Beginn der Berechtigung aus den neu ausgegebenen Aktien nach diesem § 4 dieses Vertrages korrespondiert mit dem von First Sensor bei Ausgabe der neuen Aktien festgesetzten Zeitpunkt zur Gewinnanteilsberechtigung.

the rights under this § 4 of this Agreement also apply for the shares subscribed to by outside shareholders in such capital increase. The beginning of the entitlement to rights under this § 4 of this Agreement in respect of the newly issued shares follows the beginning of entitlement to dividends as set out by First Sensor at the time of issuance of the new shares.

(8) Falls die Ausgleichszahlung und/oder die Garantiedividende nach § 4 Abs. 1 und 2 dieses Vertrags für jede First Sensor-Aktie durch eine rechtskräftige Entscheidung in einem Spruchverfahren oder in einem gerichtlich protokollierten Vergleich zur Beendigung eines Spruchverfahrens erhöht wird, können auch die bereits nach Maßgabe des § 5 dieses Vertrages abgefundenen Aktionäre eine entsprechende Ergänzung der von ihnen bereits erhaltenen Ausgleichszahlung und/oder Garantiedividende verlangen, soweit gesetzlich vorgesehen.

(8) If the Recurring Compensation Payment and/or the Guaranteed Dividend pursuant to § 4 para. 1 and 2 of this Agreement is increased for each First Sensor Share by a legally binding court decision in appraisal proceedings (*Spruchverfahren*) or a judicially recorded settlement to terminate the appraisal proceedings (*gerichtlich protokollierter Vergleich*), the outside shareholders, even if they have already been compensated pursuant to § 5 of this Agreement, are entitled to demand a corresponding additional payment to the Recurring Compensation Payment and/or the Guaranteed Dividend to the extent required by the applicable statutory law.

§ 5
Abfindung

(1) TE Connectivity verpflichtet sich, auf Verlangen eines jeden außenstehenden Aktionärs der First Sensor dessen First Sensor-Aktien gegen eine Barabfindung ("**Abfindung**") in Höhe von EUR 33,27 je First Sensor-Aktie zu erwerben.

(2) Die Verpflichtung der TE Connectivity

§ 5
Compensation

(1) TE Connectivity undertakes upon demand of any outside shareholder of First Sensor to purchase the First Sensor Shares tendered by such shareholder in exchange for a cash compensation ("**Compensation**") (*Abfindung*) in the amount of EUR 33.27 for each First Sensor Share.

(2) The obligation of TE Connectivity to

zum Erwerb der First Sensor-Aktien ist befristet. Die Frist endet zwei Monate nach dem Tag, an dem die Eintragung des Bestehens dieses Vertrags im Handelsregister des Sitzes der First Sensor nach § 10 HGB bekannt gemacht worden ist. Eine Verlängerung der Frist nach § 305 Abs. 4 Satz 3 AktG wegen eines Antrags auf Bestimmung der angemessenen Ausgleichszahlung oder der angemessenen Abfindung durch das in § 2 SpruchG bestimmte Gericht bleibt unberührt; in diesem Fall endet die Frist zwei Monate nach dem Tag, an dem die Entscheidung über den zuletzt beschiedenen Antrag im Bundesanzeiger bekannt gemacht worden ist.

acquire First Sensor Shares is limited in time. The time limitation period ends two months after the date on which the entry of the existence of this Agreement has been published in the commercial register at the registered seat of First Sensor pursuant to § 10 HGB. An extension of the time limitation period pursuant to § 305 para. 4 sent. 3 AktG as a result of a filing for determination of the adequate Recurring Compensation Payment or the adequate Compensation by a court pursuant to § 2 of the German Act of Appraisal Proceedings (*Spruchverfahrensgesetz*) remains unaffected; in this event, the time limitation period shall expire two months after the date on which the decision on the last motion disposed has been published in the Federal Gazette (*Bundesanzeiger*).

(3) Falls bis zum Ablauf der in § 5 Abs. 2 dieses Vertrags genannten Frist das Grundkapital der First Sensor aus Gesellschaftsmitteln gegen Ausgabe neuer Aktien erhöht wird, vermindert sich die Abfindung je First Sensor-Aktie in dem Maße, dass der Gesamtbetrag der Abfindung unverändert bleibt. Falls das Grundkapital der First Sensor bis zum Ablauf der in § 5 Abs. 2 dieses Vertrages genannten Frist durch Ausgabe neuer Aktien gegen Bar- und/oder Sacheinlagen erhöht wird, gelten die Rechte aus diesem § 5 dieses Vertrages auch für die von außenstehenden Aktionären bezogenen Aktien aus der Kapitalerhöhung.

(3) If the share capital of First Sensor is increased from own funds of First Sensor in exchange for the issuance of new shares prior to the expiration of the time limitation period set forth in § 5 para. 2 of this Agreement, the Compensation for each First Sensor Share is reduced to such extent that the aggregate amount of the Compensation remains unchanged. If the share capital of First Sensor is increased by the issuance of new shares against cash contributions and/or contributions in kind prior to the expiration of the time limitation period set forth in § 5 para. 2 of this Agreement, the rights under this § 5 of this Agreement also apply for the shares subscribed to by outside shareholders in such capital increase.

(4) Die Übertragung der First Sensor-Aktien gegen Abfindung ist für die außenstehenden Aktionäre der First Sensor kostenfrei, sofern sie über ein inländisches Wertpapierdepot verfügen.

(5) Falls die Abfindung nach § 5 Abs. 1 dieses Vertrags für jede First Sensor-Aktie durch eine rechtskräftige Entscheidung in einem Spruchverfahren oder in einem gerichtlich protokollierten Vergleich zur Beendigung eines Spruchverfahrens erhöht wird, wird TE Connectivity die von außenstehenden Aktionären angebotenen First Sensor-Aktien gegen Zahlung der erhöhten Abfindung erwerben, soweit gesetzlich vorgesehen.

(6) Falls dieser Vertrag durch Kündigung der First Sensor oder TE Connectivity zu einem Zeitpunkt endet, zu dem die Frist nach § 5 Abs. 2 dieses Vertrags für den Erwerb der First Sensor-Aktien durch TE Connectivity gegen Abfindung nach § 5 Abs. 1 dieses Vertrags abgelaufen ist, hat jeder außenstehende Aktionär der First Sensor das Recht, seine First Sensor-Aktien, die er im Zeitpunkt der Beendigung dieses Vertrags hält, TE Connectivity gegen Abfindung nach § 5 Abs. 1 dieses Vertrages anzubieten und TE Connectivity ist verpflichtet, die von dem außenstehenden Aktionär angebotenen First Sensor-Aktien zu erwerben. Falls die Abfindung nach § 5 Abs. 1 dieses Vertrages für jede First Sensor-Aktie durch eine rechtskräftige Entscheidung in einem Spruchverfahren oder durch einen gerichtlich protokollierten Vergleich zur Abwendung oder Beendigung eines

(4) The transfer of First Sensor Shares in exchange for Compensation is without charge to outside shareholders of First Sensor, provided that they have a domestic securities deposit account.

(5) If the Compensation pursuant to § 5 para. 2 of this Agreement is increased for each First Sensor Share by a legally binding court decision in an appraisal proceeding (*Spruchverfahren*) or a judicially recorded settlement to terminate the appraisal proceedings (*gerichtlich protokollierter Vergleich*), TE Connectivity will acquire the First Sensor Shares tendered by the outside shareholders against payment of the increased Compensation to the extent required by applicable statutory law.

(6) If this Agreement ends upon termination by First Sensor or TE Connectivity at a time when the period pursuant to § 5 para. 2 of this Agreement to tender the First Sensor Shares to TE Connectivity against the Compensation pursuant to § 5 para. 1 has expired, every outside shareholder of First Sensor is entitled to tender the First Sensor Shares held at the time of termination of this Agreement to TE Connectivity against the Compensation pursuant to § 5 para. 1 of this Agreement and TE Connectivity shall be obliged to acquire the First Sensor Shares tendered by the outside shareholder. If the Compensation pursuant to § 5 para. 1 of this Agreement for each First Sensor Share is increased as a result of non-appealable appraisal proceedings (*Spruchverfahren*) or as a result of a judicially recorded settlement (*gericht-*

Spruchverfahrens erhöht wird, wird TE Connectivity die von dem außenstehenden Aktionär angebotenen First Sensor-Aktien gegen Zahlung der im Spruchverfahren oder im gerichtlich protokollierten Vergleich festgesetzten Abfindung erwerben. Das Recht unter § 5 Abs. 6 dieses Vertrages ist befristet. Die Frist endet zwei Monate nach dem Tag, an dem die Eintragung der Beendigung dieses Vertrags im Handelsregister des Sitzes der First Sensor nach § 10 HGB bekannt gemacht worden ist. § 5 Abs. 3 und § 5 Abs. 4 dieses Vertrags gelten entsprechend.

lich protokollierter Vergleich) in order to avert or terminate appraisal proceedings (*Spruchverfahren*), TE Connectivity will acquire the First Sensor Shares tendered by the outside shareholders against payment of the Compensation for each First Sensor Share as determined in the appraisal proceedings or judicially recorded settlement (*gerichtlich protokollierter Vergleich*). The right of disposal as set forth in § 5 para. 6 of this Agreement is limited in time. The time limitation periods ends two months after the date on which the registration of the termination of this Agreement has been published in the commercial register at the registered seat of First Sensor pursuant to § 10 HGB. § 5 para. 3 and § 5 para. 4 of this Agreement apply accordingly.

§ 6
Auskunftsrecht

(1) TE Connectivity ist berechtigt, Bücher und Schriften der First Sensor jederzeit einzusehen.

(2) Der Vorstand der First Sensor ist verpflichtet, TE Connectivity jederzeit alle verlangten Auskünfte über sämtliche Angelegenheiten der First Sensor zu geben.

(3) Unbeschadet der vorstehenden Rechte ist First Sensor verpflichtet, TE Connectivity über die geschäftliche Entwicklung, insbesondere über wesentliche Geschäftsvorfälle, laufend zu informieren.

(4) Solange die First Sensor-Aktien im regulierten Markt zugelassen oder im Freiverkehr einbezogen sind, sind die Parteien verpflichtet, die kapitalmarktrechtlichen Vorschriften, insbesondere die Markt-

§ 6
Right to Information

(1) TE Connectivity is entitled to inspect the books and records of First Sensor at any time.

(2) The management board of First Sensor is obliged to supply TE Connectivity at any time with all requested information on all matters relating to First Sensor.

(3) Notwithstanding the rights above, First Sensor is required to keep TE Connectivity continuously informed on the business development and, specifically, on material transactions.

(4) As long as First Sensor Shares are admitted to the regulated market or are listed on the open market the Parties are obliged to comply with the capital market law requirements, in particular

missbrauchsverordnung (EU) Nr. 596/2014, einzuhalten.

with Market Abuse Regulation (EU) No 596/2014.

§ 7
Wirksamwerden und Dauer des Vertrags

(1) Dieser Vertrag bedarf zu seiner Wirksamkeit der Zustimmung der Hauptversammlung der First Sensor und der Hauptversammlung der TE Connectivity.

(2) Dieser Vertrag wird wirksam, sobald sein Bestehen in das Handelsregister des Sitzes der First Sensor eingetragen worden ist.

(3) Dieser Vertrag wird auf unbestimmte Zeit geschlossen. TE Connectivity kann diesen Vertrag mit einer Frist von drei Monaten zum Ablauf eines Geschäftsjahres der First Sensor ordentlich kündigen, jedoch erstmals zum Ende des Geschäftsjahrs der First Sensor, das mindestens fünf Zeitjahre (60 Monate) nach Beginn des Geschäftsjahrs, für das die Verpflichtung von First Sensor zur Gewinnabführung gemäß § 2 Abs. 3 dieses Vertrags wirksam wird, endet. Das ordentliche Kündigungsrecht für First Sensor ist ausgeschlossen.

(4) Jede Partei kann diesen Vertrag aus wichtigem Grund ohne Einhaltung einer Kündigungsfrist kündigen. § 297 Abs. 1 Satz 2 AktG bleibt unberührt.

(5) Insbesondere sind die Vertragsparteien zur Kündigung aus wichtigem Grund berechtigt, sofern:

§ 7
Effectiveness and Term of this Agreement

(1) This Agreement requires for its effectiveness the consent of the general shareholders' meeting of First Sensor and the general shareholders' meeting of TE Connectivity.

(2) This Agreement becomes effective upon registration of its existence in the commercial register at the registered seat of First Sensor.

(3) This Agreement is concluded for an indefinite period. TE Connectivity may terminate this Agreement for convenience with a notice period of three months prior to the end of the fiscal year of First Sensor, but not earlier than as of the end of the fiscal year of First Sensor that ends at least five years (*Zeitjahre*) (60 months) after the beginning of the fiscal year in which the profit transfer obligation of First Sensor pursuant to § 2 para. 3 of this Agreement becomes effective. The termination for convenience for First Sensor is excluded.

(4) Each party may terminate this Agreement for cause (*aus wichtigem Grund*) without compliance with any notice period. § 297 para. 1 sent. 2 AktG remains unaffected.

(5) The parties to this Agreement are entitled to terminate this Agreement in particular, but without limitation to, if one of the following events occurs:

(a) TE Connectivity wegen einer Veräußerung der First Sensor-Aktien, einer Einbringung der First Sensor-Aktien in eine andere Gesellschaft oder eines anderen Grunds in der Hauptversammlung der First Sensor nicht mehr die Mehrheit der Stimmrechte zusteht;

(b) ein Rechtsformwechsel, eine Verschmelzung, Spaltung oder Liquidation einer der Vertragsparteien stattfindet.

(6) Im Fall einer fristlosen Kündigung aus wichtigem Grund endet dieser Vertrag mit dem Ablauf des in der Kündigung genannten Tags, frühestens jedoch mit Ablauf desjenigen Tags, an dem die Kündigung zugeht.

(7) Endet dieser Vertrag, hat TE Connectivity den Gläubigern der First Sensor nach Maßgabe des § 303 AktG Sicherheit zu leisten.

(8) Die Kündigung muss schriftlich erfolgen.

§ 8
Patronatserklärung

(1) Die TE Connectivity Ltd. mit Sitz in Schaffhausen, Schweiz ("**TE Ltd.**") hält mittelbar 100 % der Aktien an TE Connectivity. Die TE Ltd. hat in ihrer Eigenschaft als mittelbare Aktionärin, ohne diesem Vertrag als Vertragspartei beizutreten, die diesem Vertrag informationshalber als Anlage beigefügte Patronatserklärung abgegeben. Diese Patronatserklärung ist nicht Bestandteil dieses Vertrags.

(2) In dieser Patronatserklärung hat die TE

(a) TE Connectivity ceases to hold the majority of the voting rights in the general shareholders' meeting of First Sensor as a result of a disposal of First Sensor Shares, or a contribution of First Sensor Shares to another entity, or for another reason;

(b) a change in legal form, merger, demerger or liquidation of one of the parties to this Agreement.

(6) In the event of termination for cause without notice, this Agreement lapses at the end of the date stated in the notice of termination, provided that this date is no earlier than the day on which notice of termination is served.

(7) If the Agreement is terminated, TE Connectivity must furnish security to the creditors of First Sensor under the conditions set forth in § 303 AktG.

(8) Any notice of termination must be in writing.

§ 8
Comfort Letter

(1) TE Connectivity Ltd. with registered office in Schaffhausen, Switzerland ("**TE Ltd.**") indirectly holds 100% of the shares in TE Connectivity. TE Ltd. in its capacity as a indirect shareholder, without joining this Agreement as a party, has issued the comfort letter attached to this Agreement for information purposes. This comfort letter is not part of this Agreement.

(2) In this comfort letter TE Ltd. has

Ltd. sich uneingeschränkt und unwiderruflich verpflichtet, dafür Sorge zu tragen, dass TE Connectivity in der Weise finanziell ausgestattet wird, dass TE Connectivity stets in der Lage ist, alle ihre Verbindlichkeiten aus oder im Zusammenhang mit diesem Vertrag vollständig und fristgemäß zu erfüllen. Dies gilt insbesondere für die Pflicht zur Verlustübernahme nach § 302 AktG in seiner jeweils gültigen Fassung.

(3) Die Verpflichtung der TE Ltd. nach den beiden voranstehenden Sätzen führt nur dann zu einer Zahlungsverpflichtung, sobald und soweit konkret absehbar ist, dass TE Connectivity ihre Pflichten aus oder in Zusammenhang mit diesem Vertrag bei Fälligkeit nicht vollumfänglich wird erfüllen können. Die TE Ltd. steht nach dieser Patronatserklärung zudem den außenstehenden Aktionären der First Sensor gegenüber unwiderruflich und uneingeschränkt dafür ein, dass TE Connectivity alle ihnen gegenüber bestehenden Verpflichtungen aus oder im Zusammenhang mit diesem Vertrag, insbesondere zur Zahlung einer Garantiedividende, Ausgleichszahlung und Abfindung, vollständig und fristgemäß erfüllt. Insoweit steht den außenstehenden Aktionären der First Sensor ein eigener Anspruch nach § 328 Abs. 1 BGB gerichtet auf Zahlung an TE Connectivity aus der Patronatserklärung zu.

(4) Die Haftung der TE Ltd. gemäß den vorgenannten Absätzen aus der Patronatserklärung greift jedoch nur, soweit TE Connectivity ihre Verpflichtungen gegenüber den außenstehenden Aktionären der First Sensor aus oder im Zusammenhang mit diesem Vertrag nicht vollständig

committed itself unconditionally and irrevocably to ensure that TE Connectivity is financially in a position that TE Connectivity will always be able to fulfil all its obligations from or in connection with this Agreement in full and in due time. This applies in particular to the obligation to assume losses as set forth in § 302 AktG in its currently valid version.

(3) The obligation of TE Ltd. according to the two previous sentences will only lead to a payment obligation as soon as and to the extent it is precisely foreseeable that TE Connectivity will not be in a position to fulfil its obligations from or in connection with this Agreement in full when due. According to this comfort letter, TE Ltd. is irrevocably and unconditionally liable *vis-á-vis* the minority shareholders of First Sensor that TE Connectivity will timely fulfil all of its obligations towards them from or in connection with this Agreement in full, in particular the payment of a Guaranteed Dividend, Recurring Compensation Payment and the Compensation. In this respect, the outstanding shareholders of First Sensor are entitled to a claim in accordance with § 328 para. 1 BGB for payment against TE Connectivity under the comfort letter.

(4) The liability of TE Ltd. according to the aforementioned paragraphs from the comfort letter only applies, however, if TE Connectivity does not timely fulfil its obligations vis-á-vis the outstanding shareholders of First Sensor arising from or in connection with this

und fristgemäß erfüllt und die TE Ltd. ihrer vorstehenden Ausstattungspflicht nicht nachkommt.

Agreement timely and in full and if TE Ltd. does not fulfil its aforementioned obligation to put TE Connectivity in a position to fulfil its obligations.

§ 9
Schlussbestimmungen

§ 9
Miscellaneous

(1) Sollte eine Bestimmung dieses Vertrags oder eine künftig in ihn aufgenommene Bestimmung ganz oder teilweise unwirksam, undurchführbar oder nicht durchsetzbar sein oder werden, ist davon die Gültigkeit, Wirksamkeit und Durchsetzbarkeit der übrigen Bestimmungen nicht berührt. Anstelle der unwirksamen, undurchführbaren oder nicht durchsetzbaren Bestimmung gilt eine wirksame, durchführbare und durchsetzbare Bestimmung, die dem wirtschaftlich Gewollten und dem mit der unwirksamen, undurchführbaren oder nicht durchsetzbaren Bestimmung Bezweckten im Rahmen des rechtlich Zulässigen am nächsten kommt. Entsprechendes gilt für den Fall einer unbeabsichtigten Lücke dieses Vertrags. Die Parteien vereinbaren, dass durch das Vorstehende nicht nur eine Beweislastumkehr eintritt, sondern auch die Anwendbarkeit des § 139 BGB ausgeschlossen ist.

(1) Should any present or future provision of this Agreement be or become invalid, ineffective or unenforceable as a whole or in part, the validity, effectiveness and enforceability of the remaining provisions shall not be affected thereby. Any such invalid, ineffective or unenforceable provision shall be deemed replaced by such valid, effective and enforceable provision (within the framework of what is legally permissible) as comes closest to the economic intent and the purpose of such invalid, ineffective or unenforceable provision. The aforesaid shall apply analogously to any unintended gap in this Agreement. The parties agree that the aforesaid shall not only reverse the burden of proof but that the application of § 139 BGB shall be excluded in its entirety as well.

(2) Zur Auslegung dieses Vertrags sind die ertragsteuerlichen Bestimmungen für die Anerkennung einer Organschaft, insbesondere §§ 14-19 KStG in deren jeweils geltender Fassung, zu berücksichtigen.

(2) When construing this Agreement, the income tax provisions for recognition of a fiscal unity, especially §§ 14-19 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz*), as amended from time to time, shall be taken into account.

(3) Die Parteien erklären ausdrücklich, dass dieser Vertrag keine rechtliche Einheit (§ 139 BGB) mit anderen Rechtsgeschäf-

(3) The parties explicitly declare that this Agreement is not intended to form a legal unity (§ 139 BGB) with other le-

ten oder Vereinbarungen, die zwischen den Parteien getätigt oder abgeschlossen wurden oder werden, bildet oder bilden soll.

(4) Änderungen und Ergänzungen dieses Vertrags bedürfen zu ihrer Wirksamkeit der Schriftform. Dies gilt insbesondere auch für diese Schriftformklausel. Im Übrigen gilt § 295 AktG.

(5) Soweit rechtlich zulässig, ist Berlin Erfüllungsort für die beiderseitigen Verpflichtungen aus diesem Vertrag sowie ausschließlicher Gerichtsstand.

(6) Nur der deutsche Text dieses Vertrags ist rechtsverbindlich. Der englische Text ist nicht Teil des Vertrags und nur eine unverbindliche Übersetzung.

gal transactions or agreements which are or will be concluded and/or effected between the parties.

(4) Amendments and supplements to this Agreement must be in writing to be effective. This specifically applies to this clause requiring written form as well. § 295 AktG applies.

(5) As far as legally permissible, Berlin is the place of performance for reciprocal obligations and the exclusive legal venue.

(6) Only the German text of this Agreement is legally binding. The English text is not part of this Agreement and a non-binding convenience translation only.

First Sensor AG

Der Vorstand / The Management Board

Berlin, den 14. April 2020 / the 14 April 2020

Dr. Dirk Rothweiler	Marcus Resch
Vorstandsvorsitzender	Vorstand Finanzen
Chairman of the Management Board / CEO	*Member of the Management Board / CFO*

TE Connectivity Sensors Germany Holding AG

Der Vorstand / Management Board

Bensheim, den 14. April 2020 / the 14 April 2020

Jörg Mann
Mitglied des Vorstands
Member of the Management Board

Erik Olsson
Mitglied des Vorstands
Member of the Management Board

[Signature page domination and profit and loss transfer agreement]

Anlage / Attachment:

Patronatserklärung der TE Connectivity Ltd. / Comfort letter by TE Connectivity Ltd.

Patronatserklärung

Die TE Connectivity Sensors Germany Holding AG, Ampèrestraße 12-14, 64625 Bensheim, Deutschland, eingetragen im Handelsregister des Amtsgerichts Darmstadt unter HRB 99155 („**TE Connectivity**“) beabsichtigt, einen Beherrschungs- und Gewinnabführungsvertrag („**Vertrag**“) mit der First Sensor AG, Peter-Behrens-Straße 15, 12459 Berlin, Deutschland, eingetragen im Handelsregister des Amtsgerichts Berlin-Charlottenburg unter HRB 69326 („**First Sensor**“) abzuschließen, mit der First Sensor als beherrschtem und zur Gewinnabführung verpflichtetem Unternehmen. Die TE Connectivity Ltd. mit Sitz in Schaffhausen, Schweiz („**TE Ltd.**“) hält mittelbar 100 % der Aktien an TE Connectivity. Die TE Ltd. gibt hiermit folgende Erklärungen ab, ohne dem Vertrag als Partei beizutreten:

(1) Die TE Ltd. verpflichtet sich uneingeschränkt und unwiderruflich dafür Sorge zu tragen, dass die TE Connectivity in der Weise finanziell ausgestattet wird, dass die TE Connectivity stets in der Lage ist, alle ihre Verbindlichkeiten aus oder im Zusammenhang mit dem Vertrag vollständig und fristgemäß zu erfüllen. Dies gilt insbesondere für die Pflicht zur Verlustübernahme nach § 302 AktG in seiner jeweils gültigen Fassung. Die Verpflichtung der TE Ltd. nach den beiden voranstehenden Sätzen führt nur dann zu einer Zahlungsverpflichtung, sobald und soweit konkret absehbar ist, dass die TE Connectivity ihre Pflichten aus oder in Zusammenhang mit dem Vertrag bei Fälligkeit nicht vollumfänglich wird erfüllen können.

(2) Die TE Ltd. steht den außenstehenden Aktionären der First Sensor gegenüber

Comfort letter

TE Connectivity Sensors Germany Holding AG, Ampèrestraße 12-14, 64625 Bensheim, Germany, registered in the commercial register of the Local Court of Darmstadt under HRB 99155 (“**TE Connectivity**”) intends to enter into a domination and profit and loss transfer agreement (“**Agreement**”) with First Sensor AG, Peter-Behrens-Straße 15, 12459 Berlin, Germany, registered with the commercial register of the Local Court of Berlin-Charlottenburg under HRB 69326 (“**First Sensor**”), with First Sensor as the dominated company obliged to transfer profits. TE Connectivity Ltd. with registered office in Schaffhausen, Switzerland (“**TE Ltd.**”) indirectly holds 100% of the shares in TE Connectivity. TE Ltd. hereby declares the following without joining the Agreement as party:

(1) TE Ltd. commits itself unconditionally and irrevocably to ensure that TE Connectivity is financially equipped in such a way that TE Connectivity is always able to completely and timely fulfill all its liabilities arising from or in connection with the Agreement. This applies in particular to the obligation to balance losses in accordance with § 302 AktG in its currently valid version. The obligation of TE Ltd. according to the two previous sentences only leads to a payment obligation as soon as and as far as it is concretely foreseeable that TE Connectivity will not be able to fully meet its obligations from or in connection with the Agreement when due.

(2) TE Ltd. is unconditionally and irrevocably liable to the minority sharehold-

uneingeschränkt und unwiderruflich dafür ein, dass die TE Connectivity alle ihnen gegenüber bestehenden Verpflichtungen aus oder im Zusammenhang mit dem Vertrag, insbesondere zur Zahlung einer Garantiedividende, Ausgleichszahlung und Abfindung, vollständig und fristgemäß erfüllt. Insoweit steht den außenstehenden Aktionären der First Sensor ein eigener Anspruch nach § 328 Abs. 1 BGB gerichtet auf Zahlung an die TE Connectivity zu. Die Haftung der TE Ltd. gemäß den beiden vorgenannten Sätzen greift jedoch nur, soweit die TE Connectivity ihre Verpflichtungen gegenüber den außenstehenden Aktionären der First Sensor aus oder im Zusammenhang mit dem Vertrag nicht vollständig und fristgemäß erfüllt und soweit TE Ltd. ihrer Ausstattungsverpflichtung nach Ziffer 1 dieser Patronatserklärung nicht nachkommt.

(3) Diese Patronatserklärung unterliegt dem Recht der Bundesrepublik Deutschland. Die TE Ltd. unterwirft sich soweit rechtlich zulässig für Streitigkeiten und Ansprüche aus oder im Zusammenhang mit dieser Patronatserklärung der Zuständigkeit der deutschen Gerichte und der örtlichen Zuständigkeit der Gerichte in Berlin. Die TE Ltd. erkennt die Vollstreckbarkeit rechtskräftiger Entscheidungen deutscher Gerichte in diesem Zusammenhang an. Zustellungsbevollmächtigter der TE Ltd. in Deutschland für die Geltendmachung von Ansprüchen aus oder im Zusammenhang mit dieser Patronatserklärung ist die TE Connectivity, Ampèrestraße 12-14, 64625 Bensheim, Deutschland.

ers of First Sensor that TE Connectivity will fulfil all of its obligations *vis-á-vis* them arising from or in connection with the Agreement in full and timely, in particular the payment of a guaranteed dividend, recurring compensation payment and the compensation. In this respect, the minority shareholders of First Sensor are entitled to a claim for payment *vis-á-vis* TE Connectivity according to § 328 para. 1 BGB. However, the liability of TE Ltd. according to the two aforementioned only applies if TE Connectivity does not fulfil its obligations *vis-á-vis* the minority shareholders of First Sensor arising from or in connection with the Agreement in full and timely and if TE Ltd. does not fulfil its obligation to put TE Connectivity in a position to fulfil its obligations in accordance with clause (1) of this comfort letter.

(3) This comfort letter is subject to the law of the Federal Republic of Germany. TE Ltd. submits itself to the jurisdiction of German courts and to the local jurisdiction of the Berlin courts for any disputes and claims arising from or in connection with this comfort letter. TE Ltd. acknowledges the enforceability of final and binding decisions of German courts in this context. The authorized recipient of TE Ltd. in Germany for the legal assertion of claims from or in connection with this comfort letter is TE Connectivity, Ampèrestraße 12-14, 64625 Bensheim, Germany.

Im Namen der TE Connectivity Ltd. / On behalf of TE Connectivity Ltd.

Ort / Place: Schaffhausen, Schweiz / Switzerland

Datum / Date: 13. April 2020 / 13 April 2020

Harold G. Barksdale

Vice President

Im Namen der TE Connectivity Ltd. / On behalf of TE Connectivity Ltd.

Ort / Place: Schaffhausen, Schweiz / Switzerland

Datum / Date: 13. April 2020 / 13 April 2020

____

Mario Calastri

Senior Vice President

Annex 3

Decision of the Berlin Regional Court (*Landgericht*) of 22 January 2020 on the appointment of ADKL AG Wirtschaftsprüfungsgesellschaft, Breite Straße 29-31, 40213 Düsseldorf, Germany, as expert auditor (contract auditor) for the purposes of section 293b(1) AktG

– Convenience translation –

102 AR 1/20 AktG

LANDGERICHT (REGIONAL COURT) BERLIN
DECISION

In the proceedings

pursuant to section 293 para. 1 sent. 1 and 2 of the German Stock Corporation Act (***AktG***)

regarding

First Sensor AG,

at the request of

1) First Sensor AG, represented by its management board,
Peter-Behrens-Straße 15, 12459 Berlin,
– Applicant –

2) TE Connectivity Sensors Germany Holding AG, represented by its management board, Ampèrestraße 12-14, 64625 Bensheim
– Applicant –

the Regional Court of Berlin – Chamber for Commercial Matters 102 – acting through the Presiding Judge at the Regional Court Pade, ordered on 22 January 2020:

ADKL AG Wirtschaftsprüfungsgesellschaft
Breite Straße 29-31, 40213 Düsseldorf,

shall be appointed as joint auditor to conduct the audit regarding the adequacy of the compensation under the planned domination and profit and loss transfer agreement between the aforementioned companies.

According to the declaration of 22 January 2020 submitted to the Court, the auditor fulfills the requirements of section 293d para. 1 AktG and, in particular, is not excluded from auditing activities pursuant to section 319 para. 2 and 3 of the German Commercial Code (***HGB***).

The auditor is not entitled to derive any claims for reimbursement of fees and/or expenses against the State of Berlin from the appointment.

The Applicants shall bear the costs of the appointment proceedings based on a proceedings value of EUR 20,000.00.

Information on legal remedy:

The decision is subject to an immediate appeal (hereinafter ***Appeal***).

The Appeal must be submitted within a period of two weeks at:

> Regional Court Berlin
> Littenstraße 12-17
> 10179 Berlin

or

> Kammergericht
> Elßholzstraße 30-33
> 10781 Berlin

The period commences with the written announcement of the decision. If the written announcement is made by service in accordance with the provisions of the German Code of Civil Procedure (***ZPO***), the date of service shall be relevant. If the written announcement is made by postal service and the announcement shall be made in Germany, the document is deemed to have been announced 3 days after posting unless the relevant party is able to make plausible that it did not receive the document or that it was received at a later date. If written announcement to a party cannot be effected, the period shall commence at the latest 5 months after the adoption of the decision. If the period ends on a Sunday, a public holiday or Saturday, the period shall end at the end of the next working day.

If the prerequisites for an action for annulment or restitutions are given, the Appeal may also be submitted after expiry of the mentioned period within the time period limits applicable to such actions.

The Appeal shall be submitted by filing a notice of appeal or for the records of the office. The Appeal may be entered in the records of another district court; however, the time limit for submission of an Appeal is met only if the records are received in time by one of the courts where the Appeal is to be submitted. The notice of Appeal or the records of the office shall be signed by the appellant or his representative.

The notice of Appeal must contain a reference to the contested decision and a statement that an Appeal is being submitted against that decision.

The Appeal must be substantiated.

Appeals may also be filed as an electronic document. A simple email does not meet the legal requirements.

The electronic document must

- be provided with a qualified electronic signature of the responsible person, or

- be signed by the person responsible and submitted via a secure transmission channel.

An electronic document that is signed with a qualified electronic signature of the responsible person may be submitted as follows:

- via a secure transmission channel; or

- to the electronic court and administrative inbox (EGVP) set up for the receipt of electronic documents.

Regarding secure transmission channels reference is made to section 130a para. 4 ZPO. Regarding the further requirements for electronic communication with the courts, reference is made to the Ordinance on the Technical Framework Conditions for Electronic Legal Transactions and on the Special Electronic Mailbox for Authorities (ERVV) in version currently valid as well as to the website www.justiz.de.

Pade

Presiding Judge of the Regional Court

For the correctness of the transcript:

Berlin, 27 January 2020

Schumann, JBesch

Registrar of the office

Certified by machine-process

- Valid without signature

Annex 4

Expert opinion by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bernhard-Wicki-Straße 8, 80636 Munich, Germany, of 9 April 2020 on the determination of the business value of First Sensor AG as of 26 May 2020

Expert Opinion

on the business value of

First Sensor AG,
Berlin,

and on determining the appropriate cash compensation as well as the appropriate recurring compensation payment as of the date of the resolving general shareholders' meeting on the occasion of the planned conclusion of a Domination and Profit and Loss Transfer Agreement pursuant to § 291(1) German Stock Corporation Act between TE Connectivity Sensors Germany Holding AG, Bensheim, and First Sensor AG, Berlin

as per valuation date of 26 May 2020

This English version serves only as an explanatory note and shall not be signed by us. In case of any inconsistencies between the German and English version of our expert opinion, the German version shall prevail.

Assignment: 0.0837508.001

pwc

Table of contents page

Table of contents page

Appendix

General engagement terms dated 1 January 2017

This English version serves only as an explanatory note and shall not be signed by us.

In case of any inconsistencies between the German and English version of our expert opinion, the German version shall prevail.

Rounding differences may occur in the amount of one unit (€, % etc.).

Abbreviations

AB	Aktiebolag; Swedish legal form of a stock corporation
ADAS	Driver Assistance Systems
AG	Stock corporation (also: joint-stock company)/Aktiengesellschaft
AktG	German Stock Corporation Act/Aktiengesetz
Americas	North, Central and South America
ams	ams AG, Premstaetten/Austria
APAC	Asia, Australia and Oceania
approx.	approximately
BGH	Federal Court of Justice/Bundesgerichtshof
BGHZ	Decisions of the Federal Court of Justice in Civilian Matters/Entscheidungen des Bundesgerichtshofes in Zivilsachen
BIS	BIS Research Inc., Fremont/USA
Bloomberg	Bloomberg L.P., New York/USA
BVerfG	Federal Constitutional Court/Bundesverfassungsgericht
CAGR	Compound Annual Growth Rate, calculated geometrically
cf.	confer
Corp.	Corporation; Canadian legal form of a stock corporation
CTS	CTS Corporation, Lisle/USA
DACH Region	Germany, Austria, Switzerland and Liechtenstein
DCF	Discounted Cash Flow
Deutsche Bundesbank	German Federal Bank
e.g.	Exempli gratia, for example
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
EBT	Earnings before Tax
Elmos	Elmos Semiconductor AG, Dortmund
EMEA	Europe, Middle East and Africa
ESSC	European Sensor Systems Cluster
EStG	Income Tax Act/Einkommensteuergesetz
et seq.	and the following
EU	European Union
EUR	Euro

EV	Enterprise Value
FAUB	Committee for Enterprise Assessment and Management/Fachausschuss für Unternehmensbewertung und Betriebswirtschaft des IDW
First Sensor	First Sensor AG, Berlin
First Sensor Corp.	First Sensor Corp., Montreal/Canada
First Sensor France	First Sensor France S.A.S., Paris/France
First Sensor Group	First Sensor AG, Berlin, together with its direct and indirect subsidiaries
First Sensor Inc.	First Sensor Inc., Westlake Village/USA
First Sensor Lewicki	First Sensor Lewicki GmbH, Oberdischingen
First Sensor Microelectronic Packaging	First Sensor Microelectronic Packaging GmbH, Dresden
First Sensor Mobility	First Sensor Mobility GmbH, Dresden
First Sensor Scandinavia	First Sensor Scandinavia AB, Kungens Kurva/Sweden
First Sensor Singapore	First Sensor Singapore (FSG) Pte. Ltd., Singapore
First Sensor Technics	First Sensor Technics Ltd., Shepshed/Great Britain
FY	Financial year
GDP	Gross Domestic Product
GmbH	Company with limited liability/Gesellschaft mit beschränkter Haftung
GmbH & Co. KG	Company with limited liability and limited partnership/ Gesellschaft mit beschränkter Haftung und Compagnie Kommanditgesellschaft
HGB	German commercial code/Handelsgesetzbuch
HRB	Commercial register Department B/Handelsregister Abteilung B
i.e.	Id est, that is
IAS	International Accounting Standards
ICs	Integrated Circuits
ifo	ifo Institute for Economic Research, e. V., Munich/ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München e. V., Munich
IDW	Institute of Public Auditors in Germany, e.V., Duesseldorf/ Institut der Wirtschaftsprüfer in Deutschland e.V., Duesseldorf
IDW S 1 as amended in 2008	Principles for the performance of business valuation of the Institute of Public Auditors in Germany, e.V. as amended in 2008
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards

IMF	International Monetary Fund, Washington, D.C./USA
Inc.	Incorporated
IoT	Internet of Things
ISIN	International Securities Identification Number
ISO	International Organisation for Standardisation
IT	Information Technology
Keyence	Keyence Corporation, Osaka/Japan
Klay Instruments	Klay Instruments B. V., Dwingeloo/Netherlands
KStG	German Corporate Tax Code/Körperschaftsteuergesetz
LLC	Limited Liability Company
Ltd.	Limited company
Majority Shareholder	TE Connectivity Sensors Germany Holding AG, Bensheim
Melexis	Melexis NV, Ieper/Belgium
MEMS	Micro-electro-mechanical systems
Moody’s	Moody’s Corporation, New York/USA (a rating agency)
No.	Number
N.V.	Naamloze Vennootschap; Dutch legal form of a stock corporation
NV	Belgian legal form of a stock corporation
p.a.	per annum
para.	paragraph
PER	Price-earnings ratio
plc	Public Limited Company
PwC	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main
ref.	Reference
S.A.S.	Société par Actions Simplifiée; French legal form of a stock corporation
S.à.r.l.	Société à Responsabilité Limitée; Luxembourg, a legal form of a limited liability company
S&P Global Market Intelligence	S&P Global Market Intelligence LLC (previously S&P Capital IQ), a division of S&P Global Inc., New York/USA
SAM3	Sensors and Analytics for Mobility and Memory
SARS	Severe Acute Respiratory Syndrome
Sensata Technologies	Sensata Technologies Holding plc, Attleboro/USA

Sensortechnics-Gruppe	Sensortechnics GmbH, Puchheim, and its subsidiaries
STMicroelectronics	STMicroelectronics N.V., Geneva/Switzerland
SVR	German Council of Economic Experts (in German: Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung)
Tax CAPM	Tax Capital Asset Pricing Model
TE Connectivity	TE Connectivity Sensors Germany Holding AG, Bensheim
TE Connectivity Ltd.	TE Connectivity Ltd., Schaffhausen/Switzerland
TE Group S.A.	Tyco Electronics Group S.A., Luxembourg/Luxembourg
The company	First Sensor AG, Berlin
us	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main
USA	United States of America
USD	US Dollar
Vishay	Vishay Precision Group, Inc., Malvern/USA
we	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main
WKN	Security Identification Number/Wertpapierkennnummer
WLTP	Worldwide Harmonised Light Vehicle test Procedure
WpÜG-AngVO	German Securities Acquisition and Takeover Act – Offer Ordinance/ Wertpapierübernahmegesetz-Angebotsverordnung

A. Engagement and scope of work

1. TE Connectivity Sensors Germany Holding AG, Bensheim ("TE Connectivity" or "majority shareholder") and First Sensor AG, Berlin, ("First Sensor" or "the company"; together with its direct and indirect subsidiaries also "First Sensor Group") jointly mandated us, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich ("PwC", "us" or "we") to prepare an expert opinion on the objectified business value of First Sensor as well as to determine an adequate cash compensation pursuant to § 305 German Stock Corporation Act ("AktG") and an adequate recurring compensation payment pursuant to § 304 AktG.

2. The reason for this valuation is the intended conclusion of a domination and profit and loss transfer agreement in accordance with § 291 (1) AktG between TE Connectivity and First Sensor. The expert opinion regarding the business value of First Sensor Group serves as a basis to determine the adequate cash compensation pursuant to § 305 AktG and the adequate recurring compensation payment pursuant to § 304 AktG for the minority shareholders of First Sensor.

3. In accordance with § 293 (1) AktG, the domination and profit and loss transfer agreement is subject to approval by the general shareholders' meeting of First Sensor, as well as approval by the general shareholders' meeting of TE Connectivity by resolution in accordance with § 293 (2) AktG. The valuation date is the date of the ordinary general shareholders' meeting of First Sensor at which the resolution will be proposed and which is scheduled for 26 May 2020.

4. We conducted our work from January till April 2020 in PwC offices in Frankfurt am Main and Munich as well as on the business premises of First Sensor in Berlin. Our valuation is primarily based on the following documents that were made available to us:

   - Consolidated financial statements of First Sensor in accordance with International Financial Reporting Standards ("IFRS") for the financial years 2017, 2018 and 2019 as well as the audit reports on the audited and unqualified IFRS consolidated financial statements and management reports of First Sensor for the financial years 2017, 2018 and 2019.

   - Audit reports of major subsidiaries of First Sensor for the financial years 2017 and 2018,

   - Audited financial statements of other First Sensor subsidiaries for the financial years 2017 and 2018,

   - Consolidated business plan of the First Sensor Group for the financial years 2020 to 2022, from January 2020 ("business plan"),

   - Due to the coronavirus crisis prepared forecasting of First Sensor Group' business for the financial years 2020 to 2022 ("forecasting"),

- Company planning of key profit and loss account figures for the major subsidiaries of First Sensor for the financial years 2020 to 2022,
- Documents regarding the identification and indicative quantification of synergy potentials provided by TE Connectivity,
- Other documents and information relevant to the valuation procedure as well as the inspection of minutes of supervisory board meetings and management board meetings of First Sensor for the previous three financial years.

5. Further information was provided to us by the Management Board of First Sensor and employees nominated by the board. The Management Board of TE Connectivity as well as the Management Board of First Sensor provided us with a written statement on 9 April 2020 that all material information and explanations given to us in connection with the preparation of our expert opinion are both complete and correct.

6. A major focus of our analysis was to verify the plausibility of the financial planning figures. We have not conducted individual audits in accordance with §§ 316 et. seq. HGB. These were not part of our engagement.

7. We have followed the principles for the performance of business valuations approved by the Institut der Wirtschaftsprüfer in Deutschland e.V., Duesseldorf (Institute of Public Auditors in Germany, e.V., Duesseldorf; hereinafter "IDW") on 2 April 2008 which set out in the "Principles for the Performance of Business Valuations (IDW S 1 as amended in 2008)" (hereinafter: "IDW S 1 as amended in 2008") in its current version. We have determined the objectified business value of the First Sensor in the capacity of a neutral expert in accordance with these principles.

8. The expert opinion was prepared exclusively for the internal use by the engaging parties as well as for the purposes of usage for the contractual report to be issued by the contractual parties. Internal use also includes information of the contract parties and publication in connection with the upcoming ordinary general shareholders' meeting of First Sensor. In addition, the expert opinion can be used in connection with a possible subsequent legal procedure as well as for the reference required by the court appointed auditor within the scope of the verification of appropriateness of the cash compensation and recurring compensation payment in accordance with § 293b (1) AktG. The expert opinion may not be published, duplicated or used for any purposes other than the abovementioned. Without our prior written consent, the expert opinion may not be forwarded to third parties for any purposes other than the abovementioned. Consent will not be denied for undue reasons.

9. This valuation and our responsibilities, including responsibilities towards third parties, are governed by the "General Engagement Terms" as of 1 January 2017, which are attached to this expert opinion.

B. Principles and methods of valuation

I. Basics of the valuation

10. According to IDW S 1 as amended in 2008, the value of a business is determined by future benefits that a business will generate based on the key success factors inherent to the business at the time of the valuation. These key success factors comprise e.g. products, market position, internal organization, management, employees as well as the innovative capacity of the business. Under the assumption that merely financial objectives are being pursued, the value of a business is determined by its capacity to generate financial surpluses for the shareholders through the combination of all factors that influence the earnings potential.

11. The value of a business may be determined by either the discounted earnings method or the discounted cash flow method. Both methods are basically equivalent since they share the same theoretical foundation (net present value calculation) and will lead to identical results, given the same financing assumptions (and, therefore, the same net earnings accruing to shareholders). In the present case we relied on the discounted earnings method to determine the business value of the First Sensor Group.

12. Both methods first determine the present value of the financial surpluses generated by the assets essential for the business (operating assets). Assets (including liabilities) that could be separated from the business and sold without affecting the actual purpose of the business are classified as non-operating assets and valued separately. Therefore, the value of a business generally equals the sum of the present values of financial surpluses that can be derived from the operating and non-operating assets.

13. Predicting future cash flows is the core issue of every business valuation process. Usually, historic profitability is used for plausibility check. During the valuation process, only such financial surpluses should be considered that result from specific measures that have already been initiated, or that originate from a documented and sufficiently substantiated business concept as of the valuation date. If the earnings prospects are different in the future for reasons inherent to the company or due to changed market or competitive conditions, all identifiable differences must be considered.

14. The principles in the position paper IDW S 1 as amended in 2008 differentiate between real synergies and pseudo synergies. The real synergies are able to be realized exclusively by cooperation between specific businesses on the basis of specific characteristics or taking into account the effects of the surpluses which can be generated from the circumstances constituting the reason for the valuation, while pseudo synergies can be implemented with a virtually unlimited number of partners or without taking into account the circumstances constituting the reason for the valuation. The real

synergies would thus include measures that could not be implemented without concluding the domination and profit and loss transfer agreement. Pseudo synergies, on the other hand, include the anticipated synergies from measures which could be realized without the abovementioned agreement. Only these synergies, as far as they can be allocated to the valuation object, are to be considered in the valuation.

15. In determining the value of a business, it is generally assumed that all available financial surpluses resulting from a documented business concept as of the valuation date will be distributed, considering any applicable legal restrictions. When determining the net earnings to shareholders, retained earnings as well as their use must be considered.

16. In order to value a business, the projected future financial surpluses need to be discounted to the valuation date using an appropriate interest rate (discount rate). This discount rate serves to measure the series of expected financial surpluses against a potential alternative investment.

17. Due to the relevance of personal income taxes to the business value, it is necessary to characterize the tax situation of shareholders in the framework of objectified business valuations. In case of legally and contractually motivated valuations in the sense of IDW S 1 as amended in 2008, the characterization is based on the tax situation of a domestic taxpayer that is subject to full taxation, in accordance with long-standing valuation practice and German jurisdiction. To this end, appropriate assumptions regarding personal tax charge on net earnings generated by the company being valued as well as regarding alternative investment return must be made.

18. If it is more advantageous to sell all operating and non-operating assets separately rather than continue business operations, the valuation must be based on the liquidation value of the business unless this is not possible due to legal or factual limitations. In order to verify whether the liquidation value exceeds the business value, the liquidation value of First Sensor Group was roughly determined as of the valuation date and compared with the business value calculated by us using the discounted earnings method.

19. In the context of business valuations, the net asset value is principally not considered.

20. The valuation procedures and frameworks explained above are accepted in both theory and practice and are acknowledged in the jurisdiction.

II. Appropriate cash compensation pursuant to § 305 AktG

21. Among other things, a domination and profit and loss transfer agreement must include the obligation of the majority shareholder to acquire the shares of a minority shareholders upon request in return for an appropriate cash compensation defined in the agreement (§ 305 (1) AktG). In the present case, the draft of the domination and profit and loss transfer agreement proposes a cash compensation (§ 305 (2) no. 3 AktG).

22. According to the knowledge of business administration, jurisdiction (cf. 'Bundesverfassungsgericht' (German Federal Constitutional Court; hereinafter "BVerfG") decision dated 27 April 1999 1BvR 1613/94; DB 1999, page 1695) and the valuation practice, the business value is the correct basis for determining the cash compensation as in § 305 AktG. Accordingly, the relevant business value is the value derived with a total valuation technique (and not by calculating the sum of the individual assets forming the business). This is in line with the postulate of cash compensation at the full value of the investments developed by the jurisdiction. Therefore, the business value of First Sensor is to be determined including all its subsidiaries.

23. When determining the cash compensation for shares of a listed company, share price as fair value of a share must be considered. Whether the share price reflects the fair value of the share must be examined on a case-by-case basis. In particular, if only a few shares are in free float and/ or only a small number of shares is traded, it is not necessarily possible to infer a generally applicable fair value from the prices of individual sales.

III. Appropriate recurring compensation payment pursuant to § 304 AktG

24. Pursuant to § 304 (1) sentence 1 AktG, a domination and profit and loss transfer agreement must provide a reasonable offset for the minority shareholders by means of a recurring cash payment related to their shares in the share capital (recurring compensation payment). According to § 304 (2) sentence 1 AktG, at least the annual payment per share, which could probably be distributed as an average profit per share according to the previous earnings situation of the company and its future earnings prospects under consideration of appropriate depreciations and fair value adjustments, however without a retention of other profits, should be assured as recurring compensation payment.

25. The forecast-oriented discounted earnings value portrays the payments between the company and its shareholders under consideration of interest effects. For companies with positive annual results, these are the expected dividend payments to shareholders. In order to stabilize the annual recurring compensation payment, the legislative body does not relate the payment obligation to the expected income that varies year by year, but rather refers to an average amount per share that could potentially be distributed. This average amount should therefore include performance fluctuations in the calculations but smooth these fluctuations over a uniform average amount.

C. Description of the valuation object

I. Legal characteristics

1. Legal situation

26. First Sensor, headquartered in Berlin, is a listed German stock corporation ("Aktiengesellschaft") and is recorded in the commercial register at the Berlin-Charlottenburg district court under HRB 69326.

27. According to the current articles of association of First Sensor, the development, production and distribution of sensor systems of all kinds and of electronic components in Germany or overseas are the purpose of First Sensor. The product spectrum ranges from sensor chips and -components to microelectronic packaging and interconnection technology products ('ATV'), which integrate the sensor components for customers' more advanced applications.

28. First Sensor is entitled to take all appropriate measures to serve the purpose of the company. Furthermore, the company is entitled to set up branch offices in Germany and overseas, to conclude business purpose and to participate in other companies.

29. The financial year of First Sensor corresponds to the calendar year.

30. The share capital of First Sensor amounts to EUR 51,346,980.00 and is divided into 10,269,396 no-par value shares, with each share representing a nominal value of EUR 5.00 of the share capital. First Sensor does not hold any treasury shares.

31. The Management Board of First Sensor is authorized, given the approval of the Supervisory Board, to increase the share capital of First Sensor on one or more occasions until 27 May 2020 by up to a total of EUR 25,379,150.00 through the issuance of up to 5,075,830 new no-par value bearer shares against a consideration in cash or in kind (Authorized Capital 2015/I). The shareholders are to be granted a subscription right, whereas this grant may also be made indirectly in accordance with § 186 (5) AktG. However, the Management Board of First Sensor is authorized, given the approval of the Supervisory Board, to exclude the subscription right of shareholders in specific cases, either in whole or in part.

32. The share capital of the company is conditionally increased by up to EUR 19,000,000.00 through the issuance of up to 3,800,000 new no-par value shares. This conditional capital increase serves exclusively to grant new shares to the holders of conversion and option rights. The new shares carry dividend rights from the beginning of the financial year in which the conversion or option rights are exercised, provided that the general shareholders' meeting has not yet decided on the appropriation of the balance sheet profit (Conditional Capital 2017/II).

33. Furthermore, the share capital of the company is increased nominally by up to EUR 190,000.00 through the issuance of up to 38,000 new no-par value shares. This conditional capital increase will only be carried out to the extent that holders of subscription rights who have acquired their subscription rights under a stock option plan exercise these subscription rights. These shares are entitled to participate in profits from the beginning of the financial year in which they are issued. The shares are issued at an exercise price of EUR 15.00 per share (Conditional Capital 2013/I).

34. In addition, the company's share capital is conditionally increased by up to a nominal of EUR 1,200,000.00 through the issuance of up to 240,000 new no-par value shares. This conditional capital increase will only be carried out to the extent that holders of subscription rights who have acquired their subscription rights under the "Stock Option Plan 2017/I" make use of these rights and the company does not deliver own treasury shares. These shares are entitled to participate in profits from the beginning of the financial year in which they are issued, provided that the general shareholders' meeting has not yet decided on the appropriation of the balance sheet profit (Conditional Capital 2017/I).

35. The share capital of the Company is also conditionally increased by up to a nominal of EUR 2,600,000.00 through the issuance of 520,000 new no-par value shares. This conditional capital increase will only be carried out to the extent that holders of subscription rights who have acquired their subscription rights under the "Stock Option Plan 2016/II" make use of these rights and the company does not deliver own treasury shares. These shares are entitled to participate in profits from the beginning of the financial year in which they are issued, provided that the general shareholders' meeting has not yet decided on the appropriation of the balance sheet profit (Conditional Capital 2016/II).

36. The Management Board is authorized pursuant to § 71 (1) no. 8 AktG to acquire treasury shares in the amount of up to 10% of the share capital.

37. First Sensor shares are currently traded on the Frankfurt Stock Exchange in the regulated market (Prime Standard) under the International Securities Identification Number ("ISIN") DE0007201907 and under the German Securities Identification Number ("WKN") 720190 in the electronic trading system Xetra. In addition, First Sensor shares are included in the outside markets of the stock exchanges in Berlin, Duesseldorf, Hamburg, Munich and Stuttgart, and are also traded via Tradegate Exchange.

38. 71.87% of the issued shares of First Sensor have been tendered to TE Connectivity in a voluntary public tender offer until 19 September 2019 at a price of EUR 28.25 per share. A total of 6,900,603 First Sensor shares (corresponding to 67.47% of the share capital) were acquired from the shareholders of FS Technology Holding S.à.r.l., Luxembourg/Luxembourg, Gerlin N.V., Torhout/Bel-

gium, Midlin N.V., Maarsbergen/Netherlands, as well as another company acting on behalf of various First Sensor shareholders and Marc de Jong under irrevocable tender agreements. The takeover bid was completed on 12 March 2020.

39. The shareholder structure of First Sensor upon completion of our valuation is shown below:

First Sensor AG - Shareholder Structure

Shareholder	Number of shares	Share in share capital in EUR	Share in share capital in %
TE Connectivity	7,380,905	36,904,525	71.87%
John Addis (including the shares held by FourWorld Capital Management LLC and FourWorld Global Opportunities Fund, Ltd)	546,388	2,731,940	5.32%
Free float	2,342,103	11,710,515	22.81%
Total	**10,269,396**	**51,346,980**	**100.00%**

Source: First Sensor Group.

40. Upon completion of our valuation TE Connectivity owns 7,380,905 shares of First Sensor. This corresponds to a share of EUR 36,904,525.00 or 71.87% of the company's share capital.

41. TE Connectivity notified the Management Board of First Sensor on 10 December 2019 that it is seeking to conclude a domination and profit and loss transfer agreement between TE Connectivity and First Sensor. The ordinary general shareholders' meeting of First Sensor on 26 May 2020 will decide on the domination and profit and loss transfer agreement.

2. Company structure

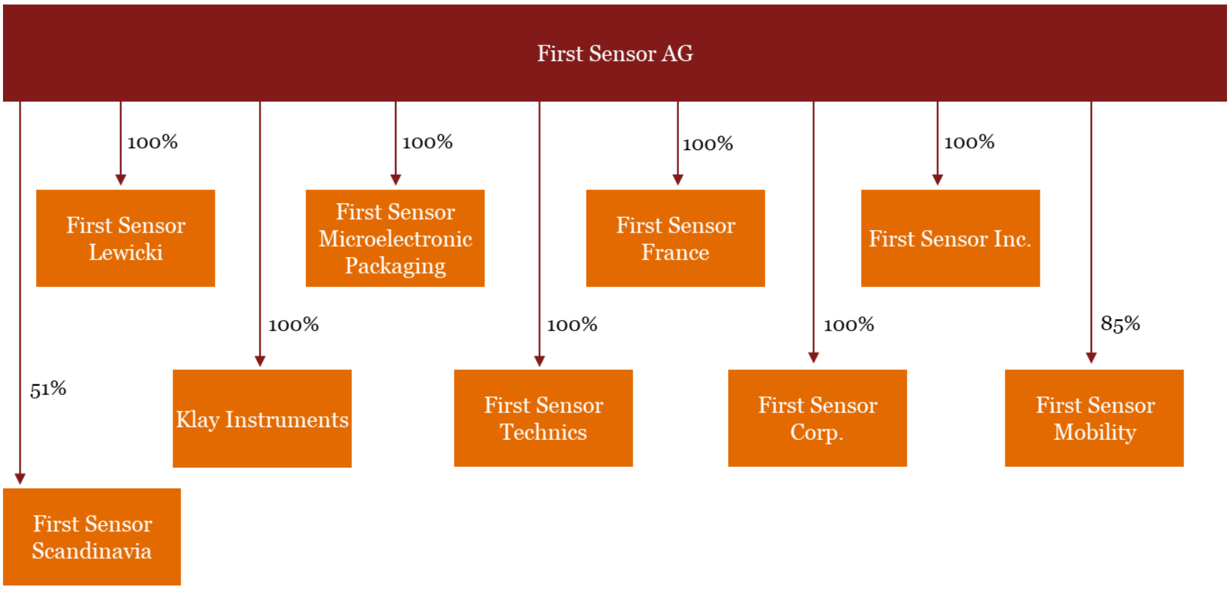
42. During the past three financial years, there have been no material transactions that would have changed the structure of First Sensor Group. The last significant acquisition of a subsidiary was the acquisition of Sensortechnics GmbH, Puchheim, and its subsidiaries (Sensortechnics Group) in 2011.

43. The basis of consolidation of First Sensor Group as of 31 December 2019 and upon completion of our valuation consisted of the following companies:

- First Sensor Lewicki GmbH, Oberdischingen („First Sensor Lewicki“);
- First Sensor Microelectronic Packaging GmbH, Dresden („First Sensor Microelectronic Packaging“);
- First Sensor Mobility GmbH, Dresden („First Sensor Mobility“), an 85%-investment;
- First Sensor France S.A.S., Paris/France („First Sensor France“);
- First Sensor Inc., Westlake Village/USA („First Sensor Inc.“);

- Klay Instruments B. V., Dwingeloo/Netherlands („Klay Instruments“);
- First Sensor Technics Ltd., Shepshed/Great Britain („First Sensor Technics“);
- First Sensor Corp., Montreal/Canada (“First Sensor Corp.”); and
- First Sensor Scandinavia AB, Kungens Kurva/Sweden („First Sensor Scandinavia“), a 51%-investment.

44. Accordingly, the investment structure of First Sensor Group is as follows:



Source: First Sensor Group.

45. The following corporate restructurings are planned within First Sensor Group for May 2020: For First Sensor Mobility an increase in its share capital is considered. This capital increase would consider the fair value of First Sensor Mobility and would, consequently not lead to a different value for First Sensor, regardless whether First Sensor Mobility’s shareholder structure would change. This restructuring has not been sufficiently specified as of the date of signing this Expert Opinion.

46. Furthermore, a merger of First Sensor Microelectronic Packaging with First Sensor has been concluded by First Sensor’ board as at April 7, 2020. As First Sensor Microelectronic Packaging is already a wholly owned subsidiary of First Sensor, the planned merger will also not affect the forecasting of the First Sensor Group on which the valuation is based, in line with the company's expectations.

47. As a result, the planned restructuring measures will therefore have no effect on the valuation of the First Sensor Group.

3. Tax situation

48. Within the First Sensor Group, profit and loss transfer agreements exist between First Sensor as the controlling company and two German subsidiaries First Sensor Microelectronic Packaging and First Sensor Lewicki, which are thus controlled companies of a fiscal unity for income and sales tax purposes.

49. The most recent tax audit of First Sensor began on 14 November 2018 for the period from 2013 to 2017. The audit has not yet been completed; however, no significant objections have been raised up to this date. The tax audits for the subsequent assessment periods have not yet been scheduled. No significant risks have been identified upon completion of our valuation.

50. As of December 31, 2019, a tax loss carryforward of approx. EUR 1.7 million existed solely in the Canadian company First Sensor Corp.

51. As at December 31, 2019 First Sensor recognized a tax contribution account (steuerliches Einlagekonto) of EUR 19.7 million and no distributable profit (pursuant to section 27 (1) Körperschaftssteuergesetz, KStG; ausschüttungsfähiger Gewinn) in its tax accounts. Due to German tax laws, this entitles the firm to pay tax-free dividends. Given the forecasting, this situation will remain until fiscal year 2022. Beyond that, tax free dividends will not be possible. This was reflected in the valuation.

II. Economic fundamentals

1. Business operations

52. In the sensor technology market, First Sensor Group develops, produces and distributes sensor chips, sensor components, sensors and sensor systems for the target markets Industrial, Medical and Mobility.

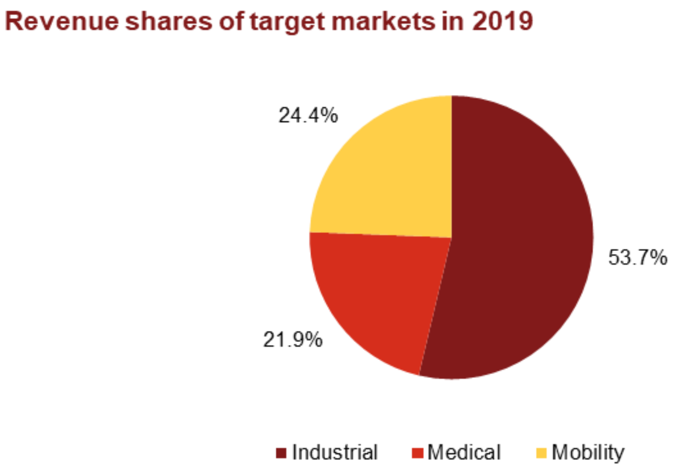
53. The value creation is characterized by two core competencies. One core competency of First Sensor Group is the design and manufacture of silicon-based sensor chips. The other core competency is packaging and interconnection technology which is required in combination with microchips to manufacture sensors and sensor systems.

54. In addition to customer-specific solutions, First Sensor Group offers standard sensors as well. Furthermore, its product portfolio is supplemented by additional sensors or complementary products from partner companies.

55. Processes such as market analysis, customer service, selection of suppliers and conclusion of contracts are bundled in the First Sensor Group's own sales organization. For these purposes, Key Account Management specializing in markets and applications is primarily referred to, which is particularly responsible for the sales of customer-specific sensor solutions. This Key Account Management is supplemented by regionally oriented sales departments that handle high-volume sales of standardized solutions. The sales organization is also supported by a global network of trading partners in numerous countries.

56. First Sensor Group's revenue management is based on the target markets Industrial, Medical and Mobility, and geographically on the sales markets Germany, Austria, Switzerland and Liechtenstein ("DACH region"), the rest of Europe, North America and Asia. Through this breakdown, First Sensor Group intends to compare market and industry developments with its own positioning and to derive corresponding action recommendations for its own strategic orientation.

57. Below, revenue shares of the individual target markets in relation to total revenue for the financial year 2019 are presented.



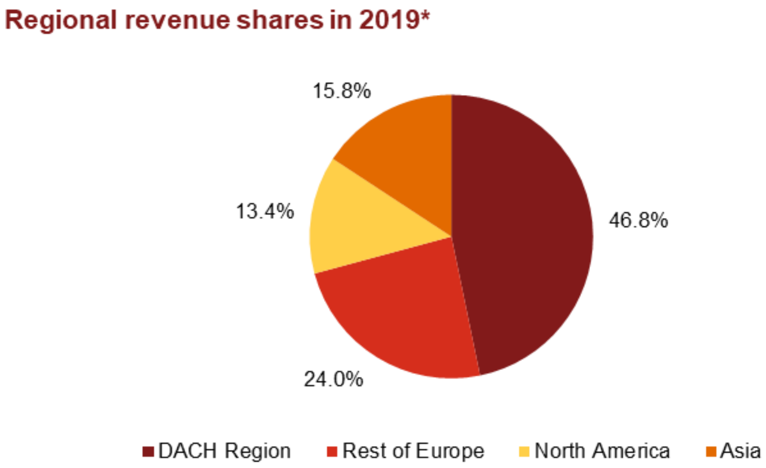
Source: First Sensor Group.

58. In the target market with the highest revenues **Industrial** (53.7% share of sales in the financial year 2019), First Sensor Group offers products for the so-called Industry 4.0, such as sensors for Smart Building or Factory Automation applications. At the same time, the focus lies on the connection of virtual and physical devices in the so-called Internet of Things ("IoT") and interactive solutions for "Smart Cities".

59. First Sensor Group generated 21.9% of its total revenue in the target market **Medical** in the financial year 2019. First Sensor Group's product offering for this target market includes sensors for medical technology applications (such as optical diagnostics or ventilation and dialysis systems) and assistance systems as well as solutions in the area of prevention and screening.

60. In the target market **Mobility**, in which the First Sensor Group generated 24.4% of total revenues in the financial year 2019, the Group offers pressure sensors for fuel-efficient and low-emission combustion engines as well as for hybrid vehicles (so-called "Green Mobility"). In addition, optical sensors and camera systems for semi-automated and fully automated vehicles are produced and sold in this target market.

61. The sales shares of the various regions are presented below:



* The regional sales breakdown is based on the Management reporting for comparability with corporate business plan.

Source: First Sensor Group.

62. Broken down by region, First Sensor Group revenues in the financial year 2019 amounted to EUR 75.4 million (46.8%) in the DACH region, EUR 38.8 million (24.0%) in the rest of Europe, EUR 21.7 million (13.4%) in North America and EUR 25.4 million (15.8%) in Asia.

63. First Sensor Group operates a total of nine development and production sites, with most of the development and production taking place in Germany. The German locations of the First Sensor Group include Berlin, Dresden, Oberdischingen and Puchheim. In addition, the development and production sites include Dwingeloo (Netherlands), Westlake Village (USA) and Montreal (Canada). In addition, First Sensor Group has sales locations in France, Great Britain, Denmark, Sweden, the Netherlands and the USA. Furthermore, a sales organization is currently being established in China.

64. At the end of the financial year 2019, First Sensor Group had 892 permanent employees (‘Full Time Equivalents’) and 23 temporary employees. In addition, 30 apprentices were employed at the end of the 2019 financial year.

2. Market and Competition

a) Preliminary remarks and economic indicators in comparison

65. First Sensor Group develops, produces and sells sensor systems of various types as well as electronic components and devices in Germany and abroad. The group's target markets are the Industrial, Medical and Mobility divisions. In the 2019 financial year, the company generated 53.7% of its revenues in the Industrial division, 21.9% in the Medical division and 24.4% in the Mobility division. 46.8% of total revenue is attributable to the DACH region, 24.0% to the rest of Europe, 13.4% to North America and 15.8% to Asia. Germany is the most important sales market, generating approx. 38.8% of revenues, followed by China (approx. 12.2%), USA (approx. 10.0%), Hungary (approx. 5.8%),

Switzerland (approx. 4.8%), Great Britain (approx. 4.7%) and the Netherlands (approx. 3.7%). Consequently, the European sales market, in particular the DACH region, is of major relevance to First Sensor Group. China and the US are also important sales markets.

66. The operations of First Sensor Group are particularly influenced by the economic situation, the trends in the three target markets Industrial, Medical and Mobility, as well as the competitive environment. In the following analysis, we discuss the general economic indicators of First Sensor Group's geographical sales markets and the development of the European, American and Chinese target markets.

67. In the following, the expectations for the macroeconomic trend of First Sensor Group's sales markets are presented using relevant economic indicators. The data and explanations shown are based on the World Economic Outlook database of the International Monetary Fund, Washington, D.C./USA. ("IMF", January 2020 and October 2019) and the "Regional Economic Outlook: Europe" of the IMF (November 2019). The trend of the real gross domestic product ("GDP") of the sales regions is the most important economic indicator for the future development of First Sensor Group's operating business. Therefore, the following table shows the estimated trend of the GDP (real) between 2019 and 2024, based on the years 2017 and 2018. The following forecasts do not reflect any impacts from the corona crisis (cf. paragraph 73 ff.).

Gross domestic product
Changes against the previous year in %

	Actuals		Estimate	Projection				
Land/Region	2017	2018	2019	2020	2021	2022	2023	2024
Germany	**2.5%**	**1.5%**	**0,5%***	**1,1%***	**1,4%***	**1.3%**	**1.2%**	**1.2%**
Europe (EU)	2.8%	2.2%	1.5%	1.6%	1.7%	1.6%	1.6%	1.5%
USA	2.4%	2.9%	2,3%*	2,0%*	1,7%*	1.6%	1.6%	1.6%
China	6.8%	6.6%	6,1%*	6,0%*	5,8%*	5.7%	5.6%	5.5%
Global	**3.8%**	**3.6%**	**2,9%***	**3,3%***	**3,4%***	**3.6%**	**3.6%**	**3.6%**

*Update of the IMF of January 2020.

Source: World Economic Outlook Database, IMF, October 2019 and January 2020

68. The IMF forecasts 2.9% growth for the **global economy** in 2019, the lowest growth rate since 2008/2009. This decline is attributable to a number of emerging markets such as Brazil, India, Mexico, Russia and Turkey, which lagged behind growth expectations. One example is the decline in domestic demand in India due to the tense situation of the non-banking financial sector and the reduction in credit growth. In the forecast period, a return to the growth rates observed in the past is expected. Before the corona pandemic, it seemed that the manufacturing sector and the world trade has reached their respective lows returning to positive growth rates. This is caused by a shift towards a looser monetary policy, the rapprochement between the USA and China in the trade dispute and the lower risk of a no-deal breakout which had a positive effect on global economic growth. By 2022, annual economic growth should recover and increase to as much as 3.6%.

69. In the **European Union ("EU")**, the effects from the weakening of the global trade and industrial production play a role: Decreasing exports and future trends in global trade relations, as well as continued good labor market conditions, expansive fiscal policy and low interest rate policy of many countries will determine future developments. The IMF forecasts a moderate increase in the real GDP growth rate in Europe to 1.7% by 2021, although this is expected to decline slightly to 1.5% by 2024. The growth potential is reduced by demographic challenges and uncertainties in connection with the actual form the Brexit will be executed.

70. For **Germany**, a decline in the growth rate to 1.5% was recorded in 2018. The IMF predicted that this trend would worsen in 2019, resulting in a further decline in the growth rate to 0.5% in 2019. Reasons for this are a general decline in industrial production, weaker export demand (mainly from China), increased uncertainty among the population about future economic developments, especially in connection with Brexit, and decline in automobile production due to uncertainties related to the climate change movement. In the medium term, relatively low productivity growth and demographic challenges are expected to prevent presumably higher growth rates. In conjunction with the threat of further trade conflicts, the growth rate in Germany is expected to level off at 1.2% p.a. in 2023 and 2024.

71. For the **USA**, a growth rate of 2.0% is expected in 2020, partly due to an anticipated fiscal policy change. In the medium term, economic growth in the USA is expected to stabilize at a slightly lower level at 1.6% p.a. The long-term development of trade relations with China remains, notwithstanding the started rapprochement risk factor.

72. The expected economic growth in **China** is, because of the same reason, characterized by the consequences of the trade dispute with the USA and the need to strengthen domestic financial supervision. The IMF forecasts a decline in GDP growth from 6.0% in 2020 to 5.8% in 2021. In terms of medium-term economic growth, the IMF expects a gradual decline to 5.5% by 2024.

73. At this point it should be noted that the economic effects of Coronavirus, such as the partial stoppage of production and trade, as well as travel restrictions will have a negative impact on GDP, at least temporarily. The extent of the economic consequences of the Corona pandemic is still uncertain, but due to its cross-border and global nature, it is expected to have a significant negative impact on global economic development despite numerous fiscal and monetary policy measures. According to the press release of 23 March 2020, the IMF expects a recession of the global economy in 2020.

74. The German Council of Economic Experts (in German: Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, "SVR") assumes in its special report as of 22 March 2020 ("The overall economic situation in the face of the corona pandemic") that real GDP will decline in many regions:

Impact of the corona pandemic on economic growth in 2020

Country/Region	2020 Original forecast	2020 Adjusted forecast	Expected impact of the corona pandemic on ecocnomic growth in 2020 (in percentage points)
Germany	**0.5%**	**-3.1%**	**-3.6**
Europe	1.4%	-1.3%	-2.7
USA	1.8%	-0.4%	-2.2
China	5.8%	3.8%	-2.0
World	**2.6%**	**0.3%**	**-2.3**

Values based on the base scenario of the SVR, adjusted for the higher number of working days compared to 2019.

Source: German Council of Economic Experts ("SVR"), special report 2020: The overall economic situation in the face of the corona pandemic

75. The SVR shows that price-adjusted/real GDP in Germany in 2020, adjusted for calendar effects, could fall by 3.1% (base scenario) compared with the previous year. The corrected estimate is thus around 3.6 percentage points below the SVR's forecast for the previous year. It should be noted, however, that according to the SVR, more pessimistic scenarios are also possible, with GDP expected to decline by up to 5.7 percentage points. On the basis of the bearish scenario, the SVR forecasts a GDP decline of 1.3% for Europe in 2020 (downward adjustment of the estimate by 2.7 percentage points), a GDP decline of 0.4% for the US (downward adjustment of the estimate by 2.2 percentage points), GDP growth of 3.8% for China (downward adjustment of the estimate by 2.0 percentage points) and of 0.3% globally (downward adjustment of the estimate by 2.3 percentage points).

76. In addition to the development of the real GDP, the expected annual inflation rates represent another macroeconomic indicator for the economic trend of the markets relevant to First Sensor Group. The trend of inflation rates in the period between 2017 and 2024, with the effects of the corona crisis not being considered, is shown below.

Inflation

Changes in consumer price index against the previous year in %

Country/Region	Actuals 2017	2018	Estimate 2019	Projection 2020	2021	2022	2023	2024
Germany	**1.7%**	**1.9%**	**1.5%**	**1.7%**	**1.7%**	**1.9%**	**2.0%**	**2.1%**
Europe (EU)	1.7%	1.9%	1.5%	1.7%	1.8%	1.9%	1.9%	2.0%
USA	2.1%	2.4%	1.8%	2.3%	2.4%	2.3%	2.3%	2.3%
China	1.6%	2.1%	2.3%	2.4%	2.8%	2.9%	3.0%	3.0%
Global	**3.2%**	**3.6%**	**3.4%**	**3.6%**	**3.5%**	**3.5%**	**3.4%**	**3.4%**

Source: World Economic Outlook Database, IMF, October 2019.

77. The inflation rates for **Germany** and the whole of the **European Economic Area** equaled 1.9% in 2018. The IMF forecasts a decline in inflation in Europe to 1.5% in 2019. This trend is caused by, among other things, relatively low energy prices, decelerating production growth and weakening influence of the wage growth on the price growth. Inflation is expected to return to the European Central Bank's inflation target of roughly 2% over the forecast period by 2024. The forecasted inflation trend in Germany is similar to that of the EU.

78. Inflation in the **USA** is expected to slightly decline from 2.4% in 2018 to 2.3% in 2024. In **China**, inflation is forecasted to increase from 2.1% in 2018 to 3.0% in 2024. **Globally**, the inflation rate is expected to be marginally lower in 2024 than in 2018.

79. Finally, the SVR's special report shows that the corona crisis also has a significant reducing effect on expected future inflation rates and that consumer prices will rise less than previously expected in line with adjusted expectations.

b) Trend of the sales markets

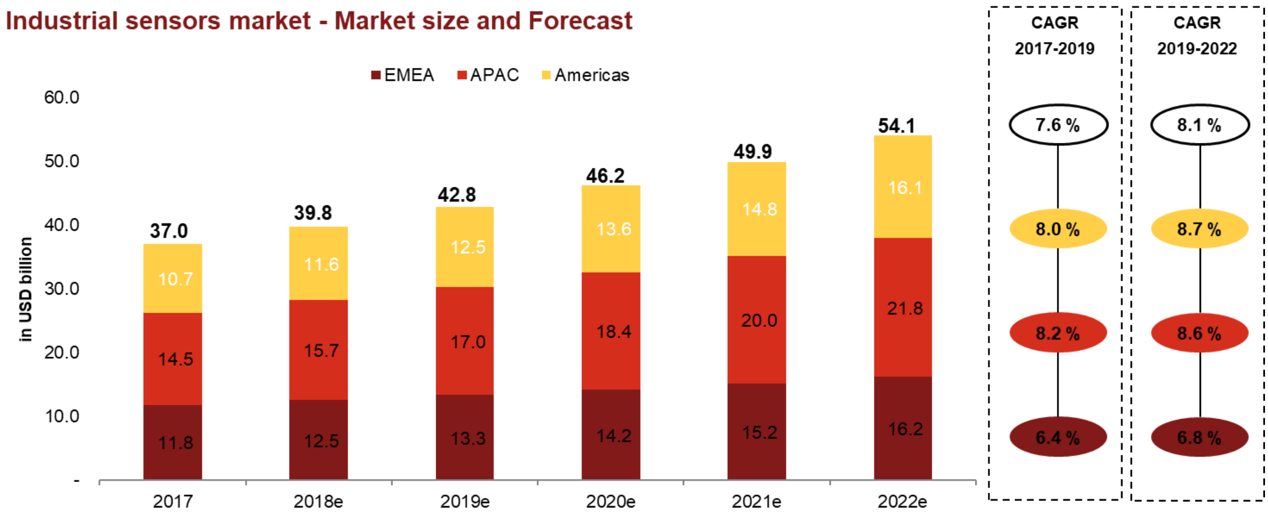
80. The economic trend of First Sensor Group is naturally dependent on the expected trends of the three target markets for sensor systems, namely Industrial, Medical and Mobility, as key sales markets. Therefore, the trend of the three target markets in Europe, the USA and China is presented below. However, the mentioned market studies do not take into account the effects of the coronavirus crisis.

i) Industrial sales market

81. Industrial sensors are devices that convert physical quantities into electrical signals. They ensure a high degree of accuracy, reliability, range, sensitivity and improved control and automation of processing. These sensors are used in the processing industry as well as in the discrete manufacturing industry.

82. The market is segmented into pressure sensors, temperature sensors, proximity sensors, flow sensors, level sensors, position sensors, gas sensors, motion sensors, optical sensors and humidity sensors. Temperature sensors are used, for example, to monitor air temperature, liquids temperature and temperature of other process materials in industrial production. Flow sensors measure flow rates of liquids, gas and steam. They are used in oil and gas exploration and processing.

83. The expected trend of the worldwide sales volume of industrial sensors is as follows, whilst adverse effects from the coronavirus crisis are not being considered:



Source: Global Industrial Sensors Market 2018-2022, Technavio, 2018.

84. Global average annual market growth of 8.1% from 2019 to 2022 is expected. The EMEA sales market (Europe, Middle East and Africa) is predicted to grow by 6.8% p.a. over the same period. The three largest sales markets include Germany, France and Italy. The German market accounted for approx. 24% to 27% of the EMEA market in 2017, the French market for approx. 13% to 15% in 2017 and the Italian market for approx. 8% to 12%. The projected average annual growth rate for the three markets from 2017 to 2022 is approx. 6.6% to 6.7%. The APAC (Asia, Australia and Oceania) and Americas (North, Central and South America) sales markets exceed this growth rate by a considerable margin, with growth rates of 8.6% and 8.7% p.a. respectively. The strongest markets in the APAC region in 2017 were China with approx. 36% to 38%, Japan with approx. 14% to 17% and South Korea with approx. 7% to 10% share of the APAC market. The projected average annual growth rates of these three markets from 2017 to 2022 are approx. 8.5% to 8.6%. The strongest markets in the Americas region in 2017 were the USA with a share of approx. 35% to 39%, Canada with approx. 16% to 19% and Mexico with a share of approx. 4% to 8% of the Americas market. The projected average annual growth rates of these three markets from 2017 to 2022 are approx. 8.5% to 8.7%.

85. It is expected that falling prices of and increasing demand for industrial sensors will result in growth of the global industrial sensor market during the forecast period. The latter is particularly due to an increasing demand for smart factories, industrial IoT applications and wireless sensors in the process industry as well as the miniaturization of industrial sensors. Furthermore, increased growth opportunities result from a rising demand for industrial sensors due to an expanding introduction of intelligent plant monitoring systems and the continuing trend towards simplified wireless networks.

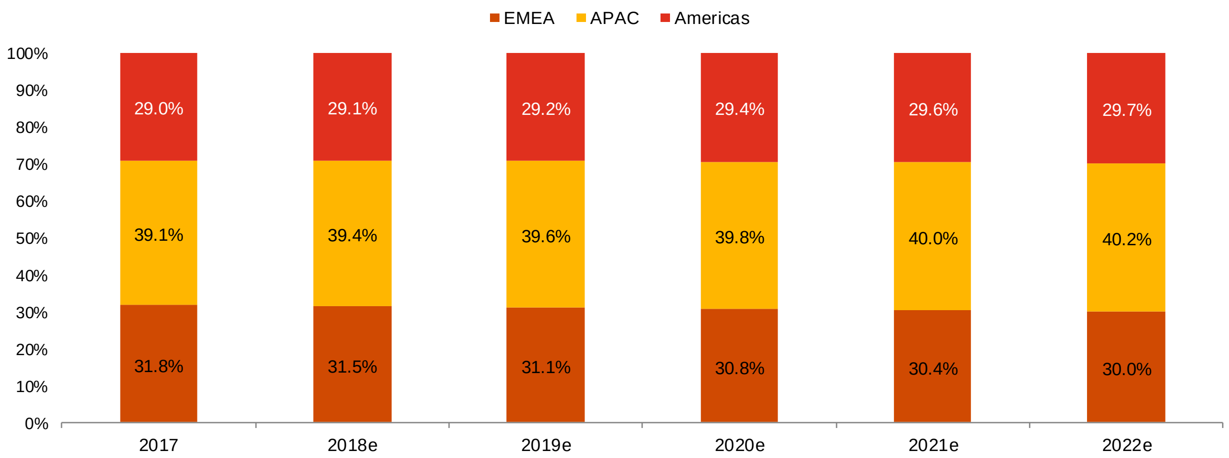
86. In addition to lower prices for high-quality sensors, bandwidth limitations are a challenge for the industrial high-quality sensor market, especially in extreme environments such as offshore oil and gas operations. This leads to a limitation of the possible applications of industrial sensors. A further challenge is the obligation to comply with various regulations and standards, such as those of the

International Organization for Standardization ("ISO") and the International Electrotechnical Commission ("IEC"), which can lead to cost-intensive adaptations of products and production processes for different regions.

87. The industrial sensor market is characterized by cyclical customer industries such as the automotive industry and the semiconductor industry. Global automotive production is volatile and influenced by economic cycles. Among other things, it is dependent on general economic conditions, disposable income and consumer spending and preferences. The semiconductor industry, on the other hand, is strongly influenced by technological changes, price erosion and the advancing product life cycle. Short product life cycles, new regulatory standards and cyclical fluctuations in supply and demand determine market development. Overall, the industrial sensor market is therefore subject to the significant risks of the customer industries.

88. The expected trend of the regional shares of the overall market is as follows:

Industrial sensors market - Regional market shares



Source: Global Industrial Sensors Market 2018-2022, Technavio, 2018.

89. The APAC market is the largest market for industrial sensors with 39.1% share of the overall industrial sensor market in 2017, followed by the EMEA market with 31.8% and the Americas market with 29.0%. Over the forecast period, the percentage share of the EMEA region is expected to decrease slightly in favor of the other regions.

90. **Europe, Middle East and Africa (EMEA):** Western European countries such as Germany, France, Italy and Great Britain are the primary markets in Europe. Europe is characterized by the largest number of passenger cars in the world. Therefore, automotive manufacturers are expected to make significant investments in industrial sensors for production to ensure operational excellence in automotive manufacturing. In addition, various regulations are in place in Europe to reduce biological, chemical and physical hazards in food production. Here, sensors can be used for quality monitoring of products such as milk, beer and wine. These trends represent an important growth driver for the

industrial sensor market in the EMEA region. In Germany, the market will gain importance as a result of government initiatives such as e.g. "Industry 4.0", which subsumes production-relevant information and the connection of people, machines and objects for real-time availability.

91. **North, Central and South America (Americas):** Market growth in the Americas region has been only moderate so far. Possible future positive trends in the region are caused by the fact that production is expected to shift from overseas back to the USA and Mexico in the forecast period. Another factor that is expected to drive market growth is the increasing trend of industrial players to establish smart factories in the region in order to be closer to the target consumer market and to better adapt products to consumer preferences. Significant growth is also expected in Canada, partly due to the increasing manufacturers' investments in automation.

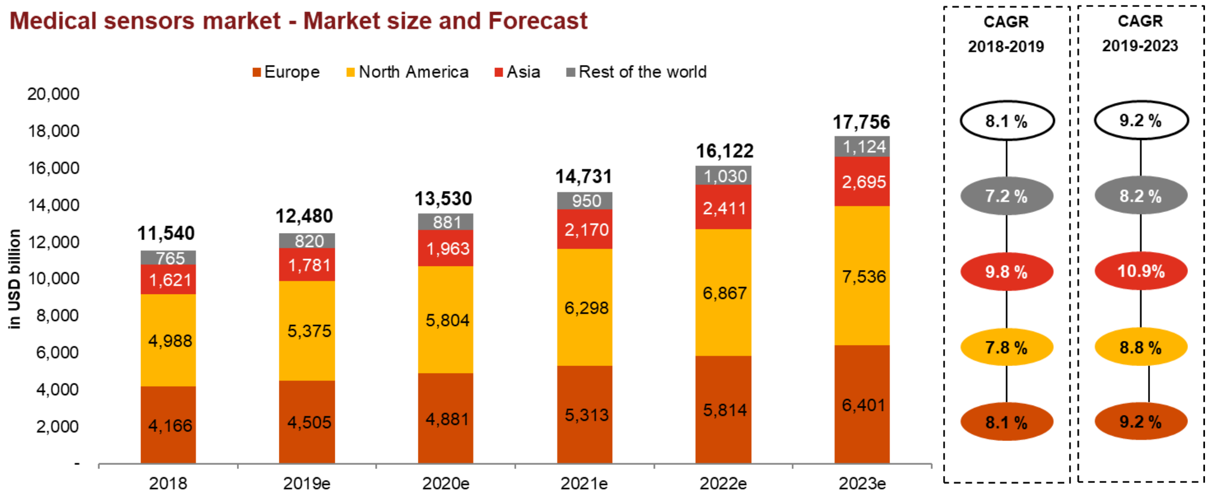
92. **Asia, Australia and Oceania (APAC):** China, Japan, South Korea and India are the largest sales drivers for the industrial sensor market in the APAC region. Government initiatives, demand for regionally produced automobiles, and the APAC region's strong manufacturing sector combined with increasing automation are some of the key factors driving the growth of the industrial sensor market. Especially in China, increasing growth is expected due to government initiatives such as e.g. "China 2025", which is comparable to Germany's "Industry 4.0" initiative.

93. The global industrial sensor market is fragmented. In particular, it is determined by companies in the semiconductor industry and industrial automation. Competitors in this market include NXP Semiconductors N.V., Eindhoven/Netherlands ("NXP Semi-conductors"), Robert Bosch GmbH, Gerlingen, STMicroelectronics N.V., Geneva/Switzerland, as well as companies with a broad product range such as Siemens Aktiengesellschaft, Munich and Texas Instruments Incorporated, Dallas/USA. Other major competitors are Elmos Semiconductor AG, Dortmund ("Elmos"), Sensata Technologies Holding plc, Attleboro/USA ("Sensata Technologies"), and TE Connectivity. The intensity of competition is expected to increase over the forecast period.

ii) Medical sales market

94. Medical sensors are electronic systems in medical devices, probes and other equipment that rely on sensor signals for operation, accurate diagnosis and treatment. These sensors are used, among other things, in respiratory and anesthesia equipment and in endoscopy.

95. The expected market trend for medical technology sensors, broken down by region, is as follows, whilst adverse effects from the coronavirus crisis are not being reflected:



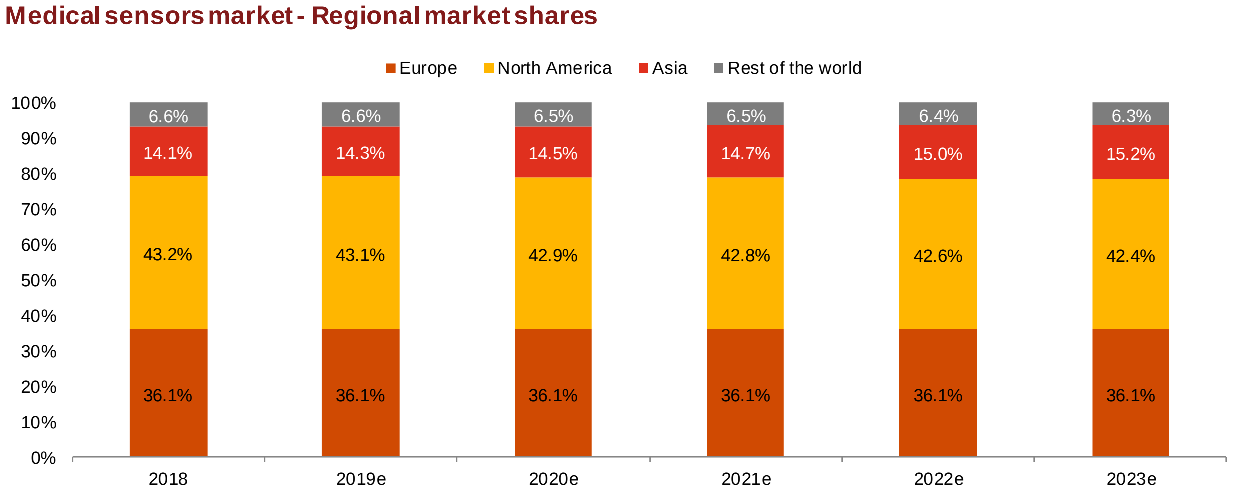
Source: Global Medical Sensors Market 2019-2023, Technavio, 2019.

96. The projected average global market growth for 2019 to 2023 is 9.2% p.a. Europe, the most important sales market for First Sensor Group, is growing at the same annual average growth rate. The Asian sales market significantly exceeds this growth rate with 10.9% p.a. In contrast, the North American market is growing slower than that with an annual average growth rate of 8.8% p.a.

97. Medical technology sensors are increasingly used for diagnosing diseases and in healthcare applications (e.g. remote patient monitoring). Due to the increasing dissemination of chronic diseases worldwide, many companies are investing heavily in the market for medical technology sensors. The market for medical sensors is also more and more driven by factors such as advances in the life sciences sector, growing use of wireless sensors and wearable sensor devices (Wearables & Smart Sensors), and growing demand for digital medicine and sensor-based medical pills. In addition, scientific advances in medical sensor technology and growing number of end users such as hospitals, clinics and home care are driving the demand. In particular, demand for such sensors is increasing in home care.

98. A major challenge for the medical technology sensor market is the technical risk of insufficient accuracy of sensors, especially in devices that support and monitor vital functions. Malfunctions in sensitive devices such as lung ventilators can lead to significant claims for damages. A further challenge is the lack of reimbursement guidelines for continuous patient monitoring by national insurance institutions, which, due to the resulting high cost burden on end users, may result in lower sales of medical technology and, thus, of the sensors installed. In addition, strict legal regulations, such as the EU Directive on medical devices, can lead to cost-intensive process adjustments or even to discontinuation of various products due to lacking economic incentives.

99. The trend of the regional shares of the world market is as follows:



Source: Global Medical Sensors Market 2019-2023, Technavio, 2019.

100. The North American sales market is the largest market for medical technology sensors in 2018 with 43.2%, followed by the European market with 36.1% and the Asian market with 14.1%. In the forecast period, this ratio will remain almost unchanged. The most important sales markets in 2018 were the USA with a total market share of 19% to 23%, followed by Germany with 14% to 18%, Great Britain with 13% to 17%, Canada with 7% to 10%, Japan with 6% to 8% and China with 4% to 7%.

101. **Europe:** In Europe, Germany and Great Britain are the most important sales markets, as the increasing number of events and conferences relating to medical technology sensors is driving the market there. In addition, initiatives such as the European Sensor Systems Cluster ("ESSC") and the promotion of industrial and societal leadership in research and innovation are having a positive market impact in Europe.

102. **North America:** In North America, the USA is the country with the highest sales, while especially the variety of different products has a positive impact on market growth. In Canada, the increasing use of medical technology sensors in home care is having an impact. Market growth is also positively influenced by the introduction of the national innovation hub SAM3 ("Sensors and Analytics for Mobility and Memory").

103. **Asia:** The growing focus on precision medicine and the increasing spread of chronic diseases is driving demand for medical sensors in Asia. In addition, consumers in Asia are increasingly requesting medical wearables to monitor their state of health and to contact doctors at regular intervals. Moreover, in countries such as Japan and China growing research focus on chronic diseases and awareness of medical sensors for diagnosing various diseases is leading to acceptance and increasing demand for medical sensors among consumers.

104. The medical technology sensors market is concentrated. Over the forecast period, however, the market is expected to become increasingly fragmented. Companies such as First Sensor, Honeywell International Inc., Charlotte/USA, Medtronic plc, Dublin/Ireland, NXP Semiconductors, Smiths

Group plc, London/United Kingdom, Sensata Technologies and TE Connectivity are among the main competitors in this market. An increase in the intensity of competition is therefore expected over the forecast period.

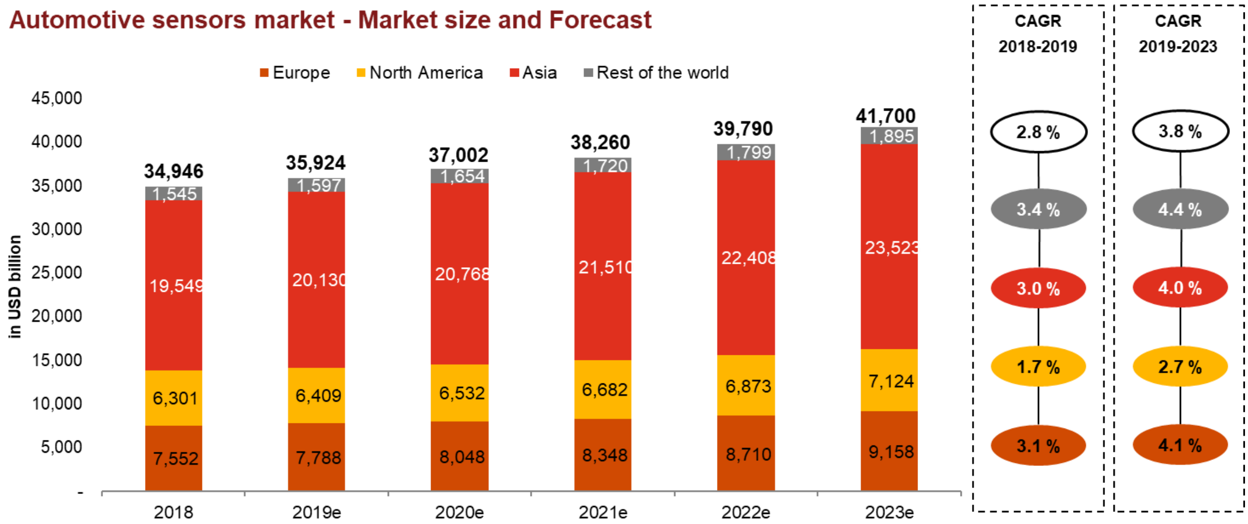
iii) Mobility sales market

105. Sensors in the automotive industry include temperature sensors, proximity sensors, pressure sensors, position sensors, speed sensors, level sensors and gas sensors.

106. The application of sensors in the automotive industry has increased continuously in the recent years. A typical vehicle contains various sensors that measure different physical parameters and help the vehicle or driver to react to existing conditions. As vehicles become increasingly "smarter", an ever-increasing number of sensors is used. On average, a vehicle contains 60 to 100 sensors, whereas newer models can be equipped with up to 200 sensors. It is expected that the growing importance of autonomous driving will increase the demand for automotive sensors in the coming years further. As a result of this trend, larger numbers of sensors will be installed in the powertrain, body, lighting and seats to provide intelligent vehicle functions. Sensors for micro-electro-mechanical systems ("MEMS") for active and passive safety systems and powertrain sensors enable the creation of additional functions and reduce cabling in applications such as battery monitoring. Other factors positively influencing the growth of the automotive sensor market are growing demand for premium vehicles, increasing pressure from governments and consumers to develop better safety systems for vehicles, more stringent government regulations in the area of emission controls, and increasing number of electronic vehicle components. Future opportunities for the automotive sensor market are seen in the growing demand for driver assistance systems ("ADAS") and autonomous vehicles, in the growing number of electric vehicles, and in the development of technologies such as multi-purpose sensors, sensor platforms and sensor mergers.

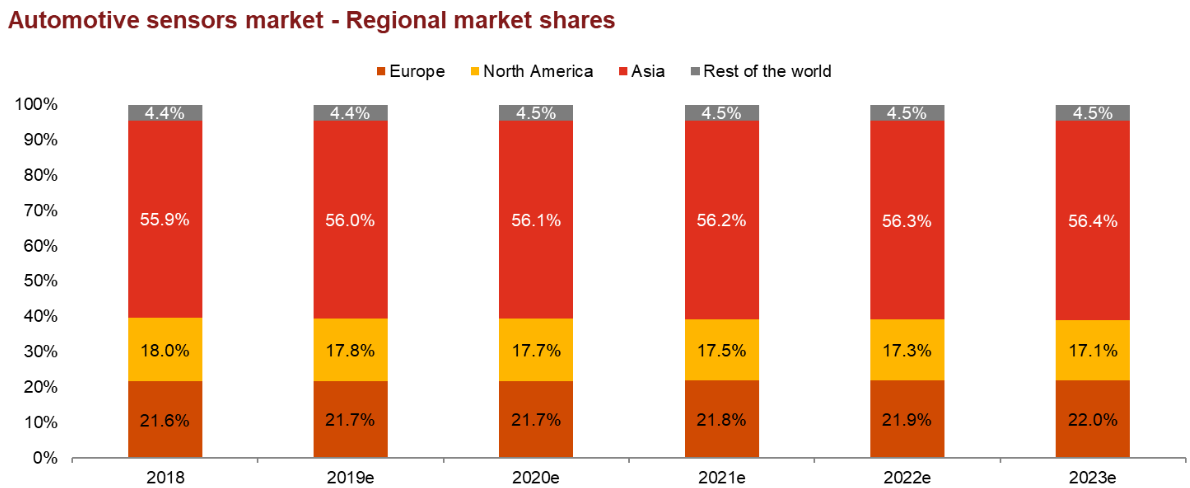
107. Significant risks for the automotive sensor market include potential reliability and safety problems with sensors installed in vehicles, as well as increased development costs and product recalls, and the lack of standardization in the production of MEMS sensors, which is slowing the potential increase in production volume. Global automotive production is considered volatile and cyclical. Among other things, it is dependent on general economic conditions, disposable income, consumer spending and preferences. These conditions can in turn be influenced by factors such as fuel costs.

108. The expected future development of the automotive sensor market is as follows, whilst adverse effects from the coronavirus crisis are not being considered:



Source: Global Automotive Sensor Market, BIS Research, 2019; PwC Analysis.

109. Global average market growth rate of 3.8% p.a. is expected worldwide from 2019 to 2023. Europe, the most important sales market for First Sensor Group, is growing by an average of 4.1% p.a. year in the same period. Average growth of 2.7% p.a. is expected for the North American market and average annual growth of 4.0% is predicted for the Asia-Pacific market.



Source: Global Automotive Sensor Market, BIS Research, 2019; PwC Analysis.

110. Over the forecast period until 2023, the European market share is approx. 22%, the Asia-Pacific market share is approx. 56% and the North American market share is approx. 18%. Major sales markets are Germany with approx. 6%, the USA with approx. 11% and China with approx. 29%. The average annual growth forecast for 2019 to 2023 is approx. 3.0% for Germany, approx. 2.0% for the USA and approx. 3.8% for China.

111. **Europe:** Europe is considered as the center of modern and technologically innovative cars. This means that sensors are highly relevant and increasingly used in the automotive industry. In addition, the European market is positively influenced by strict government regulations on safety and carbon

dioxide emissions, which makes it one of the fastest growing markets. In Europe, the leading countries are Germany, Spain, France and Great Britain.

112. **North America:** The promotion of the commercialization of sensors in vehicles by government bodies (e.g. to increase road safety standards), intensive competition, the improved economic situation and increased production activities in the USA and Canada are having a positive effect on the market growth for autonomous sensors in North America and thus on the use of sensors in vehicles. Other growth factors are the miniaturization of sensors, expanded communication functions and laws to increase innovation and development. The leading country in the automotive industry in North America is the USA.

113. **Asia-Pacific:** Population growth and industrialization have increased the demand for vehicles in the Asia-Pacific region. The market is positively influenced by cheap labor and raw materials as well as government subsidies, among other things. Furthermore, innovation and development of automotive sensors is progressing in countries such as Japan, China, South Korea and Singapore. China is by far the leading country in the Asia-Pacific region, followed by Japan, India and South Korea.

114. The highly fragmented competitive environment includes large and globally active manufacturers such as Continental AG, Hanover, Infineon AG, Munich, Melexis N.V., Ieper/Belgium ("Melexis"), and CTS Corporation, Lisle/USA ("CTS"), as well as small to medium-sized companies such as First Sensor. Over the forecast period, the intensity of competition vis-à-vis small to medium-sized companies is expected to increase, particularly in light of the greater economies of scale of the larger, globally operating competitors with superior capacity. The strategy of the established competitors is focused on expanding the geographical reach as well as strengthening technical expertise.

c) Conclusion

115. Due to its business model, the future development of First Sensor Group is dependent on the trend of its three sensor target markets Industrial, Medical and Mobility. The growth forecast for these three target markets over the next few years, particularly in the important sales regions of Europe, North America and Asia (more specifically China), is the basis for the First Sensor Group's future growth potential. However, it is needs to emphasize that the industry-specific trends described here do not take into account any effects from the coronavirus crisis.

116. Government initiatives such as "Industry 4.0" and technological progress favor the continuing trend towards automation and the further networking of intelligent systems. This, in turn, is likely to result in an increasing demand for high-quality sensors. Significant risks exist regarding the lack of infrastructure for the adaptation of intelligent systems, as well as regulatory and legal requirements and standards that dampen technological progress. Furthermore, malfunctions of medical technology sensors regarding their accuracy as well as reliability and safety problems with sensors installed in vehicles can lead to product recalls and significant claims for damages. Overall, First Sensor Group

operates in cyclical customer markets, particularly in the target markets Industrial and Mobility and is therefore directly exposed to economic risks.

117. In addition to the economic and market-specific risks in the respective target markets, the First Sensor Group is exposed to the far-reaching economic risks and negative effects of the corona pandemic. Interruptions in supply chains, a significant crisis-related decline in demand (in the target markets Industrial and Mobility, which is not compensated by a slight increase in the Medical market) and the temporarily increased risk of insolvency of customers are the main risks that could lead to disruptions in the First Sensor Group's business operations. The first negative effects on the Group's business operations have already materialized (cf. paragraph 267).

3. Assets, financial position and operating income

118. We performed the analysis of assets, financial position and operating income based on First Sensor Group's audited consolidated financial statements in accordance with IFRS for the financial years 2017 to 2019, which have been certified with an unqualified audit opinion.

a) Assets and financial position

119. As of the respective balance sheet date, assets and financial position of First Sensor Group are as follows:

First Sensor Group - Consolidated balance sheet

always as of 31 December, in EUR million	2017	in %BS	2018	in %BS	2019	in %BS
Tangible assets	48.9	30.6%	47.2	28.0%	54.3	30.2%
Property, plant and equipment	36.4	22.8%	38.7	23.0%	41.1	22.9%
Non-current assets	**85.4**	**53.5%**	**85.9**	**51.0%**	**95.4**	**53.1%**
Inventories	24.6	15.4%	32.2	19.1%	35.7	19.9%
Trade receivables	20.8	13.0%	17.9	10.6%	12.5	7.0%
Tax refund claims	0.0	0.0%	1.1	0.7%	0.9	0.5%
Other current assets	3.3	2.1%	2.8	1.6%	2.8	1.6%
Cash and cash equivalents	25.5	16.0%	28.5	16.9%	32.3	18.0%
Current assets	**74.2**	**46.5%**	**82.5**	**49.0%**	**84.2**	**46.9%**
Assets	**159.6**	**100.0%**	**168.4**	**100.0%**	**179.6**	**100.0%**
Share capital	51.1	32.0%	51.1	30.4%	51.3	28.6%
Capital reserve	16.9	10.6%	17.2	10.2%	18.2	10.1%
Revenue reserves	1.0	0.6%	1.0	0.6%	1.4	0.8%
Currency adjustment item	(0.6)	-0.3%	0.0	0.0%	0.0	0.0%
Revaluation reserve	(0.0)	0.0%	(0.0)	0.0%	(0.1)	0.0%
Retained earnings	12.4	7.7%	18.1	10.8%	17.5	9.7%
Non-controlling interests	1.2	0.7%	1.3	0.8%	1.5	0.8%
Equity	**81.9**	**51.3%**	**88.8**	**52.7%**	**89.9**	**50.0%**
Non-current post-employment benefit obligation	0.3	0.2%	0.3	0.2%	0.3	0.2%
Other non-current provisions	-	0.0%	-	0.0%	-	0.0%
Non-current financial liabilities	32.2	20.2%	44.1	26.2%	25.6	14.3%
Other non-current liabilities	3.5	2.2%	3.5	2.1%	3.5	2.0%
Deferred tax liabilities	3.9	2.5%	3.5	2.1%	3.2	1.8%
Non-current liabilities	**39.9**	**25.0%**	**51.3**	**30.5%**	**32.6**	**18.1%**
Tax provisions	1.4	0.9%	2.5	1.5%	0.6	0.3%
Other current provisions	1.3	0.8%	1.1	0.6%	0.6	0.3%
Current financial liabilities	16.1	10.1%	3.9	2.3%	29.9	16.6%
Advance payments received on orders	0.4	0.3%	0.3	0.2%	0.3	0.2%
Trade payables	7.9	4.9%	12.6	7.5%	8.8	4.9%
Other current liabilities	10.7	6.7%	8.0	4.7%	17.0	9.5%
Current liabilities	**37.8**	**23.7%**	**28.3**	**16.8%**	**57.2**	**31.8%**
Liabilities	**159.6**	**100.0%**	**168.4**	**100.0%**	**179.6**	**100.0%**

Source: First Sensor Group.

Overview

120. Total assets increased in the period under review from EUR 159.6 million at the end of financial year 2017 to EUR 179.6 million at the end of financial year 2019, which corresponds to a growth rate of 5.9% p.a.

121. This increase in total assets resulted mainly from an increase in non-current assets in financial year 2019 and from an increase in inventories and cash and cash equivalents in financial years 2018 and 2019. Non-current assets rose by 11.1% from a total of EUR 85.9 million at the end of financial year 2018 to EUR 95.4 million at the end of financial year 2019. Inventories increased by 20.5% p.a. from EUR 24.6 million at the 2017 reporting date to EUR 35.7 million at the 2019 reporting date. Cash and cash equivalents rose from EUR 25.5 million at the 2017 reporting date to EUR 32.3 million at the 2019 reporting date, which corresponds to an increase of 12.5% p.a.

122. In respect to equity and liabilities, the increase in total assets can be devoted mainly to an increase in retained earnings and current financial liabilities. Retained earnings grew by 19.0% p.a. from EUR 12.4 million at the end of financial year 2017 to EUR 17.5 million at the end of financial year 2019. Current financial liabilities rose by 36.2% p.a. from EUR 16.1 million at the 2017 reporting date to EUR 29.9 million at the 2019 reporting date.

123. In accordance with the structure of the consolidated balance sheet, the following paragraphs depict the composition of the individual balance sheet items and their material changes.

Non-current assets

124. Non-current assets remained almost constant at EUR 85.4 million at financial year-end 2017 and EUR 85.9 million at financial year-end 2018. By contrast, in financial year 2019 non-current assets increased significantly to EUR 95.4 million and thus, in comparison to the financial year 2018, by 11.1%. Overall, non-current assets accounted for 53.1% of total assets at December 31, 2019.

125. Non-current assets are characterized by a relatively high proportion of intangible assets. As of the balance sheet dates 2017 to 2019, intangible assets account for approximately 30% of total assets. Out of this, the majority resulted from company takeovers. Different types of intangible assets, such as brands and customer bases, were acquired through the takeover of the Sensortechnics Group in financial year 2011. The largest intangible asset item is goodwill, which amounted constantly to EUR 29.8 million as of the balance sheet dates 2017 to 2019.

126. In total, intangible assets decreased from EUR 48.9 million at the 2017 balance sheet date to EUR 47.2 million at the 2018 balance sheet date. In financial year 2019 intangible assets rose to EUR 54.3 million. This increase was largely due to the first-time application of IFRS 16, which requires that "rights of use of use assets" must be recognized as an intangible asset. Due to the capitalization of development expenses in accordance with IAS 38.57, capitalized development costs also increased from EUR 5.1 million at the end of the 2017 financial year to EUR 8.2 million at the end of the 2019 financial year.

127. Property, plant and equipment increased by EUR 2.3 million to EUR 38.7 million in financial year 2018 and by EUR 2.4 million to EUR 41.1 million in financial year 2019. Overall, property, plant

and equipment increased by 6.2% p.a. in the period under review. The investments primarily related to new machines and equipment for capacity expansion, process stabilization and process improvement.

Current assets

128. Current assets rose by 11.1% from EUR 74.2 million at the end of financial year 2017 to EUR 82.5 million at the end of financial year 2018, while they increased only slightly by 2.1% to EUR 84.2 million in financial year 2019. Overall, current assets accounted for 46.9% of total assets as of the 2019 reporting date.

129. Inventories increased steadily in the financial years 2017 to 2019, which is particularly attributable to contractually agreed safety stocks and delayed call-offs orders in the financial year 2019. In total, inventories rose from EUR 24.6 million at the end of the financial year 2017 to EUR 32.2 million at the end of the financial year 2008 and to EUR 35.7 million at the end of the financial year 2019. This corresponds to a growth rate of 20.4% p.a.

130. Due to factoring, the First Sensor Group was able to reduce its trade receivables from EUR 20.8 million at the 2017 balance sheet date to EUR 12.5 million at the 2019 balance sheet date. This also contributed to the increase in cash and cash equivalents, which rose by 12.5% p.a. from EUR 25.5 million at the 2017 balance sheet date to EUR 32.3 million at the 2019 balance sheet date.

Equity

131. The equity of First Sensor Group increased in the period under review from EUR 81.9 million at the 2017 balance sheet date to EUR 88.8 million at the 2018 balance sheet date and to EUR 89.9 million at the 2019 balance sheet date. However, as liabilities rose by a similar amount, the increase in equity was not accompanied by an increase in the equity ratio, which remained largely constant during the period under review, ranging from 50.0% (end of financial year 2019) and 52.7% (end of financial year 2018).

132. The share capital rose by EUR 0.2 million from EUR 51.1 million to EUR 51.3 million in the period under review. The capital reserves increased by EUR 1.3 million from EUR 16.9 million at the end of financial year 2017 to EUR 18.2 million at the end of financial year 2019. The increase in both equity items is due to the granting of stock options and their partial exercise within the scope of stock option programs.

133. The amount of revenue reserves was EUR 1.0 million at the balance sheet dates 2017 and 2018. As of the 2019 balance sheet date, EUR 0.4 million of retained earnings were reclassified to revenue reserves, increasing revenue reserves to EUR 1.4 million.

134. Retained earnings increased from EUR 12.4 million as of the 2017 balance sheet date to EUR 18.1 million as of the 2018 balance sheet date. In financial year 2019, retained earnings decreased to EUR 17.5 million.

Non-current liabilities

135. Non-current liabilities rose from EUR 39.9 million at the end of financial year 2017 to EUR 51.3 million at the end of financial year 2018 and decreased to EUR 32.6 million in financial year 2019.

136. This trend is almost exclusively attributable to non-current financial liabilities. These amounted to EUR 32.2 million at the 2017 balance sheet date and rose to EUR 44.1 million at the 2018 balance sheet date, whilst in the financial year 2019 they decreased to EUR 25.6 million. The increase of EUR 11.9 million in the financial year 2018 is entirely due to the disbursement of a loan from the Bank "Kreditanstalt für Wiederaufbau" ("KfW"). Contrary, the decrease in financial year 2019 is primarily due to the reclassification of liabilities from non-current to current.

137. The balance sheet items non-current post-employment benefit obligation, deferred tax liabilities and other non-current liabilities account for only 0.2%, 1.8% and 1.9% of total assets at the end of financial year 2019, respectively, and are thus only of minor significance.

Current liabilities

138. As of the 2017 balance sheet date, the First Sensor Group reported tax provisions of EUR 1.4 million. These increased to EUR 2.5 million at the 2018 balance sheet date and decreased to EUR 0.6 million at the 2019 balance sheet date. Other current provisions also declined from EUR 1.3 million at the end of financial year 2017 to EUR 0.6 million at the end of financial year 2019. In relation to total assets, both balance sheet items had a share of less than 1% of total assets at the end of financial year 2019.

139. Current financial liabilities amounted to EUR 12.2 million at the end of financial year 2017 and were reduced to EUR 3.9 million in financial year 2018. This was mainly due to the scheduled repayment of a promissory note loan of EUR 12.0 million. At the end of financial year 2019 non-current liabilities rose to EUR 29.9 million, which was primarily due to the reclassification of liabilities from non-current to current and the first-time application of IFRS 16, according to which future lease payments are largely to be reported as liabilities since the beginning of financial year 2019.

140. Trade payables increased from EUR 7.9 million as of the 2017 reporting date to EUR 12.6 million as of the 2018 reporting date. Subsequently, in relation to a normalized purchasing volume, they decreased again to EUR 8.8 million as of the 2019 reporting date.

141. Other current liabilities include non-interest-bearing liabilities to employees, taxes, social security and other liability positions. In sum, other current liabilities decreased by 32.5% from EUR 10.7 million as of the 2017 reporting date to EUR 8.0 million as of the 2018 reporting date, and more than doubled to EUR 17.0 million as of the 2019 reporting date. This increase is related to the take-over by TE Connectivity, which led mainly to an increase in liabilities to employees and other liability positions.

b) Operating income

142. The operating income of the First Sensor Group for the financial years 2017 to 2019 is as follows:

First Sensor Group - Income statement

always as of 31 December, in EUR million	2017	2018	2019
Sales revenues	147.5	155.1	161.3
Changes in inventories of finished goods and work in progress	(1.5)	4.5	0.5
Other internally produced and capitalized assets	2.5	2.0	3.6
Total performance	**148.5**	**161.6**	**165.4**
Cost of materials/cost of purchased services	(69.3)	(76.1)	(75.3)
Gross profit	**79.2**	**85.5**	**90.1**
Other operating income	3.3	2.6	2.6
Personnel expenses	(46.6)	(49.0)	(56.2)
Other operating expenses	(16.3)	(17.8)	(20.3)
EBITDA	**19.6**	**21.3**	**16.2**
Depreciation of fixed assets and amortization of intangible assets	(9.1)	(9.0)	(11.1)
EBIT	**10.6**	**12.2**	**5.1**
Net interest income	(1.9)	(1.6)	(1.6)
Currency gains/losses	(1.6)	(0.2)	0.1
EBT	**7.2**	**10.4**	**3.5**
Taxes on income and earnings	(2.8)	(2.9)	(1.0)
Net income	**4.4**	**7.5**	**2.5**
Sales revenues growth	-1.7%	5.2%	3.9%
In % of sales revenues			
Cost of materials	47.0%	49.0%	46.7%
Gross profit	53.7%	55.1%	55.9%
Other operating income	2.3%	1.7%	1.6%
Personnel expenses	31.6%	31.6%	34.8%
Other operating expenses	11.1%	11.5%	12.6%
EBITDA margin	13.3%	13.7%	10.0%
Depreciation, amortization and impairment	6.2%	5.8%	6.9%
EBIT margin	7.2%	7.9%	3.1%
EBT margin	4.8%	6.7%	2.2%
Net income margin	3.0%	4.8%	1.5%

Source: First Sensor Group.

143. Following sales revenues of EUR 147.5 million in financial year 2017, the First Sensor Group recorded an increase in sales revenues in financial year 2018 of 5.2% to EUR 155.1 million. At 3.9%, the revenue growth in financial year 2019 was slightly lower than in the previous year, resulting in sales revenues of EUR 161.3 million in financial year 2019.

144. The following table shows the sales revenues and their growth rates in the three target markets Industrial, Medical and Mobility:

First Sensor Group

Sales revenues and sales revenues growth of the target markets

	in EUR million			Change in %		
	2017	2018	2019	2017	2018	2019
Industrial	75.1	80.4	86.6	3.6%	7.0%	7.8%
Medical	27.9	34.6	35.4	-9.0%	23.7%	2.5%
Mobility	44.5	40.2	39.2	-5.2%	-9.6%	-2.4%
Total	**147.5**	**155.1**	**161.3**	**-1.7%**	**5.2%**	**3.9%**

Source: First Sensor Group.

145. The increase in sales revenues of 5.2% in financial year 2018 and 3,9% in financial year 2019 is particularly due to the growing demand for sensors and sensor solutions in the target markets Industrial and Medical. These business expansions more than compensated for the decline in sales revenues in the Mobility target market, whose sales revenues declined by 9.6% in financial year 2018 and by 2.4% in financial year 2019.

146. A growth of 7.0% was achieved in the financial year 2018 in the Industrial target market, where most of the sales revenues were generated in the financial years under review. In particular due to an increasing demand for optical sensors and sensor systems from China, sales revenues in this area rose by a further 7.8% to EUR 86.6 million in the financial year 2019.

147. The increasing demand and simultaneously increased production capacities in the target market Medical enabled an increase in sales revenues of 23.7% to EUR 34.6 million in financial year 2018. In line with the target market Industrial, this is mainly due to the high demand for optical sensors. In financial year 2019, revenue growth normalized to a value of 2.5%. Accordingly, sales revenues of EUR 35.4 million were generated in financial year 2019, which corresponds to 21.9% of total revenues. The moderate increase in sales revenues in the financial year 2019 is primarily due to customer postponements of projects. In contrast, demand from other key customers developed positively.

148. Revenues in the target market Mobility declined by 9.6% to EUR 40.2 million in the 2018 financial year. In view of the geopolitical environment and the structural challenges in the automotive industry, customers were more reluctant to call up delivery volumes under contract, which led to a further decline in sales revenues of 2.4% in the financial year 2019. In total, sales revenues in the target market Mobility amounted to EUR 39.2 million in the financial year 2019, or 24.4% of total revenue.

149. The following table shows the sales revenues and their growth rates for the regional sales markets.

First Sensor Group
Sales revenues and sales revenues growth of the regional markets

	in EUR million			Change in %		
	2017	2018	2019	2017	2018	2019
DACH region	74.3	76.4	75.4	-1.0%	2.8%	-1.3%
Rest of Europe	40.4	38.8	37.8	-17.3%	-4.0%	-2.5%
North America	17.3	19.2	21.7	45.1%	11.3%	12.7%
Asia	14.9	19.4	25.4	9.1%	30.2%	30.9%
Rest of the world	0.6	1.3	1.0	-1.0%	128.0%	-27.4%
Total	**147.5**	**155.1**	**161.3**	**-1.7%**	**5.2%**	**3.9%**

Source: First Sensor Group.

150. With a share of 46.8%, the First Sensor Group generated most of its sales in the DACH region in financial year 2019. The main customers are in Germany. Overall, sales revenues in the DACH region grew by 2.8% to EUR 76.4 million in the financial year 2018. In contrast, sales revenues in the financial year 2019 declined by 1.3% to EUR 75.4 million.

151. In the rest of Europe, sales revenues decreased by 4.0% in financial year 2018 and by 2.5% in financial year 2019. This was primarily due to the cyclical negative trends in the automotive industry and the resulting decline in sales revenues in Hungary, among other countries. Revenues generated in the rest of Europe totaled to EUR 37.8 million for the financial year 2019.

152. Sales revenues in North America rose by 11.3% in the financial year 2018, which represents an increase of EUR 1.9 million. The sales growth of 12,7% in financial year 2019 was attributable to projects in all three target markets.

153. In Asia, the First Sensor Group was able to increase sales revenues by 30.2% in financial year 2018 and 32.0% in financial year 2019, driven by growth in China. This is mainly due to the strong demand for optical sensors from key customers in the target market Industrial. In financial year 2019, sales revenues generated in Asia amounted to EUR 25.6 million, which corresponds to a 15.8% share of sales revenues.

154. After a reduction in finished goods and semi-finished goods of EUR 1.5 million in the financial year 2017, these assets increased by EUR 4.5 million in the financial year 2018and by EUR 0.5 million in the financial year 2019. The comparatively high increase in the financial year 2018 resulted in particular from a high level of pre-production, which ensured the ability to deliver at the beginning of the financial year 2019.

155. Other own work capitalized included capitalized development expenditures in the financial years 2017 to 2019 as well as capitalized costs for the expansion of capacities. In total, other own work capitalized amounted to EUR 2.5 million in the financial year 2017, EUR 2.0 million in the financial year 2018 and EUR 3.6 million in the financial year 2019. Development costs capitalized in line with IAS 38.57 amounted to EUR 2.7 million and included expenses in connection with the design of

LiDAR receivers (abbreviation for "light detection and ranging") for driver assistance systems, the provision of a customer-specific pressure sensor component for industrial transmitters and the development of customer-specific camera modules for applications in industrial inspection and air monitoring. Other costs capitalized relate primarily to the expansion of capacity and technological capability at the locations Berlin-Oberschöneweide and Berlin-Weissensee.

156. The total performance of First Sensor Group thus increased from EUR 148.5 million in financial year 2017 to EUR 161.6 million in financial year 2018 and EUR 165.4 million in financial year 2019. This corresponds to an average growth rate of 5.5% p.a.

157. In line with the increase in total operating performance in financial year 2018, the cost of materials and purchased services also rose by EUR 6.8 million from financial year 2017 to EUR 76.1 million in financial year 2018. In addition to initiating projects to increase efficiency, the company increasingly hired temporary employees in order to meet the growing demand. The costs for this were part of the cost of materials and purchased services. The corresponding cost/income ratio increased from 47.0% in the financial year 2017 to 49.0% in the financial year 2018. Following a slightly disproportionate increase in the cost of materials in the first half of the financial year 2019, it was possible to reduce this by the end of the financial year 2019 because of efficiency improvement measures initiated in the previous year. As a result, the cost/income ratio in financial year 2019 fell to 46.7%. Overall, costs of materials and purchased services of EUR 75.3 million were incurred in the financial year 2019.

158. The gross profit margin trended positively over the reporting period from 53.7% in the financial year 2017 to 55.1% in the financial year 2018 and 55.9% in the financial year 2019, in particular due to the high revenue growth in the financial year 2018 and the declining ratio for cost of materials and purchased services in the financial year 2019.

159. Other operating income fell from EUR 3.3 million in the financial year 2017 to EUR 2.6 million in the financial year 2018. Other operating income of EUR 2.6 million was also generated in the financial year 2019. This included income from insurance compensation, development grants, investment subsidies and income from the reversal of provisions and deferred liabilities.

160. While the personnel expenses ratio remained almost constant at 31.6% in financial years 2017 and 2018, they increased to 34.8% in financial year 2019. In total, personnel expenses amounted to EUR 56.2 million in the financial year 2019. In addition to the filling of vacant positions, this was mainly due to extraordinary expenses in connection with the acquisition by TE Connectivity. Transaction costs and provisions for this led to additional personnel expenses and other operating expenses.

161. Other operating expenses, which mainly relate to legal and consultancy costs, costs for premises, maintenance and repairs as well as sales and marketing costs, increased accordingly from EUR 16.3

million in financial year 2017 to EUR 17.8 million in financial year 2018 and EUR 20.3 million in financial year 2019.

162. Based on the increased sales revenues in financial year 2018, earnings before interest, taxes, depreciation and amortization (EBITDA) increased from EUR 19.6 million in financial year 2017 to EUR 21.3 million in financial year 2018. In financial year 2019, EBITDA decreased by EUR 5.1 million to EUR 16.2 million, which corresponds to a decrease in the EBITDA margin from 13.7% in financial year 2018 to 10.0% in financial year 2019. This development is mainly due to the increased personnel expenses and other operating expenses in connection with the business combination with TE Connectivity.

163. Depreciation and amortization of property, plant and equipment and intangible assets were virtually unchanged in financial years 2017 and 2018, amounting to EUR 9.1 million and EUR 9.0 million, respectively. In financial year 2019, however, they increased slightly to EUR 11.1 million, mainly due to the first-time application of IFRS 16 and recent investment initiatives. Investments in property, plant and equipment and intangible assets amounted to EUR 13.2 million and EUR 9.8 million in the financial years 2017 and 2018, respectively. Investments of EUR 11.8 million were made in financial year 2019.

164. Primarily due to the increase in sales revenues in financial year 2018, earnings before interest and taxes (EBIT) increased from EUR 10.6 million in financial year 2017 to EUR 12.2 million in financial year 2018. In financial year 2019, EBIT decreased to EUR 5.1 million, which is primarily due to slightly higher depreciation and amortization and significantly higher personnel expenses and other operating expenses in financial year 2019. Accordingly, the EBIT margin fell from 7.2% in financial year 2017 and 7.9% in financial year 2018 to 3.1% in financial year 2019.

165. The net interest expense remained relatively constant in the financial years 2017 to 2019, at minus EUR 1.9 million in 2017, minus EUR 1.6 million in 2018 and minus EUR 1.6 million in 2019.

166. In financial year 2017, several forward exchange contracts were terminated, resulting in a currency loss of EUR 1.6 million. In financial year 2018, these losses amounted to EUR 0.2 million. Currency gains of EUR 0.1 million were achieved in financial year 2019.

167. Considering net interest income and net currency gains and losses, earnings before taxes (EBT) for the financial year 2017 amount to EUR 7.2 million, which corresponds to an EBT margin of 4.8%. This increased to 6.7% in the financial year 2018; the EBT for the financial year 2018 thus amounted to EUR 10.4 million. Due to the increased expenses in relation to the business combination with TE Connectivity, the EBT margin fell to 2.2% in the financial year 2019. The EBT for the financial year 2019 amounted to EUR 3.5 million.

168. Taxes on income and earnings amounted to EUR 2.8 million and EUR 2.9 million in the financial years 2017 and 2018 respectively, which corresponds to a tax rate of 39.7% for the financial year 2017 and 27.4% for the financial year 2018. This was primarily due to the proportionally higher sales and earnings contributions of individual foreign Group companies and the non-recognition of deferred tax assets on loss carryforwards of other foreign Group companies. In the financial year 2019, the tax rate was 29.7%, resulting in tax expenses of EUR 1.0 million.

169. Overall, this resulted in a net income of EUR 4.4 million in the financial year 2017, which increased to EUR 7.5 million for the financial year 2018. By contrast, net income for the financial year 2019 declined to EUR 2.5 million. This corresponds to a development of the net profit margin from 3.0% in the financial year 2017 to 4.8% in the financial year 2018 and 1.5% in the financial year 2019.

4. Earnings adjustments

170. In order to achieve comparability of the past results with the company's forecast, adjustments for extraordinary, one-time and non-periodic effects on earnings are required. Earnings adjustments were made at the level of operating earnings (EBIT). Operating earnings for financial years 2017 to 2019 are adjusted for extraordinary, one-time and non-periodic effects and presented below.

First Sensor Group
Income statement adjustment

in EUR million	FY17 Actuals	FY18 Actuals	FY19 Actuals
Sales revenues before adjustments	**147.5**	**155.1**	**161.3**
Total adjustments	**-**	**-**	**-**
Sales revenues after adjustments	**147.5**	**155.1**	**161.3**
EBIT before adjustments	**10.6**	**12.2**	**5.1**
Adjustments already included in revenues	-	-	-
Release of provisions and accrued liabilities	(0.6)	(0.5)	(1.1)
Build-up of provisions that have been released (build-up assumed to be one period before release)	0.5	1.1	-
Insurance compensation	(0.7)	(0.4)	(0.3)
Non-periodic income	(0.2)	(0.3)	(0.2)
Non-periodic expenses	0.2	0.3	0.5
Expenses in connection with the preparation of the acquisition of First Sensor by TE Connectivity	-	-	8.4
Total adjustments	**(0.9)**	**0.2**	**7.4**
EBIT after adjustments	**9.7**	**12.4**	**12.4**
in % of revenues			
EBIT before adjustments	7.2%	7.9%	3.1%
EBIT after adjustments	6.6%	8.0%	7.7%

Source: First Sensor Group, PwC Analysis.

171. Income from the reversal of provisions of EUR 0.6 million in the 2017 financial year, EUR 0.5 million in the 2018 financial year and EUR 1.1 million in the 2019 financial year was adjusted due to its one-off nature. These mainly comprised reversals of provisions relating to warranty, tax, pension and other personal provisions. The corresponding build-up of the reversed provisions was, as assumed, carried out one period in advance and was also adjusted accordingly.

172. Insurance refunds of EUR 0.7 million in financial year 2017, EUR 0.4 million in financial year 2018 and EUR 0.3 million in financial year 2019 were classified as non-sustainable and non-recurring, so that they were also adjusted.

173. Non-periodic income was adjusted in the amount of EUR 0.2 million in 2017, EUR 0.3 million in 2018 and EUR 0.2 million in 2019. Expenses relating to other accounting periods of EUR 0.2 million in 2017, EUR 0.3 million in 2018 and EUR 0.5 million in 2016 were adjusted accordingly.

174. In the context of the preparation and execution of the takeover of First Sensor by TE Connectivity, expenses of EUR 8.4 million were incurred in 2019, comprising mainly legal and consulting fees of EUR 4.7 million and additional personnel expenses of EUR 3.7 million. These expenses were classified as non-recurring and were therefore neutralized in the operating results of the company.

175. Finally, IFRS 16 was applied for the first time for the financial year 2019. Corresponding interest expenses are therefore shown accordingly in the 2019 financial year. Comparability with the financial years 2017 and 2018 is only slightly limited, as interest expenses in the financial year 2019 are only insignificant.

176. Compared to the EBIT margin before adjustments (2017: 7.2%, 2018: 7.9%, 2019: 3.1%), the EBIT margins after adjustments are at a comparable level of 6.6% in financial year 2017, 8.0% in financial year 2018 and 7.7% in financial year 2019, particularly in financial years 2018 and 2019.

5. Key success factors for the business model

177. In the described market and competitive environment, First Sensor Group has a number of strengths and opportunities:

178. First Sensor Group operates in the target markets Mobility, Industrial and Medical and thus in markets in which new technologies and digitalization currently offer numerous application possibilities for sensors and sensor systems:

- One growth factor of the Mobility target market is autonomous driving. LiDAR technology plays a central role in the expansion of autonomous driving. It enables optical length measurement and is therefore the basis for controlling autonomous vehicles. The First Sensor Group is the market leader in the field of "avalanche photodiodes". Such "photodiodes" are a key product for LiDAR systems, as they enable the precise detection of invisible light signals with which LiDAR scanners detect their surroundings. The First Sensor Group already equips leading system manufacturers that supply their products to international technology companies and original equipment manufacturers.

- “Industry 4.0", i.e. the networking of production processes and products, is a positive influencing factor of the target market Industrial and enables a multitude of applications for sensors. Significant growth is forecasted for the "Predictive Maintenance" area, in which sensors can be used to identify wear or failure of a system at an early stage.

- Demand for new solutions in the field of diagnostics and treatment is also increasing in the target market of Medical. Surgical robots equipped with sensors are increasingly being used for precise interventions. At the same time, growth markets are emerging for mobile ventilation and dialysis systems equipped with standard sensors and e-health applications, which enable continuous monitoring of the state of health through networked sensor technology.

179. In all three target markets, the First Sensor Group focuses on key customers and key products as a second strategic pillar for profitable growth. Key customers are customers who purchase high volumes. For those customers, the First Sensor Group develops customized solutions and delivers large volumes over a long period of time. In this way, the high cost of acquiring customers and development work is offset by attractive economies of scale and multi-year contracts. The cooperation also creates the basis for partnerships from which new projects can be developed with significantly less effort. In turn, key products from the standard portfolio are often bought by smaller customers or customers with lower unit requirements. For them, the development of a customer-specific solution is often not efficient. However, an important differentiating feature of the First Sensor Group compared to its competitors is that modifications of the standard products can be derived from the company's platform strategy.

180. With the third pillar of its strategy for profitable growth, the First Sensor Group, as an expert in photonics, pressure and advanced electronics, is driving forward integration along the value chain. This takes places in a situation of the increasing demand for complex solutions that combine several functions in customer applications. The First Sensor Group is strengthening its position as a solution provider by further developing core competencies in microchip design and production as well as in the interconnection technology. In addition, the company is focusing on building and expanding its expertise in other process technologies as well as in software and sensor communication. Further, the integration of third-party products, which are necessary for a successful business as a system provider, plays an important role.

181. As a manufacturer of sensors, the First Sensor Group competes with many internationally active companies. However, by developing and selling customer-specific sensor systems, the First Sensor Group pursues a niche strategy in comparison to larger competitors who primarily produce and sell standard sensors in very large quantities.

182. The First Sensor Group has a total of nine development and production sites, which are specialized in different sales markets. In addition to four development sites in Germany, the First Sensor Group also has production sites in the Netherlands, USA and Canada. In addition, the First Sensor Group operates through sales companies in Europe and the USA. A sales organization is currently being established in China.

183. This structure bundles the knowledge of sensor development primarily in Germany and thus in the regional sales market, where around half of the revenues are generated. The branches in Europe and North America and Asia enable the sales potential there to be tapped and country-specific knowledge to be built up.

184. The strengths and opportunities are opposed by the following weaknesses and risks:

185. Due to its strong focus on target markets, the First Sensor Group is exposed to market risks. For example, the structural challenges in the automotive industry led to a decline in revenues in the Mobility target market in all three financial years 2017 to 2019. This demonstrates the First Sensor Group's high dependence on economic cycles.

186. Furthermore, First Sensor Group is exposed to the volatile demand markets of the two target markets Industrial and Mobility, which are each subject to investment cycles specific to the industrial sector, for example in the segment of mechanical engineering companies for the semiconductor industry.

187. These risks are intensified by the high dependency on key customers. In financial year 2019, 18.9% of Group sales were generated with the three largest customers, with the largest customer generating 8.2% of sales revenues. A change in the ordering behavior of these customers (e.g. in the follows

of the corona pandemic) or even a switch to other manufacturers can have a significant impact on revenue.

188. In addition, many customers have framework agreements with a term of one to two years, in which purchase quantities are specified, but at the same time purchase variants are also defined. These purchase variants can result in delayed release orders, which for example lead to a significant increase in inventories in the financial year 2019.

189. Another reason for the increase in inventories is the growing order risks. For example, the First Sensor Group had been experiencing an increase in procurement times for electronic components for some key products for some time. The company intends to counteract this risk by building up inventories, which, however, ties up capital.

190. In addition, regulatory conditions also pose risks for the First Sensor Group. For example, LiDAR technology and the ongoing miniaturization in camera rate technology, i.e. the two key technologies for automated driving, have moved from the pilot application phase to the phase of application in series vehicles. However, there are still no legal standards regulating the use of these technologies in practice to ensure broader market penetration. In addition, there are significant risks regarding malfunctions of medical technology sensors and possible reliability and safety problems with sensors that are installed in vehicles. These malfunctions can lead to corresponding claims for damages. Consequently, the First Sensor Group operates in markets where there is a demand for high-quality sensors that must be manufactured at the lowest possible cost due to price pressure and thus economic considerations. Overall, the First Sensor Group and its target markets operate in cyclical customer markets and are therefore directly exposed to economic risks.

191. Finally, concrete operational risks for the First Sensor Group described above exist in relation to the corona pandemic. Interrupted supply chains, a crisis-related decline in demand for sensors (in the target markets Industrial and Mobility) and a temporarily increased risk of insolvency among customers are the main risks that could lead to disruptions in the First Sensor Group's operative business operations and significant negative financial effects (cf. paragraph 267).

D. Determination of business value

I. Valuation basis

1. Procedure

192. The following section gives an overview of the methodological approach used to derive the business value of First Sensor Group. The business value is basically composed of the earnings value of the necessary operating assets and the value of the non-operating assets.

193. No non-operating assets were identified in the course of the valuation work, cf. paragraph 344.

194. In order to determine the earnings value of the operating assets, projections for a detailed planning phase (Phase I) and the period thereafter (Phase II, the so-called terminal value) needs to be prepared. For phase I, we have considered a period of three financial years (2020 to 2022). The business plan is based on the First Sensor Group's IFRS business plan for these financial years and the forecasting due to the corona crisis, which we have checked for plausibility on the basis of a historical analysis for the financial years 2017 to 2019. For this purpose, extraordinary, non-recurring and non-periodic earnings components were identified for the past and eliminated to derive to adjusted earnings. Further plausibility checks of the planning data and the underlying assumptions were carried out based on the planning documentation provided by First Sensor, the information provided and external industry and market data.

195. Basis of the determination of the earnings value is initially the derivation of future operating results (EBIT). We have made separate assumptions for a result that can be sustainably achieved from 2023 (phase II) onwards, especially taking into account crisis-related catch-up effects in the first years of the perpetuity phase. Moreover, reinvestment ratios, rather than depreciation and amortization, were applied in Phase II. Supplementary considerations were also employed in this regard.

196. The synergies expected between the First Sensor Group and TE Connectivity, which are realizable without the domination and profit and loss transfer agreement and which incur at the level of the of the First Sensor Group, were reflected in the valuation.

197. The net interest income of the First Sensor Group for the planning period was derived from a financial requirements calculation based on the extrapolated balance sheet items for the planning years 2020 to 2022 and for the terminal value phase. Interest rates were based on contractually agreed and market interest rates.

198. Considering the tax situation of the First Sensor Group, the forecasted pre-tax earnings were reduced for corporate taxes and the personal income taxes of the shareholders. The local business tax, corporation tax and solidarity surcharge for the German companies as well as foreign taxes were

considered as corporate tax. The usable tax loss carryforward of First Sensor Corp. was considered in the valuation calculation.

199. With regard to distributions of earnings, we have applied a pay-out ratio of 30.0% for the detailed planning period, which is based on the recent dividend policy of First Sensor. For Phase II, we have assumed a common market payout ratio of 50.0%.

200. In accordance with the recommendations of the IDW, in assessing the amount of personal income tax, we proceeded on the basis that the shareholder is a domestic-based natural person with unlimited tax liability.

201. It was also presumed that the shares are held as private assets and that such shareholding does not fulfill the conditions contained in § 17(1) sentence 1 of the German Income Tax Act (Einkommensteuergesetz, EStG). Given the withholding tax on dividends (Abgeltungssteuer) is effective since 2009, a 25 % rate of personal tax on dividends along with the solidarity surcharge levied thereon was applied, if dividends were not paid from the tax contribution account (steuerliches Einlagekonto). We have considered the taxation of capital gains by applying an annual effective rate of 12.5 % (corresponding to one half of the rate of withholding tax) plus the solidarity surcharge levied thereon.

202. The business value was determined assuming May 26, 2020 as the valuation date. This is the day at which the Annual General Meeting of First Sensor is to resolve on the domination and profit and loss transfer agreement with TE Connectivity.

203. Accordingly, the valuation is to be based on all financial surpluses of the First Sensor Group arising after May 26, 2020. To this end, we have discounted the value contribution of the net distributions as well as the value contribution of fictitiously accumulated reinvestments to the valuation date. The technical valuation date was set at December 31, 2019. All forecast surpluses were discounted to this balance sheet date. The equity value as of December 31, 2019 was then discounted with the cost of equity to May 26, 2020 and was taken as the basis for the calculation of the cash compensation and recurring compensation payment.

204. The fundamental considerations and approaches to the derivation of the discount rate are presented in detail in section D. III.

2. Planning process

205. The planning process of the First Sensor Group follows a detailed **planning calendar**. The planning process of the business plan used for the company valuation (medium-term planning) began in the

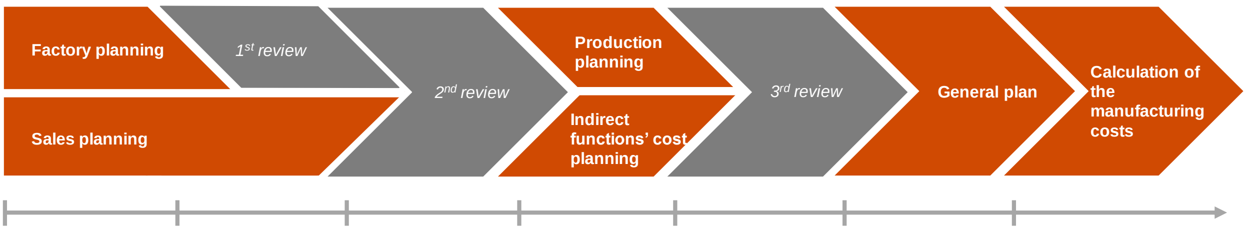
third quarter of 2019. This overall plan for the years 2020 to 2022, consisting of various sub-plans, was finalized in the fourth quarter of 2019.

206. The starting point of the medium-term planning 2020 to 2022 was the asset, financial and earnings situation as well as the reporting of all other monetary and non-monetary actual reporting figures from the quarterly report of the second quarter of 2019 and the extrapolation for the 2019 financial year. In order to reflect seasonal peculiarities, a detailed presentation of the planning on a monthly basis was also made for the first planning year 2020 ("budget year").

207. The planning is based on the reverse planning method, i.e. it contains top-down and bottom-up elements. At the start of planning, **planning assumptions** are determined top-down by the Board of Management and made available to those responsible for planning at the respective locations. These include information on expected future order receipts, revenues, material price changes and EBIT. In exceptional cases, deviations from the defined assumptions may be made in consultation with management. A key purpose of planning is the continuous review of planning assumptions during the financial year.

208. The planning process after definition of the planning assumptions over time is presented below:

First Sensor Group – Planning procedure



Source: First Sensor Group, PwC Analysis.

209. The planning process includes two parallel work processes.

210. The first starting point is a bottom-up **planning of measures** for the budget year by the plants. The plants assume an unchanged sales expectation. In an **initial review process**, the results of this **plant planning** (❶) are decided.

211. Parallel to this, the **sales planning** (❷) is carried out to estimate future revenues (sales and revenue planning).

212. In doing so, analyses of the sales department on the marketing of existing products and services and on marketing opportunities for new products are considered. Sales planning includes the precise assumptions regarding incoming orders, the timing of revenue recognition and the corresponding unit sales. The sales planning is based on the strategic planning of the First Sensor Group and covers the following three financial years (medium-term planning). The more detailed budget year is also planned on this basis. Sales planning considered the released product and service portfolio as well

as additionally released new products. In particular, data on (regional) market growth and price effects are included in sales planning.

213. The planning of development projects is also included in this sales planning: In this plan, current development orders are planned from customer orders, from "free research and development orders" (completely self-financed) as well as funding projects (proportionately self-financed). In this way, measures for the further or new development of products and production techniques are determined based on strategic decisions. When drawing up development plans, close integration with sales planning needs to be established.

214. As soon as the sales plans of all sales units are available, a **review** of plant and sales planning is carried out. As part of the review of the individual sales plans, so-called top-down adjustments are made, which form the basis for planning sales revenues at Group level. The same is done when the "technology roadmaps" and "product roadmaps" for new products are presented as part of development planning.

215. **Production planning** (❸) begins with the defined sales planning. This includes the required production output and (direct) manufacturing costs for the goods and services of the First Sensor Group. The manufacturing costs are determined within the framework of production planning on the basis of the last valid manufacturing costs per product (planned quantity multiplied by manufacturing costs per unit of the current financial year).

216. **Planning of the indirect functions** (❹) of First Sensor Group takes place simultaneously with production planning.

217. Once the detailed planning of all areas of responsibility has been completed, a **third review** takes place in November. After necessary adjustments and corrections to achieve the planning assumptions have been incorporated, the overall planning is finalized.

218. In the final step, the **manufacturing costs** (❺) for all products are calculated from the resulting overall plan, based on the agreed and defined sales planning and cost planning, and agreed between the units that request and units that provide services or products.

219. In accordance with this established and customary planning process of First Sensor Group, the business plan for the financial years 2020 to 2022 was prepared by the Management Board and approved by the Supervisory Board between January 11, 2020 and January 13, 2020 in a circulation procedure.

220. In the first quarter of 2020, the corona pandemic had an unexpectedly large impact on the capital markets in general, but also on the First Sensor Group's industry-specific supplier and customer markets and, consequently, also on the First Sensor Group's operating activities, so that the Executive

Board budgeter-assessed the opportunities and risks with a variance analysis. This changed the Management's view on the company's projections. This process was part of First Sensor's ongoing management and controlling processes. As a result, the forecasting was being prepared. The purpose of this forecasting prepared by management was to adequately reflect both the negative financial effects that had already occurred and the negative financial effects that were still to be expected. In particular, order cancellations or volume call-offs were included in the revenue modifications. As part of the forecasting, sales revenues, operating expenses and other operating income in the planning year 2020 (budget year) were planned in a first step. In the second step, the previously planned growth rates from the business plan for sales revenues, operating expenses and other operating income were applied unchanged to the lower sales level of the plan year 2020 to determine the planning years 2021 and 2022. The forecasting was prepared by the Management Board and is expected to be acknowledged by the Supervisory Board on April 14, 2020.

221. As a result, this forecasting plan depicts a more reliable level of the business performance– taking into account the possible effects of the coronavirus crisis. Thus, we have based the valuation of the First Sensor Group on the forecasting.

3. Planning accuracy

222. An analysis of the planning accuracy was carried out on the basis of a plan-actual comparison with respect to revenues, EBITDA and EBIT for the financial years 2017 to 2019. EBITDA and EBIT were used as these are important control parameters for the First Sensor Group. The forecasted numbers prepared in the respective previous year are compared with the actual numbers achieved. The following table provides an overview of the comparison of the unadjusted planned and actual numbers:

First Sensor Group
Plan-actual comparison

always as of 31 December, in EUR million	FY17 Actuals	FY17 Plan	Δ absolute	Δ in %	FY18 Actuals	FY18 Plan	Δ absolute	Δ in %	FY19 Actuals	FY19 Plan	Δ absolute	Δ in %
Sales revenues	147.5	149.1	(1.6)	-1.1%	155.1	159.0	(3.9)	-2.4%	161.3	167.5	(6.2)	-3.7%
EBITDA	19.6	21.2	(1.6)	-7.4%	21.3	23.5	(2.2)	-9.4%	16.2	25.9	(9.8)	-37.6%
EBIT	10.6	11.7	(1.2)	-10.1%	12.2	13.7	(1.5)	-10.6%	5.1	15.7	(10.6)	-67.8%
*EBITDA adjusted**									*24.6*	*25.9*	*(1.3)*	*-5.2%*
*EBIT adjusted**									*13.5*	*15.7*	*(2.2)*	*-14.2%*

*Actual figures adjusted for one-time effects of EUR 8.4 million from the preparation of the takeover by TE Connectivity

Source: First Sensor, PwC analysis.

223. In the financial years 2017 to 2019, the sales revenues of the First Sensor Group were between 1.1% and 3.7% below the planned level in each case. The deviations in revenue levels are mainly due to past sales problems with so-called H-sensors. The H-series pressure sensors measure very low pressures of dry, non-corrosive gases in various applications. With performance features such as meas-

urement accuracy, wide dynamic range and internal signal processing, they meet the technical requirements of the most demanding applications such as ventilation (medical) or industrial process control (industrial).

224. Due to issues in production and resulting quality problems, production was stopped in spring 2017. The production stop and the resulting negative impact on sales led to lower than planned sales revenues in 2017. In the following year there was a catch-up effect on the demand side for H-sensors. However, this catch-up effect was more than offset by the fact that a large US customer demanded fewer units, partly due to patent disputes.

225. After the quality problems for the H-sensors were eliminated in financial year 2018, they were optimized to such an extent that further growth for the sensor series was expected for financial year 2019 in addition to any catch-up effects. However, the expected growth was overestimated, with the result that the sales revenues generated were 3.7% below the planned sales level.

226. In addition to sales revenues, the operating result (both EBITDA and EBIT) was also overestimated in the planning for the financial years 2017 to 2019. On the one hand this is due to the lower sales revenues, which had a correspondingly negative impact on EBIT due to fixed costs. On the other hand, this was also cause by delayed effectiveness of two efficiency measures, an insourcing project and the switch from 4-inch wafers to 6-inch wafers. The insourcing project concerns the independent execution of specific (e.g. chemical) processes, especially for the production of pressure sensors. These processes were previously carried out externally but could also be carried out within the First Sensor Group from the 2017 financial year onwards.

227. The change from 4-inch to 6-inch wafers meant that the First Sensor Group's production processes set up on 4-inch wafers had to be converted to 6-inch wafers. In the long term, both measures will increase the efficiency of the production processes. However, the adjustments to production and the associated coordination with customers caused additional expenses, which led to an unplanned reduction in the First Sensor Group's profitability. Only in 2020 is it expected that all products will be converted to insourcing and 6-inch wafers and that the efficiency gains will be fully realizable.

228. As a result, realized EBITDA in the financial years 2017 to 2019 was between 5.2% (financial year 2019; adjusted for one-off effects from the preparation of the takeover by TE Connectivity of EUR 8.4 million) and 9.4% (financial year 2018) below the planned EBITDA. The realized EBIT in the financial years 2017 to 2019 was between 10.1% (financial year 2017) and 14.2% (financial year 2019; adjusted for one-off effects from the preparation of the takeover by TE Connectivity) below the planned EBIT.

229. The analysis of planning compliance shows that revenues tended to be planned with a good planning quality and that deviations between planned and actual figures did not exceed 4.0%. In the comparison of the individual years, this indicates that the overall picture is one of compliance with planning

in terms of sales revenues over time. However, the slightly missed targets show a fundamentally ambitious planning character of the management. As an earnings figure is influenced by a large number of effects - some of which cannot be planned - the differences between planned and realized EBITDA and EBIT figures are understandable. This is particularly true in light of the changing economic conditions in the customer industries and the cyclicality, particularly in the automotive industry, in conjunction with the dependence on orders and volume-based call-offs from customers. The ambitious planning level is also reflected in the missed targets for EBITDA and EBIT. Considering the detailed planning process, which is based on the assessment of those responsible for planning, we consider First Sensor's business plan from the beginning of 2020 and the forecasting in the context of the coronavirus crisis to be a reliable basis for determining the capitalized earnings value.

4. Fundamental assumptions

230. We have based the determination of the business value of the First Sensor Group as of May 26, 2020 on the following specific procedures and assumptions:

- For the purposes of the valuation, we have assumed that the company will continue its previous operations (going concern assumption). In line with this and in accordance with the Company's business concept, the continuation of all business activities existing as of the valuation date was assumed.

- In course of our analyses, we initially based our analysis on the business plan of the First Sensor Group and performed several sense checks regarding the underlying planning assumptions. Subsequently, we considered the forecasting prepared due to the corona pandemic and checked it for plausibility.

- Both the business plan and the forecasting assume increasing capacities. In the terminal value, replacement investments are planned to consider inflation effects, which are reflected in the growth rate.

- Based on the business plan, the Company firstly assumed for the planning period 2020 to 2022 that the sales level of 2019 can be increased and that capacities will be almost fully utilized by the end of the planning period. Based on the knowledge obtained in the first quarter of 2020 in connection with the corona pandemic, the Company no longer expects to be able to achieve the revenue level of 2019 in the first two planning years. As a result, the capacities will not be fully utilized in the planning year 2022, as stated in the forecasting. A full utilization of capacities is expected to be achieved within the first three years of the perpetual annuity from 2025.

- Insofar as plans were made in foreign currencies at the level of individual companies, they were converted into EUR for the purposes of Group planning. The underlying exchange rates were checked for plausibility using analysts' estimates and forward rates. The exchange rates on which the planning is based are essentially within the range of analysts' estimates and forward rates.

- The cost of debt of the First Sensor Group have been determined based on the planning of balance sheet figures, taking into account already existing conditions in the forecast period, with interest-bearing assets and liabilities being netted for valuation purposes. Interest expenses resulting from pensions were updated consistently with past reporting. An average interest rate of 0.6% was applied to the financial result based on pension reports.

- No synergies for the financial years 2020 to 2022 are included in both the business plan and the forecasting. When deriving the expected net distributions, possible synergies from the planned cooperation with TE Connectivity need to be considered in the operating result. These so-called pseudo synergies that we have recognized include the expected synergies from measures that can be realized even without the intercompany agreement and that are attributable to the First Sensor Group.

- In the detailed planning period, a 30% distribution of financial surpluses was assumed for the First Sensor Group in accordance with the recent dividend policy of distributing 20% to 40% of net income. Based on this assumptions, we have notionally allocated the retained earnings directly to the net distributions to shareholders.

- A long-term average pay-out ratio of 50.0% was assumed for the years from 2023 onwards. This pay-out ratio is based on the pay-out ratios observable on the market. The value contributions from retained earnings in the terminal value phase are also notionally directly attributed to the shareholders.

- A long-term average pay-out ratio of 50.0% was assumed for the years from 2023 onwards. This pay-out ratio is based on the pay-out ratios observable on the market. The value contributions from retained earnings in the terminal value are also notionally directly attributable to the shareholder.

- The company value was determined on the basis of the valuation date of 26 May 2020. This is the date on which the Annual General Meeting of First Sensor will decide on the domination and profit and loss transfer agreement with TE Connectivity

231. Our analysis revealed that the First Sensor Group does not own any non-operating assets.

II. Expected net distributions from operating assets

1. Earnings before interest and taxes (EBIT) in the detailed planning period (business plan

232. The following table shows the consolidated sales and earnings planning up to earnings before interest and taxes (EBIT) at the level of the First Sensor Group for the planning years 2020 to 2022 and, as a supplement, the financial year 2019.

First Sensor Group
Original business plan

in EUR nillion	2019 actual	2020 plan	2021 plan	2022 plan	CAGR 2019-2022
Industrial	*86.6*	*95.4*	*113.9*	*135.1*	*16.0%*
Medical	*35.4*	*34.3*	*31.8*	*29.6*	*-5.8%*
Mobility	*39.2*	*44.5*	*45.5*	*47.4*	*6.5%*
Net revenues	**161.3**	**174.2**	**191.2**	**212.1**	**9.6%**
Revenue synergies					
Net revenues incl. sales synergies	**161.3**	**174.2**	**191.2**	**212.1**	**9.6%**
Changes in inventories in finished goods and WIP	0.5	0.2	0.3	0.3	-15.1%
Other own work capitalized	3.6	3.2	2.7	2.9	-6.8%
Total revenue	**165.4**	**177.6**	**194.2**	**215.3**	**9.2%**
Cost of material and purchased services	(75.3)	(78.9)	(84.6)	(93.8)	7.6%
	90.1	**98.7**	**109.6**	**121.6**	**10.5%**
Other operating income	1.0	0.9	0.8	0.7	-10.7%
Personnel expenses	(52.5)	(55.3)	(59.6)	(62.2)	5.8%
Other operating expenses	(15.0)	(15.8)	(16.0)	(16.5)	3.1%
EBITDA	**23.6**	**28.5**	**34.7**	**43.6**	**22.8%**
Depreciation & amortization	(11.1)	(11.6)	(11.5)	(10.3)	-2.7%
EBIT	**12.4**	**16.9**	**23.2**	**33.4**	**38.9%**
Sales growth per year in %	*3.9%*	*8.0%*	*9.8%*	*10.9%*	
Figures in % of revenues					
Cost of materials/expenses for purchsed services	46.7%	45.3%	44.3%	44.2%	
Gross profit	**55.9%**	**56.6%**	**57.3%**	**57.3%**	
Other operating income	0.6%	0.5%	0.4%	0.4%	
Personal expenses	32.6%	31.7%	31.2%	29.3%	
Other operating expenses	9.3%	9.0%	8.4%	7.8%	
EBITDA margin	**14.6%**	**16.4%**	**18.2%**	**20.6%**	
Depreciation of PPE and intangibles assets	6.9%	6.7%	6.0%	4.8%	
EBIT margin	**7.7%**	**9.7%**	**12.1%**	**15.7%**	

*Adjustement in the 2019 financial year for income from the release of provisions, income from insurance compensation and income relating to other periods
** Adjustement in the 2019 financial year for personnel expenses in connection with the preparation of the takeover of First Sensor by TE Connectivity
*** Adjustement in the 2019 financial year for prior-period expenses and other expenses in connection with the preparation of the acquistion of First Sensor by TE Connectivity

Source: First Sensor Group, PwC analysis.

233. It should be noted that the business plan presented above does not reflect the adverse effects of the corona pandemic expected by the Company after the preparation of this business plan , which was already approved by the Supervisory Board at the beginning of January 2020. At that time, the significant negative effects of the corona pandemic were not yet foreseeable. Nevertheless, we presented this business plan, as the effects of the corona virus crisis expected by the management of First Sensor were integrated into this business plan by an adjustment during our evaluation work.

234. Revenues are expected to increase in the period under review from EUR 161.3 million in financial year 2019 to EUR 212.1 million in the final plan year 2022. This corresponds to an average annual

growth rate of 9.6% (CAGR 2019 to 2022). The lower average growth in sales revenue of 4.6% p.a. realized in the past (2017 to 2019) is expected to be exceeded in the next three years.

235. A specification in terms of levels of hardiness of the sales planning is shown below:

First Sensor Group
Degree of hardness of the planned sales revenues

Revenue shares in EUR million		2020 plan	2021 plan	2022 plan
Level 1	Backlog	75.6	2.7	0.3
Level 2	Nomination with minimum quantities and follow-up orders on the basis of framework agreements	42.1	107.5	114.7
Level 3	Nomination without defined minimum quantities	18.8	28.4	35.8
Level 4	Distribution: Incoming orders	29.5	42.7	48.4
Level 5	Expected sales with regard to possible new orders (based on past experience)	8.3	9.9	12.9
Total		**174.2**	**191.2**	**212.1**
Revenue shares in %				
Level 1	Backlog	43.4%	1.4%	0.1%
Level 2	Nomination with minimum quantities and follow-up orders on the basis of framework agreements	24.2%	56.2%	54.1%
Level 3	Nomination without defined minimum quantities	10.8%	14.9%	16.9%
Level 4	Distribution: Incoming orders	16.9%	22.4%	22.8%
Level 5	Expected sales with regard to possible new orders (based on past experience)	4.7%	5.2%	6.1%
Total		**100.0%**	**100.0%**	**100.0%**

Source: First Sensor Group, PwC analysis.

236. The revenue expected for the planning year 2020 is essentially based on the order backlog existing at the time of preparing the budget. Thus, approximately 43.4% of the sales expected for 2020 are accounted for by orders already in production or development at the time the budget was prepared (Level 1). As early as in the planning year 2021, the share of sales revenues from contracted orders will fall to around 1.4%. The remaining planned revenues for development projects ("Solution" business unit) are based primarily on specific contracts with OEMs (Level 2 and Level 3). At the time of nomination, the expected minimum sales volume is already known based on framework agreements (Level 2). If no framework agreement exists, nomination for development contracts is mainly made without minimum sales volumes being guaranteed by the OEMs (Level 3). As a result, the First Sensor Group is largely dependent on the sales of the target markets on the one hand and on the market perception of the OEMs on the other. Revenues from the production and sale of standardized products ("Distribution" segment) are based on the planning of incoming orders and define approximately 16.9% of planned revenues in the planning year 2020 and 22.4% and 22.8% of revenues in the planning years 2021 and 2022 respectively (Level 4). The remaining revenues relate to potential new orders (Level 5). The derivation of these potential revenues is based on experience with the respective customers and the Company's estimates of the market environment. The Company's revenue planning thus reflects current orders, new, extended and expiring orders known at the time of planning preparation, as well as expectations of new business to be generated in the future.

237. The shares of the respective target markets Industrial, Medical and Mobility in terms of sales revenues are shown below:

First Sensor Group
Breakdown of sales by target markets

Shares in %	2019 actual	2020 plan	2021 plan	2022 plan
Revenue	**161.3**	**174.2**	**191.2**	**212.1**
Industrial	53.7%	54.8%	59.6%	63.7%
Medical	21.9%	19.7%	16.6%	14.0%
Mobility	24.4%	25.5%	23.8%	22.3%

Source: First Sensor Group, PwC analysis.

238. The highest share of sales is generated in the **target market Industrial**. In addition, the strongest growth in sales revenues is also expected in this target market. Due to the high precision and reliability of First Sensor optoelectronic products, which are used in applications in the aerospace industry (e.g. for threats), demand is expected to rise further. The products must meet correspondingly high reliability requirements under extreme conditions. Short reaction times and increased sensitivity must be guaranteed at all times. First Sensor products are also used in fully automated industrial environments. Sales of the sensors (LiDAR and MEMS) thus benefit directly from the industry trend 4.0. In addition, First Sensor has developed a multi-sensor system that will go into series production in the future. Overall, the Company expects sales revenues in the target market Industrial to grow continuously at an average rate of 16.0% p.a. (CAGR 2019 to 2022), with almost the same split between customer-specific development projects ("Solution") and standard products ("Distribution"). According to the Company's expectations, this growth will be achieved primarily in North America (31.4% p.a.) and the DACH region (16.5% p.a.). Demand for H-Series pressure sensors, which can also be used in the Industrial target market, is expected to drive sales growth in the DACH region and North America in particular.

239. The expected development of sales revenues in the target market Industrial is shown below by region:

First Sensor Group
Breakdown of sales in the target market "Industrial" by region

in EUR million	2019 actual	2020 plan	2021 plan	2022 plan	CAGR 2019-2022
Industrial	**86.6**	**95.4**	**113.9**	**135.1**	**16.0%**
DACH region	38.8	42.8	50.1	61.3	16.5%
Rest of Europe	21.2	21.3	23.6	25.8	6.8%
North America	9.5	14.7	18.5	21.6	31.4%
Asia	17.1	16.7	21.7	26.4	15.6%

Source: First Sensor Group, PwC analysis.

240. The high expected sales growth in North America follows the increasing trend of industrial players to build smart factories to ensure a better adaptation of products to the preferences of end consumers. It is being expected that First Sensor will benefit above average from the positive market trend.

Thus, First Sensor's projected revenue growth in North America of 31.4% p.a. on average is significantly higher than the market expectation for the Americas region (North, Central and South America) of 8.7% p.a. (CAGR 2019 - 2022) (cf. paragraph 84). The growth in the DACH region of 16.5% p.a. (CAGR 2019 - 2022) is particularly influenced by the government initiative for the digitalization and automation of production processes in Germany. For the region Rest of Europe, an average growth rate of 6.8% p.a. is expected for the same period, which is in line with the growth expectations for the industrial sensor market in the "EMEA" region. Finally, as in North America, First Sensor expects sales revenues in the industrial sensor market in Asia to grow above the expected market growth (APAC: 8.6% p.a. CAGR 2019 - 2022) at an average of 15.6% p.a. Overall, First Sensor is thus expected to further increase its market share in the regions North America, Europe (including the DACH region) and Asia.

241. Trends in the **target market Medical** are tending towards increasingly intelligent and precise solutions for diagnostics and treatments. The focus of imaging processes is on high-resolution images of the human organism. In addition, robots are increasingly used for precise, minimally invasive procedures. Finally, ongoing miniaturization enables the mobile use of medical equipment such as respiratory and dialysis systems, which are also designed for home use and equipped with sensitive standard sensors. At the same time, there is a growing market for e-health applications that enable continuous monitoring of patients' health thanks to networked sensor systems. The Medical target market is the smallest target market for First Sensor Group, accounting for around 21.9% of sales revenues in financial year 2019 (cf. paragraph 237).

242. Sales revenues in the target market Medical have already increased by approximately 24% from EUR 27.9 million (in financial year 2017) to EUR 34.6 million in financial year 2018 due to the increasing demand for standard pressure sensors of the H series. The demand for pressure sensors for medical (and industrial) applications was so high, that production capacities for the H series standard sensors had to be increased in 2018. The H-series pressure sensors measure very low pressures of dry, non-corrosive gases in various applications. As expected, the extraordinarily high level of sales revenues cannot be maintained in the target market Medical (except for the region “Rest of Europe") over the detailed planning period:

First Sensor Group
Breakdown of revenue in the target market "Medical" by region

in EUR million	2019 actual	2020 plan	2021 plan	2022 plan	CAGR 2019-2022
Medical	**35.4**	**34.3**	**31.8**	**29.6**	**-5.8%**
DACH region	26.0	24.8	23.7	22.9	-4.2%
Rest of Europe	2.6	2.8	3.1	3.5	9.6%
North America	6.7	6.7	4.9	3.2	-22.0%
Asia	0.0	0.0	0.0	0.0	n.a.

Source: First Sensor Group, PwC analysis.

243. The growing demand for standardized products in the target market Medical is accompanied by increased competition and, as a result, corresponding pressure on prices. In addition, the trend of sales revenues in the target market is affected by the supply problem for H-sensors in financial year 2017 and the resulting conservative trend of the purchase volume of H-sensors for the planning period (after an overestimation of the purchase volume in financial year 2019; cf. paragraph 225). In addition, a major customer has indicated that the sensor requirements for ventilators will end in financial years 2017 and 2018 after the ramp-up of the required quantity in financial years 2017 and 2018 and that the purchase requirements were expected to be lower when the business plan was approved in December 2019. Finally, the planned decline in sales revenues in the North America region is due to a decline in the order volume of microchips attached to ceramics. In this business, a major customer has announced that the product for which the microchips are required has reached the end of its product life cycle. At EUR 29.6 million, however, the revenue level remains above the revenue contribution of EUR 27.9 million achieved in financial year 2017. Finally, the expected decline in sales revenues in the target market Medical over the detailed planning phase will be more than offset by the forecasted growth in the target markets Industrial and Mobility in the detailed planning phase. This results in a shift in the weighting of the target markets in the revenue mix during the detailed planning phase.

244. In light of the planned increase in profitability, the focus of the First Sensor Group, in addition to optimizing the operating cost structure, is basically on high-quality and high-performance products that are developed to match specific customer requirements ("Solution" product area). The trend of sales revenues is presented below according to the target markets of the First Sensor Group and the corresponding product areas:

First Sensor Group
Breakdown of sales by target markets and product areas

in EUR million	2019 Act	2020 plan	2021 plan	2022 plan
Revenues	161.3	174.2	191.2	212.1
Industrial	**86.6**	**95.4**	**113.9**	**135.1**
Distribution	41.6%	40.0%	37.8%	38.2%
Solution	58.4%	60.0%	62.2%	61.8%
Medical	**35.4**	**34.3**	**31.8**	**29.6**
Distribution	32.9%	35.2%	39.3%	45.6%
Solution	67.1%	64.8%	60.7%	54.4%
Mobility	**39.2**	**44.5**	**45.5**	**47.4**
Distribution	4.5%	5.9%	5.6%	4.3%
Solution	95.5%	94.1%	94.4%	95.7%

Source: First Sensor Group, PwC analysis.

245. In contrast, with regard to the target market Medical, the Company plans that the share of customer-specific development projects will decrease from 64.8% in plan year 2020 to 60.7% in plan year 2021 and finally to 54.4% in plan year 2022.

246. In the **Mobility target market**, automobile manufacturers and suppliers are developing specific applications for autonomous driving. Advanced driver assistance systems based on networked sensor systems are designed to ensure greater comfort and road safety. Sensor systems are also a key element in the further development of fuel-efficient and low-emission drives. In the past, First Sensor has positioned itself as a reliable partner among the leading automotive companies and is therefore expected to continue to benefit from the trend towards environmentally friendly mobility in the detailed planning period. The planned sales trend of First Sensor in the target market Mobility is strongly influenced by new and innovative technological developments. The "Solution" product area is most significant, averaging 94.7% of sales revenues in the detailed planning phase (cf. paragraph 244). However, the target market Mobility is characterized by high uncertainties, consisting of volume fluctuations due to the cyclical nature of the automotive industry, existing geopolitical tensions and changes in the regulatory framework. For example, the introduction of the new WLTP[1] approval procedure in September 2017 led to significant bottlenecks in the approval of new vehicles due to a lack of testing capacity. Registrations of new vehicles in Germany declined significantly. As a result, automobile production was curbed, which had a negative impact on upstream and downstream sectors of the industry. In addition, the target market Mobility is affected by the loss of confidence due to the "diesel scandal" and the effects of trade conflicts. The tariffs introduced in the USA led to major economic losses for the American automobile manufacturers. The

[1] Worldwide Harmonised Light Vehicle Test Procedure is a vehicle approval procedure within the European Union, which in particular defines new requirements for the measurement of fuel consumption, CO2 emissions and regulated pollutants of light vehicles under standardized (laboratory) conditions.

Chinese automotive market also shrank as a result of the trade conflict. Nevertheless, the automotive industry remains an important growth market for the sensor industry, as new sensor technologies in connection with the vision of autonomous and low-emission driving will continue to gain in importance and the number of sensors per vehicle will also increase steadily. First Sensor expects a particularly strong growth impulse for LiDAR systems, which play a key role in autonomous driving (cf. paragraph 190).

247. The following overview shows the trend of sales revenues in the Mobility target market by the relevant regions.

First Sensor Group
Breakdown of revenue in the "Mobility" target market by region

in EUR million	2019 actual	2020 plan	2021 plan	2022 plan	CAGR 2019-2022
Mobility	**39.2**	**44.5**	**45.5**	**47.4**	**6.5%**
DACH region	10.6	13.9	14.5	15.3	13.1%
Rest of Europe	14.9	14.6	14.1	15.1	0.5%
North America	5.4	7.8	9.6	11.5	28.2%
Asia	8.3	8.1	7.3	5.5	-12.9%

Source: First Sensor, PwC analysis.

248. The expectation of a long-term weakening of the trade conflict and the megatrend "autonomous and low-emission driving" will drive growth, especially in the DACH region and North America. Accordingly, the First Sensor Group expects average annual revenue growth of 13.1% in the DACH region and 28.2% in North America (CAGR 2019 to 2022, respectively). In both regions, First Sensor's sales revenues will grow significantly faster than the expected growth of the respective regional target markets (North America: 2.7% CAGR 2019 to 2023; Europe: 4.1% CAGR 2019 to 2023). The First Sensor Group therefore expects to be able to increase its market share at the expense of its competitors on the basis of the high innovation intensity and quality of its products in the regional target markets. However, if the US government should further intensify the trade conflict with China, automobile manufacturers and suppliers could continue to be negatively affected. Concerns regarding safety aspects of autonomous driving could also have a negative impact on sales in the detailed planning period.

249. The subsidiaries of the First Sensor Group sell their products on several target markets and can usually be used for multiple purposes. Furthermore, there are business relationships between the individual companies, so that the sales revenues of individual companies are characterized by corresponding transfer price effects. At the level of the companies and locations with significant sales contributions, the planning of sales revenues (including intercompany business relationships) is shown below:

First Sensor Group
Breakdown of sales by company

in EUR million	2019 Act	2020 plan	2021 plan	2022 plan	CAGR 2019-2022
Revenues	**161.3**	**174.2**	**191.2**	**212.1**	**9.6%**
Sales deductions	0.2	0.1	0.1	0.1	-17.9%
Sales before sales deductions	**161.5**	**174.3**	**191.3**	**212.2**	**9.5%**
thereof First Sensor AG, subsidiary Munich	28.4	31.1	34.2	39.2	11.3%
thereof First Sensor AG, Berlin-Weißensee	25.5	28.1	33.1	37.4	13.6%
thereof First Sensor AG, Berlin-Oberschöneweide	25.9	26.0	32.1	41.6	17.1%
thereof First Sensor Microelectronic Packaging	32.2	35.1	38.8	45.6	12.3%
thereof First Sensor Mobility	26.7	31.7	34.8	39.3	13.7%
Sales revenues of the top 5 companies/locations (before consolidation effects and top-down adjustements on group-level)	**138.8**	**152.0**	**173.0**	**203.2**	**13.5%**

Source: First Sensor Group, PwC analysis.

250. The **First Sensor subsidiary in Munich** is specialized in the distribution of standard products (such as merchandise) and the production of pressure sensors and transmitters. In the planning period, First Sensor expects the Munich branch to achieve average revenue growth of 11.3% p.a. Reliable and high-precision pressure sensors and pressure transmitters for air, gases and liquids form the largest part of the First Sensor Group's product range and are required particularly in industrial process automation and in the medical sector for respiratory and dialysis equipment as well as diagnostic procedures. Overall, the expected revenue growth of the First Sensor Munich branch is thus at a similarly high level, but, taking into account the negative growth rates in the target market Medical, at a lower level than the revenue growth expected for the First Sensor Group in the target market Industrial (16.0% CAGR 2019 to 2022).

251. **First Sensor in Berlin-Weissensee** specializes in packaging and interconnection technology and the development and production of electronic microsystems for pressure, flow and optical sensors. Highly complex systems are developed and made ready for series production. The site produces microsystem technologies and automatic system technologies under clean room conditions, thus ensuring optimum product design. The products are used in medical technology, industrial automation, the aerospace industry and the offshore sector, among others. For example, imaging sensors are required in the medical sector for MRIs and endoscopy equipment. First Sensor in Berlin-Weissensee purchases microchips from First Sensor in Berlin-Oberschöneweide at conditions corresponding to the underlying transfer price system and incorporates them into its products. In light of the expected negative growth rates in the target market Medical, the company expects First Sensor in Berlin-Weissensee to achieve a growth rate of 13.6% p.a. (CAGR 2019 to 2022), which is, similar to the First Sensor branch in Munich, a growth rate slightly below the revenue growth expected for the First Sensor Group in the target market Industrial (16.0% CAGR 2019 to 2022).

252. **First Sensor in Berlin-Oberschöneweide** specializes in semiconductor manufacturing and the production of silicon chips on 4- and 6-inch wafers for optical sensors and MEMS pressure sensors. These form the basis for tailor-made and customer-specific solutions as well as for adapted standard solutions and can be produced in various volumes (from small series to mass production). The high growth expectation for First Sensor Group's sales revenues in Berlin-Oberschöneweide of on

average 17.1% p.a. (CAGR 2019 to 2022) over the detailed planning period is mainly based on the increasing importance of LiDAR sensors. LiDAR sensors are a key technology for automated processes and fully automated and autonomous driving. In combination with cameras and radar sensors, LiDAR sensors are able to perceive the environment on busy roads or in automated industrial environments and can ensure safety and efficiency in complex environments by detecting obstacles and measuring distances. Corresponding growth impulses were already expected for the financial year 2019. However, they fell short of expectations, as OEMs have postponed the increased focus o on "autonomous driving" in favor of the tense economic environment. Corresponding growth impulses are now expected in the planning period 2020 to 2022, but a further deterioration in the economic environment may delay the growth impulses even further.

253. **First Sensor Microelectronic Packaging** specializes in the assembly and interconnection technology of electronic microsystems. Production includes customized miniaturization of optical sensors and MEMS pressure sensors. The growth of 12.3% p.a. (CAGR 2019 to 2022) is based on the one hand on the comparatively low revenue level in the financial year 2019, which was characterized by lower demand from a major customer in the automotive sector, delayed product qualification and problems in the supply chain of a major customer in the target market Industrial, which led in delays in increasing production volumes. On the other hand, the Company expects a growth impulse in the planning year 2022, in which the products developed for an important customer will commence series production.

254. **First Sensor Mobility** specializes in the production of sensors for the automotive industry. In particular, the focus is on the on-site production of automotive products and customer-specific system development. The production of sensors includes pressure sensors (e.g. tank and brake force sensors), flow sensors and optical sensors. The tank pressure sensors of First Sensor Mobility are installed in cars with combustion engines as well as in cars with electric motors. In the past, First Sensor Mobility had lost almost all its optical sensor market share to a competitor. By developing a new, improved product, it was possible to partially regain lost shares, but now increasingly in the commercial and special vehicles segment.

255. On this basis, the planned growth of First Sensor Mobility's sales revenues (13.7% p.a.; CAGR 2019 to 2022) is fundamentally comprehensible but ambitious given the expected market growth of the "automotive sensor market" of 3.8% p.a. (CAGR 2019 to 2023).

256. The estimate for the budgeting of First Sensor Mobility can also be applied to the planned sales growth of the entire First Sensor Group: The measures planned by management to increase sales revenues are fundamentally comprehensible. However, taking into account the market growth in the individual target markets, the average growth in sales revenues of the First Sensor Group of 9.6% p.a. (CAGR 2019 to 2022) appears to be already very ambitious without taking the corona crisis into account.

257. In addition to sales revenues, minor changes in **inventories** (which are being recognized in the total cost method for the income statement) between EUR 0.2 million (plan year 2020) and EUR 0.3 million (plan year 2022) as well as an equally minor decline in other own work capitalized from EUR 3.6 million in the 2019 financial year to EUR 2.7 million in the 2021 plan year and EUR 2.9 million in the 2022 plan year were planned. Own work relates to capitalized development work and measures to optimize production efficiency.

258. The total revenue is primarily reduced by cost of materials, which amounted to EUR 75.3 million in financial year 2019. The cost of materials is calculated on the basis of planned sales volumes, which were derived from the order backlog at the planning date, among other things, as well as planned efficiency measures. The implemented measures to improve efficiency (in particular the savings in cost of materials by switching from 4-inch wafers to 6-inch wafers as well as insourcing (cf. paragraph 226 f.) and corresponding sales effects is causing the expectation of a reduction in the cost of materials ratio over time from 46.7% in the financial year 2019 to 44.2% at the end of the detailed planning phase in 2022.

259. A slightly positive level of other operating income is expected at the beginning of the detailed planning phase in 2020. In addition to declining income from subsidies and income from the reversal of special items recognized in the past for investment grants and investment subsidies (especially in the first planning year 2020), the company also expects almost constant income from non-cash compensation. There are no other significant circumstances that would lead to other operating income. Overall, other operating income is planned to decline slightly to EUR 0.9 million in the plan year 2020 and EUR 0.7 million in the plan year 2022.

260. In addition to the cost of materials, personnel expenses represent a significant expense item. The business plan shows an average increase in personnel expenses of 5.8% p.a. from 2019 to 2022. The increase in personnel expenses from the financial year 2019 is based on expected collectively agreed wage increases and the general inflation-related salary trends as well as a slight increase in the number of employees. The increase in production efficiency in the detailed planning period will lead to an increase in personnel productivity, so that personnel expenses will rise at a much lower rate than sales revenues by the planning year 2022. Personnel expenses also include expenses of EUR 0.3 million per year for the options issued to management in financial years 2016 and 2017. First Sensor will distribute the total expenses for the options granted in each case over the agreed waiting period of four years. Overall, a reduction in the ratio of personnel expenses from 32.6% in financial year 2019 to 29.3% in plan year 2022 is planned in line with First Sensor's expectations.

261. Other operating expenses are expected to increase from EUR 15.0 million in financial year 2019 (adjusted) to EUR 16.5 million in the plan year 2022. This is mainly due to the planned increase in selling expenses from EUR 2.2 million in financial year 2019 to EUR 3.6 million in the planning

year 2022, which should ensure the planned ambitious growth in sales revenues. Accordingly, advertising, trade fair and marketing expenses are expected to increase continuously from EUR 1.1 million in the financial year 2019 to EUR 2.2 million in the planning year 2022. In addition, sales commissions will increase from EUR 0.5 million in the financial year 2019 to EUR 0.9 million in the plan year 2022 caused by the planned establishment of a sales office in South Africa. As the growth in other operating expenses is declining, the ratio of other operating expenses to sales revenues will decline from 9.3% in financial year 2019 (adjusted) to 7.8% in the planning year 2022.

262. Overall, the Company expects in the detailed planning period an average annual increase of EBITDA of 22.8% (CAGR 2019 to 2022). **EBITDA** will thus develop from EUR 23.6 million in the financial year 2019 (adjusted) to EUR 28.5 million in the planning year 2020, EUR 34.7 million in the planning year 2021 and to EUR 43.6 million in the final planning year 2022. This corresponds to an increase in the EBITDA margin - measured against the sales revenues of the First Sensor Group - from 14.6% (2019) to 16.4% (2020), 18.2% (2021) and 20.6% (2022). The improvement in the EBITDA margin compared to the financial year 2019 is mainly due to the rising sales revenues and the disproportionately low increase in material and personnel expenses.

263. As a result of extensive investments, particularly in the context of expanding and optimizing production capacity, depreciation and amortization (excluding depreciation and amortization from purchase price allocations) is expected to increase from EUR 8.9 million in 2019 to EUR 10.2 million in 2022. The company forecasts new capital expenditures of EUR 8.0 million in the first planning year 2020, of which approximately EUR 3.2 million are planned for capacity expansion, EUR 3.1 million for replacement investments, EUR 0.6 million for rationalization measures and approximately EUR 1.1 million for other investments. In addition to own work capitalized of EUR 3.2 million, investments originally planned in 2019 of EUR 3.2 million is planned. In total, this results in a total investment volume of around EUR 14.4 million for the planning year 2020. For the plan years 2021 and 2022, total capital expenditures of around EUR 10.7 million (new investments of around EUR 8.0 million and own work capitalized of EUR 2.7 million) and around EUR 11.0 million (new investments of around EUR 8.0 million and own work capitalized of around EUR 2.9 million) are planned. According to the management of the First Sensor group, sufficient production capacity to meet the growing demand for the sales revenues planned for the detailed planning period is thus available across all three target markets. At the end of the detailed planning period, these capacities are almost fully utilized. In addition, the planned depreciation and amortization includes depreciation and amortization from purchase price allocations, which will decline to amounts of EUR 2.2 million in 2019, EUR 1.7 million in 2020, EUR 1.7 million in 2021 and EUR 0.1 million in 2022. Overall, considering the expiring amortization from purchase price allocations, the amortization ratio will decline from 6.9% in financial year 2019 to 4.8% in the final plan year 2022.

264. Overall, EBIT shows an improvement in the earnings margin in the planning period, similar to EBITDA. Accordingly, the EBIT margin is expected to improve from 7.7% in 2019 (adjusted) to

15.7% in 2022. This corresponds to average annual EBIT growth of 38.9% (CAGR 2019-2022). This forecast of the development of the First Sensor Group's profitability is to be assessed as clearly ambitious both in consideration of the long-term risks (changing regulatory framework conditions, short product life cycles, cyclical fluctuations in supply and demand, significant risks of the customer industries; cf. paragraph 87) and in consideration of the profitability achieved in the past both at the EBIT and EBITDA level.

265. In addition, the negative effects from economic impairments caused by the corona virus (cf. paragraph 73) need also be considered. It is expected that potential adverse factors, for example on the supply chains, production and, in particular, reduced demand of the customers can result in a significant shortfall to the planned earnings level of the First Sensor Group. Therefore, the business plan, which did not yet reflect the negative effects of the corona pandemic, was no longer reliable. Therefore, the Executive Board of First Sensor provided the forecasting in March 2020 - as described below - reflecting a realistic, expected level of the business performance.

2. Preparation of the forecasting

266. Based on the business plan, the following variance analysis was prepared by the Executive Board of First Sensor to reflect of the expected effects of the corona pandemic on the operating performance of the First Sensor Group:

First Sensor Group
Variance analysis

in EUR million	2020 Plan	2021 Plan	2022 Plan
Net revenues	**(18.8)**	**(20.7)**	**(22.9)**
Changes in inventories in finished goods and WIP	-	-	-
Other own work capitalized	(0.1)	-	-
Total revenue	**(19.0)**	**(20.7)**	**(22.9)**
Cost of material and purchased services	9.1	9.0	10.0
Gross profit	**(9.9)**	**(11.7)**	**(13.0)**
Other operating income	-	-	-
Personnel expenses	1.0	1.1	1.1
Other operating expenses	0.7	0.7	0.7
EBITDA	**(8.2)**	**(9.9)**	**(11.1)**
Depreciation & amortization	0.2	-	-
EBIT	**(8.0)**	**(9.9)**	**(11.1)**

Source: First Sensor Group, PwC Analysis

267. In the course of the corona pandemic, significant negative effects have already come int effect in the first quarter of 2020, especially First Sensor Group's order backlog has declined significantly. In addition to supply problems on the supplier side, automotive customers from the target market Mobility, for example, have announced and implemented factory shutdowns. Consequently, the

respective production and sales locations of the First Sensor Group was accessed regarding the actual effects on the existing and planned order situation. This revealed that individual orders have been postponed, volume-related call-offs by customers have been reduced or have already been cancelled by customers.

268. Based on this evaluation, the reduction in net revenues for the planning year 2020 arising from the variance analysis of EUR 18.8 million has already become effective by roughly 50%. The difference in the net revenue level of the forecasting in comparison to the business plan of sales revenues in plan year 2020 is due to the announcement of the increasing duration of the measures to contain the corona pandemic and the economic consequences to be expected for the First Sensor Group in the three target markets. Based on the sales level adjusted by EUR 18.8 million in the planning year 2020, the medium-term growth rates assumed (and approved) in the business plan were applied for the planning years 2021 and 2022.

269. The variance of other own work capitalized amounts to EUR 0.1 million in plan year 2020 and is caused by the lower number of capitalized working hours, also in light of the use of short-time work.

270. The expenses (cost of materials and purchased services, personnel expenses and other operating expenses) were planned in line with the lower revenue in the first year of planning, taking into account the effects of the Corona pandemic. The respective adjusted expense items were then extrapolated using the medium-term growth rates assumed (and also approved) for the years 2021 and 2022 of the business plan.

271. The cost of materials and purchased services is lower by EUR 9.1 million in the first year of planning due to the lower amount of materials required. As a result, the cost of materials ratio in plan year 2020 fell in the forecasting to 45.0% (compared to 45.3% in the business plan).

272. Personnel expenses are lower by EUR 1.0 million in the first planning year. Compared to the forecasting's revenue level for this year, the personnel expenses ratio amounts to 34.9% (31.7% in the business plan). The absolute decline in personnel expenses is due to the shift of new hires at the Dresden location and the introduction of short-time work. Given the partly fixed character of the personnel expenses and the low fluctuation of employees to be expected in view of the economic uncertainties, personal expenses will decline relatively lower compared to revenue.

273. Other operating expenses are lower by EUR 0.7 million in the first year of planning of the forecasting, compared to the first year of the business plan. This decline is mainly due to lower freight costs, travel expenses and marketing expenses. As other operating expenses are not fully variable, the ratio of other operating expenses to sales revenue in the 2020 planning year will increase from 9.0% in the business plan to 9.7% in the forecasting.

274. The adjustment of depreciation on property, plant and equipment of EUR 0.2 million in plan year 2020 relates to investments made later than originally planned.

275. The result is the forecasting shown below, which was used as the basis for the valuation of the First Sensor Group:

First Sensor Group
Forecasting

in mEUR	2019 actual	2020 plan	2021 plan	2022 plan	CAGR 2019-2022
Net revenues	**161.3**	**155.4**	**170.5**	**189.2**	**5.5%**
Changes in inventories in finished goods and WIP	0.5	0.2	0.3	0.3	-15.1%
Other own work capitalized	3.6	3.1	2.7	2.9	-6.8%
Total revenue	**165.4**	**158.6**	**173.5**	**192.4**	**5.2%**
Cost of material and purchased services	(75.3)	(69.8)	(75.6)	(83.8)	3.6%
Gross profit	**90.1**	**88.8**	**97.9**	**108.6**	**6.4%**
Other operating income*	1.0	0.9	0.8	0.7	-10.7%
Personnel expenses**	(52.5)	(54.3)	(58.5)	(61.1)	5.2%
Other operating expenses***	(15.0)	(15.1)	(15.4)	(15.8)	1.7%
EBITDA	**23.6**	**20.3**	**24.8**	**32.5**	**11.3%**
Depreciation & amortization	(11.1)	(11.5)	(11.5)	(10.3)	-2.7%
EBIT	**12.4**	**8.9**	**13.3**	**22.2**	**21.3%**
Sales growth per year in %	*3.9%*	*(2.7%)*	*14.4%*	*13.0%*	
Figures in % of revenues					
Cost of materials/ expenses for purchased services	46.7%	44.5%	42.1%	41.3%	
Gross profit	**55.9%**	**57.2%**	**57.4%**	**57.4%**	
Other operating income	0.6%	0.6%	0.4%	0.4%	
Personal expenses	32.6%	34.6%	32.6%	30.1%	
Other operating expenses	9.3%	9.6%	8.6%	7.8%	
EBITDA margin	**14.6%**	**13.1%**	**14.6%**	**17.2%**	
Depreciation of PPE and intangible assets	6.9%	7.4%	6.8%	5.4%	
EBIT margin	**7.7%**	**5.7%**	**7.8%**	**11.7%**	

* Adjustment in financial year 2019 for income from release of provisions, income from insurance compensation and income relating to other periods
** Adjustment in financial year 2019 for personnel expenses in connection with the preparation of the takeover of First Sensor by TE Connectivity
*** Adjustment in financial year 2019 or prior period expenses and other expenses in connection with the preparation of the acquisition of First Sensor by TE Connectivity

Source: First Sensor Group, PwC Analysis

276. Based on the forecasting, EBIT initially shows a decline in the profit margin in the first planning year 2020 from 7.7% in 2019 (adjusted) to 5.7% in the first planning year 2020. Thereafter, the EBIT margin is expected to improve from 5.7% in the first plan year to 11.7% in the last plan year 2022. Over the entire detailed planning phase, this corresponds to an average annual EBIT growth of 21.3% (CAGR 2019-2022). Despite the consideration of the expected effects of the corona pandemic on the operating result of the First Sensor Group, the forecasting of the development of the

First Sensor Group's profitability is ambitious in light of the existing risks and the profitability achieved in the past (cf. paragraph 267).

3. Valuation-related modifications of the business plan and the forecasting

277. In the course of our planning analysis, we did not identify any arithmetical inconsistencies in the business plan provided by First Sensor nor in the forecasting. In addition, all trends in the planning period were explained to us in a plausible manner, both in the business plan based on the economic framework conditions at that time and in the forecasting given the adverse effects of the corona pandemic that have occurred and are expected in the future. In this respect - apart from the approach of synergy potentials - no further modification of the business plan or the forecasting was necessary within the scope of the evaluation work.

4. Determination of the profit contributions of the valuation-relevant synergies

278. In deriving the expected net distributions, we have considered possible synergies from the planned cooperation with TE Connectivity in the operating result. These so-called pseudo synergies that we have estimated comprise the expected synergies from measures that can also be realized without the envisaged domination and profit and loss transfer agreement and are attributable to the First Sensor Group. This relates to the synergy potential not yet reflected in the planning for the financial years 2020 to 2022.

279. In principle, it is to be assumed that the synergies originally planned will no longer be fully realized due to the corona pandemic (e.g. demand-related lower revenue synergies or more difficult cooperation and delayed integration measures to leverage cost synergies). As a result, lower synergies would be conceivable in the forecasting. Nevertheless, the whole synergies were still considered increasing the valuation result.

280. In the past, First Sensor and TE Connectivity already had a cooperative business relationship, which, however, has not been strong recently. With the planned domination and profit and loss transfer agreement, it is likely that this cooperative business relationship could be intensified again. This more intensive cooperation is expected to result in sales and cost synergies. In accordance with the expectations of First Sensor and TE Connectivity, it would not be necessary to conclude the domination and profit transfer agreement in order to realize the sales synergies resulting from closer cooperation. According to the principles of the IDW S 1 statement, these pseudo synergies (i.e. those synergies that the Executive Board of First Sensor is legally capable of implementing even without a domination and profit and loss transfer agreement) are to be taken into account in the determination of an objectified enterprise value, provided that the synergy-causing measures have already been sufficiently specified as of the valuation date and will accrue to the First Sensor Group.

281. In contrast, the parties to the agreement believe that the conclusion of the domination and profit and loss transfer agreement is necessary for the planned cost synergies to take effect. In valuation theory and case law, these real synergies (i.e. those synergies that the Executive Board of First Sensor is legally unable to implement without a domination and profit and loss transfer agreement) are generally not being considered. They can only be obtained after the completion and entry into effect of the corporate law measure and are therefore not compatible with the postulate of an objectified enterprise value (BGHZ 138, 136, 140; BayObLG AG 1996, 127, 128; OLG Stuttgart AG 2000, 428, 429; Topic Volume "Valuation and Transaction Advice", 2018, F 61 ff). In accordance with this distinction, we initially assumed the identified pseudo synergies attributable to the First Sensor Group in a value-enhancing manner when determining the enterprise value.

282. For the purpose of identifying and quantifying synergy potentials, concrete synergy potentials were identified in compliance with the existing legal restrictions. In addition, the earnings potential of these measures was identified, and the costs required to realize the respective synergies were quantified. In order to separate the valuation-relevant pseudo synergies for the First Sensor Group from those arising at TE Connectivity, the synergies were also allocated to the First Sensor Group and TE Connectivity.

283. The forecasting including synergies is shown below:

First Sensor Group

Forecasting including pseudo synergies

in mEUR	2019 actual	2020 plan	2021 plan	2022 plan	CAGR 2019-2022
Net revenues	**161.3**	**155.4**	**170.5**	**189.2**	**5.5%**
Revenue synergies	-	1.5	8.9	13.5	-
Net revenues incl. sales synergies	**161.3**	**156.9**	**179.4**	**202.7**	**7.9%**
Changes in inventories in finished goods and WIP	0.5	0.2	0.3	0.3	-15.1%
Other own work capitalized	3.6	3.1	2.7	2.9	-6.8%
Total revenue	**165.4**	**160.1**	**182.4**	**205.9**	**7.6%**
Cost of material and purchased services	(75.3)	(69.8)	(75.6)	(83.8)	3.6%
	90.1	**90.3**	**106.8**	**122.1**	**10.7%**
Other operating income	1.0	0.9	0.8	0.7	-10.7%
Personnel expenses	(52.5)	(54.3)	(58.5)	(61.1)	5.2%
Other operating expenses	(15.0)	(15.1)	(15.4)	(15.8)	1.7%
Expenses of revenue synergies	-	(1.3)	(7.4)	(11.3)	-
Cost synergies	-	1.3	2.5	3.8	-
EBITDA	**23.6**	**21.8**	**28.8**	**38.5**	**17.7%**
Depreciation & amortization	(11.1)	(11.5)	(11.5)	(10.3)	-2.7%
EBIT	**12.4**	**10.3**	**17.3**	**28.2**	**31.3%**
Sales growht per year in %	*3.9%*	*(2.7%)*	*14.4%*	*13.0%*	
Figures in % of revenues					
Cost of materials/ expenses for purchased services	46.7%	44.5%	42.1%	41.3%	
Gross profit	**55.9%**	**57.6%**	**59.5%**	**60.3%**	
Other operating income	0.6%	0.6%	0.4%	0.4%	
Personal expenses	32.6%	34.6%	32.6%	30.1%	
Other operating expenses	9.3%	9.6%	8.6%	7.8%	
Expenses of revenue synergies	n.a.	0.8%	4.1%	5.6%	
Cost synergies	n.a.	0.8%	1.4%	1.9%	
EBITDA margin	**14.6%**	**13.9%**	**16.0%**	**19.0%**	
Depreciation of PPE and intangible assets	6.9%	7.3%	6.4%	5.1%	
EBIT margin	**7.7%**	**6.6%**	**9.6%**	**13.9%**	
EBIT margin of revenue synergies	**n.a.**	**13.3%**	**16.4%**	**16.4%**	

* Adjustment in financial year 2019 for income from release of provisions, income from insurance compensation and income relating to other periods
** Adjustment in financial year 2019 for personnel expenses in connection with the preparation of the takeover of First Sensor by TE Connectivity
*** Adjustment in financial year 2019 or prior period expenses and other expenses in connection with the preparation of the acquisition of First Sensor by TE Connectivity

Source: TE Connectivity, First Sensors Group, PwC analysis.

284. Ultimately, the contractual partners expect to be able to realize revenue synergies on the basis of cross-selling initiatives on the part of the First Sensor Group in the detailed planning period. The First Sensor group, for instance, has a much more pronounced competence in the area of optical sensors, which can ultimately be sold via TE Connectivity as an additional sales channel. In addition, there is a very high level of compatibility between the products of First Sensor and TE Connectivity, so that additional sales synergies are expected at First Sensor level. At the beginning of

the cooperation in the planning year 2020, sales synergies of EUR 1.5 million are expected, which are expected to increase to EUR 13.5 million by 2022. Beyond the detailed planning period, revenue synergies are expected to increase further to EUR 21.5 million in financial year 2023 and to EUR 27.6 million in financial year 2024. The revenue synergies expected for the 2024 financial year were assessed by the contracting parties as a sustainable level that can be achieved in the years following 2024. In order to achieve these sales synergies, production costs as well as sales and administrative expenses are expected, which were deducted accordingly in the measurement of the operating profit contributions. Taking these expenses into account, an EBIT margin of 13.3% is expected for the synergy-related sales increases in plan year 2020 and an EBIT margin of 16.4% each from plan year 2021 onwards. For valuation purposes, the expected revenue synergies potential for the period after the last planning year 2022 was transformed into an annuity amount, so that positive earnings effects from revenue-side synergies were also recognized in the valuation for the terminal value phase.

285. Furthermore, potential cost synergies on the part of TE Connectivity and First Sensor were roughly estimated. At present, however, it is uncertain to what extent these synergies can be achieved without a domination and profit and loss transfer agreement and how the synergy potential can be allocated to the contracting parties. The parties currently assume that all measures for the realization of cost synergies can only be implemented after a control agreement has become effective and thus concern real synergies that cannot be considered. In addition to synergy effects from the increase in manufacturing efficiency in the production area, cost synergies are expected in the area of purchasing. In this context, cost saving potentials of up to EUR 15 million p.a. have been identified (cf. public takeover offer published on July 8, 2019). According to TE Connectivity's statements, these savings can be increased (linearly) over the planning period from 2020 to 2022 after the domination agreement takes effect, i.e. it is assumed that they will be fully realizable in 2022. Despite the uncertainties of realizability of these synergies without a domination agreement, we have assumed for valuation purposes that 50% of these cost-side synergy effects are pseudo synergies, 50% of which are attributable to the First Sensor Group. As a result, cost synergies of EUR 1.3 million in the planning year 2020, EUR 2.5 million in the planning year 2021 and EUR 3.8 million in the planning year 2022 were taken into account in the valuation in a value-increasing manner in EBIT, despite the classification of the cost synergies as real synergies on the part of TE Connectivity.

5. Earnings before interest and taxes (EBIT) in the terminal value

286. In order to derive the earnings before interest and taxes (EBIT) for the terminal value phase, we have estimated – based on the detailed planning period – the future earnings power of the First Sensor Group assuming an unlimited going concern.

287. For this purpose, the net revenue of the First Sensor Group of the last planning year 2022 were converted into a steady-state sales figure. For this purpose, it was assumed that the net revenues in

year 2022 amounting to EUR 189.2 million in the forecasting (before synergies) will initially increase linearly over three to the planned level of sales revenues according to the business plan for the planning year 2020 (EUR 212.1 million), increased by the growth discount of 1.0% to a total of EUR 214.2 million. This level of net revenues was assumed for 2025. This results in the following sales revenue forecast:

First Sensor Group
Net revenues in the financial years 2023 to 2025 of the terminal value

		terminal value		
in EUR million	**2022**	**2023**	**2024**	**2025**
Net revenues	189.2	197.5	205.9	214.2

Source: PwC analysis

288. This growth trend is based on the assumption that the negative effects of the corona pandemic will have a short and medium-term impact on the operating activities of the First Sensor Group, but that in the long term (with a delay of three years) the net revenue level of the business plan ‘s last planning year 2022 can be achieved, increased by the growth rate of 1.0%. As the First Sensor Group will almost completely utilize its capacities at the end of the detailed planning period from 2025 (and thus three years later than expected on the basis of the business plan) and will continue to do so in the future, the extrapolation of sales revenues from 2025 reflects operating activities at the capacity limit. Volume-related growth of the First Sensor Group beyond this would only be feasible through substantial and currently unforeseeable spending for the construction of new production facilities and plants. However, this is not planned. In light of a lack of concretization of future orders beyond the detailed planning period until 2025, a further volume-related increase would not be appropriate. Furthermore, it should be noted that First Sensor's business, particularly in the target markets Industrial and Mobility, is largely characterized by the cyclical nature of the customer markets and an expected increase in the intensity of competition in the sensor market is occurring. The fact that competitors are also constantly investing in innovations and technologies will lead to increasing price competition in the target markets in the long term.

289. In the detailed planning phase, revenue is expected to increase significantly from EUR 155.4 million in 2020 to EUR 189.2 million in 2022 (excluding synergies). Due to the fact that capacities are not yet fully utilized at this point in time and the expectation of decreasing negative effects from the corona pandemic, sales revenues are expected to increase linearly from EUR 189.2 million in 2022 to EUR 214.2 million in 2025 (the third year of the terminal value). At this revenue level, the company's capacities will be almost exhausted. Given the general conditions and prospects described above, we therefore consider sustainable sales growth of 1.0% p.a. from 2025 onwards to be appropriate. The financial results for the assumed sales revenues from 2023 onwards was processed in the context of a present value-equivalent annuity in the calculation of the terminal value. For the perpetual annuity, this results in sales of around EUR 208.8 million without synergies.

290. Including the expected revenue synergies, revenues of EUR 156.9 million in 2020; EUR 179.4 million in 2021 and EUR 202.7 million in 2022 are generated in the detailed planning phase. In the course of the valuation, we have assumed that the expected synergies can be achieved in the long run, even if they are subject to significant uncertainties at present and are also very likely to be negatively influenced by the corona pandemic. The planned sales-side synergy potentials for the period after the last planning year 2022 (for the years 2023 and 2024) and the synergy potentials implicitly extrapolated thereafter with the terminal growth rate were also transformed into a present value-equivalent annuity. Taking this present value-equivalent annuity into account, the sustainable sales level including sales-related synergies of EUR 235.7 million in perpetuity is achieved.

291. In a next step, the EBITDA forecast for the terminal value was derived. Since it is expected that the corona pandemic will only have a short- and medium-term impact on the operating activities of the First Sensor Group, it is to be expected that the profitability planned on average on the basis of the business plan for the last two planning years 2021 and 2022 will remain to be achievable in the long term. It should be noted that First Sensor's operating business activities will be exposed to long-term fluctuations in industry and economic cycles. On the basis of the business plan, an EBITDA margin of up to 20.6% (in the 2022 planning year) without synergies is expected for the planning period, excluding the effects of the corona pandemic and assuming a positive economic and industry-specific environment. The average of the results planned for the last two plan years 2021 and 2022 within the scope of the business plan results in an operating profit margin at EBITDA level of 19.4% (without synergies). Based on the forecasting, an EBITDA margin of 17.2% is initially expected at the end of the detailed planning phase in 2022. In the same way as the determination of the revenue level of the terminal value, the average EBITDA margin of the last two planning years of the forecasting was increased linearly over three years to the level of the business plan of 19.4%.

First Sensor Group
EBITDA margin in the financial years 2023 to 2025 of the terminal value

		terminal value		
	2022	2023	2024	2025
EBITDA margin	17.2%	17.9%	18.6%	19.4%

Source: PwC analysis

292. As of 2025, this represents the sustainable average EBITDA margin expected for the First Sensor Group. The cash flows resulting from the planned EBITDA (and thus the EBITDA margin) from 2023 were transformed to a present value-equivalent annuity for the terminal value. This results in an average EBITDA margin of 19.3% (without synergies) for the terminal value.

293. The effect of revenue synergies (and the associated additional expenses) on the sustainable EBITDA margin was also implemented by a present value equivalent annuity. In addition to the revenue synergies, cost synergies were also considered to be sustainably achievable, so that they form part of the sustainable EBITDA margin. In relation to the sustainable sales revenues of around EUR 235.7 million (including synergies), the EBITDA margin, taking the synergies into account, is around 20.5%.

294. After all, we consider an EBITDA margin of around 20.5% to be appropriate on a long-term average, including the synergies that can be realized on a sustainable basis for the terminal value period. It should be noted that the EBITDA margin of the First Sensor Group was historically and is the detailed planning period below the margins of comparable companies. As a result, the EBITDA margin of 20.5% applied for the terminal value is also below the range of past and expected EBITDA margins of the comparable companies spanned by the first to third quartile and below the median of the comparable companies. However, the assumed EBITDA margin including synergies of the higher EBITDA margins of the peer companies will converge over the detailed planning period. It should be noted that the peer companies also include market players that can achieve significantly higher economies of scale due to their size. Accordingly, the stated EBITDA margin of the First Sensor Group for the terminal value of around 20.5% (including synergies) appears ambitious. This is even more the case, if the background of the cyclical target markets Industrial and Mobility and the expected increase in competitive intensity in all three target markets of First Sensor is being considered.

295. During the terminal value phase, fully worn assets are to be replaced by reinvestments. The characteristic feature of the terminal value phase, i.e. to be a steady state, is that depreciation and amortization are to be recognized in the same amount. Accordingly, we have extrapolated the net investments in property, plant and equipment and intangible assets for the last plan year 2022 at a growth rate of 1.00% p.a. as a sustained reinvestment and depreciation rate. This results in total sustainable annual investments of EUR 12.7 million from 2023 onwards for the First Sensor Group. We have thus considered the fact that from the financial year 2025 onwards production capacities are almost exhausted in the detailed planning phase. However, in order to maintain the sales level from 2025 onwards, investments in the maintenance of assets and modernization as well as investments to ensure technological progress are necessary.

296. As a result, an operating profit contribution (EBIT) of EUR 35.7 million (including synergies) and an EBIT margin of 15.2% (including synergies) were recognized in the terminal value.

6. Net distributions after personal income taxes

297. We have converted the forecast earnings before interest and taxes (EBIT) into expected net distributions to shareholders, under consideration of the financial result, the income taxes of the First

Sensor Group, minority interests and the income taxes of the shareholders. Based on the procedure described below and the assumptions made, the expected net distributions to shareholders are derived as follows:

First Sensor Group Net distribution to be discounted always as of December 31, in EUR million	2020 plan	2021 plan	2022 plan	from 2023 terminal value
EBIT incl. Synergies	**10.3**	**17.3**	**28.2**	**35.7**
Financial result	(1.1)	(1.0)	(1.1)	(1.2)
EBT	**9.3**	**16.3**	**27.1**	**34.6**
Corporate Taxes	(3.3)	(5.3)	(8.0)	(10.4)
Profit attributable to minorities	(0.2)	(0.4)	(0.5)	(0.6)
Distributable result	**5.7**	**10.6**	**18.6**	**23.6**
Retention	(4.0)	(7.4)	(13.0)	(11.8)
Dividend distribution	**1.7**	**3.2**	**5.6**	**11.8**
Personal income taxes	-	-	(1.5)	(3.1)
Dividend distribution (after tax)	**1.7**	**3.2**	**4.1**	**8.7**
Fictitious attribution of retention	4.0	7.4	13.0	11.8
Personal income tax on fictitious attribution	(0.5)	(1.0)	(1.7)	(1.6)
Net distribution to be discounted	**5.2**	**9.7**	**15.4**	**18.9**

Source: First Sensor Group, PwC analysis.

298. The financial result is derived from the asset status of the First Sensor Group as of December 31, 2019 and an integrated balance sheet and financial plan for the individual plan years. This includes planned capital expenditures and depreciation as well as the development of net working capital.

299. In the detailed planning period, we have assumed the credit and debit interest rates on the basis of standard market interest rates and the contractual agreements at around 0.0% (credit interest rate) and the credit type-specific debit interest rates of around 1.7%. In relation the planned lease obligations we have selected an interest rate of 4.3%. In the terminal value phase, these interest rates were set at around 0.0% (credit interest) and 1.7% (debit interest). The planned IFRS pension provisions are based on an interest rate of around 0.6%, which was derived from the current pension report for the pension commitments.

300. We have recognized operating income taxes based on the nominal tax rates planned by the First Sensor Group, considering the existing tax loss carryforward for First Sensor Corp. The respective foreign tax frameworks were used as the basis for the earnings contributions arising abroad. The nominal foreign tax rates are in a range of 25.0% for Klay Instruments to 29.8% for First Sensor Inc, whereby for First Sensor Corp. the tax loss carryforward was considered in the valuation.

301. The trade tax, the corporate income tax and the solidarity surcharge were generally reflected in the derivation of the corporate taxes incurred in Germany. Trade tax was calculated for the companies based in Munich at a trade tax rate of 490%, in Berlin at a rate of 410%, in Dresden at a rate of 450% and in Oberdischingen at a rate of 340%. Corporate income tax was calculated at 15%. The solidarity surcharge was calculated at 5.5% of the corporate income tax.

302. We have determined the operating income taxes considering the existing foreign tax loss carryforward. This also took account of the fact that 5% of the distributions received from subsidiaries are added to the German company's tax base in accordance with § 8b (5) KStG.

303. Non-deductible depreciation from purchase price allocations was add back when deriving the tax base. In the detailed planning period, this results in an effective tax rate between approximately 29.1% and 29.6%. For the terminal value phase this results in an effective tax rate of around 30.0%, in which the tax loss carryforward, which was still marginal at the time, is included in the tax reduction. For the terminal value, the remaining tax loss carryforward was converted into an average tax relief on an annuity basis.

304. Minority interests result from the 49% interest of minority shareholders in First Sensor Scandinavia and the 15% interest of a minority shareholder in First Sensor Mobility, which were deducted from the net profit available for distribution to the shareholders of First Sensor derived from the forecasting.

305. For the detailed planning period we have assumed a payout ratio of 30.0% in line with the dividend policy of the First Sensor Group. For the terminal value phase, we have assumed a payout ratio of 50.0%. This distribution rate, which is customary in the market in the long term, is based on the distribution rates of German companies that have been observed historically. Based on this assumption, the value contributions from retained earnings are notionally allocated directly to the shareholder in the detailed planning period and in the terminal value and therefore do not lead to any changes in the interest result of the First Sensor Group in terms of valuation.

306. Since the equity value is determined from the perspective of the company's shareholders, the tax burden of the shareholders on the company's distributions and on the capital appreciation (notionally allocated retained earnings) must be considered. Different effective tax burdens result from the different inflow and realization dates. The effective tax burden for interest and dividends regularly corresponds to the nominal tax burden. In contrast, the effective tax burden on retained earnings leading to increases in value depends on the time of realization of the increase in value. It is reduced as the holding period of a security by the shareholder increases. Shareholders will therefore attempt to keep the effective tax burden on price gains as low as possible by means of long holding periods.

307. In accordance with the recommendations of the IDW, we have assumed a typical personal tax rate of 25.0% plus a solidarity surcharge of 5.5% for the distributions in the present valuation case. For the planning years 2020 and 2021 it was considered that the dividend paid out will be tax free, as the company has a positive tax contribution account (steuerliches Einlagekonto) of EUR 19.7 million and no distributable profit (pursuant to section 27 (1) KStG; ausschüttungsfähiger Gewinn) in

its previous years' tax accounts (cf. paragraph 51). This enables the company to pay tax free dividends in fiscal years 2020 and 2021. From fiscal year 2021 onward, the company will recognize a positive distributable profit (ausschüttungsfähiger Gewinn) in its tax accounts. Thus, dividends will be taxes for the subsequent fiscal years.

308. Retained earnings increases in value but are subject to effective capital gains tax based on the holding period. We have taken this into account at 13.2% (including solidarity surcharge) in the assessment of personal income taxes.

III. Determination of the discount rate

309. In order to value a company, the projected future financial surpluses need to be discounted to the valuation date using an appropriate interest rate. This discount rate is reflecting the (expected) returns on an appropriate alternative capital investment compared with the valuation subject. It consequently indicates the minimum return on capital that must be generated from the valuation subject in order to ensure that shareholders are not worse off than they would have been, if they had invested in the next best alternative investment. When determining objectified business values, the alternative investment and the corresponding return are generally characterized by an investment in a bundle of publicly listed corporate shares (stock portfolio), adjusted to incorporate the risk structure of the business valuation subject. In the case personal income taxes are being considered, the future earnings to be discounted are reduced for personal income taxes. In addition, the discount rate needs to be deducted by personal income taxes.

310. When assessing returns on investments in shares, a differentiation is generally made between the risk-free rate and the risk premium.

311. In addition, the prospects for growth in financial surpluses after the end of the planning period must be assessed and deducted from the discount rate as a terminal growth rate.

1. Risk-free rate

312. We based the determination of the appropriate risk-free rate on a yield curve of the German government bonds. The calculated yield curve establishes the connection between interest rates and terms to maturity as would be applicable for zero-coupon bonds with no credit default risk. The application of zero-bond factors that are appropriate to the term to maturity and that are derived from the yield curve ensures the necessary adherence to matching maturities.

313. The derivation of the relevant yield curve is based on the Svensson method recommended by the German Federal Bank ("Deutsche Bundesbank") as well as published interest structure date published by the German Federal Bank. The applied structural interest rate data are estimated values

calculated on the basis of observed current yields on coupon bonds, i.e. federal bonds, federal notes and federal treasury obligations.

314. For the given structure of the financial surpluses, we have derived a present value equivalent risk-free rate from the yield curve for the three-month period preceding the signature date of this expert opinion (source: Deutsche Bundesbank). Relying on this present value equivalent risk-free rate, the rounded risk-free rate is therefore 0.0% p. a. before personal taxes and 0.0% p. a. after personal taxes.

315. For information regarding the possible valuation-related effects of changes in interest conditions occurring between the conclusion of our valuation work and the date of ordinary general shareholders' meeting of First Sensor that will adopt the resolution (valuation date), please refer to paragraph 324 and paragraph 404.

2. Risk premium

316. Entrepreneurial activities always involve risks and opportunities. Therefore, the future earnings cannot be forecasted with certainty. In order to consider these entrepreneurial uncertainties (entrepreneurial risks), market participants require a risk premium in addition to the risk-free rate.

317. As investors face specific risk when investing in companies (investment risk), they require a premium over and above the (quasi) risk-free capital market interest rate (risk premium). In order to achieve risk equivalence with the discounted payment stream, the calculation of the risk premium must be oriented towards the risk structure of the company being valued.

318. To measure the risk premium when valuing a company, asset pricing models can be used in line with the definition of alternative investments, whereby these models enable each company's individual risk premium to be estimated based on the market risk premium pertaining to a market portfolio. In line with official professional pronouncements, we have applied the capital asset pricing model (Tax CAPM) to measure the risk premium.

319. Based on the Tax CAPM, we arrive at the company-specific risk premium by multiplying the company's beta-factor by the market risk premium. The beta-factor is a measure of the entrepreneurial risk in relation to the market risk. A beta-factor greater than one means that the market value of the equity of the company in question responds more strongly than average to fluctuations in the overall market, whereas a beta-factor of less than one indicates a sub-proportionate response.

320. The expected market risk premium can be estimated from the historical difference between the returns on risk-bearing securities, based, for example, on an equities index, and the returns on (quasi) risk-free capital market investments. Empirical examinations of the German capital market show that – depending on the underlying study period – investments in stocks generated returns in

the past that were on average four to seven per cent higher than investments in (quasi) risk-free capital market investments.

321. The FAUB regularly convenes to discuss the influencing factors for the measurement of the discount rate, and it updates its recommendations in accordance with any sustained changes. Due to current market observations and implicitly determined market risk premia based on forecasts by financial analysts and rating agencies, the FAUB came to the conclusion that it is appropriate to be guided by a market risk premium range after personal income taxes of 5.00% to 6.50% while calculating the market risk premium in October 2019.

322. The current capital market conditions also continue to support the approach to assess the market risk premium in this magnitude. Accordingly, the return on long-term German government bonds which are lower of approx. 0.00% to 0.30 % in comparison to other EU government bonds. The inflation-adjusted return figures even show negative returns. Thus, the capital market situation does not correspond to the constellation as it was observable in the long-term average for the past, but rather points to an increased risk aversion of capital market participants.

323. Individual empirical observations also show a relatively constant total return demand of capital market participants. The result of such a relatively constant overall demand is that, in uncertain times, increased market risk premiums can be observed, which are computationally accompanied by reduced risk-free rates, and vice versa. In the past, in the case of relatively moderate fluctuations in the risk-free rate, the approach of a constant market risk premium derived from historical averages was fundamentally appropriate, since this simplified approach resulted in relatively stable overall return demands which could be used as alternative returns and which were also empirically observable. In the recent past, however, the high volatilities of the risk-free rate, which was caused by the financial crisis, have been increasingly reflected in the calculated total return demands, given a constant market risk premium. However, the empirically observable implicit total return demands of the market participants are moving in a narrow corridor, which empirically supports the assumption of a long-term stable total return demand. As a result, it should be noted that due to the particular capital market situation as of the valuation date, it is no longer appropriate to use the earlier simplified procedures for the derivation of the valuation-relevant total return demands as a sought-for alternative return on the basis of a constant market risk premium based on historical averages. It would result in a calculated total return demand that would be significantly different from empirical observations.

324. In line with this view, the implicit risk premiums for equities are currently above the pre-crisis level of the banking and sovereign debt crisis. Thus, market observations and capital market studies, as well as ex-ante analyses based on forecasts from financial analysts on implicit risk premiums, suggest an orientation at the upper end of the range of the historically measured stock returns and the resulting risk premiums. At present, on the basis of capital market data relating to German listed

companies, even significantly higher market risk premiums of over 8% before personal taxes can be derived.

325. Accordingly, we a market risk premium after personal taxes of 5.75 % for the valuation of First Sensor is at the lower end of the range of empirically justifiable market risk premiums, but still appropriate.

326. In light of the economic effects of the coronavirus (cf. paragraph 69) and the resulting expansionary monetary policy measures, clearly negative date-specific yields on risk-free Bunds can currently be observed. At the present time, it can be assumed that the yields specific to the reporting date will result in a lower three-month average base rate until the day of the Annual General Meeting's resolution. In contrast, the empirically observable implied total return requirements of market participants have been within a narrower corridor in the past, which empirically supports the assumption of a long-term stable total return requirement. In this respect, from a consistency point of view, an increase in the market risk premium up to the day of the Annual General Meeting would have to be assumed in the opposite direction.

327. The following procedure was used to determine the beta factor: Since First Sensor is listed on the stock exchange, it is basically possible to estimate the beta factor using suitable econometric methods. We determined and analyzed the beta factor of First Sensor on the basis of data from the database service provider S&P Global Market Intelligence LLC (formerly S&P Capital IQ), a business of S&P Global Inc., New York City/USA ("S&P Global Market Intelligence"). Within the scope of the takeover offer of TE Connectivity, 71.87% of the shares in First Sensor were tendered to TE Connectivity by the end of the additional acceptance period on September 19, 2019. The tender and the acquisition associated with the settlement of the takeover offer as well as the associated decoupling from market events and capital market speculation, which cannot be ruled out, lead to a distortion of the historical share price of First Sensor. As a result, the beta factor of First Sensor fluctuates widely over time, so that no meaningful and undistorted empirical beta factor can be derived from the trading data of the First Sensor share. For this reason, the beta factor for the valuation of First Sensor was determined using a group of comparable companies. To derive the beta factors of the comparable companies, we also drew on capital market data from S&P Global Market Intelligence.

328. With regard to the selection of the group of comparable companies, a comparison with companies in the same industry or with the same product and market structure is generally advisable. In individual cases, companies can also be characterized as comparable companies if they have directly comparable product and market segments, provided that the main value-relevant characteristics are the same. An absolute congruence of the companies is neither possible nor necessary. However, the future net cash flows of the companies selected as comparable and the company to be valued should be subject to a largely identical operating risk.

329. In addition, the trading liquidity of the peer companies was considered.

330. Based on the screening described above we identified the following peer companies for the operating activities of the First Sensor Group:

- Elmos Semiconductor AG, Dortmund ("Elmos") develops, produces, and distributes microelectronic components and system parts as well as functionally related technological units. Elmos is divided into the two segments "semiconductors" (mixed-signal semiconductors) and "micromechanics" (MEMS). The "Semiconductor" segment in turn is divided into customer-specific semiconductors and application-specific microchips. This segment primarily develops, produces and sells electronics for the automotive industry. In addition, customers from the industrial and consumer goods sectors are served. The "Micromechanics" segment comprises the activities of the U.S. subsidiary Silicon Microstructures Inc. in Milpitas/U.S.A., which primarily develops, produces and sells silicon pressure sensors. The pressure sensors are used by customers from the medical, industrial, consumer goods and automotive industries, among others. The company generates its sales revenues worldwide. In financial year 2019 Elmos recorded sales of EUR 294.8 million (financial year 2018: EUR 277.6 million) and EBITDA of EUR 132.2 million (financial year 2018: EUR 76.6 million). This corresponds to an EBITDA margin of 44.8% (financial year 2018: 27.6%). In financial year 2019 Elmos recorded an EBIT of 97.3 million EUR (financial year 2018: 51.0 million EUR) and an EBIT margin of 33.0% (financial year 2018: 18.4%).

- Keyence Corporation, Osaka/Japan ("Keyence") is active in the areas of automation and quality assurance solutions and specializes in sensors. The product range also includes identification systems, marking systems, image processing systems, measuring systems, microscopes and antistatic devices. Keyence is active in the automotive industry, industrial manufacturing and the pharmaceutical industry, among others. The company has an operating segment and is globally active, but focused on Asia. . In the 2019 financial year, Keyence recorded a turnover of EUR 4,640.4 million (2018 financial year: EUR 4,037.4 million) and an EBITDA of EUR 2,562.1 million (2018 financial year: EUR 2,279.6 million). This corresponds to an EBITDA margin of 55.2% (financial year 2018: 56.5%). Keyence recorded an EBIT of EUR 2,512.4 million in 2019 (financial year 2018: EUR 2,244.5 million) and an EBIT margin of 54.1% (financial year 2018: 55.6%).

- Melexis NV, Ieper/Belgium ("Melexis") develops and distributes microelectronic solutions with a focus on the automotive industry. In addition, it serves customers in the areas of household and consumer electronics, industry and medical technology. Products include integrated analog and digital semiconductor components, sensors and microchips. The company has one operating segment and is active worldwide. In financial year 2019, Melexis recorded sales of EUR 486.9 million (fiscal 2018: EUR 569.4 million) and EBITDA of EUR 119.2 million (financial 2018: EUR 177.6 million). This corresponds to an EBITDA margin of 24.5% (financial year 2018: 31.2%).

Melexis recorded an EBIT of EUR 70.6 million in 2019 (financial year 2018: EUR 138.5 million) and an EBIT margin of 14.5% (financial year 2018: 24.3%).

- Sensata Technologies Holding plc, Attleboro/USA ("Sensata Technologies") develops, manufactures and distributes sensors and control elements worldwide. Sensata Technologies is divided into the two segments "Performance Sensing" and "Sensing Solutions". The "Performance Sensing" segment comprises the development and production of pressure sensors, speed sensors, position sensors and temperature sensors in motor vehicles and heavy-duty vehicles. The "Sensing Solutions" segment comprises the development and production of various control products in the fields of industry, aerospace, military, commercial and medical technology. In addition, sensor products for the aerospace and industrial sectors are developed and produced in this segment. In financial year 2019 Sensata Technologies recorded sales of EUR 3,074.9 million (financial year 2018: EUR 3,075.8 million) and EBITDA of EUR 766.0 million (financial year 2018: EUR 789.4 million). This corresponds to an EBITDA margin of 24.9% (financial year 2018: 25.7%). Sensata Technologies recorded an EBIT of EUR 541.5 million in 2019 (financial year 2018: EUR 581.3 million) and an EBIT margin of 17.6% (financial year 2018: 18.9%).

- TE Connectivity Ltd, Schaffhausen/Switzerland ("TE Connectivity Ltd.") develops and distributes connectivity and sensor solutions worldwide. Typical products of TE Connectivity Ltd. include sensors (pressure sensors, temperature sensors, ultrasonic sensors, etc.), antennae, relays, connectors and shrink tubes. The company is divided into the three segments "Transportation Solutions", "Industrial Solutions" and "Communications Solution". The segment "Transportation Solutions" comprises the customer markets automotive industry, commercial transportation and sensor industry. With respect to the latter, the sensors are used by customers in the automotive, industrial, commercial transportation, medical, aerospace, defense, and consumer markets. The "Industrial Solutions" segment comprises the sales markets industry, aerospace, defense, oil and gas and energy. The segment "Communication Solutions" comprises the sales markets "Data and Devices" (network equipment, data center equipment and wireless network infrastructure) and household appliances. In the financial year 2019 TE Connectivity Ltd. recorded sales of EUR 12,283.4 million (financial year 2018: EUR 12,039.5 million) and EBITDA of EUR 2,695.4 million (financial year 2018: EUR 2,713.8 million). This corresponds to an EBITDA margin of 21.9% (financial year 2018: 22.5%). TE Connectivity Ltd. recorded an EBIT of EUR 2,065.2 million in 2019 (financial year 2018: EUR 2,139.7 million) and an EBIT margin of 16.8% (financial year 2018: 17.8%).

- ams AG, Premstätten/Austria ("ams") is a global supplier of sensor solutions with focus on optical, image and audio sensor technology. The company is divided into the three segments "Consumer", "Non-Consumer" and "Foundry". The "Consumer" segment includes products and sensor solutions for the consumer goods and communications market. The "Non-Consumer" segment includes products and sensor solutions for the industrial, medical technology and automotive markets. The "Foundry" segment includes ams' contract manufacturing for analog and mixed-signal integrated circuits ("ICs"). In financial year 2019 ams recorded sales of EUR 1,885.3 million (financial year 2018: EUR 1,426.3 million) and EBITDA of EUR 608.9 million (financial year 2018: EUR 225.5 million). This corresponds to an EBITDA margin of 32.3% (financial year 2018: 15.8%). ams recorded an EBIT of EUR 328.7 million in 2019 (financial year 2018: EUR 12.9 million) and an EBIT margin of 17.4% (financial year 2018: 0.9%).

- CTS Corporation, Lisle/USA ("CTS") develops and produces sensors, actuators and electronic components. The company serves customers in the aerospace, defense, industrial, IT, medical, telecommunications and transportation sectors. CTS has an operating segment and operates worldwide. In financial year 2019, CTS recorded revenues of EUR 417.9 million (financial year 2018: EUR 410.9 million) and EBITDA of EUR 76.5 million (financial year 2018: EUR 77.4 million). This corresponds to an EBITDA margin of 18.3% (business year 2018: 18.8%). CTS recorded EBIT of EUR 54.5 million in 2019 (FY 2018: EUR 57.7 million) and an EBIT margin of 13.0% (FY 2018: 14.0%).

- Vishay Precision Group, Inc, Malvern/USA ("Vishay") develops, manufactures, and distributes sensors, sensor-based measurement systems, resistors, and strain gages worldwide. The company is divided into the three segments "Foil Technology Products", "Force Sensors" and "Weighing and Control Systems". The "Foil Technology Products" segment includes resistors and strain gauges. These are used in the aerospace, military, semiconductor, process control, oil and gas, medical technology, infrastructure and construction industries, among others. The "Force Sensors" segment includes precision sensors for industrial and commercial use. The sensors are used in construction machinery, agricultural equipment and medical devices. The "Weighing and Control Systems" segment includes weighing and control systems. These systems are used, for example, in overload protection, process weighing of chemicals and pharmaceuticals, and force measurement for offshore oil and gas production. In financial year 2019, Vishay recorded sales of EUR 253.0 million (financial year 2018: EUR 261.8 million) and EBITDA of EUR 39.0 million (financial year 2018: EUR 43.2 million). This corresponds to an EBITDA margin of 15.4% (financial year 2018: 16.5%). Vishay recorded EBIT of EUR 29.1 million in 2019 (FY 2018: EUR 34.3 million) and an EBIT margin of 11.5% (FY 2018: 13.1%).

- STMicroelectronics N.V., Geneva/Switzerland ("STMicroelectronics"), develops, produces and sells semiconductor products worldwide. The company is divided into three segments: "Automotive and Discrete Group", "Analog MEMS & Sensors Group" and "Microcontrollers & Digital ICS Group". The "Automotive and Discrete Group" segment includes products such as analog and digital automotive ICs and power transistors for various market segments. The "Analog MEMS & Sensors Group" segment also includes high-end analog ICs with low power consumption, sensors and MEMS products for sensors or actuators. The "Microcontrollers & Digital ICS Group" segment includes microcontrollers, application-specific integrated circuits ("ASICs") and components for microwave and millimeter waves. The company serves customers in the fields of automotive, industrial, personal electronics, communication equipment, computers and peripheral devices. In financial year 2019, STMicroelectronics recorded sales of EUR 8,515.4 million (financial year 2018: EUR 8,440.5 million) and EBITDA of EUR 1, 842.8 million (financial year 2018: EUR 1,925.0 million). This corresponds to an EBITDA margin of 21.6% (financial year 2018: 22.8%). STMicroelectronics recorded EBIT of EUR 1,064.0 million in 2019 (financial year 2018: EUR 1,224.5 million) and an EBIT margin of 12.5% (financial year 2018: 14.5%).

331. Considering the capital structure, we have converted the leveraged beta-factors of the comparable companies determined on the basis of the share price performance over the last five and two years into beta-factors assuming full equity financing ("unlevered beta-factor").

332. A “Beta debt" was applied in the determination of the unlevered beta-factor. For this purpose, the ratings of comparable companies were determined based on a synthetic rating (in line with Moody's rating methodology for the semiconductor industry) and an average Peer Group rating of BBB- (Moody's: Baa3) was derived.

333. Finally, on the basis of EUR yields observable on the market for industrial companies with a rating of BBB- to BBB+ (taking into account possible fuzziness in the indicative rating determination), the average borrowing costs of the comparable companies of around 1.9 % (with a hypothetical term of 5 years) were approved. After deduction of personal taxes, the average cost of debt is approximately 1.4%. The beta debt derived on the basis of after-tax returns (base rate, market risk premium and borrowing costs) is 0.25.

334. The following overview shows the derivation of the beta-factors of the comparable companies (based on monthly returns over the period from April 2015 to March 2020 and on weekly returns over a period from April 2018 to March 2020:

Beta-factors of comparabale companies - local index
2 years weekly/ 5 years monthly

		2 years weekly			5 years monthly		
Company	Index	Levered beta factor	Equity ratio	Unlevered beta-factor	Leverd beta factor	Equity ratio	Unlevered beta factor
Elmos Semiconductor AG	CDAX Index	0.8	96%	0.7	1.1	90%	1.0
Keyence Corporation	TOPIX INDEX	0.9	111%	1.0	0.9	115%	1.0
Melexis NV	BEL All-Share Index	0.9	98%	0.9	1.1	100%	1.1
STMicroelectronics N.V.	CAC All-Tradable Index	1.5	95%	1.4	1.3	94%	1.3
Sensata Technologies Holding plc	S&P 500	1.3	73%	1.0	1.6	71%	1.2
TE Connectivity Ltd.	S&P 500	1.2	85%	1.0	1.3	84%	1.1
ams AG	Swiss Performance Index	1.9	59%	1.2	2.5	75%	1.9
CTS Corporation	S&P 500	1.3	100%	1.3	1.1	104%	1.1
Vishay Precision Group, Inc.	S&P 500	1.3	102%	1.3	1.5	99%	1.5
Mean		**1.2**		**1.1**	**1.4**		**1.3**
Median		**1.3**		**1.0**	**1.3**		**1.1**

Beta-factors of comparabale companies - global index index
2 years weekly/ 5 years monthly

		2 years weekly			5 years monthly		
Gesellschaft	Index	Levered beta factor	Equity ratio	Unlevered beta factor	Levered beta-factor	Equity ratio	Unlevered beta factor
Elmos Semiconductor AG	MSCI World Index	0.9	96%	0.9	1.2	90%	1.1
Keyence Corporation	MSCI World Index	0.8	111%	0.9	0.8	115%	0.9
Melexis NV	MSCI World Index	1.2	98%	1.2	1.3	100%	1.3
STMicroelectronics N.V.	MSCI World Index	1.6	95%	1.5	1.6	94%	1.5
Sensata Technologies Holding plc	MSCI World Index	1.4	73%	1.1	1.5	71%	1.1
TE Connectivity Ltd.	MSCI World Index	1.2	85%	1.1	1.3	84%	1.1
ams AG	MSCI World Index	2.5	59%	1.6	2.9	75%	2.2
CTS Corporation	MSCI World Index	1.3	100%	1.3	1.3	104%	1.3
Vishay Precision Group, Inc.	MSCI World Index	1.4	102%	1.4	1.4	99%	1.4
Mean		**1.4**		**1.2**	**1.5**		**1.3**
Median		**1.3**		**1.2**	**1.3**		**1.3**
Mean - Local Index				1.1			1.3
Mean - Global Index				1.2			1.3
Median - Local Index				1.0			1.1
Median - Global Index				1.2			1.3
Average beta-factor				**1.1**			**1.3**

Source: PwC Analysis.

335. The average of the median and average unlevered beta-factors determined in each case, considering local and global indices, results in an unlevered beta-factor within the range of 1.1 to 1.3. An unlevered beta-factor of 1.2, which reflects the middle of this range, was therefore applied in the valuation.

336. The unlevered beta-factor derived in this way was adjusted in the valuation calculation to the expected future capital structure of the First Sensor Group (so-called "relevering"). The adjustment of the beta-factor to the period-specific capital structure was carried out for the individual planning periods and for the phase II.

3. Terminal growth rate

337. Future growth of the financial surpluses results from the retained earnings and their reinvestment, as well as the organic growth of pricing, quantity and structural effects. This growth potential for the detailed planning phase is reflected in the company's business plan and is consequently included in the financial surpluses. For the terminal value phase, the growth related to retained earnings is likewise included in the financial surpluses in the form of value added from retained

earnings. Further inflation-induced growth potential is considered through including the terminal growth rate in the discount rate for the terminal value phase.

338. We assume that the sustainable growth rate, based on the price-related development of First Sensor Group and due to the significantly higher economies of scale of the major competitors and the significant cyclical dependence of the industrial and automotive sectors, will be 1.0% (before personal taxes), and thus below the inflation rate expected in the medium term in Germany and Europe. After personal taxes, the terminal growth rate is 0.87%.

4. Derivation of the discount rate

339. The following table contains a summary of the discount rates relevant for the period under review. The changes to the risk premium are the result of changes in the financing structure during the detailed planning phase and in the terminal value phase:

First Sensor Group
Cost of capital

	2020 plan	2021 Plan	2022 Plan	from 2023 terminal value
Risk-free rate	0.00%	0.00%	0.00%	0.00%
Personal income taxes on risk free rate	0.00%	0.00%	0.00%	0.00%
Risk free rate after personal income taxes	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Market risk premium after personal taxes	5.75%	5.75%	5.75%	5.75%
Beta factor (levered)	1.33	1.34	1.37	1.41
Cost of capital after personal taxes	**7.63%**	**7.72%**	**7.89%**	**8.09%**
Terminal growth rate				-0.87%
Cost of capital after personal taxes and terminal growth rate	**7.63%**	**7.72%**	**7.89%**	**7.22%**

Source: PwC Analysis.

IV. Value of the business operations

340. Unless a company is established for a limited period, or its limited duration must be assumed given the particular circumstances, for the purposes of determining the business value it is assumed that the company will exist for an unlimited period. This remains the case if the buyer in question does not want to retain its shareholding indefinitely, because the theoretical price he would achieve with the sale is identical to the present value of the expected net distributions.

341. The earnings value of the business operations of the First Sensor Group is calculated as the total present value of the capitalized dividends and the future contributions to value from the retention of earnings. In order to determine the present value of the net distributions, it is necessary to individually discount the forecast results for the financial years 2020 to 2022. In each case, the discounting is performed to the day the general shareholders meeting is convened to adopt the resolution, May 26, 2020. With respect to the average net distributions that can be withdrawn from financial year 2023 onwards, the present value is calculated using the terminal value formula. The present value of the terminal value must be discounted to the valuation date as well:

0.0828392.001

First Sensor Group
Determination of the discounted earnings value

in EUR million	2020 plan	2021 plan	2022 plan	from 2023 terminal value
Net distribution to be discounted	5.2	9.7	15.4	18.9
Cost of equity after personal income taxes	7.63%	7.72%	7.89%	7.22%
Period	1.00	2.00	3.00	-
Present value factor	0.9291	0.8625	0.7994	11.0663
Present value	**4.8**	**8.3**	**12.3**	**209.3**
Discounted earnings value on the technical valuation date 31 December 2019	**234.8**			
Discount factor	1.0301			
Discounted earnings value on the valuation date 26 May 2020	**241.8**			

Source: PwC analysis.

342. The earnings value of the operating business of the First Sensor Group amounts to a total of EUR 241.8 million as of the valuation date of May 26, 2020.

V. Value of non-operating assets

343. In accordance with IDW Standard S 1 as amended in 2008, assets that can be freely sold without affecting the actual business function must be valued separately as non-operating assets (functional differentiation criterion).

344. Discussions with the management of First Sensor revealed that the First Sensor Group does not possess any non-operating assets or special values that are to be valued separately.

VI. Business value

345. The business value of the First Sensor Group as of May 26, 2020 thus corresponds to the equity value of EUR 241.8 million and the values per share are calculated as follows:

First Sensor Group
Enterprise value as of 26 May 2020

in EUR million	
Discounted earnings value on the valuation date 26 May 2020	241.8
Non-operating assets	-
Enterprise value as of 26 May 2020	**241.84**
Number of shares (undiluted)	10,269,396
Value per share in EUR	**23.55**

Source: PwC analysis.

346. Based on the equity value of the First Sensor Group of EUR 241.8 million on the valuation date of May 26, 2020, with a total number of shares of the First Sensor Group of 10.3 million, the value per share is EUR 23.55.

VII. Liquidation value

347. Should it prove more beneficial to dispose separately of all operating and non-operating assets rather than continue the company in a going concern scenario, the valuation should be based on the liquidation value insofar as this is not prevented by constraints in law or in fact. To verify whether the liquidation value is greater than the business value, the liquidation value for the First Sensor Group was determined on the basis of the most recent information concerning the consolidated financial position of the First Sensor taken from the consolidated financial statements as of December 31, 2019 and compared with the business value determined by us using a discounted earnings valuation.

348. The value of the assets is determined by the sales market of the assets to be liquidated. In our calculations we have assumed that the fixed assets can be sold at book value with slight discounts. Existing goodwill was recognized as not recoverable. In the event of liquidation, the carrying amounts of the other assets as of December 31, 2019 were used as the basis for simplification, taking into account the lower proceeds usually expected from trade receivables in the event of liquidation and sales deductions for inventories.

349. Liabilities are to be deducted from the assets determined on this basis. It was assumed here that other non-current and current provisions would only partially be paid out in the event of liquidation. In addition, deferred tax liabilities were recognized as not recoverable. For reasons of simplification, the remaining liabilities were recognized at their carrying amount as of December 31, 2019. In addition, the costs arising from a liquidation, e.g. processing costs and social plan expenses, are to be deducted.

350. Furthermore, the value of the trademark rights of First Sensor must be recognized in the liquidation valuation, as the trademark rights are generally transferable for a fee. To calculate the liquidation value, we have therefore determined the value of the trademark rights on the basis of fictitious license payments.

351. The liquidation value derived by us in this manner was significantly less than the earnings value, meaning that it is of no relevance for the valuation of the First Sensor Group and for determining a value per share.

E. Plausibility assessment of the business value on the basis of multiples

I. General approach

352. The valuation practice commonly applies simplified valuation procedures based on market multiples to assess the plausibility of the valuation results on the basis of the discounted earnings method or a DCF method. In this case, the enterprise or equity value is estimated using a multiple of a performance indicator of the valuation subject.

353. While the discounted earnings method or DCF method consider expected future cash inflows in the calculation of the business value, multiples are generally based on expected sales or earnings figures of a base year in the near future. The longer-term earnings expectations, the characteristic yield curve and the risk are reflected in the multiple. Under certain assumptions, the multiple methods and the discounted earnings method can be transferred to one other.

354. Suitable multiples can be derived from capital market data of listed benchmark companies (the so-called peer group companies) or from comparable transactions and can be transferred to the company to be valued. It should basically be pointed out that, as a rule, no company is fully comparable with another. The result of the multiple valuation can therefore generally only represent a range of possible values within which the result of the valuation should be found. With multiples derived on the basis of transaction prices, it should be borne in mind that purchase prices actually paid are to a large extent, determined by the subjective interests of the transaction partners. For example, they consider synergy effects and subjective expectations. To this extent, this method is regularly found to be less useful, compared to multiples derived from share prices for verifying an objectified business value. Hence, in the following analysis, we have only used comparable stock-exchange-listed companies.

355. Within the framework of a comparative market valuation, multiples can be applied on the basis of different performance indicators:

- P/E (Price-earnings multiple): Equity value multiple, which takes the earnings power of the company after all expenses (particularly after debt servicing and after taxes) as reference for the value of the equity. The use of this multiple assumes a comparable debt-equity ratio.

- EV/EBIT (Total enterprise value to earnings before interest and taxes): Entity multiple, to some extent neutralizes different capital structures. The total enterprise value includes the market value of debt, and to this extent must be distinguished from the calculable business value (known as the market value of equity).

- EV/EBITDA (Total enterprise value to earnings before depreciation, amortization, interest and taxes): An entity multiple, that neutralizes to some extent different capital structures and that requires comparable outgoings for depreciable non-current assets.
- EV/sales (Total enterprise value to revenues): An entity multiple, that neutralizes different capital structures and that assumes an approximately comparable profit on turnover.

II. Derivation of the multipliers

356. Critical factors for any comparative market valuation are the forecasted success factors and the selection of peer companies in order to generate multiples.

357. For the purposes of the comparative multiple valuation, we utilized the same comparable peer group companies as in the derivation of the beta-factor. With regard to the selection criteria, reference is made to section D. III. 2.

358. The meaningfulness of the P/E multiple is influenced by the gearing ratio and by various tax-related aspects. This issue can be avoided by applying entity multiples. We have therefore decided not to apply the P/E multiple.

359. In addition, we have refrained from using the sales multiple due to different sales profit levels.

360. We have included the EBITDA multiple and the EBIT multiple in our analysis. In view of the above-mentioned application requirements, we consider these multiples to be the most meaningful. We have also considered the fact that these multiples are used very frequently in valuation practice.

361. As a basis for the derivation of the multiples, we have used the respective average EBITDA estimates and EBIT estimates for the financial years 2020 to 2022 for the comparable companies based on analyst data from S&P Global Market Intelligence. For later planning years, the number of available analyst estimates is reduced, so that we have refrained from including them in the valuation.

362. The total enterprise value was calculated on the basis of the market capitalization plus interest-bearing debt, net pension obligations and minority interests of the comparable companies and less available liquidity.

363. Since the comparable companies apply different accounting standards in their financial statements, we have formed two groups. The first group comprises the IFRS reporting peers and the second group comprises the US GAAP reporting peers. The reason for this division is the first-time application of IFRS 16 ("Leases") in 2019. This leads to a lack of comparability of the income statements and balance sheets of the two groups.

364. The comparable company Keyence Corporation prepares its accounts in accordance with Japanese accounting principles (Japan GAAP). The related lease accounting rules differ from both IFRS and

US GAAP. The company was therefore not included in the derivation of the multiples due to insufficient comparability with the two groups mentioned above and due to the difficulty in estimating the effects of an adjustment of the relevant income statement and balance sheet figures.

365. The following multiples result for the comparable companies that prepare their accounts in accordance with IFRS:

Peer Group

EBITDA multiples (Peer Group companies IFRS)

			EV/EBITDA	
Companies	**Accounting standards followed**	**2020**	**2021**	**2022**
Elmos Semiconductor AG	IFRS	6.1x	4.7x	4.3x
Melexis NV	IFRS	19.2x	14.2x	11.4x
STMicroelectronics N.V.	IFRS	9.9x	7.6x	6.1x
ams AG	IFRS	3.3x	2.4x	1.9x
Median		**8.0x**	**6.1x**	**5.2x**
Mean		**9.7x**	**7.2x**	**5.9x**

Source: S&P Global Market Intelligence, PwC analysis.

Peer Group

EBIT multiples (Peer Group companies IFRS)

			EV/EBIT	
Companies	**Accounting standards followed**	**2020**	**2021**	**2022**
Elmos Semiconductor AG	IFRS	17.4x	9.7x	7.8x
Melexis NV	IFRS	37.2x	22.4x	16.1x
STMicroelectronics N.V.	IFRS	17.6x	12.4x	9.1x
ams AG	IFRS	6.8x	5.0x	3.8x
Median		**17.5x**	**11.0x**	**8.5x**
Mean		**19.8x**	**12.4x**	**9.2x**

Source: S&P Global Market Intelligence, PwC analysis.

366. The following multiples result for the comparable companies that prepare their accounts in accordance with US GAAP:

Peer Group

EBITDA multiples (Peer Group companies US GAAP)

			EV/EBITDA	
Companies	**Accounting standards followed**	**2020**	**2021**	**2022**
Sensata Technologies Holding plc	US GAAP	10.4x	8.7x	8.0x
TE Connectivity Ltd.	US GAAP	10.4x	9.1x	8.3x
CTS Corporation	US GAAP	15.1x	9.4x	n.a.
Vishay Precision Group, Inc.	US GAAP	7.8x	6.0x	n.a.
Median		**10.4x**	**8.9x**	**8.2x**
Mittelwert		**10.9x**	**8.3x**	**8.2x**

Source: S&P Global Market Intelligence, PwC analysis.

Peer Group
EBIT multiples (Peer Group companies US GAAP)

Companies	Accounting standards followed	EV/EBIT 2020	2021	2022
Sensata Technologies Holding plc	US GAAP	11.4x	10.0x	9.3x
TE Connectivity Ltd.	US GAAP	14.3x	12.1x	10.8x
CTS Corporation	US GAAP	26.0x	13.2x	n.a.
Vishay Precision Group, Inc.	US GAAP	12.5x	8.5x	n.a.
Median		**13.4x**	**11.0x**	**10.1x**
Mittelwert		**16.1x**	**10.9x**	**10.1x**

Source: S&P Global Market Intelligence, PwC analysis.

III. Valuation with the market approach

367. If one applies the multiples of the comparable companies reporting according to IFRS correspondingly to the EBITDA or EBIT planned for the First Sensor Group for the planning years 2020 to 2022 including synergies, the following enterprise values can be determined for the First Sensor Group:

EBITDA multiple valuation (Peer Group companies IFRS)

Comparative market valuation in EUR million	2020	2021	2022
Multiple (Median)	8.0x	6.1x	5.2x
Multiple (Mean)	9.7x	7.2x	5.9x
EBITDA First Sensor (under consideration of IFRS 16)	**21.8**	**28.8**	**38.5**
Enterprise Value (Median)	**174.5**	**176.9**	**198.9**
Enterprise Value (Mean)	**210.1**	**208.4**	**227.7**

Source: S&P Global Market Intelligence, PwC analysis.

First Sensor Group
EBIT multiple valuation (Peer Group companies IFRS)

Comparative market valuation in EUR million	2020	2021	2022
Multiple (Median)	17.5x	11.0x	8.5x
Multiple (Mean)	19.8x	12.4x	9.2x
EBIT (exkl. PPA-effects) First Sensor (under consideration of IFRS 16)	**12.5**	**19.0**	**28.2**
Enterprise Value (Median)	**219.2**	**209.3**	**238.8**
Enterprise Value (Mean)	**247.8**	**234.5**	**259.9**

Source: S&P Global Market Intelligence, PwC analysis.

368. The First Sensor Group itself prepares its financial statements in accordance with IFRS. In order to ensure comparability of EBITDA and EBIT with the key figures of the comparable companies reporting in accordance with US GAAP, we have adjusted the EBITDA and EBIT of the First Sensor Group accordingly for the derivation of the enterprise value on the basis of multiples. If the multiples of the

comparable companies that prepare their financial statements in accordance with US GAAP are applied accordingly to the EBITDA and EBIT of the First Sensor Group for the planning years 2020 to 2022, including synergies, as planned and adjusted by us, the following picture emerges:

First Sensor Group
EBITDA multiple valuation (Peer Group companies US GAAP)

Comparative market valuation in EUR million	2020	2021	2022
Multiple (Median)	10.4x	8.9x	8.2x
Multiple (Mean)	10.9x	8.3x	8.2x
EBITDA First Sensor (under consideration of IFRS 16)	**19.8**	**26.8**	**36.5**
Enterprise Value (Median)	**207.1**	**237.8**	**297.8**
Enterprise Value (Mean)	**216.8**	**222.5**	**297.8**

Source: S&P Global Market Intelligence, PwC analysis.

First Sensor Group
EBIT multiple valuation (Peer Group companies US GAAP)

Comparative market valuation in EUR million	2020	2021	2022
Multiple (Median)	13.4x	11.0x	10.1x
Multiple (Mean)	16.1x	10.9x	10.1x
EBIT (exkl. PPA-effects) First Sensor (under consideration of IFRS 16)	**12.4**	**18.8**	**28.1**
Enterprise Value (Median)	**166.4**	**207.4**	**282.9**
Enterprise Value (Mean)	**199.5**	**206.0**	**282.9**

Source: S&P Global Market Intelligence, PwC analysis.

369. The range of enterprise values spread over the EBITDA multiples of both groups can be seen in the following overview:

First Sensor Group

EBITDA multiple valuation

Comparative market valuation in EUR million	2020	2021	2022
Enterprise Value (Median; under consideration of IFRS 16)	174.5	176.9	198.9
Enterprise Value (Mean; under consideration of IFRS 16)	210.1	208.4	227.7
Enterprise value (Median; excluding the effects of IFRS 16)	207.1	237.8	297.8
Enterprise value (Mean; excluding the effects of IFRS 16)	216.8	222.5	297.8
Minimum	**174.5**	**176.9**	**198.9**
Maximum	**216.8**	**237.8**	**297.8**
Cash and Cash equivalents		18.9	
Non-current post-employment benefit obligation		(0.3)	
Non-interest bearing liabilities		(55.5)	
Minorities		(1.5)	
Non-operating assets		-	
Equity Value (Minimum)	**136.2**	**138.5**	**160.5**
Equity Value (Maximum)	**178.5**	**199.4**	**259.5**
Number of shares (undiluted)		10,269,396	
Value per share in EUR (Minimum)	**13.26**	**13.49**	**15.63**
Value per share in EUR (Maximum)	**17.38**	**19.42**	**25.27**

Source: S&P Global Market Intelligence, PwC analysis.

370. This results in a range of the equity value based on EBITDA multiples from around EUR 136.2 million to around EUR 259.5 million. The enterprise value of the First Sensor Group, calculated using the discounted earnings method, is slightly above this range at around EUR 241.8 million.

371. The range of enterprise values spread over the EBIT multiples of both groups can be seen in the following overview:

First Sensor Group

EBIT multiple valuation

Comparative market valuation in EUR million	2020	2021	2022
Enterprise Value (Median; under consideration of IFRS 16)	219.2	209.3	238.8
Enterprise Value (Mean; under consideration of IFRS 16)	247.8	234.5	259.9
Enterprise value (Median; excluding the effects of IFRS 16)	166.4	207.4	282.9
Enterprise value (Mean; excluding the effects of IFRS 16)	199.5	206.0	282.9
Minimum	**166.4**	**206.0**	**238.8**
Maximum	**247.8**	**234.5**	**282.9**
Cash and Cash equivalents		18.9	
Non-current post-employment benefit obligation		(0.3)	
Interest bearing liabilities		(55.5)	
Minorities		(1.5)	
Non-operating assets		-	
Equity Value (Minimum)	**128.0**	**167.6**	**200.5**
Equity Value (Maximum)	**209.4**	**196.1**	**244.6**
Number of shares (undiluted)		10,269,396	
Value per share in EUR (Minimum)	**12.47**	**16.32**	**19.52**
Value per share in EUR (Maximum)	**20.39**	**19.10**	**23.81**

Source: S&P Global Market Intelligence, PwC analysis.

372. The resulting range of the equity value based on EBIT multiples is from around EUR 128.0 million to around EUR 244.6 million. The equity value of the First Sensor Group, calculated using the discounted earnings method, is above this range at around EUR 241.8 million.

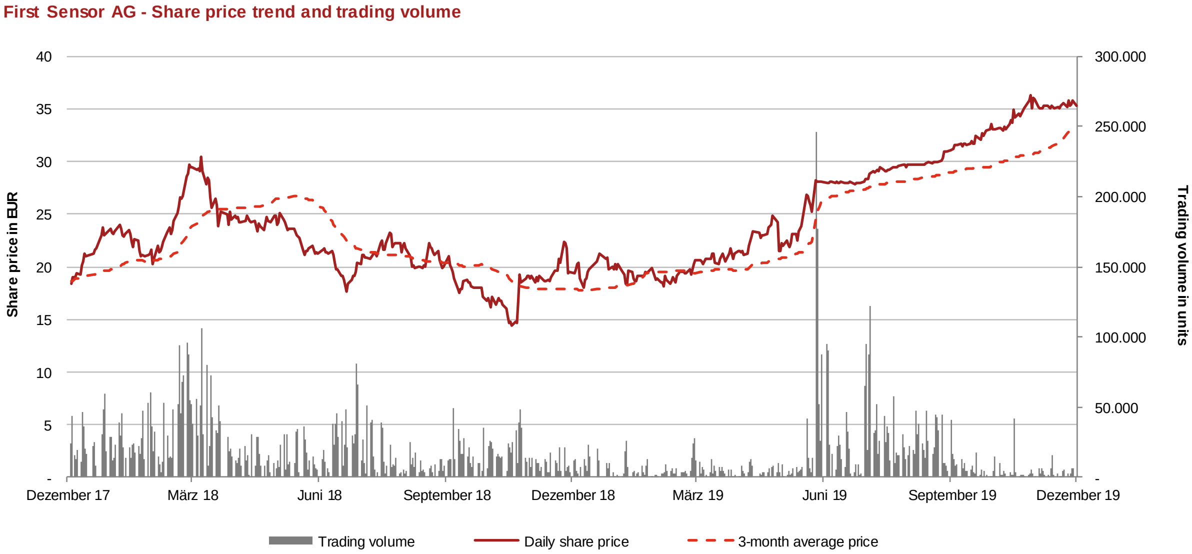
373. In our opinion, the fact that the enterprise value of First Sensor, calculated using the discounted earnings method, is in each case at the upper end of the bandwidths of the equity value of the First Sensor Group derived on the basis of the EBITDA and EBIT multiples, is caused by the fact that the implicit market risk premiums currently observable on the capital market are higher than the market risk premium of 5.75% after personal taxes applied in the context of the discounted earnings method (cf. paragraph 324). A higher market risk premium would lead to a lower equity value of First Sensor under otherwise identical conditions.

F. Determination of an adequate cash-compensation in accordance with § 305 German Stock Corporation Act and adequate recurring compensation payment in accordance with § 304 German Stock Corporation Act

I. Share price

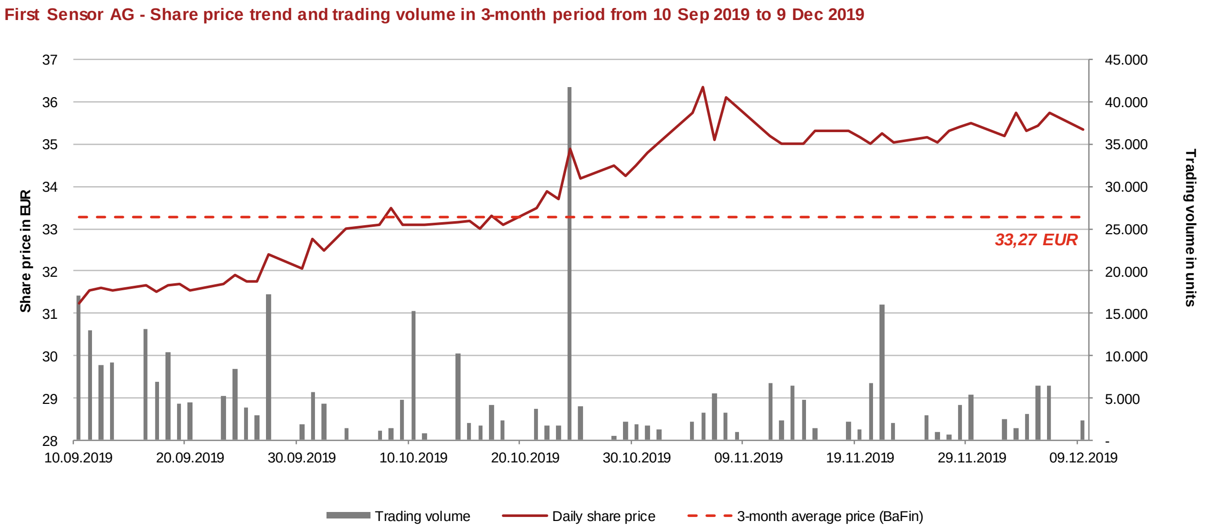
374. The shares of First Sensor AG are traded on the regulated market of the Frankfurt Stock Exchange under the International Securities Identification Number ISIN DE0007201907. The shares are also traded on the Xetra electronic trading platform and are included in the outside markets of the Berlin, Düsseldorf, Hamburg, Stuttgart and Munich stock exchanges and the Berlin-based Tradegate Exchange.

375. The following chart shows the trend of the stock market price of First Sensor AG, the underlying trading volumes and the three-month turnover-weighted average prices over a two-year period until 9th of December 2019, the day before the announcement of the intention to conclude a domination and profit and loss transfer agreement .



Source: Bloomberg, PwC analysis; considering of all German stock exchanges and trading platforms on which First Sensor shares are traded and whose data can be accessed via Bloomberg (Frankfurt Stock Exchange, Xetra trading platform and Tradegate Exchange).

376. The following chart shows the trend of the stock market price of First Sensor AG, the underlying trading volumes over the three-month period from 10th of September 2019 to 9th of December 2019, and the three-month turnover-weighted average price on 9th of December 2019, the day before the announcement of the intention to conclude a domination and profit and loss transfer agreement:



Source: Bloomberg, PwC Analysis.

377. According to the Federal Financial Supervisory Authority, Bonn ("BaFin"), the three-month average exchange rate for the three-month period up to and including 9th of December 2019 (the last calendar day before the announcement of the intention to conclude a domination and profit transfer agreement) is EUR 33.27.

378. With regard to the decision of the Federal Constitutional Court ("BVerfG") and the Federal Court of Justice ("BGH") on joint stock companies, the share price has to be considered as lower limit when setting an exit cash compensation for companies if the share price reflects the market value of the shares (Compensation and recurring compensation payment in the context with company agreements and integration measures: Decision of the Federal Constitutional Court 27 April 1999 - 1 BvR 1613/94, BVerfGE 100, 289 et. seq.; Decision of the BGH 12 March 2001 - II ZB 15/00, BGHZ 147, 108 et. seq.).

379. Identifying the relevant period under consideration, the Federal Constitutional Court has decided on 19 July 2010 - II ZB 18/09 (e.g. printed in NZG 2010, 939)– deviating from their decision from 12 March 12 2001 – II ZB 15/00 (according to this, the three-month average price over a period of three months immediately before the annual general shareholder meeting is relevant), that the cash compensation lower bound should be based on the volume weighted average share price for the three months leading up to the announcement of the companies' structural change. The BGH is basing this conclusion on the normative judgement of § 5 (1) WpÜG-AngVO, whereby the minimum offer price during a takeover bid is deduced, utilizing the weighted average share price for the three months prior to the bid or prior to reaching a certain control threshold. Similarly, according to the BGH, the share price should be used to calculate the market price of a share, excluding the effect of an upcoming structural change. Following the announcement of the restructuring measure, the measure is reflected in the share price, meaning that the share price no longer reflects the market

value without the impact of the measure. Furthermore, the BGH emphasizes that using the average price in a three-month-period prior to the general shareholder meeting is not technically practical since the amount of the compensation has to be announced in a required period of notice, whereas no stock price data exists for the period from the announcement (§ 123 (1) AktG) to the date of the general shareholder meeting. Only if there is a longer period between the announcement of the structural change and the resolving general shareholder meeting, according to the BGH seven and half months, under certain circumstances it could be necessary to adjust the average price. In our opinion such a longer period is not given in this case.

380. Accordingly, with respect to the three months average share price of First Sensor over the three months period from 10th of September 2019 to 9th of December 2019 is of relevance and amounts to EUR 33.27.

381. If there had been a lack of active trade for the relevant stocks for a longer period of time and the stock holder had not been able to sell his stocks due to the narrowness of the market, or the stock price had been manipulated, the German court rules that it cannot be assumed that the stock price reflects the fair value of the stocks. The BVerfG has stated in a resolution from 27 April 1999 that a distorting narrow market might be, but is not necessarily, present if 95% of the stocks are not freely tradeable.

382. Further classification on this topic is only given by § 5 WpÜg-AngVO, which the BGH points out during its jurisdiction from 19 July 2010 – II ZB 18/09. Pursuant to § 5 (4) WpÜG-AngVO the share price is not essential when determining the reward to an acquisition if during the aforementioned three-month period, less than a third of all trading days provide a share price for the corresponding share and if there are consecutive stock price jumps of over than 5%.

383. During the three-month reference period from 10th of September 2019 to 9th of December 2019, revenue has been recorded on 64 of 64 possible trading days, corresponding to a 100% quota. Moreover, there were no share price jumps in excess of 5% during the three-month period. This indicates liquidity of the share pursuant to the WpÜG-AngVO.1 Hence, according to WpÜG-AngVO, no narrowness of the market is detectable based on the indications mentioned above, so the average share price gives a valid indication for the market value of the share according to WpÜG-AngVO.

384. Taking all aforementioned factors into account, we deem the average share price of First Sensor AG of EUR 33.27 to be relevant to determine the compensation.

[1] Even if there is no demonstrable narrowness of the market within the meaning of the WpÜG-AngVO and the stock market price of First Sensor can be regarded as an indicator of the fair value of the share, no meaningful and undistorted empirical beta factor can be derived from the trading data of the First Sensor share (cf. paragraph 327).

II. Determination of the appropriate cash compensation

385. In order to determine the appropriate cash compensation, the business value of the First Sensor group of EUR 241.8 million as at 26 May 2020 was applied to the total number of outstanding shares of the First Sensor Group, amounting to 10.3 million units. This results in a value per share of EUR 23.55.

386. The three-month average price converted into EURO based on daily exchange rates in the relevant reference period is EUR 33.27. Consequently, the average share price is above the value per share based on the discounted earnings method including the value of non-operating assets. The appropriate cash compensation per share of the First Sensor Group is therefore EUR 33.27.

387. The cash compensation calculated according to the discounted earnings valuation is based on the information provided to us, up to the end of our valuation work. If events occur between the completion of our valuation work and the day of the extraordinary general shareholders meeting on 26 May 2020, which impact the amount of the cash compensation, the values must be adjusted correspondingly.

388. Due to the current dynamic trend in the general economic conditions and their associated impact on the interest conditions, by the end of our valuation work we are unable to rule out the possibility that the use of a different risk-free rate will be necessary according to the applicable valuation principles in the period between the end of the valuation work and the date of the extraordinary general meeting convened to adopt the resolution, which is the applicable date for the valuation.

389. As a result of these uncertainties, along with the results achieved by the end of our valuation work, we considered a scenario observation below, which alternatively takes the impact of risk-free rates of -0.5% % to +0.5 % into account. For the purpose of simplification, it is assumed that all other valuation parameters and procedures remain unchanged. This applies especially for potential reverse effects, which have not been considered here.

390. The following table provides an overview of the company values per share determined on this basis:

Risk-free rate:	Value per share
0.5%	EUR 21.79
0.4%	EUR 22.13
0.3%	EUR 22.47
0.2%	EUR 22.82
0.1%	EUR 23.18
0.0%	EUR **23.55**
-0.1%	EUR 23.93
-0.2%	EUR 24.31
-0.3%	EUR 24.71
-0.4%	EUR 25.12
-0.5%	EUR 25.54

III. Determination of the appropriate recurring compensation payment

391. Pursuant to Section 304 (2) of the German Stock Corporation Act (AktG), a compensatory recurring cash payment is to be guaranteed at least the annual payment of the amount that could probably be distributed as an average share of profits to the individual share in accordance with the company's previous earnings situation and its future earnings prospects, taking into account appropriate depreciation and value adjustments, but without forming other revenue reserves (Section 304 (2) sentence 1 of the German Stock Corporation Act (AktG)).

392. The trend of a company's earnings fluctuates regularly over time. It is adequately reflected in the forecast-oriented equity value. Considering interest and tax effects, this represents the payments between the company and its owners. For companies with positive annual results, these are the expected dividend payments to the shareholders. In the interest of the continuity of the annual settlement payment, the legislator does not relate the payment obligation to the annually varying expected profit, but rather demands the amount that could probably be distributed to the individual share as an average profit share. The average amount should therefore include fluctuations in profit in the calculations but smooth these fluctuations over a uniform average amount.

393. The recurring compensation payment was determined by adding interest to the enterprise value of First Sensor Group as determined by us (so called annuity of the enterprise value). With regard to the assessment of the compensation payment "without the formation of other revenue reserves" as provided for in Section 304 (2) sentence 1 AktG, it must be taken into account that the retained earnings assumed in the calculation of the earnings value do not reduce the enterprise value as the starting point for the annuity and accordingly do not result in a reduction of the compensation amount.

394. In a ruling dated July 21, 2003, the German Federal Court of Justice (BGH) (Case No. II ZB 17/01, "Ytong") decided that the minority shareholders are to be assured of the expected distributable average gross profit share per share as (fixed) compensation, less the (distribution) corporation tax payable by the company on this amount in the amount of the respective tax rate. In detail, the resolution states that the profit generated is to be regarded as the profit before corporation tax, from which the corporation tax burden is to be deducted in the respective amount prescribed by law.

395. Accordingly, the compensation was calculated on the basis of the currently valid corporation tax rate and solidarity surcharge.

396. As a result of the receipt of income abroad by subsidiaries domiciled there, not all future profits of the First Sensor Group are subject to German corporate income tax. Hence, the expected distributable average gross profit must be divided into a corporate income tax and a non-corporate income tax component in accordance with the order of the German Federal Court of Justice. This division was carried out by the alternative derivation of the enterprise value of First Sensor group, taking into account or not taking into account corporation tax plus the resulting solidarity surcharge, and the division of the enterprise value of First Sensor AG derived from this into a component charged with corporation tax plus solidarity surcharge and an uncharged component.

397. Furthermore, in the opinion of the Federal Court of Justice, the enterprise value must be reinvested at the full risk-adjusted discount rate.

398. However, the above-mentioned BGH ruling does not reflect the fact that the compensation payments - at least during the term of the contract - are quasi-secure, so that annuitization at the full risk-adjusted discount rate (before personal income taxes) is not appropriate. In the case of a domination and profit transfer agreement, there is regularly the risk of termination of the agreement by the controlling company and illiquidity of the controlling company; to this extent, future compensation payments are not completely free of risk. There is also the risk that the company's earning power will be reduced during the term of the agreement and that the shareholder will hold an interest in a company whose value has been reduced after termination of the agreement.

399. In order to reduce these risks, the draft of the domination and profit and loss transfer agreement between First Sensor Group and TE Connectivity provides in §5 (6) that, in the event of termination

of the company agreement, the compensation claim of the minority shareholders will be revived at the amount of EUR 33.27 per share agreed in the agreement. In this special case, the entrepreneurial risk of a devaluation of their further investment in shares of First Sensor does not apply to the minority shareholders upon conclusion of the affiliation agreement, provided that TE Connectivity is able to meet the compensation claims of the minority shareholders after termination of the affiliation agreement. After a termination of the inter-company agreement, the shareholders will have the temporary option to demand the cash compensation offered at the time of the conclusion of the domination and profit transfer agreement in the same amount or, alternatively, to remain a shareholder and continue to participate in the entrepreneurial risk of First Sensor. After conclusion of the domination and profit and loss transfer agreement, the risk position of the minority shareholders thus corresponds to that of the holder of a corporate bond. Since the recipient of the compensation payment only bears the default risk of the debtor of the compensation payment. In the present case, this risk is covered by a binding letter of comfort from TE Connectivity Ltd. (cf. §8 of the domination and profit and loss transfer agreement) and thus corresponds to the default risk of TE Connectivity Ltd. It is therefore appropriate to derive the annuity factor taking into account the default risk (credit rating) of TE Connectivity Ltd.

400. The interest rate (annuity factor) to be used for annuity payments is the sum of the risk-free rate and an appropriate risk premium for the default risk (credit rating).

401. For an objective determination of the risk premium, we have therefore considered bonds issued by Tyco Electronics Group S.A., Luxembourg/Luxembourg ("TE Group S.A."). TE Group S.A. is a 100% subsidiary of TE Connectivity Ltd. It acts as holding company of the operating companies and is issuer of the bonds of the TE Connectivity group. The bond with the longest maturity was used by us. This bond was issued in April 2008 with a maturity until October 2037. The bond under consideration is guaranteed by TE Connectivity Ltd. based on the three-month period January 9, 2020 to April 8, 2020, an average credit spread of 1.7 percentage points was observed for these bonds compared to US Treasury bonds with the same maturity. This credit spread was rounded to 2.0 % with respect to fluctuations of the credit spread observed in the three-month period, adopted for the euro zone and added to the base interest rate.

402. As a result, we have based the calculation of the compensation payment on an interest rate (annuity factor) of 2.0% before personal income tax, taking into account the risk of the base rate:

Derivation of the interest rate for the recurring compensation	
risk free rate equivalnt to net present value (before personal income tax)	*0.000%*
relevant income tax on risk free rate	*26.375%*
risk free rate equivalent to net present value (after personal income tax)	***0.000%***
relevant risk premium (spread)*	***2.000%***
Income tax on risk premium	*26.375%*
Risk premium after income tax	*1.473%*
Relevant interest rate (before personal income tax)	*2.000%*
Income tax on recurring compensation	*26.375%*
Relevant interest rate (after personal income tax)	***1.473%***

*based on an exchange-traded bond issued by TE Group S.A. with a remaining term of approx. 17 years.

Source: Bloomberg, PwC analysis.

403. The determination of the appropriate annual compensation payment is shown in the following overview:

Credit Spread

Recurring compensation (before corporate tax and solidarity surcharge)	Burdened with corporate tax and solidarity surcharge	Not burdened with corporate tax and solidarity surcharge	Total
Business value at valuation date	227.0	14.9	241.8
Number of shares	10,269,396	10,269,396	10,269,396
Business value per share in EUR	22.10	1.45	23.55
Yearly recurring compensation per share in EUR (after personal income tax, corporate tax and solidarity surcharge)	**0.33**	**0.02**	**0.35**
Plus personal income tax 26.375%	0.12	0.01	0.12
Yearly net recurring compensation per share in EUR (after personal income tax, corporate tax and solidarity surcharge)	**0.44**	**0.03**	**0.47**
plus corporation tax and solidarity surcharge 15.825%	0.09	-	0.09
Yearly gross recurring compensation per share in EUR (after personal income tax, corporate tax and solidarity surcharge)	**0.53**	**0.03**	**0.56**

Source: PwC analysis.

404. Taking into account the portion of the First Sensor Group's operating result generated in Germany, which is subject to corporate income tax and the solidarity surcharge, and the portion of the operating result generated abroad, which is not subject to corporate income tax and the solidarity surcharge, the appropriate compensation payment pursuant to Section 304 of the German Stock Corporation Act (AktG) is thus EUR 0.56 per share (gross profit share per share) less corporation tax including solidarity surcharge. The corporate income tax rate including solidarity surcharge applicable at the time the agreement was assumed to 15.825%, resulting in a corporate income tax deduction of EUR 0.09 per share. With an unchanged corporation tax rate of 15.0% and a solidarity surcharge of 5.5%, the recurring compensation payment amounts to EUR 0.47 per share (net compensation amount per share).

405. The calculation of the recurring compensation payment in accordance with the discounted earnings method is based on the information made available to us by the end of the valuation work. Should events occur between the completion of our valuation work and the date of the Annual General Meeting on 26 May 2020, which have a material impact on the amount of the recurring compensation payment, the value would have to be adjusted accordingly.

406. In the following, we have also presented a scenario for the recurring compensation payment, which alternatively considers the effect of base interest rates of -0.5% to +0.5%. In doing so, it was assumed in a simplified manner that all other valuation parameters and procedures remain unchanged. This applies in particular to possible opposing effects which have not yet been considered. The following table provides an overview of the net recurring compensation payment amounts per share calculated on this basis:

Risk-free rate	Net recurring compensation payment per share
0.5%	EUR 0.54
0.4%	EUR 0.53
0.3%	EUR 0.52
0.2%	EUR 0.50
0.1%	EUR 0.49
0.0%	EUR **0.47**
-0.1%	EUR 0.45
-0.2%	EUR 0.44
-0.3%	EUR 0.42
-0.4%	EUR 0.40
-0.5%	EUR 0.38

Source: PwC analysis.

G. Summary of results

407. TE Connectivity and First Sensor AG have jointly engaged us to prepare an expert opinion on the objectified enterprise value of First Sensor AG, as well as on the appropriate compensation in accordance with § 305 of the German Stock Corporation Act (AktG) and on the appropriate compensation in accordance with § 304 of the German Stock Corporation Act (AktG) on the day of the annual general meeting on May 26, 2020, which will decide on the resolution. The background is the intended conclusion of a domination and profit and loss transfer agreement in accordance with § 291 para. 1 AktG.

408. Our valuation is based on the forecast-based discounted earnings method explained above. Our calculations were based on the business plan and the forecasting of First Sensor AG for the financial years 2020 to 2022. We derived the expected net distributions from the forecast data available to us.

409. The net distributions are to be discounted to the valuation date, 26 May 2020, using a discount rate. To determine the discount rate, we have used a base rate of 0.0%, an after-tax market risk premium of 5.75% and a beta factor of 1.3 to 1.4, which changes over time in line with the capital structure.

410. Taking into account the aforementioned assumptions, the period-specific discount rates for the plan years 2020 to 2022 are between 7.6% and 7.9%. For the period after the explicit planning phase, for which we have assumed a long-term achievable price-related growth in net distributions of 0.87% p.a., the expected net distributions from financial year 2023 onwards were discounted at a discount rate of 7.2%.

411. On the basis of the assumptions described above and in compliance with the principles for carrying out company valuations, we have determined an enterprise value of First Sensor AG as of May 26, 2020 of approximately EUR 241.8 million. Based on the current number of shares of First Sensor AG, this results in an enterprise value per share of EUR 23.55. The liquidation value is less than half the earnings value and is therefore not relevant for the valuation of First Sensor AG. The market valuation supports the result of the earnings value calculation.

412. Furthermore, we have analyzed the trend of the share price. In accordance with the highest court rulings, this represents the lower limit of appropriate compensation if it reflects the fair value of the share. The three-month average share price of First Sensor AG up to and including December 9, 2019 - the day before the announcement of the intention to conclude a domination and profit transfer agreement - is EUR 33.27 and is thus above the value per share determined on the basis of the discounted earnings method. The appropriate compensation per share of First Sensor AG therefore amounts to EUR 33.27.

413. A domination and profit and loss transfer agreement must provide for an appropriate compensation for the minority shareholders by means of a recurring cash payment (compensation payment) related to the shares in the share capital. The calculation of this compensation is based on the interest on the value of the company. This is based on future forecast distributions, as reflected in the calculation of the earnings value. The annuity interest rate is calculated from the risk-free rate plus a risk premium. The risk surcharge corresponds to the credit spread of the bond with the longest maturity issued by TE Group S.A. This results in a net settlement within the meaning of § 304 (1) sentence 1, (2) sentence 1 AktG of EUR 0.47 per share and a gross settlement - calculated in accordance with the jurisdiction of the German Federal Court of Justice - of EUR 0.56 per share for a full financial year.

414. The determination of the appropriate severance payment and the appropriate compensation in accordance with the discounted earnings value method is based on the information made available to us by the end of the valuation work. Should events occur between the conclusion of our valuation work and the date of the Annual General Meeting which have an influence on the amount of the severance payment or compensation, the values must be adjusted accordingly.

415. We have prepared this expert opinion on the basis of the documents made available to us, the information provided to us and the results of our own investigations.

416. We issue this expert opinion to the best of our knowledge and belief with reference to the principles set out in §§ 2 and 43 of the German Auditing Regulations.

Munich, 9 April 2020

PricewaterhouseCoopers
GmbH
Wirtschaftsprüfungsgesellschaft

Eckhard Späth
(Wirtschaftsprüfer)

André Menze

[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.