

CREATE. GREAT THINGS. TOGETHER.

Annual Report 2017

KEY FIGURES

<i>in € million</i>	12/31/2017	12/31/2016	Change 2017/2016
Business Development			
Order entry	200.3	161.1	24.3 %
Order backlog as of December 31	133.4	101.5	31.4 %
Total sales	166.5	177.6	-6.2 %
Sales margin	4.0%	2.8%	1.2% points
Gross profit	59.5	58.6	1.5 %
Gross margin	35.7%	33.0%	2.7 % points
Cost of sales	107.0	119.0	-10.1 %
Research and Development costs	15.2	14.1	7.8 %
EBITDA	18.0	15.3	17.6 %
EBITDA margin	10.8%	8.6%	2.2 % points
EBIT	13.9	11.1	25.2 %
EBIT margin	8.3%	6.3%	2.1 % points
Earnings after tax	6.7	5.0	34.0 %
Earnings per share, basic (in €)	0.35	0.26	34.6 %
Balance sheet and cash flow			
Equity	127.0	124.4	2.1 %
Equity ratio	62.9%	69.2%	-6.3 % points
Return on equity	5.3%	4.0%	1.3% points
Balance sheet total	202.0	179.6	12.5 %
Net cash	33.0	31.1	6.1 %
Free cash flow	2.9	-9.1	-
Further key figures			
Investments	6.5	3.6	80.6 %
Investment ratio	3.9%	2.0%	1.9 % points
Depreciation	4.1	4.2	-2.4 %
Employees as of December 31	779	711	9.6 %

STRONG TOGETHER

LITHOGRAPHY

- Mask Aligner
- UV Projection Lithography Systems
- Laser Processing Systems
- Coater/Developer

Order entry: **€ 136.2 million**

Sales: **€ 112.8 million**

EBIT: **€ 6.3 million**

BONDER

- Bonder

Order entry: **€ 36.7 million**

Sales: **€ 22.1 million**

EBIT: **€ 3.3 million**

PHOTOMASK EQUIPMENT

- Photomask Processing Systems

Order entry: **€ 15.7 million**

Sales: **€ 19.7 million**

EBIT: **€ 5.1 million**

OTHERS

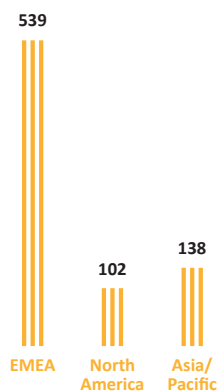
- Micro-optics and Lenses
- Centralized Group Functions

Order entry: **€ 11.7 million**

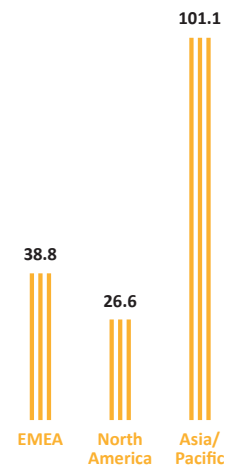
Sales: **€ 11.9 million**

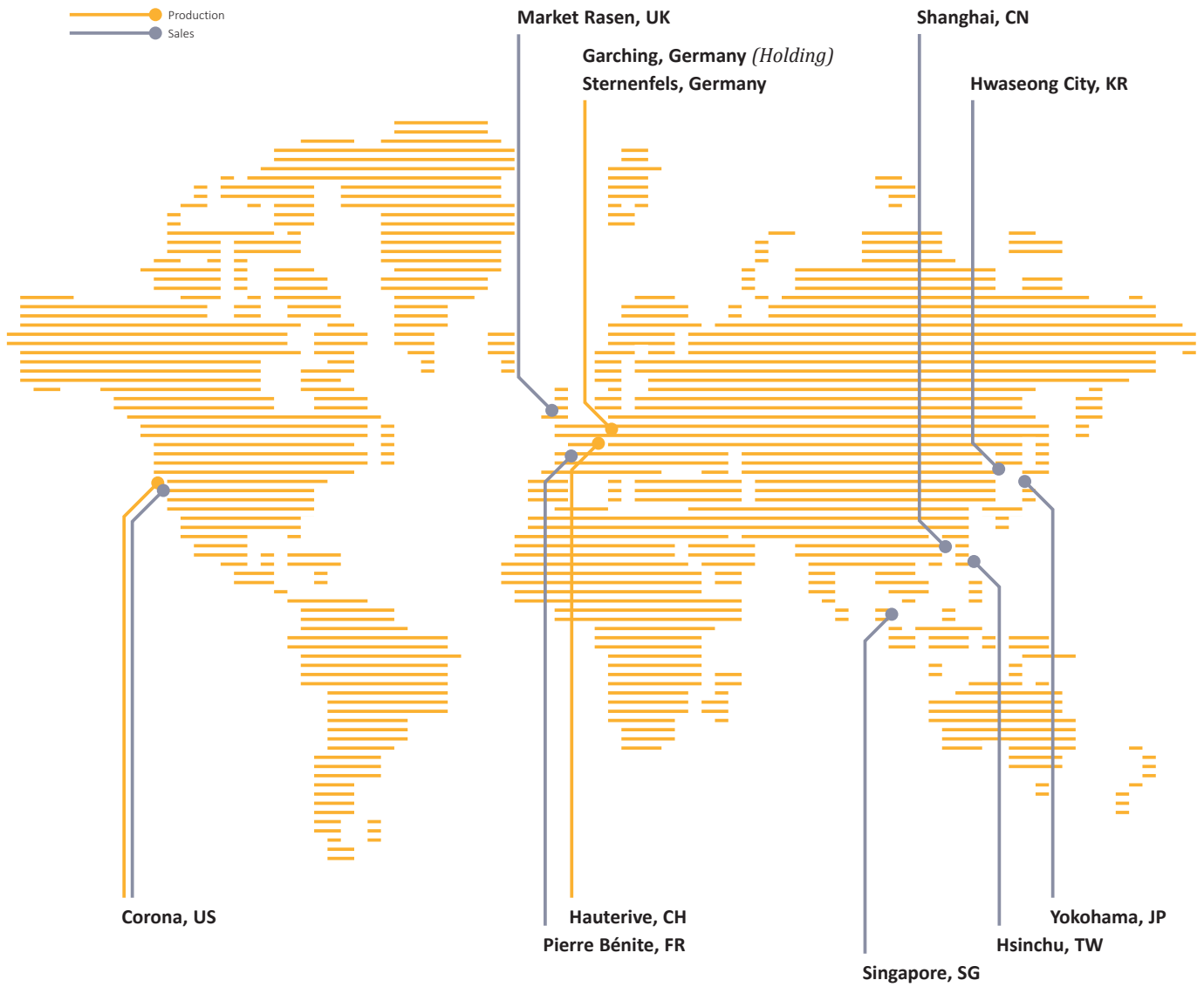
EBIT: **€ -0.8 million**

EMPLOYEES BY REGION



SALES BY REGION in € million





SALES BY REGION

16.0 %

North America

23.3 %

EMEA

60.7 %

Asia/Pacific

DEAR READERS,

AT SUSS MICROTEC WE SHARE A GREAT PASSION, REGARDLESS OF WHETHER WE SERVE AS EMPLOYEES IN THE TECHNICAL AREA, IN ADMINISTRATION, IN THE MANAGEMENT BOARD OR AS A MEMBER OF THE SUPERVISORY BOARD: WE ARE ENTHUSIASTIC ABOUT INNOVATIVE TECHNOLOGIES. HEREBY WE ARE ENTIRELY FOCUSED ON WHAT OUR CUSTOMERS NEED. A WELL-FUNCTIONING EXCHANGE OF INFORMATION BETWEEN THE CUSTOMERS IN THE LOCAL MARKETS IN ASIA AND NORTH AMERICA ON THE ONE HAND, AND THE DEVELOPERS AND ENGINEERS IN THE PRODUCTION PLANTS ON THE OTHER HAND, IS THE PREREQUISITE, TO MEET EXACTLY THE EXPECTATIONS OF OUR CUSTOMERS. ONLY WITH EXACT KNOWLEDGE OF THE WISHES AND DEMANDS, WE CAN FIND CONVINCING SOLUTIONS FOR THEM, WITH THE HELP OF OUR INNOVATION POWER AND CREATIVITY. FOR THAT REASON, OUR COMMUNICATION CHANNELS MUST CONSTANTLY BE IMPROVED AND WE MUST ENSURE A FUNCTIONING EXCHANGE OF INFORMATION BETWEEN EACH OTHER, ACROSS DEPARTMENTS AND ACROSS NATIONAL BORDERS. WE CAN ONLY MEET THE EVER-INCREASING DEMANDS THAT WILL BE PLACED ON US IN THE FUTURE AS A TEAM.

YOUR SUSS MICROTEC MANAGEMENT BOARD

CONTENT

Letter to the Shareholders	4
Report of the Supervisory Board	6
Create. Great things. Together.	10
Investor Relations	38
Corporate Governance	42
Nonfinancial Group Declaration in accordance with section 315b of the German Commercial Code (HGB)	50
Condensed Management Report	58
Consolidated Financial Statements (IFRS)	106
Notes to the Consolidated Financial Statements	122
Glossary	158
Financial Calendar 2018	<i>Back cover</i>
Five-Year Overview	<i>Back cover</i>

FOREWORD OF THE MANAGEMENT BOARD

Dear Shareholders,
Dear Readers,

For the financial year 2017, there were predominantly positive economic forecasts at an early stage. The difficult political environment did not significantly affect these forecasts. At the beginning of the year, there was still great uncertainty about the future of the European Union. Following the decision in 2016 on the withdrawal of Great Britain from the European Union (Brexit), voters in the Netherlands and France voted in favor of a united and strong Europe in the spring of 2017. At the end of 2017, neither the protracted formation of a government in Germany nor the tensions between North Korea, the USA and Japan have any tangible effects on the German, European or global economy.

Our immediate industrial environment is currently characterized by well-filled order books as well as a continuing positive outlook. According to estimates from fall 2017, the Gartner market research institute anticipates record growth for the entire semiconductor market of approximately 20 percent to a total volume of US\$ 419 billion in 2017. In 2018, additional market volume growth to approximately US\$ 451 billion is expected. The main reason for this is the high demand for memory elements such as NAND and DRAM for applications in the areas of mobile communication and game consoles as well as server applications and SSD memory media, accompanied by a general increase in networking, the Internet of Things, or topics like autonomous driving and smart factory.

The Statistisches Bundesamt recently announced growth of 2.2 percent in Germany instead of 1.5 percent as originally projected at the beginning of 2017. Next year, growth should even reach 2.0 percent. Experts previously had expected 1.7 percent. This development is driven by robust domestic demand and increasingly also the growing foreign business, as well as rising investment expenditures. The OECD Economic Outlook of June 2017 anticipates growth of 3.5 percent for the world economy in the current year. In the previous year it was 3.0 percent. The world economy is experiencing a robust upturn. Economic initiatives in China have also led to a new phase of expansion. In addition, the eurozone, the U.S., and Japan are displaying solid overall economic growth. Growth in the eurozone is expected to amount to 1.8 percent, after 1.7 percent in the previous year.

Last but not least, good order trends at SUSS MicroTec provide evidence of the positive market mood. After a successful 2016 fiscal year, we were able to significantly increase order entry again in the 2017 fiscal year. In the 2017 fiscal year, order entry reached EUR 200.3 million, which is 24.3 percent above the previous year's amount. In terms of sales and earnings, the

Company slightly missed its targets, achieving sales of EUR 166.5 million and EBIT of EUR 13.9 million. Delays in product acceptance beyond the end of the year were the reason for the deviation from expected sales. The EBIT target was also missed slightly due to lower sales. Free cash flow developed very positively in line with expectations, reaching EUR 2.9 million. The build-up of inventories because of the high order backlog at the end of the year (EUR 133.4 million) has a dampening effect here.

Along with the good performance of the mask aligner, coater/developer, Bonder and photomask cleaning main product lines, the 2017 fiscal year was characterized by the development of a new generation of UV projection scanners at the site in Corona, California. The project is on schedule and we will launch the improved product to the market during the second quarter of 2018. The UV projection scanners are particularly interesting for innovative packaging applications (fan-out wafer-level packaging) and promise significant growth opportunities for the coming years. In addition, we sense movement in the market for temporary bonding systems. A customer has already placed orders for several systems in the 2017 fiscal year. These temporary bonding systems were ordered by an internationally leading integrated device manufacturer (IDM), which is already successfully using several of the systems in its current production. The tools are configured for the temporary bonding of 300 mm wafers for 3D TSV integration processes in logic and memory applications. We currently assume a further revival in the area of 3D TSV integration. In end devices, there is also strong demand for more MEMS (microelectromechanical systems) and optical systems in order to support even quicker communications and better connectivity. These are trendsetting and demanding challenges in which we support our customers individually and successfully.

Last year we paid particular attention to the steady streamlining of processes and the reduction of throughput times as well as the sensible use of outsourcing for the manufacturing of modules. In 2017, we launched the SUSS Excellence Program, in which our internal processes are analyzed, streamlined and optimized with customer utility in mind. This applies to all corporate areas, whether they be development, production, or administration. In addition, the established excellence team is promoting and advancing further the topic of continuing education and training.



*From left to right:
Robert Leurs, Chief Financial Officer
Dr. Franz Richter, Chief Executive Officer
Walter Braun, Chief Operating Officer*

Unimpressed by geopolitical tensions, the leading indexes of the international stock markets were able to achieve new records again. The SUSS MicroTec share also performed very positively over the course of the year. In the second half of the year, the share achieved a sustained rise over the EUR 10 threshold and, in November, even closed at over EUR 18. The share ended 2017 at a price of EUR 16.64, about 160 percent higher than at the end of 2016.

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

Ladies and Gentlemen, there was another change in the Management Board of the company in the 2017 financial year. On October 12, 2017, the Supervisory Board appointed Robert Leurs as CFO of SUSS MicroTec SE with effect from December 1, 2017. Mr. Leurs is qualified as a certified public accountant and tax consultant and, after working for eight years in a global accounting firm, has gained extensive experience in managing the commercial areas of international companies over the last 14 years. Mr. Leurs succeeds Mr. Michael Knopp, who, by mutual agreement with the Supervisory Board, terminated his service contract prematurely on 30 April 2017 in order to take on a new professional challenge.

Changes were also made to the Supervisory Board in the 2017 fiscal year. At the 2017 Shareholders' Meeting, the shareholders reelected the existing three Supervisory Board members Dr. Stefan Reineck, Jan Teichert, and Gerhard Pegam for a period of four years to the Supervisory Board of SUSS MicroTec. In addition, the board was expanded to four members. With the addition of Dr. Myriam Jahn, the Supervisory Board was gained an expert in digitalization in mechanical engineering. As a result, the board is expanding its expertise important skill areas.

OUTLOOK

After the very good order entry in the 2017 fiscal year, we look forward to the 2018 fiscal year with optimism. The market environment in the semiconductor industry and the overall economic outlook remain positive, even if several market analysts are already warning about an overheating of the markets and a potential decline in growth. SUSS MicroTec starts the new financial year with a high order backlog of EUR 133.4 million. Taking into account the continued positive outlook for the first half of 2018, we assume that order intake in the first half of 2018 will reach the average of the comparable periods of previous years of around EUR 70 million to EUR 80 million, however not the exceptionally high value of the previous year (EUR 94.5 million). Building on this, we expect sales in the range of EUR 195 million to EUR 205 million in 2018. At this revenue level, EBIT for 2018 is expected to be in the range of 8.5% to 10.0% and EBITDA in the range of 11.0% to 12.5% of revenue. In 2018 we do not expect comparable license revenues as in the previous year. The reasons for the positive development of the EBIT margin are, in addition to volume effects from higher sales, in particular efficiency increases in internal processes. The Bonder segment is again expected to make a significant contribution to earnings in 2018. In addition, we are aiming for a positive free cash flow for the 2018 financial year.

Garching, Germany, March 2018

Dr. Franz Richter
Chief Executive
Officer

Robert Leurs
Chief Financial
Officer

Walter Braun
Chief Operating
Officer

REPORT OF THE SUPERVISORY BOARD

With the following report, the Supervisory Board would like to inform you about its activities in the 2017 fiscal year.



Dr. Stefan Reineck, Chairman of the Supervisory Board

Dear Shareholders,
Dear Readers,

The Supervisory Board fulfilled its responsibilities as set forth by law, the articles of incorporation, and Company bylaws in 2017 and advised the Management Board on directing the Company and monitored its activities. The Supervisory Board was involved in all decisions that were of vital importance to the Company. The Management Board coordinated the Company's strategic orientation with the Supervisory Board and provided it with regular, prompt, and comprehensive information – both in written and verbal form – about corporate planning, business progress, and the Group's current position. When business development deviated from plans, deviations were explained in detail and reviewed by the Supervisory Board based on available documents and information. The Supervisory Board discussed significant business events extensively with the Management Board and gave its consent to the transactions requiring its approval. During the 2017 fiscal year, the Supervisory Board held a total of seven ordinary meetings.

As in previous years, in addition to participating in Supervisory Board meetings, the Chairman of the Supervisory Board maintained close contact with the Management Board and remained apprised of the business situation and significant events. In this communication, special focus was again placed on the development of the UV projection scanner product line of SUSS MicroTec Photonic Systems. In addition, the Deputy Chairman of the Supervisory Board interacted regularly with the Management Board and the auditors, BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, branch office in Munich, regarding accounting topics and the auditing of the annual financial statements.

MEETINGS AND MAIN TOPICS OF DISCUSSION

The Supervisory Board conducted regular discussions on the development of business, financial position, and strategic orientation at SUSS MicroTec SE, its subsidiaries, and the Group. The Management Board provided the Supervisory Board with comprehensive information about corporate planning, strategic direction, and the development of order entry, sales, liquidity, and earnings. In addition, the Supervisory Board reviewed the monitoring of the financial reporting process as well as the effectiveness of the internal control system, the risk management system, and the independence of the auditor. The main topics of the Supervisory Board meetings are discussed below.

The first ordinary Supervisory Board meeting for the 2017 fiscal year was held on February 9, 2017. At that meeting, the Supervisory Board held discussions about the Management Board's report on the fourth quarter of 2016, the preliminary figures for the 2016 fiscal year, and the agenda for the Shareholders' Meeting. The Supervisory Board discussed plans for the 2017 fiscal year as well as multi-year planning for 2017-2019. It further outlined the objectives and the bonus plan for the Management Board for the 2017 fiscal year. At this meeting, the Supervisory Board also discussed the targets and criteria for the composition of the Supervisory Board and addressed the topic of the planned transformation of SUSS MicroTec AG into SUSS MicroTec SE (Societas Europaea). In addition, the Supervisory Board conducted and documented an examination of the efficiency of its activities in accordance with Section 5.6 of the German Corporate Governance Code. Finally, the Supervisory Board approved planned investments in SUSS Micro-Optics in Switzerland.

Representatives of the auditor, BDO AG Wirtschaftsprüfungsgesellschaft, participated in the second meeting on March 29, 2017. They reported the key results of the audit of the separate and consolidated financial statements for the 2016 fiscal year to the Supervisory Board. The auditor explained the main findings of the audit of the separate and the consolidated financial statements to the Supervisory Board. The Supervisory Board acknowledged the Management Board's report for the 2016 fiscal year and on the current business situation in the first quarter of 2017. Following an in-depth examination, the Supervisory Board approved the separate and consolidated financial statements of SUSS MicroTec prepared for the 2016 fiscal year by the Management Board. In addition, the Supervisory Board approved the agenda with the proposals for the Shareholders' Meeting on May 31, 2017. Finally, the Supervisory Board addressed the Management Board bonus for 2016 and discussed targets for the Management Board for the 2017 fiscal year. Another focus of the Supervisory Board meeting was the

establishment of key performance indicators (KPIs) and metrics for the management of the operational business (Operations).

The third ordinary Supervisory Board Meeting was held on May 3, 2017. The Supervisory Board dealt with the current business situation in the first quarter of the 2017 fiscal year and the outlook for the entire 2017 fiscal year. It also discussed in depth the intercompany loans made to SUSS MicroTec Photonic Systems and the risks associated with these. The Supervisory Board subsequently approved a partial loan waiver of SUSS MicroTec AG to SUSS MicroTec Photonic Systems Inc. Additional topics of the meeting were strategic orientation as well as the status and development of SUSS MicroTec Photonic Systems Inc.

In the meeting on May 31, 2017, immediately before the ordinary Shareholders' Meeting, the Management Board informed the Supervisory Board about the current business situation. In addition, the Supervisory Board discussed the status and development of the SUSS MicroTec Photonic Systems Inc. UV scanner and laser stepper product lines. In the second part of the Supervisory Board meeting, following the Shareholders' Meeting, the Supervisory Board of SUSS MicroTec AG and SUSS MicroTec SE was constituted. In addition, the members of the Management Board of SUSS MicroTec SE were reappointed.

The fifth ordinary Supervisory Board Meeting in the 2017 fiscal year was held on August 9, 2017. The meeting covered, among other topics, the current business figures of the second quarter of 2017 and the outlook for the entire 2017 fiscal year. At this meeting, the Supervisory Board discussed the status of SUSS MicroTec Photonic Systems Inc. again, with a focus on the status and potential of the DSC300Gen3 UV projection scanner. Within the framework of the Supervisory Board Meeting, the Management Board presented the SUSS Academy project and the results of a current competitive analysis. The Supervisory Board was informed about the status of the transformation into a Societas Europaea.

On October 12, 2017, Mr. Robert Leurs was appointed to the Management Board of SUSS MicroTec SE.

On November 8, 2017, the sixth ordinary Supervisory Board meeting of the 2017 fiscal year was held. In this meeting, the Management Board reported on the current business situation in the third quarter as well as the outlook for the full year of 2017. The Supervisory Board also addressed the updating of the annual declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Law (AktG) as well as the preparation, review, and publication of the non-financial declaration in accordance with Section 315b of the German Commercial Code (HGB). In addition, the topic of Industry 4.0 was intensively discussed and the allocation of Management Board mandates starting on December 1, 2017, was determined. The Management Board also presented the SUSS Excellence Program at this meeting.

The last ordinary meeting of the 2017 fiscal year, which was held on December 08, 2017, focused on the current business situation and planning for the 2018 fiscal year. Furthermore, the Supervisory Board dealt extensively with corporate governance, particularly with finalizing the updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Law (AktG), the topic of compliance, and the fraud catalog of BDO AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board addressed the Company's risk management and other Management Board issues. Also discussed were a change to the time accounts of SUSS MicroTec employees as well as the current situation of SUSS MicroTec Photonic Systems Inc.

When necessary, the Supervisory Board prepared its decisions in writing.

All Supervisory Board members participated in all meetings and decisions.

Supervisory Board member	Meeting participation	Personally present	Attendance
Dr. Stefan Reineck	7/7	7	100%
Jan Teichert	7/7	7	100%
Gerhard Pegam	7/7	7	100%
Dr. Myriam Jahn	4/4	4	100%

COMMITTEES

The Supervisory Board did not form any committees in the 2017 fiscal year due to its size of four members.

CORPORATE GOVERNANCE

The Supervisory Board also concerned itself during the 2017 fiscal year with the content and implementation of the German Corporate Governance Code. Information on the Company's corporate governance as well as an extensive report on the amount and pattern of remuneration for the Management and Supervisory Boards are provided in the Remuneration Report section of the condensed Management Report on pages 83 et seq. In January 2017, the Management and Supervisory Boards approved the annual declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Law (AktG) and made this declaration permanently available to shareholders on the Company's website.

In its meeting on February 9, 2017, the Supervisory Board conducted and documented an examination of the efficiency of its activities in accordance with Section 5.6 of the German Corporate Governance Code. No deficiencies were identified during this review. The examination of the efficiency of the Supervisory Board's activities is conducted at regular intervals by all members of the Supervisory Board exclusively in full council on the basis of Company-specific questions and checklists.

Conflicts of interest of members of the Management and Supervisory Boards, which would have to be disclosed to the Supervisory Board and be made known at the Shareholders' Meeting, did not occur in the 2017 fiscal year.

AUDIT OF THE SEPARATE AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, branch office in Munich, audited the separate annual financial statements and management report of SUSS MicroTec SE as of December 31, 2017, prepared in accordance with the German Commercial Code (HGB), as well as the consolidated annual financial statements and Group management report as of December 31, 2017, and issued an unqualified audit opinion for both. The consolidated financial statements and Group management report were prepared in accordance with Section 315a HGB based on International Financial Reporting Standards, as they are to be applied in the EU. The auditor conducted the audit in accordance with the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW).

The audit reports of BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, branch office in Munich, were presented to all members of the Supervisory Board and were extensively addressed at the financial statements meeting of the Supervisory Board on March 26, 2018, in the presence of the auditor. The auditor reported on the primary results of the audit and stated that there were no substantive weaknesses in the internal control and risk management systems. In particular, the auditor provided explanations on the net assets, financial position, and results of operations of the Company and the Group and was available to the Supervisory Board in order to provide additional information. The auditor also elaborated on the scope, key findings, and costs of the audit. The focus of this year's annual and consolidated financial statements audit formed the internal accounting-related control and IT system and, among other things, the assessment and recoverability of inventories and trade receivables, revenue recognition and the assessment of potential risks of plan deviations and margin losses in individual product segments. As particularly important test fields (Key Audit Matters), impairment tests were carried out on goodwill (consolidated financial statements) or financial assets (financial statements) as well as the accounting of a license income from a technology transfer. The completeness and correctness of the notes and of the management reporting, as well as the valuation and completeness of the provisions belonged to this year's main audit topics.

During the financial statements meeting on March 26, 2018, the Supervisory Board audited the annual financial statements of the Company and the Group as well as the condensed management report of SUSS MicroTec SE contained in the Group management report for the 2017 fiscal year. The Supervisory Board had no objections. The Supervisory Board noted the reports of the auditor after conducting a detailed examination with approval.

The separate annual financial statements prepared by the Management Board were approved by the Supervisory Board and, thus, adopted. The Supervisory Board also approved the consolidated annual financial statements. The Supervisory Board approved the combined management report of the SE and the Group and, in particular, the assessment regarding the further development of the Company.

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

There were two changes in the management board in the 2017 financial year. On October 12, 2017, the Supervisory Board appointed Robert Leurs effective December 1, 2017, for the duration of three years to the executive board of SUSS MicroTec SE. Mr. Leurs replaces Mr. Michael Knopp as Chief Financial Officer, who resigned after around ten years in the company as of April 30, 2017. In addition, the Executive Board consisted of the Chief Executive Officer Dr. Ing. Franz Richter and the Chief Operating Officer, Walter Braun.

Changes were also made to the Supervisory Board in the 2017 fiscal year. At the 2017 Shareholders' Meeting, the shareholders reelected the existing three Supervisory Board members Dr. Stefan Reineck, Jan Teichert, and Gerhard Pegam for a period of four years to the Supervisory Board of SUSS MicroTec SE. In addition, the body was expanded to four members with the addition of Dr. Myriam Jahn.

THANKS

The Supervisory Board would like to express its tremendous gratitude and appreciation to all employees and the Management Board of the Company for their outstanding work in the past fiscal year.

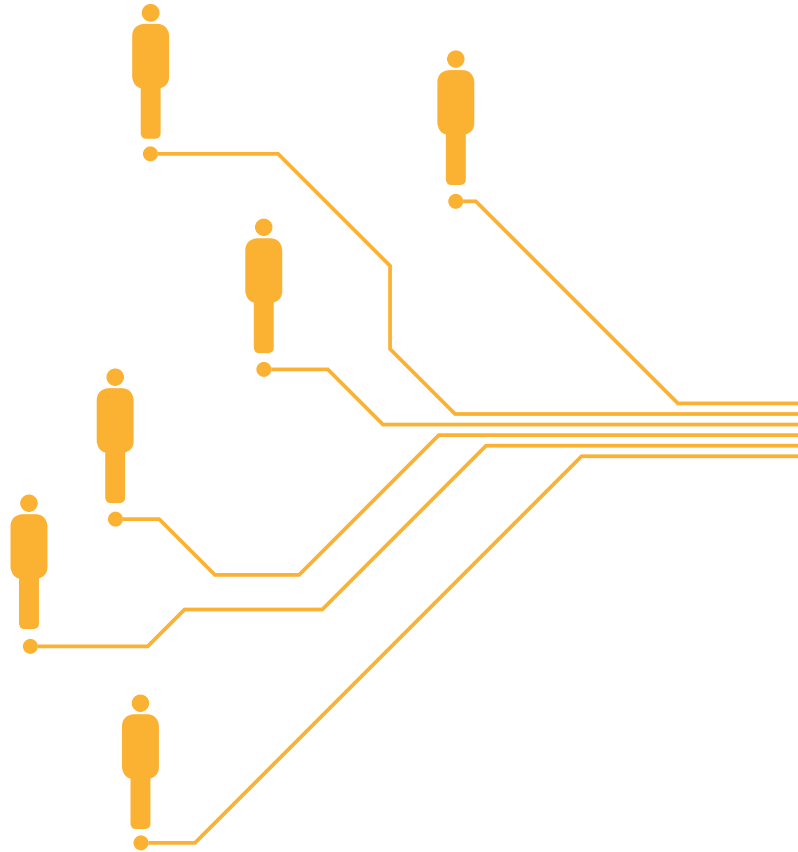
Garching, Germany, March 27, 2018



Dr. Stefan Reineck, Chairman of the Supervisory Board

**CREATE.
GREAT THINGS.
TOGETHER.**

A TEAM IS COMPRISED OF A NUMBER OF INDIVIDUALS POSSESSING VARYING EXPERIENCE AND SKILLS. IN ORDER TO ACHIEVE A COMMON GOAL, THE TEAM MEMBERS COMPLEMENT AND SUPPORT EACH OTHER.



SUCCESSFUL TOGETHER



THE COMPANY IS DEFINED BY DISTINCT INNOVATIVE STRENGTH AND A STRONG FOCUS ON RESEARCH AND DEVELOPMENT.

As a specialty tool manufacturer, with a particular focus on the semiconductor industry, SUSS MicroTec has been successful for more than 60 years in fast-paced and highly competitive markets. In order to keep up with increasing demands and to stand against international competitors, we need teams to meet and successfully master all these challenges.

At our midsize company, there is no prefabricated solution or a separate technical department for every issue. The colleagues must provide mutual support in order to benefit from their diverse technical skills and experience. A lively exchange of experiences, also across departments and locations, is of existential importance in order to work efficiently and to remain innovative. Intensive

communication as well as the most accurate coordination between the account managers in the local markets of Asia and North America as well as the developers in Europe are also necessary for the development of the best possible solutions for our customers.

SUSS MicroTec has significantly increased expenditures for research and development in recent years. The continuous improvement of our existing products regarding user friendliness, functionality as well as productivity and efficiency are key components of our day-to-day work. So we were able to present our customers with many product innovations over the last years.





BONDER

SUCCESSFUL TURNAROUND: THE BONDER SEGMENT INCLUDES THE PRODUCT LINES OF PERMANENT BONDER FOR APPLICATIONS IN MICROSYSTEMS TECHNOLOGY AND TEMPORARY BONDING SYSTEMS FOR APPLICATIONS IN 3D CHIP INTEGRATION (PACKAGING)

Tobias Barth
Mechanical/pneumatic design (OPB)

Michael Ganning
Mechanical designer R&D

Rainer Targus
Manager R&D bonder and coater engineering

The teams in the Bonder division have invested much time and energy in the new or further development of individual product variants in recent years.



Our employees work together to continually develop new solutions and processes.

Customer feedback is a key component for the constant improvement of our tools.



Application cleanrooms

In our application cleanrooms, customers have the opportunity of working on demonstration tools with the respective project teams. Here customers can bring along their own wafers and test their processes on SUSS MicroTec tools.

The Bonder division has an eventful history within the company. Following the development of bonder technology in the 1990s, the tools were initially manufactured at the Dresden site and later in Garching. A few years later, the entire product line was moved to Waterbury, Vermont, U.S. Finally, all production was moved back to Sternenfels, Germany, in 2011, where it is located today along with the coater/developer product lines as well as the Photomask Equipment division. In the course of the transfer from the U.S. to Germany, several employees of the U.S. bonder team came along to Sternenfels. There is also a bonder R & D team in Williston, Vermont, working closely with the colleagues in Germany.

The division currently includes the two product lines of permanent and temporary bonding systems. In the past, the revenue contributions from these two product lines were not sufficient to cover costs in the Bonder segment as a whole. That is why in the 2013 fiscal year, the Bonder division refocused and the production of automated bonding systems was ended. At the same time, the development of new machines was started.

As part of the refocusing, the Bonder team was reassembled and expanded. A little bit later, the development of a new, competitive automated bonding system was launched. SUSS MicroTec employees and engineers from the areas of research & development and design as well as software specialists and experts from procurement designed a new tool together and presented it to our customers in March 2017. The XBS200 permanent bonding system is encountering tremendous interest among customers. Due to the successful refocusing of the permanent bonders as well as significant turnover contributions from the product line temporary bonders, the past year has seen positive earnings contributions again.

The temporary bonding systems are used during 3-D integration of microchips. This involves an innovative technology for chip integration that is currently not yet used in high-volume production in the semiconductor industry. In the past, different customers have invested in individual tools for research and development purposes as well as for pilot production lines. In the 2017 fiscal year, a leading Asian semiconductor manufacturer placed a follow-up order for several bonding systems and we could win customers in Europe for this technology. The first machines of this follow-up order have already been installed and are part of the Bonder segment sales in 2017.

In 3-D integration, thinned microchips are stacked on top of each other and connected by means of through-silicon vias (TSVs). Tools from SUSS MicroTec support the handling of thinned wafers. Today a wafer is thinned to approximately 50 micrometers and still contains fully functional chips. Through the stacking of thinned chips in mobile devices, for example, more memory can be placed in a small area or complex packages of various chips can be integrated.

We are just at the beginning of the transition toward high-volume production and see tremendous potential for this area. Thanks to the tireless efforts of our team in the Bonder division, we are currently the leading equipment provider which offers this technology for high-volume manufacturing of highly-integrated memory chips.

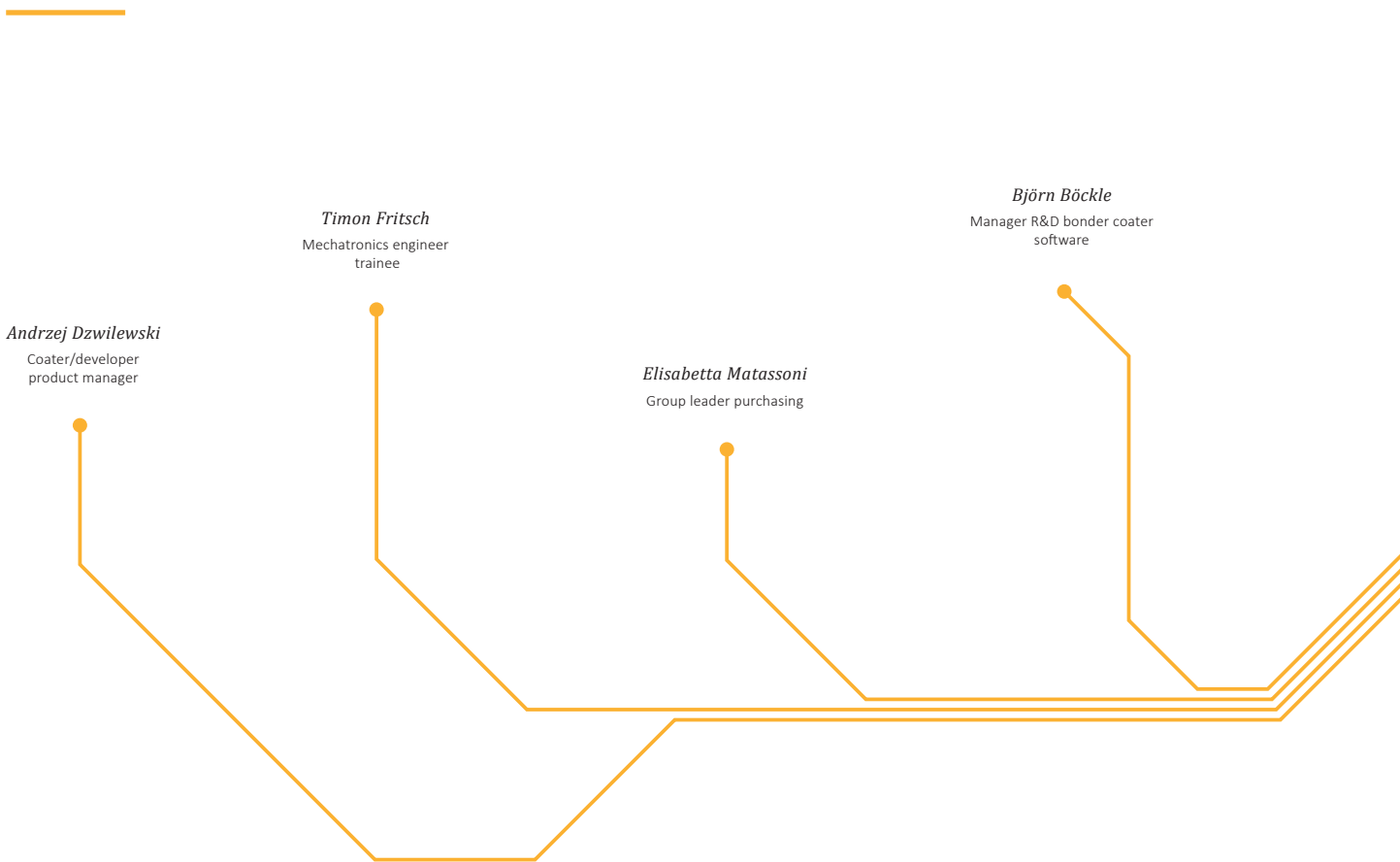


XBS200 — With the development of the XBS200 platform, SUSS MicroTec is entering the attractive market for fully automated permanent bonding systems. The tool is based on our successful temporary bonding platform and has been completely adapted for the needs and requirements of our customers. The XBS200 offers high throughput while simultaneously requiring little space, high alignment and repetition accuracy as well as outstanding temperature and bonding force distribution, resulting in maximum yield.



COATER AND DEVELOPER

RETURN TO OLD STRENGTH: THE COATER AND DEVELOPER PRODUCT LINE HAS BEEN THE COMPANY'S STRONGEST AREA FOR SALES FOR SEVERAL YEARS.



Our specialists in the coater and developer product line are continually working on improving tools in order to accommodate increasing customer requirements for cost efficiency, precision, and flexibility. There is currently particularly high demand for tools for the processing of wafers with a diameter of 200mm.



During the sales process, the product specifications are discussed and agreed on with the customers.

Our tools are developed, designed, and built with experience and technical expertise.



ACS200 Gen3 ___ Unsurpassed flexibility in the configuration of ACS200Gen3 modules and technologies not only satisfies the requirements of the areas of advanced packaging, MEMS, and LED but also builds a bridge between R&D and mass production. With a comprehensive product range that extends from inexpensive laboratory equipment to high-performance production equipment for 300 mm wafers, the coaters and developers from SUSS MicroTec make it possible to attach and pattern photoresist layers from less than 1 μm to over 500 μm .



From design to the procurement of individual components all the way until the production and installation, the project teams in the coater and developer area work hand in hand. Constantly increasing demand for more functionality with stable or rather falling prices makes a steady improvement in the efficiency of our organization indispensable. Optimized information flows between the departments as well as constant exchange with the customers to precisely meet their expectations are the basis of our cooperation.

Sales of tools capable of processing wafers with a diameter up to 200mm performed very well in recent years. Demand comes from the end markets of mobile communications, the Internet of Things, the automotive sector, and consumer electronics. There is particularly strong demand here for the application areas of advanced packaging, BAW and SAW filters (bulk acoustic wave and surface acoustic wave) and microelectromechanical systems (MEMS). The amount of data that must be measured, analyzed, and stored is steadily increasing. Accordingly, the need for sensors, actuators, memory chip components, and other electronic components that must be installed at times in a very small space, is growing. In addition to increasing functionality, device size and energy consumption play a crucial role today, i.e. smartphones. Modern packaging technologies allow more and more functions to be accommodated in smaller and smaller appliances while reducing energy consumption.

In a market environment characterized by very dynamic and extremely high investments, customers must steadily expand their capacities in order to satisfy rising demand. As a result of the rapidly increasing significance of form factors, value creation has shifted in recent years from the front end of the semiconductor industry toward the mid and back end. Without modern packaging technologies, there would be no slim smartphones, tablets, or similar devices, like smart watches or fitness bracelets today.

As a leading semiconductor equipment manufacturer, focusing primarily on mid- and back-end applications in addition to photo-mask equipment for the front end, SUSS MicroTec has recorded significant growth of high-volume orders from international customers in recent years. The quantities ordered and thereby the order entry volume of individual customer orders have increased in part significantly from the past. SUSS MicroTec is responding to this new challenge by building up corresponding employee structures and is increasingly working on long term agreements with subcontractors within the framework of outsourcing agreements. As a result, we are ensuring the constant high quality of our products even with higher volumes and at the same time ensure a timely production.

A PROGRAM FOR CUSTOMERS AND EMPLOYEES – SUSS EXCELLENCE



Saskia Hanauer
Assistant to COO



Annette Schmid
HR Officer for Training
and Education

INCREASING EFFICIENCY, PROMOTING FLEXIBILITY, AND OFFERING AN ATTRACTIVE WORKING ENVIRONMENT

SUSS MicroTec operates in highly innovative and dynamic markets. We inaugurated the SUSS Excellence program in order to consistently develop the best solution for our customers while supporting and challenging our employees. The program emphasizes the areas of process optimization, communication, continuing education as well as training and the promotion of an open corporate culture.

The goals of the SUSS Excellence program, which was launched at the end of 2017, are to review processes critically, to streamline procedures, to improve communication, to support employees, and to optimize customer utility. Short decision-making routes, precise communication, and the assumption of responsibility by each individual employee are critical factors for successful business development as well as satisfied customers and employees.



Stefanie Mezger
Program Manager
Corporate Culture

Ulrike Schömb
Manager SUSS Training Center

Dirk Bergner
Director Business Process
Management

Process optimization

Dirk Bergner

This means the ongoing review and adjustment of our business procedures in view of our customers' requirements.



Continuing education

Annette Schmid

We can take on the challenges of our market only with qualified and motivated employees.



Technical training

Ulrike Schömb

The new SUSS Training Center concept covers all worldwide technical training for SUSS MicroTec products.



5S

Saskia Hanauer

With the 5S methodology, we pursue the goal of minimizing non-value-added activities through a structured organization of the workplace.



SUSS Excellence Program

Since as early as fall 2016, the Company has arranged Management Board round tables at the German sites, during which the Management Board takes time for employee concerns and current topics. Colleagues from all departments had and continue to have the opportunity to speak directly to the Management Board. As a result, the SUSS Excellence Program introduced by SUSS MicroTec management, will focus even more on customers and employees. The program, with its emphasis on the areas of human resources, process optimization, and communication targets to improve customer and employee satisfaction with specific measures in a wide range of areas. The entire program is embedded in the shaping of corporate culture.



Corporate culture

Stefanie Mezger

Guidelines and common values provide orientation in dealing with colleagues and business partners and strengthen identification with SUSS MicroTec.



SUSS MicroTec products ___ The SUSS MicroTec Group develops and produces equipment and process solutions for microstructuring applications – an area in which SUSS MicroTec has more than sixty years of experience. Our product range encompasses equipment for applications in the semiconductor industry and related sectors. Our quality guarantee also extends to our used tools and our service.

We offer specially tailored products for our customers, who rely on us to provide them with the highest quality. In order to live up to this ambition, we continually analyze and optimize our manufacturing processes. There is usually a tight schedule from the awarding of contracts to customer delivery. If there are already delays at the beginning of a project, this inevitably carries over to the final links of the manufacturing chain. The goals of the process optimization and 5S are to recognize this, to eliminate recurring sources of errors, and to become more efficient on a sustainable basis. In doing so, we will significantly increase employee and customer satisfaction.

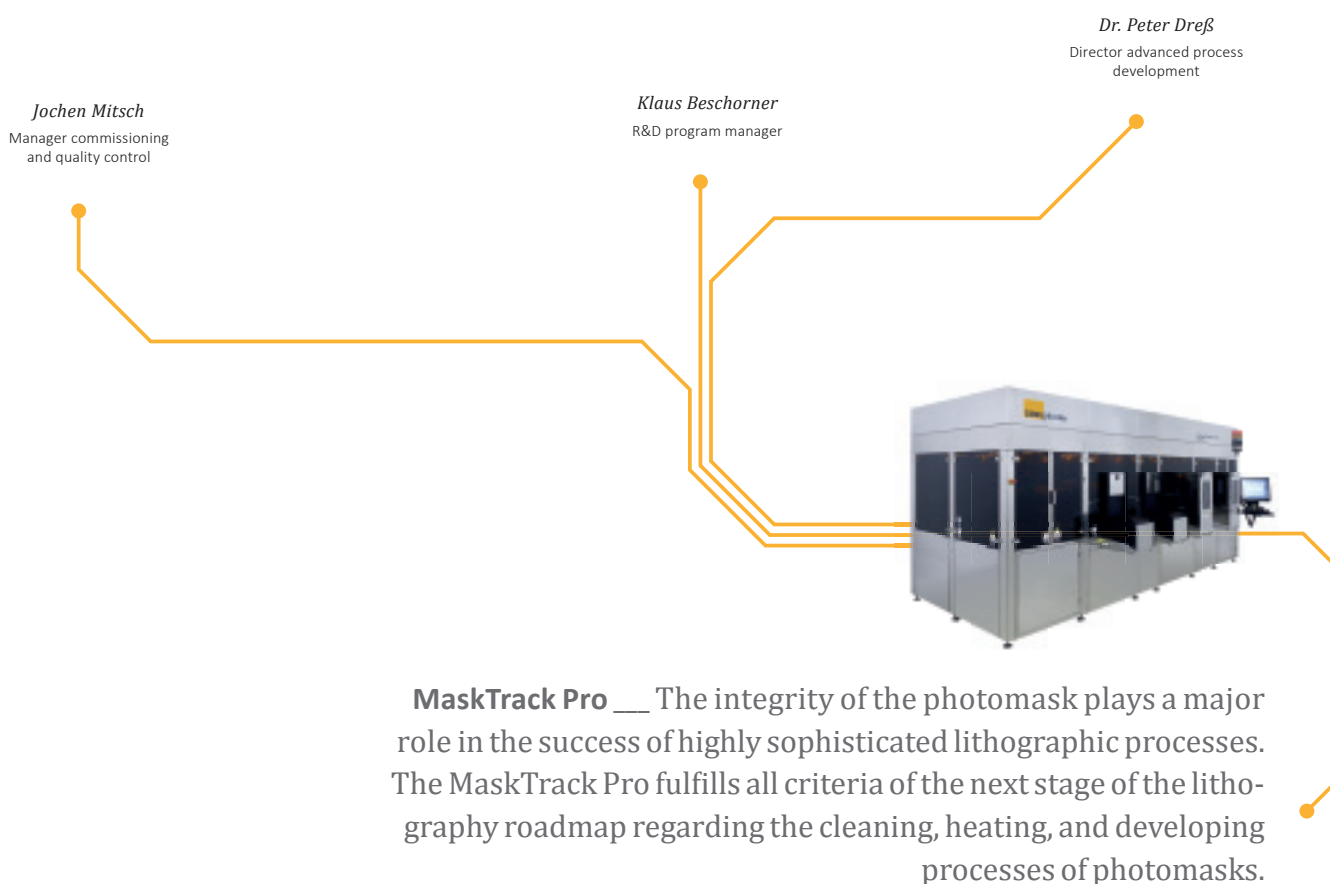
Our common values are open and goal-oriented communication, respectful interaction with one another, the promotion of continuing education, and the assumption of responsibility. They form the basis of our corporate culture, which our employees internalize and embrace in their conduct. In the area of continuing education, it is essential to strengthen and expand technical, methodological, social, and leadership skills. Furthermore, such topics as succession plans and talent promotion are additional components of the program. Personnel is being augmented for the SUSS Training Center teams in Garching and Sternenfels. The team will draw up a common, cross-product concept for internal and external training and develop appropriate training sessions and materials.

The Photomask Equipment division is the only division in which SUSS MicroTec is active on the front end of the semiconductor industry. With our photomask cleaning solutions, we support the trend toward miniaturization, also known as "Moore's law."



PHOTOMASK EQUIPMENT

MARKET LEADER THROUGH INNOVATIONS FOR THE FRONT END OF THE SEMICONDUCTOR INDUSTRY



Our largest tools belong to the Photomask Equipment division. Photomasks, which are used for lithography processes on the front end of the semiconductor industry, can be cleaned with the highly complex tools. The mask is regularly freed from impurities and tiny particles through complex physical and chemical processes before it is put back into use at the front end of the production process. SUSS MicroTec is the only company in the world that is qualified to clean photomasks that have patterns of only 7 nanometers. In this niche market, with an annual volume averaging approximately 20 - 30 million euros, we estimate our market share at around 80 percent.

The market for photomask cleaning is driven by the performance of the front end of the semiconductor industry. As soon as new lithographic processes, such as extreme ultraviolet (EUV) lithography or further miniaturization of structure sizes, are introduced, the technologies to clean photomasks must be adjusted or, if necessary, replaced. The existing equipment usually remains in operation since the market is constantly growing and additional capacity is continually needed.



MASK ALIGNER

MADE-IN-GERMANY PRECISION: SUSS MICROTEC HAS MANUFACTURED MASK ALIGNERS FOR MORE THAN 60 YEARS AT THE GARCHING (NEAR MUNICH) SITE.

Dr. Omar Fakhr
Application engineer

Liming Chai
Application engineer

Harald Anderl
Quality assurance engineer

Petra Nuschele
Director assembly

Outstanding quality with simultaneous high throughput and cost efficiency has distinguished our mask aligners for many years. In high-volume applications with a resolution of up to five micrometers, the mask aligner is the most frequently used tool in the area of exposure in the semiconductor mid and back end.

Many years of experience, profound industry knowledge, and the ability of colleagues on the mask aligner team to adapt rapidly to changing market conditions – these are the foundations of the product line’s success in recent decades. In order to keep expertise in the Company, experienced colleagues share their knowledge with young colleagues and new employees. In addition, training for employees and customers increasing occurs within the framework of the SUSS Excellence Program.

Mask aligners are exposure tools that transfer the pattern from a mask onto a wafer by means of the shadow casting process. In addition. For example, mask aligners are used in the production of MEMS and LEDs as well as in advanced packaging. Pattern sizes from above 10 micrometers down to 5 micrometers can be produced inexpensively and with high quality using mask aligner technology. Also in this product line, we differentiate between manual tools for use in the laboratory or in a research environment and fully automated tools for high-volume production.

Our application engineers collaborate closely with colleagues from the area of research and development to develop the ideal solutions and processes for the customer. This division specializes in quick delivery times and customer-specific solutions.

At the Garching site, we develop, construct, and assemble the mask aligner product line.





High precision combined with rapid throughput times and favorable acquisition costs – these “cost of ownership” premises are highly significant for the customer.

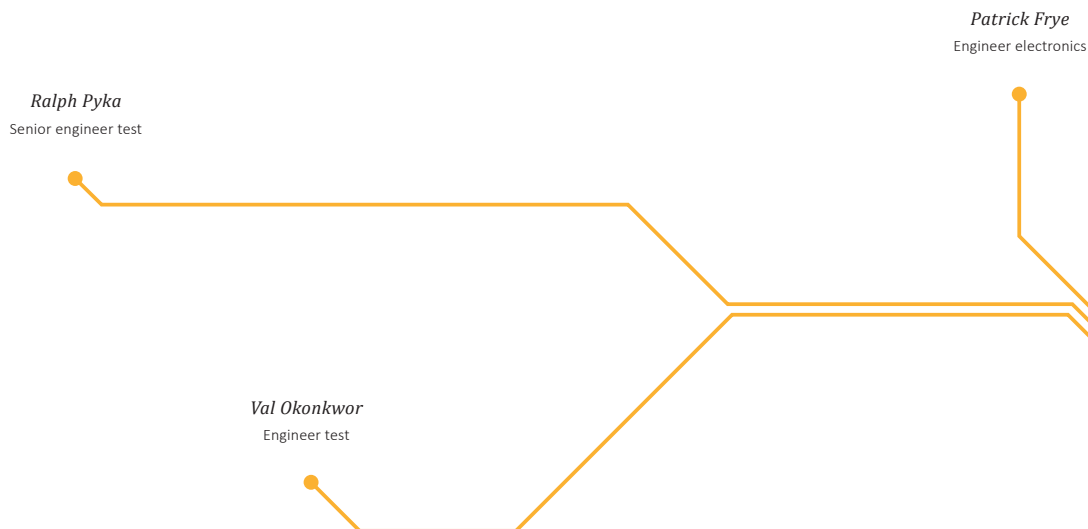


MA200 Gen3 ___ Since it is designed for large-scale production, the MA200 Gen3 mask aligner is suitable for the automated processing of wafers and square substrates up to a size of 200 mm. The system combines full field lithography with a series of innovative options. As a result, the tool is ideally equipped for a variety of applications, such as MEMS production in thick resist processes, 3-D structuring on raised topography, as well as applications in the area of advanced packaging, e.g., 3-D packaging, fan-out, or bumping.



UV PROJECTION SCANNER

FUTURE POTENTIAL: WE ACQUIRED THE VERY PROMISING UV PROJECTION TECHNOLOGY IN 2012 WITH THE ACQUISITION OF THE FORMER TAMARACK SCIENTIFIC IN CORONA, CALIFORNIA, U.S.



In mid-2018, a new product generation of UV projection scanners, which has already attracted customer interest, will enter the market. Until then, customers have access to upgrade kits for existing systems that significantly improve the capabilities of the current product generation.

During projection scanning, a full-field mask is aligned above the substrate and projected on the substrate via a projection optics in a scanning step. Compared with steppers, scanning technology achieves a higher throughput with lower system costs and comparable resolution.

In the past fiscal year, the engineers of SUSS MicroTec Photonic Systems successfully designed and developed a new DSC300 generation. The new tool generation will display higher resolution and significantly higher throughput than the predecessor model. The crux of the innovations is an optical adjustment (enlargement or reduction) of the projection image in order to compensate for any shifting of chips that occurs particularly during the fan-out wafer-level packaging process. By using an innovative wafer stage, the DSC300 Gen3 achieves an overlay in the sub- μm range, thereby attaining values comparable to the UV projection stepper.

The most interesting application field for our scanners is currently advanced packaging, particularly in the area of fan-out wafer-level packaging (FOWLP). According to the Fraunhofer Institute for Reliability and Microintegration, FOWLP is the latest packaging trend in microelectronics. The technological basis of FOWLP is an artificially constructed wafer with embedded microchips and a thin film redistribution layer. The main advantages of FOWLP are a very thin (because substrate-free) package and low thermal resistance.

In 2015, we secured the first high-volume order from an international semiconductor manufacturer in this area. The tools were delivered in the 2016 fiscal year. Since then, the tools have been in constant operational use. With the introduction of an upgrade kit for existing tools and the market launch of the new product generation, we hope to attract orders for this new tool generation beginning in the second half of the 2018 fiscal year. Demonstration and evaluation tools are expected to be available to our customers beginning in mid-2018.

The area of projection lithography was integrated into the SUSS MicroTec product family with the acquisition of SUSS MicroTec Photonic Systems Inc. (previously Tamarack Scientific).



Wafer-level packaging (WLP)

“WLP describes the entire technology spectrum for architecture and connection technology, which enables the direct assembly of the microchip on the circuit board. In contrast to pure wafer bumping, additional wiring planes are needed for this technology, but it also offers the potential for higher integration density, such as the integration of passive or active components”

(source: Fraunhofer Institute for Reliability and Microintegration).



Our innovative UV projection scanner combines the advantages of full-field exposure with traditional projection lithography.



DSC300 __ The DSC300 Gen2 projection scanner processes wafers in sizes up to 300mm while using state-of-the-art projection lithography techniques. The equipment satisfies the requirements of wafer-level packaging, 3-D packaging, as well as bumping applications and offers an ideal solution for emerging packaging applications, such as copper-pillar bumping and fan-out wafer-level packaging.

SWISS HIGH TECH



SUSS MICROOPTICS HAS EVOLVED FROM A START-UP TO A LEADING MANUFACTURER OF HIGH-QUALITY MICRO-OPTICS AND MICRO-OPTICS SYSTEMS.

The manufacturing of micro-optics using semiconductor technology processes was developed for industry in the 1990s in government-funded research projects in Germany, Switzerland, and the U.S. In 1999, SUSS MicroTec Lithography (SMTL) and three micro-optics experts from the Universities of Neuchâtel (Switzerland) and Erlangen-Nuremberg (Germany) joined forces and founded SUSS MicroOptics. Initially, the joint venture was intended to develop only micro-optics for SUSS MicroTec mask aligners. The small start-up has now become one of the world's leading manufacturers of high-quality micro-optics with more than 200 customers.

In 2012, the Swiss company moved into its current building with a state-of-the-art cleanroom. Here, SUSS MicroOptics manufactures customer-specific monolithic micro-optics at the wafer level in silicon and quartz glass. High technologies from the semiconductor industry, such as micropatterning in the sub-micron range; coating, etching, and imprint processes; wafer-level packaging (WLP); wafer dicing; and fully automated inspection and sorting systems are used. An international team of engineers and scientists jointly develops innovative solutions with the customers. Today the refractive and diffractive micro-optics of SUSS MicroOptics are key elements for many medical devices and measuring instruments. They are found in fiber-optic networks, research satellites, automobiles, and many other products. The rapid growth of the photonics market requires the tireless improvement of technology, the opening up of new markets, and the development of new applications.

INVESTOR RELATIONS

The 2017 stock market year was very encouraging for many investors. The German DAX leading index set one record after another and was able to end the stock market year on 12/29/2017 at a level of 12,918 points, after having traded in a range of approximately 10,500 points as recently as January 2017. The same applies to the US Dow Jones leading index, which also reached a record high of more than 24,700 points over the course of 2017. The worldwide economic outlook is overwhelmingly positive, which the stock markets reflect accordingly. In addition, in the past fiscal year there was increasing movement in the IPO market – in this favorable environment an increasing number of companies are venturing into the stock market.

THE SUSS MICROTEC SHARE

The SUSS MicroTec share performed very well in the first quarter of 2017. It increased by 33.0 percent from the XETRA closing price of € 6.54 at the beginning of 2017 to € 8.70 as of March 31, 2017. The reasons for this were the good business development of SUSS MicroTec as well as positive industry estimates of various market research institutes, such as Gartner or SEMI.

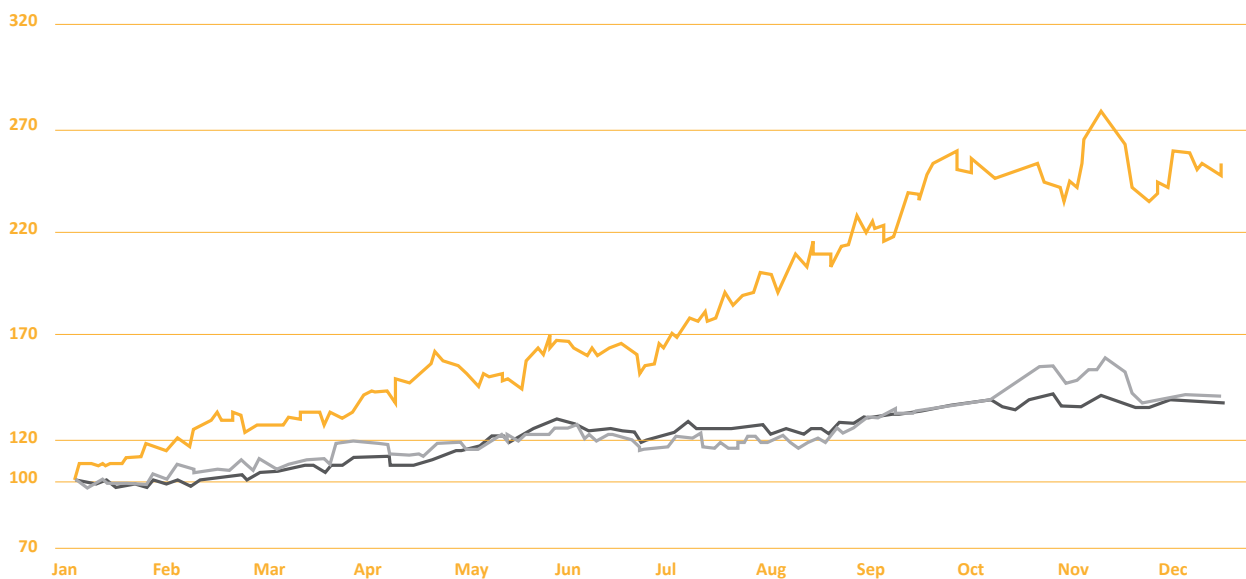
The positive share performance continued in the second quarter with sustained speed. Our share crossed the € 10 threshold in April and was periodically able to increase to slightly over € 12 by July. The closing price on June 30, 2017, was € 10.29, a gain of approximately 57 percent from the beginning of the year. The TecDAX benchmark index also performed extremely positively in the first half of the year, but it was not able to keep pace in a side-by-side comparison with the significant price increase of SUSS MicroTec. The same applies to the German semiconductor subindex of the Deutsche Börse AG – the Prime IG Semiconductor index. This index increased in the first half of 2017 by 14 percent, while the TecDAX recorded a gain of 19 percent.

On September 29, the last trading date of the third quarter, our share closed at € 16.76, representing growth of more than 150 percent from the beginning of the year. Over the course of the third quarter, the share reached prices higher than € 17. The reasons for this were not only our Company's good prospects in the areas of Bonders and UV projection scanners, but also a strong market environment. In addition, industry experts from Gartner have again raised their forecasts for growth in the semiconductor market over the course of the year and expect record sales in 2017, continuing in 2018.

The good mood in the capital markets and consequently also the positive performance of the SUSS MicroTec share continued in the fourth quarter of 2017. Unimpressed by geopolitical tensions, the leading indexes of the international stock markets were able to achieve new records. The SUSS MicroTec share took a breather after rapid increases in October and early November. The price stabilized in the range of approximately € 15 to 16. In November, following publication of figures for the third quarter and the announcement of expectations for the fourth quarter of 2017, the share initially moved sideways. After expectations were raised for the fourth quarter, the share was able to gain ground again. The SUSS MicroTec share ended the stock market year on 12/31/2017 at an XETRA closing price of € 16.64, which corresponds to an increase of approximately 160 percent from the start of the year. The TecDAX and the Prime IG Semiconductor were able to increase by 39.6 percent and 48.0 percent, respectively, over the course of 2017.

The average daily trading volume of SUSS MicroTec shares on the German XETRA and Frankfurt stock exchanges in the 2017 fiscal year amounted to approximately 120 thousand (2016: average daily trading volume of approximately 168 thousand shares).

PERFORMANCE OF THE SUSS MICROTREC SHARE IN 2017



XETRA closing price of the SUSS MicroTec share on January 2, 2017: € 6.54

- SUSS MicroTec SE, indexed
- TecDAX, indexed
- Prime IG Semiconductor, indexed

COMPARISON OF THE SHARE PERFORMANCE OF SUSS MICROTEC AND TECDAX IN THE 2017 FISCAL YEAR

	12/29/2017	12/30/2016	Changes
TecDAX (in points)	2,529.04	1,811.72	+39.6%
SUSS MicroTec (in €)	16.64	6.40	+160%

AN OVERVIEW OF THE SUSS MICROTEC SHARE

Securities identification number	A1K023
ISIN	DE000A1K0235
Reuters symbol	SMHN
Bloomberg symbol	SMHN:GR
Stock exchange segment	Prime Standard
Number of issued shares (as of 12/31/2017)	19,115,538
Description of securities	Registered shares
Designated sponsor as of 12/31/2017	equinet Bank AG
Initial public offering	5/18/1999
Opening/closing price for the year in €	€ 6.54 / € 16.64
Yearly high/low in € ¹	€ 18.29 / € 6.54

¹ Xetra closing price

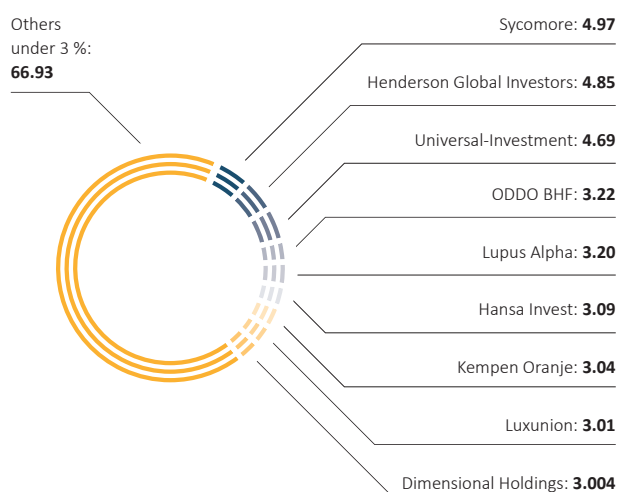
INVESTOR RELATIONS ACTIVITIES

Investor relations encompasses all measures that serve to maintain the relationships of an exchange-traded company with investors. IR activities involve providing the capital markets with timely information about the company and thus ensuring an appropriate valuation for the share on the stock exchange. Capital market participants and thus direct contacts include private shareholders, fund managers, financial analysts in investment banks, and naturally also the financial press.

During the 2017 stock market year, the Management Board and Investor Relations attended eight capital market conferences and completed several road shows. The capital market conferences were held in Munich, Frankfurt, and Berlin. In addition, numerous individual conversations offered the opportunity for a personal interaction with institutional investors and analysts. Conference calls for investors and analysts were also held on the occasion of events such as the publication of quarterly results.

In 2017, there were a few significant changes in the ownership information. The reported holdings at the existing fund companies fluctuated slightly during the year, but there were no major changes. New shareholders are as follows: Luxunion with 3.01%, ODDO BHF with 3.22%, Hansa Invest with 3.09%, and Kempen Oranje with 3.04%. Free float as of the end of 2017 continues to amount to 100 percent.

OWNERSHIP INFORMATION AS OF DECEMBER 31, 2017 in %



ANALYST RECOMMENDATIONS REMAIN POSITIVE

At the end of 2017, a total of seven banks and research firms actively covered the Company. As of December 2017, three analysts recommended the SUSS MicroTec share as a buy, while three rated it as a hold. One analyst classified the share as a sell. An overview of current research reports about the SUSS MicroTec share is available on the internet at > www.suss.com > *Investor Relations*.

SHAREHOLDERS' MEETING

On May 31, 2017, the ordinary Shareholders' Meeting was held at the Haus der Bayrischen Wirtschaft (House of the Bavarian Economy) in Munich. In total, more than 80 shareholders, shareholder and bank representatives, and guests accepted the Company's invitation to the event in Munich. Thus, 26.23 percent of the Company's equity capital was present. In addition to the decision about the discharge of liability for the Management Board and the Supervisory Board, votes were held on the appointment of an auditor and the transition into a European company (Societas Europaea, SE). In addition, elections to the Supervisory Board were on the agenda this year. The Supervisory Board now consists of four members instead of the prior three members. The body was expanded in order to bring Dr. Jahn, an expert on the topic of digitalization, to the Company, thereby enabling it to follow trends and developments in both our industrial environment as well as with our customers and end-users even better. The shareholders of the Company approved all of the resolution proposals presented by the Management Board and the Supervisory Board at this year's ordinary Shareholders' Meeting.

In his report, Chief Executive Officer Dr. Franz Richter discussed the key developments and results of the 2016 fiscal year and the first quarter of 2017 and confirmed the outlook for the entire 2017 fiscal year. In his speech, he addressed in particular current trends and developments in the semiconductor industry and the electronics sector and presented a comprehensive view of the material contribution that SUSS MicroTec makes here with its products and solutions.

CORPORATE GOVERNANCE

The concept of corporate governance represents a responsible type of management and control of companies that creates value in the long term. For SUSS MicroTec, the essential aspects of good corporate governance include transparency, open communication with shareholders and investors, and constructive cooperation between the Supervisory Board and the Management Board. SUSS MicroTec is guided by the German Corporate Governance Code (GCGC), which is a proven standard of good corporate governance in Germany. Further details can be found in the following report.

AN OVERVIEW OF CORPORATE GOVERNANCE

Given the clearly defined goal of not only maintaining the continued existence of the Company, but also achieving a sustainable increase in the Company's enterprise value through responsible and long-term corporate management, corporate governance continues to be of great importance to the Company. The Management Board and Supervisory Board of SUSS MicroTec have renewed their intensive interest in the topic of corporate governance in the 2017 fiscal year. In its entrepreneurial activity, SUSS MicroTec strives to reinforce the confidence that investors, financial markets, business partners, employees, and the public have put in us and to continuously enhance corporate governance within the Group. Further information on this topic can be found on our website at > www.suss.com > *Investor Relations* > *Corporate Governance*.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

On January 9, 2018, the Management Board and Supervisory Board of SUSS MicroTec made the following declaration of compliance in accordance with Section 161 (1) of the German Stock Corporation Law (AktG):

SUSS MicroTec will comply with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, with the following enumerated exceptions and has complied with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, since the issuance of the most recent annual declaration of compliance in January 2017 with the following enumerated exceptions:

DEDUCTIBLE FOR D&O INSURANCE

The German Corporate Governance Code recommends in Section 3.8 (3) that upon concluding a directors' and officers' liability insurance policy, a deductible for the company Supervisory Board that complies with the legal requirements for board members be agreed. SUSS MicroTec has had D&O insurance without any body-specific deductible for the Supervisory Board for several years. In SUSS MicroTec's opinion, responsible actions of the Supervisory Board are not additionally promoted through the agreement of a corresponding deductible.

VERTICAL REMUNERATION COMPARISON

In Section 4.2.2 (2)(3), the German Corporate Governance Code recommends taking into account the ratio of Management Board remuneration to upper management remuneration as well as to that of the overall staff, including the trend over time, when setting Management Board remuneration. In the process, the Supervisory Board decides how upper management and the relevant staff are defined.

The Supervisory Board of SUSS MicroTec is of the opinion that determining senior management and the relevant staff, taking the trend over time into account, can lead in practice to substantial legal uncertainties. Therefore, SUSS MicroTec is declaring a deviation from the Code as a precaution to this extent. In concluding the currently valid Management Board contracts, the Supervisory Board did not distinguish within the framework of the audit of appropriateness between the peer groups within the meaning of Section 4.2.2 (2)(3) of the Code version and also did not collect any data regarding the development over time of the wage and salary structure. It also does not consider such a purely formal procedure to be necessary in order to ensure the appropriateness of Management Board remuneration.

PENSION COMMITMENTS

Under Section 4.2.3 (3), the German Corporate Governance Code recommends that the Supervisory Board take the respective targeted remuneration level into account in pension commitments – also according to the length of service in the Management Board – and the resultant annual and long-term expense for the Company.

The Supervisory Board of SUSS MicroTec deviates from this recommendation because no set “remuneration level” is targeted for Management Board members in retirement. Instead, the goal is remuneration in line with the market and the Company for active service. As a rule, no defined benefit commitments in which the Company provides the promised benefit are granted to members of the Management Board. To the extent that the Company makes a contribution to a pension plan and pays into a direct insurance policy (whole life insurance or retirement insurance), this is not linked to a commitment to a certain remuneration level.

CREATION OF COMMITTEES

The German Corporate Governance Code in Section 5.3 recommends the creation of professionally qualified committees, depending on the specific circumstances of the company and the number of its Supervisory Board members. As the Supervisory Board of SUSS MicroTec only consists of four members, the creation of committees, which usually must be comprised of at least three members, is not sensible and on the whole not necessary as there is plenty of scope for intense and qualified discussions to take place within the full council of the Board.

SETTING A TERM LIMIT FOR MEMBERSHIP IN THE SUPERVISORY BOARD

According to Point 5.4.1 (2)(2) of the German Corporate Governance Code, the Supervisory Board should set a term limit for membership in the Supervisory Board. The Supervisory Board of SUSS MicroTec deviates from this recommendation since setting a membership term limit could jeopardize the Supervisory Board’s latitude and expertise. In SUSS MicroTec’s opinion, restricting how long an individual may remain in the Supervisory Board does not promote independent and responsible action by the Supervisory Board. On the contrary, given the complex product and corporate structure, a certain length of service in the Supervisory Board should be viewed positively since over time one can gain valuable, Company-specific experience and knowledge that can benefit the Company.

COMMUNICATION AND TRANSPARENCY

Corporate communications at SUSS MicroTec strives to inform all target groups in an equal and timely manner, while guaranteeing the greatest possible transparency and equal opportunities for all capital market participants. In addition to quarterly, semi-annual, and annual reports, the Company uses telephone conversations, conferences, road shows, and the website to inform shareholders, institutional investors, analysts, and other interested parties about developments at the Group. SUSS MicroTec mainly informs its shareholders four times per year about business development and the current net assets, financial position, and results of operations. Along with obligatory publications, which are available for download in both German and English, you may view or download presentations at key events and Management Board interviews in video or audio format free of charge at > www.suss.com > *Investor Relations*.

We inform the public regularly and in a timely manner of any recurring events, for example the date of the Shareholders’ Meeting or the publication dates of interim reports. This information can be found in the financial calendar published in our Annual Report and interim reports as well as on our Company’s website.

SHAREHOLDERS’ MEETING

At the Shareholders’ Meeting of SUSS MicroTec, our shareholders can pose their questions about the Company and its business development directly to the Management Board and the Supervisory Board. We always prepare the Shareholders’ Meeting with the goal of providing shareholders with all information relevant to them. In addition, the Shareholders’ Meeting approves a resolution on the appropriation of earnings, the discharge of liability for the Management Board and the Supervisory Board, and the selection of the auditor.

The convening of the Shareholders’ Meeting, along with the pending agenda items and the conditions for participation, is usually announced five to six weeks before the date of the meeting. All documents and information on the Shareholders’ Meeting can be downloaded from the Company’s website. A paper copy can also be requested from the Investor Relations department. We also try to make it easier for our shareholders to exercise their rights. Shareholders can either exercise their voting right themselves at the Shareholders’ Meeting, or have this exercised via a proxy of their choice or a voting rights representative with

instructions appointed by the Company. The instructions for exercising voting rights can be issued prior to the Shareholders' Meeting or at the meeting directly on site. We publish attendance figures and the voting results from the Shareholders' Meeting on the internet immediately after the event.

MANAGEMENT AND SUPERVISORY BOARD COOPERATION

As a European company (SE), SUSS MicroTec is subject to European SE regulations, the German SE Implementation Act, and German stock corporation law. The Company has a dual management and control structure, which is exercised by the members of the Management Board and the Supervisory Board. The Management Board and Supervisory Board cooperate in a goal-oriented and efficient manner, taking into account the interests of our employees and shareholders, in order to promote the sustainable enhancement of the Company's value. The members of the Management Board bear joint responsibility for all management activities. They are responsible for the development of the Company's strategy, coordinating this with the Supervisory Board, and ensuring that it is carried out in a responsible manner.

The Supervisory Board monitors and consults the Management Board with regard to the management of the Company and appoints the members of the Management Board. Significant Management Board decisions – e.g., acquisitions, divestments, and financial transactions – require the approval of the Supervisory Board.

In the course of the transition of SUSS MicroTec into the legal form of a European company (SE), the Company concluded an "Agreement on Information, Consultation, and Codetermination Procedures in SUSS MicroTec" ("participation agreement") on March 10, 2017, in accordance with Section 21 of the German SE Participation Act (SEBG). This participation agreement stipulates that the Supervisory Board include a workers' representative provided that SUSS MicroTec and its subsidiaries (companies within the meaning of Section 2 (3) of the SEBG) headquartered in Germany usually have more than 2,500 employees, or SUSS MicroTec Europe (SUSS MicroTec SE and its subsidiaries headquartered in a country of the European Union or the member countries of the Agreement on the European Economic Area or in a country that will be made subject to the jurisdiction of SE law under international law) usually has more than 3,000 employees. Furthermore, the agreement stipulates that the Supervisory Board include two workers' representatives provided that SUSS MicroTec and its subsidiaries (companies within the meaning of Section 2 (3) of the SEBG)

headquartered in Germany usually have more than 3,000 employees or SUSS MicroTec Europe (SUSS MicroTec SE and its subsidiaries headquartered in a country of the European Union or the member countries of the Agreement on the European Economic Area or in a country that will be made subject to the jurisdiction of SE law under international law) usually has more than 4,000 employees and the Supervisory Board consists of six or more members.

The Supervisory Board of SUSS MicroTec currently is comprised of only shareholder representatives since the thresholds set in the participation agreement have not yet been reached.

As the Supervisory Board has not formed any committees yet given its size, there is thus nothing to report regarding the composition and working procedures of the committees.

The Management Board and the Supervisory Board always cooperate very closely in the interest of the Company and with the common goal of achieving a sustainable increase in the enterprise value. The Management Board informs the Supervisory Board about business policy and all relevant issues related to planning, business development, risk position, and risk management on a regular, prompt, and comprehensive basis. Deviations in business developments from the established plans and targets are explained and reasons for these are provided.

As stipulated in the German Corporate Governance Code, only one former member of the Management Board, Dr. Stefan Reineck, belongs to the Supervisory Board of SUSS MicroTec. In the 2017 reporting year, there were again no consultancy agreements or other service or labor contracts between the members of the Supervisory Board and the Company. No conflicts of interest among Management and Supervisory Board members to be immediately disclosed to the Supervisory Board occurred in the 2017 fiscal year.

SUPERVISORY BOARD TARGETS AND CRITERIA REGARDING ITS COMPOSITION

The composition of SUSS MicroTec's Supervisory Board is designed to ensure that the Company develops positively with regard to sustainable profitability and to ensure the continuous adaptation to rapidly changing requirements through constructive consultation and monitoring of the Management Board on the basis of relevant expertise. Sufficient diversity of expertise among the members will generate a broad spectrum of experience and varying perspectives that can be used to the benefit of the Company.

SUSS MicroTec is a technology-oriented Company that is aligned with the global market and that must compete and develop in a very dynamic and technologically demanding environment. This necessitates that members of the Supervisory Board possess the ability to make assessments regarding technology and have relevant knowledge of markets on an international scale. In addition, dynamic changes in the market, technology, and society are gaining in importance, which require additional competencies for digitalization and human resources. Of particular importance in terms of technological expertise is relevant knowledge of the semiconductor and semiconductor-related industry and its equipment suppliers. In order to be able to assess trends and developments in our very dynamic markets with foresight and reliability, international experience and extremely active networks must be represented in the Supervisory Board.

In addition to this key expertise, the Company expects Supervisory Board members and candidates to have broad experience in other areas that complement the optimal composition of the Supervisory Board. Among these areas are, in particular, knowledge and experience of strategic corporate development, the capital markets, the recruitment of executives, modern remuneration models for all levels, and a heightened sensitivity for economic and ecological principles. Consequently, it is the objective of the Supervisory Board to not only attract individuals who are experienced financial experts but also to cover these areas as well. In addition to subject matter expertise, Supervisory Board members should have methodological expertise to handle complex situations and social expertise to cooperate constructively within the body and with the Management Board.

Depending on the Company's current situation, it can make sense to adjust the weighting of individual criteria and to propose corresponding changes to the Supervisory Board at the Shareholders' Meeting. For this purpose, the Supervisory Board monitors the Company's situation and evaluates the composition of the board at regular intervals.

In view of the size of the Supervisory Board, the Management Board and Supervisory Board do not regard as expedient setting a minimum number of independent Supervisory Board members beyond the legal requirements in order not to excessively restrict future discretion in the selection of Supervisory Board members.

The Supervisory Board of SUSS MicroTec will not set any membership term limit for Supervisory Board members since doing so could harm the Supervisory Board's latitude and expertise. In SUSS MicroTec's opinion, restricting how long an individual may remain in the Supervisory Board does not promote independent and responsible action by the Supervisory Board. On the contrary,

given the complex product and corporate structure, a certain length of service in the Supervisory Board should be viewed positively, since over time one can gain valuable, Company-specific experience and knowledge that can benefit the Company.

SUSS MicroTec examines each potential candidate for the Supervisory Board with respect to his or her expertise and availability before a proposal is made to the Shareholders' Meeting. In addition, potential candidates must exercise, or have previously exercised, a function as member of the Management Board, Managing Director, or a similar responsible position in a comparable or larger company. Alternatively, experts can apply who would bring special knowledge and experience to our Company, provided that such expertise is considered meaningful for the Company's success. However, there is no fixed amount of experience that Supervisory Board members must have. The Company generally distances itself from potential candidates who already hold five or more positions on Supervisory Boards, taking into account recommendations of voting rights representatives.

In the future, women should be accorded greater attention in the selection of Supervisory Board members in order to achieve suitable female participation. In addition, listed companies and/or companies that are subject to co-determination have been legally obligated since 2015 to set and publish targets for the share of women, including in the Supervisory Board, and to report about the implementation status (in the following section of the report). In the view of SUSS MicroTec, the qualifications of Supervisory Board candidates are the primary criteria for assuming a Supervisory Board position and therefore for the composition of the Supervisory Board. In proposals for the composition of the Supervisory Board, SUSS MicroTec supports and considers the criteria specified in the GCGC, but it regards meeting a certain quota for female participation as particularly problematic in the semiconductor sector. Since May 2017, the Supervisory Board of SUSS MicroTec includes Dr. Jahn. She is an expert on the topic of digitalization in mechanical engineering and the consumer industry of sensor manufacturers, which is growing along with Industry 4.0.

The age limit for Supervisory Board members is 71.

Conflicts of interest are avoided in staffing the Supervisory Board by having the candidates make declarations prior to an election stating that they have no conflicts of interest. If potential or actual conflicts arise during an elected term, corresponding rules for the Supervisory Board and Management Board require that they be disclosed and handled appropriately by the full council of the Supervisory Board.

PROVISIONS TO PROMOTE THE PARTICIPATION OF WOMEN IN LEADERSHIP POSITIONS

As a result of the law for the equal participation of women and men in management positions in the private and public sectors (Section 76 (4) and Section 111 (5) of the German Stock Corporation Law (AktG)), which went into effect on May 1, 2015, listed companies like SUSS MicroTec were obligated, inter alia, to set targets for the share of women in both the Supervisory Board and the Management Board and at the next two management levels. In addition, a deadline had to be set for achieving the respective target.

In order to implement the aforementioned obligation, on September 7, 2015, the Supervisory Board of SUSS MicroTec decided to set a target of 0% for the female share in the Supervisory Board, as well as for the female share in the Management Board of SUSS MicroTec. The female share of the Management Board remained unchanged at 0% until June 30, 2017, and thereby corresponds to the established target. However, by virtue of the election of Dr. Myriam Jahn as a member of the Supervisory Board by resolution of May 31, 2017, the female share in the Supervisory Board increased to 25% from a target of 0%.

For the German Group companies, the Management Board of SUSS MicroTec decided on September 2, 2015, to set a respective target for the female share of 20 percent and an implementation deadline of June 30, 2017, for both the first and second management levels below the Management Board. As of June 30, 2017, the established target for the first management level below the Management Board was exceeded, since the female share at this time amounted to 27.3% and had significantly increased from a female share at the time of the resolution on September 2, 2015, of 18%. The female share at the second management level below the Management Board also increased in the period from September 2, 2015, to June 30, 2017, from 14% to 19.2%, even though the target of 20% set for this second management level could not quite be reached. There are no specific reasons for the very slight deviation from the target at the second management level.

On June 30, 2017, the first implementation deadline, the Supervisory Board of SUSS MicroTec approved a target of 25% for the female share in the Supervisory Board, with an implementation deadline of June 30, 2022. For the female share in the Management Board of SUSS MicroTec, the Supervisory Board approved a target of 0 percent, with the same implementation deadline of June 30, 2022.

On June 30, 2017, the Management Board of SUSS MicroTec approved a target of 30% for the female share at the first management level below the Management Board, with an implementation deadline of June 30, 2022, as well as a target of 20% for the female share at the second management level below the Management Board, with an implementation deadline of June 30, 2022.

COMPANY BODIES

Members of the Management and Supervisory Boards and their mandates:

Dr. Franz Richter

- Dr.-Ing., resident of Eichenau, Chief Executive Officer

Further appointments:

- Siltronic AG, Munich, Germany (Member of the Supervisory Board)
- Meyer Burger Technology AG, Gwatt, Switzerland (Member of the Administration Board)
- COMET Holding AG, Flamatt, Switzerland (Member of the Administration Board)

Michael Knopp (until April 30, 2017)

- Diplom-Kaufmann (Business Administration), resident of Ratingen, Chief Financial Officer

Further appointments: none

Robert Leurs (since December 1, 2017)

- Diplom Kaufmann (Business Administration), Diplom Finanzwirt (Financial Management), resident of Stockdorf, Chief Financial Officer

Further appointments: none

Walter Braun

- Diplom-Ingenieur (Engineering), resident of Altensteig, Chief Operating Officer

Further appointments: none

Dr. Stefan Reineck

- Resident of Kirchartd; managing shareholder of RMC Dr. Reineck Management & Consulting GmbH, Kirchartd; Chairman of the Supervisory Board of SUSS MicroTec SE

Further appointments:

- attocube systems AG, Munich (Vice Chairman of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA (Member of the Board of Directors)
- Wittenstein SE, Igersheim (Vice Chairman of the Supervisory Board)

Jan Teichert

- Resident of Metten, Member of the Board of Einhell Germany AG, Landau (Isar); Deputy Chairman of the Supervisory Board of SUSS MicroTec SE

Further appointments: none**Gerhard Pegam**

- Resident of Au/Bad Feilnbach, Managing Director of GPA Consulting Au/Bad Feilnbach; Member of the Supervisory Board of SUSS MicroTec SE

Further appointments:

- OC Oerlikon Corporation AG, Pfäffikon, Switzerland (Deputy Administrative Board President);
- Schaffner Holding AG, Solothurn, Switzerland (Member of the Administrative Board)

Dr. Myriam Jahn (since May 31, 2017)

- Resident of Dusseldorf, Member of the Management Board of TiSC AG, Siegen; Supervisory Board member of SUSS MicroTec SE

Further appointments: none**CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS**

In the 2017 financial year, there were two changes in personnel on the Management Board. On October 12, 2017, the Supervisory Board appointed Robert Leurs to the Executive Board of SUSS MicroTec SE for a term of three years with effect from December 1, 2017. In his function as Chief Financial Officer, he is responsible for Finance, Accounting and Taxes, Legal & Insurance, IT, Facility Management and Investor Relations. By mutual agreement with the Supervisory Board, the then Chief Financial Officer, Mr. Michael Knopp, terminated his appointment to the board and service contract prematurely on April 30, 2017.

A change was also made to the Supervisory Board in the 2017 fiscal year. At the 2017 Shareholders' Meeting, the shareholders reelected the existing three Supervisory Board members Dr. Stefan Reineck, Jan Teichert, and Gerhard Pegam for a period of five years (until the end of the Shareholders' Meeting that decides on the discharge of liability for the 2021 fiscal year) to the Supervisory Board of SUSS MicroTec. In addition, the body was expanded to four members with the addition of Dr. Jahn.

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

The members of the Management and Supervisory Boards of SUSS MicroTec in office in the 2017 fiscal year owned the following number of shares and subscription rights as of the end of the fiscal year on December 31, 2017:

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

	Number of shares on 12/31/2017	Change from 12/31/2016	Number of stock options on 12/31/2017	Change from 12/31/2016
Supervisory Board				
Dr. Stefan Reineck	9,600	–	0	–
Jan Teichert	0	–	0	–
Dr. Myriam Jahn	0	–	0	–
Gerhard Pegam	0	–	0	–
Management Board				
Dr. Franz Richter	65,000	5,000	0	–
Robert Leurs	0	0	0	–
Walter Braun	10,120	-8,180	0	–

DIRECTORS' DEALINGS OF THE MANAGEMENT AND SUPERVISORY BOARDS SUBJECT TO MANDATORY REPORTING

In accordance with Article 19 of the Market Abuse Regulation (MAR), the members of the Management and Supervisory Boards are legally obligated to disclose any dealings in their own account with SUSS MicroTec shares or their corresponding financial instruments insofar as the value of the transactions that a member of the Company and persons associated with him/her has carried out within the calendar year amounts to or exceeds EUR 5,000.

All dealings of the Management Board and Supervisory Board are published on the Company's website at > www.suss.com > *Investor Relations* > *Share* > *Directors' Dealings*.

ACCOUNTING AND ANNUAL AUDIT

SUSS MicroTec prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS) as are applied in the European Union for listed companies. The separate financial statements for SUSS MicroTec are prepared according to the provisions of the German Commercial Code (HGB).

On May 31, 2017, the Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, with an office in Munich, as auditors and Group auditors of SUSS MicroTec for the 2017 fiscal year. As a result, the annual financial statements and the consolidated financial statements of SUSS MicroTec have been audited by a company of the BDO Group for the fifth time in a row. Aside from auditing activities, BDO AG Wirtschaftsprüfungsgesellschaft did not perform any consulting services for SUSS MicroTec in 2017. The auditor has demonstrated its impartiality to the Supervisory Board in a declaration of impartiality. Furthermore, the auditor agreed to inform the Supervisory Board of all material findings and circumstances that arise while conducting the audit. The lead auditor for the 2017 fiscal year was Mr. Thomas Steiner (Wirtschaftsprüfer – German Public Auditor), who was lead auditor of the financial statements and consolidated financial statements for SUSS MicroTec for the fourth year in a row.

CORPORATE GOVERNANCE DECLARATION

A declaration regarding corporate governance in accordance with Section 289f and 315d of the German Commercial Code (HGB) is part of the Management Report and has been made available on the Company's website at www.suss.com > *Investor Relations* > *Corporate Governance* > *Corporate Governance Declaration* and is also published in full in the condensed Management Report.

REMUNERATION REPORT

We presented the elements of the remuneration system in the Remuneration Report, which is published in the condensed Management Report.

NONFINANCIAL GROUP DECLARATION IN ACCORDANCE WITH SECTION 315B OF THE GERMAN COMMERCIAL CODE (HGB)

Dear readers,

The topic of sustainability has a very high priority at SUSS MicroTec and we are clearly committed to our environmental and social responsibility. For us, sustainability means the close interplay of economy, ecology, and ethical behavior. SUSS MicroTec strives for a fair and socially responsible interaction with customers, employees, competitors, and other business partners. The Company applies the same high standards to its suppliers and business partners. Our business is characterized by internationality and cultural diversity. Wherever we conduct business, we see ourselves as a member of the respective society and make an active, positive contribution to shaping the community and its environment.

As members of the Management Board, we understand our leadership role as not only managing this Company according to economic and financial metrics, but also as living up to our responsibility to society and the environment.

Sustainability is not only a success factor for entrepreneurial conduct but also a sign of an increasing change in values in our society. Consumers and customers rightfully question manufacturing practices, working conditions, or the use of materials in products and services that they consume. What amount of emissions does the vehicle produce, how high is the energy consumption of this electronic tool, or what raw materials and other materials were processed during manufacturing? These thoughts influence the purchasing decisions of modern customers, and these questions are therefore becoming an increasingly important economic factor.

The following explanations and descriptions of individual aspects are in accordance with Section 315c and § 289c of the German Commercial Code (HGB) and are based on the UN Global Compact Principles.

The Management Board of SUSS MicroTec SE



Dr. Franz Richter
Chief Executive
Officer



Robert Leurs
Chief Financial
Officer



Walter Braun
Chief Operating
Officer

BUSINESS MODEL

The SUSS MicroTec Group develops, manufactures, and markets equipment for the production of microelectronics and micro-electromechanical systems. As a supplier of system solutions for semiconductor technology, the Group is a high-performance partner of the semiconductor industry for the laboratory, research, and production areas. Special markets with strong growth form the main areas of activity and promote the innovative development of technologies with long-term potential for success in future-oriented markets and applications, such as microchip architecture and connection technology for applications in chip manufacture, telecommunications, and optical data transfer. In the fiscal year 2017, the Group produces at four sites, including two in Germany, in Garching, near Munich (headquarters), and Sternenfels, one in Hauterive, Switzerland, and one in Corona, California, USA.

The legal structure of the Group consists of the proprietary company, SUSS MicroTec SE, as the management and financial holding company, as well as the subsidiaries that are majority-held by the proprietary company. The development and production activities as well as the local sales and service activities for the Group are each organized within the subsidiaries. Aside from the four production sites, the Group has additional locations with a focus on service and sales in the United Kingdom, France, Japan, China, Singapore, South Korea, and Taiwan.

SUSTAINABILITY AT SUSS MICROTEC

In order to identify the relevant sustainability issues at our Company, we have conducted a multi-level materiality analysis. Concepts and goals that define our sustainability strategy were derived from material areas for SUSS MicroTec.

Goals

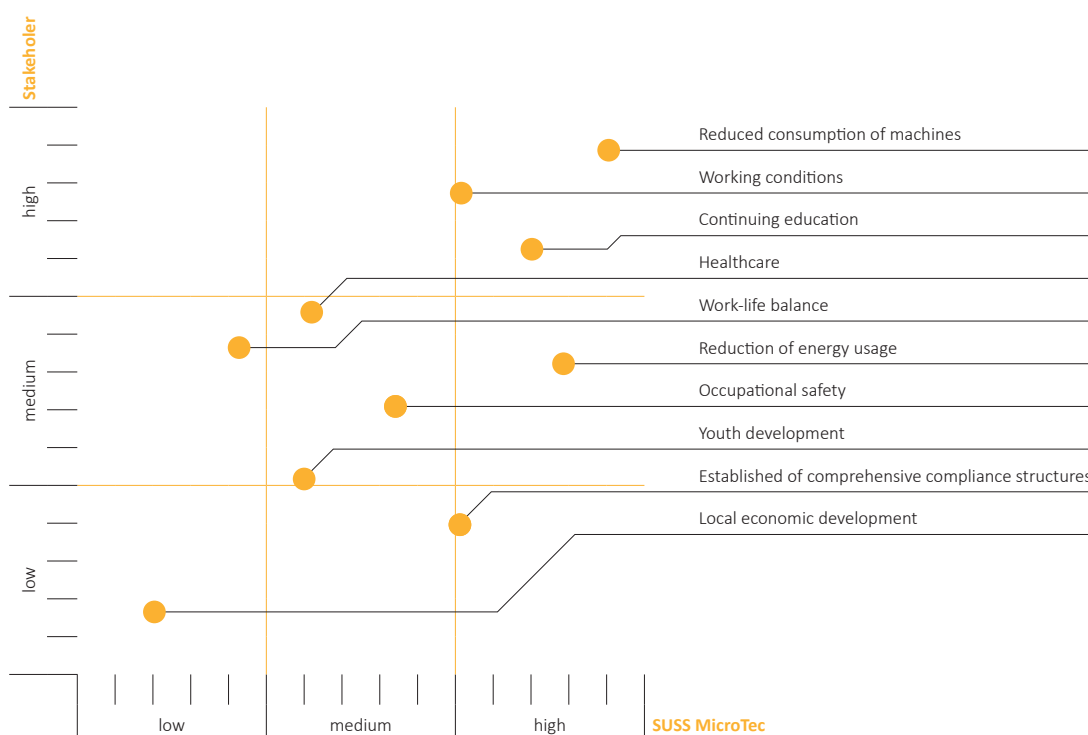
The overarching goal of our sustainability strategy is safeguarding the long-term future viability of our core business as well as the expansion of new and innovative technologies. Many current developments offer significant growth potential for SUSS MicroTec. Our task is to exhaust this potential while complying with our own and legally stipulated rules of conduct and guidelines. Current trends in the areas of digitalization, networking, communication, and mobility offer tremendous potential for the Company with respect to sales growth and the expansion of market share. It is equally meaningful to leverage this potential while complying with our environmental standards and targets and taking the interests of the Company into account. In addition, not only do we benefit from current trends but our products support them on a sustainable basis. Sensors are being used more and more in industry, the automotive sector, and even in households. In addition, our development processes increasingly take into account not only the actual function of the machine but also such issues as the improvement of energy efficiency or reductions in the consumption of media. Our customers demand not only

technically flawless machines but also compliance with certain environmental standards. SUSS MicroTec strictly rejects any form of child labor, forced labor, or comparable practices on its premises or at suppliers and customers.

Risk Management

Current trends in our industry offer a wide range of opportunities for our Company. Recognizing and taking advantage of them are important management tasks. At the same time, effective risk management is indispensable. The goal of opportunity and risk management at SUSS MicroTec is to maintain and increase the enterprise value. This includes the early detection of opportunities, identification and suitable assessment of the related risks, and an appropriate response.

MATERIALITY ANALYSIS FOR THE SUSS MICROTEC GROUP



A significant part of the risk management system is a software-based reporting system that covers the following areas: materials management, production/manufacturing, marketing/sales/service, research and development/product development, human resources/organization, finance, IT, law, and general safety. In this system, the parties designated by management as responsible for risk must report on and evaluate the identified risks quantitatively at least once per quarter or on an ad hoc basis when specific circumstances require it. The evaluation is done using the dual criteria of possible damages (expressed in €) and the probability of occurrence. Particularly in cases of significant risks, the responsible parties are encouraged to take suitable countermeasures or to recommend actions. The Supervisory Board is regularly informed about the risk management system and material risks. In addition, internal Company training sessions are held regularly for those responsible for risk. The effectiveness of the measures and the development of risks are monitored continuously.

Additional information on the individual business risks as well as a detailed description of the risk management system may be found in the Opportunities and Risk Report of this Annual Report.

ENVIRONMENTAL PROTECTION

SUSS MicroTec is fully committed to its responsibility toward the environment. Environmental responsibility and sustainability are genuine goals and integral components of our business model. Our responsibility extends from the purchasing of components to the recycling of our used machines.

ISO 14001 Certification

ISO 14001 serves as the framework for our environmental management system. Within the framework of environmental management, we at SUSS MicroTec have been intensively involved in the systematization of the environmental management and the introduction of ISO 14001:2015 since 2014. In the 2015 and 2016 fiscal years, system analyses, internal audits, and a preaudit (Stage 1 Audit) were conducted with the auditor (DQS). The successful auditing of the environmental management system occurred in the 2016 fiscal year. Therefore, SUSS MicroTec was one of the first companies to have accepted the challenge of the new ISO standard.

Added Value Through Microelectronics

In the semiconductor industry, along with energy-efficient production, technical opportunities to increase the energy efficiency of finished products have played an important role for many years. For example, it has been possible to reduce the fuel consumption and exhaust emissions of modern vehicles significantly in recent years through the increasing use of sensors and electronic controls. Microelectronic components also help ensure the intelligent use and careful treatment of valuable resources such as electricity, water, gas, or fuel in household appliances, industrial equipment, lighting design, computers, and cellular telephones. Over time, this trend developed into an additional growth driver for our business. In particular, themes such as energy-conserving lighting design, sensors, and the smart use of resources play an ever more meaningful role in our everyday life through targeted data analysis, networking, and mobile communications. With its products and solutions, SUSS MicroTec helps to make electrical and electronic equipment more energy efficient and powerful. At the same time, we endeavor to design the manufacturing process of our machines in a manner that maximizes the conservation of resources and the environment. In addition, many components manufactured in part using our machines are used in industrial applications for renewable energy, such as wind and solar power.

According to our materiality analysis, the two most important environmental aspects are the reduced consumption of machines in the production environment and reduced use of energy in our manufacturing. In the following pages, we will elaborate on these issues, our related environmental concepts and goals, as well as possible risks.

Improvement of Energy Efficiency at All Levels

Our central environmental goals are the improvement of energy efficiency in our manufacturing and our machines. In addition, components produced with our machines help increase the energy efficiency of electronic equipment. In addition, we support the careful treatment of natural resources. In our case, this is essentially the consumption of energy sources and consumables. The topic of environmental management has its own Management Board mandate that falls under the aegis of the Chief Operating Officer.

Reduced Consumption of Our Machines in the Production Environment

The improvement of the ecological properties and environmental impact of our products is an important part of our development work. We are therefore attaching increasing importance to minimizing the use of energy sources, chemicals, and other processing materials during the manufacturing process and the operation of our machines. For coating and developing, bonder, and photo-mask equipment, innovative process management and focused machine design have the objective of significantly reducing such consumption.

For example, an already completed project is the development of the LED lamphouse for our Mask Aligners. In the 2016 fiscal year, the innovative UV LED lamphouse was launched in the market for use in exposure systems (Mask Aligners < 1,000 watts). With the development and implementation of the environmentally friendly UV LED lamphouse concept for Mask Aligners, we succeeded in taking another important step toward the preservation of resources and the protection of the environment. The innovative UV LED light source has a much longer service life than the previously used mercury vapor lamp and the systems are also mercury-free. Moreover, the time and energy-intensive warm-up and cool-down phases are no longer needed in the production process – the LED light source is only switched on during the actual exposure process. Both factors make a significant contribution to lower energy consumption; consumption is reduced here by approximately 60 percent. The LED technology also represents a much better solution in terms of occupational health and safety and protecting the environment.

In addition to energy, the careful treatment of chemicals plays a major role. The continuous improvement of our machines regarding the use of wet chemicals is an important goal of our development work.

Reduction of Energy Use in Manufacturing and Administration

We are not only interested in increasing the energy efficiency of our products or manufactured finished products. Instead, according to our guidelines and regulations, every SUSS MicroTec employee bears responsibility to protect our natural resources and to treat them with care, i.e., the consumption of electricity or other consumables, in day-to-day work. Just like production, building management is also encouraged to work in a non-destructive manner and to reduce both waste materials and energy

consumption. The moderate use of materials and recycling or reuse are also promoted. Our guidelines for resource preservation, energy conservation, and the equipment and materials used with our products apply to the areas of research, development, and construction.

Our goal is to optimize the use of energy (electricity/gas/heating oil) at all production sites. In the period from 2012 to 2020, we intend to reduce energy usage at the Garching and Sternenfels sites by 16–18 percent. However, these figures are not static but instead are relative to changes in sales (environmental efficiency of economic output) and the number of employees (environmental efficiency of employment). As of now, we have not yet established any specific environmental goals for our two much smaller manufacturing locations in Hauterive (Switzerland) and Corona (USA).

The achievement of targets will be monitored annually within the framework of a CO₂ record. In the 2016 fiscal year, the figures in absolute terms were approximately -7 percent, despite an increase in sales and the number of employees, and therefore were within the bounds of the guidelines. Adjusting the absolute consumption figures for the impact of increasing sales and the number of employees, we have already achieved a partial goal. On a per-employee basis, this results in a reduction of energy usage by more than 20 percent. The environmental efficiency of economic output on a per-sales basis has improved by more than 13 percent. The CO₂ record for the 2017 fiscal year will be available only after publication of the Annual Report in May 2018.

In order to achieve these environmental goals, SUSS MicroTec has, for example, implemented various energy-efficient measures in recent years at the production site in Garching, such as optimizing the pump systems for heating and air conditioning, using air compressors with heat recovery, improved lighting design, and a generally more conscious approach to the use of energy. Due to age-related functional deficits, the cooling units in the cleanrooms at the Garching site were renovated in several construction stages during the 2013 fiscal year. The two new cooling units, which are equipped with “free cooling,” can conserve energy at outside temperatures below 11°C. Based on experience, one may assume that at these temperatures (on approximately 90 days/year), the cooling requirements are reduced by approximately 30%. This takes pressure off the compressors for the cooling equipment and cuts energy costs.

Another component of our environmental strategy is the repurchasing and appropriate reconditioning of used machines. Our employees take great care constructing our machines, which are frequently designed for a long service life. A life expectancy of up to 15 years or longer is not uncommon – and demonstrates outstanding efficiency and quality. With our subsidiary SUSS MicroTec ReMan, we also offer our customers the opportunity to obtain used machines that we have carefully overhauled at a favorable price. This way, we ease pressure on the procurement budgets of our customers, extend the life expectancies of used machines, and conserve valuable resources.

Material Risks in the Environmental Area

In addition to diverse opportunities, the materiality analysis combined with information from our risk management system has identified certain risks in the environmental area. However, in our view, none of them should be classified as material in terms of jeopardizing the business. Nevertheless, we would like to report here on the most important risks and highlight the countermeasures that we have taken.

Missing our environmental targets for the reduction of energy usage would pose a fundamental risk of rising energy costs for the Company. In case of rapidly rising costs for electricity, gas, water, or heating oil, this would have a negative impact on the profitability of the Company.

Customer satisfaction is a key component of our business success and, of course, our corporate strategy. A noteworthy risk would exist for our business development if we would not succeed in satisfying customer wishes on a long-term basis, e.g., with regard to energy efficiency and media consumption. In order to counter this, a tremendous emphasis is placed on energy and media consumption as well as general environmental properties as early as during the development process. In addition, our innovative products and solutions are frequently developed or refined in close cooperation with customers or semiconductor institutes.

Accidents, combined with risks for the health of employees and the environment, constitute an additional risk. Possible consequences could be costs for repairing the machine as well as reputational damage. The risk of an accident is held to a minimum through high quality standards as early as during machine design, through the careful and responsible manufacture and installation of the machines, and through the targeted training of operators.

EMPLOYEE-RELATED CONCERNS

Our entrepreneurial decisions have diverse ramifications for the environment and individuals, particularly employees, but also for suppliers, customers, and other business partners. However, the Company has the greatest direct impact on its employees. For this reason, SUSS MicroTec employees are the focus of our efforts in the areas of sustainability and occupational safety. As a result of the law for the equal participation of women and men in management positions in the private and public sectors listed companies were obligated, inter alia, to set targets for the share of women in both the Supervisory Board and the Management Board and at the next two management levels. In the corporate governance declaration, published in the management report and on the company's website, the company comments in detail on the concept of diversity and on the company-determined quotas at the individual management levels. Subsidiaries of SUSS MicroTec SE that are located in Germany are subject to the German Works Constitution Act, which governs codetermination in the Company. In all German subsidiaries, there are Works Councils, which are elected by the employees and represent the interests of employees. In addition, SUSS MicroTec SE, as a European company, has had a Works Council representing employee interests since 2017.

Goals

The happiness, health, and continuing education of our employees are very important to us. The employees and their knowledge and expertise are a significant part of the Company's value. Our business is characterized by internationality, global positioning, and cultural diversity. We have employees distributed around the globe in development, production, administration, sales, and service, who constitute an important network for the exchange of knowledge across locations as well as intercultural collaboration. We work with short decision-making processes and enable our employees to play an active role and to develop in accordance with their abilities and preferences. After all, the motivation, knowledge, and flexibility of our employees are important prerequisites for the long-term success of the Company.

The avoidance of workplace accidents in manufacturing is a sustainability goal related to employee-related concerns. We also attach particular importance to the topic of continuing education. In the future, we intend to noticeably increase the quality and quantity of the continuing education opportunities that are offered to and taken advantage of by both our employees and our customers. In the 2016 fiscal year, the Company spent appr. € 240 per employee for external continuing education. In the 2017 fiscal year, it was appr. € 480 per employee. In the current fiscal

year, we intend to reasonably increase this amount using targeted measures.

In the 2017 fiscal year, there were seven reported workplace accidents at the two production sites in Germany. In the previous year, the number of reported workplace accidents was six. Our goal is to avoid workplace accidents completely, if possible. We do not consider it sensible to set a precise and realistic target. The foreign sales and service locations are not relevant to the topic of occupational safety since no manufacturing takes place there. In our plant in Corona, California, there was one reported workplace accident in the 2017 fiscal year, following two accidents in the 2016 fiscal year. There – like at all other production sites – routine training and safety instruction sessions are held for “at risk” employees, e.g., in production or warehousing.

Suitable Working Environment

As our declaration on the environment, health, and safety stated, there are special programs designed to meet the highest standards in the workplace in terms of safety. We maintain detailed statistics about workplace accidents and analyze them regularly. In addition, we offer on-site medical appointments, for example for free eye examinations or inoculations, at regular intervals. In 2016, we held a “health day” for the first time at the Garching site, where colleagues were able to obtain advice and undergo examinations. These measures should help to reduce further the number of workplace accidents in the coming years.

Continuing Education

Well-trained and motivated employees are an essential element for a successful company. Therefore, the targeted training and education of employees is a major objective of our sustainability strategy. Regardless whether they work as engineers, software developers, or, for example, employees in human resources, the ever-changing legal environment and the innovation-driven semiconductor sector make it indispensable that colleagues participate in continuing education on an ongoing basis and further develop their skills in the interests of the Company.

Through targeted measures, the topic of continuing education should become increasingly significant. Through the strengthening of internal continuing education opportunities, new approaches to employee training should be found. For this purpose, the SUSS Excellence Program was created in the 2017 fiscal year. The program, with its emphasis on the areas of HR, process optimization, and communication, offers employees the opportunity to place their training and education at SUSS MicroTec on a solid foundation and to improve their individual circumstances

at work. The entire program is embedded in efforts to shape the corporate culture constructively.

Material Employee-Related Risks

In the current economic environment and given high industry-spanning demand for qualified employees, the task of finding, training, and winning the long-term loyalty of capable employees is becoming increasingly important. Flexible working hours, a reasonable work-life balance, and appropriate and attractive remuneration are now fundamental prerequisites for filling many open positions. If we are unable to find sufficient up-and-coming talent or new employees for upcoming challenges in local competition with major corporations and other companies, this could have a significant negative impact on the future of the Company. Infrequently, but still on a regular basis, knowledge carriers leave the Company or enter into a well-deserved retirement. In these cases, we must succeed in having suitable up-and-coming talent already on board at the time of departure in order to ensure a smooth transition and to minimize the loss of expertise.

RESPECT FOR HUMAN RIGHTS

SUSS MicroTec respects internationally recognized human rights and supports their observance. We respect personal dignity, privacy, and the personal rights of each individual. In addition, we promote equal opportunity and do not discriminate in the hiring and promotion of employees. We work with individuals of different ethnic backgrounds, cultures, religions, and ages, without regard to disability, skin color, sexual identity, world view, or gender. In accordance with our labor laws and those of the countries in which we operate, we fundamentally do not tolerate any discrimination based on these characteristics, any harassment (verbal, in social networks, physical, or sexual), bullying, or other personal attacks on individuals. In addition, SUSS MicroTec strictly rejects any form of child labor, forced labor, or comparable practices on its premises or at suppliers and customers.

Values like honesty, loyalty, and integrity as well as the personal responsibility of each individual employee are particularly important to us. A Code of Conduct was approved as part of the Group-wide compliance program in order to cope with the legal and ethical challenges encountered in day-to-day work, to create clarity, and thus to strengthen trust in the performance and integrity of the SUSS MicroTec Group. Accordingly, this Code of Conduct contains minimum standards that apply to each employee of SUSS MicroTec SE and its subsidiaries worldwide. We also impose the same high standards on our suppliers.

Supply Chain

As an international and continuously expanding company with a broad product range, we have an ever more complex value chain. Here, we assume the role of a manufacturer of machines that are resold to other companies and are visible to the consumer to only a limited extent. As a rule, we procure many of our parts and components from suppliers in Germany and Europe. A few special components, such as robots and the like, are procured from international manufacturers.

We have implemented various measures in order to optimize our supply chain with respect to sustainability issues. While manufacturing our products, we pay attention to high resource efficiency, recycling, and solutions that are as environmentally friendly and socially acceptable as possible. In addition, we are conducting supplier surveys on the topics of the environment, legal and regulatory compliance, and occupational safety and health.

In 2015, corporate social responsibility material, which is passed along together with our Code of Conduct to any new inquiries at potential suppliers since the beginning of 2016, was expanded. By doing so, we promote our standards along the upstream supply chain. An internal office deals with topics such as conflict minerals, RoHS, and REACH. Our general purchasing conditions also take up the issue of social responsibility. Above all, they address compliance with human rights and labor standards, the prohibition of discrimination, forced and child labor, anti-corruption, and ethical and ecological procurement.

Goals

In the 2016 and 2017 fiscal years, there were no reported violations or complaints by customers or suppliers regarding human rights abuses. Our goal is to achieve the same quota of reported incidents in the future as well.

Risks

Through targeted training and employee awareness sessions, we want to encourage employees to use internal control mechanisms or the whistle-blowing system in cases of (potential) violations. In cases of human rights abuses, the Company could suffer reputational damage along with a possible loss of market share or employees. Operationally, this could even lead to bottlenecks in the supply of materials should a supplier be denied us in case of an incident.

FIGHTING CORRUPTION AND BRIBERY

All employees must report situations in which their personal or other economic or financial interests could come into conflict with those of the SUSS MicroTec Group. Even the appearance of a conflict of interest can damage the reputation or interests of SUSS MicroTec and should be avoided from the outset. As a rule, business decisions are always made for the benefit of the Company. Business ethics and integrity ensure our credibility. It is a matter of course that all Group companies and employees obey the laws and regulations of the countries in which they operate and meet their obligations in a reliable manner. They must demonstrate integrity and fairness in all aspects of their business activities. We expect the same from our partners.

We are convinced that ethical and economic values are mutually dependent and that participants in the business world must strive to treat each other fairly and act within the framework of established standards. Our principles on this can be found in the Code of Conduct and are available to every employee as well as customers and suppliers.

While the Company expects honest and ethical behavior from all employees in all aspects of our business, it applies particularly high standards to its executives, from whom the highest degree of integrity and honesty is expected, since they set the management style and serve as an example for all employees.

This requires honest and sincere behavior considering the required confidentiality of certain corporate information. This includes compliance with relevant laws, provisions, regulations, the articles of incorporation, and the provisions of applicable accounting and auditing principles, as well as the avoidance of conflicts of interest and competitive advantages through illegal or unethical business practices.

The Company obtains its orders in a fair manner through customer orientation, innovation, and technologically leading products. Employees are not permitted to offer, promise, or grant unjustified advantages in connection with their activities for SUSS MicroTec directly or indirectly. Neither monetary payments nor other benefits may be provided if they are designed to influence decisions and/or to obtain an unjustified advantage.

Goals

With regard to fighting corruption and bribery, our goal is a high acceptance rate for our Code of Conduct. This applies not only to German locations but also to all worldwide subsidiaries. As of December 31, 2017, the Company had approximately 850 employees (including apprentices and temporary workers). As of this date, we had received written letters of acceptance of the Code of Conduct from 805 employees. This equates to an acceptance rate of approximately 94.7% as of December 31, 2017. At the end of the 2016 fiscal year, this rate was below 90%. As a result of fluctuations in staff, it will be hardly possible to achieve a rate of 100% at any time. Therefore, we initially strive for an acceptance rate of at least 95% for next year.

Risks

In case of violations of legal provisions regarding bribery and corruption, the Company could face, in addition to significant reputational damage, painful fines or, in extreme cases, prison terms for employees who have violated the provisions. In the 2016 and 2017 fiscal years, the Company had no incidents, reports, or legal proceedings involving corruption or bribery. Our goal is to hold this rate at zero through training and awareness.

SOCIAL CONCERNS

As a mid-size company with limited resources, SUSS MicroTec focuses on its business activities – the manufacturing of machines. There is no attempt to influence politics at the local and higher level. As a rule, we do not make any donations or sponsorships for political parties or organizations similar to parties domestically or internationally. Donations and sponsorships for sporting events, charitable events, or the like require approval by the Management Board and are carried out only in rare cases and on a small scale. No noteworthy goals, opportunities, or risks arise from the social aspect.

OVERVIEW OF THE ISSUES AND GOALS

	2018 GOAL	2017 STATUS
ISSUES / GOALS		
Environmental Concerns	Reduction of energy usage (measured in CO ₂ equivalents) by 16–18% (2012–2020)	Reduction of energy usage (measured in CO ₂ equivalents) by 16–18% (2012–2020; 2016 status)
Employee-Related Concerns	Reduce the number of reported workplace accidents; Reasonably increase the expenditures for continuing education per employee	Number of reported workplace accidents: 7; Expenditures for continuing education per employee: € 480
Respect for Human Rights	Number of reported violations = 0	Number of reported violations = 0
Fighting Corruption and Bribery	Acceptance rate for compliance documents >95%	Acceptance rate for compliance documents >94.7%
Social Concerns	No goals have been established because “social concerns” is not a material issue	–

CONDENSED MANAGEMENT REPORT

Economic Report	60
Business Activity, Corporate Control, and Strategic Orientation	60
Economic Environment	63
SUSS MicroTec in Figures	64
The Holding Company – SUSS MicroTec SE	74
Disclosures of Takeover Provisions in Accordance with Section 289a German Commercial Code (HGB) and Section 315a HGB	76
Group Declaration Regarding Corporate Governance in Accordance with Section 289f HGB and Section 315d HGB	78
Nonfinancial Group Declaration in Accordance with Section 315b of the German Commercial Code (HGB)	82
Remuneration Report	83
Remuneration of the Management Board	83
Remuneration of the Supervisory Board	89
Opportunities and Risks for the Future Development of the SUSS MicroTec Group	90
Forecast Report	101
Industry-specific Conditions	101
Expected Development in the Major Markets	102
Endogenous Indicators	104
Statement on the Projected Development of the Group – Outlook for 2018	104
Forward-Looking Statements	105

ECONOMIC REPORT

BUSINESS ACTIVITY, CORPORATE CONTROL, AND STRATEGIC ORIENTATION

The SUSS MicroTec Group (subsequently SUSS MicroTec) develops, manufactures, and markets machines for the production of microelectronics and microelectromechanical systems. As a supplier of system solutions for semiconductor technology, the Group operates as a high-performance partner of the semiconductor industry for the laboratory and production areas. Special markets with strong growth form the main areas of activity and promote the innovative development of technologies with long-term potential for success in future-oriented markets and applications. The main focus here is on the microchip architecture and connection technology for applications in chip manufacture, telecommunications, and optical data transfer. Larger process lines are typically comprised of several individual tools, where the Group creates and utilizes networks with internal and external partners in order to optimize customer utility.

As of December 31, 2017, the Group is comprised of four divisions, with the Others division composed of several sub-units.

MANAGEMENT AND CONTROL – REMUNERATION STRUCTURE FOR OFFICERS

SUSS MicroTec SE has a dual-management system. The Company bodies are the Management Board, the Supervisory Board, and the Shareholders' Meeting. The cooperation between the Management Board and the Supervisory Board is described in the section on the Group declaration regarding corporate governance in accordance with Section 289f and § 315d of the German Commercial Code (HGB).

The Management Board receives both a monthly fixed salary and variable remuneration for its activities. The latter is paid when individually determined targets are reached. The fixed pay includes fringe benefits in the form of a company car with the

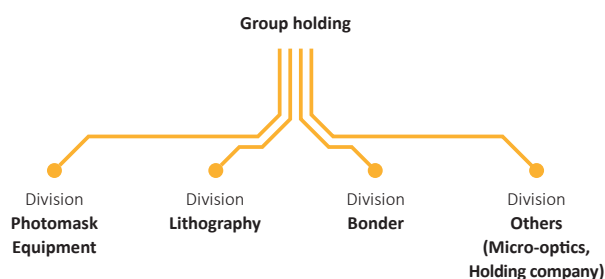
option of private use and allowances for health insurance as well as for an optional retirement insurance. The amount of the fixed pay is first and foremost determined by the roles and responsibilities assigned. Moreover, additional pension commitments have, in the past, been made to individual former members of the Management Board in the form of direct insurance. Variable remuneration includes short-term and long-term components. More information about this can be found in the Remuneration Report.

The remuneration of the Supervisory Board is set out in Section 19 of the articles of incorporation of SUSS MicroTec SE. In accordance with Section 19 of the articles of incorporation, the members of the Supervisory Board receive the following remuneration: In addition to the reimbursement of expenses and meeting attendance compensation of € 2,000 per meeting, every member of the Supervisory Board receives a fixed remuneration geared toward his/her responsibilities and the extent of the member's activities. According to this, the Chairman of the Supervisory Board receives € 60,000, the Deputy Chairman receives € 50,000, and a regular member of the Supervisory Board receives € 45,000 per fiscal year as fixed compensation.

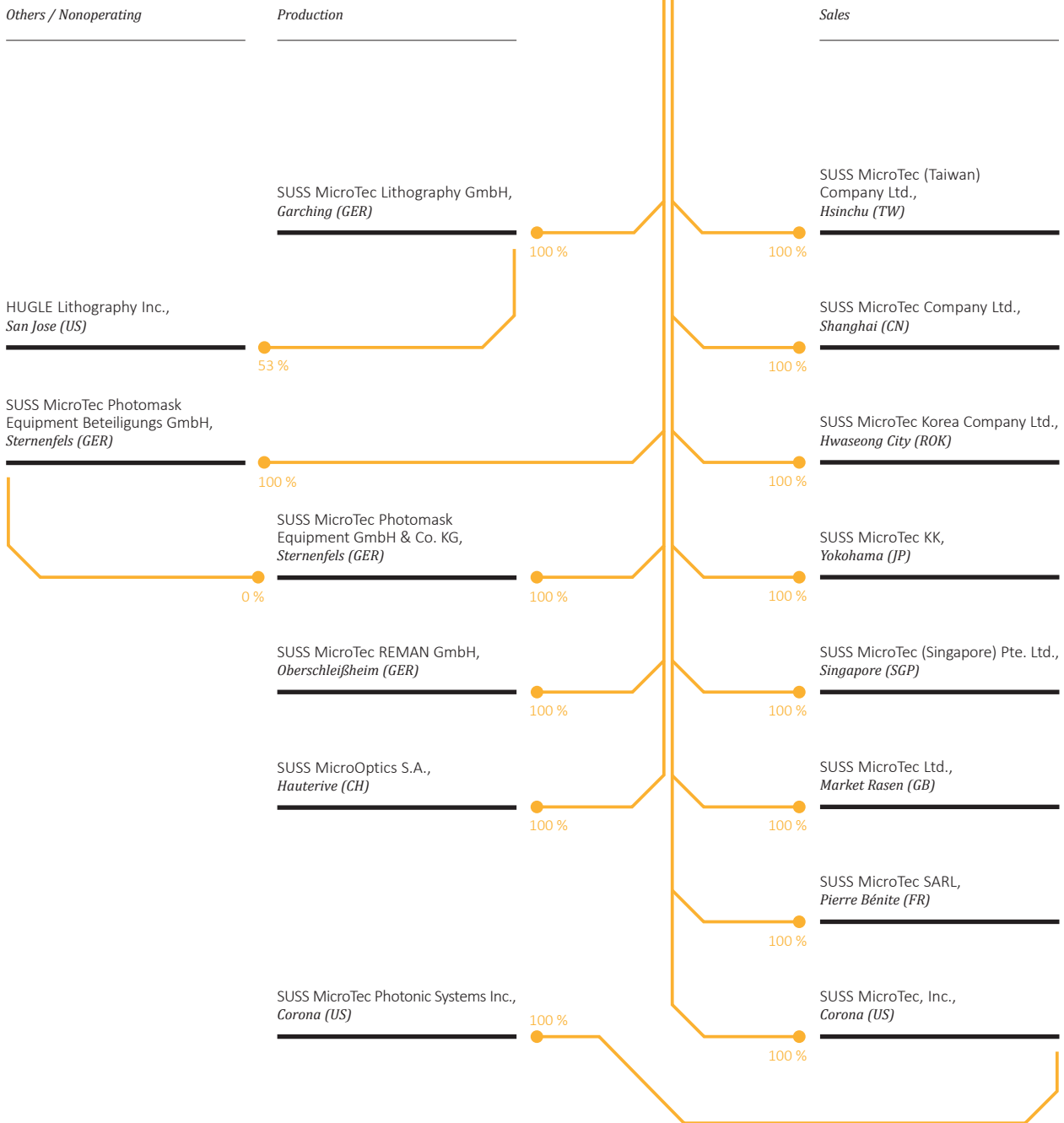
LEGAL STRUCTURE OF THE GROUP

SUSS MicroTec SE (subsequently "the Company") came into existence on August 9, 2017, through its entry into the commercial register as part of a transformation in form from SUSS MicroTec AG based in Garching. The legal structure of the Group remains unchanged, consisting of the proprietary company, SUSS MicroTec SE, as the management and financial holding company, as well as the subsidiaries holding a majority of the proprietary company. The development and production activities as well as the local sales and service activities for the Group are each organized within the subsidiaries. SUSS MicroTec has locations in Germany, the United States, the United Kingdom, France, Switzerland, Japan, China, Singapore, South Korea, and Taiwan.

DIVISION STRUCTURE



SÜSS MICROTEC SE
Garching (GER)



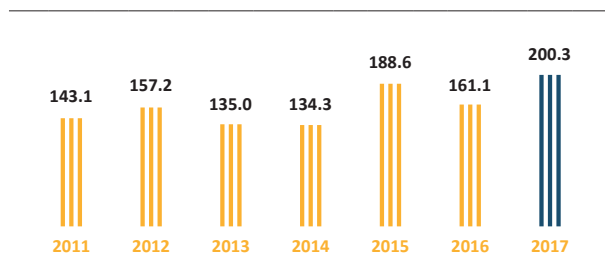
CORPORATE CONTROL, OBJECTIVES, AND STRATEGY

SUSS MicroTec pursues the strategy of occupying lucrative niche markets in the industry of semiconductor suppliers. The goal is to operate in the relevant markets by way of its clear positioning among the top three suppliers at all times. Partnerships with leading institutes and companies within the industry should ensure that significant trends and promising technologies are always identified early on and that the potential for SUSS MicroTec is examined. The focus is on organic growth. External growth is also considered in the case of interesting technologies and appropriate complementary products.

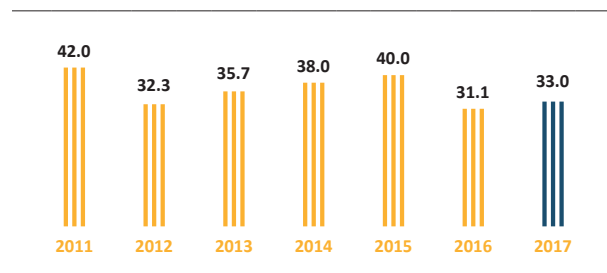
Corporate control is geared particularly toward the order entry, sales, and order backlog of the individual divisions. The performance of the divisions is, thus, measured above all by observing the development of the gross profit margin (sales less manufacturing costs) as well as the division earnings. The presentation

of the division earnings now also includes income and expenses from foreign currency translation and asset disposals. Altogether, the division earnings are in line with the Group's operating income (EBIT) as well as the EBITDA (earnings before interest, tax, depreciation and amortization). Another key control figure is the net liquidity (cash plus interest-bearing securities less financial debt). This represents a significant key control figure for the holding company's financing function. The following table shows the development of key figures since 2011.

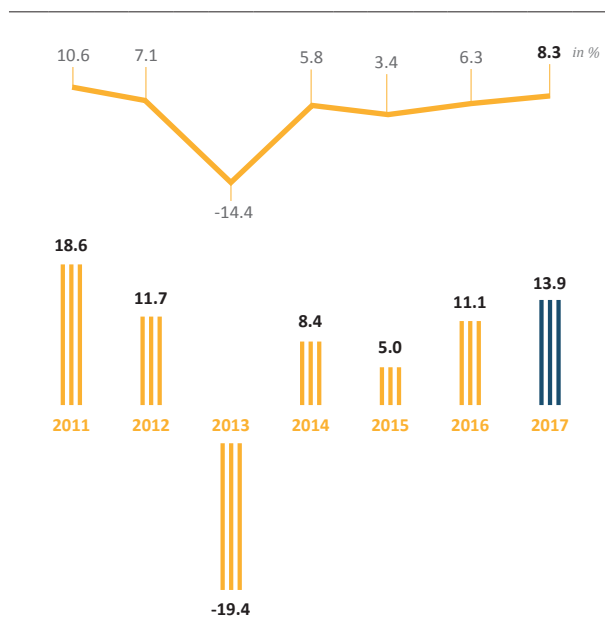
ORDER ENTRY in € million



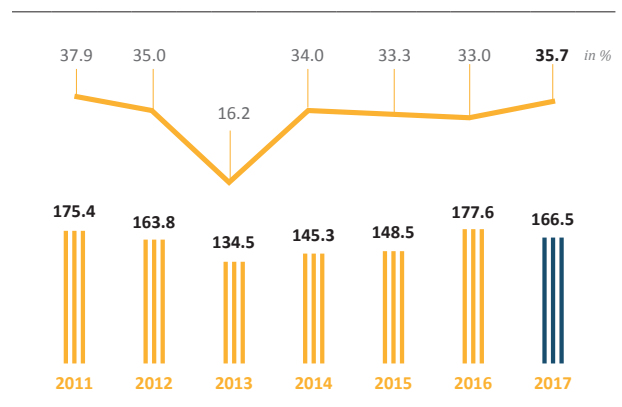
NET CASH in € million



EBIT in € million **AND EBIT-MARGIN¹** in %



SALES in € million **AND GROSS MARGIN** in %



¹ EBIT 2013 includes one-time costs of € 13.2 million for refocusing the permanent bonding product line.

ECONOMIC ENVIRONMENT

SUSTAINED WORLDWIDE GROWTH

The world economy has been on an upswing for more than five years. In the second and third quarters of 2017, the pace of expansion accelerated tangibly, according to the ifo Institute in Munich (ifo economic forecast December 14, 2017). The real gross national product grew by 0.9 percent in both of these two quarters of 2017 compared to the previous year. Both in industrialized and emerging countries, industrial production increased significantly. The worldwide trade in goods, particularly with emerging countries, contributed to the overall economic recovery. In addition, the long-feared economic setbacks in growth in China have still not materialized, and domestic demand has proven to be robust.

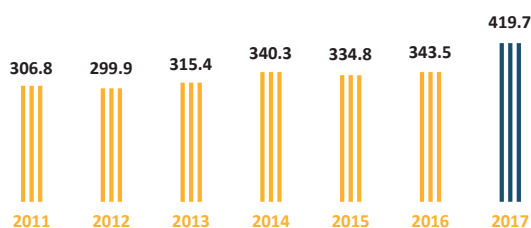
Strong growth has also continued in the eurozone. According to the Eco-study (Eurozone Economic Outlook, January 10, 2018) study carried out by leading economic research institutes, the real gross domestic product will be able to grow by 0.6 percent in both the fourth quarter of 2017 and the first quarter of 2018, thereby maintaining the same pace of expansion as in the previous four quarters. Growth was primarily driven by high investments and an increase in private consumption. Experts expect gross domestic product growth of 2.4 percent in the eurozone in 2017.

According to the ifo Institute, indicators have pointed toward expansion in Germany since 2013. Most recently in the 2017 fiscal year, economic growth accelerated significantly in comparison the previous years. German industry particularly contributed to this trend. With the exception of public consumption, domestic economic forces remained positive, whereas stimulus from outside Germany increased even further. Last but not least, the many export-oriented German companies are benefiting from this. After a gain of 1.9 percent in 2016, gross domestic product growth of 2.2 percent is expected in 2017.

RECORD SALES IN THE SEMICONDUCTOR MARKET

The 2017 fiscal year was a very strong year for the entire semiconductor sector. The worldwide market for semiconductors grew by more than 20 percent compared to 2016 and reached a volume of approximately US\$ 419 billion (source: Gartner, January 4, 2018). Particularly the market for memory chip components, which constitutes approximately 31 percent of the entire semiconductor market, was able to grow significantly due to very high demand.

SALES DEVELOPMENT IN THE SEMICONDUCTOR MARKET *in US\$ billion*



Source: Gartner, January 4, 2018

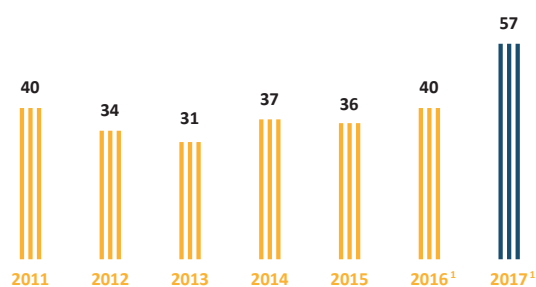
Prices for NAND memory chips increased by about 17 percent. Prices for DRAM increased by an impressive 44 percent. The memory chip market continues to be dominated by ten large companies, which have a combined market share of more than 50 percent. Along with the traditional semiconductor market, the market for microelectromechanical systems (MEMS) continued to develop very positively.

GROWTH IN THE SEMICONDUCTOR EQUIPMENT INDUSTRY SECTOR

According to current estimates of the SEMI industry association (SEMI Data Projects, January 2, 2018), the market for semiconductor equipment grew by about 41 percent in 2017 compared to 2016, reaching a total volume of approximately US\$ 57 billion. This marks a new record after the previous peak of US\$ 47.7 billion in 2000. After the largest investments in 2016 were made in Taiwan, the regional investment focus in 2017 was on South Korea, which recorded growth of about 128 percent to US\$ 17.9 billion compared to 2016. Taiwan follows in second place with a volume of US\$ 12.6 billion. In sum, all regions worldwide recorded intensified investment activity in 2017.

The specialty area of wafer-level packaging and assembly, which is relevant for SUSS MicroTec, grew by 25.8 percent to US\$ 3.8 billion in the 2017 fiscal year, according to SEMI (SEMI Equipment Forecast, December 12, 2017). In the previous year, growth was still about 3.9 percent. According to Gartner's estimates (August 2, 2017), growth for the wafer fab equipment sector (including wafer-level packaging) was 17.9 percent in 2017, thereby reaching a market volume of US\$ 43.7 billion.

SALES DEVELOPMENT SEMICONDUCTOR EQUIPMENT¹ *in US\$ billion*



¹ Incl. wafer-level-packaging equipment
Source: SEMI, January 2, 2018

SUSS MICROTEC IN FIGURES

PROFIT SITUATION: ORDER ENTRY, SALES, AND EBIT

Comparison of Full-Year Figures for 2017 – Forecast 2017

In the forecast report of the 2016 Management Report, the Company held out the prospect of Group sales of € 160 to € 170 million and Group earnings before interest and taxes (EBIT) in a range of € 9 to € 13 million for the 2017 fiscal year. The sales and earnings forecast was adjusted twice during the 2017 fiscal year, initially upon the publication of preliminary figures for the first quarter of 2017 in April 2017. The expected sales and earnings ranges were raised to ranges of € 170 to € 180 million and € 13 to € 17 million, respectively. The second adjustment in expectations occurred in August 2017. At this time, the EBIT forecast was increased to € 15 to € 19 million as a result of extraordinary income. SUSS MicroTec closed the 2017 fiscal year with sales of € 166.5 million, thereby below the increased interim forecast. EBIT reached € 13.9 million, also below the Company's own expectations as of August 2017. The reason for missing the sales and earnings target was a shift in revenue recognition for individual tools, which had already been delivered to customers as of the end of the year but for which final acceptance and therefore the prerequisite for revenue recognition were still outstanding as of December 31, 2017.

<i>in € million</i>	1st Forecast 2017	2nd Forecast 2017	3rd Forecast 2017	Earnings 2017
Sales	160–170	170–180	170–180	166.5
EBIT	9–13	13–17	15–19	13.9

Corporate Development in 2017

Order entry for SUSS MicroTec in the 2017 fiscal year totaled € 200.3 million, while order entry of € 161.1 million was achieved in the previous year. The forecasted development of order entry was thus significantly exceeded in 2017. In particular, the fourth quarter of 2017, in which order entry of € 68.9 million was generated, had a major impact on the annual earnings. As a result, order entry in 2017 was about 24.3 percent higher than order entry in the previous year. As of December 31, 2017, there was consequently a high order backlog of € 133.4 million, a significant jump of 31.4 percent above the order backlog of the previous year (€ 101.5 million). The ratio of newly received orders to realized sales (book-to-bill ratio) was 1.2 after 0.9 in the previous year.

Despite a reduction in sales of 6.2 percent related to the reporting date, the financial and earnings position of the SUSS MicroTec Group demonstrated substantial earnings growth of 25.2 percent in the 2017 fiscal year. Sales declined compared to the previous year from € 177.6 million to € 166.5 million, while earnings before interest and taxes (EBIT) increased from € 11.1 million to € 13.9 million. EBIT in the 2017 fiscal year includes an extraordinary effect of € 1.95 million from the receipt of licensing fees in the Photomask Equipment division. These fees involve income from a licensing

agreement to market a technology developed by SUSS MicroTec to clean wafers.

SUSS MicroTec's top-selling Lithography division recorded a sales decline of 15.7 percent. The main reason for this was the absence of sales contributions from the UV projection scanner product line, which contributed a substantial share of sales in 2016. In 2017, the Lithography division accounted for around 68 percent of Group sales. The Bonder division was able to achieve a significant sales increase from € 14.0 million to € 22.1 million. There were hardly any changes in sales in the Photomask Equipment division, while sales increased by 17.6 percent in the Others division as a result of the good performance of SUSS MicroOptics business.

In the 2017 fiscal year, a gross profit of € 59.5 million was generated, corresponding to a gross profit margin of 35.7 percent. In the previous year, the gross profit was € 58.6 million or 33.0 percent. The main reason for the improved gross profit margin is the improvement in the financial and earnings position of the Bonder division. It was possible to increase the gross profit significantly here as a result of economies of scale, reflecting much higher sales as well as a higher share of sales with temporary bonding systems. As described in the 2017 Interim Report, there were also individual orders with an above-average margin from the permanent bonding area. The gross profit margin remained nearly stable in other areas.

Selling costs in the fiscal year decreased slightly to € 19.6 million (previous year: € 20.5 million), representing an expense ratio of 11.8 percent (previous year: 11.6 percent) relative to sales generated.

Research and development costs rose significantly again in the past fiscal year, amounting to € 15.2 million (previous year: € 14.1 million). SUSS MicroTec significantly expanded its activities in research and development, as planned.

Administration costs declined slightly from € 13.6 million in the previous year to € 13.4 million, corresponding to an expense ratio of 8.1 percent (previous year: 7.7 percent).

Other operating income totaled € 6.3 million in the fiscal year (previous year: € 4.3 million). As in the previous year, this included foreign currency gains, which resulted from the translation of foreign currency positions into euros. In addition, first-time licensing income of € 1.95 million was generated from the transfer of process expertise to a Japanese partner in 2017. These licensing fees involve income from a licensing agreement to market a technology developed by SUSS MicroTec to clean wafers.

Other operating expenses amounted to € 3.8 million in 2017 (previous year: € 3.5 million) and primarily included expenses from foreign currency translation and other taxes.

Earnings before interest and taxes (EBIT) in the past fiscal year amounted to € 13.9 million. In 2016, EBIT of € 11.1 million was achieved.

Depreciation and amortization of intangible assets and tangible assets came to € 4.1 million (previous year: € 4.2 million). As a result, earnings before interest, taxes, depreciation and amortization (EBITDA) totaled € 18.0 million (previous year: € 15.3 million).

The financial result for 2017 amounted to € -0.15 million (after € -0.63 million in the previous year). Financial income of € 57 thousand (previous year: € 91 thousand) resulted mainly from interest and securities income. Interest for bank liabilities in the fiscal year primarily involved the financing of the property in Garching (loan status as of December 31, 2017: € 3,500 thousand). In the previous year, interest expense of € 187 thousand related to the financing of the property in Garching and € 42 thousand related to the financing of the property in Sternenfels. The loan for financing the property in Sternenfels was terminated in the first half of 2016 and had been fully repaid as of June 30, 2016. In this connection, financial expenses of € 434 thousand were recognized in the previous year for canceling the associated interest-rate swap.

Group earnings before tax of € 13.8 million were subject to tax expense of € 7.0 million, which corresponds to an average tax expense rate of approximately 50.0 percent. The high tax expense relative to profit before tax resulted again primarily from the accumulated losses of foreign Group companies in the 2017 fiscal year (particularly in the USA), for which (as in previous years) no deferred tax assets were recognized in view of the current Group budget.

In the previous year, Group earnings before tax of € 10.5 million were subject to tax expense of € 5.5 million, which corresponded to an average tax expense rate of approximately 52.4 percent. Similarly, in the 2016 fiscal year, the high tax expense relative to profit before tax resulted from the accumulated losses of foreign Group companies (particularly in the USA), for which no deferred tax assets were recognized.

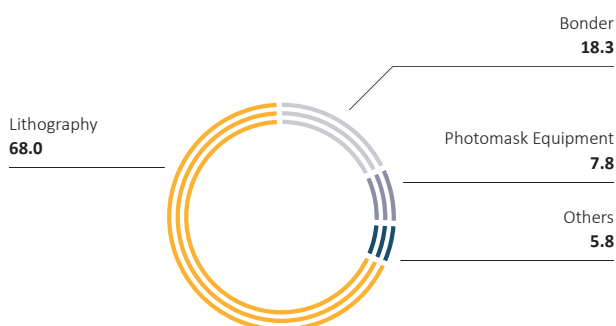
The Group generated profit for the year of € 6.7 million (previous year: € 5.0 million). Basic earnings per share amounted to € 0.35, after € 0.26 in the previous year.

DEVELOPMENT IN THE INDIVIDUAL DIVISIONS

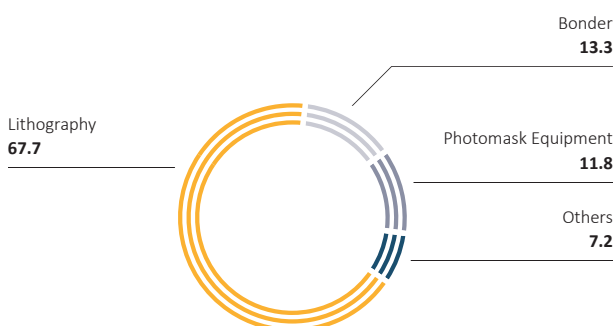
Lithography

The Lithography division includes the development, manufacture, and sale of the mask aligner, UV projection scanner, and laser processing tool product lines as well as coaters and developers. These product lines are manufactured in Germany at the locations in Garching near Munich and in Sternenfels. The Lithography division was strengthened in the first quarter of 2012 by the acquisition of Tamarack Scientific Co., Inc. (now operating under the name SUSS MicroTec Photonic Systems Inc.). The subsidiary has its headquarters in Corona, California, USA. With a contribution to sales of more than 67 percent, the Lithography division is SUSS MicroTec Group's largest division. The components that are manufactured with these tools are sent primarily to the end markets of advanced packaging, microelectromechanical systems, compound semiconductors (LED), and 3D integration.

ORDER ENTRY BY DIVISION *in %*



SALES BY DIVISION *in %*



In the 2017 fiscal year, the Lithography division achieved order entry of € 136.2 million (previous year: € 105.0 million) and sales of € 112.8 million (previous year: € 133.8 million). This corresponds to 15.7 percent lower sales and 29.7 percent higher order entry from the previous year. The significant increase in order entry was achieved particularly by the mask aligner and coater/developer product lines, each of which recorded significant double-digit growth in order entry compared to 2016. The overall lower sales in the Lithography division resulted from lower sales in the UV projection scanner product line, which made only a small contribution to sales in the 2017 fiscal year, as well as the normalization of sales in the coater/developer area. After the very high order entry in the fourth quarter of 2015, there was a sharp increase in the sales of 200mm tools in the 2016 fiscal year. Aside from the generally good business development, there was no comparable effect on order entry in 2016 or the corresponding sales in 2017. In addition, sales shifted to the 2018 fiscal year as a result of the lack of customer acceptances as of December 31, 2017, reporting date.

The gross profit margin in the Lithography division of 31.5% in the past fiscal year was at the same level as in the previous year. In the 2016 fiscal year, the negative margin for UV projection scanners weighed on the earnings of the Lithography division. Given the lower sales and the product mix, no improvement in the gross profit margin could be achieved in the 2017 fiscal year.

The Lithography division contributed earnings of € 6.3 million (previous year: € 13.2 million) to consolidated earnings before interest and taxes (EBIT). This resulted in an EBIT margin of 5.6 percent for the Lithography division, a significant decrease from the previous year (EBIT margin in the previous year: 9.8 percent). A major reason for the decline in EBIT is the significantly lower sales level compared to the previous year. In addition, expenses in the area of research and development in 2017 were significantly above the figure in the 2016 fiscal year; in particular, costs for the development of new projection scanners were a factor here. Also in the 2017 fiscal year, the staffing level in the Lithography division was augmented significantly, not least in order to satisfy higher order entry.

LITHOGRAPHY KEY FIGURES

<i>in € million</i>	2017	2016
Order entry	136.2	105.0
Division sales	112.8	133.8
EBIT division earnings	6.3	13.2
Net assets	60.7	59.3

Bonder

The Bonder division comprises the development, production, and sale of bonders. Manufacturing is located at our largest site in Sternenfels. Markets addressed by the bonder systems include MEMS, compound semiconductors, and 3D integration.

The Bonder division continued to develop very positively both in terms of order entry, at € 36.7 million (previous year: € 18.6 million), and sales, at € 22.1 million (previous year: € 14.0 million). In the past fiscal year, significantly more orders were recorded in the temporary bonding product line, compared with 2016. In this product line, we succeeded in winning orders for high-volume production in the area of 3D integration. This high order entry more than compensated for lower order entry in the area of permanent bonding, leading to overall higher order entry in the Bonder division.

The gross profit of the Bonder division was again positive in the past fiscal year. The gross profit margin improved considerably from 36.3 percent to 45.1 percent. The margins in the temporary bonding and debonding areas as well as the business with permanent bonding systems improved on a sustainable basis. In the Bonder division, the segment result (EBIT) of € 3.3 million was positive for the first time after € -1.7 million in the previous year. EBIT improved generally due to economies of scale, reflecting significantly higher sales as well as in particular a higher share of sales with temporary bonding systems, which have a good margin. As described in the 2017 Interim Report, there were also individual orders with an above-average margin from the permanent bonding area.

The significantly higher net assets of the Bonder division resulted from the increase in inventory reserves, whereby temporary bonding systems, which were still under construction as of the reporting date, played a particular role.

BONDER KEY FIGURES

<i>in € million</i>	2017	2016
Order entry	36.7	18.6
Division sales	22.1	14.0
EBIT division earnings	3.3	-1.7
Net assets	17.7	5.1

Photomask Equipment

The Photomask Equipment division, which is also located at the Sternenfels site, comprises the development, manufacture, and sale of specialized tools for the cleaning and processing of photomasks for the semiconductor industry. Among the markets targeted by the Photomask Equipment division is the semiconductor industry, where SUSS MicroTec is primarily active on the front end.

The Photomask Equipment division had weaker order entry in the past fiscal year than in the previous year. Order entry at the end of December 2017 was € 15.7 million after a high level of € 26.3 million in the previous year. However, division sales of € 19.7 million remained nearly unchanged from the previous year. The overall market is comparatively small, with only around three to five machines being produced and sold every year. Machines for cleaning photomasks are very complex and high quality. SUSS MicroTec has a market share of approximately 80 percent in this area. If the sale of a machine goes beyond a reporting date, this may result in not insignificant fluctuations of order entry, sales, and earnings from quarter to quarter and from fiscal year to fiscal year.

The gross profit margin increased in the 2017 fiscal year to 36.8 percent. In the 2016 fiscal year, it was possible to achieve a margin of 32.7 percent. The gross profit margin is subject to similar volatility as order entry and sales since it is determined by a few individual orders. The Photomask Equipment division made a substantial contribution to Group EBIT with division earnings of € 5.1 million (previous year: € 1.8 million). The EBIT margin was 25.9 percent, a significant improvement from the previous year (EBIT margin 2016: 9.2 percent). In this division, it was possible to generate one-time income of € 1.95 million from the receipt of licensing income for the transfer of process expertise regarding the cleaning of wafers in the 2017 fiscal year. Without the one-time income, the EBIT margin would amount to approximately 15.7 percent.

The significantly lower net assets in the Photomask Equipment division resulted from the decline in receivables as of the reporting date as well as the growth of prepayments received.

PHOTOMASK EQUIPMENT KEY FIGURES

<i>in € million</i>	2017	2016
Order entry	15.7	26.3
Division sales	19.7	19.7
EBIT division earnings	5.1	1.8
Net assets	2.4	14.8

Others

The Others division comprises Micro-optics activities at the Hauterive, Switzerland, location and costs for central Group functions that generally cannot be attributed to the main divisions.

Order entry increased again slightly from € 11.2 million in the 2016 fiscal year to € 11.7 million in 2017. Division sales amounted to € 11.9 million after € 10.1 million in the corresponding period of the previous year. As in the previous year, the Micro-optics business, which generated external order entry of € 11.4 million (previous year: € 10.9 million) as well as an increase in external sales from € 9.9 million to € 11.6 million, accounted for the largest share of sales and order entry. The EBIT of the Others division amounted to € -0.8 million (previous year: € -2.1 million). Of this amount, € 3.3 million (previous year: € 1.8 million) was attributable to SUSS MicroOptics.

KENNZAHLEN SONSTIGE

<i>in € million</i>	2017	2016
Order entry	11.7	11.2
Division sales	11.9	10.1
EBIT division earnings	-0.8	-2.1
Net assets	18.3	20.9

DEVELOPMENT IN THE MOST IMPORTANT REGIONS

Asia, EMEA (Europe, Middle East, Africa), and North America are important regions of the world for SUSS MicroTec's business. Since 2016, due to the negligible nature of sales in Japan, they are aggregated with other sales in the Asia region.

The EMEA and Asia regions recorded significantly higher order entry in the 2017 fiscal year than in the 2016 fiscal year. Order entry in the EMEA region increased by 5.2 percent to € 40.1 million. In Asia, growth in order entry was significantly higher with a gain of approximately 57.6 percent to € 140.7 million. Accounting for more than 70 percent of the Group's order entry, Asia remains the most important sales region for SUSS MicroTec. In the North America region, SUSS MicroTec recorded a decline in order entry in the past fiscal year. It fell from € 33.7 million to € 19.5 million, representing an decrease of 42.1 percent. Most of the Company's growth in the Asia region was attributable to order entry for several temporary bonding systems. In addition, it was possible for all three divisions to record growth, particularly as a result of high order entry in the fourth quarter of 2017.

If one considers the overall decline in sales from the previous year, there was slight growth only in the North America region. North America recorded an increase in sales of 4.8 percent to € 26.6 million. The EMEA and Asia regions recorded 10.0 percent and 7.3 percent lower sales compared to the previous year. The main reason for lower sales in Asia was the lack of sales of UV projection scanners compared to 2016. In sum, higher sales of Bonders and slightly higher sales of mask aligners were not sufficient to fully offset the decline in sales of coaters/developers and UV projection scanners.

ASSETS AND FINANCIAL POSITION

SUSS MicroTec is characterized by a stable assets and financial position

The Group's net cash position – the balance of cash and cash equivalents and financial liabilities – increased from € 31.1 million in the previous year to € 33.0 million as of December 31, 2017. The amount of cash increased from € 35.6 million in the previous year to € 36.5 million at the end of the reporting year. Financial liabilities decreased as planned by € 1.0 million to € 3.5 million.

Cash flow from operating activities totaled € 9.4 million (previous year: € -5.5 million). The reason for the significant positive cash flow from operating activities compared to the previous year was in part high inflow of liquidity from customer down payments totaling approximately € 18.1 million. Reporting date-related higher trade payables of € 5.8 million were another factor that had a positive impact on the cash flow. In addition, cash flow from operating activities was positively affected by annual earnings, the (reporting date-related) reduction in customer receivables, and the increase in tax liabilities. However, a significant negative effect of approximately € -28.2 million was recorded as a result of the very strong build-up of inventories (particularly materials, auxiliary supplies, and finished goods) in response to high order backlog.

Cash flow from investing activities amounted to € -6.5 million (previous year: € -3.6 million); of this amount, approximately € 6.0 million related to investments in property, plant and equipment. Cash outflows of approximately € 1.1 million were recorded for the modernization of an application cleanroom at the Sternenfels site as of the end of 2017. An additional € 1.9 million was invested in cleanroom expansions and renovations at SUSS MicroOptics, Hauterive, Switzerland. Approximately € 0.5 million were spent for other renovations and modernizations of buildings in Garching and Sternenfels. The production sites also acquired test stations, tools, and technical equipment for approximately € 1.3 million and hardware for € 0.4 million. The remaining investments primarily involved tools, operating and office equipment, software, and licenses.

ORDER ENTRY BY REGION in %



SALES BY REGION in %



Free cash flow therefore amounted to € 2.9 million. In the previous year, free cash flow of € -9.1 million was generated.

Cash flow from financing activities amounted to € -1.0 million (previous year: € -4.6 million), resulting almost exclusively from planned repayments of a total of € 1.0 million for the bank loan of SUSS MicroTec SE, which serves to finance the business property in Garching. The premature full repayment of the bank loan of the former SUSS MicroTec AG, which served to finance the business property in Sternenfels, was reflected here in the previous year. As of December 31, 2015, this loan still had a loan status of € 3.6 million and was fully repaid in June 2016.

Aside from cash of € 36.5 million (previous year: € 35.6 million), the Group had domestic guarantee and credit lines of € 8.25 million (previous year: € 5.25 million) at the end of the reporting year. Of these, guarantee lines of € 3.0 million ran until December 31, 2017. In the reporting year, the lines were utilized exclusively in the form of guarantees. Most of them involved down payment guarantees. As of the reporting date, utilization amounted to € 3.4 million.

Overall, the Group has sufficient financial leeway to finance necessary product developments and other strategic activities.

In addition to goodwill, business properties in Garching and Sternenfels account for the bulk of noncurrent assets.

Goodwill amounts to € 15.6 million (previous year: € 15.8 million). A part of goodwill (US\$ 2.4 million) is denominated in US dollars and therefore is subject to currency fluctuations. The entire amount of goodwill is assigned to the Lithography division.

As of December 31, 2017, capitalized development costs had a carrying amount of € 0.1 million (previous year: € 0.2 million), which was completely attributable to the Lithography division. They play only a subordinate role for the assets position of the Group.

In addition, noncurrent assets encompassed licenses and patents as well as the SAP system activated at SUSS MicroTec SE, with a total carrying amount of € 1.9 million (previous year: € 2.4 million). They were composed of € 0.9 million (previous year: € 1.2 million) for the Lithography, Bonder, and Photomask Equipment divisions and € 1.0 million (previous year: € 1.2 million) for the Others division. Furthermore, the technology obtained as part of the Photonic Systems acquisition, which carried a residual book value of € 0.6 million as of the reporting date (previous year: € 1.0 million), was recognized under intangible assets and attributed to the Lithography division. The technology is denominated in US dollars and will be subject to amortization over eight years.

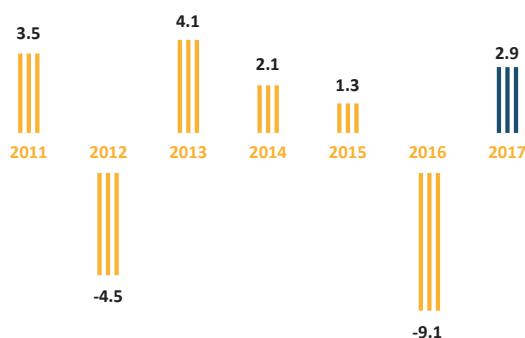
The two business properties in Garching and Sternenfels, which carried a residual book value of € 15.1 million at the end of the year (previous year: € 13.9 million), accounted for the largest share of tangible assets. SUSS MicroTec Lithography GmbH, SUSS MicroTec Photomask Equipment GmbH & Co. KG, and SUSS MicroTec SE are located there.

The remaining tangible assets are less significant for the assets position of the Group, as it does not typically rely on cost-intensive production equipment.

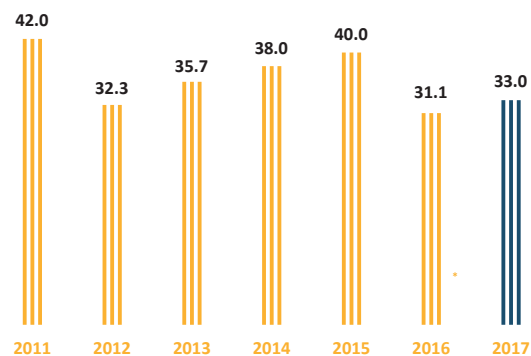
The book value of tangible assets changed only slightly from the previous year.

Deferred tax assets amounted to € 0.7 million as of the reporting date, after € 2.2 million in the previous year. These were reduced largely as a result of the change in deferred tax assets on differences in the valuation of inventory and intangible assets. As of December 31, 2017, the German companies had no tax loss carryforwards. In 2017, the subsidiary in France had completely utilized the loss carryforwards that were still available. Deferred tax assets were recognized to a limited extent for the subsidiary in South Korea, in view of the current Group budget for 2017. However, as in previous years, no deferred tax assets for loss carryforwards were recognized for the loss carryforwards of the U.S. companies and the subsidiary in Japan.

FREE CASHFLOW in € million



NET CASH in € million



Current assets rose by € 22.4 million in the reporting year to € 159.2 million. This increase was primarily attributable to much higher inventory reserves at the end of the year. In addition, the amount of cash and cash equivalents increased slightly.

Inventories increased from € 73.8 million as of the previous year's reporting date to € 97.9 million as of the end of the year. The increase was due in part to the inventory of tools amounting to around € 12.0 million, which had already been delivered to customers but for which final acceptance (and therefore recognition in sales) was still outstanding. The inventories of unfinished goods increased by € 4.0 million, while materials and auxiliary supplies increased by € 6.9 million. Furthermore, inventories of demonstration machines increased by € 1.8 million.

Trade receivables decreased from € 24.1 million in the previous year to € 19.6 million. The decline was primarily due to the reporting date.

The amount of cash and cash equivalents increased from € 35.6 million to € 36.5 million.

The rise in other assets from € 2.8 million in the previous year to € 4.6 million at the end of the year was primarily attributable to higher VAT receivables, which arose due to the reporting date.

Noncurrent liabilities decreased from € 8.3 million to € 7.2 million. Noncurrent liabilities included, on the one hand, financial liabilities, which totaled € 2.5 million in the fiscal year (previous year: € 3.5 million). On the other hand, the SUSS MicroTec Group's pension obligations, which were recognized as a liability amounting to € 4.7 million (previous year: € 4.8 million) at the end of the year, are also included here. The decline in financial liabilities reflected the planned repayment of the loan to finance the acquisition of land in Garching, which totaled € 1.0 million.

Current liabilities recorded a significant increase from € 46.9 million in the previous year to € 67.7 million as of the reporting date. The customer down payments included here rose significantly, amounting to € 40.3 million as of the end of the fiscal year (previous year: € 22.6 million). Trade payables recorded a reporting

date-related increase from € 3.4 million in the previous year to € 7.3 million. Other financial liabilities increased from € 5.4 million to € 6.7 million due to higher obligations for premiums and commissions. By contrast, provisions declined from € 5.2 million to € 2.7 million. The high provisions from the previous year included a total of approximately € 2 million for the restructuring of sales in Japan and a severance payment for a Management Board member. Both liabilities no longer existed as of the end of 2017.

The shareholders' equity of the SUSS MicroTec Group has grown since December 31, 2016, by € 2.6 million to € 127.0 million. The equity ratio fell compared with the previous year from 69.2 percent to 62.9 percent

CAPITAL EXPENDITURE

Targeted capital expenditure strengthens the Company

SUSS MicroTec SE is the owner of the business properties in Garching and Sternenfels, where the Company headquarters as well as the offices of SUSS MicroTec Lithography GmbH and SUSS MicroTec Photomask Equipment GmbH & Co. KG are located. SUSS MicroTec SE continuously invests in the Company buildings at both sites in order to maintain them in state-of-the-art condition.

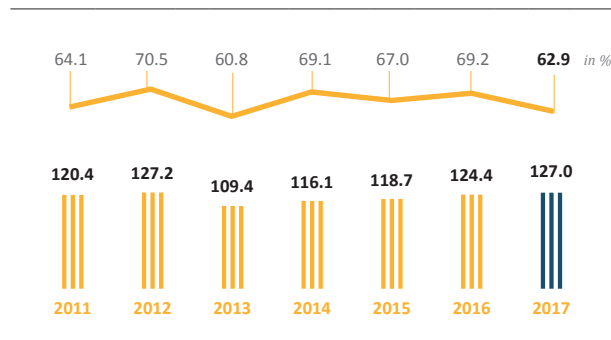
Due to the structure of the Company, investments in technical equipment and machinery are not a significant component of its development. Fundamental value is added through the design, assembly, and alignment of components, as well as the corresponding software management. These activities do not require any capital expenditure-intensive equipment and tools.

It is assumed that the investments in tangible assets will be within the range of approximately two percent of sales in the long term. The only exception is the Micro-optics product line included in the Others division. This product line involves small-scale production, which requires corresponding production tools.

Intangible assets were recognized for development costs that satisfy the IFRS requirements for capitalization. Therefore, a portion of capital expenditure is to be allocated to intangible assets.

SUSS MicroTec SE is the owner of the Group-wide SAP system, which is used by the German companies as well as by SUSS MicroTec, Inc. (Corona, USA), SUSS MicroTec Photonic Systems Inc. (Corona, USA), and SUSS MicroTec (Taiwan) Company Ltd. (Hsinchu, Taiwan).

SHAREHOLDERS' EQUITY in € million AND EQUITY RATIO in %



EMPLOYEES

The employees and their knowledge and expertise are a significant part of the Company's value. Our business is characterized by internationality, global positioning, and cultural diversity. We have employees distributed around the globe in development, production, administration, sales, and service, who constitute an important network for the exchange of knowledge across locations as well as intercultural collaboration. We work in flat hierarchies with short decision-making processes and enable our employees to play an active role and to develop in accordance with their abilities and preferences. The motivation, knowledge, and flexibility of our employees are important prerequisites for the long-term success of the Company.

As of the end of the 2017 fiscal year, the Group had 779 employees (previous year: 711). In the entire Company, 34 apprentices were employed in commercial and technical areas as of December 31, 2017 (2016: 30). The Company has collaborated with universities and research institutes for many years to bring the name and significance of SUSS MicroTec to the attention of talented graduates and up-and-coming talent as early as possible in order to ensure the successful existence of the Company.

Since the 2017 fiscal year, listed companies have been obligated to issue a nonfinancial declaration. Therefore, SUSS MicroTec prepares a separate nonfinancial report that presents issues facing the Company. This report is published together with the Management Report in the Federal Gazette, as a supplement to the Annual Report, and on the Company website. In this report, SUSS MicroTec presents the concerns of employees as well as goals and measures being taken to achieve them.

As a result of the law for the equal participation of women and men in management positions in the private and public sectors (Section 76 (4) and Section 111 (5) of the German Stock Corporation Law (AktG)), which went into effect in May 2015, certain companies are obligated for the first time to set targets for the share of women in both the Supervisory Board and the Manage-

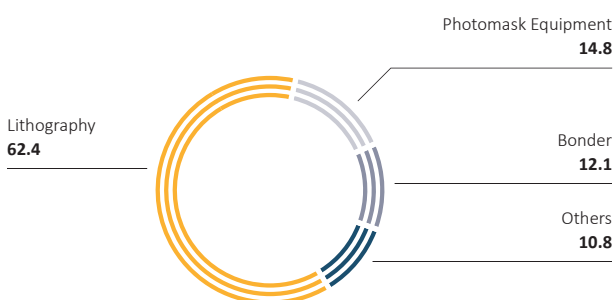
ment Board and at the next two management levels. In addition, a deadline must be set for achieving the respective share of women.

For the German Group companies, the Management Board of the former SUSS MicroTec AG decided on September 2, 2015, to set a respective target for the share of women of 20 percent and an implementation deadline of June 30, 2017, for both the first and second management levels below the Management Board. As of June 30, 2017, the established target for the first management level below the Management Board was exceeded, since the share of women at this time amounted to 27.3 percent and had significantly increased from a share of women at the time of the resolution on September 2, 2015, of 18 percent. The share of women at the second management level below the Management Board also increased in the period from September 2, 2015, to June 30, 2017, from 14 percent to 19.2 percent, even though the target of 20 percent set for this second management level could not quite be reached. There are no specific reasons for the very slight deviation from the target at the second management level.

On June 30, 2017, the first implementation deadline, the Supervisory Board of SUSS MicroTec AG approved a target of 25 percent for the share of women in the Supervisory Board, with an implementation deadline of June 30, 2022. For the share of women in the Management Board of SUSS MicroTec AG, the Supervisory Board approved a target of 0 percent, with the same implementation deadline of June 30, 2022.

As of December 31, 2017, the established target for the first management level below the Management Board was exceeded since the share of women at this time amounted to 30.0 percent. The share of women at the second management level below the Management Board also increased in the period until December 31, 2017, to 22.2 percent, thereby above the target ratio. As of December 31, 2017, the share of women was 25 percent in the Supervisory Board and 0 percent in the Management Board. These resolutions continue to apply unchanged to SUSS MicroTec SE after the transition.

EMPLOYEES BY DIVISION IN 2017 in %



EMPLOYEES BY REGION IN 2017 in %

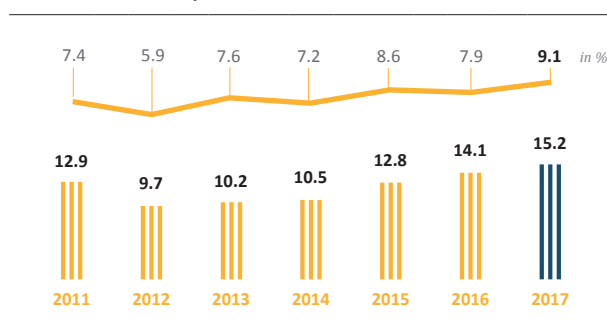


RESEARCH AND DEVELOPMENT

Research and development expenditures increased again from € 14.1 million in the previous year to € 15.2 million, which corresponds to an expense ratio of 9.1 percent (previous year: 8.0 percent) in relation to sales in the 2017 fiscal year. Of the expenditures, € 10.0 million (previous year: € 8.7 million) related to the Lithography division and € 2.8 million (previous year: € 2.7 million) applied to the Bonder division. € 1.4 million (previous year: € 1.4 million) was attributable to the Photomask Equipment division. The Others division recorded an expense of approximately € 1 million in 2017.

At the end of 2017, 160 employees – almost a fifth of the employees of SUSS MicroTec – were employed in the area of research and development (previous year: 153 employees).

**RESEARCH AND DEVELOPMENT (R&D) in € million
AND R&D RATIO in % of sales**



Lithography

The largest division combines the product lines mask aligners, UV projectors, laser processing, and coaters and developers.

Mask Aligner – In the mask aligner product line – one of our main product lines – tools and processes are continuously being optimized. In the past fiscal year, the first installation of the fourth generation of the MA/BA 6/8 was completed in a very short time. Additional tools were successfully installed and accepted at customers’ facilities over the course of the fiscal year. The Company succeeded in creating a completely new software platform through the adoption of agile software development, requirements management, the use of modern testing tools, and a strong focus on quality. Above all, our customers appreciate the easy use, short installation times, and seamless operation. If necessary, the MA/BA Gen4 can now also be equipped with the innovative LED lamp housing for mask aligners. In April 2016, SUSS MicroTec became the first manufacturer in the market to offer a semi-automated mask aligner with an environmentally friendly UV LED lamp housing. The sustainable UV LEDs offer a highly energy-efficient and maintenance-free light source that is extremely long-lasting. Now, the LEDs need to be switched on only during the actual exposure process so that energy-wasting continuous operation of the UV lamp can be avoided.

In addition to the overall good sales in the lithography business, 2017 was characterized by the successful delivery of a large order for mask aligners with options for wafer-level optic (WLO) imprint and UV stacking (UV bonding assembly of WLO substrates). In order to accomplish this, numerous software modifications were made for the customer besides chuck and application development in order to simplify the handling of manual tools in high-volume production.

To avoid electrostatic discharges in the customer material and thus reduce scrap rates, the development of an ESD (electrostatic discharge) handling solution for the automatic mask aligner was begun in the 2016 fiscal year. The ESD solutions offered by SUSS MicroTec are available for new machines and as an upgrade for existing machines. In the 2017 fiscal year, the focus was on the further development of this technology for our automated tools, particularly for the MA200.

UV Projection Scanner – This product line is manufactured at the Corona, USA, location. The focus of R&D work is on the development of a new platform of the DSC300 Gen3 projection scanner. The crux of the innovations is an optical enlargement or reduction of the projection image in order to compensate for any shifting of chips that occurs particularly during the fan-out wafer-level packaging process. Through the additional use of an innovative wafer stage, the DSC300 Gen3 achieves an overlay in the sub-µm range, thereby catching up with steppers. Additional innovations are improved resolution through the use of a larger numerical aperture, higher process consistency by controlling the depth of focus, as well as the optional availability of infrared alignment. The new DSC300 Gen3 offers an approximately 40 percent higher throughput and, at a rate of more than 80 wafers per hour, is by far the fastest fully automated illumination system in its class, while also boasting a favorable price. The market launch of the DSC300 Gen3 is scheduled for 2018.

Excimer Laser Ablation Systems – These tools, which are also produced in Corona, USA, enable the direct patterning of fine architecture and connection lines, whereby cost-effective non-photosensitive materials can be used, and the number of processing steps is reduced by up to 50 percent. Along with several cooperative agreements with research institutes for durability and stress testing of patterns produced in this manner, as well as cooperative agreements with materials manufacturers to develop special materials for laser ablation, an innovative 300W production laser was qualified that reduces the costs of the tool and thereby the costs of the created patterns significantly. In a second development step, two of these innovative excimer lasers will be operated in parallel, which will lead to a significant increase in throughput.

Coaters and Developers – In the segment of coater and developer equipment, the focus was on the qualification of the new ACS300 Gen3 platform for copper pillars and fan-out wafer-level packaging (FO-WLP) applications at important foundry and outsourced assembly and test (OSAT) facilities in Asia.

In addition, in the key area of dispensing systems, SUSS MicroTec's proprietary pump system for photo resists and adhesive systems for temporary bonding were further developed and qualified across platforms. User-friendly, intelligent control software was developed for this pump system that enables automatic calibration, thereby considerably simplifying the set-up. A self-learning algorithm ensures that the dispensing rates and volumes are automatically monitored and readjusted in order to achieve ideal long-term stability.

In the MEMS area, a new spray coating module was developed for the ACS200 Gen3 tool platform that enables an up to 50% increase in throughput with a simultaneous improvement in layer quality.

Bonder

This division is divided into the two sub-areas of permanent and temporary bonding.

In the area of temporary bonding, a new laser debonder, based on the existing XBC300 Gen2 platform, was developed with integrated modules for lifting carrier wafers and removing adhesive residue with adhesive film. The new procedure will be used in 3D TSV technology and related areas. In parallel to tool development, corresponding adhesive systems were developed for the new procedure in cooperation with leading materials manufacturers.

The focus of the development activities in the area of permanent bonding was on the further development of the new automated XBS200 platform for permanent bonding procedures for MEMS, RF, and LED applications. The XBS200 platform was introduced in the market in March 2017 with an initial configuration for thermal compression bonding processes. Along with an innovative transport mechanism for the transfer of aligned wafers from the bond aligner to the actual bond chamber, an innovative laser pre-bonding method was developed for the XBS200, with which the wafers can be prefixed following alignment in the bond aligner module. This results in an improvement in post-bond alignment following the thermal compression bonding process, whereby more sensors can be installed on the wafer. This new procedure can be applied both to pure glass-silicon bonding and silicon-silicon bonding with intermediate metal layers, which are typically used for MEMS sensors in automotive and consumer areas. In the second half of the year, the development of additional processing modules for the XBS200 was launched in order to expand the application range of the platform to direct bonding procedures.

As in previous years, the longstanding and successful development partnership with the imec research institute in Belgium continued in the 2017 fiscal year. In this context, both direct bonding procedures for MEMS and CMOS image sensor (CIS) applications and temporary bonding procedures for fan-out wafer-level packaging (FO-WLP) applications were refined.

Photomask Cleaning

In the interim, extreme ultraviolet lithography (EUVL) has demonstrated itself to be a groundbreaking and required technology for the 7/5-nm half-pitch (HP) technology node. Therefore, further progress was intensively pursued with various R&D projects in the Photomask Equipment division. A critical factor is the application of a EUVL pellicle (protective coating), which, as is the case with the most commonly used 193i lithography today, protects the active side of the photomask from particles and defects and thus prevents subsequent imaging errors on the wafer. Due to the intrinsic characteristics of this EUVL-compatible pellicle, corresponding measures must be taken with the recurring cleaning of the back of EUV masks, where the pellicle ideally remains on the front of the mask, to ensure that the pellicle remains intact during handling or cleaning. Within the scope of the European joint project SeNaTe (seven nanometer technology), SUSS MicroTec developed an initial prototype of a special bracket for its MaskTrack PRO mask cleaning equipment that enables the pellicle to remain on the photomask during the process of cleaning the back of the photomask without it being damaged or contaminated. In mid-2017, this option was integrated into a MaskTrack X system in the USA that was specially designed for EUVL. This technology has now been in the evaluation phase since the end of the year. The corresponding initial results regarding the impact of cleaning the back on the front side are expected at the end of the first quarter of 2018.

In addition, the MaskTrack X Gluebuster system, which was similarly installed in the USA for evaluation, was connected to a MaskTrack X system for the first time. This system provides a sulfate-free method for the localized removal of adhesive residues that remain on the front of the photomask during the pellicle dismantling process. Overall, this results in preserving the integrity of the photomask and prolonging its life cycle. This system has been undergoing qualification since the third quarter, which should be completed by March 2018. Based on the insights already gained in this process, the optimized production of a series type has been launched, which is then planned to be released immediately afterward.

The optimization of TransSonic technology has been completed for both optical lithography and EUVL. This involves a method for introducing acoustic energy on the back side of the mask while cleaning the front side. In particular, this enables the dedusting of the tiniest particles, < 20nm, from extremely fine patterns without damaging them. In addition, TransSonic supports the simultaneous cleaning of the back side, particularly of EUV masks, which results in shortening processing times and thereby means higher system throughput.

In the area of development processes, dual curtain ASONIC technology has produced the latest generation of nozzles for wet chemistry development processes in photomask manufacturing. This new nozzle will generate the increased exchange of the development medium on the mask surface, compensating for the pattern-loading effect. An increase in the number of transducers also leads to a more homogeneous result from the development process.

In the area of nanoimprint technology, the initial version of an integrative module for cleaning mesa patterns on nanoimprint lithography (NIL) templates was developed in 2017. This will become a future component of the lithographic imprint system of an external manufacturer. Its evaluation is expected to be completed by mid-2018.

THE HOLDING COMPANY – SUSS MICROTEC SE

The holding company is responsible for the steering and management of the SUSS MicroTec Group. It determines the strategic orientation in coordination with the operational units. The holding company is also responsible for investor relations, Group-wide finance, and marketing. Furthermore, the holding company assumes the financing of strategically important development projects of the operating subsidiaries.

SUSS MicroTec SE is generally the sole shareholder of the companies included in the consolidated financial statements. The holding company has provided loans only to companies within the Group. The earnings position of the holding company as an individual company is not directly dependent on the development of the Company's markets. The holding company is primarily refinanced by allocating costs to the operating companies, by leasing the buildings at the Garching and Sternenfels sites to subsidiaries, through interest income from loans to subsidiaries, and through existing profit and loss transfer agreements.

PRESENTATION OF THE KEY FINANCIAL FIGURES OF THE HOLDING COMPANY

in € thousand	SUSS MicroTec SE (HGB)			
	2017	2016	Change	in %
Annual net profit / loss	2,712	-9,500	12,212	-
Shareholders' equity	80,861	78,148	2,713	3
Total assets	115,254	124,834	-9,580	-8
Equity ratio in %	70	63		
Noncurrent assets	70,298	67,574	2,724	4
% of total assets	61	54		
Current assets (incl. deferred items)	44,956	57,260	-12,304	-21
% of total assets	39	46		

SIGNIFICANT CHANGES IN THE ASSETS AND FINANCIAL POSITION

Intangible assets amounted to € 1.0 million (previous year: € 1.4 million) as of the reporting date.

Shares in affiliated companies were recognized as € 47.5 million (previous year: € 47.5 million) as of the reporting date.

In the 2017 fiscal year, increases in capital stock amounting to € 7.6 million were carried out at SUSS MicroTec. Inc. (Corona, USA). A write-down of around € 7.6 million on the recognized value of this investment had an offsetting effect.

Loans to affiliated companies increased by approximately € 1.9 million to a carrying amount of € 6.3 million. No additional loan payments were made to SUSS MicroTec Photonic Systems Inc. Corona (USA), in the fiscal year. In the course of a capital restructuring of loan claims fully adjusted in previous years, SUSS MicroTec SE declared that it would waive a loan amounting to US\$ 15 million (€ 12.5 million). As of December 31, 2017, the loan came to a nominal amount of US\$ 14.5 million (previous year: US\$ 29.5 million) and had a carrying amount of € 2.8 million.

The loan granted to SUSS MicroTec KK (Yokohama, Japan), in the amount of JPY 775 million (previous year: JPY 775 million) had a carrying amount of € 1.1 million as of December 31, 2017.

A loan granted in the fiscal year to SUSS MicroTec (Taiwan) Company Ltd. (Hsinchu, Taiwan) in the nominal amount of TWD 85 million had a carrying amount of € 2.4 million as of December 31, 2017.

Current receivables from affiliated companies declined by € 18.7 million to € 14.7 million. The increase was primarily due to the reporting date. This amount included receivables from profit transfers of SUSS MicroTec Lithography GmbH and SUSS MicroTec Reman GmbH as well as the equal-phase revenue recognition of SUSS MicroTec Photomask Equipment GmbH & Co. KG.

In the fiscal year, the liquidity position of SUSS MicroTec SE increased by € 4.8 million to € 27.3 million.

Liabilities to affiliated companies decreased by € 10.7 million to € 26.1 million in the fiscal year.

Bank borrowings declined over the course of 2017 by € 1.0 million. The decline resulted from planned repayments made amounting to € 1.0 million for a bank loan for financing the business property in Garching.

As a result of positive annual earnings, the Company's shareholders' equity increased from € 78.1 million to € 80.9 million.

SIGNIFICANT EVENTS WITH INFLUENCE ON THE EARNINGS POSITION OF THE HOLDING COMPANY

In the annual financial statements of SUSS MicroTec SE under commercial law, a net profit of € 2.7 million was generated in the 2017 fiscal year (previous year: loss for the year of € 9.5 million).

The sales of the holding company amounted to € 9.0 million (previous year: € 9.3 million), primarily encompassing invoices billed to the subsidiaries for management services, marketing, and insurance. Sales also included charges for the Group-wide SAP system, rental income, and license fees.

Other operating income primarily includes foreign currency gains totaling € 1.8 million (previous year: € 1.2 million).

Apart from current administrative expenses, other operating expenses included foreign currency losses of € 1.6 million (previous year: € 1.6 million).

As a result of the profit and loss transfer agreement with SUSS MicroTec Lithography GmbH (Garching, Germany), which remained in effect until January 1, 2011, income from a profit transfer of € 9.1 million (previous year: € 11.7 million) was recognized at the holding company. As a result of the profit and loss transfer agreement with SUSS MicroTec REMAN GmbH (Oberschleissheim, Germany), which was concluded in the 2008 fiscal year, income from a profit transfer of € 0.7 million (previous year: € 1.2 million) was recognized at the holding company. Income from investments of € 2.5 million (previous year: € 2.3 million) continued to be recognized from the equal-phase revenue recognition of SUSS MicroTec Photomask Equipment GmbH & Co. KG. In addition,

the holding company generated investment income of approximately € 1.7 million from dividend distributions of SUSS MicroTec (Taiwan) Company Ltd. (Hsinchu, Taiwan).

Income from loans from financial investments included interest income for long-term loans that were granted to the subsidiaries SUSS MicroTec Photonic Systems Inc. (Corona, USA) and SUSS MicroTec KK (Yokohama, Japan).

Financial investments were written down by € 8.2 million (previous year: € 22.8 million). Of this amount, € 7.6 million related to the investment in SUSS MicroTec, Inc. (Corona, USA). € 0.1 million and € 0.5 million, respectively, related to write-downs on non-current loans granted to SUSS MicroTec (Taiwan) Company Ltd. (Taiwan) and SUSS MicroTec KK (Yokohama, Japan), reflecting changes in exchange rates.

Interest expense decreased in the fiscal year by € 0.1 million, which was primarily attributable to the previous year's premature repayment in full of the bank loan to finance the business property in Sternenfels.

SUSS MicroTec SE had an average of 20 employees in the 2017 fiscal year (previous year: 19).

The short and medium-term development of SUSS MicroTec SE mainly depends on how the financial and earnings position of important subsidiaries develops. The financial and earnings position of the subsidiaries is critical for the level of the interest-bearing net financing balance of the holding company and the distribution and transfer of profits to the proprietary company. In addition, earnings are influenced by foreign currency effects that result primarily from changes in the exchange rates of USD, JPY, and CHF relative to the euro. For the financial year 2018, SUSS MicroTec SE expects earnings to be at the previous year's level, before considering the financial results from financial assets.

DISCLOSURES OF TAKEOVER PROVISIONS IN ACCORDANCE WITH SECTION 289A GERMAN COMMERCIAL CODE (HGB) AND SECTION 315A HGB

1. Composition of subscribed capital

As of December 31, 2017, the subscribed capital of the Company totaled € 19,115,538.00 (previous year: € 19,115,538.00). The equity capital is divided into 19,115,538 (previous year: 19,115,538) registered, no-par-value individual shares representing a pro rata amount of € 1.00 per share. The shares are fully paid in.

The same rights and obligations apply to all shares. Each share confers one vote at the Shareholders' Meeting and determines the shareholders' portion of the Company's profits. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Law (AktG), in particular by Sections 12, 53a ff., 118 ff. and 186 AktG.

In accordance with Section 67 (2) AktG, a shareholder in relation to the Company is only someone who is entered as such in the shares registry. Shareholders must provide the Company with the information necessary to be included in the share registry.

2. Restrictions with regard to voting rights or the transfer of shares

There are no restrictions with regard to voting rights or the transfer of shares, as stipulated by the articles of incorporation. We are also not aware of the existence of such agreements between shareholders.

3. Investments in capital that exceed 10 percent of the voting rights

Direct or indirect investments in capital that reach or exceed 10% of the voting rights have not been reported to us and are also not known to us.

4. Shares with extraordinary rights that grant controlling authority

Shares with extraordinary rights that grant controlling authority do not exist.

5. The nature of voting rights control when employees have a stake in the Company's capital and do not exercise their control rights directly.

When SUSS MicroTec SE issues shares to its employees through the employee stock program, the shares are directly transferred to the employees. The beneficiary employees who hold shares of employee stock may exercise their control rights in the same way as any other shareholder directly in accordance with applicable laws and the articles of incorporation. There is currently no share program for employees.

6. Legal provisions and rules in the articles of incorporation for appointing members to the Management Board and asking them to step down as well as making changes to the articles of incorporation

The appointment and dismissal of members of the Management Board are stipulated in Sections 84 and 85 AktG. Accordingly, Management Board members may be appointed by the Supervisory Board for a maximum period of five years. A reappointment or extension of their terms is permitted for a maximum of five years. The Supervisory Board decides on the appointment and dismissal of Management Board members with a simple majority vote.

The Management Board consists of a minimum of two persons, whereby the number of Management Board members is determined by the Supervisory Board, in accordance with Section 7 (1) of the articles of incorporation. The Supervisory Board may appoint a member of the Management Board as the Chairman or Spokesman of the Management Board as well as a Deputy Chairman or Spokesman of the Management Board, in accordance with Section 84 AktG and Section 7 (2) of the articles of incorporation.

If a required member of the Management Board is absent, in urgent cases the member can be legally summoned upon petition by a concerned party, in accordance with Section 85 AktG. The Supervisory Board may revoke the appointment of a Management Board member and the nomination of the Chairman of the Management Board for good cause, in accordance with Section 84 (3) AktG.

Changes to the articles of incorporation require a resolution by the Shareholders' Meeting, in accordance with Section 179 AktG. The authority to make changes which pertain to the wording only is delegated to the Supervisory Board, in accordance with Section 17 (3) of the articles of incorporation.

Resolutions of the Shareholders' Meeting that change the articles of incorporation require a simple majority of the votes cast and a simple majority of the equity capital represented during the resolution, in accordance with Sections 133 and 179 AktG in conjunction with Section 26 (1) of the articles of incorporation, as long as the law does not prescribe a larger majority.

7.
Authority of the Management Board to issue or buy back shares

The Management Board is authorized to increase the Company's equity capital in the period through June 18, 2018, one or more times by up to a total of € 2,500,000.00 through the issuance of up to 2,500,000 new registered share certificates for cash or non-cash contributions (authorized capital 2013) with the approval of the Supervisory Board. The Management Board is also authorized to exclude the subscription rights of shareholders with the approval of the Supervisory Board and under certain conditions.

In addition, the Management Board is authorized, with the approval of the Supervisory Board, to acquire treasury shares of the Company up to a total of 10 percent of the equity capital existing at the time of the resolution in the amount of € 19,115,538.00 by June 18, 2018. At no time may more than 10 percent of the equity capital accrue to the acquired shares together with other treasury shares, which are owned by the Company or are attributable to it in accordance with Section 71a et seq. of the German Stock Corporation Law (AktG). The authorization may not be utilized for the purpose of trading in treasury shares. The acquisition may occur after the election of the Management Board via the stock exchange or by means of a public tender offer directed to all shareholders or of a public invitation to all shareholders to submit an offer for sale. The Management Board is authorized, with the approval of the Supervisory Board, to use the treasury shares acquired on the basis of this authorization for any legal purpose.

8.
Significant agreements on the part of the Company subject to a change of control resulting from a corporate takeover bid

There are bilateral credit relationships with Deutsche Bank AG, DZ Bank AG and Baden-Württembergische Bank. These relationships have different structures and conditions. Thus, a credit relationship contains a right to extraordinary cancellation if there is a change of control and the parties have not reached a timely agreement regarding proceeding under possibly different conditions, for example with respect to interest, security, or other arrangements.

There are no other significant agreements on the part of Süss MicroTec SE subject to the condition of a change of control resulting from a corporate takeover bid.

9.
Compensation agreements of the Company with Management Board members or employees in the event of a corporate takeover bid

No compensation or similar agreements exist with employees or members of the Management Board in the event of a corporate takeover bid.

In summary, no special rules exist with regard to the voting rights tied to shares or any control options resulting from this, either through the establishment of special stock categories or through restrictions on voting rights or transfers. There are no provisions extending beyond the legal regulations regarding the appointment of members of the Management Board or asking them to step down. Important business fields or activities of Süss MicroTec SE may not be discontinued due to existing change of control clauses in the event of a takeover bid.

GROUP DECLARATION REGARDING CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289F HGB AND SECTION 315D HGB

On March 8, 2018, the Management Board and Supervisory Board of SUSS MicroTec SE issued a joint Group declaration regarding corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and made it available on the Company's website at www.suss.com > *Investor Relations > Corporate Governance*

RELEVANT INFORMATION ON CORPORATE GOVERNANCE

The declaration regarding corporate governance in accordance with Section 289f of the German Commercial Code (HGB) is part of the condensed Management Report. In accordance with Section 317 (2) (4) HGB, the statements in accordance with Section 289f (2) HGB are not included in the audit; in this way, it should merely be determined in the course of the audit whether these statements were made. The corporate governance declaration contains the declaration of compliance, information on corporate governance practices, and a description of the working procedures of the Management Board and the Supervisory Board. In this manner, we are pursuing the goal of presenting corporate governance clearly and succinctly.

DECLARATION OF COMPLIANCE AND REPORTING ON CORPORATE GOVERNANCE

In accordance with Section 161 of the German Stock Corporation Law (AktG), the Management Board and Supervisory Board of a listed German stock corporation are required to declare at least once per year whether it has complied with and will continue to comply with the German Corporate Governance Code, or which recommendations of the Code have not been or will not be implemented, and why not. Based on extensive consultation, the Management Board and Supervisory Board declared on January 9, 2018, that the Company has complied and will continue to comply with the recommendations of the German Corporate Governance Code in the last version from February 7, 2017, with the following exceptions – a deductible for D&O insurance, vertical remuneration comparison, pension commitments, the creation of committees, and a term limit for membership in the Supervisory Board.

The wording of the current declaration of compliance as well as of all previous declarations regarding the Code are published on the Company's website at www.suss.com > *Investor Relations > Corporate Governance*.

COMPLIANCE

As an international entity, SUSS MicroTec is obligated to gain and retain the trust of customers and business partners via impeccable conduct. SUSS MicroTec regards it as an essential management responsibility to observe laws, regulations, internal corporate policies, and voluntary commitments, as well as to see to it that Group companies observe them as well.

Code of Conduct

In order to ensure consistent exemplary behavior and conduct, a Code of Conduct has been devised for SUSS MicroTec. It applies to all SUSS MicroTec employees equally and should serve as guidance for everyone. The Code of Conduct was revised most recently in the 2017 fiscal year and was sent once again to all employees of SUSS MicroTec to acknowledge. The Code of Conduct defines minimum standards and sets out guidelines for employees to help them handle and overcome ethical and legal challenges that might arise in their everyday work. Infractions will be investigated consistently and their causes remedied in the interest of all employees and SUSS MicroTec.

Compliance Handbook

In addition, the Group-wide compliance program is supplemented by the Compliance Handbook, various procedural regulations, and Company bylaws applicable to particular bodies. The Compliance Handbook is addressed to all Group employees for the purpose of ensuring proper and consistent conduct in the handling of confidential corporate data. In particular, it explains legal requirements prohibiting market manipulation and insider dealing. Individuals who work for SUSS MicroTec and, in accordance with regulations, have access to insider information in order to perform their duties at SUSS MicroTec are added to an insider list in accordance with the provisions of the German Securities Trading Law (WpHG). These individuals are notified of their consequent legal obligations as well as the legal consequences of violations. In addition, internal insider trading guidelines, which govern the trading in corporate securities by officers and employees with access to the Management Information System within specified time frames, elaborate upon legal provisions prohibiting insider dealings. The Compliance Manual was revised for grammar in 2017 and will be sent to all new employees to be acknowledged.

DESCRIPTION OF THE WORKING PROCEDURES OF THE MANAGEMENT AND SUPERVISORY BOARDS

Following its completed change in form into a *Societas Europaea* (SE), SUSS MicroTec SE continues to have a dual management and control structure, which is exercised by the members of the Management and Supervisory Boards. The corporate management of SUSS MicroTec SE is shaped by close and constructive cooperation between the Management and Supervisory Boards. Both Boards work together closely in the interest of the Company and with the common goal of increasing the enterprise value over the long term. The Management and Supervisory Boards are subject to their respective bylaws.

SUPERVISORY BOARD

The Supervisory Board monitors and consults the Management Board with regard to the management of the Company and appoints the members of the Management Board. The Supervisory Board discusses business development and planning as well as strategy and its implementation with the Management Board at regular intervals. It examines quarterly and interim reports and approves the annual financial statements of SUSS MicroTec SE and the Group, taking into account the results of the audit and reports from the auditor. Its responsibilities also include monitoring the Company's compliance with legal provisions, government regulations, and internal corporate policies. Significant business events – for example, acquisitions, divestments, and financial transactions – require its approval. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings, and looks after the body's interests externally. The Supervisory Board of SUSS MicroTec SE is not codetermined.

In accordance with the articles of incorporation, SUSS MicroTec SE's Supervisory Board consists of four members. During the ordinary Shareholders' Meeting of May 31, 2017, the decision was reached to expand the Supervisory Board of SUSS MicroTec from three to four members. As the German Corporate Governance Code recommends, the Supervisory Board has, in its judgment, an appropriate number of independent members. In particular, only one former member of the Management Board belongs to the Supervisory Board (this being Dr. Stefan Reineck) so that the impartial consultation and monitoring of the Management Board is assured. The Supervisory Board's term of office is five years. The current term ends upon conclusion of the ordinary Shareholders' Meeting in 2022.

Contrary to the recommendations of the Code, SUSS MicroTec SE's Supervisory Board refrains from creating committees. Instead, the Supervisory Board, which consists of four members, believes that the creation of committees would unnecessarily make cooperation and decision-making more difficult due to the number of board members.

MANAGEMENT BOARD

SUSS MicroTec SE's Management Board currently consists of three members. The members of the Management Board bear joint responsibility for management activities and decide on fundamental issues of business policy, as well as annual and multi-year planning. They develop the Company's strategy, coordinate this with the Supervisory Board, and ensure that it is carried out. The Management Board informs the Supervisory Board about business policy and all relevant issues related to planning, business development, risk position, risk management, and compliance on a regular, prompt, and comprehensive basis.

In addition, the Management Board is responsible for preparing the Company's quarterly and interim financial statements, SUSS MicroTec SE's annual financial statements, and the consolidated financial statements. Furthermore, the Management Board sees to the observance of legal provisions, government regulations, and internal corporate policies and acts to ensure compliance by employees of all Group companies.

REMUNERATION OF THE SUPERVISORY AND MANAGEMENT BOARDS

SUSS MicroTec SE complies with the recommendations of the German Corporate Governance Code to disclose remuneration of Management and Supervisory Board members on an individualized basis. The elements of the remuneration system are presented in the Remuneration Report, which is part of the condensed Management Report. In view of the "vertical remuneration structure" targeted by the Corporate Governance Code, SUSS MicroTec SE declares a deviation from the Code as a precaution, since the Supervisory Board is of the opinion that determining senior management and the relevant staff, taking the trend over time into account, can lead in practice to substantial legal uncertainties.

DIRECTORS' DEALINGS

Individuals who exercise management responsibilities at SUSS MicroTec SE, including, in particular, the members of the Management Board and the Supervisory Board, are legally obligated, in accordance with Article 19 of the European Market Abuse Regulation (MAR), to disclose their own transactions with shares of SUSS MicroTec SE or corresponding financial instruments, particularly derivatives, insofar as the value of the transactions that a member of the Company and persons associated with him/her has carried out within the calendar year reaches € 5,000 by the end of the calendar year.

All securities transactions requiring disclosure have been published in accordance with legal regulations and can be viewed by the general public on the Company's website at www.suss.com > *Investor Relations* > *Corporate Governance* > *Directors' Dealings*. As of December 31, 2017, members of the Management and Supervisory Boards hold 0.44 percent (84,720 out of 19,115,538 voting rights) of SUSS MicroTec SE's equity capital.

SETTING TARGETS TO PROMOTE THE PARTICIPATION OF WOMEN IN LEADERSHIP POSITIONS IN ACCORDANCE WITH SECTION 76 (4) AND SECTION 111 (5) OF THE GERMAN STOCK CORPORATION ACT (AKTG)

As a result of the law for the equal participation of women and men in management positions in the private and public sectors (Section 76 (4) and Section 111 (5) of the German Stock Corporation Law (AktG), which went into effect on May 1, 2015, listed companies like SUSS MicroTec SE were obligated, inter alia, to set targets for the share of women in both the Supervisory Board and the Management Board and at the next two management levels. In addition, a deadline needs to be set for achieving the respective target.

In order to implement the aforementioned obligation, on September 7, 2015, the Supervisory Board of SUSS MicroTec AG decided to set a target of 0 percent for the share of women in the Supervisory Board, as well as for the share of women in the Management Board of SUSS MicroTec SE. The share of women of the Management Board remained unchanged at 0 percent until June 30, 2017, and thereby corresponds to the established target. However, by virtue of the election of Dr. Myriam Jahn as a member of the Supervisory Board by the Shareholders' Meeting on May 31, 2017, the share of women in the Supervisory Board increased to 25 percent from a target of 0 percent.

For the German Group companies, the Management Board of SUSS MicroTec AG decided on September 2, 2015, to set a respective target for the share of women of 20 percent and an implementation deadline of June 30, 2017, for both the first and second management levels below the Management Board. As of June 30, 2017, the established target for the first management level below the Management Board was exceeded, since the female share at this time amounted to 27.3 percent and had significantly increased from a share of women at the time of the resolution on September 2, 2015, of 18 percent. The share of women at the second management level below the Management Board also increased in the period from September 2, 2015, to June 30, 2017, from 14 percent to 19.2 percent, even though the target of 20 percent set for this second management level could not quite be reached. There are no specific reasons for the very slight deviation from the target at the second management level.

The first and second management levels below the Management Board are composed according to the organizational structure at SUSS MicroTec. The first management level consists of employees with managerial responsibility for other employees and report directly to a member of the Management Board. The second level consists of employees who manage other employees and report to the first management level.

On June 30, 2017, the first implementation deadline, the Supervisory Board of SUSS MicroTec AG approved a target of 25 percent for the share of women in the Supervisory Board, with an implementation deadline of June 30, 2022. For the share of women in the Management Board of SUSS MicroTec SE, the Supervisory Board approved a target of 0 percent, with the same implementation deadline of June 30, 2022.

On June 30, 2017, the Management Board of SUSS MicroTec AG approved a target of 30 percent for the share of women at the first management level below the Management Board, with an implementation deadline of June 30, 2022, as well as a target of 20 percent for the share of women at the second management level below the Management Board, with an implementation deadline of June 30, 2022. The decisions on the target for the share of women continue to also apply to SUSS MicroTec SE after the successful transformation.

DIVERSITY CONCEPT

The composition of the Supervisory Board and the Management Board of SUSS MicroTec SE is designed to ensure that the Company develops positively with regard to sustainable profitability and to ensure the continuous adaptation to rapidly changing requirements on the basis of relevant expertise. Sufficient diversity of expertise among the members of the Management Board and the Supervisory Board will generate a broad spectrum of experience and varying perspectives that can be used to the benefit of the Company.

SUSS MicroTec SE is a technology-oriented Company that is aligned with the global market and that must compete and develop in a very dynamic and technologically demanding environment. The diversity concept for appointments to management and governance bodies requires, on the one hand, a distinct ability to make assessments regarding technology, as well as relevant knowledge of markets on an international scale in order to be able to assess trends and developments in our very dynamic markets with foresight and reliability. On the other hand, particularly for the Management Board, importance is placed not only on a profound understanding of technology but also on knowledge of and experience in strategic corporate development, the capital markets, accounting, and human resources.

In addition to this key expertise, the Company expects Supervisory Board members and candidates to have broad experience in other areas that complement the optimal composition of the Supervisory Board. Consequently, it is the objective of the Supervisory Board not only to attract individuals who are experienced financial experts but also to cover these areas as well. In addition to subject matter expertise, Supervisory Board members should have the ability to handle complex situations and the social expertise to cooperate constructively within the body and with the Management Board. In appointing members to the Supervisory Board, the Company strives for a balance between members with many years of industry and market experience in the semiconductor equipment sector and members who contribute expertise outside the industry, in the areas of new media and digital trends.

In setting targets and criteria for the composition of the Supervisory Board, the decision was made in 2016 to take women into greater consideration in the future, in order to achieve suitable female participation.

Status of implementation:

The composition of the Management Board since December 2017:

- The Chief Executive Officer position is held by Dr. Franz Richter, who has tremendous expertise in the semiconductor equipment sector as well as profound knowledge of markets and technology.
- The Chief Financial Officer position is held by Mr. Robert Leurs, who contributes relevant expertise and operational experience, including from his work for other internationally operating companies as well as in the area of auditing.
- Mr. Walter Braun contributes to the Board as a production expert with many years of international experience in technology.

The composition of the Supervisory Board since May 2017:

- The position of Supervisory Board Chairman is held by Dr. Stefan Reineck, who contributes many years of international experience in the equipment sector, as well as market and technology expertise.
- The position of Deputy Chairman of the Supervisory Board is held by the financial expert Mr. Jan Teichert, CFO of Einhell AG.
- Mr. Gerhard Pegam contributes to the Board as an expert with many years of international experience in technology and profound market expertise.
- Dr. Myriam Jahn contributes to the Board as an expert on the topic of digitalization in mechanical engineering and the consumer industry of sensor manufacturers, which is growing along with Industry 4.0.

SHAREHOLDERS AND THE SHAREHOLDERS' MEETING

SUSS MicroTec SE's shareholders exercise their codetermination and supervisory rights at the Shareholders' Meeting, which occurs at least once a year. Each SUSS MicroTec SE share entitles the holder to one vote. All documents required for decision-making have been published on the Company's website in accordance with shareholder rights. Copies can also be requested from the Company.

Every shareholder who is entered into the shareholders' register and registers on time is entitled to participate in the Shareholders' Meeting and exercise his or her voting rights. Shareholders who cannot personally participate in the Shareholders' Meeting have the option of having their voting right exercised by a financial institution, a shareholder association, a voting rights representative appointed by the Company, or by a proxy of their choice. Instructions for exercising voting rights can be issued in writing prior to the Shareholders' Meeting or at the meeting directly on-site.

ACCOUNTING AND ANNUAL AUDIT

SUSS MicroTec prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS) as are applied in the European Union for listed companies. It also prepares its consolidated financial statements in accordance with the supplementary regulations under German commercial law according to Section 315e (1) of the German Commercial Code (HGB). The separate financial statements for SUSS MicroTec SE are prepared according to the provisions of the German Commercial Code (HGB).

On May 31, 2017, the Shareholders' Meeting elected BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, with an office in Munich, as auditor and Group auditor of SUSS MicroTec SE for the 2017 fiscal year. The auditor has demonstrated its impartiality to the Supervisory Board in a declaration of impartiality. Furthermore, the auditor agreed to inform the Supervisory Board of all material findings and circumstances that arise while conducting the audit.

RISK MANAGEMENT

Dealing with business risks responsibly is one of the principles of good corporate governance. A risk management system has long been a component of corporate management at SUSS MicroTec for the purpose of recognizing and controlling risks as well as for meeting legal requirements. This system is reviewed once a year by the auditor during the audit of the annual financial statements.

The organization of risk management is geared toward the functional and hierarchical structure of the Group. Upon introduction of the risk management system, a risk management officer, who reports directly to the Management Board regularly, was appointed. For its part, the Management Board regularly informs the Supervisory Board about existing risks and their development.

Details about risk management at the SUSS MicroTec Group are presented in the Risk Report, which is part of the Management Report. This includes the report on the accounting-related internal control and risk management system required by the German Accounting Law Modernization Act (BilMoG).

TRANSPARENCY

SUSS MicroTec SE informs shareholders, analysts, shareholder associations, members of the media, and any interested members of the general public regularly and promptly about the Group's current business developments and position. Various target groups are treated equally and informed simultaneously. In addition, all information relevant to the capital markets is published and can be viewed by the general public on the Company's website. Important recurring events are compiled in the Company's financial calendar. The calendar is published sufficiently far in advance and can be viewed at the Company's website at www.suss.com > *Investor Relations* > *Financial Calendar*.

NONFINANCIAL GROUP DECLARATION IN ACCORDANCE WITH SECTION 315B OF THE GERMAN COMMERCIAL CODE (HGB)

The Management Board of SUSS MicroTec SE has prepared a nonfinancial Group declaration for the 2017 fiscal year in accordance with the provisions of Section 315b 1, 3 of the German Commercial Code (HGB). The statement will be made available in a separate nonfinancial report in accordance with

Sections 315b and 315c HGB along with the condensed Management Report in the Federal Gazette as well as on the Company's website at www.suss.com > *Investor Relations* > *publications*.

REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD

SUSS MicroTec has already been disclosing the remuneration of the Management Board members on an individualized basis for many years. The objective of SUSS MicroTec's remuneration system for the Management Board is to incentivize long-term and sustainable corporate governance. Special performance should be rewarded accordingly. However, the failure to achieve objectives must lead to a tangible reduction in remuneration. In addition, remuneration must be oriented toward the size and economic position of the Company. The overall remuneration of members of the Management Board consists of remuneration components both independent of performance as well as based on performance.

The Supervisory Board is responsible for setting the remuneration of Management Board members. The full council of the Supervisory Board determines and monitors the remuneration system for the Management Board on a regular basis and finalizes the Management Board contracts.

The Supervisory Board has taken up the matter of aligning Management Board remuneration with sustainable corporate governance in detail. An external remuneration specialist is regularly consulted on this matter.

FIXED REMUNERATION

The amount of fixed pay is determined first and foremost by the roles and responsibilities assigned. The remuneration components independent of performance consist of the base salary and fringe benefits in the form of a company car and subsidies for health insurance and unsolicited retirement insurance. Pension commitments (retirement, disability, and widow's pension) in the form of direct insurance (endowment insurance) do not exist.

PERFORMANCE-BASED REMUNERATION

Performance-based remuneration consists of variable remuneration.

VARIABLE REMUNERATION

Since January 1, 2016, variable remuneration for all Management Board members may amount to a maximum of 100 percent of the fixed remuneration at the beginning of the fiscal year. These provisions also apply to future fiscal years. Of the variable remuneration, 70 percent is determined according to annual targets, while the remaining 30 percent is determined according to multi-year targets.

VARIABLE REMUNERATION BASED ON ANNUAL TARGETS (VARIABLE REMUNERATION A)

70 percent of the variable remuneration applies to annual targets, which are set by the Supervisory Board for each fiscal year.

The following annual targets apply to the fiscal years beginning in 2016: order entry, sales, EBITDA, and return on investment (ROI). The annual targets are weighted differently.

If 70 percent or less of the annual targets – order entry, sales, EBITDA, and free cash flow – and 90 percent or less of the annual target ROI are achieved, then this remuneration component is not received. The maximum amount is received when 130 percent of the target is achieved for the targets of order entry, sales, EBITDA, and free cash flow, and 110 percent of the target is achieved for the ROI target. If the achievement of a given target – order entry, sales, EBITDA, or free cash flow – is between 70 percent and 130 percent, the variable remuneration is calculated proportionally to the amount achieved. The range is between 90 percent and 110 percent for the ROI target.

Remuneration based on annual targets is determined annually. In the interest of promoting long-term corporate development, the Management Board members are initially entitled to only half of the final variable remuneration A. As for the other half of the amount payable (the qualified half), the Management Board member is obligated to acquire Company shares during the first trading window after payment of the amount payable and to hold them in a registered account in their name for a lock-up period of three years, commencing on the last day of the trading window in which the shares were acquired.

VARIABLE REMUNERATION BASED ON MULTI-YEAR TARGETS (VARIABLE REMUNERATION B)

Of the variable remuneration, 30 percent applies to multi-year targets, which are as a rule set for a period of three fiscal years.

The targets for the 2016 to 2018 fiscal years are made up of a combination of sales and the gross profit margin and apply, on the one hand, to the entire SUSS MicroTec Group and, on the other hand, to the Bonder division as well as the product lines based in the USA. These multi-year targets are weighted separately. The Supervisory Board has defined different target achievement thresholds for each target and each fiscal year. The bottom limits of the target achievement thresholds vary by target and fiscal year between 84.4 percent and 98.0 percent, while the upper limits fluctuate between 104.1 percent and 115.6 percent. If the bottom limits of the target achievement thresholds are merely reached or the results fall short of this threshold, then the remuneration component for that partial target is not received. If the upper limits of the target achievement thresholds are reached or exceeded, then the maximum amount for that partial target is received. If the level of target achievement for a specific target lies between the two thresholds, then the corresponding proportional amount of the variable component is to be determined in relation to the level of target achievement. Variable remuneration B, which is based on multi-year targets, is determined annually and is completely paid out in the respective fiscal year.

SEVERANCE PAYMENTS

In Management Board contracts, a compensation payment has been earmarked for cases where the term of a member of the Management Board ends prematurely and without significant cause. This is limited to no more than two years of compensation including fringe benefits (severance payment cap) and compensates for no more than the remaining term of the employment contract. The Management Board contracts do not include approval for benefits arising from the premature termination of the Management Board function as a result of a change of control (change of control rule).

REMUNERATION OF THE MANAGEMENT BOARD

The tables presented below on Management Board remuneration comply with the German Corporate Governance Code. The fixed remuneration and fringe benefits are geared to the agreed upon fixed amount. For variable remuneration both a target value for reaching 100 percent and the achievable minimum and maximum remuneration are stipulated.

AMOUNT OF MANAGEMENT BOARD REMUNERATION

The following tables (“Benefits Granted” and “Inflow”) show the compensation for the 2017 and 2016 fiscal years per Management Board member according to the requirements of the German Corporate Governance Codex Number 4.2.5 (3).

Targeted remuneration of the Management Board according to the German Corporate Governance Code:

Dr. Franz Richter Chief Executive Officer (CEO) Entry date: 09/07/2016				
<i>in €</i>				
Benefits granted	2016 (100 %)	2017 (100 %)	2017 (Min.)	2017 (Max.)
Fixed remuneration	114,545.45	360,000.00	360,000.00	360,000.00
Fringe benefits (fixed) ¹	10,570.08	33,392.16	33,392.16	33,392.16
Expenses for retirement benefits ²	–	–	–	–
Total	125,115.53	393,392.16	393,392.16	393,392.16
Single-year variable remuneration (A) ³	39,550.00	126,000.00	–	252,000.00
of which investment in SUSS MicroTec shares ⁴	19,775.00	63,000.00	–	126,000.00
Multi-year variable remuneration (B) 2016–2018 ³	16,950.00	54,000.00	–	108,000.00
Total	181,615.53	573,392.16	393,392.16	753,392.16
Pension expenses	–	–	–	–
Total remuneration	181,615.53	573,392.16	393,392.16	753,392.16

¹ Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance

² Expense for retirement benefits (direct insurance policy).

³ Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

⁴ A lock-up period of three years applies to shares acquired through variable remuneration.

Robert Leurs Chief Financial Officer (CFO) Entry date: 12/01/2017				
<i>in €</i>				
Benefits granted	2016 (100 %)	2017 (100 %)	2017 (Min.)	2017 (Max.)
Fixed remuneration	–	25,000.00	25,000.00	25,000.00
Fringe benefits (fixed) ¹	–	1,913.09	1,913.09	1,913.09
Expenses for retirement benefits ²	–	–	–	–
Total	–	26,913.09	26,913.09	26,913.09
Single-year variable remuneration (A) ³	–	8,750.00	–	17,500.00
of which investment in SUSS MicroTec shares ⁴	–	4,375.00	–	8,750.00
Multi-year variable remuneration (B) 2016–2018 ³	–	3,750.00	–	7,500.00
Total	–	39,413.09	26,913.09	51,913.09
Pension expenses	–	–	–	–
Total remuneration	–	39,413.09	26,913.09	51,913.09

¹ Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance

² Expense for retirement benefits (direct insurance policy).

³ Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

⁴ A lock-up period of three years applies to shares acquired through variable remuneration.

Walter Braun Chief Operating Officer (COO)				
<i>in €</i>				
Benefits granted	2016 (100 %)	2017 (100 %)	2017 (Min.)	2017 (Max.)
Fixed remuneration	230,004.00	230,004.00	230,004.00	230,004.00
Fringe benefits (fixed) ¹	19,146.84	19,679.20	19,679.20	19,679.20
Expenses for retirement benefits ²	–	–	–	–
Total	249,150.84	249,683.20	249,683.20	249,683.20
Single-year variable remuneration (A) ³	80,500.00	80,500.00	–	161,000.00
of which investment in SUSS MicroTec shares ⁴	40,250.00	40,250.00	–	80,500.00
Multi-year variable remuneration (B) 2016–2018 ³	34,500.00	34,500.00	–	69,000.00
Total	364,150.84	364,683.20	249,683.20	479,683.20
Pension expenses	–	–	–	–
Total remuneration	364,150.84	364,683.20	249,683.20	479,683.20

¹ Includes:

Allowance for optional retirement insurance
Monetary value of private vehicle or car allowance
Company share of legal or private health insurance

² Expense for retirement benefits (direct insurance policy).

³ Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

⁴ A lock-up period of three years applies to shares acquired through variable remuneration.

Michael Knopp Chief Financial Officer (CFO) <i>Exit date: 04/30/2017</i>				
<i>in €</i>				
Benefits granted	2016 (100 %)	2017 (100 %)	2017 (Min.)	2017 (Max.)
Fixed remuneration	280,000.00	93,333.33	93,333.33	93,333.33
Fringe benefits (fixed) ¹	22,052.84	7,557.12	7,557.12	7,557.12
Expenses for retirement benefits ²	2,148.00	–	–	–
Total	304,200.84	100,890.45	100,890.45	100,890.45
Single-year variable remuneration (A) ³	98,000.00	46,700.00	46,700.00	46,700.00
of which investment in SUSS MicroTec shares ⁴	49,000.00	–	–	–
Multi-year variable remuneration (B) 2016–2018 ³	42,000.00	–	–	–
Total	444,200.84	147,590.45	147,590.45	147,590.45
Pension expenses	–	–	–	–
Total remuneration	444,200.84	147,590.45	147,590.45	147,590.45

¹ Includes:

Allowance for optional retirement insurance
Monetary value of private vehicle or car allowance
Company share of legal or private health insurance

² Expense for retirement benefits (direct insurance policy).

³ Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

⁴ A lock-up period of three years applies to shares acquired through variable remuneration.

Inflow of Management Board remuneration according to the German Corporate Governance Code:

<i>in €</i>	Dr. Franz Richter Chief Executive Officer (CEO) <i>Entry date: 09/07/2016</i>		Walter Braun Chief Operating Officer (COO)	
	2016	2017	2016	2017
Inflow				
Fixed remuneration	114,545.45	360,000.00	230,004.00	230,004.00
Fringe benefits (fixed) ¹	10,570.08	33,392.16	19,146.84	19,679.20
Expenses for retirement benefits ²	–	–	–	–
Severance payments ³	–	–	–	–
Total	125,115.53	393,392.16	249,150.84	249,683.20
Single-year variable remuneration (A) ⁴	31,451.17	187,155.74	64,015.66	119,571.73
of which investment in SUSS MicroTec shares ⁵	15,725.59	93,577.87	32,007.83	59,785.87
Multi-year variable remuneration (B) 2016–2018 ⁴	12,631.85	86,400.00	25,710.83	55,200.00
Total	169,198.55	666,947.90	338,877.33	424,454.93
Pension expenses	–	–	–	–
Total remuneration	169,198.55	666,947.90	338,877.33	424,454.93

¹ Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance

² Expense for retirement benefits (direct insurance policy).

³ Compensation for termination of employment contract (original remaining term to April 30, 2018) and 2016 bonus.

⁴ Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

⁵ A lock-up period of three years applies to shares acquired through variable remuneration.

<i>in €</i>	Robert Leurs Chief Financial Officer (CFO) <i>Entry date: 12/01/2017</i>		Michael Knopp Chief Financial Officer (CFO) <i>Exit date: 04/30/2017</i>	
	2016	2017	2016	2017
Inflow				
Fixed remuneration	–	25,000.00	280,000.00	93,333.33
Fringe benefits (fixed) ¹	–	1,913.09	22,052.84	7,557.12
Expenses for retirement benefits ²	–	–	2,148.00	–
Severance payments ³	–	–	–	–
Total	–	26,913.09	304,200.84	100,890.45
Single-year variable remuneration (A) ⁴	–	12,996.93	77,932.11	46,700.00
of which investment in SUSS MicroTec shares ⁵	–	6,498.47	38,966.06	–
Multi-year variable remuneration (B) 2016–2018 ⁴	–	6,000.00	31,300.14	–
Total	–	45,910.02	413,433.09	147,590.45
Pension expenses	–	–	–	–
Total remuneration	–	45,910.02	413,433.09	147,590.45

¹ Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance

² Expense for retirement benefits (direct insurance policy).

³ Compensation for termination of employment contract (original remaining term to April 30, 2018) and 2016 bonus.

⁴ Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

⁵ A lock-up period of three years applies to shares acquired through variable remuneration.

Inflow of Management Board remuneration according to the German Corporate Governance Code:

<i>in €</i>	Dr. Per-Ove Hansson Chief Executive Officer (CEO) <i>Exit date: 08/16/2016</i>	
Inflow	2016	2017
Fixed remuneration	356,668.00	–
Signing bonus	100,000.00	–
Fringe benefits (fixed) ¹	24,579.60	–
Expenses for retirement benefits ²	–	–
Severance payments ³	750,000.00	–
Total	1,231,247.60	–
Single-year variable remuneration (A) ⁴	–	–
of which investment in SUSS MicroTec shares ⁵	–	–
Multi-year variable remuneration (B) 2016–2018 ⁴	–	–
Total	1,231,247.60	–
Pension expenses	–	–
Total remuneration	1,231,247.60	–

¹ Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance

² Expense for retirement benefits (direct insurance policy).

³ Compensation for termination of employment contract (original remaining term to April 30, 2018) and 2016 bonus.

⁴ Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

⁵ A lock-up period of three years applies to shares acquired through variable remuneration.

PENSION PLANS

No pension provisions exist for members or former members of the Management Board.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is set out in Section 20 of the articles of incorporation of SUSS MicroTec SE. In addition to the reimbursement of their expenses and meeting attendance compensation of € 2,000.00 per meeting, each member of the Supervisory Board also receives a fixed remuneration based on the responsibilities and duties of the member. According to this, the Chairman of the Supervisory Board receives € 60,000.00, the Deputy Chairman receives € 50,000.00, and a regular member of the Supervisory Board receives € 45,000.00 per fiscal year as fixed compensation. In 2016, the members of the Supervisory Board have reimbursed the Company for the notional per capita share of the D&O insurance premium paid by the Company.

2017 in €	Remuneration	Attendance fee
Supervisory Board		
Dr. Stefan Reineck (Chairman of the Supervisory Board)	60,000.00	14,000.00
Jan Teichert (Deputy Chairman of the Supervisory Board)	50,000.00	14,000.00
Gerhard Pegam	45,000.00	14,000.00
Dr. Myriam Jahn (since 05/31/2017)	26,250.00	8,000.00

2016 in €	Remuneration	Attendance fee	Deduction for pro rata D&O insurance premium
Supervisory Board			
Dr. Stefan Reineck (Chairman of the Supervisory Board)	60,000.00	16,000.00	1,655.18
Jan Teichert (Deputy Chairman of the Supervisory Board)	50,000.00	16,000.00	827.59
Gerhard Pegam	45,000.00	16,000.00	551.73

In the 2017 fiscal year, neither members of the Supervisory Board nor persons or companies affiliated with them received any remuneration or benefits for personal services, particularly consultation and placement services.

OPPORTUNITIES AND RISKS FOR THE FUTURE DEVELOPMENT OF THE SUSS MICROTEC GROUP

The goal of our opportunity and risk management is to maintain and increase the enterprise value of the SUSS MicroTec Group. Our corporate goals include the early and successful detection of opportunities, the identification and suitable assessment of the related risks, and an appropriate response. The diverse opportunities for our Group result from technology leadership in our businesses, our broad spectrum of products and solutions for the semiconductor equipment industry, collaborations with international customers and research institutes, and our global positioning.

We define opportunities and risks as follows:

- Opportunities are possible future developments or events that can lead to a deviation from forecasts or targets that is positive for the Group.
- Risks are possible future developments or events that can lead to a deviation from forecasts or targets that is negative for the Group.

The analysis and assessment of opportunities and risks for the Group is the subject of continuous deliberations by the Management Board and the management of the Group. On the basis of an opportunity-oriented, but simultaneously risk-conscious management, however, the Company's fundamental goal is not to avoid all potential risks. Instead, it constantly aims to achieve an optimum level of risk avoidance, risk reduction, and the controlled acceptance of risk. An awareness of risks should not interfere with the ability to identify opportunities and to use them for the benefit of the Company and its shareholders.

OPPORTUNITIES FOR THE GROUP

The global business activities of the SUSS MicroTec Group within a dynamic market environment open up new opportunities to support and advance the targeted growth of SUSS MicroTec. Therefore, the recognition and exploitation of these opportunities are among the essential components of our growth policy.

Macroeconomic Opportunities

SUSS MicroTec is represented worldwide with production, sales, and service subsidiaries and also cooperates with many external commercial partners. Its international presence offers the Group numerous opportunities to acquire new customers worldwide, to enter into new cooperative agreements, and to participate in the growth of industrial markets in the major and emerging economies.

Strategic Corporate Opportunities

SUSS MicroTec has set standards for the manufacturing of processing equipment for the semiconductor industry in terms of precision and quality. Continuous innovation and the capacity to always provide new solutions in a rapidly changing environment have made SUSS MicroTec a technology leader in the industry. These strengths, together with a solid financial backing, give the Group the opportunity to carry out promising development projects and enter into auspicious cooperative agreements in order to expand the product range further and to refine applications and technologies. The SUSS MicroTec Group maintains numerous development partnerships with research institutes and universities. In particular, cooperation with research institutes offers tremendous potential for SUSS MicroTec because they usually work very closely with our customers and are financed to a significant extent by these customers. New basic technologies are frequently developed in the laboratories of research institutes and only then find their way into industry. It is all the more important for a high-tech company like SUSS MicroTec to participate in the development of new technologies and processes from the beginning. This increases the chances of being able to offer tools and solutions later for industry on a large scale.

Along with the refinement of its own technologies, SUSS MicroTec fundamentally also sees the opportunity to expand the Company with new businesses and technologies through external acquisitions.

Sector and Market-Specific Opportunities

Unlimited mobility, autonomous driving, Industry 4.0 / smart factories – none of this would be possible without high-performance chips. The technically demanding production of these chips takes place through several complex processing steps (micro-patterning), for which chip manufacturers require corresponding specialized tools. SUSS MicroTec develops and builds these specialized tools.

The markets in the semiconductor equipment industry served by SUSS MicroTec are subject to constant change, which is driven primarily by rapid developments in the area of information and communication technology. For example, the numerous functions of smartphones and tablets in particular are among the main drivers of business in the semiconductor equipment industry. The number of different components contained in smartphones and tablets – such as memory chips, sensors for fingerprint and facial recognition, image sensors for cameras – increases the demand by smartphone manufacturers for powerful chips, which in turn leads to greater demand for semiconductor equipment. In the automotive industry as well, innovations and refinements in the area of autonomous driving and constantly improving driver-assistance systems are leading to higher demand for powerful chips. This trend will likely continue in the coming years.

The increasing demand for smartphones, tablet computers, and wearables with complex components as well as for powerful sensors for the automotive industry promotes the sales of various SUSS MicroTec products. Our mask aligners, coaters, and bonders are used by our customers to equip chips with patterns and to manufacture the numerous sensors embedded in every smartphone.

The strong market cycles in the semiconductor industry offer SUSS MicroTec – depending on the type of development – numerous new opportunities in the market, which could result in a sharp short-term increase in order entry and sales.

Our global network of sales employees, product engineers, and commercial partners is focused on fulfilling the sector and market-specific requirements of our customers worldwide. SUSS MicroTec is represented in the core markets of the semiconductor equipment industry in Taiwan, China, Singapore, South Korea, and Japan with its own subsidiaries. Our subsidiaries always maintain direct contact with our customers and thereby have the opportunity to observe current developments in the semiconductor markets immediately. As a result, SUSS MicroTec can respond quickly to emerging developments and adjust its applications accordingly.

In order to perceive developments in the markets quickly at all times, direct and regular contact with partners, customers, and potential new customers is very important to us. SUSS MicroTec is therefore represented at trade fairs for the semiconductor industry and sponsors international technology forums.

For example, SUSS MicroTec presents its new developments routinely at SEMICON trade fairs, which are held annually at various sites worldwide. In 2017, SUSS MicroTec was represented at the SEMICON fairs in South Korea (Seoul), China (Shanghai), Taiwan (Taipei) and Europe (Munich), presenting cutting-edge technologies from the various product lines. Many customers and other interested parties visited the fairs. At the same time as SEMICON China, SUSS MicroTec also took part in Laser World of Photonics CHINA, which was also held in Shanghai. The latest applications and technologies in the laser and photonics industry are regularly presented at this fair. SUSS MicroTec also presented its technologies and applications at the SEMI MEMS Summit in Grenoble, France, and at the 3D ASIP in San Francisco, California (USA).

Through close cooperation with the SEMI industry association and numerous international research institutes, SUSS MicroTec is able to address a large audience. The international presence of SUSS MicroTec and the high level of recognition created by trade fairs and events make it possible for us to “keep our ear close to the market” and to respond quickly to technological progress and new developments.

Operational Opportunities

Lithography remains the SUSS MicroTec Group’s largest division and accounts for approximately two-thirds of total annual Group sales. With the mask aligner and coater/developer product lines, SUSS MicroTec has been represented successfully in the market for many years, servicing customers from various sectors and markets. The consistent sales volume and relatively stable margins of these two product lines ensure that the SUSS MicroTec Group can maintain a constant work load at the Garching and Sternenfels production sites and generate regular positive cash flows. With refinements and improvements of the technologies of these two product lines, we are consolidating our market position and ensuring that stable margins and cash flows still can be achieved with mask aligners and coaters/developers in the future.

The technologies of SUSS MicroTec Photonic Systems – UV projection lithography and laser processing – augment and expand our product portfolio in the Lithography division. Only minimal sales were achieved with both product lines in 2017. Since 2016, a comprehensive re-engineering project for the UV projection scanner has been underway, which showed its first successes in the 2017 fiscal year. Given the very impressive test results for the further development of the DSC300 projection scanner and the extremely positive feedback on the part of potential customers, we assume that the market launch of the next product generation can occur as planned in the second quarter of 2018. Noteworthy sales as well as a significantly improved earnings situation are expected for both product lines beginning in the 2019 fiscal year. If we succeed in persuading more customers to use our systems, we could also achieve additional substantial order volumes and sales with scanners in subsequent years. Given correspondingly high quantities, sustainable positive margins could be reached in the future.

The Bonder division is divided into the two sub-areas of permanent and temporary bonding. In the past fiscal year, significantly more orders were won in both product lines, compared with 2016. In the temporary bonding product line, we succeeded in winning orders for high-volume production in the area of 3D integration and significantly increasing sales with our systems. The permanent bonding product line was also able to increase order entry and sales from the previous year. In particular, the XB8 for applications in the MEMS area contributed to the success of the product line. In 2017, this division was able to achieve significant positive annual earnings for the first time. As a result, the Bonder division has established itself in the Group as a business from which future stable sales and earnings contributions are expected. We are firmly convinced that we can solidify and expand our market share in this division and gain new customers and high-margin orders in both product lines in the future.

In the Photomask Equipment division, we have achieved high sales and high margins since the acquisition of SUSS MicroTec Photomask Equipment in 2010. Most of the sales involved a few individual orders, each of which had a very high order value of several million euros. Sales per fiscal year therefore display large fluctuations. We view our market position in this segment as very secure and assume that we will be able to achieve large profits in the future. However, we expect that sharp fluctuations in sales per fiscal year will continue over the long term, which should have a corresponding effect on division earnings. In 2017, licensing income from the transfer of process expertise of approximately € 2 million was recognized. Depending on the products sold by the licensee, up to € 3 million in additional licensing income may be achieved in the next three years.

The business of SUSS MicroOptics S.A., Huterive, Switzerland also developed very positively in 2017. The micro-optics business was able to record sales increases of approximately 18 percent in the past fiscal year compared to the previous year. In 2017, further investments were made in tools and technical equipment so as to be able to cope with the good orders position. In the coming years we expect additional sales increases in the micro-optics business and assume that SUSS MicroOptics will make a substantial contribution to the Group's sales and earnings.

Financial Opportunities

Significant changes in the currency market can affect the sales and earnings of SUSS MicroTec both positively and negatively. The changes in value of the euro against the US dollar or the Japanese yen will influence sales and achievable margins in the North American and Asian regions in the future. An appreciation of the euro against the US dollar or the Japanese yen would tend to have negative effects, while a devaluation would be expected to result in positive effects for SUSS MicroTec.

Employee-Related Opportunities

SUSS MicroTec views itself as a small to medium-sized business that has flat hierarchies due to its relatively small size and therefore offers its employees short lines of communications and fast decision-making processes in all respects. Our SME structures together with our international orientation make SUSS MicroTec an attractive employer. The average period of employment of our globally active employees is nearly ten years. This demonstrates the success of our efforts to be an attractive employer for our employees, with a good working environment, interesting assignments, and attractive remuneration. We are convinced that we will be able to fill all vacancies with qualified and motivated employees in the future. We will maintain our existing strategy to retain long-term employees.

Our remuneration system includes variable remuneration for our executives, the amount of which depends on the extent to which targets are achieved. The targets are redefined annually and are based on certain Group parameters (such as EBITDA, sales, and order entry), which are reset annually using current budget plans. In addition, personal targets are agreed upon with the employee. For sales employees, ordinarily targets are defined that are related to winning customer orders. The personal goals of employees of other departments mostly involve services or projects that add value to the respective department. By integrating budget planning into the remuneration system, we establish a financial incentive for our executives to contribute actively to the achievement of the established targets. In this way, we increase our chances of actually achieving our planned sales and earnings. In addition, the definition of personal targets for executives offers us the opportunity to implement numerous projects in various areas, even if a work effort is required of employees that goes beyond the normal day-to-day business.

As a globally successful technology company, SUSS MicroTec needs employees working in the area of research and development to advance targeted new product developments in order to satisfy the needs of our customers. For this purpose, SUSS MicroTec establishes appropriate incentives and rewards employee ideas that are used in our products with annual inventor royalties.

Our international presence enables us to recruit highly qualified employees worldwide if current developments require it.

Development-Specific Opportunities

In the past fiscal year, we further expanded our development activities and increased the number of employees in this division. Several development projects for our mask aligner, coater/developer, bonder, and photomask cleaning product lines were successfully concluded. In the mask aligner product line, the focus was primarily on an updated software platform and various innovations that simplify the operation of the tools and have a positive effect on cost efficiency. For coaters/developers, the focus was on the qualification of the new ACS300 Gen3 platform for special applications that were requested by Asian customers and on various measures that improve the operability of the tools. As for the UV projection scanner product line, intensive work was done on the development of a new platform of the DSC300 Gen3 projection scanner. In the Permanent and Temporary Bonding divisions, as well as in photomask cleaning, it was possible to launch numerous enhancements and new technologies.

We will continue our efforts in the coming years, focusing on cost efficiency and environmental impact, as well as the development of new and the improvement of existing technologies. Our goal is to adapt our product lines to the latest developments in the market and to satisfy new customer demands. In the process, we intend to consolidate and further expand our market position.

RISK MANAGEMENT SYSTEM

The risk management system has long been a component of corporate management for the purpose of recognizing and controlling risks and for meeting legal requirements.

In addition to short-term (operating) risks, risk management at SUSS MicroTec Group also deals with long-term (strategic) developments that can have a negative impact on the business development. On the basis of an opportunity-oriented, but simultaneously risk-conscious management, however, the Company's fundamental goal is not to avoid all potential risks. Instead, it constantly aims to achieve an optimum level of risk avoidance, risk reduction, and the controlled acceptance of risk. An awareness of risks should not interfere with the ability to identify opportunities and to use them for the benefit of the Company and its shareholders.

Risk Management Organization and Documentation

The organization of risk management is geared toward the functional and hierarchical structure of the Group. Upon introduction of the risk management system, a risk management officer, who reports directly to the Management Board every three months, was appointed.

An external auditor examines the established early risk identification system during the audits of the annual financial statements. He or she reports about this to the Management Board and Supervisory Board.

Risk Identification

All Group units subject to reporting organize a workshop at least once per year that primarily addresses future developments, in addition to past events.. Moreover, the workshops serve to ensure that uniform valuation principles are maintained throughout the Group. Within the framework of a structured process, all identified risks are recorded and evaluated quarterly using an intranet-based IT solution. Next, risk reports are prepared that subject the known risks to a critical appraisal and address new topics.

Suddenly emerging risks are also reported immediately to the risk management officer of the respective unit.

The risk management officer processes the information and reports to the Management Board. The results of the overall processes are presented to the Supervisory Board at least once a year.

The Group's quality management is an important element of early detection. The large production sites are certified in accordance with ISO 9001, which confirms reliable, process- and system-oriented quality management. Clearly structured and unambiguously documented processes within the framework of quality management not only ensure transparency but also have become, for most production clients, a precondition for the successful marketing of our tools.

Risk Assessment

Risks are assessed in part by indicating the maximum amount of damage if no countermeasures are taken. The risk value is determined on this basis by including a probability of occurrence, taking the corresponding countermeasures into account. The indication of the risk value pertains to the next twelve or 24 months in each case.

The identified risks are assigned to one of three different risk categories using a risk matrix, which takes into account both the possible damage amount and the likelihood of occurrence. Risks starting at a damage amount of € 10 million – as measured by the level of liquidity outflow – are viewed as a going-concern risk.

The combination of the likelihood of occurrence and the extent of impact determines which risk categories are regarded as significant from the Group's perspective. In this regard, a distinction is made between low (green category), medium (yellow category), and high (red category) risks.

According to our method of risk assessment, only high risks are classified as significant.

		Likelihood					
		very low	low	medium	high	very high	
		> 0% to ≤ 5%	> 5% to ≤ 10%	> 10% to ≤ 25%	> 25% to ≤ 50%	> 50% to ≤ 100%	
Impact	threatening the existence	> 10 € million to ≤ 20 € million					
	critical	> 2 € million to ≤ 10 € million					
	serious	> € 500 thousand to ≤ 2 € million					
	marginal	> € 20 thousand to ≤ € 500 thousand					
	negligible	€ 0 to ≤ € 20 thousand					

low
 middle
 high

Risk Management

Depending on the type of risk and the amount of the assessment, measures for avoiding and lessening risk are taken on a tiered basis. In doing so, risk management is always geared toward the principles of an opportunity-based handling of risks, as mentioned earlier.

The avoidance of risk and organization of countermeasures is carried out at the subsidiary level. The parties responsible for risk and the reporting units are obligated to develop and implement strategies for preventing known risks. Should their expertise not suffice for implementing these, they must request assistance from higher management levels.

Global activities in the field of high technology yield general and current risks for the Company. The Management Board has taken appropriate measures for the purpose of monitoring risks in order to identify developments that may threaten the continued existence of the SUSS MicroTec Group early on.

Description of the Key Features of the Accounting-related Internal Control and Risk Management System in Accordance with Sections 289 (4) and 315 (4) of the German Commercial Code (HGB)

The risk management system for the accounting process aims to minimize the risk of false statements in accounting documents and external reporting. It serves as the first step toward the identification and evaluation and subsequent restriction and review of known risks in the accounting process which could undermine the compliance of the consolidated financial statements with regulations. The internal control system for the accounting process should ensure with sufficient certainty that the consolidated financial statements conform to regulations despite identified risks in financial reporting.

The suitability of the risk early identification system is reviewed at the end of the year by the auditor during the audit. Selected accounting-related internal controls are being investigated and their effectiveness evaluated. In addition, checks are made of selected aspects of the IT systems in use.

The management of SUSS MicroTec SE is responsible for the establishment and effective maintenance of suitable controls over financial reporting. At the end of each fiscal year, management evaluates the suitability and effectiveness of the control system. As of December 31, 2017, management had confirmed the effectiveness of internal controls over financial reporting. Naturally, there are certain limitations in the effectiveness of any control system. Absolute certainty cannot be assured even with appropriate, functioning systems.

SUSS MicroTec SE employs its Group-wide accounting manual to ensure the consistent application of accounting principles. The accounting manual is based on IFRS financial reporting standards and is the basis for the accounting process at all Group companies. Unambiguous guidelines are designed to restrict

employee discretion with respect to the recognition and measurement of assets and liabilities and thus to reduce the risk of inconsistencies in the Group's accounting practices. The subsidiaries are subject to certain mandatory guidelines regarding reporting and the scope of disclosure. The central Finance and Controlling departments monitor compliance with reporting obligations and deadlines.

Accounting at the subsidiaries is done either locally by their own employees or with the support of external accounting firms or tax consulting companies. In the process, various electronic data processing (EDP) systems are used. All German companies have worked with SAP since 2008. Since 2010, SAP has been used by SUSS MicroTec (Taiwan) Company Ltd., Hsinchu (Taiwan). In 2011, SAP was installed at SUSS MicroTec Inc., Corona, California (USA). In 2015, SUSS MicroTec Photonic Systems Inc., Corona, California (USA) was connected to the Group-wide SAP system. Reporting to the corporate headquarters is carried out with the assistance of Infor PM Application Studio management information software. The separate financial statements are combined into a central consolidation system. At the Group level, the Finance and Controlling departments review the accuracy and reliability of the separate financial statements submitted by the subsidiaries. Controls within the framework of the consolidation process, such as the consolidation of liabilities, expenses, and income, are carried out manually. Possible deficiencies are corrected and reported back to the subsidiaries. The financial systems employed are protected from misuse through appropriate authentication principles and access restrictions. Authorizations are reviewed regularly and updated if necessary.

RISKS FOR THE GROUP

Macroeconomic Risks

SUSS MicroTec is represented worldwide, has a broad customer network, and offers its customers seven different product lines, which can be used in various sectors and industries. Consequently, SUSS MicroTec is fundamentally independent of individual markets and customers. Thus economic downturns in a region or sector can be at least partially offset. Thanks to its flexible positioning, SUSS MicroTec is able to respond immediately to market events in the event of major economic instability and adjust cost structures in a timely manner. At its disposal are such tools as flextime accounts, the use of temporary employees, and outsourcing measures. In addition, the option exists of reducing working hours. In addition, purchasing departments routinely review and adjust procurement quantities.

Political decisions, new legislation, and other regulations in the countries in which SUSS MicroTec operates can also negatively impact our business. This includes tax legislation in respective countries, export restrictions, and tightened policies in the areas of product liability, competition law, work safety, and patent and trademark law.

SUSS MicroTec routinely participates in public tenders and also counts universities and government research facilities among its worldwide customers. Regulations for participating in public tenders and the criteria for awards differ from country to country and can make it much more difficult to win and complete public orders.

In general, significant changes in the currency market can affect the sales and earnings of SUSS MicroTec both positively and negatively. The changes in value of the euro, particularly against the US dollar or the Japanese yen, will influence sales and achievable margins in the North American and Asian regions in the future. An appreciation of the euro against the US dollar or the Japanese yen would tend to have negative effects, while a devaluation would be expected to result in positive effects for SUSS MicroTec.

The exchange rate of the Swiss franc has no noticeable impact on the ordering behavior of our customers in the Lithography, Bonder, and Photomask Equipment divisions. However, the business of SUSS MicroOptics S.A., which is located in Hauterive, Switzerland and manufactures microlenses, is affected by the exchange rate of the Swiss franc. A strong appreciation in the Swiss franc relative to the euro or US dollar could negatively affect the micro-optics business.

SUSS MicroTec conducts business only to a very limited extent in Asian currencies (Taiwanese dollar, Singapore dollar, South Korean won and Chinese renminbi). However, the Group subsidiaries located in Taiwan, Singapore, South Korea, and China have euro-denominated receivables from customers and other SUSS MicroTec companies. Depending on the size and due date, significant currency losses can arise for the Group in the valuation of these receivables in the respective country currency.

Sector and Market-Specific Risks

The difficulty in assessing the short and medium-term market development is still one of the greatest risks for SUSS MicroTec. The semiconductor industry in particular, which is among the Company's sales markets, is characterized by strong market cycles. A significant drop in the entire semiconductor market would lead to lower sales for SUSS MicroTec and harm the Company's earnings. The Company is countering the related risks with lean structures, which can be adjusted quickly in the case of a weak business development and can be potentially supplemented with outsourcing.

Employee-Specific Risks

The Company depends on the expertise of individual employees in individual areas, primarily in the field of research and development. If these employees are unavailable to the Group, this presents a corresponding risk. This is monitored by internal documentation requirements. In addition, the lack or inadequate number of qualified employees in production could have a negative impact on quality.

Development-Specific Risks

The business model of the SUSS MicroTec Group is based on a strong culture of innovation and technological leadership. As a manufacturer of specialized tools, SUSS MicroTec delivers customer-specific solutions and conducts its product policies according to the rapidly changing conditions in the semiconductor equipment market. Nevertheless, we see the risk that in individual cases our technical developments could deviate from the preferences of the markets and our customers. In these cases, the danger would exist that the affected customers might turn away from SUSS MicroTec and seek alternative technical solutions from our competitors. In the past fiscal year, our engineers developed new technologies for all product lines and made a number of detail improvements to existing technologies. These were met with a very positive response from our customers, which was reflected in higher order entry in the past fiscal year.

Aside from developing customer-specific solutions, the engineers at SUSS MicroTec Group are continuously working on long-term development projects designed to anticipate future market developments so that the products of SUSS MicroTec will continue to satisfy future technical requirements. The risk exists that individual development projects might not lead to the desired result or that the result achieved does not correspond to market expectations. In these cases, the danger exists that SUSS MicroTec would temporarily not be represented with innovative products in the target market. The affected customers might turn away from SUSS MicroTec and seek alternatives in the market. In the past fiscal year, we focused on projects which, we believe, will be well received by our customers. In this connection, a particular focus was on the project initiated for the further development of the DSC300 projection scanner. The very impressive test results and positive reactions of our customers make us confident that the market launch of the next product generation planned for the second quarter of 2018 will be successful. If – contrary to our expectations – the response of our customers should not be positive, however, and we do not succeed in winning new orders for the DSC300 Gen3 over a foreseeable time frame, SUSS MicroTec would have expended scarce resources in the development area unsatisfactorily. This would have a negative effect on the earnings of the UV projection scanner product line. Overall, this risk is not viewed as a going-concern risk for SUSS MicroTec.

We regard ourselves as the market leader for several of our products because we satisfy the exact requirements of our customers with technically sophisticated solutions. In order to maintain this market leadership and customer satisfaction, refinements and improvements are routinely required for our existing products. The risk exists that we might not recognize or implement technical innovations in time. In these cases, we see the danger that SUSS MicroTec could lose its market leadership in individual areas and would have to accept long-term sales losses.

Operating Risks

In view of the high level of cash and cash equivalents, the high equity ratio, and the lean cost structure, the risks that could arise for SUSS MicroTec from the current assets and earnings position are limited. With an EBIT of € 13.9 million, the SUSS MicroTec Group also achieved significantly positive earnings in 2017. Taking into account the order backlog as of the end of 2017 and the expected order entry development in the first half of 2018, we expect to generate sales of between € 195 million and € 205 million and an EBIT-margin between 8.5 percent and 10.0 percent in 2018.

As of December 31, 2017, SUSS MicroTec records goodwill of approximately € 15.6 million, which is entirely attributable to the Lithography division. The Lithography division generated approximately two-thirds of Group sales and positive division earnings. The Lithography division will once again generate more than half of total Group sales next year and will remain profitable. We therefore see no signs of impairment in the Lithography division.

The mask aligner product line, which belongs to the Lithography division, is one of the high-sale product lines of the SUSS MicroTec Group and has made a significant contribution to Group earnings for several years. We are confident that this product line will continue to produce a large contribution to sales and stable margins in the coming years. Nevertheless, the risk exists that the mask aligner would no longer be able to satisfy the technical requirements of customers and could be supplanted by other technologies. However, we currently regard this risk as minimal. In addition, SUSS MicroTec can offer its customers alternative solutions with its laser and scanner system product lines located in the USA.

The coater product line, which similarly belongs to the Lithography division, has also made a major contribution to Group sales and earnings for many years. Particularly in the 2016 fiscal year, it was possible to generate extraordinarily high margins with coaters and developers. In 2017, SUSS MicroTec continued to generate stable sales with coaters and developers and was able to record high order entry. However, the gross profit margin for coaters/developers recognized for sales has stabilized at a lower level (compared with the previous year). The 2017 fiscal year has once again demonstrated that we continue to occupy a technologically leading position and can hold our own against Japanese and Chinese competitors in the market for coaters. As for the future, we anticipate continued high order volumes and sales as

well as appropriate margins. We view the risk of losing market share to Asian competitors as minimal.

The Lithography division also includes the SUSS MicroTec Photonic Systems product lines for UV projection lithography and laser processing. After we were able to recognize sales for a large order of UV projection scanners in 2016, SUSS MicroTec generated only minimal sales with both product lines in 2017. Following the successful product and technology qualification at a leading semiconductor industry manufacturer in 2016, it was possible for the Photonic Systems division to win orders for UV projection scanners from new customers only to a very limited extent in 2017. Order entry for the laser processing product line also saw very modest growth. Overall, the product lines of SUSS MicroTec Photonic Systems again contributed a significant loss to Group earnings in 2017. The Photonic Systems product lines are expected to generate minimal sales and a loss in 2018 as well. In order to further increase the competitiveness of UV projection lithography systems, a project was launched in 2016 that is dedicated to the development of a new platform for the DSC300 Gen3. The aim of the new development is significantly increased throughput combined with an improved overlay. Given the very impressive test results so far and the extremely positive feedback from our customers, we expect that the market launch of the new product generation, which is planned for the second quarter of 2018, will be successful. Nevertheless, the risk exists that customer orders may be delayed or possibly fail to materialize. According to our estimates, the Photonic Systems product lines will only be able to make a positive contribution to earnings if the development project in question achieves the desired result and we succeed in winning over more customers with our systems. If SUSS MicroTec does not achieve substantial sales and positive margins with the laser and scanner systems, this would have a further negative impact on the earnings of the Lithography division and the Group as well as on the liquidity situation.

Moreover, it could become necessary to make an additional value adjustments on the loans to SUSS MicroTec Photonic Systems Inc. as well as on the valuation of the investment in SUSS MicroTec, Inc. – as the financing company of SUSS MicroTec Photonic Systems Inc. – in the separate financial statements of SUSS MicroTec SE if the product lines produced in the USA generate negative earnings on an ongoing basis.

In the past fiscal year, the Bonder division produced a positive EBIT for the first time, amounting to € 3.3 million (after € -1.7 million in the previous year). We assume that the Bonder division will make a constant positive contribution to Group earnings with product lines in the area of permanent and temporary bonding from now on. Both areas of the division – permanent as well as temporary bonding – were able to generate the planned sales and a significant positive EBIT in the 2017 fiscal year. Meanwhile, we view our market position as very secure. With permanent bonders, mask aligners, and coaters/developers, we are able to offer our customers a comprehensive and complementary product portfolio, customers that would ordinarily prefer to obtain these three product lines from one provider, in particular, research

institutes and universities. The sales development of the temporary bonding area has also been encouraging so that we anticipate higher volumes and sustained positive margins here in the future as well.

Significant pricing pressure still exists in the current market environment. This includes the risk that original target selling prices can no longer be achieved, even given recovering markets. We are countering this risk with a constant pricing policy. As such, orders are rejected if the conditions are unattractive, in order to guarantee constant prices for customers in recovering markets.

SUSS MicroTec's products are regularly analyzed, checked, and optimized using an extensive risk and quality management system. The liability risk for SUSS MicroTec may increase given the use of the products in the manufacturing environment of companies with rising demands on product quality. In addition to other types of insurance, SUSS MicroTec also has product liability insurance for the Group. This limits as much potential risk as possible. The suitability of these insurance policies, which also protect the Group companies, is reviewed regularly with respect to the covered risks and coverage amounts and modified if necessary. In addition, we also endeavor to include the limitations of liability in contracts with all contractual partners.

Information Technology Risks

We fundamentally view our IT infrastructure as well constructed and are of the opinion that we have taken adequate precautions to prevent data manipulation, data loss, and data misuse. Furthermore, we routinely invest in new hardware and software in order to minimize the likelihood that IT systems and software solutions will fail. With virus scanners and antivirus software, which are continually updated, we protect our IT systems from unauthorized access and damage. Nevertheless, we cannot eliminate the possibility of data manipulation, data loss, or data misuse in individual cases. It is also conceivable that new viruses and Trojans that are not detected by our security programs could penetrate our IT systems. The problem is exacerbated by the increasing use of mobile devices, such as notebooks and smartphones, that access our corporate network. In order to minimize the risk of unauthorized access to our corporate network arising from the use of mobile devices, Group-wide guidelines for mobile device usage have been established.

FINANCIAL RISKS

Credit Risks

A credit risk is an unexpected loss of cash or earnings. This occurs when a customer is unable to meet its obligations by the due date, or the assets used as collateral lose value. The Company has implemented Group-wide guidelines on the topic of credit assessment. These guidelines set out the specific payment conditions and safeguards to which the Company's individual sales units can agree, while taking the customer and country-specific aspects into consideration. Orders from customers located in "risk countries" can, therefore, only be accepted against payment for the entire amount of the order, a bank guarantee, or a letter of credit. In the case of customers who are located in the "non-risk countries" and exceed a certain size, a corresponding customer rating is established. These ratings are based on information provided by external credit rating agencies. Depending on the customer's rating, tiered payment conditions and/or safeguards may be necessary to process the order.

Of the gross amount of trade receivables totaling € 20.5 million (previous year: € 24.5 million), € 13.1 million overall was neither overdue nor impaired as of the reporting date (previous year: € 20.5 million). As of December 31, 2017, there were no indications of payment defaults occurring.

The age structure of overdue, but not impaired receivables as of the reporting date and that of the previous year are as follows:

AGE STRUCTURE OF OVERDUE RECEIVABLES WITHOUT IMPAIRMENT

<i>in € thousand</i>	2017	2016
1–30 days	3,741	2,272
31–60 days	238	447
61–90 days	1,012	549
91–180 days	0	10
Overdue receivables without impairment	4,991	3,278

As of the reporting date, a total of € 2.4 million (previous year: € 0.8 million) of the gross inventory of receivables was overdue and impaired.

The age structure of overdue and impaired receivables as of the reporting date and that of the previous year is shown in the following table:

AGE STRUCTURE OF OVERDUE RECEIVABLES WITH IMPAIRMENT

<i>in € thousand</i>	2017	2016
< 91 days	0	0
91–180 days	1,636	228
181–360 days	544	388
> 360 days	203	147
Overdue receivables with impairment	2,383	763

Additional information about how value adjustments for trade receivables are determined can be found in the Notes.

Liquidity Risks

As of the end of the year, SUSS MicroTec Group held net cash of € 33.0 million (previous year: € 31.1 million). Free cash flow in the previous fiscal year (adjusted for the effects of securities purchases and sales) totaled € 2.9 million (previous year: € -9.1 million).

A loan agreement exists between SUSS MicroTec SE and IKB Deutsche Industriebank AG that serves to finance the business property in Garching. The loan was originally valued at € 7.5 million. It was made available and drawn down on December 16, 2013, and runs until June 30, 2021. As of December 31, 2017, the SUSS MicroTec Group recognized bank borrowings of € 3.5 million for this loan. The repayment of the loan will amount to € 1.0 million per year until June 30, 2021. In addition, normal bank interest will be charged for the loan.

As of December 31, 2017, the SUSS MicroTec Group had access to credit and guarantee lines with national and international banks totaling € 8.25 million. Three banks provide credit and guarantee lines totaling € 4.5 million to SUSS MicroTec Lithography GmbH via bilateral agreements. These credit and guarantee lines are granted until further notice. Furthermore, in 2017, additional guarantee lines totaling € 3.0 million were made available to SUSS MicroTec Lithography GmbH. These additional lines ran until December 31, 2017. An additional credit line of € 0.75 million is available to SUSS MicroTec Photomask Equipment GmbH & Co. KG. We are currently making use of these available credit and guarantee lines in order to offer down payment guarantees in the operational business. As of December 31, 2017, € 3.4 million of these credit and guarantee lines are being utilized in the form of guarantees. We anticipate that we will be able to continue to provide all of the necessary down payment guarantees.

Minimizing the dependence, particularly on short-term borrowed capital, should keep any potential financing risk low. The Company is countering this risk above all by aiming to keep its ratio of borrowed capital at a low level through the corresponding cash flows from optimizing its working capital. Further details about the Company's liquidity situation can be found in Note (23).

Market Price Risks

Market price fluctuations can result in significant cash flow and earnings risks for the Company. Changes in foreign currency and interest rates influence the global operational business as well as investment and financing alternatives.

SUSS MicroTec's international orientation exposes it to foreign currency risk within the scope of its normal operating activities. Currency hedging is carried out on the basis of existing foreign currency orders. The hedging ratio for orders that are processed within three or six months comes to approximately 65 percent and 45 percent, respectively. Incoming and outgoing payment flows, which result particularly from foreign currency orders of materials and supplies, are deducted from the foreign currency amount to be identified and hedged. Forward exchange transactions are used as hedging instruments. For further details, please refer to Note (28).

The favorable development of foreign currency exchange rates can lead to higher margins for individual orders and generate additional currency gains.

There is no recognizable interest rate risk for SUSS MicroTec Group. The loan in connection with financing the Garching property carries a fixed interest rate.

OVERALL ASSESSMENT

No risks that threaten the Company's existence were identified in the Group in the 2017 fiscal year. The continued existence of the Company was at no time endangered from a material assets and liquidity point of view.

Material risks for the SUSS MicroTec Group are presented in the following table. The risks are rated according to their likelihood of occurrence as well as potential financial impact (as measured by the level of potential liquidity outflow).

	Likelihood					Impact				
	Very low	Low	Middle	High	Very high	Negligible	Marginal	Serious	Critical	Threatening the existence
	> 0% to ≤ 5%	> 5% to ≤ 10%	> 10% to ≤ 25%	> 25% to ≤ 50%	> 50% to ≤ 100%	€ 0 to ≤ € 20 k	> € 20 k to ≤ € 500 k	> € 500 k to ≤ € 2 million	> € 2 million to ≤ € 10 million	> € 10 million to ≤ € 20 million
Macroeconomic risks										
Negative impacts due to changes in the currency market			X					X		
Development-specific risks										
Product policy, customer satisfaction			X						X	
Insufficient innovativeness, failed development projects			X						X	
Loss of market leadership in individual areas			X						X	
Operating risks										
Sales drop with mask aligners	X							X		
Loss of market shares for coaters ¹			X					X		
No profitability of UV projection lithography systems and laser processing tools ²			X						X	
Permanent bonding – market share cannot be increased ¹			X					X		
Temporary bonding – technology developed by SUSS MicroTec cannot be established in the market ¹		X						X		
Product liability	X							X		
Information technology risks										
Data security			X				X			

¹ Likelihood previous year: middle.

² Likelihood previous year: high.

FORECAST REPORT

The business environment in which SUSS MicroTec operates is influenced by regional and global economic conditions as well as industry developments. In the following forecast report, we explore various factors that both the Company and leading market and industry observers regard as essential for the future business development of the Company.

The global economy continues to show a significant upswing. After growth of 3.3 percent in 2017, the global economy could expand by another 3.3 percent in 2018, according to a study by the ifo Institute in Munich. Growth is expected to weaken slightly in the following year, reaching growth of 3.0 percent. In the past year, the U.S. economy grew by 2.2 percent, according to forecasts by the International Monetary Fund. This rate increased in part due to the tax reform approved at the end of 2017. Economic growth in China turned out to be more robust than expected. Already in the first three quarters of 2017, the Chinese economy grew stronger than previously forecast at a growth rate of 6.9 percent. Growth for the full year should amount to 6.8 percent, according to the World Bank. The principle contributing factors are strong exports and the government-supported construction boom. However, the IMF warns that the robust growth can only be financed by higher debt. In fact, the Chinese government is trying to rein in the granting of credit. As a result, growth in 2018 could turn out to be less than in 2017.

In Germany and Europe, signs also pointed to growth in 2017. The interest-rate policy of the European Central Bank continues to support this. Most member states of the European Union, even in the former crisis countries of Spain, Portugal, and Greece, expect economic growth in the 2017 fiscal year. For example, growth in Spain amounted to 3.1 percent last year, according to the economics ministry. France also grew more strongly than in the past six years at a projected rate of 1.9 percent. In addition, President Emmanuel Macron's business-friendly labor market reform, which should go into effect in January 2018, is inspiring hopes for a sustained economic recovery for France. In the United Kingdom, the economy is already suffering from its decision to leave the European Union, as officially announced in late March 2017, and the associated uncertainties. Although the British economy grew by 1.5 percent in 2017, according to forecasts by the EU Trade Commission, growth of 1.4 percent in 2018 and 1.1 percent in 2019 should turn out to be much weaker than in the rest of Europe (source: HSBC 2017 Year in Review). Economic growth in the eurozone amounted to approximately 2.4 percent, according to estimates of the ifo Institute in Munich. For the current fiscal year, renewed growth of 2.5 percent is forecast before the dynamic

subsides somewhat in 2019 and growth could decline to approximately 2.0 percent.

For Germany, growth of real gross domestic product of 2.6 percent is expected in 2018. In the previous year, growth was still at about 2.3 percent as expected. The reasons for the sustained growth are primarily good domestic demand, driven by private consumption, as well as high international demand for German products.

INDUSTRY-SPECIFIC CONDITIONS

SEMICONDUCTOR INDUSTRY

The 2017 fiscal year was a very strong year for the entire semiconductor sector. Renewed significant market growth is forecast for 2018, according to the expectations of various market research institutes. The entire semiconductor market reached a volume of approximately US\$ 419 billion in 2017. In their estimates from January 2018, the experts from Gartner expect that a new record level of approximately US\$ 451 billion can be reached in 2018. This corresponds to growth of 7.5 percent from the previous year. The demand and high prices for storage media may also stimulate growth in the semiconductor segment in the coming quarters. Limited production capacities and empty storage facilities already drove the prices for DRAM and NAND storage media much higher in 2017. The high prices are expected to have a negative impact on the margins of manufacturers of electronic devices, such as smartphones, computers, or servers.

As has been shown in recent years, the precision of the forecast is very limited due to the particularities and pronounced cyclical nature of the semiconductor sector. In this respect, the estimates have been made on the basis of information available at the current time, but they do not guarantee that the forecasts will actually materialize.

SEMICONDUCTOR EQUIPMENT INDUSTRY

The preliminary figures for the 2017 fiscal year far surpass the original estimates of the SEMI industry association for the semiconductor equipment area in 2017. The market for semiconductor equipment grew by about 41 percent from 2016, thereby reaching a total volume of approximately US\$ 57 billion. Renewed strong growth is forecast for 2018. For example, according to SEMI estimates from January 2018, the market for semiconductor equipment is expected to grow by about 11 percent to a volume of approximately US\$ 63 billion. Investments from South Korea, Taiwan, and for the first time, a double-digit billion investment from China will influence the market in particular. The high demand and high prices for storage media are also driving the market volume here. Examples of end-use applications for storage media are server or cloud applications, smartphones, the Internet of Things, as well as the increasing networking and digitalization of everyday life. According to estimates by the International Data Corporation (IDC), expenditures involving the Internet of Things alone will increase from about US\$ 674 billion in 2017 to approximately US\$ 773 billion in the 2018 fiscal year.

For the mid- and back-end of the semiconductor industry, the main sales market for SUSS MicroTec tools, in its estimates from August 2017, Gartner expects hardly any change in 2018 from the previous year. In particular, the wafer fab equipment sector, including wafer-level packaging, will stabilize at a high level and grow by about 0.1 percent from 2017 (previous year: plus 17.9 percent). The disclaimer that the expectations of market research institutes frequently change significantly over time and reliable forecasts are not possible also applies for these forecasts.

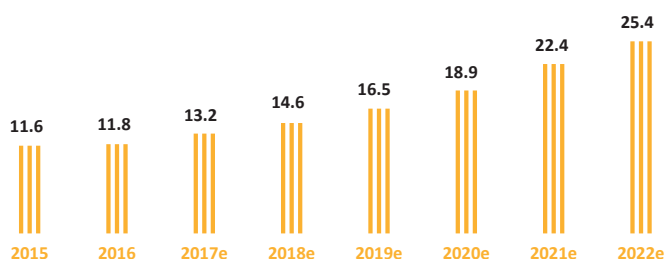
EXPECTED DEVELOPMENT IN THE MAJOR MARKETS

MICROELECTROMECHANICAL SYSTEMS (MEMS)

The market for sensors, particularly for microelectromechanical systems (MEMS), continued to develop very dynamically in the past year. Market volume was able to grow by 12 percent from about US\$ 11.8 billion to US\$ 13.2 billion, according to estimates by Yole Développement. Additional growth of 11 percent from the previous year is forecast for 2018. From 2016 to 2022, an average annual growth rate of approximately 14.0 percent is expected for MEMS sensors (quantity). It also has to be taken into consideration that the equipment sector will see considerably less growth in the tools area due to efficiency gains, increases in throughput and yield, and the trend toward greater wafer diameters.

The MEMS market is characterized by vastly different product designs, production processes, and end-use applications. Especially in the area of sensors and actuators, it is necessary to meet the most diverse requirements for the corresponding end-use applications, such as protection from moisture or dirt, temperature and pressure differences, and stipulations for certain form factors. MEMS packaging poses major challenges here in particular. In view of the end-use applications, consumer electronics, the largest sector along with automotive and security applications, will continue to develop very dynamically. The transition from 4G to 5G cellular networks plays an important role here. Frequency filters (RF, radio frequency) will be an important growth driver in this market given the increasing complexity caused by the switch from 4G to 5G. Outsourced assembly and test companies (OSATs) and integrated device manufacturers (IDMs) perform 55 percent and 45 percent of MEMS component packaging, respectively. SUSS MicroTec counts the MEMS manufacturers themselves as well as OSATs and IDMs among its customers.

MARKET FOR MEMS in US\$ billion



ADVANCED PACKAGING AND 3D INTEGRATION

Today the concept of advanced packaging encompasses a variety of technologies, such as wafer-level packaging (WLP), in which the respective touchdowns occur while the individual chips are still located on the wafer. In addition, there are the subforms fan-in and fan-out WLP, flip chip bonding, wafer-level chip-scale packaging, and both 2.5D and 3D integration. SUSS MicroTec is particularly active in this field with its lithographic and temporary bonding solutions.

The specialty area of wafer-level packaging and assembly, which is relevant for SUSS MicroTec, grew by 25.8 percent to US\$ 3.8 billion in the 2017 fiscal year, according to SEMI. In the previous year, growth was still about 3.9 percent. According to Gartner's estimates, growth for the wafer fab equipment sector (including wafer-level packaging) was 17.9 percent in 2017, thereby reaching a market volume of US\$ 43.7 billion. For the current fiscal year, Gartner expects a stabilization of the market at the high level of the previous year. Growth of 0.1 percent is forecast. For the 2019 fiscal year, a 7.3 percent decline in market volume could occur.

Fan-out wafer-level packaging (FOWLP) is a special form of wafer-level packaging (WLP). Advantages offered by this technology include the miniaturization of form factors for the packages that are used, for example in smartphones. For 2018 to 2022, Yole expects average annual growth of about 20 percent in this market niche, in which SUSS MicroTec is represented with its lithography machines – coaters, developers, and UV projection scanners.

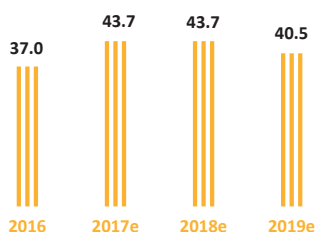
3D integration is a refinement of advanced packaging technologies currently in use. In the process, thinned microchips are stacked on top of each other and connected by through-silicon vias (TSVs). The advantage is the high degree of packing density and complexity that can be achieved in the smallest space. Through 3D integration, it is also possible to integrate various options, such as memory and processor, in one package.

After SUSS MicroTec had written in its 2016 Management Report that the start of high-volume production was still pending, although various large semiconductor companies had increased activities in this field, in the 2017 fiscal year it was possible for the first time to record orders from an international IDM for the start of high-volume production in the storage area. SUSS MicroTec currently anticipates that in the future, along with lead customers, additional manufacturers of storage media will invest intensively in the area of 3D integration. According to Yole, the share of storage media that is processed using 3D integration with TSVs was less than 1 percent in 2016. This share may increase to about 8 percent by 2020. For this reason, SUSS MicroTec is very confident that 3D-TSV technology will make a significant contribution to the Group's sales and earnings growth in the future.

COMPOUND SEMICONDUCTORS (LED)

The market for compound semiconductors plays a subordinate role for SUSS MicroTec. Only the years 2010 and 2011 represented an exception here. In 2017, its share of total sales was again well under ten percent and, from today's perspective, no noteworthy increase in this share can be foreseen.

MARKET FOR WAFER-FAB EQUIPMENT INCL. WAFER-LEVEL PACKAGING *in US\$ billion*



Source: Gartner, August 2, 2017

ENDOGENOUS INDICATORS

In addition to the development of the target markets, innovative potential is key for business success. In the 2017 fiscal year, SUSS MicroTec also maintained important cooperative development agreements with well-known partners from industry and research. Cooperative agreements with respected universities, research institutes, and technology-driven companies are an important part of our corporate strategy. The Company also introduced various innovations to the market in the past fiscal year.

In the first half of 2017, we were able to introduce the XBS200 to the market – a brand-new, automated tool for permanent wafer bonding. The XBS200 is a universal platform that is suitable for processing wafers with a diameter of up to 200 mm. The versatility and modular design of the XBS200 offer maximum process flexibility for all requirements in the area of permanent bonding. A new and innovative design for the transfer of aligned and bonded wafer pairs eliminates the complexity of conventional systems, enabling consistent processing results combined with outstanding system availability. The XBS200 platform offers a low cost of ownership for high-volume production of MEMS and LEDs as well as 3D integration.

For many years, SUSS MicroTec has been the market leader for temporary bonding solutions for 3D TSV integration processes. Until now, this technology has been primarily used in high-quality, low-volume production or in the laboratory environment of the semiconductor industry. Through continuous refinement of the tools and close cooperation with our customers, in the 2017 fiscal year it was possible to record notable orders for the first time from an Asian integrated device manufacturer (IDM) for use in high-volume production. With the order, the customer significantly expanded their existing production capacity. The Company is also observing that other semiconductor manufacturers are indicating growing interest in this technology.

In addition, intensive efforts were undertaken in the 2017 fiscal year to launch the development of a new generation of DSC300 UV projection scanners. The latest generation of the machines will be available to customers beginning in the second quarter of 2018. In particular, the DSC300 serves the promising market for FOWLP applications.

STATEMENT ON THE PROJECTED DEVELOPMENT OF THE GROUP – OUTLOOK FOR 2018

After the very good order entry in the 2017 fiscal year, we look forward to the 2018 fiscal year with optimism. The market environment in the semiconductor industry and the overall economic outlook remain positive, even if several market analysts are already warning about an overheating of the markets and a potential decline in growth. SUSS MicroTec starts the new financial year with a high order backlog of EUR 133.4 million. Taking into account the continued positive outlook for the first half of 2018, we assume that order intake in the first half of 2018 will reach the average of the comparable periods of previous years of around EUR 70 million to EUR 80 million, however, not the exceptionally high value of the previous year (EUR 94.5 million). Building on this, we expect sales in the range of EUR 195 million to EUR 205 million in 2018. At this revenue level, EBIT for 2018 is expected to be in the range of 8.5 percent to 10.0 percent and EBITDA in the range of 11.0 percent to 12.5 percent of revenue. In 2018, we do not expect comparable license revenues as in the previous year. The reasons for the positive development of the EBIT margin are, in addition to volume effects from higher sales, in particular efficiency increases in internal processes. The Bonder segment is again expected to make a significant contribution to earnings in 2018. In addition, we are aiming for a positive free cash flow for the 2018 financial year.

In the 2018 fiscal year, the Lithography division will once again deliver the largest contribution to sales and earnings for the Group. Based on the order backlog at the end of 2017 and the forecast for order entry in the first half of 2018, we anticipate slightly higher sales and a larger EBIT margin compared to 2017. EBIT is expected to be in the € 9 million to € 12 million range. For the Bonder division, we expect a significant sales increase and EBIT that is further improved from the previous year and in the single-digit million range. For the Photomask Equipment division, we also expect slightly higher sales along with slightly lower EBIT. The previous year included licensing income that is not expected in this year's plans. We remain committed to our goal of sustaining the organic growth of our operational core business from our own cash and cash equivalents.

FORWARD-LOOKING STATEMENTS

This report contains information and forecasts that refer to the future developments of the SUSS MicroTec Group and its companies. The forecasts are assessments that the Company has made based on all of the information available to it at the present time. Should the assumptions on which these forecasts are based not occur or the risks – as addressed in the risk report – arise, the actual results may deviate from those currently expected.

Garching, Germany, March 9, 2018



Dr. Franz Richter
Chief Executive Officer



Robert Leurs
Chief Financial Officer



Walter Braun
Chief Operating Officer

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

of SUSS MicroTec SE for the 2017 Fiscal Year

Consolidated Statement of Income (IFRS)	108
Statement of Comprehensive Income (IFRS)	109
Consolidated Balance Sheet (IFRS)	110
Consolidated Statement of Cash Flows (IFRS)	112
Consolidated Statement of Changes in Shareholders' Equity (IFRS)	114
Fixed Assets Movement Schedule 2017	116
Fixed Assets Movement Schedule 2016	118
Segment Reporting (IFRS)	120
Notes to the IFRS Consolidated Financial Statements	122
Comments on the IFRS Consolidated Statement of Income	131
Explanations on the Assets Side	135
Explanations on the Equity & Liabilities Side	137
Other Disclosures	144
Responsibility Statement by the Legal Representatives	152
Audit Certificate of the Independent Auditor	153

CONSOLIDATED STATEMENT OF INCOME (IFRS)

<i>in € thousand</i>	Note	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Sales	(3)	166,524	177,582
Cost of sales	(4)	-107,018	-118,955
Gross profit		59,506	58,627
Selling costs		-19,572	-20,521
Research and development costs		-15,186	-14,137
Administration costs		-13,402	-13,601
Other operating income	(5)	6,342	4,268
Other operating expenses	(6)	-3,785	-3,488
Analysis of net income from operations (EBIT)			
EBITDA (Earnings before interest and taxes, depreciation and amortization)		17,977	15,298
Depreciation and amortization of tangible assets, intangible assets and financial assets	(10)	-4,074	-4,150
Net income from operations (EBIT)		13,903	11,148
Financial income		57	91
Financial expenses		-207	-720
Financial result	(7)	-150	-629
Profit before taxes		13,753	10,519
Income taxes	(8)	-7,047	-5,517
Net profit		6,706	5,002
thereof equity holders of SUSS MicroTec SE		6,706	5,002
thereof non-controlling interests		0	0
Earnings per share (basic)	(9)		
Earnings per share in €		0.35	0.26
Earnings per share (diluted)	(9)		
Earnings per share in €		0.35	0.26

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

<i>in € thousand</i>	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Net profit	6,706	5,002
Items that will not be reclassified to profit and loss		
Remeasurements on defined benefit pension plans	-293	-168
Deferred taxes	61	69
Other comprehensive income after tax for items that will not be reclassified to profit and loss	-232	-99
Items that will be reclassified to profit and loss in later periods		
Foreign currency adjustment	-3,840	415
Cash flow hedges	0	410
Deferred taxes	0	-115
Other comprehensive income after tax for items that will be reclassified to profit and loss	-3,840	710
Total income and expenses recognized in equity	-4,072	611
Total income and expenses reported in the reporting period	2,634	5,613
thereof equity holders of SUSS MicroTec SE	2,634	5,613
thereof non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET (IFRS)

<i>in € thousand</i>	Note	12/31/2017	12/31/2016
Assets			
Noncurrent assets		42,701	42,782
Intangible assets	(11)	2,609	3,522
Goodwill	(12)	15,573	15,840
Tangible assets	(13)	23,302	20,563
Other assets	(14)	503	652
Deferred tax assets	(8)	714	2,205
Current assets		159,249	136,844
Inventories	(15)	97,945	73,804
Trade receivables	(16)	19,633	24,111
Other financial assets	(17)	483	159
Current tax assets	(18)	83	375
Cash and cash equivalents	(19)	36,464	35,621
Other assets	(20)	4,641	2,774
Total assets		201,950	179,626

<i>in € thousand</i>	Note	12/31/2017	12/31/2016
Liabilities & Shareholders' Equity			
Equity		126,987	124,353
Total equity attributable to shareholders of SUSS MicroTec SE		126,987	124,353
Subscribed capital	(21)	19,116	19,116
Reserves	(21)	110,286	103,811
Accumulated other comprehensive income	(21)	-2,415	1,426
Noncurrent liabilities		7,246	8,337
Pension plans and similar commitments	(22)	4,746	4,837
Financial debt	(23)	2,500	3,500
Current liabilities		67,717	46,936
Provisions	(24)	2,659	5,161
Tax liabilities	(27)	3,582	3,821
Financial debt	(23)	1,005	1,007
Other financial liabilities	(25)	6,748	5,359
Trade payables		7,289	3,362
Other liabilities	(26)	46,434	28,226
Total liabilities and shareholders' equity		201,950	179,626

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

<i>in € thousand</i>	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Net profit (after taxes)	6,706	5,002
Amortization of intangible assets	1,244	1,290
Depreciation of tangible assets	2,830	2,860
Profit on disposal of intangible and tangible assets	42	52
Change of reserves on inventories	432	1,580
Change of reserves for bad debts	487	-75
Non-cash income from the reversal of pension provisions	-203	-46
Other non-cash effective income and expenses	-228	619
Change in inventories	-28,205	-6,071
Change in trade receivables	2,938	-10,673
Change in other assets	-2,041	-481
Change in pension provisions	315	-374
Change in trade payables	5,843	-5,516
Change in down payments received	18,089	4,381
Change in other liabilities and other provisions	-414	1,184
Change of tax assets and tax liabilities	1,544	818
Cash flow from operating activities	9,379	-5,450

<i>in € thousand</i>	01/01/2017–12/31/2017	01/01/2016–12/31/2016
Disbursements for tangible assets	-5,976	-3,149
Disbursements for intangible assets	-512	-493
Cash flow from investing activities	-6,488	-3,642
Repayment of bank loans	-1,000	-4,600
Change in current bank liabilities	-2	1
Cash flow from financing activities	-1,002	-4,599
Adjustments to funds caused by exchange rate fluctuations	-1,046	227
Change in cash and cash equivalents	843	-13,464
Funds at the beginning of the year	35,621	49,085
Funds at the end of the period	36,464	35,621
Cash flow from operating activities includes:		
Interest paid during the period	153	667
Interest received during the period	52	84
Tax paid during the period	5,283	4,724
Tax refunds during the period	87	1

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

<i>in € thousand</i>	Subscribed capital	Additional paid-in capital	Earnings reserve	Retained earnings
As of January 1, 2016	19,116	97,614	433	762
Disbursement from the capital reserve of SUSS MicroTec AG		-26,067		26,067
Net income/loss				5,002
Total income and expenses recognized in equity				
Total comprehensive income/loss				5,002
As of December 31, 2016	19,116	71,547	433	31,831
As of January 1, 2017	19,116	71,547	433	31,831
Net income/loss				6,706
Total income and expenses recognized in equity				
Total comprehensive income/loss				6,706
Reclassification into earnings reserve			-231	
As of December 31, 2017	19,116	71,547	202	38,537

Accumulated other comprehensive income					Total equity attributable to shareholders of SUSS MicroTec SE	Equity
Items that will not be reclassified to profit and loss		Items that will be reclassified to profit and loss in later periods				
Remeasurements on defined benefit pension plans	Deferred taxes	Foreign currency adjustment	Cash flow hedges	Deferred taxes		
-2,845	697	3,258	-410	115	118,740	118,740
					5,002	5,002
-168	69	415	410	-115	611	611
-168	69	415	410	-115	5,613	5,613
-3,013	766	3,673	0	0	124,353	124,353
-3,013	766	3,673	0	0	124,353	124,353
					6,706	6,706
-293	61	-3,840	0	0	-4,072	-4,072
-293	61	-3,840	0	0	2,634	2,634
322	-91					
-2,984	736	-167	0	0	126,987	126,987

FIXED ASSETS MOVEMENT SCHEDULE

The fixed assets movement schedule is part of the notes to the consolidated financial statements.

FIXED ASSETS MOVEMENT SCHEDULE 2017

in € thousand	Acquisition and manufacturing costs				
	01/01/2017	Translation adjustment	Additions	Reclassifications	Disposals
I. Intangible assets					
1. Concessions, intellectual property rights and similar rights, and assets as well as licenses in such rights and assets	18,672	-233	512		61
2. Development costs	29,520	-106			
3. Software	0	0			0
4. Other intangible assets	3,337	-283			0
	51,529	-622	512	0	61
II. Goodwill	30,253	-267			
III. Tangible assets					
1. Land, buildings, fixtures	16,834	-21	1,589		0
2. Technical equipment and machinery	12,999	-1,000	3,037	0	0
3. Other equipment, office, and plant furnishings	10,975	-118	1,287	19	448
4. Motor vehicles	357	-4			0
5. Facilities under construction	22	-3	62	-19	
6. Capitalized leased property					
Land, buildings, fixtures	0				
Technical equipment and machinery	432	-52			89
Other equipment, office, and plant furnishings	0	0	0		0
Fleet of cars	32	-3			
	41,651	-1,201	5,975	0	537
IV. Financial assets					
Other investments	2,120				
	2,120	0	0	0	0

Depreciation and amortization						Net book value		
12/31/2017	01/01/2017	Translation adjustment	Additions	Reclassifications	Disposals	12/31/2017	12/31/2016	12/31/2017
18,890	16,294	-192	921		36	16,987	2,378	1,903
29,414	29,342	-106	61			29,297	178	117
0	0	0			0	0	0	0
3,054	2,371	-168	262		0	2,465	966	589
51,358	48,007	-466	1,244	0	36	48,749	3,522	2,609
29,986	14,413					14,413	15,840	15,573
18,402	2,634	-14	535		0	3,155	14,200	15,247
15,036	8,731	-647	1,338		0	9,422	4,268	5,614
11,715	8,911	-92	950		431	9,338	2,064	2,377
353	348	-4	7		0	351	9	2
62	0					0	22	62
0	0					0	0	0
291	432	-52			89	291	0	0
0	0	0	0		0	0	0	0
29	32	-3				29	0	0
45,888	21,088	-812	2,830	0	520	22,586	20,563	23,302
2,120	2,120					2,120	0	0
2,120	2,120	0	0	0	0	2,120	0	0

FIXED ASSETS MOVEMENT SCHEDULE

The fixed assets movement schedule is part of the notes to the consolidated financial statements.

FIXED ASSETS MOVEMENT SCHEDULE 2016

in € thousand	Acquisition and manufacturing costs				
	01/01/2016	Translation adjustment	Additions	Reclassifications	Disposals
I. Intangible assets					
1. Concessions, intellectual property rights and similar rights, and assets as well as licenses in such rights and assets	18,231	62	493		114
2. Development costs	29,493	27			
3. Software	183	11			196
4. Other intangible assets	3,334	74			71
	51,241	174	493	0	381
II. Goodwill	30,185	68			
III. Tangible assets					
1. Land, buildings, fixtures	16,613	25	538		342
2. Technical equipment and machinery	11,350	114	1,286	798	549
3. Other equipment, office, and plant furnishings	10,765	32	945		767
4. Motor vehicles	374	-2			15
5. Facilities under construction	432	14	374	-798	
6. Capitalized leased property					
Land, buildings, fixtures	0	0			
Technical equipment and machinery	669	29			266
Other equipment, office, and plant furnishings	21	2	7		31
Fleet of cars	30	2			
	40,254	216	3,150	0	1,970
IV. Financial assets					
Other investments	2,120				
	2,120	0	0	0	0

Depreciation and amortization						Net book value		
12/31/2016	01/01/2016	Translation adjustment	Additions	Reclassifications	Disposals	12/31/2016	12/31/2015	12/31/2016
18,672	15,442	47	919		114	16,294	2,789	2,378
29,520	29,241	27	74			29,342	252	178
-2	183	11			196	-2	0	0
3,337	2,109	36	297		71	2,371	1,225	966
51,527	46,975	121	1,290	0	381	48,005	4,266	3,522
30,253	14,413					14,413	15,772	15,840
16,834	2,440	20	516		342	2,634	14,173	14,200
12,999	7,784	77	1,410		540	8,731	3,566	4,268
10,975	8,705	26	915		735	8,911	2,060	2,064
357	342	-2	12		4	348	32	9
22	0					0	432	22
0	0					0	0	0
432	669	29			266	432	0	0
-1	21	2	7		31	-1	0	0
32	30	2				32	0	0
41,650	19,991	154	2,860	0	1,918	21,087	20,263	20,563
2,120	2,120					2,120	0	0
2,120	2,120	0	0	0	0	2,120	0	0

SEGMENT REPORTING (IFRS)

The Segment Reporting is part of the notes to the consolidated financial statements.

SEGMENT INFORMATION BY BUSINESS SEGMENT

<i>in € thousand</i>	Lithography		Bonder	
	2017	2016	2017	2016
External sales	112,803	133,771	22,096	13,983
Internal sales	0	0	0	0
Total sales	112,803	133,771	22,096	13,983
Result per segment (EBIT)	6,338	13,170	3,284	-1,697
Income before taxes	6,298	13,144	3,277	-1,701
Significant non-cash items	-980	-1,871	625	314
Segment assets	94,694	83,311	24,596	12,364
thereof goodwill	15,573	15,840	0	0
Unallocated assets				
Total assets				
Segment liabilities	-34,002	-23,969	-6,856	-7,301
Unallocated liabilities				
Total liabilities				
Depreciation and amortization	1,708	1,759	260	260
thereof scheduled	1,708	1,759	260	260
thereof impairment loss	0	0	0	0
Capital expenditure	1,512	1,446	211	159
Workforce on December 31	486	452	94	86

SEGMENT INFORMATION BY REGION

<i>in € thousand</i>	Sales		Capital expenditure		Assets (without goodwill)	
	2017	2016	2017	2016	2017	2016
EMEA	38,802	43,131	6,150	2,914	125,092	90,065
North America	26,621	25,402	292	594	14,968	27,523
Asia and Pacific	101,101	109,049	46	134	4,127	6,466
Consolidation effects	0	0	0	0	-698	-2,054
Total	166,524	177,582	6,488	3,642	143,489	122,000

Photomask Equipment		Others		Consolidation effects		Total	
2017	2016	2017	2016	2017	2016	2017	2016
19,702	19,693	11,923	10,135	-	-	166,524	177,582
0	0	6,180	7,025	-6,180	-7,025	0	0
19,702	19,693	18,103	17,160	-6,180	-7,025	166,524	177,582
5,093	1,818	-812	-2,143	-	-	13,903	11,148
5,091	1,814	-913	-2,738	-	-	13,753	10,519
-194	443	-163	-1,089	-	-	-712	-2,203
13,690	19,088	26,082	23,077	-	-	159,062	137,840
0	0	0	0	-	-	15,573	15,840
						43,018	41,786
						202,080	179,626
-11,309	-4,320	-7,820	-2,175	-	-	-59,987	-37,765
						-14,937	-17,508
						-74,924	-55,273
132	136	1,974	1,995	-	-	4,074	4,150
132	136	1,974	1,995	-	-	4,074	4,150
0	0	0	0	-	-	0	0
175	89	4,590	1,948	-	-	6,488	3,642
115	103	84	70	-	-	779	711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

of SUSS MicroTec SE (formerly: SUSS MicroTec AG) for the 2017 fiscal year

(1) DESCRIPTION OF BUSINESS ACTIVITY

SUSS MicroTec SE (the “Company”), domiciled at Schleissheimer Str. 90, Garching, near Munich, Germany, and its subsidiaries constitute an international Group that manufactures and distributes products using microelectromechanical systems and microelectronics. Production is carried out at the facilities in Garching and Sternenfels in Germany, Corona (California) in the USA, and Hauterive (Canton of Neuchâtel) in Switzerland. The products are distributed by the production facilities directly and through distribution companies in the USA, France, the United Kingdom, Japan, Singapore, Taiwan, China, and South Korea. In countries in which the Group does not have offices of its own, distribution is organized through trade representatives.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) approved and published by the International Accounting Standards Board (IASB), which are mandatory in the European Union. The consolidated financial statements were principally prepared on the basis of historical cost. Historical cost is generally based on the fair value of the consideration charged in return for the asset. This does not include certain financial instruments that were recognized at fair value on the reporting date. A corresponding explanation is made as part of the respective accounting and valuation principles. The requirements of the IFRS have been met in full and lead to the presentation of a true and fair view of the net assets, financial position, and results of operations of the SUSS MicroTec Group.

The Company is a Societas Europaea or European company (SE) and is subject to German law. SUSS MicroTec SE was formed by way of the transformation of SUSS MicroTec AG. The transformation was recorded in the Commercial Register Department B of the District Court of Munich on August 9, 2017. Under the regulations of the German Commercial Code (Handelsgesetzbuch – HGB), the Company is obliged to prepare consolidated financial statements in accordance with the accounting regulations of Section 315e HGB as SUSS MicroTec SE is a capital market-oriented company. The Group Management Report has been prepared in accordance with Section 315 HGB.

The consolidated financial statements and the Group Management Report for the year ending on December 31, 2017, will be submitted to and published in the Federal Gazette.

B) STANDARDS AND INTERPRETATIONS THAT HAVE BEEN APPLIED FOR THE FIRST TIME

In the 2017 fiscal year, SUSS MicroTec SE applied the following amendments to existing standards for the first time:

- Amendments to IAS 7 “Statements of Cash Flows” (published by the IASB on January 29, 2016)
- Amendments to IAS 12 “Income Taxes” (published by the IASB in January 2016)

There were no effects on the presentation of the financial statements of SUSS MicroTec AG as a result of the first-time application of the amended standards.

SUSS MicroTec SE also took into account the amendments to standards resulting from the IFRS annual improvements cycle 2012–2014, as well as the cycle 2010–2012, in the 2016 fiscal year. There were no effects on the presentation of the financial statements as a result of the first-time application.

C) STANDARDS AND INTERPRETATIONS THAT HAVE NOT BEEN APPLIED PRIOR TO THE MANDATORY APPLICABLE DATE

The IASB has published the following standards, interpretations and amendments of standards or interpretations, the application of which is not yet mandatory.

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” was first announced by the IASB in November 2009. The final version was published in July 2014 and adopted into EU law in November 2016. IFRS 9 contains guidelines for the recognition, measurement, and derecognition of financial instruments as well as for hedge accounting. The previous accounting of financial instruments under IAS 39 “Financial Instruments: Recognition and Measurement” can now be completely replaced by accounting under IFRS 9. The last changes to IFRS 9 were made on October 12, 2017.

The key requirements of the final IFRS 9 can be summarized as follows:

- Compared with IAS 39, the rules of IFRS 9 provide for a new classification model for financial assets. The subsequent measurement of financial assets will be conducted according to three categories with different measures of value and a different recognition of changes in value.
- For financial liabilities, the existing guidelines of IAS 39 were adopted by IFRS 9 almost unchanged. The only significant update involves the fair value option for financial liabilities.
- IFRS 9 provides for three stages that will determine the amount of recognized losses and interest collection in the future.
- In addition to comprehensive transitional requirements, IFRS 9 is also tied to comprehensive disclosure requirements both during transition and ongoing application.

IFRS 9 is applicable to all fiscal years beginning on or after January 1, 2018. First-time application must generally be made retrospectively, however, various simplification options are provided. Earlier application is permitted.

SUSS MicroTec will apply IFRS 9 for the first time with effect from January 1, 2018. The actual impact of the application of IFRS 9 on the consolidated financial statements in 2018 cannot be reliably determined, as it depends on the financial instruments held by the Group and the economic conditions at this point in time, as well as the discretionary decisions made by the Group in the future. Based on the financial assets and liabilities currently reported, SUSS MicroTec does, however, expect that the new classification model and the new valuation methods of IFRS 9 will not have any material impact on the net assets, financial position, and results of operations of the Group upon first-time application of the new standard.

IFRS 15 “Revenue from Contracts with Customers”

The new IFRS 15 “Revenue from Contracts with Customers” was published by the IASB in May 2014 and prescribes when and in what amount revenue is to be recognized. The aim of the new standard on sales recognition is to bring together the rules contained up to now in various standards and interpretations. At the same time, standardized fundamental principles are defined that are applicable to all industries and all types of revenue transactions. The question of in what amount and when or over which period revenue is to be recognized can be answered using a principles-based, five-step model. In addition to this, IFRS 15 contains a host of other rules on detailed issues and additional disclosures that need to be included in the notes to financial statements.

On September 11, 2015, the IASB published an amendment to IFRS 15, which postpones the initial application deadline by one year to January 1, 2018. As a result, the new regulations for revenue recognition are applicable only to fiscal years that begin on or after January 1, 2018. The new standard was adopted into EU law in October 2016.

In 2016, SUSS MicroTec launched a project to implement IFRS 15 throughout the Group. The project comprised a detailed analysis of the extent to which the individual contract designs normally concluded by SUSS MicroTec with customers are affected by the new rules of IFRS 15. In autumn 2016, all potential effects of IFRS 15 were discussed as part of a central workshop with participants from all relevant departments, and the corresponding opinions were documented. Topics relevant to SUSS MicroTec that may need to be adjusted were identified and consolidated in a short list. The project was completed in autumn 2017. In 2018, SUSS MicroTec will undertake more extensive analysis regarding future disclosures in the Notes and, if necessary, adjust Group reporting accordingly.

The following findings – compared with the previous recognition of revenue – were obtained based on the detailed analysis that was carried out:

- Based on the analysis, SUSS MicroTec expects that, in connection with the sale of a machine, the combination of producing, delivering and installing the machine, as well as initial training for the customer and the statutory warranty summarily constitutes a distinct performance obligation within the meaning of IFRS 15.
- It may be expected that revenue from the sale of machinery that is currently realized upon final acceptance by the customer will continue to be recognized on the basis of the point in time it occurred. The time of final acceptance by the customer represents the time of transfer of control to the customer. For the vast majority of machines it produces, SUSS MicroTec assumes an alternative use.
- In the case of customer contracts that contain several distinct performance obligations, the entire transaction price is, pursuant to IFRS 15, to be allocated to the individual performance obligations on the basis of the relation to the individual selling prices. This therefore influences the time when the revenue is recognized. Customer contracts may contain several performance obligations that may be discounted respectively in different ways. SUSS MicroTec will review in each individual case whether the selling price per performance obligation agreed upon with the customer deviates from the stand-alone selling price and if reallocation of the transaction price to individual performance obligations must occur.
- If contractual combinations exist, IFRS 15 stipulates that the transaction prices must be reallocated between individual contracts. This therefore influences the time when the revenue is recognized. However, SUSS MicroTec expects that contract combinations will only appear in isolated cases.
- In addition, SUSS MicroTec expects insignificant adjustments to the statement of financial position (for instance through separate positions for contract assets and contract liabilities), as well as additional quantitative and qualitative disclosures in the Notes.

In summary, it may be determined that the switch to IFRS 15 at SUSS MicroTec is not expected to cause any major changes to the nature and time of sales recognition. There may, however, be temporal differences in the recognition of components of revenue arising from the reallocation of transaction prices to several performance obligations or several customer contracts.

Overall, SUSS MicroTec SE assumes, based on the analysis performed, that the switch to IFRS 15 will not result in any material impact.

IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The IASB published IFRIC 22 on December 8, 2016. It clarifies on the basis of which date the exchange rate is to be calculated for translating transactions that contain advance payments made or received into a foreign currency. IFRIC 22 is to be applied from January 1, 2018; earlier application is permitted. SUSS MicroTec does not expect any effects from the first-time application of IFRIC 22.

IFRS 16 “Leases”

The IASB published IFRS 16 “Leases” on January 13, 2016. The core idea behind this new standard is for the lessee to recognize all leases and the associated contractual rights and obligations in the statement of financial position. The previous distinction between financial and operating leases required under IAS 17 is therefore no longer required for the lessee in the future. The new regulations are applicable to fiscal years that begin on or after January 1, 2019. The standard has not yet been adopted into EU law.

SUSS MicroTec has started on an initial assessment of the potential effects on its consolidated financial statements. Up to now, the most significant effect identified has been that the Group will recognize new assets and liabilities for all rented premises and areas. New assets and liabilities will also need to be recognized in the statement of financial position for leased Company vehicles. The properties in Garching and Sternenfels, where the Company headquarters of SUSS MicroTec SE, SUSS MicroTec Lithography GmbH, and SUSS MicroTec Photomask Equipment GmbH & Co. KG are located, are owned by SUSS MicroTec SE and therefore not affected by the new rules of IFRS 16. The type of expenses associated with rental contracts and leases will change inasmuch as the linear expenses for operating leases will be replaced by a write-down for right-of-use assets and interest expense for liabilities arising from the lease.

IFRS 17 “Insurance Contracts”

The IASB published IFRS 17 on May 18, 2017. IFRS 17 replaces IFRS 4 and governs accounting for insurance contracts. IFRS 17 is applicable from January 1, 2021. SUSS MicroTec does not see any application area for the rules of IFRS 17.

IFRIC 23 “Uncertainty Over Income Tax Treatments”

The IASB published IFRIC 23 on June 7, 2017. IFRIC 23 deals with accounting for uncertainty related to income taxes. IFRIC 23 is to be applied from January 1, 2019; earlier application is permitted. SUSS MicroTec does not expect any effects from the first-time application of IFRIC 23.

IAS 28 “Investments in Associates and Joint Ventures”

The IASB published amendments to IAS 28 on October 12, 2017. They clarify the applicability of IFRS 9 “Financial Instruments” to noncurrent investments in associates. The new version of IAS 28 should be applied from January 1, 2019. SUSS MicroTec does not expect any effects from the first-time application of IAS 28.

Annual Improvements to IFRSs 2015–2017 Cycle

On December 12, 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle. The project contained amendments to IFRS 3, IFRS 11, IAS 12, and IAS 23. The amendments are applicable from January 1, 2019. SUSS MicroTec does not expect any effects from its first-time application.

D) SIGNIFICANT ACCOUNTING POLICIES

Taking into consideration the quality criteria of the accounting and the applicable IFRS, the consolidated financial statements fulfill the principle of true and fair view and of fair presentation. In preparing the consolidated financial statements according to IFRS, the following accounting policies were applied in the same way as in the previous year.

Goodwill

Under IFRS 3, derivative goodwill is not subject to amortization, but is instead examined once annually for impairment. An examination is also performed if there are triggering events that indicate possible impairment.

The recoverability of goodwill is examined at the level of cash-generating units, which correspond to the operating segments in the SUSS MicroTec Group.

Impairment is recorded if the book values of the assets are no longer covered by the recoverable amount of the cash-generating unit concerned. The recoverable amount is the higher of fair value less costs to sell and value in use. In the reporting year, SUSS MicroTec SE computed the recoverable amount of cash-generating units on the basis of value in use. This value is generally based on valuations using discounted cash flow.

Other Intangible Assets

Purchased and internally generated intangible assets are capitalized pursuant to IAS 38 if it is probable that a future economic benefit will flow from the use of the asset and the costs of the asset can be determined reliably. They are recognized at cost and amortized normally using the straight-line method over their useful life, which is a maximum of ten years.

Development costs in connection with product development are capitalized as cost of sales if the expense can be attributed clearly and if technical feasibility and successful marketing are assured. It must, moreover, be sufficiently probable that the development activity will indeed generate a future economic benefit. The capitalized development performances comprise all costs that are directly attributable to the development process, including overheads relating to development. Capitalized development costs are amortized normally using the straight-line method from the commencement of production over the expected product life cycle, which is generally three to five years.

There are no other intangible assets with an indeterminate useful life in the SUSS MicroTec Group.

Tangible Assets

Tangible assets are recognized at cost and lessened on the basis of probable useful life by straight-line depreciation. The depreciation periods for the principal categories of tangible assets are given below:

Buildings, fixtures	10–40 years
Technical equipment and machinery	4–5 years
Other equipment, office, and plant furnishings	3–5 years
Vehicles	5 years

When assets are disposed of, the pertinent historical acquisition costs and accumulated depreciation are derecognized and the difference to the revenue from the sale is recorded as other operating expense or income.

In the case of rented assets, a distinction is made between a “finance lease” and an “operating lease” as set out in IAS 17. “Finance lease” items are capitalized at the present value of all future minimum lease payments and the leasing debt is recorded on the liabilities side. The capitalized items are depreciated or amortized over their useful life, the lease debt being redeemed and interest paid in accordance with the terms and conditions of the lease agreement. In the case of an operating lease, there is no capitalization, and the lease payments are recorded as expenses in the periods when incurred.

In compliance with the rules of IAS 16, there was no revaluation of tangible assets.

Impairment of Intangible and Tangible Assets

Intangible assets, including goodwill, and tangible assets are subject to impairment if the book values of the assets would no longer be covered by the sales proceeds that may be expected or by the discounted net cash flow from further use. If it is not possible to determine the realizable amount for individual assets, the cash flow is determined for the next higher grouping of assets for which such a cash flow can be computed. Allocation of goodwill is on the basis of the reporting units (divisions).

If the circumstances that led to the impairment cease to apply in later periods, revaluations are made. The revaluation is made at a maximum of the amount that would have resulted if the impairment had not been recorded. No revaluation is made on goodwill once it has been written down.

Inventories

Inventories are measured at cost or, if lower, their net realizable value. The net realizable value is the sales proceeds that can probably be obtained less the costs likely to be incurred prior to sale. Inventory risks arising from decreased marketability and technical risks are accommodated by appropriate value adjustments.

The costs of conversion of work in progress and finished goods include direct material and production costs as well as attributable material and production overhead costs.

For materials and supplies, the acquisition costs are computed on the basis of a weighted average.

If the reasons that led to an adjustment of the inventories cease to be applicable, a revaluation is made.

Financial Instruments

Financial instruments are contractual relationships which lead to a financial asset for one party and to a financial debt or an equity instrument for the other. These are divided into the categories “measured at adjusted acquisition costs,” “measured at market value,” and “lease liabilities.”

The Company records financial instruments in the statement of financial position as soon as the SUSS MicroTec Group becomes a contractual partner to a financial instrument. First-time recognition is at market value. Subsequent measurement of financial assets and liabilities is in line with the category to which they have been allocated – financial assets available for sale, loans and receivables, financial liabilities, or financial assets and liabilities held for trading purposes.

The categories “held to maturity” and “fair value option” are not used.

Receivables and Other Financial Assets

Receivables and other financial assets, with the exception of derivative financial instruments, are allocated to the category “Loans and receivables” and measured at amortized cost. Appropriate value adjustments are made on doubtful receivables and receivables considered to be unrecoverable. In addition, value adjustments are made depending on the age structure of overdue receivables. These impairments are recorded in separate adjustment accounts

Securities

Securities are classified as financial assets available for sale since they are not held for trading purposes. They are recognized at fair value whenever this can be determined reliably. Unrealized gains and losses are shown, after consideration of deferred taxes, under accumulated other comprehensive income.

Cash and Cash Equivalents

Cash equivalents include all nearly liquid assets that, at the time of acquisition or investment, have a remaining term of less than three months. Cash and cash equivalents are measured at the cost of acquisition.

Pension Plans and Similar Commitments

Provisions for pension plans and similar commitments are recognized pursuant to IAS 19 “Employee Benefits.”

Defined contribution plans generally do not lead to the formation of provisions since the Company’s obligation is restricted to the payment of contributions to retirement/pension funds. Premium payments to retirement/pension funds are recognized as an expense in the period in which they are accrued.

With defined benefit plans, the Company’s obligation consists of ensuring promised benefits to active and former employees. Defined benefit plans generally do not lead to the formation of pension provisions.

The net liability from defined benefit plans (the cash value of the defined-benefit obligation less the value of plan assets) is calculated based on the projected unit credit method. Future salary increases and other increases in benefits are taken into consideration. The measurement of the pension obligations is on the

basis of pension reports using the assets existing to cover these obligations (at the fair value of plan assets). The effects from the remeasurement of the net liability (actuarial gains and losses, income from plan assets, and changes in the effect of the upper limit on assets) are recognized in full in accumulated other comprehensive income. In case of future changes to the plan, the unrecognized prior service cost is recognized immediately in profit and loss.

Provisions

Provisions are formed under IAS 37 when there is an obligation to outside parties whose fulfillment they are likely to demand and if the probable amount of the necessary provision can be estimated reliably. The measurement is at full cost. Noncurrent provisions are recognized on the basis of corresponding interest rates at their discounted settlement amount as of the reporting date.

Financial Debt

Financial debt comprises bank borrowings and liabilities from finance leases. Bank borrowings are allocated to the category “Financial liabilities” and measured at amortized cost. The liabilities from finance leases are allocated to the category “Lease liabilities” and are measured in accordance with IAS 17.

Other Financial Liabilities

With the exception of derivative financial instruments, other financial liabilities are allocated to the category “Financial liabilities” and measured at amortized cost.

Trade Payables

Trade payables are allocated to the category “Financial liabilities” and measured at amortized cost.

Leasing

Whether an agreement constitutes a lease is determined on the basis of the economic substance of the agreement at the time it was concluded and involves estimating whether the fulfillment of the contractual agreement is dependent upon the use of a specific asset or assets and whether the agreement conveys the right to use the asset, even if this right is not explicitly stated in an agreement.

For leasing agreements that were concluded prior to January 1, 2005, the applicable date for the conclusion of the leasing agreement is January 1, 2005, in accordance with the transitional requirements of IFRIC 4.

Financing leases, according to which essentially all ownership-related opportunities and risks associated with the leased object are transferred to the Group, lead to the capitalization of the leased object at the beginning of the lease's term. The leased object is recognized at fair value or at the present value of minimum lease payments if this amount is lower. Lease payments are thus divided into financing expense and the repayment component of the remaining loan so that a constant interest rate applies to the remaining lease liability over the term of the leasing agreement. Financing expense is recognized in profit and loss.

Leased objects are depreciated over their useful life. However, if the transfer of ownership to the Group at the end of the lease's term is not sufficiently certain, the leased object is depreciated in full over the shorter of two possible time periods – the expected useful life or the term of the lease. Lease payments for operating leases are recorded under expense for operating leases in the statement of income using the straight-line method over the term of the lease.

Discontinued Operations

Discontinued operations are shown as soon as a part of the Company with business activities and cash flows that can be clearly distinguished from the remainder of the entity for accounting purposes is classified as being for sale or has already been disposed of, and the business area represents a separate and substantial business branch.

Sales Recognition

Sales from the sale of tools are recorded in accordance with IAS 18 if the conditions are met for recognizing them. Sales are recognized at the time of transfer of the essential risks and opportunities associated with the property of the sold goods if it is sufficiently likely that the Company will benefit economically from the sale. The amount of the recorded sales is based on the fair value of the consideration to be received or claimed.

Customer orders of the Company usually include installation services that are necessary in order to put the sold tools into a ready-to-operate condition. Given the fundamental complexity of the installation steps, the Company assumes that significant property risks generally remain until the installation has been completed at the customer's location. Therefore, in contracts in which not only the delivery of tools but also the installation and final acceptance by the customer are agreed upon, sales are generally only recognized if the setting up and assembly have been completed and final acceptance by the customer has occurred.

Sales from services are recognized when the service has been rendered or, in the case of service contracts, proportionately over time. In the case of sales of spare parts, the revenue is recognized on delivery.

Cost of Sales

The cost of sales comprises the costs of conversion and procurement costs of the products and spare parts sold. In addition to the directly allocable materials and manufacturing costs, it also includes overhead costs such as depreciation and amortization of production facilities and intangible assets as well as value adjustments on inventories.

Research and Development Costs

Expenses for research and expenses for development work that cannot be capitalized are recorded as expense when incurred.

Other Operating Expenses and Income

The other operating expenses and income are classified under the operating income and allocated to the appropriate period. This also applies to expenses and income from foreign currency translation. Other operating income also recognizes licensing income, which – in accordance with IAS 18.IE20 – includes the use of the transferred process expertise for an unlimited period of time.

Deferred Taxes

In accordance with IAS 12 "Income Taxes," deferred tax assets and liabilities are formed on all temporary differences between the fiscal measurement bases of the assets and debts and their recognized values in the IFRS consolidated statement of financial position as well as on tax loss carryforwards. The deferred taxes are computed on the basis of tax rates that apply or are expected to apply at the time of realization in light of the present legal situation in the relevant countries. Deferred tax assets on temporary differences or on loss carryforwards are only recognized if it seems sufficiently certain that they can be realized in the near future.

Deferred taxes are only set up on temporary differences in goodwill if write-downs on the derivative goodwill are subject to recognition for tax purposes.

Earnings per Share

The Company computes earnings per share in accordance with IAS 33 "Earnings Per Share."

The undiluted earnings per share are computed by dividing the net profit by the weighted average of the shares issued.

The diluted earnings per share are computed by dividing the adjusted net profit by the weighted average of the shares issued plus the share equivalents leading to a dilution.

Derivative Financial Instruments

Derivative financial instruments are concluded in the SUSS MicroTec Group for the purpose of hedging currency and interest risks.

Derivative financial instruments are accounted for in accordance with IAS 39. Derivative financial instruments are allocated to assets and liabilities held for trading purposes, are recognized at their market values, and are presented under other current financial assets or other current financial liabilities. First-time recognition is on the day of the transaction. Changes in market value are shown either in the statement of income or, in the case of a cash flow hedge, under accumulated other comprehensive income after deduction of deferred taxes.

Cash Flow Hedges

The effective portion of market value changes to derivative instruments that are designated as cash flow hedges are recognized under accumulated other comprehensive income after accounting for deferred taxes. The ineffective portion is recognized as profit or loss in the statement of income.

Treatment of Subsidies

Under IAS 20 "Accounting for Government Grants," public subsidies are only recognized if there is sufficient certainty that the attached conditions will be fulfilled and the subsidies granted. They are taken to the statement of income, generally in the periods in which the expenses that are to be met by the subsidies are incurred. Subsidies relating to capitalizable development costs are subtracted from the total.

Transactions in Foreign Currency

Purchases and sales in foreign currency are translated at the daily exchange rate at the time of delivery. Assets and debts in foreign currency are translated to the functional currency at the exchange rate in effect on the reporting date. Foreign currency gains and losses arising from these translations are taken to the statement of income.

E) USE OF ESTIMATES

The preparation of the consolidated financial statements in accordance with IFRS requires estimates and assumptions that affect the presentation of assets and debts, the disclosures of contingent liabilities at the reporting date, and the presentation of income and expenses. In individual cases, the actual values may deviate from the assumptions and estimates made.

Trade Receivables

Adjustments on doubtful receivables involve considerable estimates and judgments of individual receivables that are based on the creditworthiness of the individual customer, the current development of the economy, and an analysis of historical defaults on portfolios of receivables. If the Company derives the adjustment from historical default rates on a portfolio basis, any decrease in the volume of receivables decreases such provisions correspondingly, and vice versa. As of December 31, 2017, the total adjustment on trade receivables was € 884 thousand (previous year: € 396 thousand).

Impairments

SUSS MicroTec SE examines the goodwill for possible impairment at least once annually. The determination of the recoverable amount of a cash generating unit that the goodwill is allocated to is associated with estimates by management. The recoverable amount is the higher of the fair value, less costs to sell, and the value in use. The Company generally determines these figures using measurement methods based on discounted cash flows. These discounted cash flows are determined for a period of five years. The basis used for the immediate future is the cash flow derived from the Group budget. For cash flow forecasts beyond the period of detailed planning, suitable forecasts from the semiconductor sub-supplier industry are used. On the basis of these forecasts, a growth rate is determined for each year of the period under consideration. For the five-year period, average annual growth of 8.3% (previous year: 1.5%) is calculated for the Lithography cash generating unit, to which recognized goodwill is allocated. At the end of the five-year planning horizon, an annual sales growth rate of 1.0% is assumed for the subsequent years. The forecast net cash flow is discounted using a risk-adjusted interest rate of 8.53% (previous year: 8.80%). These premises and the underlying method may have a considerable influence on the values in question and, finally, on the amount of any possible impairment of goodwill.

If it is not possible to determine the recoverable amount for individual assets in the framework of an impairment test for property, plant and equipment or other intangible assets, the cash flow is determined for the next higher group of assets for

which such a cash flow can be determined. For property, plant and equipment and for other intangible assets, the determination of the recoverable amount is also similarly associated with estimates by management, which has a considerable influence on the values concerned and, in the final analysis, on the amount of any impairment.

Pension Plans and Similar Commitments

Commitments for pensions and associated expenses and income are determined in accordance with actuarial measurements. These measurements are based on key premises, including discount factors, the expected yield from plan assets, salary trends, and life expectancies. The assumed discount factors reflect the interest rates obtained as of the reporting date for high-quality, fixed-interest investments with corresponding terms.

On account of fluctuations in the market and economic situation, the premises applied may deviate from the actual development, with material effects on the obligations for pensions.

Provisions

The determination of provisions for contractually agreed guarantees and warranty claims is associated to a considerable extent with estimates. Where the Company derives these provisions from historical guarantee and warranty cases, a decline in the sales volume reduces such provisions correspondingly, and vice versa.

Other Financial Liabilities

Other financial liabilities are capitalized at their settlement amount. They are derecognized when the contractual liabilities have been met or rescinded or have expired. Depending on the contents of the contractual agreements, estimates are necessary in order to determine the likely settlement amount.

Purchase Price Allocation

On acquisition of entities, under IAS 27 (rev. 2008) and IFRS 3 (rev. 2008), the purchase price for the entity acquisition must be made on the identifiable assets, debts, and contingent liabilities acquired at purchase. With some exceptions (e.g., tax liabilities, pension obligations and share-based remuneration), assets, debts, and contingent debts must be recognized at fair value. Here, consideration must be given not only to assets in the financial statement but also to intangible assets that have not previously been recognized.

F) CONSOLIDATION

Consolidation Principles

The consolidated financial statements include SUSS MicroTec SE and all active companies over which, independent of the level of its participatory investment, the proprietary company can exercise control (i.e., the control principle). Control exists if SUSS MicroTec SE has the power to participate in positive and negative variable returns of a company and can influence these returns through its power of disposition. In cases where the majority of voting rights are held, it is assumed that it exercises control.

Receivables and liabilities as well as income and expenses incurred between the companies included in the consolidated financial statements as well as intra-Group profits and losses are eliminated.

Translation of Financial Statements in Foreign Currency

The reporting currency of the Group is the euro, which is also the functional currency of the proprietary company. All figures are in thousand euros unless otherwise stated.

Statement of financial position items of subsidiaries that use their local currency as their functional currency are (with the exception of equity, which is translated at historical rates) translated at the rate on the reporting date, and the items in the statement of income are translated at average rates.

	2017		2016	
	Statement of Financial Position	Statement of Income	Statement of Financial Position	Statement of Income
1 EUR vs. 1 USD	1.199	1.131	1.056	1.103
1 EUR vs. 1 JPY	134.889	127.024	123.494	121.096
1 EUR vs. 1 GBP	0.887	0.875	0.858	0.816
1 EUR vs. 1 CHF	1.169	1.113	1.075	1.090
1 EUR vs. 1 TWD	35.566	34.414	33.947	35.548
1 EUR vs. 1 SGD	1.602	1.559	1.526	1.526
1 EUR vs. 1 CNY	7.813	7.627	7.361	7.326
1 EUR vs. 1 KRW	1,278.302	1,275.674	1,267.230	1,285.520

The resulting translation differences are shown as a separate component of equity (i.e., under accumulated other comprehensive income).

Disclosures on the Scope of Consolidation

Compared with the consolidated financial statements as of December 31, 2016, there were no additional changes to the scope of consolidation.

Therefore, the following subsidiaries and associates of SUSS MicroTec SE (ultimate proprietary company) were included in the consolidated financial statements as of December 31, 2017 (figures on capital and net profit or loss of the individual companies according to local law and in local currency).

Company / based in	Currency	Subscribed capital	Investment	Shareholders' equity	Annual earnings	Consolidation
SUSS MicroTec SE, Garching ¹ , Germany	EUR	19,115,538.00	Holding	68,459,564.41	-9,688,806.80	full
SUSS MicroTec Lithography GmbH, Garching ² , Germany	EUR	2,000,100.00	100%	49,874,921.56	9,148,445.31	full
SUSS MicroTec Photomask Equipment GmbH & Co. KG, Sternenfels, Germany	EUR	3,000,000.00	100%	3,000,000.00	2,510,578.13	full
SUSS MicroTec Photomask Equipment Beteiligungs-GmbH, Sternenfels, Germany	EUR	25,000.00	100%	13,063.62	-391.19	full
SUSS MicroTec Ltd., Market Rasen, United Kingdom	GBP	10,000.00	100%	274,916.21	43,158.20	full
SUSS MicroTec KK, Yokohama, Japan	JPY	30,000,000.00	100%	-757,390,710.00	-64,992,470.00	full
SUSS MicroTec SARL, Pierre Bénite, France	EUR	114,750.00	100%	2,270,500.37	557,601.87	full
SUSS MicroOptics S.A., Hauterive, Switzerland	CHF	500,000.00	100%	13,156,445.35	2,738,777.27	full
SUSS MicroTec, Inc., Corona, USA	USD	4,197,000.00	100%	30,772,223.33	-207,899.26	full
SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan	TWD	5,000,000.00	100%	204,776,820.00	36,380,714.00	full
SUSS MicroTec Company Ltd., Shanghai, China	CNY	1,655,320.00	100%	55,135,924.70	5,353,614.98	full
HUGLE Lithography Inc., San Jose, USA ³	USD	1,190,442.00	53.1%	-41,379.00	-1,860.00	-
SUSS MicroTec REMAN GmbH, Oberschleißheim ² , Germany	EUR	25,564.59	100%	947,988.30	742,116.24	full
SUSS MicroTec (Singapore) Pte. Ltd., Singapore	SGD	25,000.00	100%	6,785,847.76	1,167,599.13	full
SUSS MicroTec Korea Co. Ltd., Hwaseong City, South Korea	KRW	50,000,000.00	100%	2,399,602,897.00	-120,099,786.00	full
SUSS MicroTec Photonic Systems Inc., Corona, USA	USD	10,400.00	100%	-15,465,203.97	4,138,665.83	full

¹ Equity and net income before profit and loss transfer agreement with SUSS MicroTec Lithography GmbH and SUSS MicroTec REMAN GmbH as well as before consideration of earnings for SUSS MicroTec Photomask Equipment GmbH & Co. KG.

² Equity and net income before profit and loss transfer agreement with SUSS MicroTec AG.

³ Entity considered at cost due to immateriality.

The closing date of the financial statements of all the companies included is December 31 of the year in question.

Among the domestic subsidiaries within the legal form of a corporation, SUSS MicroTec Lithography GmbH, Garching, and SUSS MicroTec REMAN GmbH, Oberschleissheim, fulfill the conditions for exemption pursuant to Section 264 (3) HGB. Hence no disclosure is made of the financial statement documents.

SUSS MicroTec Photomask Equipment GmbH & Co. KG, which has the legal form of a partnership, fulfills the conditions for exemption pursuant to Section 264b HGB. Hence no disclosure is made of the financial statement documents.

COMMENTS ON THE IFRS CONSOLIDATED STATEMENT OF INCOME

The following explanations to the consolidated statement of income relate exclusively to the Group's continuing operations. All figures are in € thousand unless otherwise stated.

(3) SALES

The sales are composed as follows:

<i>in € thousand</i>	2017	2016
Machines	126,008	136,583
Spare parts and upgrades	18,731	19,866
Services	10,158	11,276
MicroOptics	11,627	9,857
Others	0	0
Sales	166,524	177,582

For information on the breakdown of the sales in terms of product lines and regions, please refer to the segment reporting.

(4) COST OF SALES

Cost of sales includes total amortization of capitalized development costs of € 61 thousand (previous year: € 74 thousand), which accrues completely to the Lithography division. The residual book value for capitalized development costs of € 117 thousand as of December 31, 2017, exclusively involves the Lithography division, as it did in the previous year.

In addition, the cost of sales in the current fiscal year includes amortization of € 262 thousand for the acquired technology of SUSS MicroTec Photonic Systems (previous year: € 297 thousand). This technology carried a residual book value of € 589 thousand as of December 31, 2017.

The cost of sales also includes impairments of inventories (demonstration equipment, materials, and supplies, as well as finished & semi-finished products) of € 5,207 thousand (previous year: € 5,500 thousand). In the process, € 4,367 thousand (previous year: € 4,658 thousand) accrues to inventories in the Lithography division and € 512 thousand (previous year: € 765 thousand) accrues to inventories of the Bonder division. The inventories of the Photomask Equipment division were written down by € 328 thousand (previous year: € 77 thousand).

(5) OTHER OPERATING INCOME

Other operating income was comprised as follows:

<i>in € thousand</i>	2017	2016
Foreign currency gains	3,261	2,617
Licensing income from the transfer of process expertise	1,950	0
Commissions	423	935
Company cars	239	240
Reversal of other liabilities	203	0
Income from the reversal of value adjustments for trade receivables	28	94
Income from the release of provisions	6	49
Other subsidies	0	42
Rental income	47	49
Others	185	242
Other operating income	6,342	4,268

The foreign currency gains stemmed primarily from various business transactions in the operational area that were conducted in foreign currency (primarily in US dollars and Japanese yen) and from exchange rate changes during the year. Here, revenue is also recognized from the reporting date measurement of intra-Group clearing accounts, which exist in foreign currency from the perspective of the reporting company.

Licensing income from the transfer of process expertise involves income from a licensing agreement to market a technology developed by SUSS MicroTec to clean photomasks. SUSS MicroTec Photomask Equipment GmbH & Co. KG developed this technology. The licensee is a leading Japanese equipment manufacturer that already has tools for front-end manufacturing in its program and will now use the technology developed by SUSS MicroTec as a module in its tools for cleaning wafers.

The commissions were obtained by our subsidiary in China.

(6) OTHER OPERATING EXPENSES

Other operating expenses were comprised as follows:

<i>in € thousand</i>	2017	2016
Foreign currency losses	2,490	2,670
Other taxes	663	710
Allowances for value adjustments for doubtful debts	516	23
Losses on disposal of assets	42	52
Expenses for termination of rental contract	28	0
Others	46	33
Other operating expenses	3,785	3,488

The foreign currency losses arose – as in the previous year – mainly from changes in measurement of customer receivables in US dollars on account of changes in the exchange rates during the year as well as from measurement changes to intra-Group clearing accounts in foreign currency.

(7) FINANCIAL RESULT

The financial result is composed of interest expenses and interest income as well as other financial expenses and other financial income.

Financial income of € 57 thousand (previous year: € 91 thousand) resulted mainly from interest income for money market investments and securities.

The financial expenses are comprised as follows:

<i>in € thousand</i>	2017	2016
Bank loans	153	676
Commissions on bank guarantees	54	36
Other interest and financial expenses	0	8
Financial expenses	207	720

Interest for bank liabilities included € 151 thousand (previous year: € 187 thousand) attributable to financing the property in Garching (loan status as of December 31, 2017: € 3,500 thousand). The loan for financing the property in Sternenfels was terminated in the first half of 2016 and fully repaid as of June 30, 2016. The associated swap was canceled. The interest for bank liabilities in the previous year included € 42 thousand of interest expense for financing the property in Sternenfels and € 434 thousand for canceling the associated swap.

(8) INCOME TAXES

The tax expense and its breakdown into current and deferred taxes are as follows:

<i>in € thousand</i>	2017	2016
Current taxes	5,442	5,347
Deferred taxes	1,605	170
thereof on temporary differences	1,440	-3
Total	7,047	5,517

The table below shows a reconciliation between the tax expense expected in each fiscal year and the tax expense presented.

<i>in %</i>	2017	2016
Expected tax rate		
Corporate income tax rate	15.00	15.00
Solidarity surcharge	5.50	5.50
Trade income tax rate	12.43	12.43
Composite tax rate	28.25	28.25

<i>in € thousand</i>	2017	2016
Earnings before taxes	13,753	10,519
Expected income taxes	3,885	2,972
Different foreign tax rates	-298	-1,716
Minimum taxation	5	35
Remeasurement of German tax rates	9	6
Other non-deductible expenses	314	274
Income taxes from previous years	126	96
Change of valuation allowance on deferred taxes	2,755	4,320
Use of loss carryforwards adjusted in full	0	-467
Non-taxable income	-67	-26
Others	318	23
Effective income taxes	7,047	5,517

A comparison of the expected and effective income taxes from the continuing operations shows a deviation of € -3,162 thousand (previous year: € -2,545 thousand). Instead of the expected tax expense of € 3,885 thousand, a tax expense of € 7,047 thousand resulted at the Group level in the reporting year.

In the reporting year, deferred tax assets of € 2,755 thousand were not recognized or adjusted. This primarily affected temporary differences and loss carryforwards of SUSS MicroTec Photonic Systems Inc., Corona, California, USA. Both U.S. companies, SUSS MicroTec Inc. and SUSS MicroTec Photonic Systems Inc., form a

tax group whose taxable income in the USA is subject to Group taxation. Based on the current Group budget, negative earnings are expected for SUSS MicroTec Photonic Systems in the next three years. Earnings for SUSS MicroTec Inc. are expected to be slightly positive in the next few years.

The U.S. tax reform approved in December 2017, which significantly reduces tax rates for American businesses beginning in 2018, has no effect on the 2017 fiscal year. No deferred taxes were recognized for the loss carryforwards and temporary differences available in the USA. As a result, there was no remeasurement of deferred taxes results from the change in the U.S. tax rate.

No tax deferral was recorded on non-distributed profits from subsidiaries. It was decided to forgo a calculation of the possible tax effects because the time and effort would have been disproportionate.

The deferred income and prepaid expenses for deferred taxes are computed as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
Other current liabilities	0	132	187	0
Pension plans and similar commitments	954	1,183	0	0
Trade receivables	1	62	3	0
Other non-current provisions	150	12	3	3
Intangible assets	505	1,071	0	0
Other current assets	0	0	45	70
Goodwill	0	0	2,064	2,064
Adjustment item SMT Photomask Equipment	0	0	220	250
Inventories	1,460	1,927	0	0
Tangible assets	12	9	0	0
Others	64	64	24	33
Loss carryforward	114	165	0	0
Balancing	-2,546	-2,420	-2,546	-2,420
Total	714	2,205	0	0

The Group has tax loss carryforwards of € 34,240 thousand (previous year: € 49,770 thousand). Of this amount, a total of € 7,220 thousand will have lapsed by December 31, 2027. In the period from 2028 to 2037, a total of € 27,020 thousand will lapse. Loss carryforwards that could be used indefinitely are no longer available.

In May 2017, SUSS MicroTec SE agreed to a waiver of receivables amounting to US\$ 15 million from SUSS MicroTec Photonic Systems Inc., Corona, USA. The resulting income for SUSS MicroTec Photonic Systems Inc. is not taxable in the USA. However, the existing loss carryforwards were cut by US\$ 15 million. The loss carryforwards available to the Group were thereby correspondingly reduced in 2017.

SUSS MicroTec Photonic Systems Inc. did, however, again post clearly negative annual earnings from its operating activities. SUSS MicroTec, Inc. (Corona, California, USA), SUSS MicroTec Korea Company Ltd. (Hwaseong City, South Korea), and SUSS MicroTec KK (Yokohama, Japan) also contributed a loss to Group earnings in the past fiscal year. In contrast, SUSS MicroTec SARL

(France) was able to achieve positive annual earnings and thereby utilize the existing loss carryforwards in France.

No deferred tax assets were recognized on loss carryforwards of € 33,782 thousand (previous year: € 49,074 thousand) and temporary differences of € 17,143 thousand (previous year: € 15,999 thousand).

According to IAS 12.74 et seq., deferred tax assets and liabilities are offset if the possibility to do so exists according to civil law and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

As of December 31, 2017, deferred tax assets and liabilities of € 2,546 thousand (previous year: € 2,420 thousand) were offset.

(9) EARNINGS PER SHARE

The following table shows the calculation of both the basic and diluted earnings per share:

<i>in € thousand</i>	2017	2016
Profit/loss, which accrue to shareholders of SUSS MicroTec AG	6,706	5,002
Weighted average number of outstanding shares	19,115,538	19,115,538
Effect of the (potential) exercise of stock options (number of options)	0	0
Adjusted weighted average number of outstanding shares	19,115,538	19,115,538
Earnings per share in € – basic	0.35	0.26
Earnings per share in € – diluted	0.35	0.26

(10) OTHER DISCLOSURES ON THE IFRS CONSOLIDATED STATEMENT OF INCOME

EXPENDITURES FOR RESEARCH AND DEVELOPMENT

Along with the explicitly disclosed expenses for research and development in the statement of income, write-downs on capitalized development costs were also taken during the fiscal year. No new capitalizations were carried out in 2017.

Net investments and expenses for research and development are as follows:

<i>in € thousand</i>	2017	2016
Research & Development expenses	15,186	14,137
Research & Development amortization	61	74
Net capitalization	-61	-74

PERSONNEL EXPENSES

The consolidated statement of income of the SUSS MicroTec Group includes personnel expenses under the various postings as follows:

<i>in € thousand</i>	2017	2016
Wages and salaries	53,009	52,508
Social security expenses	6,832	6,914
Pension expenses	3,382	3,105
Personnel expenses	63,223	62,527

The social security charges and expenses for benefits mainly contain the employer's portions of social security insurance and contributions to the employer's liability insurance.

The expenditures for pension provisions include pension expenses from Company pension plans and employer contributions to the statutory retirement insurance.

COST OF MATERIALS

The cost of materials in the 2017 fiscal year came to € 61,755 thousand (previous year: € 55,734 thousand).

DEPRECIATION AND AMORTIZATION

Depreciation and amortization are composed as follows:

<i>in € thousand</i>	2017	2016
Intangible assets	1,244	1,290
Tangible assets	2,830	2,860
Depreciation and amortization	4,074	4,150

During the fiscal year, amortization charges of € 921 thousand (previous year: € 919 thousand) were recognized on concessions, intellectual property rights, and similar rights and assets as well as on licenses for such rights and assets. Amortization charges of € 61 thousand (previous year: € 74 thousand) were recognized on capitalized development costs.

The technology recognized with the initial consolidation of SUSS MicroTec Photonic Systems and other acquired intangible assets were subject to amortization charges of € 262 thousand (previous year: € 297 thousand).

EXPLANATIONS ON THE ASSETS SIDE

The following explanations to the consolidated statement of financial position relate exclusively to the Group's continuing operations in the reporting year. All figures are in € thousand unless otherwise stated.

(11) INTANGIBLE ASSETS

The intangible assets show patents, licenses, and similar rights of € 1,903 thousand (previous year: € 2,378 thousand), development costs of € 117 thousand (previous year: € 178 thousand), and technology acquired from SUSS MicroTec Photonic Systems of € 589 thousand (previous year: € 966 thousand) as of the reporting date. The technology will be subject to amortization over eight years and will have a remaining useful life until March 31, 2020. Patents, licenses, and similar rights include the Group-wide SAP system.

The capitalized development costs relate mainly to the development of new tools. The residual book value as of December 31, 2017, involves only the Lithography division.

Technology acquired through the acquisition of SUSS MicroTec Photonic Systems is disclosed with a residual book value of € 589 thousand (previous year: € 966 thousand) under intangible assets. The value of the technology was recorded and continues to be denominated in US dollars. The change in the exchange rate of the US dollar to the euro had the effect of reducing its value as of December 31, 2017.

(12) GOODWILL

The goodwill presented as of the reporting date in the amount of € 15,573 thousand (previous year: € 15,840 thousand) is allocated entirely to the Lithography cash-generating unit. A part of goodwill (US\$ 2,366 thousand) is denominated in US dollars and therefore is subject to currency fluctuations.

(13) TANGIBLE ASSETS

The breakdown of tangible assets that are combined in the statement of financial position and their development in the reporting year are shown in the fixed assets movement schedule, which is a component part of these notes.

As of December 31, 2017, real estate with a carrying amount of € 8,907 thousand (previous year: € 9,048 thousand) is encumbered with a land charge as security for a bank loan (see Note 23).

(14) OTHER (NONCURRENT) ASSETS

Other noncurrent assets include the asset values of reinsurance policies which fail to fulfill the criteria for offsetting against existing pension provisions and tenants' guarantee deposits for rented office buildings.

<i>in € thousand</i>	2017	2016
Reinsurance policies	167	161
Deposits	336	491
Other non-current assets	503	652

(15) INVENTORIES

The inventories can be broken down as follows:

<i>in € thousand</i>	2017	2016
Materials and supplies	36,061	29,183
Work in process	29,111	25,148
Finished goods	27,029	15,014
Demonstration equipment	26,222	24,377
Merchandise	743	870
Value adjustments	-21,221	-20,788
Inventories	97,945	73,804

Of the total inventories of € 97,945 thousand as of December 31, 2017 (previous year: € 73,804 thousand), € 37,314 thousand (previous year: € 33,579 thousand) are accounted for at net realizable value.

The amount of inventories, which were recorded as an expense in the fiscal year, totaled approximately € 95,413 thousand (previous year: € 108,779 thousand).

(16) TRADE RECEIVABLES

Trade receivables break down as follows:

<i>in € thousand</i>	2017	2016
Trade receivables – gross	20,517	24,507
Value adjustments	-884	-396
Trade receivables	19,633	24,111

The following table reproduces the changes in the value adjustments on the stock of trade receivables.

<i>in € thousand</i>	2017	2016
Valuation allowance as of beginning of fiscal year	396	471
Derecognition of trade receivables	0	-4
Payments received and recoveries of previously written-off receivables	-28	-94
Additions	516	23
Valuation allowance as of end of fiscal year	884	396

€ 4,991 thousand (previous year: € 3,278 thousand) of trade receivables are overdue, but have not been written down. Further information about the determination of the value adjustments of trade receivables are to be found in the Condensed Management Report.

(17) OTHER FINANCIAL ASSETS

Disclosed under other financial assets of € 483 thousand (previous year: € 159 thousand), are primarily the positive market values of foreign currency forwards, supplier bonuses, and receivables from employees.

(18) TAX REFUND CLAIMS

Current tax receivables are composed as follows:

<i>in € thousand</i>	2017	2016
Advance tax payments	83	208
Corporate tax assets at German corporations	0	17
Tax subsidies	0	150
Tax refund claims	83	375

(19) CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to € 36,464 thousand (previous year: € 35,621 thousand) relate to cash in hand, checks, and deposits with banks, provided they are available within three months from the date of deposit. The year-on-year change is presented in the consolidated statement of cash flows.

(20) OTHER (CURRENT) ASSETS

The following items are presented under other current assets:

<i>in € thousand</i>	2017	2016
Deferred items	932	899
Payments in advance	645	563
VAT	2,776	1,109
Bidding securities	50	105
Others	238	0
Other current assets	4,641	2,774

The prepaid expenses item contains prepayments for future expenses, e.g., insurance premiums and advance payments of rent.

EXPLANATIONS ON THE EQUITY & LIABILITIES SIDE

(21) SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

The equity capital of SUSS MicroTec SE remained unchanged at € 19,115,538.00 as of the reporting date (divided into 19,115,538 registered and fully paid-in no-par-value shares each with an imputed face value of € 1.00). We refer here to the presentation of the Statement of Changes in Equity.

Each individual share gives entitlement to one vote. The individual shares are not repayable and cannot be converted. Dividends may only be distributed from the distributable profits as recognized in the financial statements of SUSS MicroTec SE prepared in accordance with commercial law.

The authorized capital as of the reporting date was € 2,500 thousand (previous year: € 2,500 thousand).

<i>in € thousand</i>	2017	2016
Subscribed capital	19,116	19,116
Authorized capital	2,500	2,500

RESERVES

The Group's reserves are composed as follows:

<i>in € thousand</i>	2017	2016
Additional paid-in capital	71,547	71,547
Earnings reserve	202	433
Retained earnings	38,537	31,831
Reserves	110,286	103,811

The earnings reserve declined by € 231 thousand compared to the previous year, since approximately € -231 thousand from the remeasurement of pensions were reclassified from other comprehensive income (OCI) to the earnings reserve.

As a result of the Group's positive annual earnings of € 6,706 thousand, the net profit for the year increased to € 38,537 thousand.

ACCUMULATED OTHER COMPREHENSIVE INCOME

The development of accumulated other comprehensive income is as follows:

<i>in € thousand</i>	2017	2016
Remeasurement on defined benefit pension plans	-3,013	-2,845
Foreign currency adjustments	3,673	3,258
Cash flow hedges	0	-410
Tax effects		
Remeasurement on defined benefit pension plans	766	697
Cash flow hedges	0	115
Status at the beginning of the period	1,426	815
Pre-tax changes		
Remeasurement on defined benefit pension plans	29	-168
Foreign currency adjustments	-3,840	415
Cash flow hedges	0	410
Tax effects		
Remeasurement on defined benefit pension plans	-30	69
Cash flow hedges	0	-115
Status at the end of the period	-2,415	1,426

In 2010, the former SUSS MicroTec AG concluded an interest swap as a hedging instrument for the variable interest loan serving to finance the newly acquired real estate in Sternenfels. Hedge accounting was used for this interest swap. Instead of being recognized in the statement of income, changes in market value were shown under accumulated other comprehensive income. The loan was prematurely terminated and fully repaid in the first half of 2016. The swap was closed out in April 2016. The amount of € -410 thousand representing the value of the interest rate swap disclosed in accumulated other comprehensive income in previous years was reported in profit or loss in the financial result of the statement of income in 2016. At the same time, the associated deferred taxes of € 115 thousand were reclassified to the statement of income in 2016.

MANAGEMENT OF EQUITY

The shareholders' equity of the SUSS MicroTec Group – comprised of subscribed capital, reserves, and accumulated other comprehensive income – totaled € 126,987 thousand as of December 31, 2017 (previous year: € 124,353 thousand); this corresponds to an equity ratio of 62.9% (previous year: 69.2%). Along with an appropriate return on equity, the SUSS MicroTec Group strives for a sustained high equity ratio and a high liquidity reserve in order to ensure future growth and increase the enterprise value. In order to maintain or adjust the capital structure, the Group can exploit all the options arising from SUSS MicroTec SE's listing on the stock exchange.

The Company's Management Board assumes on the basis of its current planning that positive earnings will be achieved in the coming fiscal year. If the Company falls significantly short of its goals, the danger exists that shareholders' equity might decrease as a result of a net loss for the year.

(22) **PENSION PLANS AND SIMILAR COMMITMENTS**

The Company grants various benefits arrangements covering mainly old age, death, and invalidity. The plans vary depending on the legal, fiscal, and economic conditions in the various countries. As a rule, the benefits are calculated on the basis of the salaries and length of service of the insured employees.

A distinction is made between a defined benefit system and a defined contribution system. In the case of defined benefit commitments, the obligation of the Group consists in fulfilling the promised benefits to former employees, for which corresponding provisions are set up.

In the case of defined contribution plans, the Group does not enter into any further obligation apart from making contributions to special purpose funds. The contribution payments are charged against income; no provisions are set up.

Pension obligations are composed as follows:

<i>in € thousand</i>	2017	2016
Defined benefit obligation	10,070	9,431
Fair value of plan asset	-5,324	-4,594
Net pension obligation	4,746	4,837

DEFINED BENEFIT PLANS

The Group maintains defined benefit pension plans in Germany, Japan, and Switzerland.

The existing pension commitments in Germany comprise claims to old age, invalidity, and surviving dependents' pensions and are linked to annual salary or take the form of fixed commitments. Selected members of the management are eligible for these benefits. The main actuarial assumptions are shown below:

<i>in %</i>	2017	2016
Discount factor	1.45	1.43
Return on plan assets	1.45	1.43
Salary increase	0.00	0.00
Pension increase	2.00	2.00

Life expectancy according to tables by Dr. Heubeck, 2005

Salary-related increases have not been included since there are no longer any active claimants waiting under the German plans.

The pension commitments of the subsidiary in Switzerland cover claims for retirement, invalidity, and surviving dependents' pensions depending on the base salary. All employees and members of management of the subsidiary are entitled.

The main actuarial assumptions are shown below:

<i>in %</i>	2017	2016
Discount factor	0.70	0.65
Return on plan assets	0.70	0.65
Salary increase	1.50	1.50
Pension increase	0.00	0.00

The subsidiary in Japan has a noncontributory unfunded defined benefit plan, under which certain employees receive a pension payment after leaving the Company. The level of the pension payment is determined by a set computation method providing for a benefit of 80% of the monthly salary per year of employment for each qualifying employee. Every employee qualifies after belonging to the Company for at least three years.

The main actuarial assumptions are shown below:

<i>in %</i>	2017	2016
Discount factor	0.20	0.00
Salary increase	1.99	2.36
Pension increase	0.00	0.00

The present values of defined benefit obligations and the fair values of the plan assets developed in the 2017 and 2016 fiscal years as follows:

<i>in € thousand</i>	2017	2016
Defined benefit obligation as of January 1	9,431	9,003
Service cost	444	633
Interest cost	78	107
Pension payments	1,149	-554
Actuarial (-) gain/(+) loss due to changes in financial assumptions	-76	308
Actuarial (-) gain/(+) loss due to changes in demographic assumptions	0	-461
Actuarial (-) gain/(+) loss due to experience adjustments	-442	309
Foreign exchange fluctuations	-514	86
Defined benefit obligation as of December 31	10,070	9,431
<i>in € thousand</i>	2017	2016
Plan assets as of January 1	4,594	3,859
Expected return on plan assets	33	42
Fund allocations paid	1,735	634
Actuarial (+) gain/(-) loss	-729	38
Foreign exchange fluctuations	-309	21
Plan assets as of December 31	5,324	4,594

The essential components of plan assets are reinsurance policies. In connection with pension obligations in Germany, corresponding reinsurance policies were arranged with Allianz Lebensversicherungs AG. The pension obligations in Switzerland are backed by Helvetia Sammelstiftung, which has arranged corresponding reinsurance policies. Both reinsurance policies are to be regarded as a conservative, low-risk form of investment, whose value is subject to only slight market fluctuations.

Of the present value of the pension obligations, € 8,033 thousand (previous year: € 6,841 thousand) applies to pension claims financed by funds.

The pension expenses break down as follows:

<i>in € thousand</i>	2017	2016
Service cost	444	633
Personnel expenses component	444	633
Interest cost	78	107
Expected return on plan asset	-10	-14
Actuarial (+) gain/(-) loss	-15	-4
Interest expenses component	53	89

For 2018, the Group expects to make payments totaling € 442 thousand to meet pension obligations. The following overview shows how the present value of all defined benefit obligations would be affected by changes in the essential actuarial assumptions:

<i>in € thousand</i>	2017	2016
Change in the present value of all defined benefit obligations if		
interest rate is 50 base points lower	817	741
interest rate is 50 base points higher	-702	-639
salary increase is 50 base points lower	-135	-128
salary increase is 50 base points higher	132	130
rate of pension increase is 0.50% lower	-438	-400
rate of pension increase is 0.50% higher	483	440

DEFINED CONTRIBUTION PLANS

The Group has set up a defined contribution plan for its employees in the USA. All employees of SUSS MicroTec Photonic Systems Inc., Corona, and SUSS MicroTec Inc., Corona, from the age of 18 or 21 and with a minimum of 1,000 working hours per year benefit from the plan. All contributions from the Company are held in a trust fund. Qualifying employees obtain a non-forfeitable claim to benefits over a period of three to five years.

Both 401(k) plans offer employees the possibility of paying a certain portion of their annual remuneration into the 401(k) plan. The maximum possible amount is determined by the limit set by the U.S. Internal Revenue Service (IRS), which amounted to US\$ 18,000 in 2017. Starting at age 50, employees can pay in an additional US\$ 6,000.

The employer also makes contributions to the 401(k) plans. For each US\$ 1.00 the employee pays into the 401(k) plan, the em-

ployer contributes US\$ 1.00. The employer participates in the retirement savings plan up to a maximum contribution amount of 3 percent of the employee's salary.

In the 2017 fiscal year, the expenses to the Group for the 401(k) plan came to US\$ 241 thousand (previous year: US\$ 172 thousand).

Furthermore, in the reporting year, employer contributions were paid into the statutory pension plan in the amount of € 3,169 thousand (previous year: € 2,949 thousand).

(23) FINANCIAL DEBT

The maturity structure of bank borrowings as of December 31, 2017, and the previous year's reporting date is as follows:

12/31/2017 <i>in € thousand</i>	Remaining period to maturity up to one year	Remaining period to maturity more than one year to five years	Remaining period to maturity more than five years	Total
Bank borrowings	1,000	2,500	0	3,500
Current bank liabilities	5	0	0	5
Total	1,005	2,500	0	3,505

12/31/2016 <i>in € thousand</i>	Remaining period to maturity up to one year	Remaining period to maturity more than one year to five years	Remaining period to maturity more than five years	Total
Bank borrowings	1,000	3,500	0	4,500
Current bank liabilities	7	0	0	7
Total	1,007	3,500	0	4,507

BANK BORROWINGS

Bank borrowings primarily include liabilities from a long-term loan agreement that serves to finance the company property in Garching.

The loan agreement to finance the company property in Garching was concluded on October 23-28, 2013, between SUSS MicroTec SE and a local bank. The loan has a term lasting until June 30, 2021, and a fixed interest rate of 3.65%. It was made available and disbursed on December 16, 2013. The outstanding balance of this loan was, as of December 31, 2017, € 3,500 thousand (previous year: € 4,500 thousand). The loan is secured by a land charge on the premises in Garching; the book value of the land and buildings as of December 31, 2017 amounts to € 8,907 thousand (previous year: € 9,048 thousand).

The details of the status of various loans as of the end of the fiscal year are as follows:

Group company in € thousand	2017	2016	Interest rate	Maturity
SUSS MicroTec SE	3,500	4,500	3.65 %	06/30/2021
Total	3,500	4,500		
thereof due current	1,000	1,000		
thereof due noncurrent	2,500	3,500		
2018	1,000			
2019	1,000			
2020	1,000			
2021	500			
	3,500			

The Company has various credit lines with national and international banks. The credit lines and their utilization have developed as follows:

in € thousand	2017	2016
Credit and guarantee line	8,250	5,250
Utilization	3,443	2,764
Open credit and guarantee line	4,807	2,486

As of the end of the fiscal year, the Deutsche Bank AG, the DZ Bank AG, and the Baden-Württembergische Bank sponsored credit and guarantee lines totaling € 7.5 million. Of these, guarantee lines of € 3.0 million ran until December 31, 2017. These additional lines were temporarily granted to SUSS MicroTec in order to provide the desired down payment guarantees. Since January 1, 2018, the credit and guarantee lines provided by the three banks total € 4.5 million. These lines are granted via bilateral credit agreements until further notice and were issued without covenants. The lines can be utilized by SUSS MicroTec SE or SUSS MicroTec Lithography GmbH.

BW-Bank Mannheim is granting SUSS MicroTec Photomask Equipment GmbH & Co. KG a credit and guarantee line of € 750 thousand. The credit line runs for an indefinite term and was issued without covenants.

As of the reporting date, the lines were utilized in an amount of € 3,443 thousand (previous year: € 2,764 thousand) in the form of guarantees.

The average interest rate for the utilization of the credit lines in the form of guarantees was 1.11% (previous year: 1.11%).

FINANCE LEASE LIABILITIES

The Group currently has operating leases for various furnishings and items of equipment in the production and administrative areas. Finance lease agreements, the underlying assets of which are capitalized and subject to depreciation, no longer exist.

Financial obligations from operating leases are as follows:

<i>in € thousand</i>	Finance Lease	Operating Lease
Depreciation / Expenses 2017	0	1,102
Depreciation / Expenses 2016	7	1,121
Future liabilities		
due in 2018	0	833
2019	0	288
2020	0	131
2021	0	32
2022	0	3
later	0	0
Total future	0	1,287

(24) (CURRENT) PROVISIONS

Current provisions are composed as follows:

<i>in € thousand</i>	2017	2016
Warranty provisions	2,058	2,522
Severance provisions	0	750
Provision for refocusing the sales organization in Japan	0	1,205
Miscellaneous provisions	601	684
Current provisions	2,659	5,161

The warranty provisions were set up in the amount of their probable utilization for statutory and contractually agreed guarantees and warranty claims of customers arising from deliveries of machines.

The provision for the restructuring of sales in Japan in the previous year contained obligations to employees who were to leave SUSS MicroTec, amounting to around € 926 thousand. These employees were entitled to have their saved retirement benefits paid out in addition to a severance payment. The severance payments totaled around € 276 thousand and were recognized through profit or loss in the previous year. Pensions provisions were already created on an ongoing basis in previous years for retirement benefits. Approximately € 650 thousand of these were reclassified as current other provisions as of December 31, 2016. In addition to this and in connection with the reorganization of sales in Japan, provisions amounting to around € 279 thousand were created in the previous year for the reinstatement of premises previously rented by SUSS MicroTec KK, as well as for outstanding rental obligations.

The remaining provisions essentially include provisions for follow-up costs and provisions for personnel expenses.

Current provisions developed as follows:

<i>in € thousand</i>	As of 01/01/2017	Utilization	Reversal	Additions	As of 12/31/2017
Warranty provisions	2,522	-2,522	0	2,058	2,058
Severance provisions	750	-750	0	0	0
Provision for refocusing the sales organization in Japan	1,205	-1,205	0	0	0
Miscellaneous provisions	684	-678	-6	601	601
Current provisions	5,161	-5,155	-6	2,659	2,659

(25) OTHER (CURRENT) FINANCIAL LIABILITIES

Other current financial liabilities break down as follows:

<i>in € thousand</i>	2017	2016
Premiums and commissions	3,465	2,607
External services	1,599	1,538
Supervisory Board remuneration	70	203
Forward currency transaction	0	289
Outstanding wage tax	978	509
License fees	328	26
Suppliers with debit balances	235	138
Others	73	49
Other (current) financial liabilities	6,748	5,359

(26) OTHER (CURRENT) LIABILITIES

Other current liabilities break down as follows:

<i>in € thousand</i>	2017	2016
Down payments received	40,312	22,600
Accrued personnel expenses	3,981	4,555
Deferred income	1,113	443
VAT	858	127
Others	170	501
Other current liabilities	46,434	28,226

The down payments received comprise deposit payments by customers for tools prior to their final acceptance. Upon acceptance and the associated sales recognition, the deposit payments are offset against the receivables.

The accrued personnel expenses contain mainly obligations for vacation arrears and credit accounts under the flexible hours scheme.

(27) TAX LIABILITIES

The tax liabilities are made up of domestic income taxes of € 3,053 thousand (previous year: € 2,873 thousand) and foreign income taxes of € 529 thousand (previous year: € 948 thousand).

OTHER DISCLOSURES

(28) ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Under IAS 32, financial instruments generally comprise all economic occurrences performed on a contractual basis that include a claim for cash. They include original financial instruments such as trade receivables and payables as well as financial receivables and liabilities. The financial instruments also comprise derivative instruments that are used to hedge currency and interest rate risks. The estimated market values of the financial instruments do not necessarily represent the values that the Company would realize in an actual transaction under present market conditions. The following section provides a comprehensive overview of the significance of financial instruments for the Company and supplies additional information on statement of financial position items containing financial instruments.

The following table shows the book values of all categories of financial assets and liabilities:

<i>in € thousand</i>	2017	2016
Financial assets		
Cash and cash equivalents	36,464	35,621
Financial assets held for sale	0	0
Loans and receivables	20,015	24,270
Financial assets held for trading	101	0
	56,580	59,891
Financial liabilities		
Financial liabilities held for trading	0	289
Financial liabilities	17,542	12,939
	17,542	13,228

The table below presents the market values and the book values of the financial assets and liabilities.

<i>in € thousand</i>	2017		Measurement category according to IAS 39
	Book value	Fair Value	
Financial assets			
Cash and cash equivalents	36,464	36,464	Loans and receivables
Trade receivables	19,633	19,633	Loans and receivables
Other financial assets	483	483	Loans and receivables
denominated at amortized cost	382	382	Loans and receivables
denominated at market value (fair value, level 2)	101	101	Held for trading
Securities, denominated at fair value	0	0	Available for sale
Financial liabilities			
Trade payables	7,289	7,289	Amortized cost
Financial debt	3,505	3,761	
Bank borrowings	3,505	3,761	Amortized cost
Liabilities from finance lease	0	0	Amortized cost
Other financial liabilities	6,748	6,748	
denominated at amortized cost	6,748	6,748	Amortized cost
denominated at market value (fair value, level 2)	0	0	Held for trading

<i>in € thousand</i>	2016		Measurement category according to IAS 39
	Book value	Fair value	
Financial assets			
Cash and cash equivalents	35,621	35,621	Loans and receivables
Trade receivables	24,111	24,111	Loans and receivables
Other financial assets	159	159	Loans and receivables
denominated at amortized cost	159	159	Loans and receivables
denominated at market value (fair value, level 2)	0	0	Held for trading
Securities, denominated at fair value	0	0	Available for sale
Financial liabilities			
Trade payables	3,362	3,362	Amortized cost
Financial debt	4,507	4,947	
Bank borrowings	4,507	4,947	Amortized cost
Liabilities from finance lease	0	0	Amortized cost
Other financial liabilities	5,359	5,359	
denominated at amortized cost	5,070	5,070	Amortized cost
denominated at market value (fair value, level 2)	289	289	Held for trading

The following methods and assumptions apply in determining the market values:

Cash and Cash Equivalents

On account of the short-term nature of the investments, the book values correspond to the market values of the instruments.

Receivables / Trade Payables

On account of the short-term nature of the receivables and payables, the book values correspond approximately to the market values of the instruments.

Other Financial Assets / Liabilities

Because of the short-term nature of the assets and liabilities, the book values of the other financial assets and liabilities, which are measured at amortized cost, correspond roughly to their market value.

The measurement of other financial assets and liabilities that are measured at market value depends on their category. The fair value of forward currency transactions is determined by the rates for forward currency transactions. The market value of interest derivatives is determined by discounting the expected future cash flows over the remaining term of the contract on the basis of current market interest rates and the yield curve.

Bank Borrowings

The market value of the financial liabilities with regard to bank borrowings was calculated by discounting the expected outflow of funds at usual market interest rates for debt instruments with comparable conditions and residual terms.

The net gains and losses on financial instruments have developed as follows:

<i>in € thousand</i>	2017	2016
Loans and receivables	-488	71
Financial assets held for sale	0	0

Net gains or losses from loans and receivables contain changes in the value adjustments, gains and losses from retirements and receipts of payments for loans and receivables that had been written off.

DERIVATIVE FINANCIAL INSTRUMENTS

For purposes of risk management, derivative financial instruments are used to limit the effects of fluctuations in exchange rates and interest rates.

The direct market values of the different kinds of derivative financial instruments have developed as follows:

<i>in € thousand</i>	2017		2016	
	Positive market value	Negative market value	Positive market value	Negative market value
Currency forwards	101	0	0	289

Purchasing and sales obligations in foreign currencies arise due to cross-border supply relationships between SUSS MicroTec companies in the eurozone and external customers or suppliers who are not based in the eurozone. This applies above all to customers or suppliers in countries using the US dollar and the Japanese yen that obtain products from SUSS MicroTec companies in the eurozone or sell to them. At the time an order is placed, foreign currency forwards are concluded in order to hedge against currency changes during the period until payment is made. Since the underlying transaction has not yet occurred and only comes into being upon sales recognition, the purpose here is the hedging of planned transactions. The change in market values is shown under other operating income or other operating expenses. Potential risks arise from the fluctuation of the currency exchange rates and in the creditworthiness of the contractual partners, which are exclusively German financial institutions with a first-rate credit standing.

As of December 31, 2017, there are four open foreign currency forwards concerning the forward sale of a total of US\$ 9.2 million. These foreign currency forwards have the following parameters:

Hedged amount <i>in € thousand</i>	Due date	Hedging rate
4,000	04/30/18	1.1941 USD / €
2,400	05/31/18	1.1960 USD / €
1,200	06/29/18	1.1981 USD / €
1,600	08/31/18	1.2036 USD / €

The sensitivity to exchange rates is determined by aggregating the foreign currency items of the operating activities and the Group treasury. Foreign currency risks are thus calculated on the basis of a simulation of a 10% devaluation of all foreign currencies versus the euro. This simulated devaluation would have led to a reduction in the euro-equivalent value of € 814 thousand as of the reporting date (previous year: reduction of € 1,064 thousand) and a corresponding decrease (previous year: decrease) in annual income.

The following tables show the composition of the foreign currency exposure and the effects on annual earnings as of the reporting date and that of the previous year:

<i>in € thousand</i>	2017		
	USD	JPY	Total
Cash and cash equivalents	3,774	2,158	5,932
Trade receivables	2,957	1,035	3,992
Trade payables	-598	-368	-966
Net exposure	6,133	2,825	8,958
Effect of a 10 % appreciation of the euro on annual net income	-558	-257	-814

<i>in € thousand</i>	2016		
	USD	JPY	Total
Cash and cash equivalents	5,572	2,110	7,682
Trade receivables	2,519	2,278	4,797
Trade payables	-401	-374	-775
Net exposure	7,690	4,014	11,704
Effect of a 10 % appreciation of the euro on annual net income	-699	-365	-1,064

(29) RELATED PARTIES

IAS 24 requires the disclosure of people that control or are controlled by SUSS MicroTec SE unless already included in the consolidated financial statements.

Control exists if a shareholder has more than half of the voting shares of SUSS MicroTec SE or has the possibility, on the strength of the articles of incorporation or contractual agreement, to control the financial and business policies of SUSS MicroTec SE.

Furthermore, the obligation of disclosure set out in IAS 24 also covers transactions with joint ventures and transactions with persons that exercise a substantial influence on the financial and business policies of SUSS MicroTec SE, including close family members or intermediate entities. A substantial influence on the financial and business policy of the Group may rest on a shareholding in SUSS MicroTec SE of 20% or more, a seat on the Management Board or Supervisory Board of SUSS MicroTec SE or another key management position.

With the exception of disclosures on the remuneration of the corporate bodies, the Group was not affected by the disclosure obligations set out under IAS 24 "Related Parties" in the fiscal year.

(30) FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Other financial obligations and contingent liabilities are composed as follows:

<i>in € thousand</i>	2017	2016
Purchase contingencies	36,783	24,996
Obligations from rental and lease contracts	1,172	1,864
Total	37,955	26,860

Purchase contingencies commit the Company to purchase services or materials from third parties.

(31) EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the consolidated statement of cash flows of the SUSS MicroTec Group, a distinction is made in accordance with IAS 7 ("Statement of Cash Flows") between payment flows from operating activities and from investing and financing activities.

The item cash and cash equivalents in the statement of cash flows comprises all of the liquid funds shown in the statement of financial position, i.e., cash in hand, checks and deposits with banks, provided they are available within three months without significant fluctuations in value.

The cash flows from investing and financing activities are computed on the basis of payments. On the other hand, the cash flow from operating activities is derived indirectly from the net result for the year.

Under the indirect computation, effects due to currency translation are eliminated from the relevant changes in statement of financial position items. The changes in the relevant statement of financial position items can, therefore, not be reconciled with the corresponding figures on the basis of the consolidated statement of financial position.

The other non-cash income and expenses in an amount of € -228 thousand (previous year: € 619 thousand) contain mainly currency effects. The previous year also included effects from the addition of a provision for severance payments of € 750 thousand.

The cash flow from financing activities of € -1,000 thousand indicates the scheduled repayment of the bank loan that serves to finance the property in Garching. The change in other financial liabilities reflects the change in current bank liabilities on account of the reporting date. Fair value changes or exchange rate effects were not recognized in cash flow from financing activities.

(32) SEGMENT REPORTING

INFORMATION ABOUT THE SEGMENTS

The activities of the SUSS MicroTec Group are analyzed in the segment reporting in accordance with the rules of IFRS 8 "Operating Segments" by product line and by region. This analysis is aligned with internal controlling and reporting to the Management Board and takes the different risk and earnings structures of the divisions into consideration.

The activities of the SUSS MicroTec Group are divided into the Lithography, Bonder, and Photomask Equipment operating divisions. The Others division combines further activities of the Group and the non-allocable costs of the Group functions.

In the Lithography division, the SUSS MicroTec Group develops, produces, and sells the mask aligner, developer, and coater product lines as well as the UV projection and laser processing product lines. The development and production activities are conducted in Germany at the locations in Garching near Munich and Sternenfels near Stuttgart. The development and production of the UV projection and laser processing product lines are conducted in Corona, California, USA. Substantial parts of the distribution organizations in North America and Asia support the Lithography division. Lithography comprises significantly more than half of the entire business of the Group and is represented in the advanced packaging, MEMS, and compound semiconductor markets.

The Bonder division encompasses the development, production, and distribution of the bonder product line. The activities of this division are concentrated at Sternenfels near Stuttgart. Distribution for the Bonder division occurs from Sternenfels itself and worldwide in small units at locations in Europe, the USA, and Asia.

The Photomask Equipment division includes the development, manufacture, and sale of the HMx, ASx, MaskTrack, and MaskTrack Pro product lines of SUSS MicroTec Photomask Equipment GmbH & Co. KG. The development and production of specialized systems for the cleaning and processing of photomasks for the semiconductor industry are conducted at the Sternenfels site.

OTHER COMMENTS ON SEGMENT REPORTING

Division data was collated using the accounting and measurement methods applied in the consolidated financial statements. Due to the division of the Group by product line across companies, there are no material inter-division transactions. One exception is the reallocation of costs by SUSS MicroTec SE, recorded in the Others division, to the other divisions for the performance of certain Group functions such as financing and strategic matters. These charges also contained the expenses incurred by the holding company in connection with the introduction and operation of the SAP system.

In compliance with the requirements of IFRS 8 “Operating Segments,” the segment reporting contains disclosure of the pre-tax result per segment. This enables the sum of the segment results to be reconciled with the overall consolidated result before tax.

In the fiscal year, SUSS MicroTec did not generate sales with any customer that represented a share of over 10% of the Group’s total sales. In the previous year, sales were recorded with two customers who each represented a share of more than 10% of the Group’s total sales. Around € 22.6 million were attributable to one customer and sales of around € 25.3 million were attributable to the other customer.

Among the principal non-cash expenses and income are value adjustments on trade receivables, write-downs on inventory reserves, and the addition and reversal of provisions and other liabilities.

Segment assets represent the necessary operational assets of the individual divisions. These comprise the intangible assets (including goodwill), tangible assets, inventory reserves, and trade receivables.

The segment liabilities include the operating debts and provisions of the individual divisions.

The investments relate to additions of both tangible and intangible assets.

For the geographic segment reporting, sales are segmented according to the location of the customers. In the past fiscal year, SUSS MicroTec generated sales of € 24,503 thousand (previous year: € 15,532 thousand) in Germany.

The assets and investments were calculated on the basis of the location of the Group company concerned. The Group’s noncurrent assets primarily consist of intangible assets, goodwill, and tangible assets. Of noncurrent assets, € 33,530 thousand (previous year: € 32,216 thousand) are attributable to companies in Germany; € 7,955 thousand (previous year: € 7,709 thousand) accrued to foreign companies. In the past fiscal year, the SUSS MicroTec Group undertook investments of € 3,557 thousand (previous year: € 1,934 thousand) in Germany.

(33) SUBSEQUENT EVENTS

There were no significant events after the reporting date that have had a material impact on the net assets, financial position or results of operations of the Group.

(34) MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD OF THE ULTIMATE PROPRIETARY COMPANY

At the time of the transformation in form, the Supervisory Board appointed the members of the Management Board at SUSS MicroTec AG Dr. Richter and Mr. Braun as members of the Management Board of SUSS MicroTec SE by resolution as of May 31, 2017. Mr. Leurs was appointed as an additional member of the Management Board effective December 1, 2017.

The Members of the Management Board of SUSS MicroTec SE in the 2017 fiscal year were:

Dr. Franz Richter

- Dr.-Ing., resident of Eichenau, Chief Executive Officer
Responsible for the areas:

Marketing and sales, Group strategy, service, research and development, patents, and divisions/product lines, and human resources

Further appointments:

- Siltronic AG, Munich, Germany
(Member of the Supervisory Board)
- Meyer Burger Technology AG, Gwatt, Switzerland
(Member of the Administration Board)
- COMET Holding AG, Flamatt, Switzerland
(Member of the Administration Board)
- Scint-X AB, Stockholm, Sweden
(Chairman of the Supervisory Board)

Robert Leurs (since Dezember 1, 2017)

- Diplom-Kaufmann (Business Administration),
Diplom-Finanzwirt (Financial Management),
resident of Stockdorf, Chief Financial Officer

Responsible for the areas:

Finance and accounting, IT, law, tax and insurance, facility management, and investor relations

Further appointments: none

Walter Braun

- Diplom-Ingenieur (Engineering), resident of Altensteig,
Chief Operating Officer

Responsible for the areas:

Production, work safety, quality management, environmental protection, materials management, and logistics.

Further appointments: none

Michael Knopp (until April 30, 2017)

- Diplom-Kaufmann (Business Administration),
resident of Ratingen, Chief Financial Officer

Responsible for the areas:

Finance and accounting, IT, law, tax and insurance, human resources, facility management, and investor relations.

Further appointments: none

SUPERVISORY BOARD

At the Shareholders' Meeting on May 31, 2017, the Supervisory Board of SUSS MicroTec AG was reelected and expanded to four members. Dr. Myriam Jahn was elected as the fourth member of the Supervisory Board of SUSS MicroTec AG. The Supervisory Board elected by the Shareholders' Meeting of SUSS MicroTec SE on May 31, 2017, subject to the condition precedent of the transformation being recorded in the Commercial Register, commenced its activities upon the change in form taking effect on August 9, 2017. The composition of the Supervisory Board remained unchanged.

The Members of the Supervisory Board in the 2017 fiscal year were:**Dr. Stefan Reineck**

- Resident of Kirchartd, managing shareholder of RMC Dr. Reineck Management & Consulting GmbH, Kirchartd;
Chairman of the Supervisory Board of SUSS MicroTec SE

Further appointments:

- attocube systems AG, Munich
(Vice Chairman of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA
(Member of the Board of Directors)
- Wittenstein AG, Igersheim (Member of the Supervisory Board)

Jan Teichert

- Resident of Metten, Member of the Management Board of Einhell Germany AG, Landau (Isar); Deputy Chairman of the Supervisory Board of SUSS MicroTec SE

Further appointments: none

Gerhard Pegam

- Resident of Au/Bad Feilnbach, Managing Director of GPA Consulting, Au/Bad Feilnbach; Member of the Supervisory Board of SUSS MicroTec SE

Further appointments:

- OC Oerlikon Corporation AG, Pfäffikon, Switzerland
(Deputy Administrative Board President)
- Schaffner Holding AG, Solothurn, Switzerland
(Member of the Administrative Board)

Dr. Myriam Jahn (since May 31, 2017)

- Resident of Dusseldorf, Member of the Management Board of TISC AG, Siegen; Supervisory Board member of SUSS MicroTec SE

Further appointments: none

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The members of the Management Board received cash remuneration of € 1,285 thousand (previous year: € 2,153 thousand). The amount of Management Board remuneration in the previous year included a severance payment of € 750 thousand for the former Chief Executive Officer, Dr. Per-Ove Hansson, who departed on August 26, 2016.

The remuneration of the members of the Supervisory Board, including meeting attendance fees and expense allowances, amounted to € 231 thousand (previous year: € 203 thousand).

Individualized information about the remuneration of the Management Board and the Supervisory Board is presented in the Remuneration Report, which is part of the condensed Management Report.

Share and option holdings of the officers at year end:

	2017		2016	
	Shares	Options	Shares	Options
Dr. Franz Richter	65,000	0	60,000	0
Robert Leurs	0	0	0	0
Walter Braun	10,120	0	18,300	0
Michael Knopp	0	0	19,900	0
Dr. Per-Ove Hansson	0	0	4,000	0
Dr. Stefan Reineck	9,600	0	9,600	0

(35) EMPLOYEES

In the fiscal year, the SUSS MicroTec Group had an average of 739 employees (previous year: 713 employees).

Status at the end of the year:

	2017	2016
Administration	70	68
Sales and marketing	271	262
Operations	438	381
Total	779	711

(36) AUDITOR'S FEES

In the current fiscal year, SUSS MicroTec recorded a fee of € 274 thousand (previous year: € 251 thousand) for the auditor of the consolidated financial statements, BDO AG Wirtschaftsprüfungsgesellschaft, Munich, pursuant to Section 314 (1) (9) HGB. In the fiscal year, fees of € 11 thousand (previous year: € 9 thousand) went to network partners of the auditor (other members of BDO International). Expenses for the audit amounted to € 256 thousand and include also expenses for voluntary audits of German subsidiaries, for audit services in connection with future conversion to IFRS 15 and a special audit of the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung). Furthermore, approximately € 18 thousand was expended for other confirmation services related to the transformation of SUSS MicroTec AG into SUSS MicroTec SE in the fiscal year. In the previous year, all expenses involved the audit of the financial statements including the voluntary audits of the German subsidiaries.

The expenses for the audit of the financial statements include the entire fee for the audit of the annual financial statements of SUSS MicroTec SE as well as the audit of the consolidated financial statements and annual financial statements of subsidiaries by BDO. Of the auditor's fee for the consolidated financial statements, approximately € 30 thousand (previous year: € 30 thousand) went toward the audit of the separate financial statements of SUSS MicroTec SE.

(37) CORPORATE GOVERNANCE

As in the previous years, in January 2017, the Management Board and the Supervisory Board submitted a declaration of compliance pursuant to Section 161 of the German Stock Corporation Law (AktG) and declared that they would comply with the recommendations of the German Corporate Governance Code in the version of May 5, 2015, with the following exceptions – a deductible for D&O insurance, vertical remuneration comparison, pension commitments, formation of committees, and a term limit for serving in the Supervisory Board – and have complied with the recommendations of the Code in the version of May 5, 2015, since the last annual declaration of compliance was issued in January 2016 with the exceptions stated therein.

In January 2018, the Management Board and Supervisory Board issued a declaration of compliance pursuant to Section 161 AktG and declared that they would comply with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, with the following exceptions – deductible for D&O insurance, vertical remuneration comparison, pension commitments, formation of committees, and a term limit for membership in the Supervisory Board. Furthermore, the Management Board and Supervisory Board have declared that they have complied with the recommendations of the Code in the version from February 7, 2017, since the issuance of the last annual declaration of compliance in January 2017 with the exceptions stated therein.

The declarations of compliance have been made permanently available online at > www.suss.com.

(38)

APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of SUSS MicroTec SE approved the IFRS consolidated financial statements for forwarding to the Supervisory Board on March 9, 2018.

Garching, Germany, March 9, 2018
The Management Board



Dr. Franz Richter
Chief Executive Officer



Robert Leurs
Chief Financial Officer



Walter Braun
Chief Operating Officer

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, we assure that in accordance with applicable accounting principles, the consolidated financial statements convey an accurate view of the net assets, financial position, and results of operations of the Group and that the Group Management Report, which has been combined with the Management Report of SUSS MicroTec SE, conveys an accurate view of the business performance, including the earnings and condition of the Company, and describes the essential opportunities and risks for the Group's future development.

Garching, Germany, March 9, 2018

SUSS MicroTec SE
The Management Board



Dr. Franz Richter
Chief Executive Officer



Robert Leurs
Chief Financial Officer



Walter Braun
Chief Operating Officer

AUDIT CERTIFICATE OF THE INDEPENDENT AUDITOR

To SUSS MicroTec SE, Garching, Germany

CERTIFICATE REGARDING THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONDENSED MANAGEMENT REPORT

AUDIT OPINION

We have audited the consolidated financial statements of SUSS MicroTec SE and its subsidiaries (the Group) comprising the statement of financial position as of December 31, 2017, the statement of income, statement of comprehensive income, statement of changes in equity, and the statement of cash flows for the fiscal year from January 1, 2017, to December 31, 2017, as well as the Notes, including a summary of significant accounting methods. In addition, we have audited the condensed Management Report of SUSS MicroTec SE for the fiscal year from January 1, 2017, to December 31, 2017. We have not substantively audited the sections of the condensed Management Report specified under "Other Information" in conformity with German legal provisions.

In our opinion, based on the insights gained in the audit,

- the attached consolidated financial statements comply with IFRS, as applicable in the EU, in all material respects as well as the supplementary regulations under German law according to Section 315e (1) of the German Commercial Code (HGB). In addition, they convey in accordance with these principles an accurate view of the net assets and financial position of the Group as of December 31, 2017, and its results of operations for the fiscal year from January 1, 2017 to December 31, 2017.
- Furthermore, the attached condensed Management Report conveys an overall accurate picture of the condition of the Group. In all material respects, this condensed Management Report is consistent with the consolidated financial statements, complies with German legal regulations, and presents the opportunities and risks of future development accurately. Our audit opinion on the condensed Management Report does not extend to the contents of the sections of the condensed Management Report specified under "Other Information."

According to Section 322 (3)(1) of the HGB, we declare that our audit has not led to any objections regarding the accuracy of the consolidated financial statements and the condensed Management Report.

BASIS FOR THE AUDIT OPINION

We have conducted our audit of the consolidated financial statements and the condensed Management Report in accordance with Section 317 of the HGB and the EU Auditor Regulation (No. 537/2014; referred to below as "EU-APrVO"), taking into account the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these regulations and principles is further described in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and Condensed Management Report" section of our audit certificate. We are independent of the Group companies in accordance with European legal and German commercial and professional legal regulations and have fulfilled our other German professional obligations in accordance with these requirements.

In addition, we declare in accordance with Article 10 (2)f of the EU-APrVO that we have not performed any prohibited non-auditing services in accordance with Article 5 (1) of the EU-APrVO.

We are of the opinion that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the condensed Management Report.

PARTICULARLY IMPORTANT ISSUES IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly important audit issues are those matters that were the most significant in our dutiful judgment in our audit of the consolidated financial statements for the fiscal year from January 1, 2017, to December 31, 2017. These issues were taken into account in connection with our audit of the consolidated financial statements as a whole and in the formation of our audit opinion on them; we do not issue any separate audit opinion on these issues.

We have identified the following issues as particularly important for the audit.

1. Impairment of goodwill in the Lithography division
2. Recognition of licensing income from a technology developed by SUSS MicroTec

1. IMPAIRMENT OF GOODWILL IN THE LITHOGRAPHY DIVISION

Issue

In the consolidated financial statements of SUSS MicroTec SE as of December 31, 2017, goodwill totaling EUR 15.6 million is disclosed that represents 7.7% of consolidated total assets or 12.3% of consolidated shareholders' equity. This goodwill was allocated to the Lithography cash-generating unit, which corresponds to the Lithography division.

Cash-generating units with goodwill are subjected to an impairment test at least once annually as well as in cases in which the Company finds indications of an impairment. The measurement is done using a measurement model based on discounted cash flow analysis. If the carrying amount of a cash-generating unit is greater than the recoverable amount, an impairment is taken in the amount of the difference. The evaluation of goodwill impairment is complex and requires numerous estimates and discretionary decisions by the legal representatives, particularly regarding the amount of future cash flow surpluses, the growth rate for the projected cash flows beyond the detailed planning period, and the discount rate to be used. Given the significant amount of goodwill for the consolidated financial statements of SUSS MicroTec SE and the uncertainties associated with measurement, it constitutes a particularly important audit issue.

Disclosures by SUSS MicroTec SE on goodwill are included in the sections 2D. Significant Accounting Policies, 2E. Use of Estimates, and (12) Goodwill of the Notes.

Audit Response and Insights

In the course of our audit, we have assessed the suitability of material assumptions and discretionary parameters as well as the method of calculation for the impairment tests, taking into account the insights of our measurement specialists. We have gained an understanding of the planning system and planning process as well as material assumptions made by the legal representatives during planning. We have reconciled the forecast for future cash flow surpluses in the detailed planning period with the budget approved by the Supervisory Board for 2018 and plans for the two subsequent years of 2019 and 2020, and we are convinced of the Company's basic planning accuracy based on an analysis of deviations from plan targets. We have reproduced the assumptions underlying planning and the growth rates assumed for cash flows beyond the detailed planning period by comparison with past developments and current industry-specific market expectations. In addition, we have critically

scrutinized the discount rates used based on the average cost of capital of a peer group.

Overall, we were able to ascertain that the assumptions made by the legal representatives while conducting the impairment test and the measurement parameters used are reproducible and lie within a justifiable range.

2. RECOGNITION OF LICENSING INCOME FROM A TECHNOLOGY DEVELOPED AT SUSS MICROTEC

Issue

In the 2017 fiscal year, the SUSS MicroTec Group (SUSS MicroTec) concluded a licensing agreement to market a technology for cleaning photomasks developed by SUSS MicroTec. The licensing agreement provides for the payment of a basic licensing fee of EUR 2.0 million to SUSS MicroTec in the third quarter of 2017. The licensing fee was nearly fully recognized as income in the consolidated financial statements of SUSS MicroTec SE on December 31, 2017.

The assessment of whether the basic licensing fee should be allocated over the term of the agreement or recognized immediately in profit or loss is complex. For this reason and in view of the materiality of the impact on consolidated earnings, we regarded this matter as a particularly important audit issue.

The disclosures of SUSS MicroTec SE regarding revenue recognition in connection with the license agreement are included in sections 2D. Significant Accounting Policies and (5) Other Operating Income of the Notes.

Audit Response and Insights

In the course of our audit, we have examined the license agreement and evaluated the relevant contents of the agreement regarding their conformity to IAS 18. In the process, we have assessed in particular the judgment of the legal representatives that the prerequisites for classification as a sales transaction are met and that no further performance obligations exist for SUSS MicroTec in exchange for the receipt of the licensing fee that would impede immediate revenue recognition.

Overall, we were able to ascertain that revenue recognition from the licensing agreement in the 2017 fiscal year was appropriate and occurred within the scope of relevant provisions of IAS 18.

OTHER INFORMATION

The legal representatives are responsible for other information. Other information includes:

- The separately published nonfinancial Group declaration in accordance with the reference on page 23 of the condensed Management Report
- The Group declaration on corporate governance included on page 19 of the condensed Management Report
- The remaining parts of the Annual Report, with the exception of the audited consolidated financial statements, the condensed Management Report, and our audit certificate

Our audit opinion on the consolidated financial statements and the condensed Management Report does not extend to other information. Accordingly, we are not issuing either an audit opinion or any other form of audit conclusion regarding it.

In connection with our audit, we have the responsibility to read other information and to evaluate whether the other information

- indicates material discrepancies from the consolidated financial statements, the condensed Management Report, or the insights we gained during the audit or
- otherwise appear to contain material misrepresentations.

If we conclude based on the work we have done that a material misrepresentation of this other information exists, we are obligated to report about this fact. In this regard, we have nothing to report.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONDENSED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with IFRS, as applicable in the EU, as well as the supplementary regulations under German law according to Section 315e (1) of the German Commercial Code (HGB). In addition, they convey in accordance with these principles an accurate view of the net assets, financial position, and results of operations of the Group. Furthermore, the legal representatives are responsible for internal controls that they have determined to be necessary in order to prepare consolidated financial statements that are free of material deliberate or unintended false information.

During the preparation of the consolidated financial statements, the legal representatives are responsible for assessing the ability of the Group to continue its corporate activities. Furthermore, they bear responsibility for indicating any issues in connection with the continuation of corporate activities, provided that they are relevant. In addition, they are responsible for accounting on the basis of the going concern principle insofar as there are no contrary actual or legal circumstances.

The legal representatives are also responsible for the preparation of the condensed Management Report, which provides an overall accurate picture of the condition of the Group and is consistent with the separate and consolidated financial statements in all material respects, complies with German legal regulations, and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for precautions and measures (systems) that they have deemed to be necessary in order to prepare a condensed Management Report in accordance with the applicable German legal provisions and in order to provide sufficient appropriate evidence for the statements in the condensed Management Report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the condensed Management Report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONDENSED MANAGEMENT REPORT

Our objective is to obtain sufficient assurance regarding whether the consolidated financial statements as a whole are free of material — deliberate or unintended — misrepresentations and whether the condensed Management Report conveys an overall accurate picture of the condition of the Group and is consistent with the consolidated financial statements and the insights gained during the audit in all material respects, complies with German legal provisions, and presents the opportunities and risks of future development accurately. Our objective is also to issue an audit certificate that includes our audit opinion on the consolidated financial statements and the condensed Management Report.

Sufficient assurance is a high degree of assurance but no guarantee that an audit performed in accordance with Section 317 of the HGB and the EU-APrVO, taking into account the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW), uncovers every material misrepresentation. Misrepresentations may result from violations or errors and are deemed as material if it can reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and condensed Management Report.

During the audit, we exercise professional judgment and maintain an attitude of professional skepticism. In addition,

- we identify and assess the risks of material — deliberate or unintended — misrepresentations in the consolidated financial statements and the condensed Management Report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinion. The risk that material misrepresentations are not uncovered is higher for violations than errors since violations may entail fraudulent collaboration, forgeries, deliberate omissions, misleading representations, or the bypassing of internal controls.
- we gain an understanding of the relevant internal control system for the audit of the consolidated financial statements and the relevant precautions and measures taken for the audit of the condensed Management Report in order to plan audit procedures that are appropriate under the given circumstances, but not for the purpose of issuing an audit opinion on the effectiveness of these systems.
- we assess the appropriateness of the accounting methods applied by the legal representatives as well as the validity of the estimates presented by the legal representatives and the related information.
- draw conclusions regarding the appropriateness of the going concern accounting principle applied by the legal representatives as well as, on the basis of the audit evidence obtained, whether a material uncertainty exists in connection with events or circumstances that could cast meaningful doubt on the Group's ability to remain a going concern. If we conclude that a material uncertainty exists, we are obligated to call attention to the related information in the consolidated financial statements and the condensed Management Report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained by the date of our audit certificate. However, future events or circumstances may prevent the Group from continuing its corporate activities.
- assess the overall presentation, the structure, and the contents of the consolidated financial statements, including both information and whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements convey a picture of the Group's net assets, financial position, and results of operations, taking into account IFRS, as applicable in the EU, and supplementary regulations under German law according to Section 315e (1) of the HGB.
- we obtain sufficient appropriate audit evidence for the accounting information of the companies or the business activities within the Group in order to issue audit opinions on the consolidated financial statements and the condensed Management Report. We are responsible for directing, monitoring, and executing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.
- we assess the consistency of the condensed Management Report with the consolidated financial statements, its legal compliance, and the picture it conveys of the Group's condition.

- we carry out audit procedures on the forward-looking statements presented by the legal representatives in the condensed Management Report. Based on sufficient appropriate audit evidence, we reproduce in particular the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements and the underlying assumptions. A substantial unavoidable risk exists that future events may deviate significantly from the forward-looking statements.

We discuss with those responsible for oversight the planned scope and scheduling of the audit as well as significant audit findings, including potential flaws in the internal control system that we identify during our audit, among other issues.

We issue a declaration to those responsible for oversight that we have complied with the relevant independence requirements and discuss with them all relationships and other issues that can reasonably be assumed to affect our independence, as well as the safeguards taken regarding them.

Of the issues that we have discussed with those responsible for oversight, we determine those issues that were most meaningful in the audit of the consolidated financial statements for the current reporting period and therefore constitute particularly important audit issues. We describe these issues in the audit certificate unless laws or other legal provisions preclude the public disclosure of the issue.

OTHER LEGAL AND STATUTORY REQUIREMENTS

OTHER INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU-APRVO

We were chosen as auditor by the Shareholders' Meeting on May 31, 2017. We were commissioned by the Supervisory Board on August 25, 2017. We have continuously served as auditor for SUSS MicroTec SE since the 2012 fiscal year.

We declare that the audit opinion contained in this audit certificate is consistent with the supplemental report to the Supervisory Board according to Article 11 of the EU-APRVO (audit report).

RESPONSIBLE AUDITOR

The auditor Thomas Steiner is responsible for the audit.

Munich, Germany, March 14, 2018

BDO AG
Wirtschaftsprüfungsgesellschaft

S. Wiedemann
Auditor

T. Steiner
Auditor

GLOSSARY

3D Integration

3D integration is divided into two main categories: 3D packaging and 3D interconnect. 3D packaging is used to describe components stacked on a wafer-level packaging strata without being connected using through-silicon vias (TSVs). 3D packaging is comprised of technologies such as SOC (system-on-chip) and other processes for which the connection is normally based on wire bonding. 3D interconnect on the other hand includes components joined by TSVs. This refers to vertical vias through the massive silicon which, as a general rule, is heavily thinned.

300 mm technology

Wafers are disks made, for example, of the purest monocrystalline silicon, the basic material used in manufacturing microchips. The largest number of silicon wafers by far (~42%) used around the world today is 300mm in diameter. The larger the wafer diameter, the more chips can be made on one wafer. The more chips that can be manufactured on a wafer, the lower the production costs per individual chip.

Advanced Packaging

This term describes modern technologies to “package” microchips in their housing. All microchip contacts must be guided individually to the outside of the housing to ensure a connection to the printed circuit board. Advanced packaging involves packaging processes that generally employ methods previously used only in the Frontend manufacturing of microchips themselves, such as lithography and photoresist technologies.

Backend

This term is used to describe the second (rear) link in the microchip production chain. The Backend process begins once the wafer has passed through all Frontend process steps in the manufacture of the microchip itself. In this process, microchips are tested on the wafer and, if required, prepared for bonding. The wafers are then sawed into individual microchips that are packaged in their housing. For cost reasons, Backend process work is primarily done in Asia, where semiconductor manufacturers have Backend facilities of their own or allow foundries to handle testing and packaging.

Bonder

The Bonder connects two or more substrates (primarily wafers) aligned to one another in an extremely precise manner. This is done using soldering, adhesion, or another physical-chemical process. Many MEMS components require this processing step, as it is the only way to ensure that airbags, tire pressure sensors, GPS sensors, ink-jet printers, etc. work.

Bonding

Attaching two or more components or wafers to each other by means of various chemical and physical effects. Adhesive bonding, for example, uses adhesives (usually epoxy resins or photoresists) to attach two components. Fusion or direct bonding directly links two wafers that are initially only connected by the weak atomic forces (van der Waals forces) of water molecules in the borderline layer. By subsequently applying heat, the water molecules are broken down, and the oxygen atoms released combine with the wafer’s silicon atoms to form the covalent bond silicon oxide. This is a very strong, non-soluble bonding of the two wafers.

Bump

A metallic (solder, gold, or similar) three-dimensional contact on a chip. In simple terms, it is described as a ball of solder on a single microchip contact.

C4NP

IBM paved the way for flip chip bonding in the late 1960s. This technology was used for the first time in 1973 in IBM System 3. Since then, billions of chips have made contact with the outside world via this process under the name IBM C4. C4 stands for “controlled collapse chip connection” and is sometimes also used as a synonym for flip chip bonding. C4NP is the next generation technology, which IBM developed in conjunction with SUSS MicroTec on the basis of the proven C4 process. “NP” stands for “new process.”

Chip

General term used for semiconductor components. In electronics, a chip or microchip is understood to mean an integrated circuit embedded in housing. From the outside, all one generally sees is the black housing and the connection point that links the chip and printed circuit board (by wire or flip chip bonding). The piece of silicon in the housing is frequently also referred to as the chip or microchip.

Cluster

A group of individual process modules (e.g. Coater, Aligner) which is fed wafers for processing by a central robot.

Coater

A Coater is a special machine for the production of semiconductors. It disperses photosensitive resist to the wafer by way of rotational power.

Compound semiconductor

Semiconductor composed of several elements, such as gallium arsenide, indium phosphide, silicon germanium, etc. Advantages over simple semiconductors include: speed, high temperature compatibility, and lower energy consumption.

Cost of ownership (CoO)

This assesses acquisition and operating costs as well as the costs of cleanroom space and wear and tear and maintenance of the machines. These costs are then calculated in relation to the proportion of functioning components at the end of the production process. The higher the output of perfect chips, the better the cost of ownership of the machines for the customers. An outstanding CoO is of major significance, especially in mass production.

Die

Die, IC (integrated circuit), and chip are terms often used synonymously. Integrated circuits are known as dies until the point at which they are integrated into housing. Wafers are referred to as dies long as they are going through the individual process steps. The term "chips" is only used after the dies are isolated and packaged.

DRAM

DRAM = dynamic random access memory. Electronic memory chip components primarily used in computers. This is the world's most widely used memory chip.

Fab

This is a manufacturing facility which specializes in the production of ICs on wafers (chips). Today, building a large, modern fab complete with the required cleanrooms and equipment costs approximately US\$ 1.5 billion to US\$ 4 billion.

Flip chip bonding

An advanced bonding technique between chip and housing that makes higher clock frequencies possible in signal transmission. The active side of the chip is face down and, therefore, has to be "flipped" before assembly.

Foundry

A chip factory where microchips are manufactured to a circuit design that is specified by the customer. Making goods to order in this way, the foundry operators have no chip design or product sales / marketing costs and can, therefore, focus their R&D resources entirely on the process technology. The globally leading foundries are located in Taiwan and Singapore.

Frontend

Frontend processes are the production steps carried out on the wafer as a whole. This is where the chip itself is made. Backend processes in which chips are tested on the wafer follow. There, the wafer is cut into individual chips that are then inserted into housing.

IC (Integrated Circuit)

An integrated circuit (IC) consists of electronic components such as transistors, resistors, and capacitors that are integrated on a tiny microchip. Today, tens of millions of this type of cells are housed in circuits on a single chip. This high integration density has led to a high degree of chip performance.

IDM (Integrated-Device-Manufacturer)

These are companies in the semiconductor industry that develop, produce and market semiconductor components themselves.

Laser Processing

New developments in solid-state laser technology, such as high-performance UV lasers with high pulse rates in picoseconds, have expanded potential applications for lasers through micro-structuring. SUSS MicroTec offers two laser technologies:

Excimer Laser Ablation: In microstructuring, the use of excimer lasers primarily offers options for material evaporation. Through bombardment with pulsed laser radiation material can be removed from a surface. In the process, a photochemical reaction sets off electron excitation, which results in a sudden rise in pressure and an explosive removal of material in the form of monomers and gases. The thermal effect here is minimal – the process technology protects materials that are sensitive to temperature. The systems use a Photomask that is exposed with a laser beam. Projection optics between the mask and the wafer project the mask patterns onto the wafer, similarly to a projection stepper in lithography. The material, however, is not exposed but rather removed directly. The entire wafer is patterned using a step and repeat process.

Processing with solid-state laser: Solid-state laser technology promises all advantages of laser processing: It achieves high resolutions up to 2µm and ensures extremely precise results. Patterning processes are conducted without thermal side-effects. The systems do not require a mask and use a direct writing method.

LED (Light Emitting Diode)

LEDs are semiconductor components that can generate light. They emit a very bright light, yet, at the same time, consume very little energy. Moreover, their life span is over ten times that of a conventional light bulb.

Lithography

The electrical circuits of ICs are created by structuring individual strata on a silicon wafer in a type of layer structure. To create very small structures in the individual strata, the wafer is coated with a light-sensitive material (photo-resist) and then exposed using a mask. The structures on the mask are, thus, superimposed on the wafer by means of casting a shadow. Where the mask blocks the light, the photoresist on the wafer is not exposed. Where it is transparent, light falls onto the wafer and the photoresist is exposed. During development after exposure, the exposed photoresist areas are cleared above the strata and can be accessed by the following process step. Nowadays, typical structure sizes for Frontend lithography applications are between 32nm (0.032 micrometers) and 0.6 micro-meters. In the Backend, structure sizes ranging from several microns to tens of microns are generated by photo-lithography to create, for example, bumps for flip chip bonding.

Mask

A plate of glass or quartz glass on which the patterns needed to manufacture an IC are mapped. These patterns consist of transparent and opaque areas that correspond in size and shape to the circuits required.

Mask Aligner

Mask Aligners align a glass mask to a wafer (covered with photo-sensitive material previously spun or sprayed on by a coater) with submicrometer accuracy. The glass mask is patterned with the structures which need to be transferred onto the wafer. These structures will then build electrical circuits, grooves, and bridges – all the various things that the chip needs in order to function. The pattern is transferred onto the wafer by means of exposure not unlike a photographic procedure.

MEMS (Micro Electro Mechanical System)

Microelectromechanical systems (MEMS) is the term used primarily in North America for microsystems technology (MST), a term more common in Europe. Semiconductor production technologies and processes are used to manufacture mechanical and other non-electrical elements. MEMS products are used, for example, in the automobile industry, telecommunications, optoelectronics, and medical- technology.

Micrometer/micron

A metric unit of length, symbol: μm . A micron is a millionth of a meter. The diameter of a human hair is approximately $60\mu\text{m}$.

Microsystem

A system made up of various components each less than 1 mm in size.

Microsystems technology

This term is defined differently by region. In Europe, it means the entire miniaturization of precision mechanics component structures of less than 1 mm. In the United States and Asia, in contrast, microsystems technology or the more frequently used microelectromechanical systems (MEMS) means the use of semiconductor electronics technologies to produce the smallest of sensors or even complex systems such as a complete chemical or biological analysis unit. MEMS components include, for example, the silicon acceleration sensor that is used to activate an airbag or an inkjet printer cartridge nozzle.

Nanoimprinting/nanoimprint-lithography (NIL)

A mechanical method to create two or three-dimensional structures in the nanometer range with a casting or stamping tool. In contrast to photolithographic production of devices on semiconductor wafers, the structures are formed by stamping patterns in soft polymers. The future importance of nanoimprinting will be in cost savings. Classical photolithography equipment will, if extended to extremely short wavelengths of light (EUV, x-ray), become too expensive.

Nanotechnology

(Greek. *nānos* = dwarf) A collective term comprised of a broad range of technologies which deal with structures and processes in spatial dimensions ranging from one to several hundred nanometers. One nanometer is the billionth part of one meter (10^{-9}m) and defines a border range where the typical dimensions of a single molecule are found. Nanotechnology is a stringent continuation and expansion of microtechnology with mostly unconventional, new approaches. The tasks of nanotechnology include creating materials and structures in the nanometer range.

Optoelectronics

By deliberately combining semiconductor electronics technologies and III-V materials such as gallium arsenide, light can be generated or detected (semiconductor lasers, LEDs, photodiodes, etc). This technology is primarily used in telecommunications to transmit very large quantities of data (fiber-optic networks). LEDs are also being used increasingly in automobiles and domestically due to their many advantages, such as low energy requirement, extreme brightness, and very long lifespan.

OSAT (Outsourced Assembly- and Test-Houses)

These companies operate in the mid- and backend of the semiconductor industry. They offer packaging solutions, test systems and other services for semiconductor manufacturers, without being bound to a certain one of them. The focus is often on packaging and assembly of ICs and other semiconductor products.

Packaging foundries

See Backend.

Photoresist

A light-sensitive material that is first applied as a layer to the wafer and then exposed through a mask using ultraviolet light. In exposed areas, the ultraviolet light brings about chemical changes. These areas are dissolved from the layer during development, leaving a relief-like structure in the photoresist coating. This process is highly similar to photography.

Projection Lithography

While the complete wafer is exposed in one step during full-field lithography (mask aligner), during projection lithography processes only individual sections of the wafer are typically exposed using projection optics. The complete exposure of the wafer is then carried out in steps (step and repeat) or continuously (scan). SUSS MicroTec manufactures 1:1 projection scanners for the semiconductor mid- and backend. Here a full-field mask is used and the wafer is exposed in one scanning step. There is no reduction in pattern sizes from the mask to the wafer. The projection scanner technology of SUSS MicroTec combines the advantages of full-field exposure and traditional projection lithography and offers an alternative to mask aligner and projection steppers.

Semiconductor

A monocrystalline material of which the electrical resistance can be changed by implanting foreign atoms into its crystal grid. Silicon is the most important and also the most frequently used semiconductor element. ICs made of silicon are also often called semiconductors.

Sensor

A component used to record and convert measurements such as temperature, pressure, and acceleration. These measurements are converted into electrical signals and relayed to a signal evaluation unit.

Silicon

A material with the structure of a crystal lattice with semiconducting properties. Semiconducting means that the material can be used as a conductor or non-conductor depending on the inclusion of certain foreign atoms. In the semiconductor industry, the most common base material used is silicon in monocrystalline disk form.

System on a chip

Highly complex ICs incorporating many different functions. Until recently, these functions had to be accommodated on several ICs. The enormous innovative momentum in process technology that has made it possible to manufacture ICs with ever smaller structure widths now means that different kinds of memory, digital signal processors, and analog functions can be accommodated on one chip. The advantage is that instead of many chips, only a handful or even a single one is needed, thereby reducing the space needed, the assembly requirements (and, therefore, the cost of the finished product), and, very importantly, the power consumption. This prolongs the battery life in battery-powered equipment such as laptops and cellular-telephones. The trend towards ever smaller and more portable devices that should also be less and less expensive makes system on a chip increasingly important.

Through-silicon vias (TSVs)

Individual chip components are stacked on top of one another and joined with this technology. This shortens the path of the data stream between the individual chip components and allows for significantly less capacity loss. As such, through-silicon vias contribute to lowering the overall size of chips combined with a simultaneous rise in performance.

Tool

Machines, instruments, robots, etc. Tools are all individual systems that comprise a production line in a semiconductor-factory.

Wafers

Slices of the purest silicon, for example, or compound semiconductors (gallium arsenide, indium phosphide, etc.) on which chips are produced. Over the past ten years, their diameter has increased from 150mm to 200mm and today to even 300 mm. Twice as many chips fit onto the surface area of the latest 300 mm wafers than onto a 200mm wafer, cutting production costs by approximately 30%.

Wire bonding

A common contact process that connects chips with housing via metal wires.

Yield

One of the key parameters in semiconductor production. It measures the output of functioning microchips in relation to the total number of microchips on a wafer. The higher the yield, the more efficient and cost-effective the chip production for the customer.

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Forward-looking statements: These reports contain forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates, and projections, and should be understood as such. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. We caution readers that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement.

FIVE-YEAR OVERVIEW

<i>in € million</i>	2017	2016	2015	2014	2013
Business development					
Order entry	200.3	161.1	188.6	134.3	135.0
Order backlog as of December 31	133.4	101.5	117.6	75.6	85.7
Total sales	166.5	177.6	148.5	145.3	134.5
Sales margin	4.0%	2.8%	0.1%	3.2%	-11.9%
Gross profit	59.5	58.6	49.4	48.8	21.8
Gross margin	35.7%	33.0%	33.3%	33.6%	16.2%
Cost of sales	107.0	119.0	99.2	96.5	112.7
Research & Development costs	15.2	14.1	12.8	10.5	10.2
EBITDA	18.0	15.3	9.2	12.6	-13.4
EBITDA margin	10.8%	8.6%	6.2%	8.7%	-10.0%
EBIT	13.9	11.1	5.0	8.4	-19.4
EBIT margin	8.3%	6.3%	3.4%	5.8%	-14.4%
Earnings after tax	6.7	5.0	0.2	4.6	-16.0
Earnings per share (in €)	0.35	0.26	0.01	0.24	-0.84
Balance sheet and cash flow					
Equity	127.0	124.4	118.7	116.1	109.4
Equity ratio	62.9%	69.2%	67.0%	69.1%	60.8%
Return on equity	5.3%	4.0%	0.2%	4.0%	-14.6%
Balance sheet total	202.0	179.6	177.2	168.0	179.9
Net cash	33.0	31.1	40.0	38.0	35.7
Free cash flow	2.9	-9.1	1.3	2.1	4.1
Further key figures					
Investments	6.5	3.6	3.4	3.0	12.2
Investment ratio	3.9%	2.0%	2.3%	2.1%	9.1%
Depreciation	4.1	4.2	4.2	4.2	6.0
Employees as of December 31	779	711	698	659	655

FINANCIAL CALENDAR 2018

March 27 — Annual Report 2017

May 3 — Quarterly Report 2018

June 6 — Annual General Meeting 2018, Haus der Bayerischen Wirtschaft, Munich

August 3 — Interim Report 2018

November 7 — Nine-month Report 2018

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