

MEGA- TRENDS

Annual Report
2018

KEY FIGURES

<i>in € million</i>	12/31/2018	12/31/2017	Change 2018/2017
Business development			
Order entry	191.0	200.3	-4.6 %
Order backlog as of December 31	84.7	133.4	-36.5 %
Total sales	203.9	166.5	22.5 %
Gross profit	67.3	59.5	13.1 %
Gross margin	33.0%	35.7%	-2.7 % points
Cost of sales	136.7	107.0	27.8 %
Research and development costs	18.3	15.2	20.4 %
EBITDA	15.7	18.0	-12.8 %
EBITDA margin	7.7%	10.8%	-3.1 % points
EBIT	10.9	13.9	-21.6 %
EBIT margin	5.3%	8.3%	-3.0 % points
Earnings after tax	4.8	6.7	-28.4 %
Earnings per share, basic (in €)	0.25	0.35	-28.6 %
Balance sheet and cash flow			
Equity	140.4	127.0	10.6 %
Equity ratio	70.3%	62.9%	7.4 % points
Return on equity	3.4%	5.3%	-1.9 % points
Balance sheet total	199.6	202.0	-1.2 %
Net cash	28.2	33.0	-14.5 %
Free cash flow	-5.0	2.9	-
Further key figures			
Investments	6.9	6.5	6.2 %
Investment ratio	3.4%	3.9%	-0.5 % points
Depreciation	4.8	4.1	17.1 %
Employees as of December 31	881	779	13.1 %

BENEFITTING FROM MEGATRENDS

LITHOGRAPHY

- Mask Aligner
- UV Projection Lithography Systems
- Laser Processing Systems
- Coaters/Developers

Order entry: **€ 111.0 million**

Sales: **€ 119.5 million**

EBIT: **€ 6.3 million**

BONDER

- Bonder

Order entry: **€ 20.1 million**

Sales: **€ 36.9 million**

EBIT: **€ 4.8 million**

PHOTOMASK EQUIPMENT

- Photomask Processing Systems

Order entry: **€ 45.6 million**

Sales: **€ 33.8 million**

EBIT: **€ 4.7 million**

OTHERS

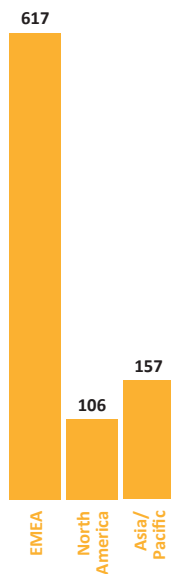
- Micro-optics and Lenses
- Centralized Group Functions

Order entry: **€ 14.3 million**

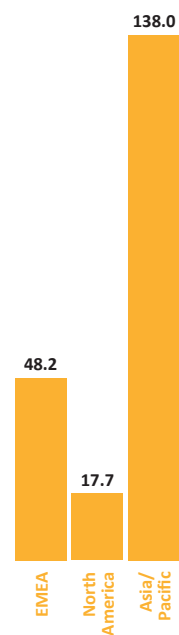
Sales: **€ 13.7 million**

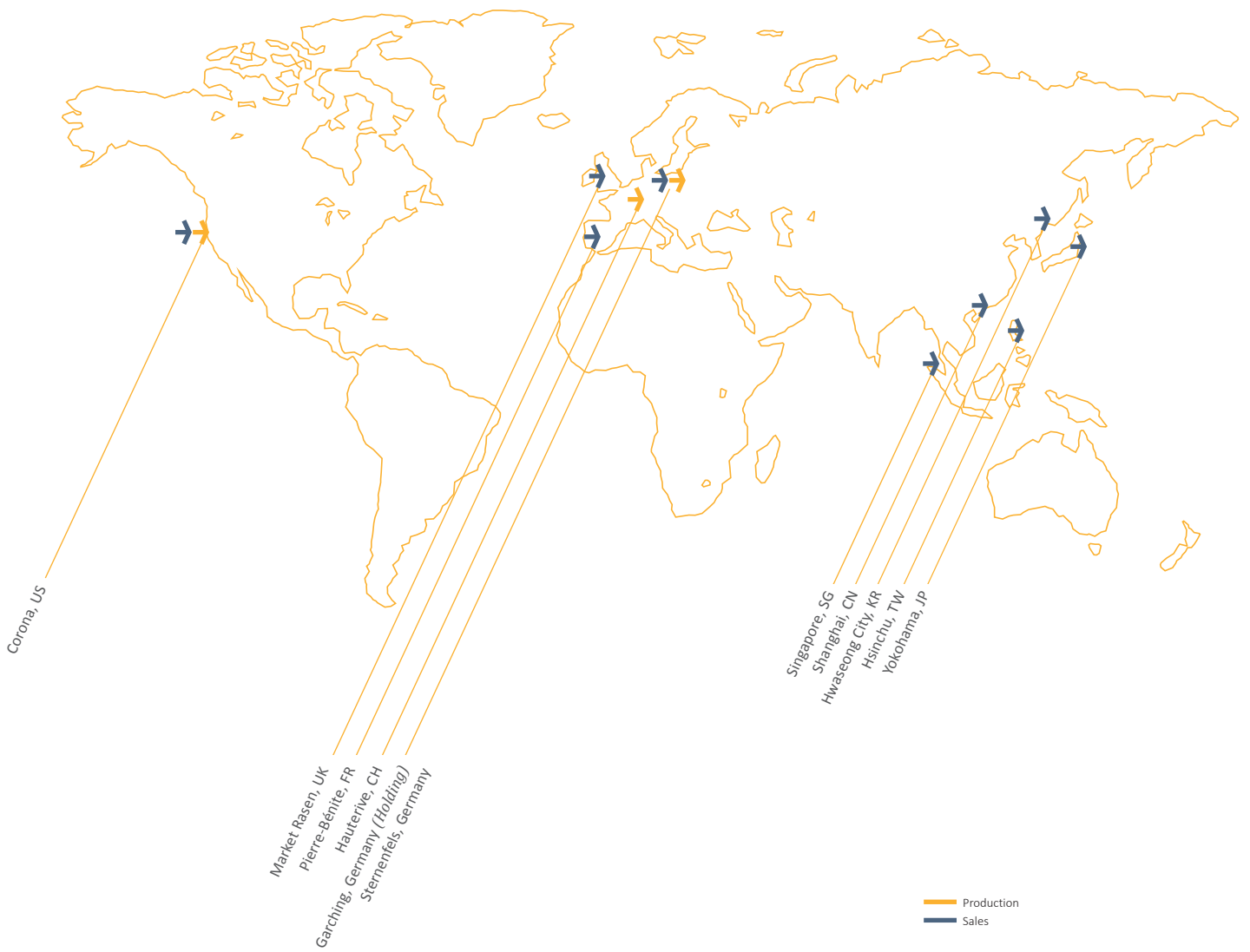
EBIT: **€ -5.0 million**

EMPLOYEES BY REGION



SALES BY REGION in € million





SALES BY REGION

8.7 %

North America

23.6 %

EMEA

67.7 %

Asia/Pacific

DEAR READERS,

The Zukunftsinstitut (Future Institute) defines the concept of megatrends as avalanches in slow motion. For SUSS MicroTec, megatrends are important components for business success in the coming years. The Internet of Things, mobility, communication and networking as well as digitization and artificial intelligence – these are the megatrends that we at SUSS MicroTec have identified as significant for the Company. We have designed our “SUSS 2025” strategy, which was reworked in 2018, in accordance with these megatrends.

The transition to the super-fast 5G mobile communications standard and the associated rapid acceleration of data transfer rates over the internet are enabling previously unknown mobility in data traffic as well as a dramatic increase in networking, especially when it comes to everyday objects. In the future many end devices will be able to learn and to improve through their artificial intelligence. Autonomous cars will make our road traffic more efficient and above all safer in the coming decades.

With our “SUSS 2025” strategy we are counting precisely on these megatrends. With our tools and process solutions we are supporting the introduction of 5G, accelerating the transmission and analysis of large quantities of data, and making future autonomous vehicles safer and more comfortable. We have big plans and we are highly motivated to make our contribution to the future.

YOUR SUSS MICROTEC MANAGEMENT BOARD



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FOREWORD OF THE MANAGEMENT BOARD

Dear Readers,
Dear Shareholders,

Let us look back together at the 2018 fiscal year of SUSS MicroTec in this report. We started 2018 with well-filled order books and were also to record good order entries over the remainder of the year. In addition, we succeeded in converting a large share of these orders into sales. As already in previous years, a substantial portion of the sales volume accrued to the fourth quarter. In the entire year, sales of 203.9 million euros were achieved, which corresponds to a significant increase of nearly 23 percent from the previous year. Despite the good sales situation in 2018, we are again entering the new fiscal year with a comfortable order backlog of 84.7 million euros. The fact that this figure is significantly lower than the previous year's order backlog of 133.4 million euros is only due to changes in the rules of the international IFRS standards and the resulting adjustments of sales. On a comparable basis, the order backlog would have amounted to 110.5 million euros at the end of 2018. Building upon this we are confident that our good orders position will continue in the 2019 fiscal year. The reasons for this are inexorably advancing megatrends, such as digitization and automation, the conversion to the 5G cellular communication standard, autonomous driving, as well as steadily increasing networking and the generation of ever larger quantities of data which must be analyzed, stored, and transmitted (wirelessly).

Overall, the 2018 fiscal year was characterized by the revival of protectionist tendencies by individual countries, the intensifying trade conflict between the USA and China, as well as preparations for the possible Brexit in 2019. A positive picture is seen in our market segment, the semiconductor market. According to the expectations of the Gartner market research institute from January 2019, the semiconductor market reached a new record volume of US\$ 476.7 billion in 2018. This would correspond to a growth rate of 13.4 percent compared to the previous year. The semiconductor equipment market was also able to increase significantly in the past fiscal year. In 2018, experts from the SEMI industry association expect approximately 9.7 percent growth in this market segment to a record level of US\$ 62.1 billion. Within the semiconductor equipment market, SUSS MicroTec operates, except for the photomask cleaning product line, only in the mid and back end. In this context, the tools primarily serve the specialty area of advanced packaging as well as the production of MEMS sensors and frequency filters through lithographic processes.

If we look into the future, a somewhat less positive picture emerges for the semiconductor market. In September 2018, SEMI still forecast growth of approximately 14 percent in fab

equipment spending, but just three months later, industry experts projected a decline in market volume of approximately 8 percent with a corresponding impact on investments. In addition, several large semiconductor and cellular phone manufacturers have provided a relatively weak outlook for the 2019 fiscal year. SUSS MicroTec is very active in the mobile communications sector, but does not rely directly on the investment behavior of individual large market manufacturers because of our diversified product portfolio.

In terms of macroeconomics, the economic outlook for 2019 and 2020 is also somewhat more subdued. The joint forecast of various German institutes in fall 2018 continues to assume global economic growth, but the growth rates will likely diminish as a result of increasing risks, stemming for example from global political developments.

Notwithstanding the economic policy environment, we have accomplished much at SUSS MicroTec once again in the 2018 fiscal year. The high rate of utilization confronted our employees and our entire organizational structure with tremendous challenges, which we ultimately handled very well together. Only by doing so were we able to conclude the fiscal year with sales of almost 204 million euros. On the product side, we were able to present our new generation of UV projection scanners last year. In November, we delivered the first evaluation tool to an important semiconductor manufacturer in Asia. In addition, we succeeded in supplying a series of temporary bonding systems for the 3D integration of thinned wafers to an Asian IDM in the first half of 2018.

SUSS 2025 STRATEGY

On September 13, 2018, we presented the new SUSS 2025 Strategy during an investor and analyst event at our site in Sternenfels. The key goal of this strategy is profitable sales growth in all product lines, which the Company plans to increase to a sales level of approximately 400 million euros by 2025. At this sales level, we are simultaneously seeking an EBIT margin of up to 15 percent. The route to achieve these targets will presumably not run in a straight line given the cyclical semiconductor market environment, but we already have taken important measures today in order to steer individual divisions toward the path of growth. We want to defend and expand market shares in our existing target markets in the semiconductor mid and back end with current, but also with new products and technologies. Through our entry into new target markets, e.g., supplying the automotive industry with the products of SUSS MicroOptics, additional significant growth potential is opening up for our Company. The key to this



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

is even closer cooperation with our customers in order to implement their wishes and needs even more quickly and precisely. Another important factor is good cost of ownership, which is defined by high throughput and a suitable price for the tool.

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

Dear ladies and gentlemen, in the 2018 fiscal year, another change took place in the Management Board of the Company. On September 10, 2018, resolutions were approved to ask Mr. Walter Braun to step down as a member of the Management Board and to terminate his service contract. Since then, the Management Board has been comprised of Dr. Franz Richter (CEO) and Robert Leurs (CFO). In addition, the service contract of Dr. Franz Richter was extended by another three years in September 2018. His contract now runs until August 31, 2022. No changes were made to the Supervisory Board in the 2018 fiscal year.

THE SUSS MICROTEC SHARE

There was little reason for joy in the stock markets in the past year. After a positive start to the year for stocks in 2018, losses and weak or only short-term interim recoveries alternately characterized the leading index of the Deutsche Börse (DAX). SUSS MicroTec also lost significant value over the course of the year, closing the stock market year with a decline of approximately 47 percent compared to the end of the previous year. Along with an expected overall weakening in demand for semiconductor products in 2019, both the adjusted profit expectations of SUSS MicroTec and a negative newsflow from some market dominating companies had a negative impact our share price.

OUTLOOK

Following another good order intake in the 2018 financial year, especially in the fourth quarter, we remain optimistic about the financial year 2019. Although the market environment in the semiconductor industry and the general economic outlook have deteriorated compared to the previous year, we are still very confident that 2019 will be another good year for SUSS MicroTec. The technology trends that drive our industry continue to exist, even if they may take effect with some delay. Therefore, from today's perspective, we have no doubts about the continued good demand for our products and holistic solutions by our customers in the markets relevant to us. The actual impact of the recent negative news from large semiconductor manufacturers and IDMs on SUSS MicroTec is difficult to assess at this point in time, as we almost exclusively operate in innovative niches of the markets relevant to us.

Taking into account the somewhat gloomier general market outlook for 2019, we assume that incoming orders in the first half of 2019 will range from around € 80 million to € 90 million. Building on this, we expect sales in 2019 to be between € 200 million and € 215 million. At this revenue level, the EBIT margin for 2019 is expected to be in the range of 6.5% to 8.0%.

Garching, Germany, March 2019

Dr. Franz Richter
Chief Executive
Officer

Robert Leurs
Chief Financial
Officer

SUPERVISORY BOARD REPORT

With the following report, the Supervisory Board would like to inform you about its activities in the 2018 fiscal year.



Dr. Stefan Reineck, Chairman of the Supervisory Board

Dear Readers,
Dear Shareholders,

The Supervisory Board fulfilled its responsibilities as set forth by law, the articles of incorporation, and Company bylaws in 2018 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 transactions extensively with the Management Board and gave its consent to these transactions requiring its approval. During the 2018 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 2018 fiscal year was held on February 15, 2018. At that meeting, the Supervisory Board held discussions about the Management Board's report on the fourth quarter of 2017, the preliminary figures for the 2017 fiscal year, and the agenda for the Shareholders' Meeting. The Supervisory Board discussed the plans for the 2018-2020 fiscal years. It further outlined the objectives and the bonus plan for the Management Board for the 2018 fiscal year. At this meeting, the Supervisory Board discussed and analyzed the nonfinancial Group declaration in accordance with Section 289c of the German Commercial Code (HGB). 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.

Representatives of the auditor, BDO AG Wirtschaftsprüfungsgesellschaft, participated in the second meeting on March 26, 2018. They reported the key results of the audit of the separate and consolidated financial statements for the 2017 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 2017 fiscal year and on the current business situation in the first quarter of 2018. Following an in-depth examination, the Supervisory Board approved the separate and consolidated financial statements of SUSS MicroTec SE prepared for the 2017 fiscal year by the Management Board. In addition, the Supervisory Board approved the agenda with the proposals for the Shareholders' Meeting on June 6, 2018. Finally, the Supervisory Board addressed the Management Board bonus for 2017. Another focus of this Supervisory Board meeting was the current situation of the operational business.

The third ordinary Supervisory Board Meeting was held on May 11, 2018. The Supervisory Board dealt with the current business

situation in the first quarter of the 2018 fiscal year and the outlook for the entire 2018 fiscal year. The meeting also focused on the focal points of upcoming strategic planning meetings as well as an update on current production topics in the area of "Operations."

In the fourth meeting on June 6, 2018, immediately before the ordinary Shareholders' Meeting, the Management Board informed the Supervisory Board about the current business situation. In addition, a briefing was held on the upcoming Shareholders' Meeting.

The fifth ordinary Supervisory Board Meeting in the 2018 fiscal year was held on July 22, 2018. The meeting covered, among other topics, the current business figures of the second quarter of 2018 and the outlook for the entire 2018 fiscal year.

On September 10, 2018, the contract extension of CEO Dr. Franz Richter was approved (until 08/31/2022). On the same day, resolutions were approved to ask Mr. Walter Braun to step down as member of the Management Board and to terminate his service contract.

On November 6, 2018, the sixth ordinary Supervisory Board meeting of the 2018 fiscal year was held at the Neuchâtel, Switzerland, location. 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 2018. The Supervisory Board 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). The topics of Industry 4.0 and digitization as well as the allocation of Management Board mandates were also discussed intensively. The meeting also addressed personnel matters and executive development at SUSS MicroTec as well as M&A topics and financing options.

The last ordinary meeting of the 2018 fiscal year, which was held on December 19, 2018, focused on the current business situation and preliminary planning for the 2019 fiscal year and the possible impact of the IFRS 15 accounting standard. 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), compliance, and the fraud catalog of BDO AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board also addressed the Company's risk management.

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	100%
Jan Teichert	7	7	100%
Gerhard Pegam	7	7	100%
Dr. Myriam Jahn	7	7	100%

COMMITTEES

The Supervisory Board did not form any committees in the 2018 fiscal year due to its size of four members.

CORPORATE GOVERNANCE

The Supervisory Board also concerned itself during the 2018 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. In January 2018, 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 15, 2018, 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 2018 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, 2018, prepared in accordance with the German Commercial Code (HGB), as well as the consolidated annual financial statements and Group management report as of Monday, December 31, 2018, and issued an unqualified audit opinion for both. The consolidated financial statements were prepared in accordance with Section 315e HGB based on International Financial Reporting Standards (IFRS) as 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, 2019, 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 focal points of this year's audit of the separate and consolidated annual financial statements were the internal accounting-related control and IT system, among other things, an assessment of the recoverability of inventories and trade receivables, revenue recognition, and the assessment of possible risks from plan deviations and margin losses in individual product segments. As particularly important test fields (key audit matters), impairment tests were carried out on goodwill in the lithography segment (consolidated financial statements) and for financial assets (financial statements) as well as the effects of the first application of IFRS 15 (multi-component transactions). Other focal points of this year's audit were the completeness and accuracy of the management report as well as the assessment and completeness of the provisions.

During the financial statements meeting on March 26, 2019, 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 2018 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 condensed management report of SUSS MicroTec SE and the Group and, in particular, the assessment regarding the further development of the Company.

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

There was a change in the composition of the Management Board in the 2018 fiscal year. On September 10, resolutions were approved to ask Mr. Walter Braun to step down as a member of the Management Board and to terminate his service contract. Since then, the Management Board has been comprised of Dr. Franz Richter (CEO) and Robert Leurs (CFO).

No changes were made to the Supervisory Board in the 2018 fiscal year.

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, 26 2019



Dr. Stefan Reineck, Chairman of the Supervisory Board

MEGATRENDS: BUILDING BLOCKS FOR SUCCESS

INTERNET OF THINGS

MOBILITY

COMMUNICATION/
NETWORKING

DIGITIZATION

ARTIFICIAL INTELLIGENCE

In accordance with the definition of the Zukunftsinstitut, a megatrend affects every person and encompasses all levels of society: economics, politics, science as well as technology and culture. Megatrends are changing the world – slowly to be sure, but still fundamentally. We at SUSS MicroTec can benefit enormously in the future from these megatrends if we set the right course at the right time. With our “SUSS 2025” strategy, which was formulated in the 2018 fiscal year, we have given the go-ahead for the Company’s successful future. Our goal is to roughly double sales by the year 2025. We want to do this by significantly expanding our market share in existing and new markets and by using current and new products and technologies.

A close-up, side-profile photograph of a man with a dark beard and mustache. He is holding a white smartphone in his hands, looking down at the screen. The background is a brightly lit kitchen with a white countertop, a sink, and several lemons. The lighting is soft and natural, creating a warm atmosphere. The man's face is partially visible on the right side of the frame, showing his nose and mouth. The focus is sharp on his hands and the phone, with the background slightly blurred.

INTERNET OF THINGS — THE RESEARCH SERVICE OF THE GERMAN BUNDESTAG SPEAKS OF A “TECHNICAL VISION TO INTEGRATE OBJECTS OF ALL KINDS INTO A UNIVERSAL DIGITAL NETWORK.”



18.4 %

expected average annual growth from 2018 to 2025 for machines that are connected with each other over the internet.

(source: Statista 2018)

This vision of the German Bundestag is already reality today since many things are already supporting us in everyday life. These things are connected with each other in the Internet of Things and are “smart” objects. In 2018, there were approximately 23 billion devices and machines that were connected in the Internet of Things worldwide. Market researchers assume that the number of end devices will nearly triple by 2025 to approximately 75 billion. Human beings will also be responsible for managing these intelligent objects in the future, although their influence will be limited. Thanks to the connection with the internet, the networked machines are able to act autonomously to adapt to situations, and to respond to certain scenarios.

In order to collect, store, and analyze the large amount of data required to do so, tiny electronic components, such as sensors, memory chip components, and components for wireless data transmission (for example via WLAN or Bluetooth), are necessary. Our products and solutions play a key part in manufacturing these components or connecting them to an end device. Our lithographic solutions as well as our permanent bonding systems are important elements for the production of microsensors (MEMS). Today, these little helpers already are an important part of cellular telephones or cars. With the increasing networking of everyday objects, these helpers will continue to gain significance and have a substantial impact on our lives. Additional areas of use are, for example, medical technology and household applications. You can already manage and monitor your washing machine or heating using your smartphone today. In the future, the devices and machines will be able to communicate with each other independently and start operating as soon as certain conditions – for example, a lower electricity rate at night – are met.

16.6 %

growth expected for smartphones. In 2018, approximately 1.455 billion smartphones were sold worldwide according to initial estimates. In 2020 the number should increase significantly again to approximately 1.697 billion.

(Source: Statista 2018)

June 29, 2007, marked the starting point for a completely new type of mobility and communication that would permanently change all our lives. On this day, the first smartphone came onto the market. The use of cellular telephones for mobile communication was already part of everyday life, but suddenly a cellular telephone – a smartphone – offered the opportunity to access the internet, read emails, and transmit mobile data at any time and from anywhere. What began over ten years ago as a small-volume niche application is the standard means of communication worldwide today. Complete network coverage as well as fast internet using the LTE standard and 5G in the future are the cornerstones for further growth and prosperity in a modern society.

In a number of countries the cellular telephone has already overtaken the PC when it comes to access to information, the head of Google North America at the time told the Frankfurter Allgemeine Zeitung back in 2006. Today it is a matter of course, regardless of one's location, to read news on a tablet or smartphone, to send emails, or to use a cellular telephone as a mobile navigation device or high-resolution camera while on the move. The individual components of a cellular telephone must be ever smaller, faster, and more powerful for more and more options to fit in the smallest space. With solutions for the cleaning of photomasks, SUSS MicroTec makes a significant contribution to the front end of the semiconductor industry so that the chips themselves can become smaller and smaller. Far more important in this context, however, is the space-saving and efficient connection of chips to the outside world, called packaging. Our illumination systems, coaters, and developers are important components of the production chain in advanced packaging, a modern form of connecting semiconductor components enabling small and space-saving packages. Another way to save space in the end device is stacking thinned chips. Our temporary bonding systems are an important part of this innovative production process.



MOBILITY — IS A CONCEPT THAT IS USED IN A VARIETY OF WAYS TODAY. IN THE MODERN WORLD IT MEANS IN PART THE FREEDOM TO BE ONLINE AT ALL TIMES AND TO USE THE INTERNET WITHOUT RESTRICTION REGARDLESS OF A FIXED ACCESS.

83.9 %

increase in the average data volume per month for each mobile communication connection (without WiFi) from 2017 to 2018. According to Statistica, usage in 2018 was approximately 1.6 gigabytes per connection. By comparison, only about 52 megabytes were used per connection in 2010.

Modern means of communication, such as tablets and smartphones, connect us humans over great distances, making the exchange of ideas, images, or other data possible. Today we are digitally connected with our family, friends, colleagues, and new acquaintances via social media, such as Facebook and Twitter. We have access to a vast amount of information at all times, while we have simultaneously arrived in the age of real-time communication, as the daily Twitter posts of the US president confirm. Any person with internet access and a Twitter account is now able to network and communicate with politicians, athletes, actors, and other people. This networking or communication extends across societies and is global, as the world interconnects (Zukunftsinstitut).

With all its products, SUSS MicroTec supports the advancing networking and communication of people with people, but also of machines with people or machines with machines. Future generations will grow up in an environment that is characterized by the close networking of humans and machines.



COMMUNICATION/NETWORKING — ONE CANNOT NOT COMMUNICATE. THIS IS ONE OF THE FIVE BASIC RULES OF HUMAN COMMUNICATION OF PAUL WATZLAWICK, AN AUSTRIAN COMMUNICATION SCIENTIST, PSYCHOANALYST, AND AUTHOR.





DIGITIZATION ——— IN THE PAST MANY PEOPLE STORED THEIR APPOINTMENTS IN A PAPER APPOINTMENT CALENDAR. TRANSFERRING THESE APPOINTMENTS TO A COMPUTER OR CELLULAR PHONE IS THE SIMPLEST FORM OF DIGITIZING – CONVERTING ANALOG DATA INTO A DIGITALLY READABLE FORMAT.

25 %

of the industrial economy in Germany was already highly digitized in 2017, the German Federal Ministry for Economic Affairs and Energy reports.

Networking is the next step in the digitization of this data. Appointments are shared online with other people or computers and a computer proposes how certain time slots in an appointment calendar could be used, for example by going to the theater or attending a concert. And the tickets for this are of course also ordered online – digitally – and sent directly to the smartphone. Alternatively, people can participate in events using VR glasses or webcams without actually being present themselves. So we already arrived in a digitized world long ago. The digitization no longer only affects traditional IT companies, but companies across all industries and sectors as well as private individuals. It has the potential to transform life fundamentally. Processes are becoming more efficient, faster, and simpler. Innovations are creating new jobs and improving many areas of life.

The major challenges of the digital age are essentially good network coverage, large data storage, fast internet, and the constant availability or storage of electricity. SUSS MicroTec is making an important contribution here once again. For example, temporary bonding systems make it possible to stack thinned microchips in order to place a multiple of the previously possible storage capacity or other options on a given surface. Our temporary bonding systems help in the production processes as they provide an important intermediate step for stabilizing the wafers, to thin these to a few microns and to be able to process the wafers further. Particularly given the continued rapid growth in data volumes, efficient data capture, data storage, as well as data transmission and analysis are absolutely required. SUSS MicroTec offers a broad range of products and solutions to support the advancing digitization.

80–90 %

In the future, machines guided by artificial intelligence (AI) will assume 80–90 % of activities that are monotonous, hazardous, or simply onerous for us humans.

In the summer of 2018, the German federal government published a master plan how Germany will become a globally leading location for artificial intelligence. According to the federal government's plans, investments of approximately six billion euros will be made available by 2025. This money is meant to finance in part 100 new AI professorships in Germany, according to Research Minister Anja Karliczek. In a joint appearance with the German Labor Minister Hubertus Heil he referred to the enormous significance AI also has for the labor market.

Many of the artificial intelligence applications require powerful computers with large data storage and fast processors in order to convert "human expertise" into analytical, mathematical rules. Another prerequisite once again is high bandwidths and data transmission rates as well as complete network coverage in order to tap into the full potential of artificial intelligence at any time.

Artificial intelligence empowers machines to learn and improve themselves. Particularly machine learning is currently finding its way into robotics and will create a new generation of robots that can perceive their environment, plan their actions, and work closely with humans (Fraunhofer Institute for Manufacturing Engineering and Automation, Stuttgart). In the private sphere, speech-enabled assistants in smartphones are already making our everyday lives easier.





ARTIFICIAL INTELLIGENCE — ATTEMPTS TO DUPLICATE HUMAN PERCEPTION AND HUMAN ACTIVITIES THROUGH MACHINES OR COMPUTERS. SCIENCE HAS TRIED FOR MANY YEARS TO ARTIFICIALLY RECREATE THE COMPLEX HUMAN MIND WITH ROBOTS THAT PLAY CHESS OR ROBOTS WE CAN TALK TO. HOWEVER, THE MAIN FOCUS OF ARTIFICIAL INTELLIGENCE CURRENTLY IS TO MAKE WORK EASIER AND TO DESIGN PRODUCTION PROCESSES MORE EFFICIENTLY.

WE RELY ON MEGATRENDS



DIGITIZATION

Digitization forms, so to speak, the superordinate category for the other megatrends. It can generally be stated that all SUSS MicroTec products contribute in some way to further digitization. The ever faster collection, transmission, storage and analysis of data is an essential driver for digitization.

MOBILITY

Once the new 5G cellular communication standard has been introduced comprehensively, mobile data transmission will experience a quantum leap. In the future, it will be possible to transmit or download large quantities of data within in no time at all. This will require frequency filters (e.g., surface acoustic wave filters) which can be fabricated with the help of our coaters and developers.

INTERNET OF THINGS

Everyday objects, such as smartphones, refrigerators, or stereo equipment, can communicate with each other or with us humans only if they are equipped with semiconductor components for wireless data transmission. In the manufacturing process of these components, SUSS MicroTec plays an important role in the mid and back end of the semiconductor industry, particularly with its lithographic equipment for advanced packaging.

COMMUNICATION/ NETWORKS

Modern smartphones are means of communication, high performance camera and navigation device in one. To guarantee a slim form factor with this amount of functionality, the individual electronic components have to become smaller and smaller. Our temporary bond systems as well as our photomask cleaners make an important contribution to making memory chips smaller and at the same time more efficient.

ARTIFICIAL INTELLIGENCE

Machines, computers, or even robots which are capable of making decisions or taking actions independently based on certain parameters, require a large amount of data. This data is frequently collected via microsensors, called MEMS, which measure physical values, such as temperature, pressure, or acceleration, and convert them into electrical signals. Our permanent bonding systems and lithographic equipment are among the standard machines used in the production of such microsensors.

INVESTOR RELATIONS

There was little reason for joy this year for shareholders and investors. After a positive start to the year for stocks in 2018, losses and weak or only short-term interim recoveries alternately characterized the leading index of the Deutsche Börse (DAX). Since 2012 the DAX has been able to close each year with a gain, but the current value at the end of 2018 is now approximately at the level of October 2016. The reasons for this are particularly the concerns of investors regarding the unresolved Brexit negotiations and Italy's budget, but above all the trade conflict between China and the USA is a dominant theme.

THE SUSS MICROTEC SHARE

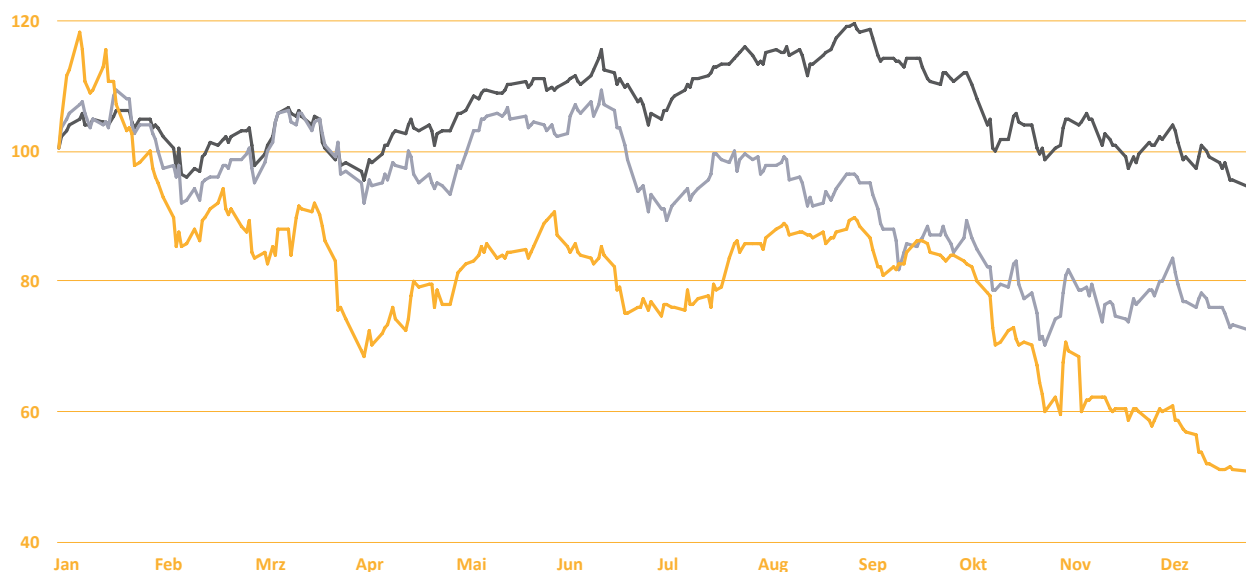
During the 2018 stock market year, the Management Board and Investor Relations attended eleven capital market conferences and completed several road shows. Capital market conferences were held in Munich, Hamburg, Frankfurt, and London as well as Lyon and New York. In addition, the Company took advantage of opportunities for personal interaction with institutional investors and analysts in many one-on-one meetings. Conference calls for investors and analysts were also held on the occasion of events such as the publication of quarterly results.

After a strong year for stocks in 2017, the SUSS MicroTec share initially performed well in the first quarter of 2018 and was able to increase from a closing XETRA price of € 16.78 at the beginning of 2018 by approximately 18 percent to € 19.74 as of January 8, 2018. In the same period, the TecDAX rose by approximately 5 percent. Over the remainder of the first quarter, share prices performed less positively in the midst of a generally volatile market environment. This meant that the performance of the SUSS MicroTec share was also less positive than at the beginning of 2018. After an XETRA all-time low in the second quarter of EUR 11.60, the share recovered at the end of the quarter and had a closing price of EUR 12.86 on June 29, 2018. While the Dax and TecDAX recorded a loss in the first half of the year of 4.3 percent and 7.1 percent, respectively, the SUSS MicroTec share fell by 23.4 percent in comparison to the high price at the beginning of 2018.

Over the remainder of the year, the SUSS MicroTec share followed the trend of many securities in the semiconductor sector, which had to endure significant price declines particularly during the summer months. The main reason for this was a dimming of the growth outlook for the sector in 2019, which has led to very cautious investor behavior on the part of many capital market participants or even disinvestments in semiconductor securities. While the TecDAX and Semi IQ indexes recorded a loss of approximately 16 percent and a gain of about 10 percent, respectively, in the first three quarters, the SUSS MicroTec share fell by about 17 percent in comparison to the beginning of 2018. In the fourth quarter, the downward trend in the markets and also for SUSS MicroTec continued with unabated speed. At the end of 2018, the share price was EUR 8.70, more than 47 percent lower than at the end of 2017. The TecDAX lost approximately 3 percent in the same period, while the Prime IG Semiconductor Index closed the 2018 stock market year with a loss of approximately 24 percent.

The average daily trading volume of SUSS MicroTec shares on the German XETRA and Frankfurt stock exchanges in the 2018 fiscal year amounted to approximately 67 thousand (2017: average daily trading volume of approximately 120 thousand shares).

PERFORMANCE OF THE SUSS MICROTEC SHARE IN 2018



XETRA closing price of the SUSS MicroTec share on January 2, 2018: € 16.78

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

COMPARISON OF THE SHARE PERFORMANCE OF SUSS MICROTEC AND BENCHMARK INDEXES IN THE 2018 FISCAL YEAR

	12/28/2018	12/29/2017	Change
TecDAX (in points)	2,450.18	2,529.04	-3.12%
Prime IG Semiconductor	329.13	433.60	-24.09%
SUSS MicroTec (in €)	8.70	16.64	-47.63%

AN OVERVIEW OF THE SUSS MICROTEC SHARE

ISIN	DE000A1K0235
Reuters code	SMHN
Bloomberg code	SMHN:GR
Stock exchange segment	Prime Standard
Number of issued shares (as of 12/31/2018)	19,115,538
Description of securities	Registered shares
Designated sponsor as of 12/31/2018	Baader Bank AG
Initial public offering	05/18/99
Opening/closing price for the year in €	€16.78 / €8.70
Yearly high/low in € ¹	€ 19.74 / €8.47

¹ Xetra closing price.

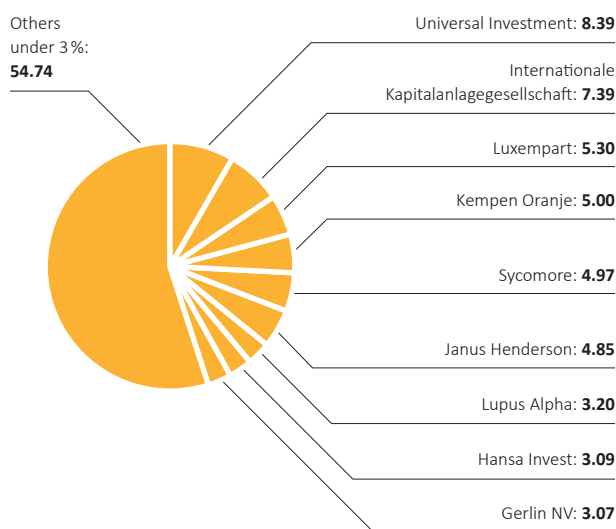
OWNERSHIP INFORMATION

In 2018, there were a few significant changes in the ownership information. The reported holdings at the existing investment companies changed significantly in some cases during the year. Universal Investment boosted its shares over the course of the year from 4.69% to 8.39%. The same applies to Kempen Oranje as well as Luxempart, both of which boosted their shares from approximately 3% to more than 5%. New shareholders are as follows: Gerlin NV with 3.07% and Internationale Kapitalanlagegesellschaft (INKA) with 7.39%. Free float as of the end of 2018 continues to amount to 100 percent.

ANALYST RECOMMENDATIONS

At the end of 2018, a total of seven banks and research firms continued to actively cover the Company. As of December 2018, four analysts recommended the SUSS MicroTec share as a buy, while two 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*.

OWNERSHIP INFORMATION AS OF DECEMBER 31, 2018 *in %*



CORPORATE GOVERNANCE

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).

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 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 SE have renewed their intensive interest in the topic of corporate governance in the 2018 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, 2019, the Management Board and Supervisory Board of SUSS MicroTec SE made the following declaration of compliance in accordance with Section 161 (1) of the German Stock Corporation Law (AktG):

SUSS MicroTec SE 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 2018 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 be agreed for the Company's Supervisory Board that complies with the legal requirements for board members. SUSS MicroTec SE 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 SE is of the opinion that comparing the remuneration of senior management and the relevant staff, taking the trend over time into account, can lead in practice to substantial legal uncertainties. Therefore, SUSS MicroTec SE 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 on 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 consists of only four members, the creation of committees, which usually must be comprised of at least three members, is not necessary.

SETTING A TERM LIMIT FOR MEMBERSHIP IN THE SUPERVISORY BOARD

According to Section 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 SE deviates from this recommendation since setting a membership term limit could jeopardize the Supervisory Board’s latitude and decisiveness. 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 all 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*

SUSS MicroTec informs 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 SE, 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 – for example, acquisitions, divestments, and financial transactions – require the approval of the Supervisory Board.

The Supervisory Board of SUSS MicroTec SE is currently 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 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 SE. In the 2018 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 2018 fiscal year.

SUPERVISORY BOARD TARGETS AND CRITERIA REGARDING ITS COMPOSITION

The composition of SUSS MicroTec SE'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 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. 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 digitization 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 in the capital markets, including mergers and acquisitions, 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 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 methodological expertise to handle complex situations and the social expertise to cooperate constructively within the body and with the Management Board.

Depending on the Company's current situation, it may 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 SE will not set any membership term limit for Supervisory Board members since doing so could harm the Supervisory Board's latitude and decisiveness. 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 all potential candidates for the Supervisory Board with respect to their 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 who would bring special knowledge and experience to our Company can apply, 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 SE, 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 SE has included Dr. Jahn. She is an expert on the topic of digitization 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 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 had to be set for achieving the respective target.

On June 30, 2017, the first implementation deadline, the Supervisory Board of SUSS MicroTec SE approved a target of 25 percent 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 SE, the Supervisory Board approved a target of 0 percent, with the same implementation deadline of June 30, 2022. As of the December 31, 2018 reporting date, the female share in the Supervisory Board was 25 percent, while it was 0 percent in the Management Board.

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

As of December 31, 2018, the established target for the first management level below the Management Board was not quite reached, as the female share was 28.6 percent. There are no specific reasons for the very slight deviation from the target at this management level. The female share in the second management level below the Management Board was 26.1 percent as of December 31, 2018. As a result, the target of 20 percent at the second management level was achieved. The Management Board is maintaining the targets it has established for 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:

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

Robert Leurs

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

Further appointments: none

Walter Braun (until 09/10/18)

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

Further appointments: none

Dr. Stefan Reineck

- Resident of Kirchart, managing shareholder of RMC Dr. Reineck Management & Consulting GmbH, Kirchart; 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

- Resident of Dusseldorf, Managing Director of Q-Loud GmbH, Cologne; Supervisory Board member of SUSS MicroTec SE

Further appointments: none

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

There was a change in the composition of the Management Board in the 2018 fiscal year. On September 10, resolutions were approved by the Supervisory Board to ask Mr. Walter Braun to step down as a member of the Management Board and to terminate his service contract. Since then, the Management Board has been comprised of Dr. Franz Richter (CEO) and Robert Leurs (CFO).

No changes were made to the Supervisory Board in the 2018 fiscal year.

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

The members of the Management and Supervisory Boards of SUSS MicroTec SE in office in the 2018 fiscal year owned the following number of shares and subscription rights as of the end of the fiscal year on December 31, 2018:

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

	Number of shares on 12/31/2018	Change from 12/31/2017	Number of stock options on 12/31/2018	Change from 12/31/2017
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	80,000	+15,000	0	–
Robert Leurs	1,500	+1,500	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 SE 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 of SUSS MicroTec SE are prepared according to the provisions of the German Commercial Code (HGB).

On June 6, 2018, the Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, with a branch office in Munich, as auditors and Group auditors of SUSS MicroTec for the 2018 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 sixth time in a row. Aside from auditing activities,

BDO AG Wirtschaftsprüfungsgesellschaft did not perform any consulting services for SUSS MicroTec in 2018. 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 2018 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 fifth year in a row.

CORPORATE GOVERNANCE DECLARATION

The Group declaration regarding corporate governance in accordance with Section 289f and Section 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*

REMUNERATION REPORT

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

CONDENSED MANAGEMENT REPORT



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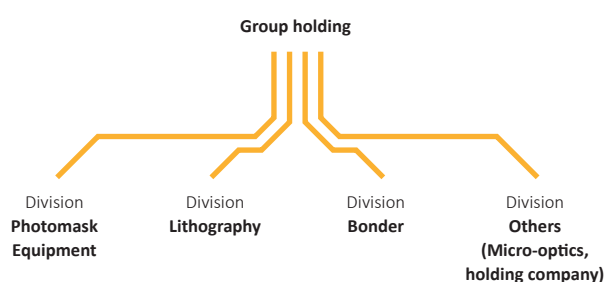
ECONOMIC REPORT

BUSINESS ACTIVITY, CORPORATE CONTROL, AND STRATEGIC ORIENTATION

The SUSS MicroTec Group (subsequently SUSS MicroTec) develops, manufactures, and markets machines for the production of micro-electronics 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, while the Group creates and utilizes networks with internal and external partners in order to optimize customer utility.

As of December 31, 2018, the Group is comprised of four divisions, with the Others division composed of several sub-units.

DIVISION STRUCTURE



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 Sections 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 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. Accordingly, 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

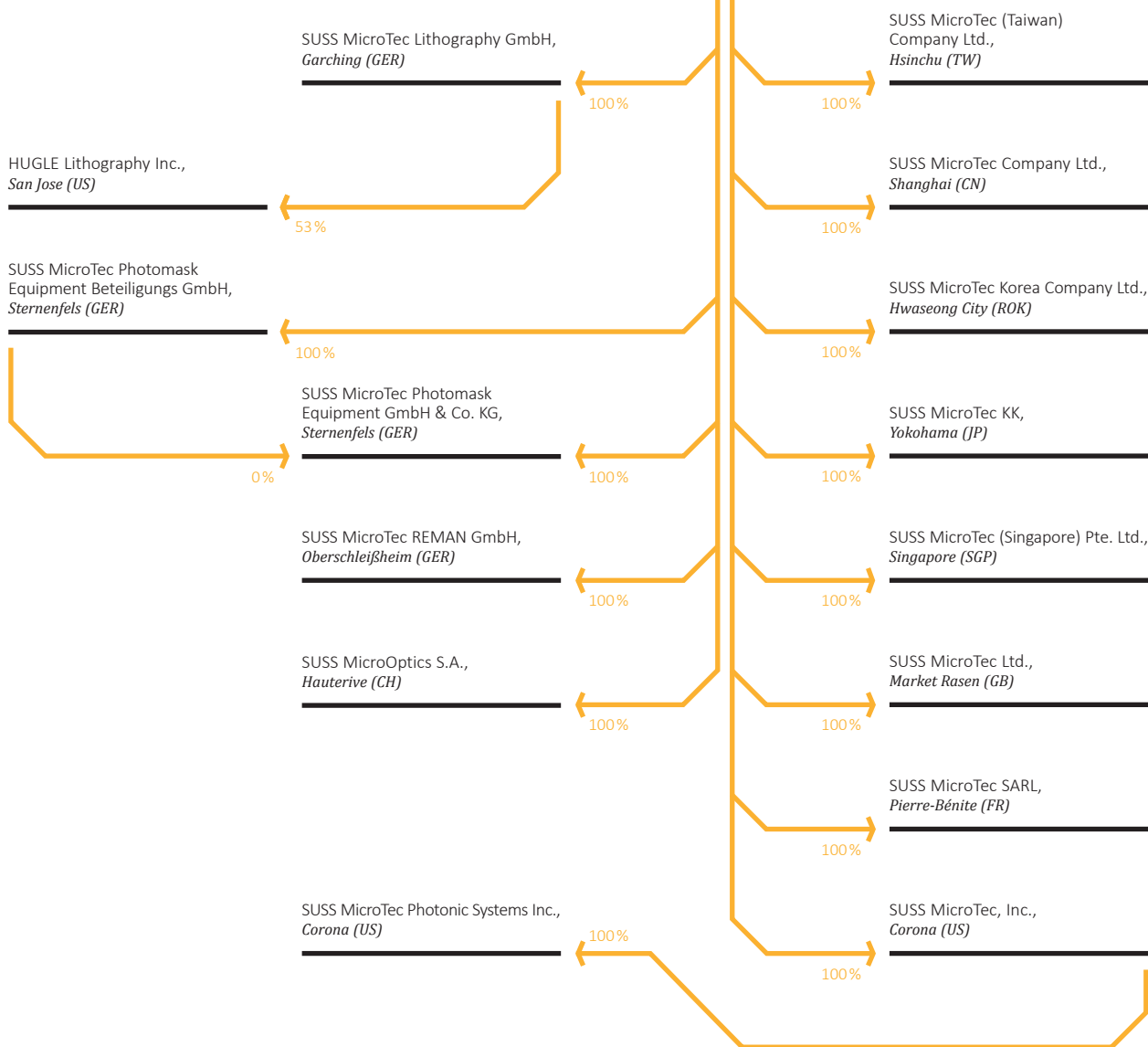
SUSS MicroTec SE (subsequently "the Company") came into existence on August 9, 2017, through its entry into the commercial register as part of a transformation in form from SUSS MicroTec AG based in Garching, Germany. The legal structure of the Group remains unchanged, consisting of the proprietary company, 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.

SUSS MICROTEC SE
Garching (GER)

Others / Nonoperating

Production

Sales



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 intend to 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.

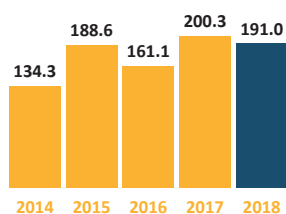
Corporate control is geared particularly toward the order entry, sales, and order backlog of the individual divisions. The performance of the divisions is, thus, measured above all by observing the development of the gross profit margin (sales less manufacturing costs) as well as the division earnings. The presentation of the division earnings now also includes income and expenses from foreign currency translation and asset disposals. In sum, the results of the divisions correspond to the operating income (EBIT) and EBITDA (earnings before interest, tax, depreciation and amortization) of the Group. Another key control figure is net liquidity (cash plus interest-bearing securities less financial debt). This represents a significant key control figure for the holding company's financing function.

In the 2018 fiscal year, SUSS MicroTec SE had to apply IFRS 15 for the first time, which newly governs the recognition of sales, for the first time. In accordance with IFRS 15, SUSS MicroTec now recognizes sales from the sale of tools in two steps as a multi-component transaction: Upon delivery of the tool to the customer and the associated transfer of control to the customer, 90% of the amount of the order is recognized as sales. The remaining 10% is recognized by the customer after installation at the time of final acceptance. Until the 2017 fiscal year, SUSS MicroTec had applied IFRS 11 and IFRS 18 and for machines recognized 100% of the amount of the order as sales only after successful installation at the time of final acceptance.

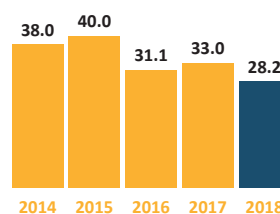
As a result of the initial application of IFRS 15, sales in 2018 are only conditionally comparable to sales in the previous years. EBIT and EBITDA are also affected by the change in revenue recognition. However, the change in revenue recognition has no effect on the key performance indicators of order entry and net liquidity. Nevertheless, order backlog has declined by € 25 million on a one-time basis as a result of the change in revenue recognition since the pulling forward of revenue recognition in accordance with the performance of service upon delivery of tools has an impact here.

The following charts show the development of key performance indicators in the last five years.

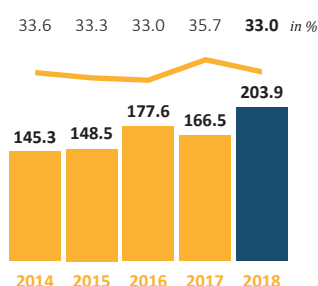
ORDER ENTRY in € million



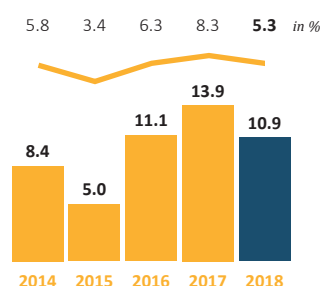
NET CASH in € million



SALES in € million **AND GROSS MARGIN** in %¹



EBIT in € million **AND EBIT-MARGIN** in %¹



¹ Sales and gross margin according to new revenue recognition (IFRS 15). Based on the old revenue recognition system, system, sales would have amounted to € 213.9 million and a gross margin of 33.5%.

¹ Statement of EBIT and EBIT margin according to new revenue recognition (IFRS 15). Based on the old revenue recognition system, EBIT would have amounted to € 15.6 million and an EBIT margin of 7.3%.

ECONOMIC ENVIRONMENT

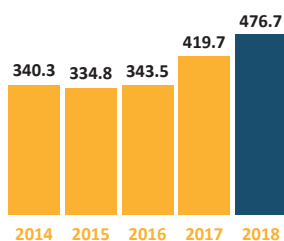
CONTINUED SLIGHT GROWTH IMPULSES

The world economy continues to show a solid upswing, although major uncertainties exist regarding the further course of the world economy according to the fall forecast of leading economic research institutes (September 2018). Particularly the second half of 2018 recorded a significant decline in global growth. Protectionist tendencies of individual countries, the persistent trade conflict between the USA and China, as well as the still unsettled outcome of the Brexit process harbor major uncertainties for global economic development. Given increasing risks, the predominant expectation is lower economic growth in the future. While the growth of aggregate worldwide production was still 3.6 percent in 2018, a slight weakening to 3.3 percent is already forecast for 2019 (OECD estimate, March 2019).

The eurozone recorded only moderate growth in the past fiscal year compared to earlier years. The growth of real gross domestic product will be approximately 1.8 percent in the 2018 fiscal year, according to estimates of the OECD from March 2019, following approximately 2.4 percent in the previous year. Particularly in the second half of 2018, there was a significant slowdown in growth. The primary reason for this was a significant decline in exports. Growth continued to be driven in aggregate by high investments and an increase in private consumption. Along with diminishing macroeconomic growth, a potential debt crisis in Italy and the unforeseeable consequences of a disorderly Brexit pose major risks for the European economy.

The German economy also cooled significantly, according to the ifo Institute (January 2019). Compared to the very positive 2017 with economic growth of approximately 2.2 percent, growth in 2018 may amount to only around 1.4 percent.

SALES DEVELOPMENT SEMICONDUCTOR MARKET *in US\$ billion*



Source: Gartner, January 7, 2019

RECORD SALES IN THE SEMICONDUCTOR MARKET

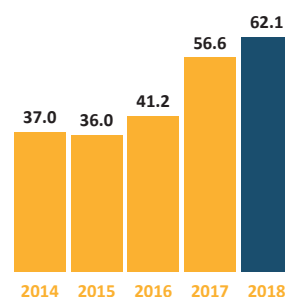
A very positive picture emerged in 2018 in our primary market segment, the semiconductor market. According to the expectations of the Gartner market research institute (January 2019), the semiconductor market reached a new record volume of US\$ 476.7 billion in 2018. This would correspond to growth rate of 13.4 percent from the previous year. The largest market area – memory chips – even recorded growth of more than 27 percent in 2018 relative to the previous year (source: Semiconductor Industry Association, February 2019). DRAM products experienced growth of more than 36 percent, while sales of NAND flash products grew by almost 15 percent. Along with the traditional semiconductor market, the market for microelectromechanical systems (MEMS) continued to develop very positively in 2018.

STRONG GROWTH IN THE SEMICONDUCTOR EQUIPMENT MARKET

The semiconductor equipment market was also able to increase significantly in the past fiscal year. In 2018, experts from the SEMI industry association expect approximately 9.7 percent growth in this market segment to a record level of US\$ 62 billion. After the largest investments had already been made in Korea in 2017, the regional focus of investments in 2018 was in Korea once again, which recorded only a slight decline from 2017 of approximately 4.7 percent to US\$ 17 billion. China followed for the first time in second place with a volume of US\$ 13 billion. Overall all regions worldwide experienced strong investment behavior in 2018.

Within the semiconductor equipment market, SUSS MicroTec operates, except for the photomask cleaning product line, in the mid and back end. In this context, the tools primarily serve the specialty area of advanced packaging as well as the production of MEMS sensors and frequency filters through lithographic processes. By focusing on these specialty areas, we were able to exceed industry growth by a wide margin with a sales increase of approximately 20 percent in 2018.

SALES DEVELOPMENT SEMICONDUCTOR EQUIPMENT MARKET *in US\$ billion*



Source: SEMI, December 12, 2018

SUSS MICROTEC IN FIGURES

FINANCIAL POSITION: ORDER ENTRY, SALES, AND EBIT

Comparison of Full-Year Figures for 2018 – Forecast 2018

In the forecast report of the 2017 Management Report, the Company held out the prospect of Group sales of € 195 to € 205 million and a Group earnings margin before interest and taxes (EBIT margin) in a range of 8.5 to 10.0 percent, as well as an EBITDA margin of 11.0 to 12.5 percent for the 2018 fiscal year. During the 2018 fiscal year, the earnings forecast was adjusted with the publication of figures for the third quarter in November 2018 to an EBIT margin of approximately 7.1 percent for the entire 2018 fiscal year. Another adjustment occurred in January 2019 with the publication of preliminary figures for the 2018 fiscal year. At this time, the expectation for the EBIT margin was adjusted to approximately 4.2 percent due to the transition to accounting in accordance with IFRS 15 during 2018. The deviation is attributable to the fact that deliveries of high-margin orders occurring toward the end of the 2017 fiscal year were to be largely allocated to the 2017 fiscal year according to the new method and that lower margin orders were delivered in the fourth quarter of the fiscal year 2018. SUSS MicroTec closed the 2018 fiscal year with sales of € 203.9 million, thereby within the range of expectations. The EBIT margin reached 5.3 percent, above the level of the preliminary result from January 2019.

<i>in € million</i>	1st Forecast 2018	2nd Forecast 2018	Preliminary Figures 2018	Earnings 2018	Earnings 2018 (old sales recognition)
Sales	195–205	195–205	approx. 200	203.9	213.9
EBIT margin	8.5–10.0%	approx. 7.1%	approx. 4.2%	5.3%	7.3%

Corporate Development in 2018

Key financial figures for the fiscal year 2018 and the previous year:

<i>in € million</i>	2018 (as reported)	2018 (old revenue recognition)	2017
Order entry	191.0	191.0	200.3
Sales	203.9	213.9	166.5
Gross profit	67.3	71.7	59.5
Gross profit margin in %	33.0	33.5	35.7
EBIT	10.9	15.6	13.9
EBIT margin in %	5.3	7.3	8.3

In the following explanations, only the actual figures 2018 (new revenue recognition) are compared with the actual values 2017 (old revenue recognition).

Order entry for SUSS MicroTec in the 2018 fiscal year totaled € 191.0 million, while order entry of € 200.3 million was generated in the previous year. As a result, the projected development for order entry was achieved in 2018. In particular, the fourth quarter of 2018, which given the economic environment was very good with order entry of € 64.8 million, had a positive impact on annual earnings. As a result, order entry in 2018 was only approximately 4.6 percent below the strong order entry in the previous year. As of December 31, 2018, this resulted in order backlog of € 84.7 million, which was significantly below the order backlog of the previous year (€ 133.4 million), primarily reflecting the transition to accounting in accordance with IFRS 15. Additional information on the transition can be found in the Notes under point (2). The ratio of newly received orders to realized sales (book-to-bill ratio) was 0.94 after 1.2 in the previous year.

In the 2018 fiscal year, the earnings position of the SUSS MicroTec Group showed a clear decline in earnings of 21.6 percent.

However, sales increased compared to the previous year from € 166.5 million to € 203.9 million, while earnings before interest and taxes (EBIT) decreased from € 13.9 million to € 10.9 million. EBIT in the 2017 fiscal year included an extraordinary effect of € 1.95 million from the receipt of licensing fees in the Photomask Equipment division, which were not recognized in the 2018 fiscal year.

SUSS MicroTec's top-selling Lithography division recorded a sales increase of 5.9 percent. In 2018, the Lithography division accounted for around 59 percent of Group sales. The Bonder division was again able to achieve a strong sales increase from € 22.1 million to € 36.9 million. In the Photomask Equipment division as well, sales rose significantly from € 19.7 million to € 33.9 million. The Others division featured a sales increase of 14.5 percent to € 13.7 million as a result of the good development of SUSS MicroOptics.

In the 2018 fiscal year, a gross profit of € 67.3 million was generated, corresponding to a gross profit margin of 33.0 percent. In the previous year, the gross profit was € 59.5 million or 35.7 percent. The reduction in the gross profit margin results primarily from the bonder and micro-optics product lines, which achieved extraordinarily good gross profit margins in the previous year. This high level could no longer be achieved in 2018. In the photomask equipment product line as well, however, the gross profit margin experienced a significant drop, whereas it declined only slightly in the mask aligner and coater/developer product lines. The initial application of IFRS 15 has caused individual high-margin orders to be allocated to the previous year given the transition in accounting. Therefore, it was not possible to report them as sales in 2018, while sales were conversely recognized for certain low-margin orders in 2018.

Selling costs in the fiscal year increased by a below-average proportion to € 21.9 million (previous year: € 19.6 million), representing an expense ratio of 10.7 percent (previous year: 11.8 percent) relative to sales generated.

Research and development costs rose significantly again in the past fiscal year, amounting to € 18.3 million (previous year: € 15.2 million). SUSS MicroTec significantly expanded its activities in research and development, as planned.

Administration costs increased by a slightly below-average proportion from € 13.4 million in the previous year to € 15.9 million, corresponding to an expense ratio of 7.8 percent (previous year: 8.1 percent).

Other operating income totaled € 3.2 million in the fiscal year (previous year: € 6.3 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 technology developed by SUSS MicroTec to clean wafers.

Other operating expenses amounted to € 3.5 million in 2018 (previous year: € 3.8 million) and primarily included expenses from foreign currency translation and expenses from other taxes.

Earnings before interest and taxes (EBIT) in the past fiscal year amounted to € 10.9 million. In 2017, EBIT of € 13.9 million was achieved.

Depreciation and amortization of intangible assets and tangible assets came to € 4.8 million (previous year: € 4.1 million). As a result, earnings before interest, taxes, depreciation and amortization (EBITDA) totaled € 15.7 million (previous year: € 18.0 million).

The financial result for 2018 amounted to € -0.14 million (after € -0.15 million in the previous year). Financial income of € 39 thousand (previous year: € 57 thousand) resulted primarily from interest and securities income. As in the previous year, interest for bank liabilities in the fiscal year primarily involved the financing

of the property in Garching (loan status as of December 31, 2018: € 2,500 thousand).

Group earnings before tax of € 10.7 million were subject to tax expense of € 6.0 million, which corresponds to an average tax expense rate of approximately 55 percent. The high tax expense relative to profit before tax resulted again primarily from the accumulated losses of foreign Group companies in the 2018 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 € 13.8 million were subject to tax expense of € 7.0 million, which corresponded to an average tax expense rate of approximately 50 percent. The high tax expense relative to profit before tax similarly resulted 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.

The Group generated annual profits of € 4.8 million (previous year: € 6.7 million). Basic earnings per share amounted to € 0.25, after € 0.35 in the previous year.

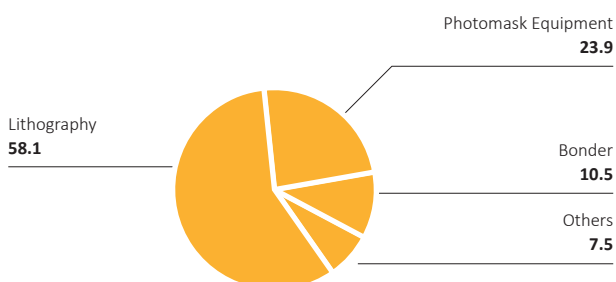
DEVELOPMENT IN THE INDIVIDUAL DIVISIONS

The key performance indicators are explained below for each segment. The individual tables also contain – for better comparability – the performance indicators 2018, which would have resulted from the old revenue recognition system. In the explanations, on the other hand, only a comparison of the actual figures 2018 (new revenue recognition) with the actual values 2017 (according to the old revenue recognition) is made. Hence the comparability of the key financial figures, affected by the IFRS 15 application, is limited.

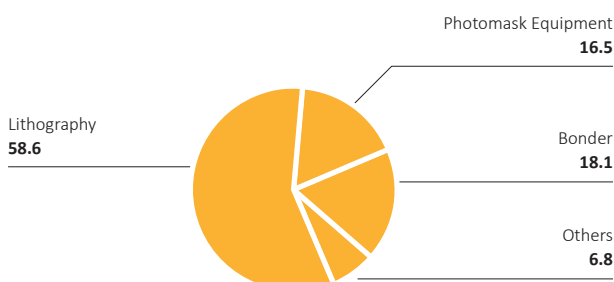
Lithography

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.

ORDER ENTRY BY DIVISION *in %*



SALES BY DIVISION *in %*



These product lines are manufactured in Germany at the locations in Garching near Munich and in Sternenfels. With a contribution to sales of more than 58 percent, the Lithography division is SUSS MicroTec Group's largest division. The components that are manufactured with these machines are sent primarily to the end markets of advanced packaging, microelectromechanical systems, compound semiconductors (LED), and 3D integration.

LITHOGRAPHY KEY FIGURES

<i>in € million</i>	2018 (IFRS15)	2018 (comparable)	2017
Order entry	111.0	111.0	136.2
Division sales	119.5	127.5	112.8
Gross profit margin in %	31.4	31.8	31.5
EBIT division earnings	6.3	10.1	6.3
Net assets	62.8	62.8	60.7
Employees	555	555	486

In the 2018 fiscal year, the Lithography division achieved order entry of € 111.0 million (previous year: € 136.2 million) and sales of € 119.5 million (previous year: € 112.8 million). This corresponds to 5.9 percent higher sales and 18.5 percent lower order entry from the previous year. The decline in order entry was caused by the mask aligner and coater/developer product lines. In particular, the 300mm coater/developer recorded a significant decline in Asia, which could not be completely offset by growth in order entry in the Europe region. In addition, the mask aligner product line experienced a slight decline in order entry in all major product groups. It was possible to increase sales significantly in the Lithography division in both the mask aligner and coater/developer product lines due to high order backlog at the beginning of the year and good order entry in the first half of 2018 compared to the previous year. The Asia region in particular recorded significant growth. Also in the 2018 fiscal year, the UV project scanner product line made only a very minor contribution to division sales and order entry.

The gross profit margin in the Lithography division was 31.4% in the past fiscal year, thereby at a similar level to the previous year (31.5%). Due to higher personnel-related costs as well as the overall product mix, it was not possible to achieve any improvement in the gross profit margin in the 2018 fiscal year.

The Lithography division contributed earnings of € 6.3 million (previous year: € 6.3 million) to consolidated earnings before interest and taxes (EBIT). This resulted in an EBIT margin of 5.3 percent for the Lithography division, which declined slightly compared to the previous year (EBIT margin in the previous year: 5.6 percent). Here the higher administration costs and increased expenses for application in 2018 had an impact. In addition, expenses in the area of research and development were higher in 2018 than in the 2017 fiscal year, according to plan. Additional employees were also hired in the Lithography division in the 2018 fiscal year.

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.

BONDER KEY FIGURES

<i>in € million</i>	2018 (IFRS15)	2018 (comparable)	2017
Order entry	20.1	20.1	36.7
Division sales	36.9	39.2	22.1
Gross profit margin in %	35.2	35.7	45.1
EBIT division earnings	4.8	5.9	3.3
Net assets	17.5	17.5	17.7
Employees	98	98	94

Due to high order backlog at the beginning of the year, the Bonder division developed very positively with sales of € 36.9 million (previous year: € 22.1 million), particularly as significantly higher sales were generated in the temporary bonding product line compared to 2017. Order entry in the 2018 fiscal year was € 20.1 million, below the very good figure in the previous year (previous year: € 36.7 million). In this product line, we succeeded in winning orders for high-volume production in the area of 3D integration in 2017. These orders were partially recognized in sales in 2018.

The gross profit in the Bonder division amounted to € 13.0 million in the past fiscal year, after € 10.0 million in the previous year. The gross profit margin decreased from 45.1 percent to 35.2 percent. In the previous year, individual orders with an above-average margin from the permanent bonding area had a very positive impact on the gross profit margin. In the 2018 fiscal year, stable, positive margins were achieved, but they no longer reached the high level of the previous year. In the Bonder division, the segment result (EBIT) of € 4.8 million was positive again after € 3.3 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.

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.

PHOTOMASK EQUIPMENT KEY FIGURES

<i>in € million</i>	2018 (IFRS15)	2018 (comparable)	2017
Order entry	45.6	45.6	15.7
Division sales	33.8	33.5	19.7
Gross profit margin in %	34.3	35.6	36.8
EBIT division earnings	4.7	5.3	5.1
Net assets	12.6	12.6	2.4
Employees	129	129	115

The Photomask Equipment division had considerably stronger order entry in the past fiscal year than in the previous years. The primary reason for this were the investments of an Asian semiconductor manufacturer in new cleaning tools and technologies, particularly for the production of microchips with pattern sizes of 7 nanometers. Accordingly, order entry at the end of December 2018 was € 45.6 million after € 15.7 million in the previous year. Division sales also increased significantly from the previous year, reaching € 33.8 million after € 19.7 million in the previous year.

The gross profit margin decreased in the 2018 fiscal year to 34.3 percent. In the 2017 fiscal year, a margin of 36.8 percent was achieved. 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 contributed earnings of € 4.7 million (previous year: € 5.1 million) to Group EBIT. The EBIT margin was 14.0 percent, a decline from the previous year (EBIT margin 2017: 25.9 percent). In this division one-time income of € 1.95 million was generated 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 amounted to approximately 15.7 percent in 2017.

Others

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

OTHERS KEY FIGURES

<i>in € million</i>	2018 (IFRS15)	2018 (comparable)	2017
Order entry	14.3	14.3	11.7
Division sales	13.7	13.7	11.9
EBIT division earnings	-5.0	-5.0	-0.8
Net assets	26.1	26.1	18.3
Employees	99	99	84

Order entry increased again from € 11.7 million in the 2017 fiscal year to € 14.3 million in 2018. Division sales amounted to € 13.7 million after € 11.9 million in the corresponding period of the previous year. As in the previous year, the micro-optics business accounted for the largest share of sales and order entry. The EBIT of the Others division amounted to € -5.0 million (previous year: € -0.8 million). Of this amount, € 0.6 million (previous year: € 3.3 million) was attributable to SUSS MicroOptics. The division earnings of the Others division in 2018 also included expenses for the early termination of the Management Board contract with the Chief Operating Officer in the amount of approximately € 0.7 million.

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. The regions of North America and Asia reported lower order entry in the 2018 fiscal year than in the previous year. In the North America region, order entry declined by 29.7 percent to € 13.7 million. In Asia, the drop in order entry was significantly less with a decline of approximately 10.2 percent to € 126.4 million. Accounting for more than 65 percent of the Group's order entry, Asia remains the most important sales region for SUSS MicroTec. In the EMEA region, SUSS MicroTec showed a substantial increase in order entry in the past fiscal year. Order entry rose from € 40.1 million to € 50.9 million, representing an increase of 26.9 percent. While the Asia region reported lower order entry in all areas, the EMEA region was able to record significant growth, particularly with coaters/developers.

If one considers the significantly higher sales from the previous year, there was a decline only in the North America region. North America recorded 33.5 percent lower sales, caused particularly by weak sales with lithographic tools, to € 17.7 million. The EMEA and Asia regions recorded 24.2 percent and 36.5 percent higher sales respectively, compared to the previous year. The primary reasons for the higher sales in Asia were the delivery of the initial tools of a customer's large order for photomask cleaning systems as well as significantly higher sales with our temporary bonders compared to the previous year.

ASSETS AND FINANCIAL POSITION

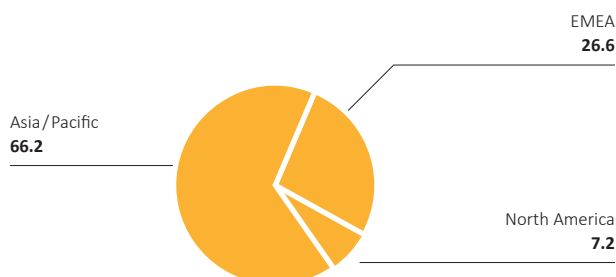
SUSS MicroTec is characterized by a stable assets and financial position

The Group's net cash position – the balance of cash and cash equivalents and financial liabilities – decreased from € 33.0 million in the previous year to € 28.2 million as of December 31, 2018. The amount of cash decreased from € 36.5 million in the previous year to € 30.7 million at the end of the reporting year. Financial liabilities decreased as planned by € 1.0 million to € 2.5 million.

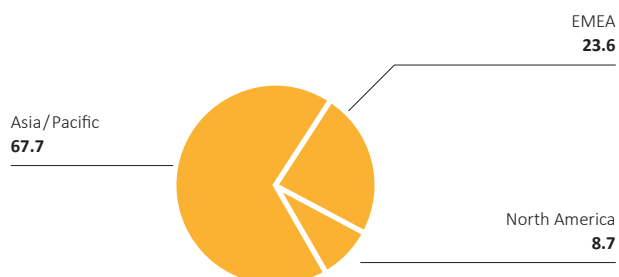
Cash flow from operating activities totaled € 1.9 million (previous year: € 9.4 million). The reason for the significantly weaker cash flow from operating activities compared to the previous year was primarily lower inflows of liquidity from customer payments (both down-payments and trade receivables), which totaled € 7.7 million. In the previous year, inflows of liquidity from customers amounted to approximately € 21.0 million. The build-up of inventories, particularly materials and auxiliary materials, once again had a negative effect on cash flow from operating activities with liquidity outflow of € -29.8 million; however, the comparable liquidity outflow in the previous year was € -28.2 million. By contrast, the operating cash flow was positively impacted by the change in the contractual assets due to the first-time application of IFRS 15 in the amount of € 9.7 million. Due to the reporting date, the change in liabilities and provisions resulted in liquidity inflow of € 3.4 million (previous year: € 5.4 million), while the change in tax receivables and liabilities led to liquidity outflow of € -2.3 million (previous year: liquidity inflow of € 1.5 million).

Cash flow from investing activities amounted to € -6.9 million (previous year: € -6.5 million); of this amount, approximately € 6.3 million related to investments in tangible assets. For the expansion of cleanrooms and the acquisition of various technical equipment at SUSS MicroOptics, Hauterive, Switzerland, cash outflows of approximately € 1.5 million were recorded by the end of 2018. Additional cash outflows of approximately € 2.3 million involved investments in the buildings in Garching and Sternenfels and the acquisition of various technical equipment for both locations. The remaining investments primarily involved tools, operating and office equipment, software, and licenses.

ORDER ENTRY BY REGION in %



SALES BY REGION in %



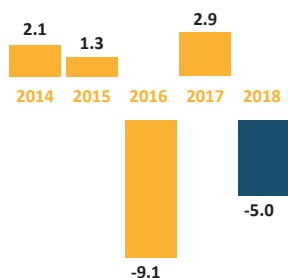
Free cash flow therefore amounted to € -5.0 million. In the previous year, free cash flow of € 2.9 million was generated.

As in the previous year, cash flow from financing activities amounted again to € -1.0 million (previous year: € -1.0 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.

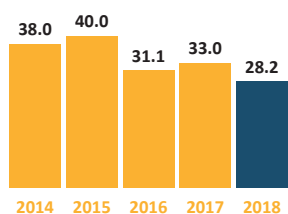
Aside from cash of € 30.7 million (previous year: € 36.5 million), the Group had domestic guarantee and credit lines of € 21.25 million (previous year: € 8.25 million) at the end of the reporting year. As of the reporting date, utilization, which occurred exclusively in the form of guarantees, amounted to € 9.9 million.

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

FREE CASH FLOW in € million



NET LIQUIDITY in € million



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

Goodwill amounts to € 15.7 million (previous year: € 15.6 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, 2018, capitalized development costs had a carrying amount of € 0.1 million (previous year: € 0.1 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 capitalized at SUSS MicroTec SE, with a total carrying amount of € 1.6 million (previous year: € 1.9 million). They were composed of € 0.7 million (previous year: € 0.9 million) for the Lithography, Bonder, and Photomask Equipment divisions and € 0.9 million (previous year: € 1.0 million) for the Others division. Furthermore, the technology obtained as part of the Photonic Systems acquisition, which carried a residual book value of € 0.3 million as of the reporting date (previous year: € 0.6 million), was recognized under intangible assets and attributed to the Lithography division. The technology is denominated in US dollars and will be amortized over eight years.

The two business properties in Garching and Sternenfels, which carried a residual book value of € 15.7 million at the end of the year (previous year: € 15.1 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 based 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 carrying amount of tangible assets changed only slightly from the previous year.

Deferred tax assets amounted to € 0.6 million as of the reporting date, after € 0.7 million in the previous year. Offsetting this, deferred tax liabilities of € 1.7 million were recognized in connection with temporary differences of the German companies involving goodwill, customer down-payments, and trade receivables. As of December 31, 2018, a net deferred tax liability developed at the German companies for the first time, due to the fact that the temporary differences in customer down-payments and trade receivables resulted primarily from the change in revenue recognition.

As of December 31, 2018, the German companies had no tax loss carryforwards. In 2018, the subsidiary in Korea completely utilized the limited loss carryforwards that still existed in the previous year. 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.

Current assets declined by € 4.6 million in the reporting year to € 154.6 million. This decrease was primarily attributable to the lower inventory reserves at the end of the year. In addition, the amount of cash and cash equivalents decreased. However, trade receivables increased slightly.

Inventories decreased from € 97.9 million as of the previous year's reporting date to € 93.5 million as of the end of the year. The decline was exclusively attributable to an effect of the change in revenue recognition: Since SUSS MicroTec recognizes sales for 90% of the amount of the order upon delivery of the tools to the customer, an inventory of finished tools is no longer disclosed. The finished goods, whose carrying amount as of December 31, 2018, amounted to approximately € 3.4 million, include merely upgrades delivered to customers for which final acceptance is still outstanding. As of the previous year's reporting date, the carrying amount of finished goods (finished tools and upgrades) totaled € 27.0 million. However, a significant increase was recorded in the remaining inventory. As a result, the gross value of materials and auxiliary supplies increased by approximately € 7.3 million to € 43.4 million, while the gross value of unfinished goods increased by € 11.4 million to € 40.5 million and the gross value of demonstration equipment increased by € 4.3 million to € 30.5 million. The cumulative value adjustments affecting the demonstration equipment as well as the materials and auxiliary supplies increased from € 21.2 million to € 24.9 million.

Trade receivables increased from € 19.6 million in the previous year to € 22.1 million. The increase was primarily due to the reporting date.

As of December 31, 2018, contract assets amounting to € 3.0 million were reported for the first time. They relate to claims by SUSS MicroTec for consideration for completed, but not yet invoiced services for machine orders as of the balance sheet date.

The amount of cash and cash equivalents decreased from € 36.5 million to € 30.7 million.

The increase of other assets of € 4.6 million in the previous year to € 4.8 million as of year-end was primarily due to the reporting date.

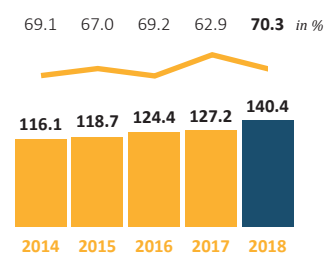
Noncurrent liabilities increased from € 7.2 million to € 8.3 million. Noncurrent liabilities included, on the one hand, financial liabilities, which totaled € 1.5 million in the fiscal year (previous year: € 2.5 million). The decline in financial liabilities reflected the planned repayment of the loan to finance the acquisition of land in Garching, which totaled € 1.0 million. On the other hand, the SUSS MicroTec Group's pension obligations, which were recognized as a liability amounting to € 5.1 million (previous year: € 4.7 million) at the end of the year, are also included here. Also disclosed here as of December 31, 2018, were deferred tax liabilities of € 1.7 million in connection with temporary differences that resulted from the change in revenue recognition.

Current liabilities recorded a significant decrease from € 67.7 million in the previous year to € 50.9 million as of the reporting

date. The customer down payments included here declined significantly, amounting to € 18.2 million as of the end of the fiscal year (previous year: € 40.3 million). In connection with the change in revenue recognition under IFRS 15, this amount is initially reported under contract liabilities. The customer down-payments received until delivery are recognized with revenue recognition and are no longer disclosed under other liabilities. Trade payables recorded a reporting date-related increase from € 7.3 million in the previous year to € 9.0 million. Other financial liabilities increased from € 6.7 million to € 7.9 million due to higher obligations for premiums and commissions. Provisions increased from € 2.7 million to € 5.2 million. The increase was primarily attributable to higher warranty provisions and higher provisions for follow-up costs. Also included here is a provision for the severance payment of a Management Board member for € 0.7 million.

The shareholders' equity of the SUSS MicroTec Group has grown since December 31, 2017, by 10.6 percent to € 140.4 million. The equity ratio rose compared with the previous year from 62.9 percent to 70.3 percent.

SHAREHOLDERS' EQUITY in € million AND EQUITY RATIO in %



¹ Statement of shareholders' equity and equity ratio according to the new revenue recognition (IFRS 15). According to the old revenue recognition system this would have resulted in equity of € 136.0 million and an equity ratio of 63.3%.

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 control. These activities do not require any capital expenditure-intensive equipment or machines.

We assume that the usual investments in existing tangible assets will be within the range of approximately three 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).

EMPLOYEES

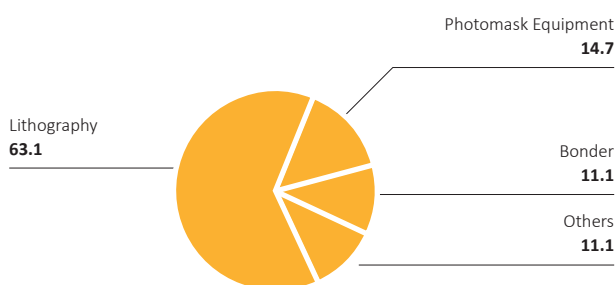
The employees and their knowledge and expertise are a significant part of the Company's value. Our business is characterized by internationality, global positioning, and cultural diversity. We have employees distributed around the globe in development, production, administration, sales, and service. These employees 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 2018 fiscal year, the Group had 881 employees (previous year: 779). In the entire Company, 35 apprentices were employed in commercial and technical areas as of December 31, 2018 (2017: 34). 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 future of the Company.

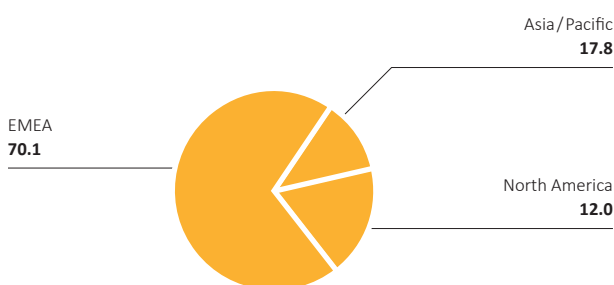
Since the 2017 fiscal year, listed companies have been obligated to issue a nonfinancial declaration. Therefore, SUSS MicroTec prepares a separate nonfinancial report that presents issues facing the Company. This report will be published together with the Management Report in the German Federal Gazette as well as in the Annual Report and on the corporate 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 Management Board and at the next two management levels. In addition, a deadline must be set for achieving the respective share of women. We report extensively on target quotas and target fulfillment in the 2018 fiscal year in the Corporate Governance Report.

EMPLOYEES BY DIVISION *in %*



EMPLOYEES BY REGION *in %*

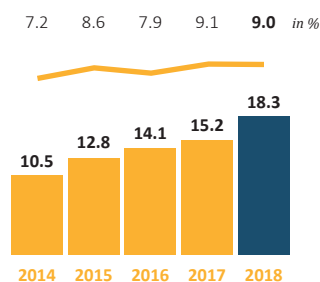


RESEARCH AND DEVELOPMENT

Research and development expenditures increased, as announced, from € 15.2 million in the previous year to € 18.3 million, which corresponds to an expense ratio of 9.0 percent (previous year: 9.1 percent) in relation to sales in the 2018 fiscal year. Of the expenditures, € 10.7 million (previous year: € 10.0 million) related to the Lithography division and € 3.6 million (previous year: € 2.8 million) applied to the Bonder division. € 3.3 million (previous year: € 1.4 million) was attributable to the Photomask Equipment division. The Others division recorded a research and development expenses of approximately € 0.8 million in 2018.

At the end of 2018, 175 employees – nearly one fifth of the employees of SUSS MicroTec – were employed in the area of research and development (previous year: 160 employees).

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



THE HOLDING COMPANY – SUSS MICROTEC SE

The holding company is responsible for the steering and management of the SUSS MicroTec Group. It assumes responsibility for, among other items, the tasks of strategic alignment, for example the expansion of the product portfolio, acquisitions, and financial issues concerning the entire Group. The holding company is also responsible for corporate identity, investor relations, 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 subsidiaries and their subsidiaries. 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)			
	2018	2017	Change	in %
Annual net profit / loss	99	2,712	-2,613	–
Shareholders' equity	80,960	80,861	99	0
Total assets	119,198	115,254	3,944	3
Equity ratio in %	68	70		
Noncurrent assets	72,504	70,298	2,206	3
% of total assets	61	61		
Current assets (incl. deferred items)	46,694	44,956	1,738	4
% of total assets	39	39		

SIGNIFICANT CHANGES IN THE ASSETS AND FINANCIAL POSITION

Intangible assets amounted to € 0.8 million (previous year: € 1.0 million) as of the reporting date.

Shares in affiliated companies were recognized as € 46.5 million (previous year: € 47.5 million) as of the reporting date.

In the 2018 fiscal year, capital injections amounting to € 12.5 million (prior year: € 7.6 million) were carried out at SUSS MicroTec. Inc., Corona (USA). A write-down of around € 14.9 million (prior year: € 7.6 million) on the recognized value of this investment had an offsetting effect. Due to the sustained improvement in its economic condition, a revaluation of € 1.5 million was made for the investment in SUSS MicroTec SARL, Pierre-Bénite, France.

Loans to affiliated companies increased by € 2.6 million to a carrying amount of € 9.0 million. No additional loan amounts were granted to SUSS MicroTec Photonic Systems Inc., Corona, USA, during the fiscal year 2018. In the course of a capital restructuring of loan claims fully adjusted in previous years, SUSS MicroTec SE declared in the previous year that it would waive a loan amounting to US\$ 15 million (€ 12.5 million). As of December 31, 2018, the loan came to a nominal amount of US\$ 14.5 million (previous year: US\$ 14.5 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, 2018.

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 12/31/2018.

During the fiscal year, SUSS MicroTec Inc., Corona (USA), was granted a loan for US\$ 3 million, which had a carrying amount of € 2.6 million as of December 31, 2018.

Current receivables from affiliated companies increased by € 12.1 million to € 26.8 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 amount from the equal-phase revenue recognition of SUSS MicroTec Photomask Equipment GmbH & Co. KG.

In the fiscal year, the liquidity position of SUSS MicroTec SE declined by € 8.6 million to € 18.8 million.

Liabilities to affiliated companies increased by € 6.3 million to € 32.4 million in the fiscal year.

Bank borrowings declined over the course of 2018 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 € 80.9 million to € 81.0 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 € 0.1 million was generated in the 2018 fiscal year (previous year: net profit of € 2.7 million).

The sales of the holding company amounted to € 10.2 million (previous year: € 9.0 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, foreign currency transactions and license fees.

Other operating income primarily includes foreign currency gains totaling € 0.6 million (previous year: € 1.8 million). Also disclosed here is income from the revaluation of € 1.5 million for the investment in SUSS MicroTec SARL.

Personnel expenses include a severance payment to a former Member of the Management Board of € 0.7 million.

Other operating expenses include – along with ongoing expenses for administration – foreign currency losses totaling € 0.7 million (previous year: € 1.6 million).

As a result of the profit and loss transfer agreement with SUSS MicroTec Lithography GmbH, Garching (Germany), which came into effect on January 1, 2011, income from a profit transfer of € 12.2 million (previous year: € 9.1 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 € 1.1 million (previous year: € 0.7 million) was recognized at the holding company. Income from investments

of € 2.9 million (previous year: € 2.5 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 € 3.2 million from dividend distributions of SUSS MicroTec (Singapore) Pte Ltd., Singapore.

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), SUSS MicroTec Inc. (Corona, USA), SUSS MicroTec (Taiwan) Company Ltd. (Hsinchu, Taiwan), and SUSS MicroTec KK (Yokohama, Japan).

Financial investments were written down by € 14.9 million (previous year: € 8.2 million). The total amount related to the investment in SUSS MicroTec, Inc. (Corona, USA).

Interest expense of € 0.2 million remained constant compared to the previous year.

SUSS MicroTec SE had an average of 23 employees in the 2018 fiscal year (previous year: 20).

The short and medium-term development of SUSS MicroTec SE primarily 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 parent company. In addition, earnings are influenced by foreign currency effects that result primarily from changes in the exchange rates of USD and JPY. For the fiscal year 2019, SUSS MicroTec SE expects a result before evaluation of financial assets at the level of the previous year.

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, 2018, 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 percent of the voting rights have not been reported to us as of the reporting date on 12/31/2018. The current voting rights announcements in accordance with the German Securities Trading Law (WpHG) are also published on the website > www.suss.com under Investor Relations.

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 stock option 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 5, 2023, 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 2018) with the approval of the Supervisory Board. In the process, the shareholders are granted subscription rights. The new shares can also be taken over by one or more banks determined by the Management Board with the obligation to offer these to shareholders (indirect subscription rights). However, the Management Board is authorized to exclude the subscription rights of shareholders with the approval of the Supervisory Board:

- to offset fractional amounts;
- if in the case of an increase in capital stock against tangible assets, shares are granted for the purpose of acquiring companies, parts of companies, or investments in companies (including an increase in existing investments), or for the purpose of acquiring receivables against the Company;
- if an increase in capital stock for cash contributions does not exceed 10% of the equity capital and the issue price of the new shares is not significantly lower than the stock market price (Section 186 (3)(4) of the German Stock Corporation Law (AktG)); when utilizing this authorization excluding subscription rights in accordance with Section 186 (3)(4) AktG, the exclusion of subscription rights based on other authorizations in accordance with Section 186 (3)(4) AktG should be taken into account.

The notional amount of equity capital accruing to the total shares issued for cash or non-cash contributions in accordance with this authorization excluding subscription rights of shareholders may not exceed 10% of equity capital at the time this authorization takes effect. Deducted from this limit are shares that (i) were issued or sold in direct or corresponding application of Section 186 (3)(4) of the German Stock Corporation Act excluding subscription rights during the term of this authorization and that (ii) are issued or can or must be issued to service bonds with conversion or option rights or obligations, insofar as the bonds are issued after this authorization takes effect in corresponding application of Section 186 (3)(4) of the German Stock Corporation Act excluding the subscription rights of shareholders.

The Management Board is authorized, with the approval of the Supervisory Board, to establish further details regarding the increase in capital stock and its implementation. The Supervisory Board is authorized to adjust the wording of the articles of incorporation accordingly following each utilization of approved capital or expiration of the deadline for the utilization of approved capital.

The Company is furthermore authorized to acquire treasury shares. The authorization is limited to the acquisition of treasury shares with a notional share of equity capital of up to 10%. At no time may more than 10% of the equity capital accrue to the accordingly acquired shares together with treasury shares, which are already owned by the Company or are attributable to it in accordance with Sections 71a et seq. of the German Stock Corporation Law (AktG). The authorization can be exercised by the Company or by third parties acting for the account of the Company in whole or partial amounts, on one or more occasions. The authorization is valid until June 5, 2023. It can also be exercised by Group companies or third parties acting for the account of the Company or a Group company. The acquisition occurs via the stock exchange or by means of a public tender offer directed to all shareholders.

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

Bilateral credit relationships exist 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 SUSS MicroTec SE subject to the condition of a change of control resulting from a corporate takeover bid.

9. Compensation agreement 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 SUSS 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 AND SECTION 315D HGB

On March 8, 2019, 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*.

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 2018 fiscal year in accordance with the provisions of Section 315b (1), (3) of the German Commercial Code (HGB). The declaration is made available together with the condensed Management Report in a separate nonfinancial report in the German Federal Gazette on the Com-

pany's website at www.suss.com > *Investor Relations* > *publications* in accordance with Sections 315b, 315c HGB.

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 a number of 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. No pension commitments (retirement, occupational disability, and widow's pensions) in the form of direct insurance (endowment insurance policies) 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 fixed remuneration at the beginning of the fiscal year. These provisions also apply to future fiscal years. In the 2018

fiscal year, as in previous years, 70 percent of variable remuneration was determined according to annual targets and 30 percent 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 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 and EBITDA, and 110 percent of the target is achieved for the ROI target. If the achievement of a given target – order entry, sales or EBITDA – 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 paid out in full 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).

MANAGEMENT BOARD REMUNERATION

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 2018 and 2017 fiscal years per Management Board member according to the requirements of the German Corporate Governance Code 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	2017 (100 %)	2018 (100 %)	2018 (Min.)	2018 (Max.)
Fixed remuneration	360,000.00	360,000.00	360,000.00	360,000.00
Fringe benefits (fixed) ¹	33,392.16	33,579.96	33,579.96	33,579.96
Expenses for retirement benefits	–	–	–	–
Total	393,392.16	393,579.96	393,579.96	393,579.96
Single-year variable remuneration (A) ²	126,000.00	126,000.00	–	252,000.00
of which investment in SUSS MicroTec shares ³	63,000.00	63,000.00	–	126,000.00
Multi-year variable remuneration (B) 2016 – 2018 ²	54,000.00	54,000.00	–	108,000.00
Total	573,392.16	573,579.96	393,579.96	753,579.96
Pension expenses	–	–	–	–
Total remuneration	573,392.16	573,579.96	393,579.96	753,579.96

¹ Includes:

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

² Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

³ 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	2017 (100 %)	2018 (100 %)	2018 (Min.)	2018 (Max.)
Fixed remuneration	25,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits (fixed) ¹	1,913.09	26,899.24	26,899.24	26,899.24
Expenses for retirement benefits	–	–	–	–
Total	26,913.09	326,899.24	326,899.24	326,899.24
Single-year variable remuneration (A) ²	8,750.00	105,000.00	–	210,000.00
of which investment in SUSS MicroTec shares ³	4,375.00	52,500.00	–	105,000.00
Multi-year variable remuneration (B) 2016 – 2018 ²	3,750.00	45,000.00	–	90,000.00
Total	39,413.09	476,899.24	326,899.24	626,899.24
Pension expenses	–	–	–	–
Total remuneration	39,413.09	476,899.24	326,899.24	626,899.24

¹ Includes:

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

² Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

³ A lock-up period of three years applies to shares acquired through variable remuneration.

<i>in €</i>	Walter Braun Chief Operating Officer (COO)			
	2017 (100 %)	2018 (100 %)	2018 (Min.)	2018 (Max.)
Benefits granted				
Fixed remuneration	230,004.00	270,000.00	270,000.00	270,000.00
Fringe benefits (fixed) ¹	19,679.20	20,234.52	20,234.52	20,234.52
Expenses for retirement benefits	–	–	–	–
Total	249,683.20	290,234.52	290,234.52	290,234.52
Single-year variable remuneration (A) ²	80,500.00	94,500.00	–	189,000.00
of which investment in SUSS MicroTec shares ³	40,250.00	47,250.00	–	94,500.00
Multi-year variable remuneration (B) 2016–2018 ²	34,500.00	40,500.00	–	81,000.00
Total	364,683.20	425,234.52	290,234.52	560,234.52
Pension expenses	–	–	–	–
Total remuneration	364,683.20	425,234.52	290,234.52	560,234.52

¹ Includes:

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

² Variable remuneration (single-year and multi-year) maximum of 100 percent of fixed remuneration of the respective fiscal year.

³ 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:

in €	Dr. Franz Richter Chief Executive Officer (CEO) Entry date: 09/07/2016		Robert Leurs Chief Financial Officer (CFO) Entry date: 12/01/2017	
	2017	2018	2017	2018
Inflow				
Fixed remuneration	360,000.00	360,000.00	25,000.00	300,000.00
Fringe benefits (fixed) ¹	33,392.16	33,579.96	1,913.09	26,899.24
Expenses for retirement benefits	–	–	–	–
Severance payments ²	–	–	–	–
Total	393,392.16	393,579.96	26,913.09	326,899.24
Single-year variable remuneration (A) ³	187,155.74	137,689.43	12,996.93	114,741.19
of which investment in SUSS MicroTec shares ⁴	93,577.87	68,844.72	6,498.47	57,370.60
Multi-year variable remuneration (B) 2016–2018 ³	86,400.00	82,577.93	6,000.00	68,814.94
Total	666,947.90	613,847.32	45,910.02	510,455.37
Pension expenses	–	–	–	–
Total remuneration	666,947.90	613,847.32	45,910.02	510,455.37

¹ Includes:

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

² Compensation for termination of employment contract (original remaining term to June 30, 2020) and 2018 bonus.

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.

in €	Walter Braun Chief Operating Officer (COO)		Michael Knopp Chief Financial Officer (CFO) Exit date: 04/30/2017	
	2017	2018	2017	2018
Inflow				
Fixed remuneration	230,004.00	270,000.00	93,333.33	–
Fringe benefits (fixed) ¹	19,679.20	20,234.52	7,557.12	–
Expenses for retirement benefits	–	–	–	–
Severance payments ²	–	699,000.00	–	–
Total	249,683.20	989,234.52	100,890.45	–
Single-year variable remuneration (A) ³	119,571.73	–	46,700.00	–
of which investment in SUSS MicroTec shares ⁴	59,785.87	–	–	–
Multi-year variable remuneration (B) 2016–2018 ³	55,200.00	–	–	–
Total	424,454.93	989,234.52	147,590.45	–
Pension expenses	–	–	–	–
Total remuneration	424,454.93	989,234.52	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 Compensation for termination of employment contract (original remaining term to June 30, 2020) and 2018 bonus.

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.

PENSIONS

There are no pension obligations 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 his/her expenses and meeting attendance compensation of € 2,000.00 per meeting, each member of the Supervisory Board receives a fixed remuneration based on the member's responsibilities and extent of activities. Accordingly, 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.

2018 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	45,000.00	14,000.00

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 05/31/17)	26,250.00	8,000.00

In the 2018 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 in a position to offer tools and solutions later for industry on a large scale.

Along with the refinement of its own technologies, SUSS MicroTec generally 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 machines. SUSS MicroTec develops and builds these specialized machines.

The markets in the semiconductor equipment industry served by SUSS MicroTec are subject to constant change, which is driven by information and communication technology, but also by rapid developments in the automotive sector. Development such as the increasing use of driver-assistance systems in cars, autonomous driving, and the transition to electrical drives are key factors for semiconductor sales in the automotive industry. For example, electric cars have a much greater requirement for semiconductors than cars with gasoline or diesel drives. Along with driver-assistance systems and the functions necessary for autonomous driving, a large number of semiconductors is required for providing premium infotainment. The numerous functions of smartphones and tablets continue to be 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 high-performance chips, which in turn leads to greater demand for semiconductor equipment. The digitization of the service economy (smart pay, smart logistics, smart services) and private households (smart home, smart health) also drives demand for semiconductors and sensors. These trends will likely continue in the coming years.

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 focuses 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 therefore have the opportunity to observe current developments in the semiconductor markets immediately. As a result, SUSS MicroTec is able to quickly respond to emerging developments and adjust its applications accordingly.

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

Thus, SUSS MicroTec routinely presents its new developments at the Semicon trade fairs, which are held annually at various sites worldwide. In 2018, SUSS MicroTec was represented at the SEMICON fairs in China (Shanghai), Taiwan (Taipei), Korea (Seoul), South East Asia (Kuala Lumpur, Malaysia), Japan (Tokyo), and Europe (Munich), presenting cutting-edge technologies from the various product lines. Many customers and other interested parties visited the SUSS MicroTec booths at 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 European 3D TSV Summit (SEMI) in Dresden, the Electronic Components and Technology Conference in San Diego, USA, and at the SEMI MEMS Summit in Grenoble, France.

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 finger on the pulse” and to respond quickly to technological progress and new developments.

Operational Opportunities

Lithography remains the SUSS MicroTec Group’s largest division, accounting for nearly 60% of total annual Group sales in 2018. 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 balanced 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 can still 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 2018. Since 2016, a comprehensive re-engineering project for the UV projection scanner has been underway and a new generation of the DSC300 developed. The project is almost complete and the DSC300 projection scanner equipped with new functions was presented to select customers in 2018. We have received extremely positive feedback regarding the new features of the DSC300 from potential customers. From 2020 onwards, we anticipate a significantly improved sales and earnings situation for both product lines. 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. After the new automatic XBS200 bonder platform was introduced to the market in 2017, it was possible to recognize sales for the first XBS200 bonder in 2018. In addition, we succeeded in 2018 in launching the XBS200 platform for thermocompression and fusion bonding applications on the market. The temporary bonding area has also performed positively once again. For example, we were able to record additional orders for temporary bonders, debonders, and cleaners, which are used in the area of 3D memory chips, with Asian memory chip manufacturers. We are also participating in a capacity expansion with a customer in Asia which uses our tools in high-volume production in the area of 2.5D / interposer technology. In addition, we were able to place additional automatic tools with production customers in the area of microelectromechanical systems. The manual temporary and permanent bonders business maintained stable development. In 2018, we were once again able to achieve positive annual earnings in this division. 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 may fluctuate heavily. 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. Sales volumes developed very positively in 2018 and were well above expectations. 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 per fiscal year.

The business of SUSS MicroOptics S.A., Hauterive, Switzerland also developed positively in 2018. The micro-optics business was able to record sales increases of approximately 12 percent in the past fiscal year compared to the previous year. In 2018, sales in the automotive sector were achieved in addition to the classic revenues in the telecommunications sector. For the coming years, SUSS MicroTec expects a significantly higher order volume in this new market. As a result, the MicroOptics business encompasses a broader product range and a much broader customer base, making it less dependent on economic fluctuations. In 2018, further investments were made in tools and technical equipment so as to be able to match 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 may 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 employees who work around the world 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 EBIT, 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, targets are ordinarily 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 actively contribute 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 employees are required to put in work beyond 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. For the mask aligner product line, the emphasis has been primarily on an innovative platform based on a modular system approach and agile operations in order to respond quickly and efficiently to the various requirements of our customers. For coater/developers, the focus has been on the development of innovative modular platforms with higher throughput, a smaller footprint, and reduced media consumption, positively affecting cost efficiency and the environmental impact. As for the UV projection scanner product line, intensive work was carried out on the development of a new generation of the DSC300 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 the environmental impact, as well as the development of new technologies and the improvement of existing ones. Our goal is to continuously adapt our product lines to the latest developments in the market and to satisfy new customer demands. By doing so, 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 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 on this to the Management Board and Supervisory Board.

Risk Identification

All Group units subject to reporting organize a workshop at least once per year which, in addition to past events, primarily addresses future developments. 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 process are presented to the Supervisory Board at least once a year.

The Group’s quality management is an important element of early risk 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 machines.

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	going-concern risk	> € 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 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, 2018, 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 carried out 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 been working 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., 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. Purchasing departments also routinely review and adjust procurement quantities.

Political decisions, new legislation, and other regulations in the countries in which SUSS MicroTec operates can 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 consummate 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 diminish 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 way of 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.

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. If this assessment should turn out to be erroneous and the innovations do not satisfy the expectations of our customers, SUSS MicroTec would have expended scarce resources in the development area unfavorably. This would have a corresponding negative effect on the earnings of the relevant product line. Overall, this risk should not be 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 € 10.9 million, the SUSS MicroTec Group also achieved significantly positive earnings in 2018. Taking into account the order backlog as of the end of 2018 and the expected order entry development in the first half of 2019, we expect to generate sales in a bandwidth between € 200 million to € 215 million and a positive EBIT between 6.5 percent and 8 percent of sales in 2019.

As of December 31, 2018, SUSS MicroTec records goodwill of approximately € 15.7 million, which is entirely attributable to the Lithography division. The Lithography division generates approximately 60 percent 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. In 2018, SUSS MicroTec continued to generate stable sales with coaters and developers and was able to record high order entry. The gross profit margin for coaters/developers recognized for sales has settled to a stable level (compared with the previous year). The 2018 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. Only minimal sales were generated with both product lines in 2018. The development of order entry was very subdued in both product lines. Overall, the product lines of SUSS MicroTec Photonic Systems again contributed a significant loss to Group earnings in 2018. The Photonic Systems product lines are also expected to generate minimal sales and a loss in 2019. The development of a new generation of DSC300 was completed in 2018 and the product was presented to select customers. Given

the extremely positive feedback from potential customers, we assume that the product will establish itself in the market over the long term. 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 both product lines establish themselves in the market 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 adjustment to the loans to SUSS MicroTec Photonic Systems Inc. as well as to 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 once again produced a positive EBIT, amounting to € 4.8 million (after € 3.3 million in the previous year). This has confirmed our expectations that the Bonder division will be able to consistently achieve substantial sales and positive contributions to Group earnings with product lines in the area of permanent and temporary bonding. With the coater/developers, the exposure tools, and the bonders, we can offer our customers optimally complementary package solutions.

In 2018, the MicroOptics business unit generated significant sales in the automotive sector for the first time. With its activities as a supplier to the automotive industry, SUSS MicroOptics is subject to risks that may differ from the otherwise prevalent risks of a semiconductor equipment manufacturer like SUSS MicroTec. In order to further expand the automotive sector, SUSS MicroOptics has to meet the requirements of the automotive industry and, in 2018, underwent and successfully passed IATF 16949:2016 certification. In addition, the insurance coverage of SUSS MicroOptics was expanded, so that potential claims in the automotive sector are also covered. In 2018, automotive sales included optical lenses that are used as part of a design lighting system and have no safety function. Overall, SUSS MicroTec does not expect increased risks from the expansion of the MicroOptics business into the automotive sector.

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 consistent pricing policy. As such, orders are rejected if the conditions are unattractive, in order to guarantee consistent prices for customers in recovering markets.

We are increasingly experiencing intensified demands by our customers for very short delivery times, while our customers for their part place binding orders with us only at a very late date. Nevertheless, in order to meet our customers' requirements for short-term delivery deadlines, we engage in upfront production, if

necessary, and produce individual machines according to the wishes of the customers before a binding order has been placed with us. The risk exists that in individual cases the expected order will not materialize so that SUSS MicroTec will have used its production capacities suboptimally and possibly procured material which cannot be used for another purpose for a customer-specific tool. Furthermore, there are no customer down-payments in these situations so that SUSS MicroTec must build up and pre-finance its inventory to a greater extent. We counter this risk by critically evaluating the (mostly longstanding) customers and their wishes as well as by restricting our pre-production to customary types of tools, which can also be used for other customer orders in case an expected specific order fails to materialize.

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. Separate product liability risks from new business areas are taken into account through individual insurance solutions. 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 € 22.6 million (previous year: € 20.5 million), a total of € 17.0 million was neither overdue nor impaired as of the reporting date (previous year: € 13.1 million). As of December 31, 2018, there were no indications of payment defaults occurring.

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

AGE STRUCTURE OF PAST DUE RECEIVABLES WITHOUT IMPAIRMENT

<i>in € thousand</i>	2018	2017
1–30 days	1,748	3,741
31–60 days	260	238
61–90 days	537	1,012
91–180 days	1,710	0
Overdue receivables without impairment	4,291	4,991

As of the reporting date, a total of € 1.4 million (previous year: € 2.4 million) of the gross inventory of receivables was past due and impaired.

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

AGE STRUCTURE OF OVERDUE RECEIVABLES WITH IMPAIRMENT

<i>in € thousand</i>	2018	2017
91–180 days	–	1,636
181–360 days	938	544
361–720 days	300	141
> 720 days	145	62
Overdue receivables with impairment	1,383	2,383

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 € 28.2 million (previous year: € 33.0 million). Free cash flow totaled € -5.0 million in the past fiscal year (previous year: € 2.9 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, 2018, the SUSS MicroTec Group recognized bank borrowings of € 2.5 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, 2018, the SUSS MicroTec Group had access to credit and guarantee lines with national and international banks totaling € 21.25 million. Four banks provide credit and guarantee lines totaling € 20.5 million to SUSS MicroTec SE and SUSS MicroTec Lithography GmbH via bilateral agreements. These credit and guarantee lines are granted until further notice. 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, 2018, € 9.9 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 in the future.

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 (24).

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 (30).

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 going-concern concern Company`s were identified in the Group in the 2018 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 exchange rate			X					X		
Development-specific risks										
Product policy, customer satisfaction			X						X	
Lack of innovation failed development projects			X						X	
Loss of market leadership in individual areas			X						X	
Operating risks										
Sales losses with mask aligners	X							X		
Loss of market shares for coaters			X					X		
No profitability of UV projection lithography systems and laser processing tools			X						X	
Permanent bonding – market share cannot be increased			X					X		
Temporary bonding – technology developed by SUSS MicroTec cannot be established in the market		X						X		
Product liability	X							X		
Information technology risks										
Data security			X				X			

FORECAST REPORT

SUSS MicroTec’s business performance is affected by regional and global conditions as well as the development of the semiconductor market. 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 world economy continues to show an upswing, albeit with slowing momentum. After growth of 3.6 percent in 2018, the global economy could still expand by 3.3 percent in 2019, according to the OECD Economic Outlook from March 2019. Growth is expected to strengthen slightly in the following year, reaching growth of 3.4 percent.

In Europe and Germany, signs also pointed to growth in 2018. Economic growth in the eurozone amounted to approximately 1.8 percent, according to the OECD Economic Outlook from March 2019. For the current fiscal year, growth of 1.0 percent is forecast before the dynamic continues to improve in 2020 and growth could reach approximately 1.2 percent. Following very strong growth in the previous year, exports have noticeably lost momentum in 2018. The overall risks for an economic downturn are increasing in the eurozone. The reasons for this are political uncertainty (Brexit), ongoing trade conflicts, and increased volatility in financial markets.

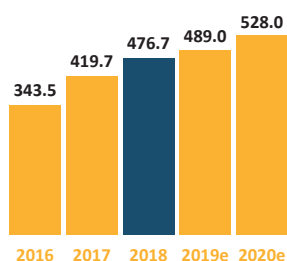
For Germany, growth of real gross domestic product of 0.7 percent is expected in 2019. In the previous year, growth was 1.4 percent (estimates of the OECD, March 2019). This means a weakening compared to the original expectations, but indicates that the German economy remains solidly positioned.

INDUSTRY-SPECIFIC CONDITIONS

SEMICONDUCTOR AND SEMICONDUCTOR EQUIPMENT INDUSTRY

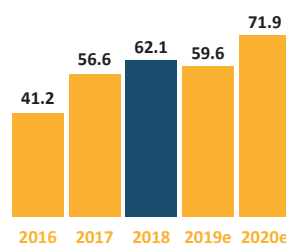
According to the expectations of the Gartner market research institute as of January 2019, the semiconductor market reached a new record volume of US\$ 476.7 billion in 2018. This would correspond to a growth rate of 13.4 percent from the previous year. The semiconductor equipment market was also able to increase significantly in the past fiscal year. In 2018, experts from the SEMI industry association expect approximately 9.7 percent growth in this market segment to a record level of US\$ 62.1 billion. Within the semiconductor equipment market, SUSS MicroTec operates, except for the photomask cleaning product line, in the mid and back end. In this context, the machines primarily serve the specialty area of advanced packaging as well as the production of MEMS sensors and frequency filters through lithographic processes. By focusing on these specialty areas, we were able to exceed industry growth by a wide margin with a sales increase of approximately 20 percent in 2018.

SEMICONDUCTOR MARKET in US\$ billion



Source: Gartner, January 7, 2019

SEMICONDUCTOR EQUIPMENT MARKET in US\$ billion



Source: SEMI, December 12, 2018

In its estimates as of January 2019 for the current fiscal year, Gartner expects moderate growth in the semiconductor market of 2.5 percent to a total volume of approximately US\$ 489 billion after US\$ 477 billion in the previous year. For 2020 a renewed acceleration of growth to approximately 8 percent and a volume of approximately US\$ 528 billion is expected. The reasons for slowing growth are the flattening of demand for memory chips as well as the difficult situation with trade policy between China and the USA, which is expected to have noticeable economic effects globally.

The original estimates of the SEMI industry association for the semiconductor equipment area for the 2018 fiscal year were essentially reached. While the assumption at the beginning of 2018 was for growth of approximately 11 percent, ultimately 9.7 percent was achieved in 2018. This corresponds to a market volume of approximately US\$ 62.1 billion. For 2019 a slight decline of approximately 4 percent is expected in semiconductor equipment, but significant growth of 20.7 percent is expected to return in 2020. In 2020, Korea, China, and Taiwan will represent significantly more than half of the total market with a combined investment volume of more than US\$ 35 billion.

EXPECTED DEVELOPMENT IN THE MAJOR MARKETS

MICROELECTROMECHANICAL SYSTEMS (MEMS)

The market for sensors, particularly for microelectromechanical systems (MEMS), continued to develop very dynamically in recent years. These sensors were initially developed primarily for capturing simple physical data, such as pressure or acceleration. In recent years, a variety of other applications in the industrial and commercial area were added. According to Yole Développement, growth is currently driven by different megatrends, such as autonomous driving, the switch to the 5G mobile telecommunication standard, large data centers, as well as artificial intelligence and augmented reality. For 2017 to 2023, an average annual growth rate of approximately 17 percent is expected for MEMS sensors (quantity) (Yole Développement, May 2018). However, it has to be taken into consideration that the equipment sector will see considerably less growth in the machines area due to efficiency gains, increases in throughput and yield, and the trend to greater wafer diameters.

ADVANCED PACKAGING

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.

FAN-OUT-WAFER-LEVEL-PACKAGING

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 2017 to 2023, Yole (September 2018) expects average annual growth of approximately 15 percent in this market niche in which SUSS MicroTec is represented with its lithography machines – coaters, developers, and UV projection scanners.

3D-INTEGRATION

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 the processor, in one package. Yole expects average annual growth of approximately 29 percent for this market segment from 2017 to 2023.

ENDOGENOUS INDICATORS

In addition to the development of the target markets, innovative potential is key for business success. In the 2018 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.

STATEMENT ON THE PROJECTED DEVELOPMENT OF THE GROUP – OUTLOOK FOR 2019

Following another good order intake in the 2018 financial year, especially in the fourth quarter, we remain optimistic about the 2019 financial year. Although the market environment in the semiconductor industry and the general economic outlook have deteriorated compared to the previous year, we are still very confident that 2019 will be another good year for SUSS MicroTec. The technology trends that drive our industry continue to exist, even if they may take effect with some delay. Therefore, from today's perspective, we have no doubts about the continued good demand for our products and holistic solutions by our customers in the markets relevant to us. The actual impact of the recent negative news from large semiconductor manufacturers and IDMs on SUSS MicroTec is difficult to assess at the point of time, as we operate in almost exclusively innovative niches of the markets relevant to us.

Taking into account the somewhat gloomier general market outlook for 2019, we assume that incoming orders in the first half of 2019 will range from around € 80 million to € 90 million. Building on this, we expect sales in 2019 to be in the bandwidth between € 200 million and € 215 million. At this revenue level, the EBIT margin for 2019 is expected to be in the range of 6.5% to 8.0% of revenue and EBITDA in a range of 9.0% to 10.5% of sales.

The Lithography segment will once again deliver the largest contribution to sales and earnings for the Group in the 2019 financial year. Based on the order backlog booked at the end of 2018 and the expected order intake for 2019, we expect sales to be at the previous year's level. The EBIT margin is expected to exceed the previous year's level, meaning that EBIT will be in the range of € 7 million to € 9 million. For the Bonder segment, we expect a slight decline in sales and lower EBIT in the low single-digit millions compared to the previous year. In the Photomask Equipment segment, a further increase in sales is planned, but with a lower relative increase than in the previous year. The earnings contribution from this segment will be correspondingly higher than in 2018.

Due to necessary investments in connection with our strategic growth targets and to improve our production capacities, we expect a negative free cash flow of minus € 5 million to minus € 10 million for the 2019 financial year. However, the free cash flow very much depends on the payment behavior of our customers, which according to experience is characterized by uncertainties at the end of the year. Should major customer payments be postponed to the following year, the free cash flow for 2019 could be even more negative overall. In order to provide financial security for the targeted growth, against the backdrop of the existing interest rate level, we plan to raise debt in the low double-digit million range or to agree on corresponding financing lines.

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 14, 2019



Dr. Franz Richter
Chief Executive Officer



Robert Leurs
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

OF SUSS MICROTEC SE FOR THE 2018 FISCAL YEAR

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CONSOLIDATED STATEMENT OF INCOME (IFRS)

<i>in € thousand</i>	Note	01/01/2018–12/31/2018	01/01/2017–12/31/2017
Sales	(3)	203,931	166,524
Cost of sales	(4)	-136,672	-107,018
Gross profit		67,259	59,506
Selling costs		-21,872	-19,572
Research and development costs		-18,304	-15,186
Administration costs		-15,880	-13,402
Other operating income	(5)	3,192	6,342
Other operating expenses	(6)	-3,524	-3,785
Analysis of net income from operations (EBIT)			
EBITDA (Earnings before interest and taxes, depreciation and amortization)		15,717	17,977
Depreciation and amortization of tangible assets, intangible assets and financial assets	(10)	-4,846	-4,074
Net income from operations (EBIT)		10,871	13,903
Financial income		39	57
Financial expenses		-174	-207
Financial result	(7)	-135	-150
Profit before taxes		10,736	13,753
Income taxes	(8)	-5,952	-7,047
Net profit		4,784	6,706
thereof equity holders of SUSS MicroTec SE		4,784	6,706
thereof non-controlling interests		0	0
Earnings per share (basic)	(9)		
Earnings per share in €		0,25	0,35
Earnings per share (diluted)	(9)		
Earnings per share in €		0.25	0.35

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

<i>in € thousand</i>	01/01/2018–12/31/2018	01/01/2017–12/31/2017
Net profit	4,784	6,706
Items that will not be reclassified to profit and loss		
Revaluation of defined benefit pension plans	-306	-293
Deferred taxes	15	61
Other comprehensive income after tax for items that will not be reclassified to profit and loss	-291	-232
Items that will be reclassified to profit and loss in later periods		
Foreign currency adjustment	1,158	-3,840
Cash flow hedges	0	0
Deferred taxes	0	0
Other comprehensive income after tax for items that will be reclassified to profit and loss	1,158	-3,840
Total income and expenses recognized in equity	867	-4,072
Total income and expenses reported in the reporting period	5,651	2,634
thereof equity holders of SUSS MicroTec SE	5,651	2,634
thereof non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET (IFRS)

<i>in € thousand</i>	Note	12/31/2018	12/31/2017
Assets			
Noncurrent assets		44,975	42,701
Intangible assets	(11)	2,034	2,609
Goodwill	(12)	15,666	15,573
Tangible assets	(13)	26,189	23,302
Other assets	(14)	534	503
Deferred tax assets	(8)	552	714
Current assets		154,582	159,249
Inventories	(15)	93,459	97,945
Trade receivables	(16)	22,071	19,633
Contract assets	(17)	3,026	0
Other financial assets	(18)	272	483
Current tax assets	(19)	242	83
Cash and cash equivalents	(20)	30,672	36,464
Other assets	(21)	4,840	4,641
Total assets		199,557	201,950

<i>in € thousand</i>	Note	12/31/2018	12/31/2017
Liabilities & Shareholders' Equity			
Equity		140,435	126,987
Total equity attributable to shareholders of SUSS MicroTec SE		140,435	126,987
Subscribed capital	(22)	19,116	19,116
Reserves	(22)	122,867	110,286
Accumulated other comprehensive income	(22)	-1,548	-2,415
Noncurrent liabilities		8,266	7,246
Pension plans and similar commitments	(23)	5,075	4,746
Financial debt	(24)	1,500	2,500
Deferred tax liabilities	(8)	1,691	0
Current liabilities		50,856	67,717
Provisions	(25)	5,212	2,659
Tax liabilities	(29)	2,609	3,582
Financial debt	(24)	1,006	1,005
Other financial liabilities	(26)	7,858	6,748
Trade payables		9,016	7,289
Contract liabilities	(27)	18,225	0
Other liabilities	(28)	6,930	46,434
Total liabilities and shareholders' equity		199,557	201,950

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

<i>in € thousand</i>	01/01/2018–12/31/2018	01/01/2017–12/31/2017
Net profit (after taxes)	4,784	6,706
Amortization of intangible assets	1,215	1,244
Depreciation of tangible assets	3,631	2,830
Profit on disposal of intangible and tangible assets	8	42
Change of reserves on inventories	3,631	432
Change of reserves for bad debts	-320	487
Non-cash income from the reversal of pension provisions	0	-203
Other non-cash effective income and expenses	146	-228
Change in inventories	-29,830	-28,205
Change in contract assets	9,655	0
Change in trade receivables	-1,913	2,938
Change in other assets	-19	-2,041
Change in pension provisions	214	315
Change in trade payables	1,659	5,843
Change in contract liabilities (previous year: down payments received)	9,618	18,089
Change in other liabilities and other provisions	1,756	-414
Change of tax assets and tax liabilities	-2,317	1,544
Cash flow from operating activities	1,918	9,379

<i>in € thousand</i>	01/01/2018–12/31/2018	01/01/2017–12/31/2017
Disbursements for tangible assets	-6,337	-5,976
Disbursements for intangible assets	-604	-512
Cash flow from investing activities	-6,941	-6,488
Repayment of bank loans	-1,000	-1,000
Change in current bank liabilities	1	-2
Cash flow from financing activities	-999	-1,002
Adjustments to funds caused by exchange rate fluctuations	230	-1,046
Change in cash and cash equivalents	-5,792	843
Funds at the beginning of the year	36,464	35,621
Funds at the end of the period	30,672	36,464
Cash flow from operating activities includes:		
Interest paid during the period	121	153
Interest received during the period	33	52
Tax paid during the period	7,842	5,283
Tax refunds during the period	216	87

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, 2017	19,116	71,547	433	31,831
Disbursement from the capital reserve of SUSS MicroTec SE				
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
As of January 1, 2018	19,116	71,547	202	38,537
Adjustment of profit brought forward due to first application of IFRS 15 (revenue)				7,797
Adjusted as of January 1, 2018	19,116	71,547	202	46,334
Net income/loss				4,784
Total income and expenses recognized in equity				
Total comprehensive income/loss				4,784
As of December 31, 2018	19,116	71,547	202	51,118

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				
Revaluation of defined benefit pension plans	Deferred taxes	Foreign currency adjustment	Cash flow hedges	Deferred taxes		
-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
-2,984	736	-167	0	0	126,987	126,987
-2,984	736	-167	0	0	134,784	134,784
					4,784	4,784
-306	15	1,158	0	0	867	867
-306	15	1,158	0	0	5,651	5,651
-3,290	751	991	0	0	140,435	140,435

FIXED ASSETS MOVEMENT SCHEDULE

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

FIXED ASSETS MOVEMENT SCHEDULE 2018

<i>in € thousand</i>	Acquisition and manufacturing costs				
	01/01/2018	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	18,890	84	604		11
2. Development costs	29,414	37			
3. Other intangible assets	3,054	99			0
	51,358	220	604	0	11
II. Goodwill	29,986	93			
III. Tangible assets					
1. Properties, buildings, fixtures	18,402	7	1,146		0
2. Technical equipment and machinery	15,036	512	3,536	259	38
3. Other equipment, office, and plant furnishings	11,715	42	1,627	-197	765
4. Motor vehicles	353		28		0
5. Facilities under construction	62			-62	
6. Capitalized leased property					
Technical equipment and machinery	291	14			
Fleet of vehicles	29	2			
	45,888	577	6,337	-1	803
IV. Financial assets					
Other investments	2,120				
	2,120	0	0	0	0

Depreciation and amortization							Net book value		
12/31/2018	01/01/2018	Translation adjustment	Additions	Reclassifications	Disposals	12/31/2018	12/31/2017	12/31/2018	
19,567	16,987	76	880		11	17,932	1,903	1,635	
29,451	29,297	37	61			29,395	117	56	
3,153	2,465	71	274		0	2,810	589	343	
52,171	48,749	184	1,215	0	11	50,137	2,609	2,034	
30,079	14,413					14,413	15,573	15,666	
19,555	3,155	7	565		0	3,727	15,247	15,828	
19,305	9,422	332	1,740		36	11,458	5,614	7,847	
12,422	9,338	34	1,323		759	9,936	2,377	2,486	
381	351		2		0	353	2	28	
0	0					0	62	0	
305	291	14				305	0	0	
31	29	2				31	0	0	
51,999	22,586	389	3,630	0	795	25,810	23,302	26,189	
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 2017

<i>in € thousand</i>	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. Properties, 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					
Properties, buildings, fixtures	0				
Technical equipment and machinery	432	-52			89
Other equipment, office, and plant furnishings	0	0	0		0
Fleet of vehicles	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	

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	
	2018	2017	2018	2017
External sales	119,473	112,803	36,919	22,096
Internal sales	0	0	0	0
Total sales	119,473	112,803	36,919	22,096
Result per segment (EBIT)	6,324	6,338	4,830	3,284
Income before taxes	6,287	6,298	4,823	3,277
Significant non-cash items	-1,879	-980	-935	625
Segment assets	87,220	94,694	26,031	24,596
thereof goodwill	15,666	15,573	0	0
Unallocated assets				
Total assets				
Segment liabilities	-24,401	-34,002	-8,503	-6,856
Unallocated liabilities				
Total liabilities				
Depreciation and amortization	2,110	1,708	418	260
thereof scheduled	2,110	1,708	418	260
thereof impairment loss	0	0	0	0
Capital expenditure	2,646	1,512	501	211
Workforce on December 31	555	486	98	94

SEGMENT INFORMATION BY REGION

<i>in € thousand</i>	Sales		Capital expenditure		Assets (without goodwill)	
	2018	2017	2018	2017	2018	2017
EMEA	48,198	38,802	6,421	6,150	125,137	125,092
North America	17,716	26,621	456	292	17,458	14,968
Asia / Pacific	138,017	101,101	64	46	5,035	4,127
Consolidation effects	0	0	0	0	-851	-698
Total	203,931	166,524	6,941	6,488	146,779	143,489

Photomask Equipment		Others		Consolidation effects		Total	
2018	2017	2018	2017	2018	2017	2018	2017
33,886	19,702	13,653	11,923	–	–	203,931	166,524
0	0	8,544	6,180	–8,544	–6,180	0	0
33,886	19,702	22,197	18,103	–8,544	–6,180	203,931	166,524
4,742	5,093	–5,025	–812	–	–	10,871	13,903
4,740	5,091	–5,114	–913	–	–	10,736	13,753
–417	–194	–914	–163	–	–	–4,145	–712
19,374	13,690	29,820	26,082	–	–	162,445	159,062
0	0	0	0	–	–	15,666	15,573
						37,112	42,888
						199,557	201,950
–6,782	–11,309	–3,753	–7,820	–	–	–43,439	–59,987
						–15,683	–14,976
						–59,122	–74,963
181	132	2,137	1,974	–	–	4,846	4,074
181	132	2,137	1,974	–	–	4,846	4,074
0	0	0	0	–	–	0	0
143	175	3,651	4,590	–	–	6,941	6,488
129	115	99	84	–	–	881	779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

of SUSS MicroTec SE for the 2018 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, 2018, will be submitted to and published in the Federal Gazette.

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

In the 2018 fiscal year, SUSS MicroTec SE applied the following new standards and amendments to existing standards for the first time:

- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from Contracts with Customers”
- Annual improvements to the IFRS (2014 – 2016 cycle)
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IFRS 9 introduces new regulations for the classification and measurement of financial assets and replaces the current regulations for the impairment of financial assets. Under the new standard, the financial reporting of effects resulting from changes in an entity’s own credit risk in relation to financial obligations classified at fair value has been amended, as have the regulations for the financial reporting of hedging relationships. Apart from that, the classification and measurement of financial obligations is largely unchanged compared with the current regulations.

During the transition to IFRS 9, SUSS MicroTec SE has applied the modified retrospective method, according to which cumulative adjustment amounts are recognized as of January 1, 2018. However, since the cumulative adjustment amounts were very low, they were not recognized in the profit and loss carryforward due to immateriality.

In accordance with IFRS 9, the classification and measurement of financial assets is based on the Company’s business model and on the cash flow characteristics of the financial asset in question. The amended classification and measurement of financial assets resulted in the following effects at the time of initial application:

Transition of financial assets from IAS 39 to IFRS 9

IAS 39 measurement category	Carrying amount 12/31/2017 (IAS 39)	Reclassifi- cations	Effect of change in measurement category	Effect of impairment model	Carrying amount 01/01/2018 (IFRS 9)	IFRS 9 measurement category
Cash and cash equivalents						Cash and cash equivalents
measured at amortized cost (loans and receivables)	36,464				36,464	measured at amortized cost
Trade receivables						Trade receivables
measured at amortized cost (loans and receivables)	19,633				19,633	measured at amortized cost
Other financial assets						Other financial assets
measured at amortized cost (loans and receivables)	382				382	measured at amortized cost
measured at fair value (trading portfolio)	101				101	measured at fair value in profit or loss
Total financial assets	20,116	0	0	0	20,116	

Financial liabilities were unaffected by the changes.

IFRS 15 establishes a comprehensive framework for determining in what amount and at what time revenue is recognized. It replaces existing guidelines for the recognition of revenue, including IAS 18 "Revenue," IAS 11 "Construction Contracts," and IFRIC 13 "Customer Loyalty Programmes." In accordance with IFRS 15, the recognition of income occurs when a customer gains control over goods or services. The determination whether control is transferred at a point in time or over time requires discretionary decisions.

During the transition to IFRS 15, SUSS MicroTec SE has applied the modified retrospective method, according to which cumulative adjustment amounts are recognized as of January 1, 2018. As a result, the comparative information for 2017 was not adjusted. This means that it was presented as previously in accordance with IAS 18, IAS 11, and the corresponding Interpretations.

As part of the final implementation of IFRS 15, there was another review of the structure of contractual regulations in the conventional machine project business of SUSS MicroTec. After studying the standard closely, SUSS MicroTec came to the final conclusion that the conditions for the separability of the contractual performance obligations are fulfilled in accordance with the requirements of the standard. Applying the regulations amended by IFRS 15 in this regard, SUSS MicroTec has classified its machine project business as multi-component transactions in accordance with IFRS 15.22 et seq. retroactively from January 1, 2018. This primarily means separation into (a) manufacture/delivery and (b) installation of the machine on differing realization dates.

The following table presents the impact of the transition to IFRS 15 on the profit and loss carryforward after taxes as of January 1, 2018.

<i>in € thousand</i>	Effect from the application of IFRS 15 as of 01/01/2018
Profit and loss carryforward	
Sales contracts for tools	34,758
Cost of sales	-23,924
Income taxes	-3,037
Effect as of January 1, 2018	7,797

The following table summarizes the impact of the application of IFRS 15 on the relevant items of the consolidated statement of financial position as of December 31, 2018, as well as the consolidated statement of income for the 2018 fiscal year.

Impact on the consolidated balance sheet:

<i>in € thousand</i>	12/31/2018	As reported	Adjustments	Amounts without apply- ing IFRS 15
Assets				
Inventories	93,459	18,437		111,896
Contract assets	3,026	-3,026		0
Others	103,072	0		103,072
Total assets	199,557	15,411		214,968
Shareholders' equity				
Reserves	122,867	-4,393		118,474
Others	17,568			17,568
Total shareholders' equity	140,435	-4,393		136,042
Liabilities				
Tax liabilities	2,609	-1,728		881
Provisions	5,212	-227		4,985
Other liabilities	25,155	21,759		46,914
Others	26,146	0		26,146
Total liabilities	59,122	19,804		78,926
Total assets	199,557	15,411		214,968

Impact on the consolidated statement of income:

01/01/2018 - 12/31/2018			
<i>in € thousand</i>	As reported	Adjustments	Amounts without applying IFRS 15
Sales	203,931	9,973	213,904
Cost of sales	-136,672	-5,487	-142,159
Tax expenses	-5,952	-1,309	-7,261
Others	-56,523	227	-56,296
Earnings after taxes	4,784	3,404	8,188
Earnings per share (undiluted) in € (corresponding to the diluted earnings per share)	0.25		0.43

No material effects on the consolidated financial statements resulted from the initial application of the new regulations arising from annual improvements to IFRS (2014–2016 cycle).

Other changes as and from January 1, 2018, in relation to IFRS 2 (Share-based Payment), IFRS 4 (application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts) and IAS 40 (Investment Property) had no effect on SUSS MicroTec in the 2018 fiscal year.

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 16 “Leases”

The IASB published IFRIC 16 “Leases” on January 13, 2016. The adoption into EU law took place on October 31, 2017. 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.

Under application of IFRS 16, a lessee recognizes a right-of-use asset, which represents his right to the use of the underlying assets, as well as a liability arising from the lease, which represents his obligation to make lease payments. There are simplification rules for short-term leases and leases of negligible value.

SUSS MicroTec has evaluated the estimated impact of the initial application of IFRS 16 on the consolidated financial statements, as presented below. The actual impact of the application of this standard as of January 1, 2019, can deviate from this.

SUSS MicroTec will recognize new assets and liabilities for all rented premises and areas as well as for leased Company vehicles, among other items. 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.

SUSS MicroTec will not recognize any new assets and liabilities in accordance with IFRS 16 (recognition option pursuant to IFRS 16.5) for short-term leases and for leases which have a low-value underlying asset.

Since SUSS MicroTec will use the modified retrospective method, there will be no impact on annual earnings in 2018.

Based on currently available information, SUSS MicroTec estimates that additional lease liabilities totaling € 2,275 thousand will be recognized as of January 1, 2019, and that earnings before taxes are going to increase by € 9 thousand in 2019.

Reconciliation

<i>in € thousand</i>	Reconciliation as of 1/1/2019
Obligations from operating leases as of 12/31/2018	2,418
Exception rule for short-term lease agreements	-639
Exception rule for leasing of low-value assets	-84
Extension options	619
Gross lease liabilities as of 01/01/2019	2,314
Discounting	-39
Additional lease liabilities due to the initial application of IFRS 16 as of 01/01/2019	2,275

Effects on the Statement of Income:

<i>in € thousand</i>	2019
Increase in depreciation	-803
Decrease in lease expenses	830
Increase in EBIT	27
Increase in interest expense	-18
Increase in EBT	9

IFRS 17 “Insurance Contracts”

The IASB published IFRS 17 on May 18, 2017. IFRS 17 replaces IFRS 4 and governs accounting for insurance contracts. The adoption into EU law is still pending. IFRS 17 must be applied from January 1, 2021. SUSS MicroTec does not see any application area for the rules of IFRS 17.

Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

The amendment to IFRS 9 was published by the IASB on October 12, 2017, and adopted into EU law on March 22, 2018. The amendments are applicable from January 1, 2019. SUSS MicroTec does not expect any effects from the first-time application of these amendments to IFRS 9.

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. The adoption into EU law took place on October 23, 2018. 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 IFRS 28 on October 12, 2017. They clarify the applicability of IFRS 9 “Financial Instruments” to noncurrent investments in associates. The adoption into EU law is still pending. 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 IFRS 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 adoption into EU law is still pending. The amendments are applicable from January 1, 2019. SUSS MicroTec does not expect any effects from its first-time application.

From January 1, 2019, new regulations resulting from amendments to IAS 19 “Employee Benefits” are applicable. From January 1, 2020, various new regulations resulting from amendments to references to the framework concept in IFRS, amendments to IFRS 3 “Business Combinations” and amendments to IAS 1 and IAS 8 (regarding the definition of the term “material”) are also applicable. None of these have been adopted into EU law as yet. SUSS MicroTec does not expect any effects from the first-time application of these new regulations.

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, primarily the following accounting policies were applied.

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 divisions 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 carried out.

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.

Financial assets are divided into three categories and measured differently.

- Debt instruments that are held for the purpose of collecting contractual cash flows and whose contractual technical characteristics lead to cash flows at fixed times that exclusively represent repayment and interest payments for the outstanding amount of capital: measurement at amortized cost
- Debt instruments that are held for the purpose of collecting contractual cash flows and selling the financial asset and whose contractual technical characteristics lead to cash flows at fixed times that exclusively represent repayment and interest payments for the outstanding amount of capital: measurement at fair value without effect on profit or loss
- Equity instruments and other debt instruments that do not fall under the already specified categories: measurement at fair value in profit or loss

Financial liabilities are measured at fair value in profit or loss if they fall under the definition of “held for trading purposes.” All remaining financial liabilities are measured at cost.

Receivables and Other Financial Assets

Trade receivables are recognized from the time at which they arise. All other financial assets and liabilities are initially recognized on the trading date on which the Company becomes a contractual party in accordance with the contractual provisions.

Trade receivables without significant financial components are measured upon initial recognition at the transaction price and in the subsequent periods at amortized cost. All other financial assets are measured upon initial recognition at fair value. Measurement in the subsequent periods – according to the type of financial asset – is either with or without effect on profit or loss.

Appropriate value adjustments are made for trade receivables if the receivables are considered to be doubtful or unrecoverable. In addition, value adjustments are made depending on the age structure of overdue receivables. These impairments are recorded in separate adjustment accounts.

Securities

A distinction should be made as to whether securities are to be classified as “debt instruments” or as “equity instruments.” According to classification and structure, securities are measured at amortized cost or fair value. Measurement effects that arise from measurement at fair value are recognized in other comprehensive income without effect on profit or loss unless the measurement effects are to be recognized in the financial result without effect on profit or loss.

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 cost.

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 revaluation of 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 are recorded in accordance with IFRS 15 if the conditions are met for recognizing them. Using a principles-based, five-step model, an assessment is made regarding in what amount and at what time or over what period sales are recognized.

For the sale of tools, the following distinct performance obligations are identified, for each of which sales are recognized separately.

- Production and delivery of the tool
- Installation of the tool and initial training of the customer on the tool
- Training of employees on the tool
- A warranty that exceeds the legal scope
- Maintenance and service of the tool
- Delivery of replacement parts
- Implementation of upgrades to the tool

For each identified performance obligation, an assessment is made whether the performance of service occurs over time or at a point in time. Sales are recognized if control over the good or service has been transferred to the customer.

For the production and delivery of the tool on the one hand and the installation or initial training on the tool on the other hand, revenue recognition occurs in each case at the point in time when control is transferred to the customer. In this context, the point in time of delivery or the transfer of risk to the customer is crucial for the performance obligation "production and delivery of the tool." For the performance obligation "installation of the tool / initial training of the customer," a transfer of control occurs at the point in time when the installation has been completed and the tool has been accepted by the customer. 90% of the amount of the order normally accrues to the performance obligation "production and delivery of the tool"; 10% of the amount of the order is normally allocated to the performance obligation "installation of the tool/initial training of the customer." Revenue recognition at the point in time of the transfer of control occurs in the corresponding amount.

Earnings for the sale of micro-optic components are realized at the time of delivery.

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.

The effect of the initial application of IFRS 15 on income from contracts with customers of the Group is described in the Notes under point (2). Due to the transition method applied for IFRS 15, the comparative information was not adapted to the new provisions.

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.

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 (EPS)

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 IFRS 9. Derivative financial instruments are allocated to assets and liabilities, 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 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 and the current development of the economy. The Company values write-offs on receivables on the basis for expected losses. As of December 31, 2018, the total adjustment on trade receivables was € 564 thousand (previous year: € 884 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: 8.3%) 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 8.61% (previous year: 8.53%). 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 tangible assets 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 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

For the 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.

	2018		2017	
	Statement of Financial Position	Statement of Income	Statement of Financial Position	Statement of Income
1 EUR vs. 1 USD	1.145	1.181	1.199	1.131
1 EUR vs. 1 JPY	125.898	130.421	134.889	127.024
1 EUR vs. 1 GBP	0.897	0.886	0.887	0.875
1 EUR vs. 1 CHF	1.127	1.153	1.169	1.113
1 EUR vs. 1 TWD	35.003	35.538	35.566	34.414
1 EUR vs. 1 SGD	1.559	1.591	1.602	1.559
1 EUR vs. 1 CNY	7.874	7.818	7.813	7.627
1 EUR vs. 1 KRW	1,274.804	1,294.063	1,278.302	1,275.674

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, 2017, there were no additional changes to the scope of consolidation.

Therefore, the following subsidiaries and associates of SUSS MicroTec SE (ultimate parent company) were included in the consolidated financial statements as of December 31, 2018 (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	64,759,026.03	-16,101,678.06	full
SUSS MicroTec Lithography GmbH, Garching ² , Germany	EUR	2,000,100.00	100%	52,903,272.80	12,176,796.55	full
SUSS MicroTec Photomask Equipment GmbH & Co. KG, Sternenfels, Germany	EUR	3,000,000.00	100%	3,000,000.00	2,933,616.68	full
SUSS MicroTec Photomask Equipment Beteiligungs-GmbH, Sternenfels, Germany	EUR	25,000.00	100%	14,441.89	1,378.27	full
SUSS MicroTec Ltd., Market Rasen, United Kingdom	GBP	10,000.00	100%	338,301.24	63,390.53	full
SUSS MicroTec KK, Yokohama, Japan	JPY	30,000,000.00	100%	-707,557,154.00	38,021,808.00	full
SUSS MicroTec SARL, Pierre-Bénite, France	EUR	114,750.00	100%	2,765,489.51	494,990.55	full
SUSS MicroOptics S.A., Hauterive, Switzerland	CHF	500,000.00	100%	13,476,686.84	320,241.49	full
SUSS MicroTec, Inc., Corona, USA	USD	4,197,000.00	100%	45,095,078.90	-177,144.43	full
SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan	TWD	5,000,000.00	100%	304,299,106.00	99,522,286.00	full
SUSS MicroTec Company Ltd., Shanghai, China	CNY	1,655,320.00	100%	56,465,767.76	1,329,843.06	full
HUGLE Lithography Inc., San Jose, USA ³	USD	1,190,442.00	53,1%	-41,379.00	-1,816.00	–
SUSS MicroTec REMAN GmbH, Oberschleißheim ² , Germany	EUR	25,564.59	100%	1,296,046.83	1,090,174.77	full
SUSS MicroTec (Singapore) Pte. Ltd., Singapore	SGD	25,000.00	100%	3,670,826.85	1,884,979.09	full
SUSS MicroTec Korea Co. Ltd., Hwaseong City, South Korea	KRW	50,000,000.00	100%	3,520,535,653.00	1,120,932,756.00	full
SUSS MicroTec Photonic Systems Inc., Corona, USA	USD	10,400.00	100%	-26,606,422.50	-11,141,218.53	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 SE.

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 effect of the initial application of IFRS 15 on income from contracts with customers of the Group is described under point (2). Due to the transition method applied for IFRS 15, the comparative information was not adapted to the new provisions.

The sales are composed as follows:

<i>in € thousand</i>	2018	2017
Revenue from contracts with customers	154,407	126,008
Spare parts and upgrades	24,784	18,731
Services	11,188	10,158
Micro-optics	13,051	11,627
Others	501	0
Sales	203,931	166,524

Sales during the 2018 fiscal year are allocated to the divisions as follows:

<i>in € thousand</i>	Lithography	Bonder	Photomask Equipment	Others	2018 total
Revenue from contracts with customers	96,959	31,915	25,533	–	154,407
Spare parts and upgrades	17,450	3,721	3,487	126	24,784
Services	5,016	1,283	4,854	35	11,188
MicroOptics	–	–	–	13,051	13,051
Others	48	–	12	441	501
Sales	119,473	36,919	33,886	13,653	203,931

The regional distribution of sales in 2018 was as follows:

<i>in € thousand</i>	Lithography	Bonder	Photomask Equipment	Others	2018 total
EMEA	30,524	5,769	3,988	7,917	48,198
Americas	10,307	5,396	1,560	453	17,716
Asia/Pacific	78,642	25,754	28,338	5,283	138,017
Sales	119,473	36,919	33,886	13,653	203,931

Sales during the previous year are allocated to the divisions as follows:

<i>in € thousand</i>	Lithography	Bonder	Photomask equipment	Others	2017 total
Revenue from contracts with customers	94,068	18,226	13,714	–	126,008
Spare parts and upgrades	13,339	2,437	2,719	236	18,731
Services	5,396	1,433	3,269	60	10,158
Micro-optics	–	–	–	11,627	11,627
Other sales	0	–	–	–	0
Total sales	112,803	22,096	19,702	11,923	166,524

The regional distribution of sales in 2017 was as follows:

<i>in € thousand</i>	Lithography	Bonder	Photomask equipment	Others	2017 total
EMEA	27,152	4,546	1,770	5,334	38,802
America	16,837	2,317	6,999	468	26,621
Asia	68,814	15,233	10,933	6,121	101,101
Total sales	112,803	22,096	19,702	11,923	166,524

Contractual Balances

The following table provides information about receivables, contractual assets, and liabilities from contracts with customers.

<i>in € thousand</i>	12/31/2018	01/01/2018
Contract balances		
Trade receivables	22,071	19,633
Contract assets	3,026	12,681
Contract liabilities	-18,225	-14,784

The contractual assets involve claims of the Group for consideration for services from machine orders that have been completed, but not yet invoiced as of the reporting date. The contractual assets are reclassified to trade receivables when the rights become unconditional. This occurs as a rule when SUSS MicroTec prepares a final invoice for the customer.

Contract assets developed as follows in 2018:

<i>in € thousand</i>	
Opening balance of contract assets as of 01/01/2018	12,681
Additions	16,308
Disposals (reclassification to trade receivables)	-25,963
Closing balance of contract assets as of 12/31/2018	3,026

The contractual liabilities involve customer down payments received for the production of tools. Upon delivery or acceptance and associated sales recognition, the contractual liabilities are offset against the contractual liabilities or receivables that arise.

Contractual liabilities developed as follows in 2018:

<i>in € thousand</i>	
Opening balance of contract liabilities as of 01/01/2018	-14,784
Additions	-125,523
Disposals	122,082
Closing balance of contract liabilities as of 12/31/2018	-18,225

(4) COST OF SALES

Cost of sales includes total amortization of capitalized development costs of € 61 thousand (previous year: € 61 thousand), which accrues completely to the Lithography division. The residual book value for capitalized development costs of € 56 thousand as of December 31, 2018, exclusively applies to the Lithography division, as it did in the previous year.

In addition, the cost of sales in the current fiscal year includes amortization of € 274 thousand for the acquired technology of SUSS MicroTec Photonic Systems (previous year: € 262 thousand). This technology carried a residual book value of € 343 thousand as of December 31, 2018.

The cost of sales also includes impairments of inventories (demonstration equipment, materials and supplies, as well as finished & semi-finished products) of € 6,033 thousand (previous year: € 5,207 thousand). In the process, € 4,209 thousand (previous year: € 4,367 thousand) accrues to inventories in the Lithography division and € 1,381 thousand (previous year: € 512 thousand) accrues to inventories of the Bonder division. The inventories of the Photomask Equipment division were written down by € 443 thousand (previous year: € 382 thousand).

(5) OTHER OPERATING INCOME

Other operating income was comprised as follows::

<i>in € thousand</i>	2018	2017
Foreign currency gains	2,232	3,261
Licensing income from the transfer of process expertise	14	1,950
Commissions	0	423
Company cars	240	239
Reversal of other liabilities	0	203
Income from the reversal of value adjustments for trade receivables	388	28
Income from the release of provisions	135	6
Other subsidies	136	0
Rental income	0	47
Others	47	185
Other operating income	3,192	6,342

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 in the previous year involved income from a licensing agreement to market technology developed by SUSS MicroTec to clean photo-masks. In the current fiscal year, there was no income from the licence agreement.

Revenue from the reversal of value adjustments for receivables resulted in part from a changed value adjustment scheme for customer receivables. The value adjustment scheme used until 2017 has been adjusted, taking into account payment defaults that have actually occurred until now. As a result, a portion of the value adjustments formed for overdue receivables has been reversed.

The commissions were obtained by our subsidiary in China. In the 2018 fiscal year, these commission earnings were disclosed under revenue under application of IFRS 15.

(6) OTHER OPERATING EXPENSES

Other operating expenses were comprised as follows:

<i>in € thousand</i>	2018	2017
Foreign currency losses	2,936	2,490
Other taxes	507	663
Allowances for value adjustments for doubtful debts	68	516
Losses on disposal of assets	8	42
Expenses for termination of rental contract	0	28
Others	5	46
Other operating expenses	3,524	3,785

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 € 39 thousand (previous year: € 57 thousand) resulted mainly from interest income for money market investments and securities.

The financial expenses are comprised as follows:

<i>in € thousand</i>	2018	2017
Interest for bank loans	121	153
Commissions on bank guarantees	51	54
Other interest and financial expenses	2	0
Financial expenses	174	207

Interest for bank liabilities included € 114 thousand (previous year: € 151 thousand) attributable to financing the property in Garching (loan status as of December 31, 2018: € 2,500 thousand).

(8) INCOME TAXES

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

<i>in € thousand</i>	2018	2017
Current taxes	4,041	5,442
Deferred taxes	1,911	1,605
thereof on temporary differences	1,739	1,440
Total	5,952	7,047

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

<i>in %</i>	2018	2017
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>	2018	2017
Earnings before taxes	10,736	13,753
Expected income taxes	3,033	3,885
Different foreign tax rates	-154	-298
Minimum taxation	1	5
Remeasurement of German tax rates	6	9
Other non-deductible expenses	173	314
Income taxes from previous years	109	126
Change of valuation allowance on deferred taxes	2,353	2,755
Use of loss carryforwards adjusted in full	-70	0
Non-taxable income	-24	-67
Others	525	318
Effective income taxes	5,952	7,047

A comparison of the expected and effective income taxes from the continuing operations shows a deviation of € -2,919 thousand (previous year: € -3,162 thousand). Instead of the expected tax expense of € 3,033 thousand, a tax expense of € 5,952 thousand resulted at the Group level in the reporting year.

In the reporting year, deferred tax assets of € 2,353 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.

No tax deferral was recorded on non-distributed profits from subsidiaries. A decision was made 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	
	2018	2017	2018	2017
Other current liabilities	112	0	0	187
Pension plans and similar commitments	919	954	0	0
Trade receivables	0	1	2,044	3
Customer deposits	0	0	4,920	0
Other non-current provisions	318	150	3	3
Intangible assets	2	505	16	0
Other current assets	0	0	9	45
Goodwill	0	0	2,064	2,064
Adjustment item SMT Photomask Equipment	0	0	188	220
Inventories	6,680	1,460	0	0
Tangible assets	10	12		0
Others	64	64	0	24
Loss carryforward	0	114	0	0
Balancing	-7,553	-2,546	-7,553	-2,546
Total	552	714	1,691	0

The Group has tax loss carryforwards of € 40,439 thousand (previous year: € 34,240 thousand). Of this amount, a total of € 13,527 thousand will have lapsed by December 31, 2028. In the period from 2029 to 2038, a total of € 21,477 thousand will lapse. Loss carryforwards of € 5,435 thousand can be used indefinitely.

SUSS MicroTec Photonic Systems Inc. again posted clearly negative annual earnings from its operating activities. Similarly, SUSS MicroTec, Inc. (Corona, USA) also contributed losses to Group earnings in the past fiscal year. However, SUSS MicroTec Korea Company Ltd. (Hwaseong City, Korea) was able to achieve positive annual earnings and thereby take advantage of the loss carryforwards existing in Korea. SUSS MicroTec KK (Yokohama, Japan) also achieved positive annual earnings in the past fiscal year so that it was able to take advantage of a small portion of the loss carryforwards existing in Japan.

No deferred tax assets were recognized for loss carryforwards of € 40,439 thousand (previous year: € 33,782 thousand) and temporary differences of € 30,133 thousand (previous year: € 17,143 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, 2018, deferred tax assets and liabilities of € 7,553 thousand (previous year: € 2,546 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>	2018	2017
Profit/loss, which accrue to shareholders of SUSS MicroTec SE	4,784	6,706
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	0.25	0.35
Earnings per share in € – diluted	0.25	0.35

(10) ADDITIONAL 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 2018.

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

<i>in € thousand</i>	2018	2017
Research and development expenses	18,304	15,186
Amortization on capitalized research and development costs	61	61
Net capitalization	-61	-61

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>	2018	2017
Wages and salaries	59,567	53,009
Social security expenses	7,717	6,832
Pension expenses	3,591	3,382
Personnel expenses	70,875	63,223

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 2018 fiscal year came to € 84,833 thousand (previous year: € 61,755 thousand).

DEPRECIATION AND AMORTIZATION

Depreciation and amortization are composed as follows:

<i>in € thousand</i>	2018	2017
Intangible assets	1,215	1,244
Tangible assets	3,631	2,830
Depreciation and amortization	4,846	4,074

During the fiscal year, concessions and industrial property rights and similar rights and values as well as licenses to such rights and values were written down in the amount of € 880 thousand (previous year: € 921 thousand) along with capitalized development costs of € 61 thousand (previous year: € 61 thousand).

The technology recognized with the initial consolidation of SUSS MicroTec Photonic Systems and other acquired intangible assets were subject to amortization charges of € 274 thousand (previous year: € 262 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 € 1,635 thousand (previous year: € 1,903 thousand), development costs of € 56 thousand (previous year: € 117 thousand), and technology acquired from SUSS MicroTec Photonic Systems of € 342 thousand (previous year: € 589 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, 2018, involves only the Lithography division.

Technology acquired through the acquisition of SUSS MicroTec Photonic Systems is disclosed with a residual book value of € 342 thousand (previous year: € 589 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 increasing its value as of December 31, 2018.

(12) GOODWILL

The goodwill presented as of the reporting date in the amount of € 15,666 thousand (previous year: € 15,573 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, 2018, real estate with a carrying amount of € 8,756 thousand (previous year: € 8,907 thousand) was encumbered with a land charge as security for a bank loan (see note 24).

(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>	2018	2017
Reinsurance policies	172	167
Deposits	362	336
Other non-current assets	534	503

(15) INVENTORIES

The inventories can be broken down as follows:

<i>in € thousand</i>	2018	2017
Materials and supplies	43,379	36,061
Work in process	40,538	29,111
Finished goods	3,369	27,029
Demonstration equipment	30,532	26,222
Merchandise	493	743
Value adjustments	-24,852	-21,221
Inventories	93,459	97,945

Of the total inventories of € 93,459 thousand as of December 31, 2018 (previous year: € 97,945 thousand), € 42,322 thousand (previous year: € 37,314 thousand) are accounted for at net realizable value.

The amount of inventories, which were recorded as an expense in the fiscal year, totaled approximately € 122,793 thousand (previous year: € 95,413 thousand).

(16) TRADE RECEIVABLES

Trade receivables break down as follows:

<i>in € thousand</i>	2018	2017
Trade receivables – gross	22,635	20,517
Value adjustments	-564	-884
Trade receivables	22,071	19,633

Value adjustments were made based on expected losses as follows:

<i>in € thousand</i>	Not due	Past due 1–180 days	Past due 181–360 days	Past due 361–720 days	Past due > 720 days	Total
Receivables from third parties	16,961	4,291	938	300	145	22,635
Value adjustments	-15	-36	-218	-150	-145	-564
Trade receivables	16,946	4,255	720	150	0	22,071

The following table reproduces the changes in the value adjustments on the stock of trade receivables.

<i>in € thousand</i>	2018	2017
Valuation allowance as of beginning of fiscal year	884	396
Derecognition of trade receivables	0	0
Payments received and recoveries of previously written-off receivables	-388	-28
Additions	68	516
Valuation allowance as of the end of the fiscal year	564	884

Additional information on the determination of value adjustments on trade receivables can be found in the Group Management Report.

(17) CONTRACT ASSETS

The contract assets of € 3,026 thousand involve claims of the Group for consideration for services from machine orders that have been completed, but not yet invoiced as of the reporting date. The contract assets are reclassified to receivables when the rights become unconditional. This occurs as a rule when the Group prepares the final invoice for the customer.

(18) OTHER FINANCIAL ASSETS

Supplier bonuses and receivables from employees are primarily disclosed under other financial assets of € 272 thousand (previous year: € 483 thousand).

(19) TAX REFUND CLAIMS

Current tax receivables of € 242 thousand (previous year: € 83 thousand) involve tax prepayments, as in the previous year.

(20) CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to € 30,672 thousand (previous year: € 36,464 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.

(21) OTHER (CURRENT) ASSETS

The following items are presented under other current assets:

<i>in € thousand</i>	2018	2017
Deferred items	1,195	932
Advance payments	1,142	645
VAT	2,107	2,776
Bidding securities	32	50
Others	364	238
Other current assets	4,840	4,641

The prepaid expenses item contains prepayments for future expenses, e.g., insurance premiums and advance payments of rent.

EXPLANATIONS ON THE EQUITY & LIABILITIES SIDE

(22) 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>	2018	2017
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>	2018	2017
Additional paid-in capital	71,547	71,547
Earnings reserve	202	202
Retained earnings	51,118	38,537
Reserves	122,867	110,286

As a result of the Group's positive annual earnings of € 4,784 and the adjustment of the profit carried forward by € 7,797 thousand due to the initial application of IFRS 15, net profit increased to € 51,118 thousand.

ACCUMULATED OTHER COMPREHENSIVE INCOME

The development of accumulated other comprehensive income is as follows:

<i>in € thousand</i>	2018	2017
Remeasurement on defined benefit pension plans	-2,984	-3,013
Foreign currency adjustments	-167	3,673
Cash flow hedges	0	0
Tax effects		
Remeasurement on defined benefit pension plans	736	766
Cash flow hedges	0	0
Status at the beginning of the period	-2,415	1,426
Pre-tax changes		
Remeasurement on defined benefit pension plans	-306	29
Foreign currency adjustments	1,158	-3,840
Cash flow hedges	0	0
Tax effects		
Remeasurement of defined benefit pension plans	15	-30
Cash flow hedges	0	0
Status at the end of the period	-1,548	-2,415

MANAGEMENT OF EQUITY

The shareholders' equity of the SUSS MicroTec Group – comprised of subscribed capital, reserves, and accumulated other comprehensive income – totaled € 140,435 thousand as of December 31, 2018 (previous year: € 126,987 thousand); this corresponds to an equity ratio of 70.3% (previous year: 62.9%). 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 company 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.

(23) **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>	2018	2017
Defined benefit obligations	10,663	10,070
Fair value of plan asset	-5,588	-5,324
Net pension obligation	5,075	4,746

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 management are eligible for these benefits. The main actuarial assumptions are shown below:

<i>in %</i>	2018	2017
Discount factor	1.76	1.45
Return on plan assets	0.00	1.45
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>	2018	2017
Discount factor	1.00	0.70
Return on plan assets	1.00	0.70
Salary increase	1.50	1.50
Pension increase	0.00	0.00

The subsidiary in Japan has a noncontributory and 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 calculation 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>	2018	2017
Discount factor	0.10	0.20
Salary increase	1.84	1.99
Pension increase	0.00	0.00

The present values of defined benefit obligations and the fair values of the plan assets developed in the 2018 and 2017 fiscal years as follows:

<i>in € thousand</i>	2018	2017
Defined benefit obligation as of January 1	10,070	9,431
Service cost	598	444
Interest cost	84	78
Pension payments	-651	1,149
Actuarial (-) gain/(+) loss due to changes in financial assumptions	-350	-76
Actuarial (-) gain/(+) loss due to changes in demographic assumptions	37	0
Actuarial (-) gain/(+) loss due to experience adjustments	559	-442
Foreign exchange fluctuations	316	-514
Defined benefit obligation as of December 31	10,663	10,070

<i>in € thousand</i>	2018	2017
Plan assets as of January 1	5,324	4,594
Expected return on plan assets	39	33
Fund allocations paid	54	1,735
Actuarial (+) gain/(-) loss	-30	-729
Foreign exchange fluctuations	201	-309
Plan assets as of December 31	5,588	5,324

The essential components of plan assets are reinsurance policies for pension obligations in Switzerland that are secured via Helvetia Sammelstiftung, which has concluded corresponding reinsurance policies for this purpose. Reinsurance is to be viewed as a conservative, low-risk form of investment whose value is subject to only minor market volatility.

Of the present value of the pension obligations, € 8,762 thousand (previous year: € 8,033 thousand) applies to pension claims financed by funds.

The pension expenses break down as follows:

<i>in € thousand</i>	2018	2017
Service cost	598	444
Personnel expenses component	598	444
Interest cost	84	78
Expected return on plan asset	0	-10
Actuarial (+) gain/(-) loss	45	-15
Interest expenses component	129	53

For 2019, the Group expects to make payments totaling € 532 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>	2018	2017
Change in the present value of all defined benefit obligations if		
interest rate was 50 base points lower	888	817
interest rate was 50 base points higher	-760	-702
salary increase was 50 base points lower	-168	-135
salary increase was 50 base points higher	166	132
rate of pension increase was 0.50% lower	-444	-438
rate of pension increase was 0.50% higher	492	483

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\$ 18,500 in 2018. 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 4% of the employee's salary.

In the 2018 fiscal year, the expenses to the Group for the 401(k) plan came to US\$ 253 thousand (previous year: € 241 thousand).

Furthermore, in the reporting year employer contributions were paid into the statutory pension plan in the amount of € 3,338 thousand (previous year: € 3,169 thousand).

(24) FINANCIAL DEBT

The maturity structure of bank borrowings as of December 31, 2018, and the previous year's reporting date is as follows:

12/31/2018 <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	1,500	0	2,500
Current bank liabilities	6	0	0	6
Total	1,006	1,500	0	2,506

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

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 loan is secured by land charges on the Company property in Garching; the carrying amount of the property and the buildings amounted to € 8,756 thousand as of December 31, 2018 (previous year: € 8,907 thousand).

The outstanding balance of this loan was, as of December 31, 2018, € 2,500 thousand (previous year: € 3,500 thousand).

The details of the status of various loans as of the end of the fiscal year are as follows:

Group company <i>in € thousand</i>	2018	2017	Interest rate	Maturity
SUSS MicroTec SE	2,500	3,500	3.65 %	06/30/2021
Total	2,500	3,500		
thereof due current	1,000	1,000		
thereof due noncurrent	1,500	2,500		
2019	1,000			
2020	1,000			
2021	500			
	2,500			

The Company has various credit lines with national and international banks. The credit lines and their utilization have developed as follows:

<i>in € thousand</i>	2018	2017
Credit and guarantee line	21,250	8,250
Utilization in the form of guarantees	9,869	3,443
Open credit and guarantee line	11,381	4,807

As of the end of the fiscal year, Deutsche Bank AG, DZ Bank AG, Crédit Mutuel, and Baden-Württembergische Bank sponsored credit and guarantee lines totaling € 20.5 million. These lines are granted via bilateral credit agreements until further notice and were issued without covenants. SUSS MicroTec SE or SUSS MicroTec Lithography GmbH has access to credit lines totaling € 13.0 million; a credit line of € 7.5 million can be utilized solely by SUSS MicroTec SE.

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 € 9,869 thousand (previous year: € 3,443 thousand) in the form of guarantees.

The average interest rate for the utilization of the credit lines in the form of guarantees was 1.00% (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>	Operating lease
Expenses 2018	1,498
Expenses 2017	1,102
Future liabilities	1,476
due in 2019	620
2020	265
2021	57
2022	0
later	0
Total future	2,418

(25) (CURRENT) PROVISIONS

Current provisions are composed as follows:

<i>in € thousand</i>	2018	2017
Warranty provisions	2,702	2,058
Severance provisions	699	0
Miscellaneous provisions	1,811	601
Current provisions	5,212	2,659

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 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 01/01/2018	Utilization	Reversal	Additions	As of 12/31/2018
Warranty provisions	2,058	-1,682	0	2,326	2,702
Severance provisions	0	0	0	699	699
Miscellaneous provisions	601	-402	-8	1,620	1,811
Current provisions	2,659	-2,084	-8	4,645	5,212

(26) OTHER (CURRENT) FINANCIAL LIABILITIES

Other current financial liabilities break down as follows:

<i>in € thousand</i>	2018	2017
Premiums and commissions	4,458	3,465
External services	2,149	1,599
Supervisory Board remuneration	163	70
Outstanding wage tax	648	978
License fees	11	328
Suppliers with debit balances	254	235
Others	175	73
Other (current) financial liabilities	7,858	6,748

(27) CONTRACT LIABILITIES

The contract liabilities of € 18,225 thousand involve customer down payments received for the production of tools. Upon delivery or acceptance and associated sales recognition, the contract liabilities are offset against the contract assets or receivables that arise.

(28) OTHER (CURRENT) LIABILITIES

Other current liabilities break down as follows:

<i>in € thousand</i>	2018	2017
Down payments received	0	40,312
Accrued personnel expenses	3,423	3,981
Benefit obligations	3,307	1,113
VAT	39	858
Others	161	170
Other current liabilities	6,930	46,434

The accrued personnel expenses contain mainly obligations for vacation arrears and credit accounts under the flexible hours scheme.

(29) TAX LIABILITIES

The tax liabilities are made up of domestic income taxes of € 1,522 thousand (previous year: € 3,053 thousand) and foreign income taxes of € 1,087 thousand (previous year: € 529 thousand).

OTHER DISCLOSURES

(30) 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.

Further information on financial instruments can be found in the Management Report in the section "Opportunities and Risks for the Future Development of the SUSS MicroTec Group".

The following table shows the book values of all categories of financial assets and liabilities:

<i>in € thousand</i>	2018	2017
Financial assets		
Cash and cash equivalents	30,672	36,464
Loans and receivables	25,369	20,015
Financial assets held for trading	0	101
	56,041	56,580
Financial liabilities		
Financial liabilities held for trading	0	0
Financial liabilities	19,380	17,542
	19,380	17,542

The table below presents the market values and the book values of the financial assets and liabilities.

<i>in € thousand</i>	2018		Measurement category according to IFRS 7
	Book value	Fair value	
Financial assets			
Cash and cash equivalents	30,672	30,672	Loans and receivables
Trade receivables	22,071	22,071	Loans and receivables
Contractual assets	3,026	3,026	Loans and receivables
Other financial assets	272	272	Loans and receivables
denominated at amortized cost	272	272	Loans and receivables
denominated at market value (fair value, level 2)	0	0	Held for trading
Financial liabilities			
Trade payables	9,016	9,016	Amortized cost
Financial debt	2,506	2,646	
Bank borrowings	2,506	2,646	Amortized cost
Liabilities from finance lease	0	0	Amortized cost
Other financial liabilities	7,808	7,808	
denominated at amortized cost	7,808	7,808	Amortized cost
denominated at market value (fair value, level 2)	0	0	Held for trading

<i>in € thousand</i>	2017		Measurement category according to IFRS 7
	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

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>	2018	2017
Loans and receivables	320	-488
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>	2018		2017	
	Positive market value	Negative market value	Positive market value	Negative market value
Currency forwards	0	0	101	0

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, 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, 2018, no open foreign currency forwards existed.

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 € 1,053 thousand as of the reporting date (previous year: reduction of € 814 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 of a ten percent appreciation or depreciation of the Euro on annual earnings as of the reporting date and that of the previous year:

<i>in € thousand</i>	2018		
	USD	JPY	Summe
Cash and cash equivalents	7,336	1,666	9,002
Trade receivables	2,952	1,410	4,362
Trade payables	-1,341	-435	-1,776
Net exposure	8,947	2,641	11,588
Effect of a 10% appreciation of the euro on annual net income	-813	-240	-1,053
Effect of a 10% depreciation of the euro on annual net income	994	293	1,288

<i>in € thousand</i>	2017		
	USD	JPY	Summe
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
Effect of a 10% depreciation of the euro on annual net income	681	314	995

(31) 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.

(32) FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Other financial obligations and contingent liabilities are composed as follows:

<i>in € thousand</i>	2018	2017
Purchase contingencies	18,675	36,783
Obligations from rental and lease contracts	2,418	1,172
Total	21,093	37,955

Purchase contingencies commit the Company to purchase services or materials from third parties.

(33) 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 € 146 thousand (previous year: € -228 thousand) contain mainly currency effects. The reporting year also includes effects from the addition of a provision for severance payments of € 699 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.

(34) SEGMENT REPORTING

INFORMATION ABOUT THE SEGMENTS

The activities of the SUSS MicroTec Group are delineated by product line and region in the course of segment reporting in accordance with the rules of IFRS 8 ("Operating Segments"). 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.

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

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.

During the fiscal year, sales were recorded with one customer representing a share of more than 10% of the Group's total sales. Accordingly, this customer accounted for sales of approximately € 24.2 million, which are shown in the segments Lithography, Bonder and Photomask Equipment. In the previous year, SUSS MicroTec did not generate sales with any customer that represented a share of over 10% of the Group's sales.

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 € 30,249 thousand (previous year: € 24,503 thousand) in Germany.

The assets and investments were calculated on the basis of the location of the Group company concerned. The noncurrent assets of the Group are primarily comprised of intangible assets, goodwill, and tangible assets. Of noncurrent assets, € 35,227 thousand (previous year: € 33,530 thousand) are attributable to companies in Germany; € 8,662 thousand (previous year: € 7,955 thousand) accrued to foreign companies. In the past fiscal year, the SUSS MicroTec Group undertook investments of € 4,545 thousand (previous year: € 3,557 thousand) in Germany.

(35) 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.

(36) MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD OF SUSS MICROTEC SE

The Members of the Management Board of SUSS MicroTec SE in the 2018 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, divisions / product lines, human resources, since 09/11/18 also production and quality management.

Further appointments:

- Meyer Burger Technology AG, Gwatt, Switzerland (Member of the Board of Directors)
- COMET Holding AG, Flamatt, Switzerland (Member of the Board of Directors)

Robert Leurs

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

Responsible for the areas:

Finance and accounting, IT, law, taxes and insurance, facility management, investor relations, since 09/11/18 also occupational safety, environmental protection, materials management, and logistics.

Further appointments: none

Walter Braun (until 09/10/18)

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

Responsible for the areas:

Production, occupational safety, quality management, environmental protection, materials management, and logistics

Further appointments: none

SUPERVISORY BOARD OF SUSS MICROTEC SE

The Members of the Supervisory Board in the 2018 fiscal year were:

Dr. Stefan Reineck

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

Further appointments:

- attocube systems AG, Munich, Germany (Deputy Chairman of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA (Member of the Board of Directors)
- Wittenstein SE, Igersheim (Deputy Director 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 President of the Board of the Directors)
- Schaffner Holding AG, Solothurn, Switzerland (Member of the Board of Directors)

Dr. Myriam Jahn

- Resident of Düsseldorf, Germany, Chairwoman of the Board Q-Loud GmbH, Cologne, Germany; Member of the Supervisory Board 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 € 2,107 thousand (previous year: € 1,285 thousand). The amount of Management Board remuneration in the reporting year includes a severance payment of € 699 thousand for the former Chief Operating Officer, Walter Braun, who departed on September 10, 2018.

The remuneration of the members of the Supervisory Board, including meeting attendance fees and expense allowances, amounted to € 256 thousand (previous year: € 231 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:

	2018		2017	
	Shares	Options	Shares	Options
Dr. Franz Richter	80,000	0	65,000	0
Robert Leurs	1,500	0	0	0
Walter Braun	–	–	10,120	0
Dr. Stefan Reineck	9,600	0	9,600	0

(37) EMPLOYEES

In the fiscal year, the SUSS MicroTec Group had an average of 841 employees (previous year: 739 employees).

Status at the end of the year:

	2018	2017
Administration	77	70
Sales and marketing	301	271
Operations	502	438
Total	880	779

(38) AUDITOR'S FEES

In the current fiscal year, SUSS MicroTec recorded a fee of € 266 thousand (previous year: € 274 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 € 18 thousand (previous year: € 11 thousand) went to network partners of the auditor (other members of BDO International). During the reporting year, expenses were incurred exclusively for the audit; these expenses amounted to € 266 thousand for BDO AG Wirtschaftsprüfungsgesellschaft Munich, and also included expenses for voluntary audits at the German subsidiaries and for audit services in connection with the transition to IFRS 15. In the previous year, expenses of € 256 thousand were incurred for the audit, including related services. Furthermore, approximately € 18 thousand was expended for other services related to the transformation of SUSS MicroTec AG into SUSS MicroTec SE in the previous year.

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.

(39) CORPORATE GOVERNANCE

As in the previous years, in January 2018, 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 from February 7, 2017, 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 from February 7, 2017, since the last annual declaration of compliance was issued in January 2017 with the exceptions stated therein.

In January 2019, 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 2018 with the exceptions stated therein.

The declarations of compliance have been made permanently available online at > www.suss.com.

(40)
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 14, 2019.

Garching, Germany, March 14, 2019
The Management Board



Dr. Franz Richter
Chief Executive Officer



Robert Leurs
Chief Financial 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 14, 2019

SUSS MicroTec SE
The Management Board



Dr. Franz Richter
Chief Executive Officer



Robert Leurs
Chief Financial 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, Garching, and its subsidiaries (the Group) comprising the statement of financial position as of December 31, 2018, the statement of income, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the fiscal year from January 1, 2018 to December 31, 2018, 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, 2018 to December 31, 2018. 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, 2018 and its results of operations for the fiscal year from January 1, 2018 to December 31, 2018.
- 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, 2018 to December 31, 2018. 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. Separation of performance obligations in accordance with IFRS 15 (multi-component transactions) and the impact of the initial application

1. IMPAIRMENT OF GOODWILL IN THE LITHOGRAPHY DIVISION

Issue

In the consolidated financial statements of SUSS MicroTec SE as of December 31, 2018, goodwill totaling approximately EUR 15.6 million is disclosed that represents 7.9% of consolidated total assets or 11.2% 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 a discounted cash flow analysis. If the carrying amount of a cash-generating unit is greater than the recoverable amount, an impairment is made 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 of the Notes (2D) Significant Accounting Policies, (2E) Use of Estimates, and (12) Goodwill.

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 2019 and plans for the two subsequent years of 2020 and 2021, 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. SEPARATION OF PERFORMANCE OBLIGATIONS IN ACCORDANCE WITH IFRS 15 (MULTI-COMPONENT TRANSACTIONS) AND THE IMPACT OF THE INITIAL APPLICATION

Issue

In the consolidated financial statements of SUSS MicroTec SE (SUSS MicroTec), sales of EUR 203,931 thousand are disclosed in the statement of income for the 2018 fiscal year. As a result of the initial application of IFRS 15, SUSS MicroTec once again reviewed the structure of contractual regulations in the conventional machine project business in the 2018 fiscal year and provided for its accounting as multi-component transactions in accordance with IFRS 15.22 et seq. retroactively from January 1, 2018.

The contracts in the machine project business usually include the manufacture and delivery of a tool on the one hand as well as the installation of the tool, including initial training of the customer on the tool, on the other hand. For accounting purposes SUSS MicroTec has classified these performance obligations as distinct performance obligations. Additional distinct performance obligations can also be agreed upon in accordance with customer-specific requirements. For the entire scope of performance, a total order value is usually agreed upon with the customer so that an allocation of the entire transaction price to the individual distinct performance obligations in the amount of the individual sale prices is necessary. For each distinct performance obligation, SUSS MicroTec assesses whether the performance of service occurs over time or at a point in time. Sales are recognized if control over the good has been transferred or the service rendered to the customer. For the manufacture and delivery of the tool, sales are recognized at a point in time upon transfer of control to the customer. The decisive factor is the time of the transfer of contractual risk to the customer. As for the installation of the tool, including initial training of the customer, sales are also recognized at a point in time upon performance of the service. The acceptance of the tool by the customer in the form of an acceptance protocol is crucial. The allocation of the total order value to the two aforementioned main components is usually carried out according to the ratio 90% (tool manufacture and delivery) to 10% (installation, including initial training).

The assessment of the distinctness of the various performance obligations of a total order, the assessment of the transfer of control, and the allocation of the total order value to the individual performance obligations are complex. In addition, as a result of the initial application of IFRS 15, specific application issues regarding disclosures on the impact of the initial application had to be assessed in the Notes. For these reasons as well as due to the material impact of the initial application of IFRS 15 on the Group's total sales and earnings in the 2018 fiscal year, this constituted a particularly important audit issue.

The disclosures of SUSS MicroTec SE on the impact of IFRS 15 are included in the sections of the Notes (2B) Standards and Interpretations That Have Been Applied for the First Time, (2D) Significant Accounting Policies, and (3) Sales, as well in the condensed Management Report under the Chapter “Economic Report.”

Audit Response and Insights

Initially, using the rules of IFRS 15, we have intensively addressed the existence of prerequisites for a separation of contractual performance components based on SUSS MicroTec SE’s business model. In part by inspecting contractual agreements, we have assessed in particular the abstract and specific distinctness of the manufacture and delivery of the tool on the one hand and installation services on the other hand. In a second step, we examined the rules agreed upon in the contracts regarding the transfer of control.

In the course of our audit, we have assessed the processes and controls in place at the significant subsidiaries for the recognition of sales and convinced ourselves of the effectiveness of the relevant controls through functional tests. We were able to reproduce the assessments made for the respective subsidiaries to capture the effects of the initial application of IFRS 15 as of January 1, 2018, as well as December 31, 2018. With the support of our IT specialists, we have verified the proper application of the selection criteria chosen for the assessments and convinced ourselves of the completeness of the selected contracts. We have reproduced the accounting recognition of the impact of initial application as of January 1 2018, or December 31, 2018, in the consolidated financial statements.

Regarding the proper recognition of the relevant contractual information for assessing the transfer of control, we have carried out additional functional tests for a sample of all the projects with changeover effects. In addition, in the course of statement-related audit procedures we have reproduced the time of the transfer of control for a conscious selection of orders based on contractual conditions (INCOTERMS) and transport documents and convinced ourselves of the proper accrual accounting of sales from the manufacture and delivery of tools in accordance with IFRS 15.

By inspecting agreements with service companies on foreign installation, we have reproduced the appropriateness of the standardized allocation of the total value of the order to the components of tool manufacture and delivery (90%) and installation, including initial training (10%).

Finally, we audited the completeness and correctness of the disclosures and representations on the impact of the initial application of IFRS 15 in the Notes.

Overall, we were able to ascertain that the separation of performance obligations in accordance with IFRS 15 (multi-component transactions) and the depiction of the related effects of initial

application in the 2018 fiscal year were appropriate and occurred within the scope of the relevant provisions of IFRS 15.

OTHER INFORMATION

The legal representatives are responsible for other information. Other information includes:

- The separately published nonfinancial Group declaration in accordance with the reference in section “Nonfinancial Group Declaration in Accordance with Section 315b of the German Commercial Code (HGB)” of the condensed Management Report,
- The Group declaration on corporate governance in accordance with the reference in section “Group Declaration on Corporate Governance in Accordance with Section 289f and 315f of the German Commercial Code (HGB)” 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 carried out 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 — misrepresentations.

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.
- We 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.

- We 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 June 6, 2018. We were commissioned by the Supervisory Board on August 6, 2018. 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 25, 2019

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 front end manufacturing of microchips themselves, such as lithography and photoresist technologies.

Back end

This term is used to describe the second (rear) link in the microchip production chain. The back end process begins once the wafer has passed through all front end 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, back end process work is primarily done in Asia, where semiconductor manufacturers have back end 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.

Front end

Front end processes are the production steps carried out on the wafer as a whole. This is where the chip itself is made. Back end 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 microstructuring. 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 front end lithography applications are between 32nm (0.032 micrometers) and 0.6 micrometers. In the back end, structure sizes ranging from several microns to tens of microns are generated by photolithography 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 back end 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 Back end.

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 back end. 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>	2018	2017	2016	2015	2014
Business development					
Order entry	191.0	200.3	161.1	188.6	134.3
Order backlog as of December 31	84.7	133.4	101.5	117.6	75.6
Total sales	203.9	166.5	177.6	148.5	145.3
Gross profit	67.3	59.5	58.6	49.4	48.8
Gross margin	33.0%	35.7%	33.0%	33.3%	33.6%
Cost of sales	136.7	107.0	119.0	99.2	96.5
Research and development costs	18.3	15.2	14.1	12.8	10.5
EBITDA	15.7	18.0	15.3	9.2	12.6
EBITDA margin	7.7%	10.8%	8.6%	6.2%	8.7%
EBIT	10.9	13.9	11.1	5.0	8.4
EBIT margin	5.3%	8.3%	6.3%	3.4%	5.8%
Earnings after tax	4.8	6.7	5.0	0.2	4.6
Earnings per share (in €)	0.25	0.35	0.26	0.01	0.24
Balance sheet and cash flow					
Equity	140.4	127.0	124.4	118.7	116.1
Equity ratio	70.3%	62.9%	69.2%	67.0%	69.1%
Return on equity	3.4%	5.3%	4.0%	0.2%	4.0%
Balance sheet total	199.6	202.0	179.6	177.2	168.0
Net cash	28.2	33.0	31.1	40.0	38.0
Free cash flow	-5.0	2.9	-9.1	1.3	2.1
Further key figures					
Investments	6.9	6.5	3.6	3.4	3.0
Investment ratio	3.4%	3.9%	2.0%	2.3%	2.1%
Depreciation	4.8	4.1	4.2	4.2	4.2
Employees as of December 31	881	779	711	698	659



FINANCIAL CALENDAR 2019

- March 27** — Annual Report 2018
- May 8** — Quarterly Report 2019
- June 6** — Annual General Meeting 2019,
Haus der Bayerischen Wirtschaft, Munich
- August 2** — Interim Report 2019
- November 6** — Nine-month Report 2019

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