

People with Vision



Annual Report 2016

Key Figures

<i>in € million</i>	12/31/2016	12/31/2015	Change 2016/2015
Business Development			
Order entry	161.1	188.6	-14.6 %
Order backlog as of December 31	101.5	117.6	-13.7 %
Total sales	177.6	148.5	19.6 %
Sales margin	2.8 %	0.1 %	2.7 % points
Gross profit	58.6	49.4	18.6 %
Gross margin	33.0 %	33.3 %	-0.3 % points
Costs of conversion	119.0	99.2	20.0 %
Research and Development costs	14.1	12.8	10.2 %
EBITDA	15.3	9.2	66.3 %
EBITDA margin	8.6 %	6.2 %	2.4 % points
EBIT	11.1	5.0	> 100.0 %
EBIT margin	6.3 %	3.4 %	2.9 % points
Earnings after tax	5.0	0.2	> 100.0 %
Earnings per share, basic (in €)	0.26	0.01	> 100.0 %
Balance sheet and cash flow			
Equity	124.4	118.7	4.8 %
Equity ratio	69.2 %	67.0 %	2.3 % points
Return on equity	4.0 %	0.2 %	3.9 % points
Balance sheet total	179.6	177.2	1.4 %
Net cash	31.1	40.0	-22.3 %
Free cash flow ¹	-9.1	1.3	< -100.0 %
Further key figures			
Investments	3.6	3.4	5.9 %
Investment ratio	2.0 %	2.3 %	-0.3 % points
Depreciation	4.2	4.2	0.0 %
Employees as of December 31	711	698	1.9 %

¹ Before consideration of purchase or sale of available-for-sale securities

Globally Visionary

LITHOGRAPHY

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

Order entry: **€ 105.0 million**
 Sales: **€ 133.8 million**
 EBIT: **€ 13.2 million**

BONDER

- Bonder

Order entry: **€ 18.6 million**
 Sales: **€ 14.0 million**
 EBIT: **€ -1.7 million**

PHOTOMASK EQUIPMENT

- Photomask Processing Systems

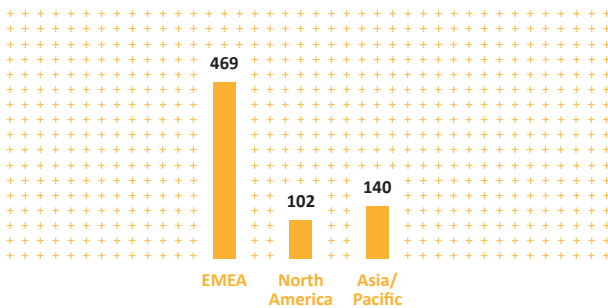
Order entry: **€ 26.3 million**
 Sales: **€ 19.7 million**
 EBIT: **€ 1.8 million**

OTHERS

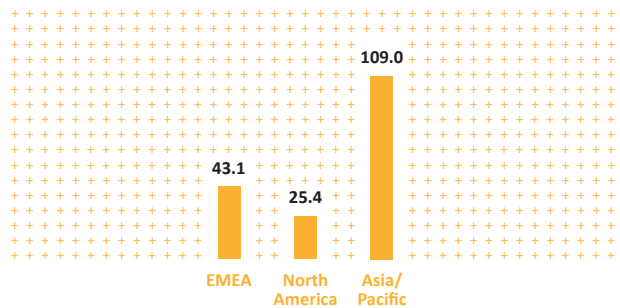
- Micro-optics and Lenses
- Centralized Group Functions

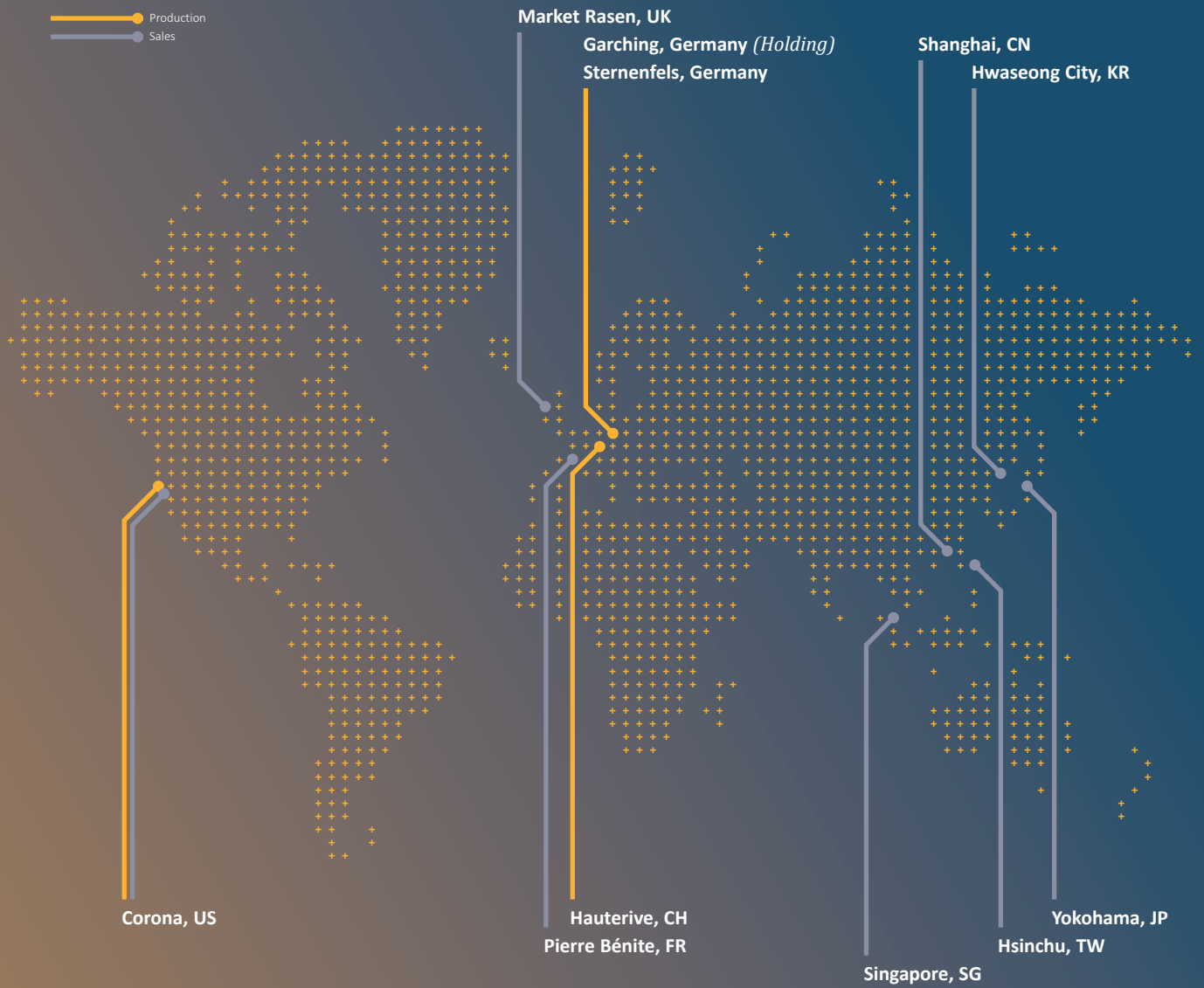
Order entry: **€ 11.2 million**
 Sales: **€ 10.1 million**
 EBIT: **€ -2.1 million**

EMPLOYEES BY REGION



SALES BY REGION *in € million*





SALES BY REGION

14.3 %

North America

24.3 %

EMEA

61.4 %

Asia/Pacific

Dear readers,

In our field, we are faced daily with challenging tasks, which we solve with creativity and the willingness to perform. This is an essential prerequisite for us to continue to be successful in the market. We operate in rapidly changing markets with extremely demanding customers. New solutions are constantly being demanded of us, which we can only achieve with a motivated and committed team. Over the course of our lengthy corporate history we have repeatedly demonstrated that we can do this; we demonstrate it in many areas every day. We count on our employees who have a distinct customer orientation and a very good understanding of the market. This, combined with our great innovative strength and a high degree of cost efficiency, is the key to our success.

THE MANAGEMENT BOARD OF SUSS MICROTEC

Content

Letter to the Shareholders	4
Report of the Supervisory Board	6
People with Vision	10
Investor Relations	42
Corporate Governance	46
Condensed Management Report	52
Consolidated Financial Statements (IFRS)	102
Notes to the Consolidated Financial Statements	118
Glossary	150
Financial Calendar 2017	<i>Back cover</i>
Five-Year Overview	<i>Back cover</i>



Letter to the Shareholders

Dear readers,

The past 2016 fiscal year was characterized by high sales, last seen at this level in the 2011 fiscal year, as well as significantly improved profitability from the previous year. Our ongoing efforts to respond more quickly and in a more targeted manner to market demands and customer wishes were rewarded in the last two fiscal years with good order entry and sales. Following the stabilization of sales and earnings in the 2015 fiscal year, we were able to increase sales by 19.6 percent from the previous year in a market environment that continues to be challenging. Earnings before interest and taxes (EBIT) more than doubled during the same period.

However, this does not mean that we can rest on our laurels. The Management Board will continue to consistently pursue the growth path on which we have embarked and will put even more emphasis on an improvement of the earnings situation. Sustainable growth in the semiconductor equipment sector does not necessarily mean that we can report higher sales every year. This is difficult to achieve given the complexity and cyclical nature of the markets. However, we wish to elevate your company to a significantly higher and more sustainable sales and earnings level over a foreseeable time frame.

We operate in fast-paced markets with very demanding customers. As a result of product life cycles of only a few years, if that long, they face the challenge of continually inventing new technologies. As equipment suppliers, we must support this trend and offer our customers state-of-the-art solutions. However, we are no longer just an equipment supplier. We also conduct intensive process development and optimization. We require a comprehensive and profound understanding of the processes and technologies that are currently being used by our customers in production. Only in this way can we further develop our tools for the optimal benefit of our customers. As the Management Board of your company, we are firmly convinced that several of our markets will grow strongly in the coming years. Wafer-level fan-out, possibly also panel-level fan-out and ultimately 3D integration with TSVs will play a dominant role in chip integration in the future.

However, we do not only see strong growth opportunities in the area of packaging. Similar growth can be generated by such new developments as "Industry 4.0" and the "Internet of Things (IoT)," which are leading to completely new forms of mobility, connectivity, and cloud computing. In end devices, there is strong demand for more MEMS (microelectromechanical systems) and optical systems in order to support even quicker communications and better connectivity. Our customers and our Company are confronted with exciting and sophisticated challenges.

In many cases, outstanding solutions and results can be achieved only if the users and developers of production equipment work closely together in order to optimize the entire production process for the highest quality and productivity. As equipment providers, we work closely with our customers in order to better understand their needs and to offer premium solutions for these requirements. In these turbulent times, our goal remains to be the recognized partner at the semiconductor mid- and backend, particularly for lithographic solutions.

On the product side, we were able to present the market with various innovations in the past fiscal year. For example, in April 2016, we introduced an environmentally friendly innovation in the mask aligner product line. With the development and implementation of the environmentally friendly UV-LED lamp house concept for mask aligners, we succeeded in taking another important step toward the preservation of resources and the protection of the environment. The innovative UV-LED light source has a much longer service life than the previously used mercury vapor lamp. Moreover, the time and energy-intensive warm-up and cool-down phases are no longer needed in the production process. The LED light source only needs to be switched on during the actual exposure process. These properties lead to significant cost and time savings for our customers. In the summer of 2016, we conducted the market launch of a new generation of our semi-automatic mask and bond aligner MA/BAGen4. It features improved capabilities in alignment accuracy, ergonomic design, and lower cost of ownership. With the introduction of this system, we optimized the mask aligner product portfolio in order to satisfy customer requirements better in the future. A third example worth citing here is the market launch of the ACS300Gen3. This involves a coater and development platform, which is specially designed for mass production in the area of advanced packaging.

Despite the good business development and very promising product innovations, we are not satisfied with the performance of our share price in the 2016 fiscal year. The share initially performed well at the beginning of 2016. The significant share price gains were very likely attributable to the record order entry in the fourth quarter of 2015 and the Company's reinclusion in the TecDAX in March 2016. This positive share performance unfortunately did not continue over the course of the year. The share has been on a downward trend since the beginning of May 2016, with its low point on November 16, 2016 with a low for the year of EUR 5.47. Until the end of the year the share moved within a range of approximately EUR 6.00 to EUR 6.50.



From left to right:
 Michael Knopp, *Chief Financial Officer*
 Dr. Franz Richter, *Chief Executive Officer*
 (since September 2016)
 Walter Braun, *Chief Operating Officer*

CHANGE IN THE MANAGEMENT BOARD

Ladies and gentlemen, in the 2016 fiscal year another change took place at the top of the Company. The former Chief Executive Officer Dr. Per-Ove Hansson resigned his position on August 16, 2016. The Supervisory Board was able to swiftly recruit Dr. Franz Richter as the successor to the position of Chief Executive Officer on August 30, 2016. He is very familiar both with the semiconductor sector and the Company since he previously worked as CEO and later as a Supervisory Board member for SUSS MicroTec. As already explained, the Management Board will now focus even more sharply on profitable and sustainable growth.

OUTLOOK

The 2016 fiscal year was characterized by political and economic turbulence. This revolved, among other things, around slower economic growth in China, Brexit and its potential consequences, terrorist attacks in Europe, military conflicts in the Middle East, the refugee situation, and last but not least the outcome of the presidential elections in the United States. During these turbulent times, economic growth amounted to approximately 2.4 percent, according to estimates from the ifo Institute. The eurozone was able to grow by 1.6 percent. For the current fiscal year, leading economic research institutes anticipate global growth of 2.9 percent and growth in the eurozone of 1.5 percent. For the semiconductor sector, experts like Gartner and the Semiconductor Industry Association recorded a decline in growth of 1.5 percent

in the past fiscal year. For 2017 both expect accelerated growth of approximately 7.2 percent compared to the 2016 fiscal year.

Taking the order backlog at year-end 2016 and the expected order entry for the first half of 2017 into account, the Company predicts sales for the current fiscal year to come in at between EUR 160 and 170 million. This represents a slight increase on the previous sales expectation of around EUR 160 million given in July 2016. Despite the lower sales level, EBIT is expected to be in the range of EUR 9 to 13 million again in 2017. The main reason for this is the expectation of an improved overall gross margin.

Garching, Germany, March 2017

Dr. Franz Richter
 Chief Executive
 Officer

Michael Knopp
 Chief Financial
 Officer

Walter Braun
 Chief Operating
 Officer

Report of the Supervisory Board

In the following report, the Supervisory Board would like to inform you, dear shareholders, about its activities in the 2016 fiscal year.



Dr. Stefan Reineck, *Chairman of the Supervisory Board*

Dear Shareholders,

The Supervisory Board fulfilled its responsibilities as set forth by law, the articles of incorporation, and Company bylaws in 2016 and advised the Management Board on directing the Company and monitored its activities. The Supervisory Board was involved in all decisions that were of vital importance to the Company. The Management Board coordinated the Company's strategic orientation with the Supervisory Board and provided it with regular, prompt, and comprehensive information – both in written and verbal form – about corporate planning, business progress, and the Group's current position. When business development deviated from plans, deviations were explained in detail and reviewed by the Supervisory Board based on available documents and information. The Supervisory Board discussed significant business events extensively with the Management Board and gave its consent to the transactions requiring its approval. During the 2016 fiscal year, the Supervisory Board held a total of seven ordinary meetings and one extraordinary meeting.

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 placed on the development of the UV scanner and laser stepper product lines 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, 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 2016 fiscal year was held on February 10, 2016. At that meeting, the Supervisory Board held discussions about the Management Board's report on the fourth quarter of 2015 and about the preliminary figures for the 2015 fiscal year. The Supervisory Board discussed the planning of the 2016 fiscal year and multi-year planning for 2016–2018; it also approved the planning for the 2016 fiscal year. It further outlined the objectives and the bonus plan for the Management Board for the 2016 fiscal year and long-term objectives. In this meeting, the Supervisory Board also discussed the objectives and criteria for the composition of the Supervisory Board. In addition, the Supervisory Board conducted and documented an examination of the efficiency of its activities in accordance with Section 5.6 of the German Corporate Governance Code. Finally, the Supervisory Board dealt extensively with the strategic options of the Company in view of the growing M&A activities of other companies in the industry.

Representatives of the auditor, BDO AG Wirtschaftsprüfungsgesellschaft, participated in the second meeting on March 29, 2016. They reported to the Supervisory Board the key results of the audit of the separate and consolidated financial statements for the 2015 fiscal year. The auditor explained to the Supervisory Board the main findings of the audit of the separate and the consolidated financial statements. The Supervisory Board acknowledged the Management Board's report for the 2015 fiscal year and on the current business situation in the first quarter of 2016. Following an in-depth examination, the Supervisory Board approved the separate and the consolidated financial statements of SUSS MicroTec prepared for the 2015 fiscal year by the Management Board. The Supervisory Board also adopted by resolution its report to the Shareholders' Meeting regarding its activities in the past 2015 fiscal year. In addition, the Supervisory Board approved the agenda with the proposals for the Shareholders' Meeting on June 15, 2016. The Supervisory Board addressed the Management Board bonus for 2015 and discussed targets

for the Management Board for the 2016 fiscal year as well as long-term three-year goals. It subsequently reached a decision on the Management Board's bonus plan for the 2016 fiscal year as well as the long-term three-year goals. A further focus of the Supervisory Board meeting was again the strategic options of the Company against the background of the amplifying M&A activities of other companies in the industry.

The third ordinary Supervisory Board Meeting was held on May 3, 2016. The Supervisory Board dealt with the current business situation in the first quarter of the 2016 fiscal year and the outlook for the entire 2016 fiscal year. It also discussed in depth the intercompany loans made to SUSS MicroTec Photonic Systems and the risks associated with these. The Supervisory Board subsequently approved an irrevocable loan waiver of SUSS MicroTec AG to SUSS MicroTec Photonic Systems Inc. Further topics of the meeting were access to adjacent markets and the state of the laser imaging product line. In conclusion, the Supervisory Board discussed individual, important customer projects with the Management Board.

In the meeting on June 15, 2016, immediately before the ordinary Shareholders' Meeting, the Management Board informed the Supervisory Board about the current business situation. The Supervisory Board meeting was resumed following the Shareholders' Meeting. The Management Board informed the Supervisory Board about various customer and development projects. In addition, the Supervisory Board discussed in detail the status of the development of the SUSS MicroTec Photonic Systems Inc. UV scanner and laser stepper product lines. Special attention was given to the financial risks for the Group and for SUSS MicroTec AG.

The fifth ordinary Supervisory Board Meeting in the 2016 fiscal year was held on August 4, 2016. The meeting covered, among other topics, the current business figures of the second quarter of 2016 and the outlook for the entire 2016 fiscal year. In the meeting, the Supervisory Board once again discussed the status of SUSS MicroTec Photonic Systems Inc. in the presence of the General Manager. The Supervisory Board passed a resolution to commence the necessary steps toward the transition of SUSS MicroTec AG to SUSS MicroTec SE. Also discussed was the upcoming election of the Supervisory Board within the framework of the 2017 Shareholders' Meeting. The Management Board subsequently introduced the concept for the reconstruction and renovation of the cleanroom at the Sternenfels location. Moreover, within the framework of the Supervisory Board Meeting, the Management Board presented the results of an employee survey and a current competitive analysis.

On August 22, 2016, the Supervisory Board passed a resolution regarding a leave of absence of Dr. Per-Ove Hansson after he resigned his position as Member of the Management Board and Chief Executive Officer on August 16, 2016.

In an extraordinary meeting (via telephone) on August 30, 2016, the Supervisory Board appointed Dr. Franz Richter as SUSS MicroTec AG's new Chief Executive Officer.

On November 8, 2016, the sixth ordinary Supervisory Board Meeting was held. In this meeting, the Management Board reported on the current business situation in the third quarter as well as the outlook for the full year of 2016. The Supervisory Board once again discussed the situation of SUSS MicroTec Photonic Systems Inc. and the status of individual, important customer projects. Beyond that, the main topic of focus of the meeting was the composition of the Supervisory Board for the 2017 Shareholders' Meeting, a possible expansion, and the arrangement of the associated search for candidates. Furthermore, the Supervisory Board dealt with the status of the planned transition of SUSS MicroTec AG to SUSS MicroTec SE and approved the award of contracts for the net assets audit necessary in this context to BDO AG Wirtschaftsprüfungsgesellschaft. In addition, it discussed the main points of focus with regard to the audit for the 2016 annual financial statements and dealt with the updating of the annual declaration of compliance pursuant to Section 161 of the German Stock Corporation Law (AktG) of the German Corporate Governance Code.

The last ordinary meeting of the 2016 fiscal year, which was held on December 13, 2016, focused on the current business situation and planning for the 2017 fiscal year. Furthermore, the Supervisory Board dealt extensively with corporate governance, particularly with finalizing the updated declaration of compliance pursuant to Section 161 of the German Stock Corporation Law (AktG) of the German Corporate Governance Code, the targets and criteria for the composition of the Supervisory Board, and the fraud catalog of the BDO AG Wirtschaftsprüfungsgesellschaft. The Supervisory Board addressed the Company's risk management and other Management Board issues. In addition, topics such as the expansion of the Supervisory Board, the requirements of a potential candidate and the status of the transition of SUSS MicroTec AG to SUSS MicroTec SE were discussed.

When necessary, the Supervisory Board adopted its decisions by means of document circulation.

All Supervisory Board members participated in all meetings and decisions.

Supervisory Board member	Meeting participation	Personally present	Participation by telephone	Attendance in percent
Dr. Stefan Reineck	8/8	7	1	100%
Jan Teichert	8/8	7	1	100%
Gerhard Pegam	8/8	7	1	100%

COMMITTEES

The Supervisory Board did not form any committees in the 2016 fiscal year due to its size of three members.

CORPORATE GOVERNANCE

The Supervisory Board once again addressed during the 2016 fiscal year the content and implementation of the German Corporate Governance Code. Information on the Company's corporate governance as well as an extensive report on the amount and pattern of remuneration for the Management and Supervisory Boards are provided in the Remuneration Report section of the condensed Management Report on pages 80 et seq. In January 2016, 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 10, 2016, the Supervisory Board conducted and documented an examination of the efficiency of its activities pursuant to 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 2016 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 AG as of December 31, 2016 prepared in accordance with the German Commercial Code (HGB), as well as the consolidated annual financial statements and Group management report as of December 31, 2016, and issued an unqualified audit opinion for both. The consolidated financial statements and Group management report were prepared in accordance with Section 315 a HGB based on International Financial Reporting Standards, as they are to be applied in the EU. The auditor conducted the audit in accordance with the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW).

The audit reports of BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, branch office in Munich, were presented to all members of the Supervisory Board and were extensively addressed at the financial statements meeting of the Supervisory Board on March 29, 2016 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 main focal points of this year's annual and consolidated financial statements audit were the internal control and IT system as well as the assessment of the value of assets in the lithography and bonder segments, the realization of sales and the assessment of possible risks from deviations from the plan and a margin deterioration in individual product segments. In addition, the topics of the SUSS MicroTec Photonic Systems Inc. scanner order and the effects of the reorientation of sales in Japan were examined as the focus of the audit. In addition, the completeness and correctness of the explanatory notes, the completeness and appropriateness of the management report, and the topic of management override were also part of this year's audit focus. In the annual financial statements of SUSS MicroTec AG, the focus of the audit was on the valuation of financial assets and the valuation and completeness of the provisions.

The Supervisory Board audited the annual financial statements of the Company and the Group as well as the condensed management report of SUSS MicroTec AG with the Group management

report for the 2016 fiscal year on March 29, 2017 during the financial statements meeting. The Supervisory Board had no objections. The Supervisory Board noted with approval the reports of the auditor after conducting a detailed examination.

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

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

There were two changes in the composition of the Management Board in the 2016 fiscal year. Dr. Per-Ove Hansson resigned his position as Member of the Management Board and Chief Executive Officer on August 16, 2016 with effect from the end of that day. The Supervisory Board appointed Dr. Franz Richter on August 30, 2016 with effect from September 7, 2016 for the duration of three years as Member of the Management Board and Chief Executive Officer of SUSS MicroTec AG. Chief Financial Officer Michael Knopp and Chief Operating Officer Walter Braun continued to belong to the Management Board in the 2016 fiscal year.

The Supervisory Board remained unchanged in the 2016 fiscal year.

THANKS

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

Garching, Germany, March 29, 2017



Dr. Stefan Reineck, Chairman of the Supervisory Board

People with vision

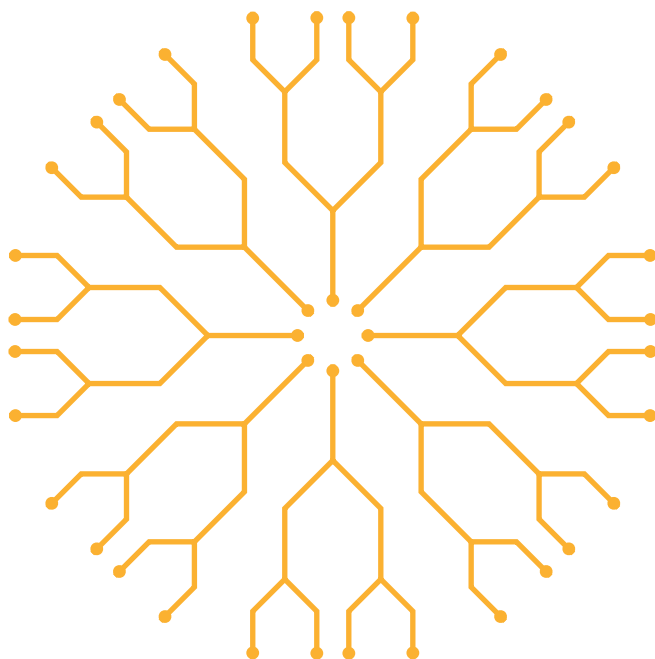




Making the difference: our employees



Our employees contribute significantly to the success of the Company with their dedication and commitment. Solid professional training, a range of interests and individual talents are the trademarks of our colleagues. Not only is it important for us to work with qualified professionals in all areas, but also to ensure that the knowledge of our long-serving employees in particular is passed on to the next generation. Training is an investment in the future – in the future of the Company and the future of young people.





711 employees contribute
to the success of SUSS
MicroTec with their
passion and conviction,
their excitement and
vision.

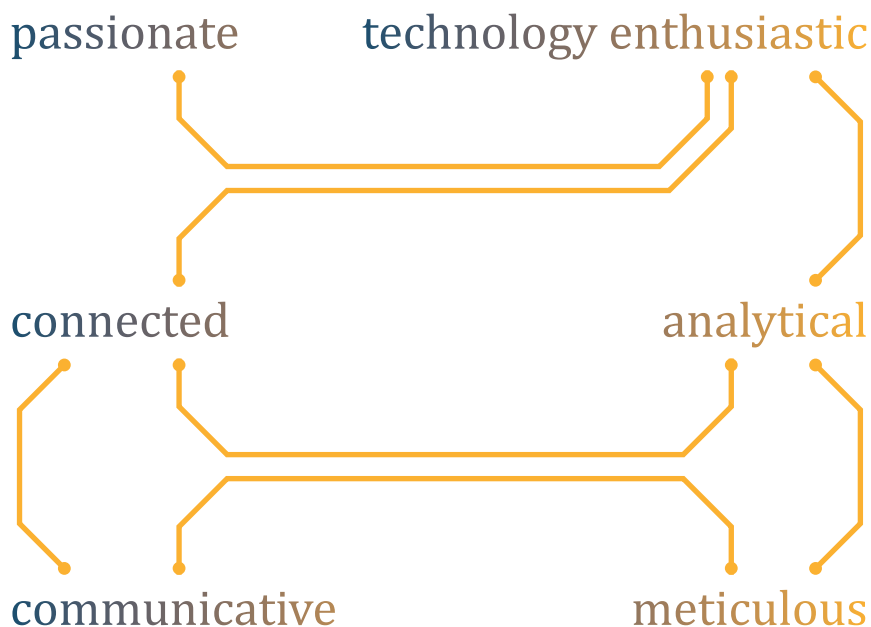


Our diverse team of employees, who safeguard the future viability of the Company with their openness and eagerness to innovate, is the cornerstone of SUSS MicroTec. Only thanks to the extensive expertise and ability of our employees are we able to successfully offer our innovative products and solutions on the fiercely competitive semiconductor market. Seeing their own ideas successfully implemented is a major motivation for many employees to perform at their very best. Moreover, we place great emphasis on strengthening and encouraging individual interests and talents. This creates a strong incentive to achieve the extraordinary.

People have different skills, strengths and talents: at SUSS MicroTec not only do qualifications matter, but also creativity, crossthinking and the enthusiasm to experiment.



Interacting of different characters — Employees with different characteristics, skills and talents come together at SUSS MicroTec. The interplay of the different strengths and skills is a key component in the long-term success of the Company. We firmly believe that the major diversity of the Company’s employees promotes effectiveness, creativity and the ability to innovative. For instance, the tech-savvy development engineer needs to sit down with the R&D controller at various project phases to define the approach, to budget and map out the project. Similarly, these two individuals need to coordinate with the well-connected head of the Product Center to ensure an ideal production workflow. The business processes, such as the revenue recognition for communicative sales employees, are meticulously displayed and documented in Accounting.





The Photomask Equipment division is the only division at SUSS MicroTec that uses its products and solutions to directly address the front-end of semiconductor production. Dr. Martin Samayoa and the photomask equipment team are determined and passionate about developing, building and manufacturing machines for cleaning photomasks, which are used at the front-end of semiconductor production. Their area of responsibility also includes finding solutions for downstream or related process steps, such as “bake and develop.”

“At SUSS MicroTec, I can apply my skillset and expertise to develop innovative technologies that address challenges in the semiconductor industry. Our mission is to develop technology-driven products that deliver superior value to this fast-paced and dynamic industry.”

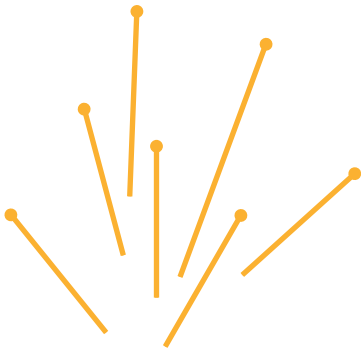
DR. MARTIN SAMAYOA



DR. MARTIN SAMAYOA ——— is a development engineer at SUSS MicroTec Inc. in Corona, USA. In this role, he is responsible for key product development projects in the Photomask Equipment sector. He holds a bachelor's degree in mechanical engineering from Purdue University as well as a master's degree in systems engineering from Penn State University. He earned his PhD at North Carolina State University. Martin, born and raised in Guatemala City, Guatemala, moved to the US to pursue a career in research and development.

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passionate





Photomask Equipment (Mask Track Pro)

HIGH-TECH FOR THE FRONT-END ——— SUSS MicroTec is a market leader in the production and marketing of machines used for cleaning photomasks. These technologically sophisticated machines are used worldwide by our customers in the semiconductor industry.

The focus of the development activities of the Photomask Equipment division is on technologies and solutions for 193nm immersion lithography (193i), the new type of extreme ultraviolet lithography (EUVL) as well as nanoimprint lithography (NIL). This business area is, in a company-wide comparison, probably subject to the strongest cycles because the end customers are active at the front-end of the semiconductor industry and the most significant business driver is the advancement of Moore's Law. Smaller and more efficient chip generations are developed and manufactured approximately every 18 months in this field. For this, new photomasks and corresponding machines and process windows for cleaning these masks are continuously needed.

A major challenge is the thorough yet gentle cleaning of the photomask, which is made up of tiny patterns. The introduction of extreme ultraviolet lithography in particular presents great challenges to the industry. Special pellicle-protected masks are utilized here. In 2016, one development focus area was the design of a special bracket that makes it possible for the pellicle to remain on the photomask during the process of cleaning the back of the photomask without it being damaged or contaminated. The prototype of this bracket was available at the end of the 2016 fiscal year and is being evaluated by a customer at the beginning of 2017.

A single mask can cost more than EUR 100,000 in certain circumstances. The use of an adequate cleaning technology is extremely important for this reason. For SUSS MicroTec, this means continually developing better and more compatible cleaning processes as any defect on the photomask would be replicated a thousand-fold and would lead to many defective microchips.

The Photomask Equipment area includes cleaning platforms for every pattern size in the semiconductor industry. At the same time, SUSS MicroTec is the only supplier of EUVL photomask cleaning machines in the world. To offer the best possible results, the Photomask Equipment sector pursues an extremely

customer-oriented approach, especially when it comes to research and development projects. The task lies in developing technology-driven products and solutions that offer customers in the fast-paced and dynamic semiconductor industry a technological or economic advantage. The Photomask Equipment sector has been driving stable sales and good profit contributions since its acquisition in 2010.

A further area of production in the Photomask Equipment division is the "bake and develop" area. SUSS MicroTec entered into a partnership with NuFlare Technology, Japan, in 2015 in order to further develop this area. NuFlare is a market leader in electron beam mask writers and thus supports the progressive pattern minimization at the front-end.

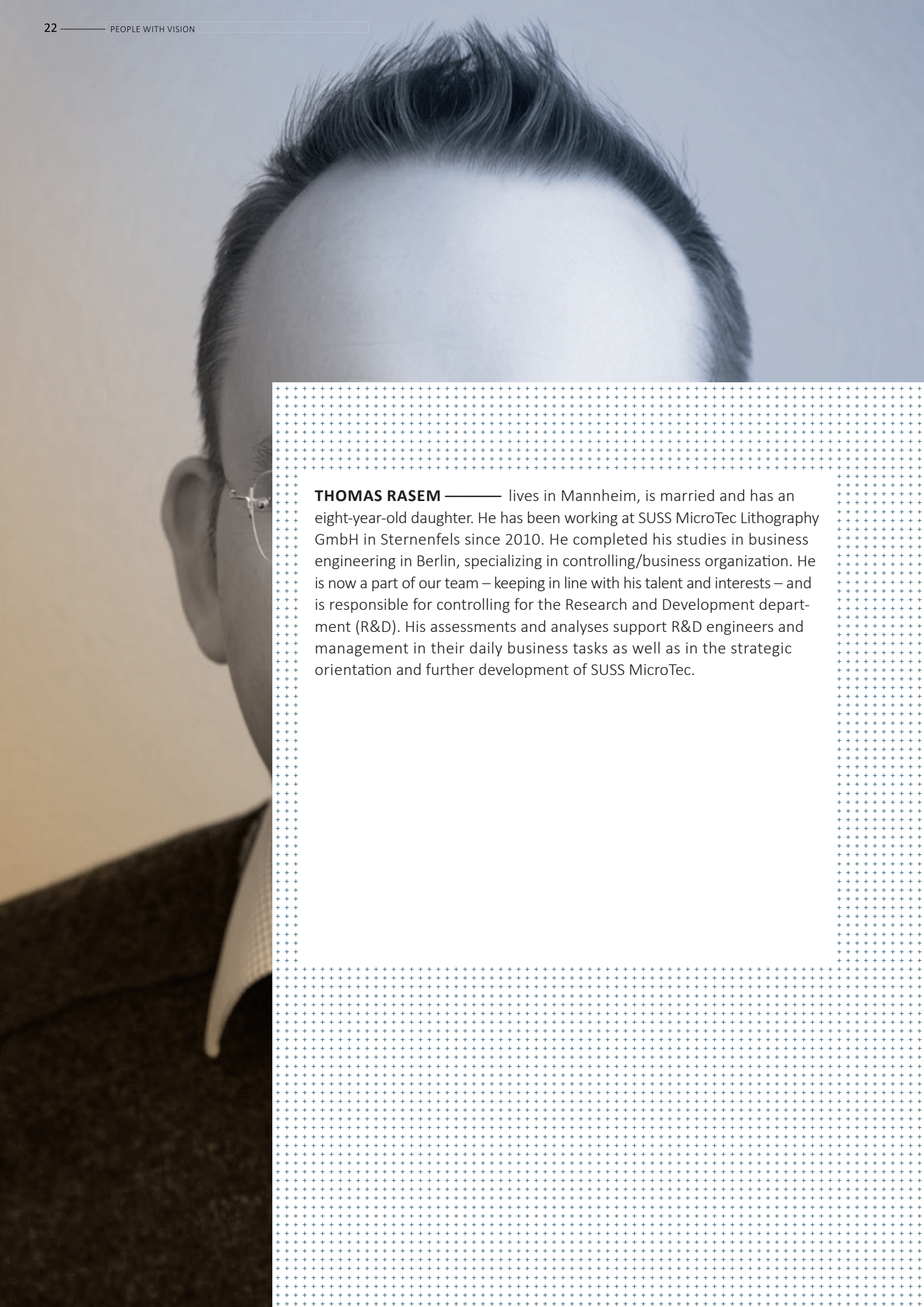


SUSS MicroTec invests in research and development (R&D) each year in order to be able to continually offer new and innovative products and processes. These processes are mapped through target-oriented planning, management, and a demand-driven reporting system. R&D Controlling is responsible for these tasks, among other things. It creates the conditions for fact-based decisions, accompanies the realization of the long-term Company objectives, and verifies and heads planning as well as the implementation of R&D projects with respect to duration, cost and quality.

“The symbiosis of career and calling! That is what I found and greatly cherish at SUSS MicroTec.

Education and vocational experience are what matter on the one hand – talent and dedication on the other. In research and development controlling, I can apply my predilection for analytical work and for working closely with colleagues in the technical fields in a targeted way in order to drive the Company’s success story.”

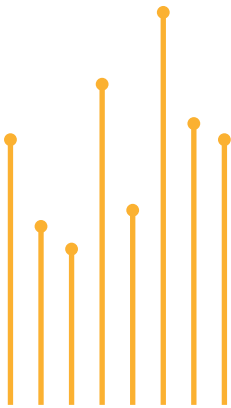
THOMAS RASEM



THOMAS RASEM ——— lives in Mannheim, is married and has an eight-year-old daughter. He has been working at SUSS MicroTec Lithography GmbH in Sternenfels since 2010. He completed his studies in business engineering in Berlin, specializing in controlling/business organization. He is now a part of our team – keeping in line with his talent and interests – and is responsible for controlling for the Research and Development department (R&D). His assessments and analyses support R&D engineers and management in their daily business tasks as well as in the strategic orientation and further development of SUSS MicroTec.

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analytical





LED lamp house for mask aligners (upper right picture),
XBS200 bonder (upper left picture)

PRODUCT INNOVATIONS ——— in the 2016 fiscal year, two new, innovative and exciting developments in the areas of exposure and permanent bonding were introduced to the market: the eco-friendly LED lamp house for mask aligners and the XBS200. The product lines are found at the Garching and Sternenfels locations.

Faster, thinner, more powerful – tailored solutions for customers are the basis for SUSS MicroTec’s long-term success. In order to remain successful and enjoy continued growth and success in the progress- and innovation-driven semiconductor market and related markets, SUSS MicroTec is continually broadening its efforts in the area of research and development. In addition to strong development activities and an active cooperation with leading research institutes and universities, all processes are aligned to the highest possible development speed and efficiency.

Key elements here are the planning, budgeting and monitoring of development projects. As illustrated in the overview below, such a project is divided into six phases at SUSS MicroTec. R&D Controlling is generally involved in the individual project phases. Project reporting, project management and calculating material and personnel costs – such as calculating the hours of work that will be required – are handled by the expert colleagues in Controlling. Using the example of the new XBS200 bonder platform developed in 2016, the development process is set up as follows:

In 2013, SUSS MicroTec discontinued production in its automatic, permanent bonding systems division, which had been operating at a loss. At the same time, market and competitive analyses revealed that there will still be a great need for automatic bonders in the future and that the market offers attractive opportunities for growth. This resulted in the decision to completely redevelop the product in order to offer customers a cost-effective and technologically sophisticated solution (Phase 1).

Next, product managers and product specialists assessed in close consultation with R&D Controlling if and in what form a new development in the scope of the financial budget and time allowance is possible. In addition, the findings from market analyses and meetings with customers were used to define what technological demands and functions the new machines would have to fulfill and if these would be feasible (Phase 2).

In a next step, it was precisely determined what specifications the XBS200 would have with regard to the size of the machine (footprint), the yet-to-be-determined substrate size, the alignment accuracy and repeatability as well as the use of monitoring systems. A detailed project plan including budget guidelines and milestones was developed in cooperation with the R&D Controlling department (Phase 3).

The conception and development of the machine itself as well as the corresponding software were implemented according to the project guidelines and within the budget frame. This included, for example, the creation of a list of parts, the construction planning as well as the development of the individual modules and components. At the end of the design process, the XBS200 demonstrated many new features (Phase 4).

The construction of a production-ready prototype followed shortly after completion of the development phase. In addition, blueprints and documents for the XBS200 were created and archived (Phase 5).

The XBS200 was presented to the market in March 2017. It is now down to the marketing department as well as the key account and product managers to present this new and extremely competitive automatic bonder to our customers and to market it. The most important fields of application of the XBS200 are sensor production (MEMS) and LED production. Once customer orders have been placed, the XBS200 will go into serial production (Phase 6).

Initial phase	market analysis, definition of project goals
Feasibility analysis	with regard to technology, financing, timing; detailed planning of the project goals
Conception and planning	definition of product specifications and creation of a project plan
Design	of the hardware and software of the product development that is planned
Implementation	creation of a machine prototype, documentation, patent applications if applicable
Transfer to high-volume production	production adapted for high-volume production, project analysis



The demands of our Asian production customers in terms of quality, machine performance, and the standards of perfection and service they demand from SUSS MicroTec are enormous. At the same time, they also expect attractive pricing. Numerous service and application engineers at the Hsinchu location in Taiwan are busy at work to provide our customers availability 24 hours a day 7 days a week.

“What I value most about working at SUSS MicroTec in Taiwan, is the ethical company culture as well as the friendly and respectful working environment. I have a special predilection for precision. I am responsible not only for accounting, finance and controlling but also for the IT management. This puts me into a position where I can provide the management with a comprehensive overview of the overall situation of the Company at our location at any time.”

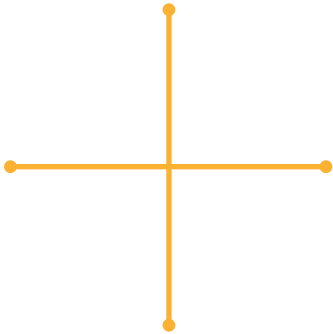
SARA HU

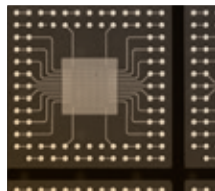
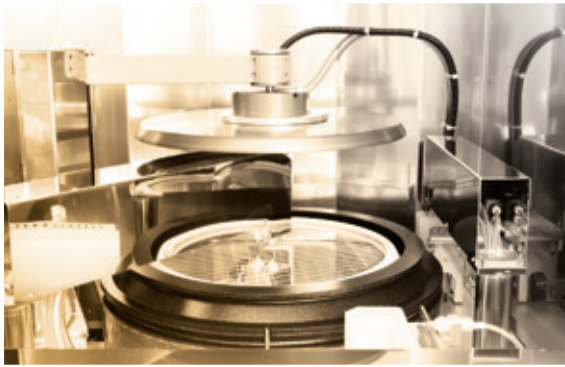
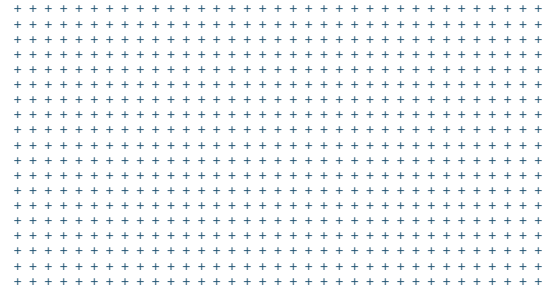


SARA HU ——— joined SUSS MicroTec Taiwan in 2010. Her area of responsibility extends far beyond just accounting and finance. She is also responsible for all relevant topics related to controlling, and, in addition to helping organize the local office, she is actively involved in the IT management. Before she joined us, she worked for different companies, including an international CPA (Certified Public Accountant) company.

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meticulous





ACS300 Gen3 (upper picture),
Fan-out wafer-level packaging application (right)
(Source: Fraunhofer IZM, Berlin)

BIGGEST SALES MARKET IN ASIA ———— accounts for significantly more than half of our Company's sales of SUSS MicroTec products and solutions. Countries like Taiwan, Korea and China play a significant role in that. Taiwan, for example, boasts the world's largest number of foundries and OSATs (Out-sourced Assembly and Test Houses). Both of these company groups, together with the IDMs (Integrated Device Manufacturers), represent key customer groups for SUSS MicroTec.

SUSS MicroTec was successful in gaining quite a few orders from an Asian semiconductor company in the 2015 fiscal year. A portion of these orders involved innovative UV projection scanners, which are manufactured at our location in Corona, USA. Several orders for coaters and developers were also placed by this customer. In the 2016 fiscal year, these machines were all manufactured, delivered to the customer, and installed. As stated later in this annual report, the timely production of these machines posed great challenges, as we had to deal with very high order entry in a short period of time. Our staff did an outstanding job in executing this task through targeted preproduction, outsourcing and lots of overtime.

The installation, commissioning, and optimization of the processes was then in the responsibility of the service, software and application engineers in Asia. We were able to optimize the complex processes in accordance with the special demands of the customers, conclude final inspection in the fourth quarter of 2016 and thus fulfill the sales. An important area of application for the installed machines is fan-out wafer-level packaging, a dynamically growing area in the semiconductor mid- and back-end. Market research companies anticipate considerable sales growth in this area in the coming years, driven by mobile communication and networking.

Not only the production of the chips and microchips, but also the structuring and packaging of these chips in the semiconductor mid- and back-end are becoming increasingly intricate and complex. For this reason, new production technologies in this area like fan-out wafer-level packaging also have to be developed continually. SUSS MicroTec makes an essential contribution, especially with its lithography machines – UV projection scanners as well as coaters and developers – in mastering the challenges of modern production processes. An important factor here is the pattern size that can be achieved for exposures in the micrometer range, as miniaturization in the mid- and back-end of the semiconductor industry, as stated in Moore's Law, is also making major strides. In addition, the adjustment of wafer distortions prior to exposure or preventing electrostatic charges of the wafer, for example, are important criteria when choosing a SUSS MicroTec production machine.

SUSS MicroTec was able to gain a number of orders from major semiconductor manufacturers within this area, demonstrating once more the Company's technological capabilities and innovative strength.



The Product Center at the Sternenfels location is the interface between global marketing, the end customer on the one hand and the production plant with engineering, supply chain and operations on the other. Heinz Hocke's role is to act as the connector between many departments within SUSS MicroTec and the end customers. The Product Center at the Sternenfels location encompasses the areas of photomask equipment and bonders, as well as the coater and developer product lines.

"The high capacity utilization of production in the 2016 fiscal year presented us with enormous challenges. My interest and my longstanding experience at SUSS MicroTec have helped me to connect the different departments harmoniously, much like a music conductor, and thus to contribute my part in successfully tackling this massive undertaking."

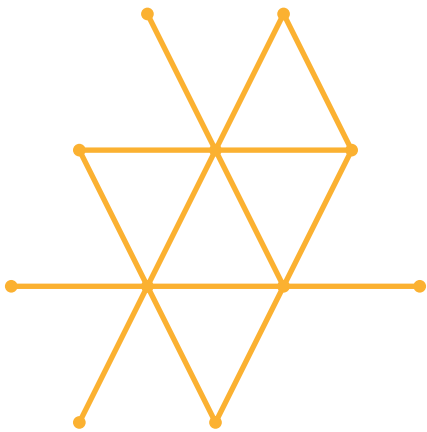
HEINZ HOCKE



HEINZ HOCKE ——— has been working at SUSS MicroTec Photomask Equipment GmbH & Co. KG in Sternenfels for 28 years. He completed his degree in electrical engineering in Pforzheim, is a certified electrical engineer and is responsible for the Product Center at the Sternenfels location. In this area, he and his team of 50 employees are responsible for ensuring that all customer orders at the Sternenfels location are designed, planned and monitored from order entry to final inspection by the customer in order that they are completed on schedule in terms of time and quality.

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connected





A look into the cleanroom in the Sternenfels facility (lower picture)

FULL CAPACITY IN PRODUCTION ——— The Company reached a high level of capacity utilization at all production locations in the 2016 fiscal year. The Lithography division in particular showed an enormously high order backlog in the course of the year.

The Sternenfels production facility is located in Kraichgau, in Baden-Württemberg, surrounded by vineyards yet still close to industrial hubs like Stuttgart, Heilbronn and Karlsruhe. This affords Sternenfels immediate proximity to colleges in Pforzheim and Karlsruhe, which is important when it comes to attracting junior employees. As a result of the competitive situation among suppliers from the automobile industry for young, qualified employees, the Company offers especially attractive conditions for individuals who work well in company structures that are characterized by short decision-making routes and flat hierarchies. In addition, our Sternenfels location offers a rather international staff, in which English has developed into the standard language of communication between employees in many areas. This is certainly another important criterion for young professionals when choosing a career and employer.

The big challenge in the previous fiscal year was the high order backlog at the Sternenfels location, which largely resulted from the record order entry in the fourth quarter of 2015. The orders placed by customers consisted in part of large batch sizes, which had to be made within very short delivery periods while at the same time maintaining high quality demands. The Lithography division in particular noted full order books at the end of 2015. Coaters and developers, as well as mask aligners manufactured at the Garching location near Munich, and photomask cleaning machines were in strong demand.

The order backlog at the end of 2015 led to an enormously high capacity in production at the Sternenfels location in the 2016 fiscal year. A great challenge, for example, was in coordinating the areas of purchasing, production and software engineering. In the past fiscal year, the production of entire machines including commissioning as well as delivery was outsourced to external partners within Germany due to the strong demand. An example of this was the manufacturing of the ACS200Gen3, the third generation of the 200mm production coater and developer.

A significant driver of the demand for SUSS MicroTec machines was comprehensive investments by a major Asian customer in fan-out wafer-level packaging technology. SUSS MicroTec was able to impress customers in this area with its lithography products and solutions and acquire exciting orders. Throughout the course of 2016, the orders in the order backlog at the turn of 2015/16 were able to be processed and the machines were included in sales.

A new project structure in SAP was implemented in the 2016 fiscal year to improve the monitoring of cost development with regard to individual projects.



In recent years, SUSS MicroTec generated approximately 25 percent of its sales in the EMEA (Europe, Middle East, and Africa) region despite the market share losses incurred in the European semiconductor and semiconductor equipment market in the past decades as a result of global competition from Asia. Semiconductor technologies and products geared toward the automobile industry in particular have seen positive growth. This includes the production of a large number of MEMS sensors as well as components for the infotainment sector. In addition, the market for power devices is very attractive in Europe.

“In the Sales division of SUSS MicroTec, I enjoy working together closely with my customers and I value the internationality of my work. My job is very diversified and I have the chance to encounter the versatile application areas of our tools at our customers’ sites. My position very often serves as an interface between customers on the one hand and application, production and development engineers on the other hand.”

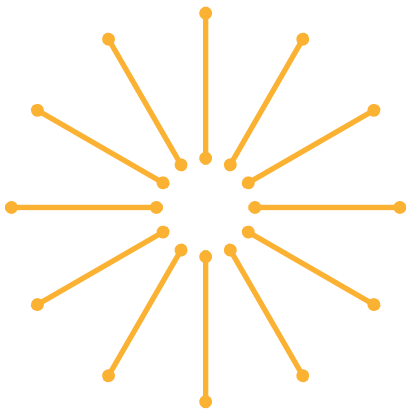
VIRGINIE QUET

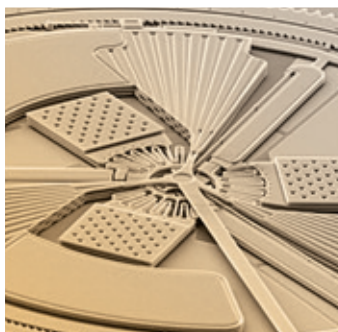


VIRGINIE QUET ——— is 36 years old, married and has three kids. She started working at SUSS MicroTec SARL in France in 2007. Virginie has close contact with all our key European customers, especially in France, Benelux, Italy and Israel. As an Account Manager, she is responsible for the sales of SUSS MicroTec's entire product range. After finishing engineering school, she started her career at another company as a research and development engineer and worked as an application engineer in optoelectronics. She can effectively apply the skills she learned there in everyday business and especially in her dealings with SUSS MicroTec's customers.

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communicative





A look into the cleanroom of the facility in Garching
(upper picture), MEMS application (lower picture)

GROWTH MARKET: SENSORS ——— SUSS MicroTec has more than 100 MEMS customers in Europe alone. We are particularly strongly represented in this market segment with machines designed for coating, exposing and developing wafers as well as our manual bonding systems. These machines are manufactured in our two German locations.

SUSS MicroTec markets its products worldwide, but manufactures its machines in Germany and the US. If you take a closer look at the Company's cost structure, it's clear why this is possible to do sustainably despite international competition and pricing pressure: The major share of the disclosed cost of sales is used for materials and not for personnel costs. Shifting to locations with presumably minimal personnel costs would therefore have only limited influence on our cost structure. What is much more important in this context are the intelligent purchasing of materials and parts as well as flexible and efficient supply companies.

Furthermore, the expertise and motivation of our staff is crucial for the success of our Company. We can look back on a tradition of manufacturing mask aligners at our Garching location that has endured for more than 50 years. The knowledge of employees who have been with the Company for many years is thus a tremendously important building block of the success of this product line.

Our machines produced in Germany are widely used in Europe in research and development as well as the the production of MEMS sensors, microparts and power devices. The automobile industry, mobile communications, biotechnology as well as alternative energies and the increasingly relevant topic of Industry 4.0 and the Internet of Things (IoT) are some of the important areas of application for these components. Information has to be collected, digitized, saved, transferred and later analyzed. Regardless of the industry, the first step is information retrieval, such as through pressure, temperature, motion and position sensors (MEMS sensors). These MEMS sensors form a self-contained unit and are manufactured using lithography methods in the semiconductor industry. SUSS MicroTec has seen a wide use of its bonders, coaters and developers with European customers in this segment of the market.

The market for sensors has experienced highly dynamic development in the past several years and boasts double-digit growth figures. New areas of application emerge almost daily that sustain or even accelerate growth in this area. Areas of application within the field of medical technology or the household sector currently only exist on a small scale, but are expected to gain greater significance in the future.

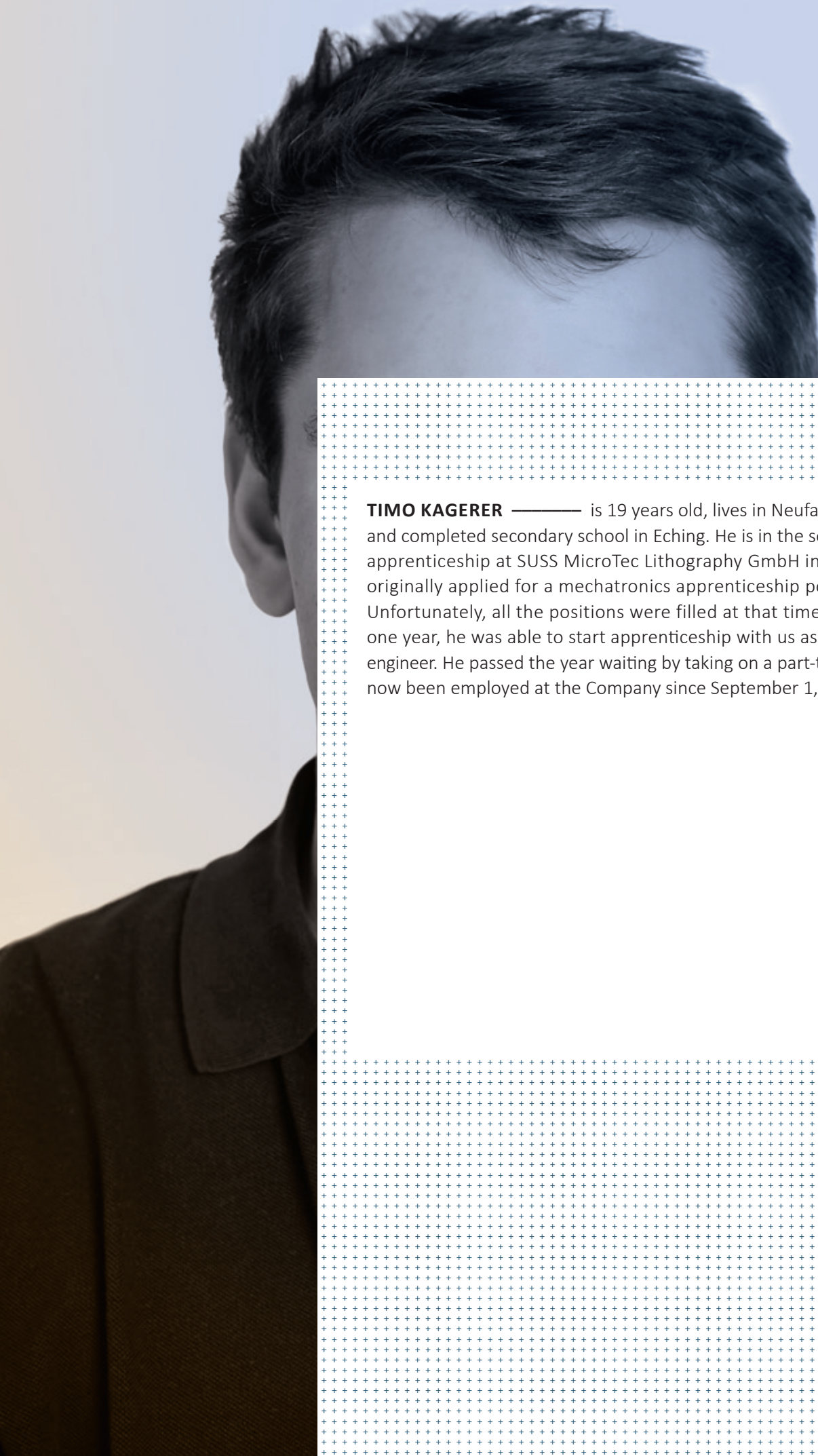
With its products and solutions, SUSS MicroTec is well positioned to profit from the attractive opportunities for growth in the sensor sector.



Supporting new talent is an important part of our company philosophy. Whether through internships during high school or university, apprenticeships in technology or business, or through close cooperation with universities and research institutes, SUSS MicroTec starts recruiting and supporting potential employees for the Company at an early stage.

“As a mechatronics engineer trainee, I am learning how to combine electrical, mechanical, pneumatic and hydraulic components into one system. I waited a year for precisely this dream apprenticeship position at SUSS MicroTec. That’s a decision I don’t regret to this day. I get to apply my enthusiasm for technology in order to learn and understand how electronics and mechanics in semiconductor engineering work together.”

TIMO KAGERER



TIMO KAGERER ——— is 19 years old, lives in Neufahrn near Freising and completed secondary school in Eching. He is in the second year of his apprenticeship at SUSS MicroTec Lithography GmbH in Garching. Timo originally applied for a mechatronics apprenticeship position in 2014. Unfortunately, all the positions were filled at that time. However, after one year, he was able to start apprenticeship with us as a mechatronics engineer. He passed the year waiting by taking on a part-time job and has now been employed at the Company since September 1, 2015.

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technology enthusiastic





APPRENTICESHIPS AT SUSS MICROTEC ————— are characterized by project-oriented learning and a close combination of theory and practice. The Company currently employs 30 trainees at both production sites in Germany.

At SUSS MicroTec, trainees can learn various skilled technical and business occupations. The most sought-after apprenticeship position is the mechatronics engineer position. Mechatronics engineers build machines out of mechanical and electronic parts, bring them into operation and provide instructions as to their operation. During the three-and-a-half-year apprenticeship, our trainees learn how to deal with a wide range of technical systems, service and repair machines – and also take part in the development of technical innovations.

A completed apprenticeship is, in the eyes of the German Federal Government, indispensable for German industry. It is the foundation for innovation and growth. In the German apprenticeship model, the individual learns a prospective vocational occupation through equal parts theory and practice. A completed apprenticeship is also a crucial prerequisite for keeping the danger of unemployment – especially long-term unemployment – as low as possible.

In addition to university and college graduates, SUSS MicroTec also considers motivated high school graduates an important target group for new potential employees. SUSS MicroTec is a mid-size company with flat hierarchies and yet with a global focus. It offers trainees the opportunity to learn a solid trade and the possibility of a permanent position upon completion of their training. In the 2016 fiscal year, worldwide 68 people were employed in the administrative sector, 262 in the marketing sector, and 381 in the production and technology sector at SUSS MicroTec.

In this present age where there is a deficit in skilled labor, companies like SUSS MicroTec are in direct competition with major international corporations. Graduates therefore have to decide in which area they'd like to learn their trade. Flat hierarchies, short decision-making routes and a sense of togetherness with a close-knit team of colleagues are certainly points that speak for SUSS MicroTec. The trainees are integrated step by step into their daily work routine and introduced to their new tasks.

Depending on the apprenticeship, the trainee is led through the different stations and departments, gathering valuable insight into the organization's structure and how things are run in the Company. In technical apprenticeships, the career path begins in the Company's own training workshop, where the trainee learns how to carefully and properly handle and operate the machines and tools. In addition, the Company tries to connect trainees as early as possible with the internal experts from different areas. Timo Kagerer, for example, accompanied an experienced service employee last year when he visited a customer in Ireland.

In the future, the Company plans to increase its focus on the training and further education of existing employees, as well as focusing on apprentices.

Investor Relations

For many investors, the 2016 stock market year was extremely nerve-wracking. During the 2016 fiscal year, there were sustained economic concerns in China, an unusually low oil price, and the surprising ‘no’ from the British people to the European Union – Brexit. Last but not least, the election of the new US president has also led to repeated severe stock price fluctuations and a high level of volatility in the stock market. In the early months of 2016, the value of the DAX index fell significantly below 9,000 points, but it was able to recover over the course of the year. At the end of the fourth quarter of 2016, the DAX was at 11,481.06 points, 6.87 percent higher than at the beginning of 2016 (opening price on January 4, 2016: 10,743.00 points).

THE SUSS MICROTEC SHARE

The SUSS MicroTec share performed very well in the first quarter of 2016 and was able to increase from a closing price of EUR 8.35 on the last trading day of 2015 by 6.6 percent to EUR 8.94 as of the end of the first quarter. A reason for this was that SUSS MicroTec had reported record order entry for the fourth quarter of 2015. What also had a positive effect on share performance was the announcement by Deutsche Börse that as of March 21, 2016, SUSS MicroTec would be listed again in TecDAX, the technology index of Deutsche Börse.

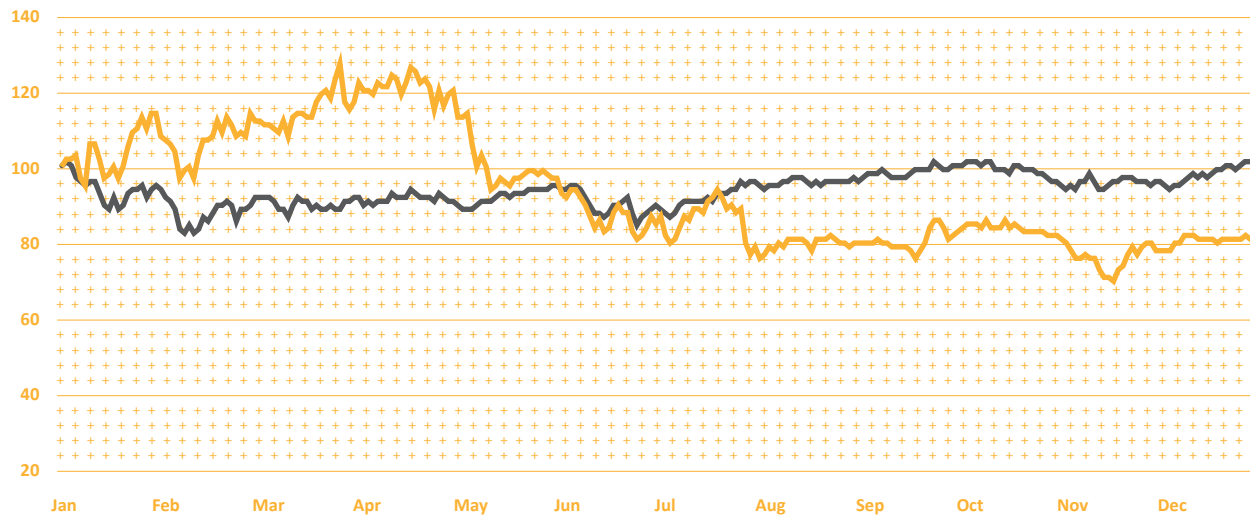
In the second quarter, the share price initially continued to perform positively. The good share performance was halted upon publication of the figures for the first quarter of 2016. Despite the positive outlook for the second quarter and the full year of 2016, the share could not escape a noticeable downward trend. At the end of the second quarter, the stock price was EUR 6.77, 18.9 percent below the value at the end of 2015. However, it should be taken into account that the TecDAX benchmark index also fell by approximately 13 percent from the end of 2015.

At the end of the third quarter of 2016, the SUSS MicroTec share was removed from the TecDAX due to the market capitalization. The overall stock price performance was very subdued in the third quarter. At the end of the quarter, the price recovered slightly and the share ended the third quarter at a price of EUR 6.51. The TecDAX was able to recover significantly following a period of weakness in the first half the year, which meant that it hardly changed overall. For the SUSS MicroTec share, the decline in price over the same period was approximately 22 percent.

The fourth quarter of 2016 was very significantly affected by the pending election of the US president. Speculations about a possible electoral victory of Donald Trump as well as its potential economic and political impact on the rest of the world were the object of intense daily discussions. Donald Trump ultimately won the electoral vote with a significant majority over Democrat Hillary Clinton. The results of the election, which became evident quickly, led to extreme turbulence in the stock market on the morning of the election. On the same day, SUSS MicroTec presented figures for the third quarter and held a teleconference. In contrast to many other shares, the share price scarcely reacted and closed the trading day with a slight minus of about one percent. Over the further course of the fourth quarter, the share briefly moved in a downward trajectory, but it was able to depart from this by mid-November and since then it has fluctuated in a certain range above the EUR 6 threshold. The share closed the fiscal year at a price of EUR 6.40, while the TecDAX declined by 1.04% compared with the previous year, ending the year at 1,811.72 points.

The average daily trading volume of SUSS MicroTec shares on the German XETRA and Frankfurt stock exchanges in the 2016 fiscal year amounted to approximately 168 thousand (2015: average daily trading volume of approximately 129 thousand shares).

PERFORMANCE OF THE SUSS MICROTEC SHARE IN 2016



XETRA closing price of the SUSS MicroTec share on January 4, 2016: € 7.79

— SUSS MicroTec AG, indexed
 — TecDAX, indexed

COMPARISON OF THE SHARE PERFORMANCE OF SUSS MICROTEC AND TECDAX IN THE 2016 FISCAL YEAR

	12/30/2016	12/30/2015	Change
TecDAX <i>(in points)</i>	1,811.72	1,830.74	-1.04%
SUSS MicroTec <i>(in €)</i>	6.40	8.35	-23.3%

AN OVERVIEW OF THE SUSS MICROTEC SHARE

Securities identification number	A1K023
ISIN	DE000A1K0235
Reuters symbol	SMHN
Bloomberg symbol	SMHN:GR
Stock exchange segment	Prime Standard
Number of issued shares (as of 12/31/2016)	19,115,538
Description of securities	Registered shares
Designated sponsor as of 12/31/2016	equinet Bank AG
Initial public offering	5/18/1999
Opening/closing price for the year in €	€ 7.79 / € 6.40
Yearly high/low in € ¹	€ 9.90 / € 5.47

¹ Xetra closing price

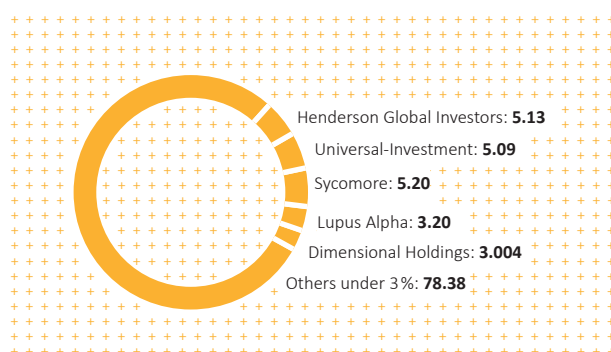
INVESTOR RELATIONS ACTIVITIES

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

During the 2016 stock market year, the Management Board and Investor Relations attended six capital market conferences and completed several road shows. The capital market conferences were held again in Munich, Frankfurt, and Zurich. In addition, numerous individual conversations offered the opportunity for a personal exchange of views with institutional investors and analysts. Conference calls for investors and analysts were also held on the occasion of events such as the publication of quarterly results.

In 2016 there were the following changes in ownership information: Over the course of the year, Baillie Gifford and Internationale KAG (INKA) reported ownership of shares below three percent. New additions are Lupus Alpha with a reported share ownership of 3.2 percent and Universal Investment with a share of 5.09 percent at the end of 2016. During the 2016 fiscal year, Sycomore boosted its position from 3.14 percent to 5.20 percent. Dimensional Holding also increased its share ownership slightly from 2.99 percent to 3.004 percent. Free float as of the end of 2016 continues to amount to 100 percent.

OWNERSHIP INFORMATION AS OF DECEMBER 31, 2016 *in %*



ANALYST RECOMMENDATIONS REMAIN POSITIVE

At the end of 2016, a total of eight banks and research firms actively covered the Company. As of December 2016, six out of eight analysts recommended the SUSS MicroTec share as a buy, one rated it as a hold, and one as a neutral. As of the end of the year, there was no sell recommendation. An overview of research reports about the SUSS MicroTec share is available on the internet at

> www.suss.com > *Investor Relations*.

SHAREHOLDERS' MEETING

On June 15, 2016, the ordinary Shareholders' Meeting was held at the Haus der Bayerischen Wirtschaft (House of the Bavarian Economy) in Munich. In total, more than 80 shareholders, shareholder and bank representatives, and guests accepted the Company's invitation to the event in Munich. Thus 29.29 percent of the Company's equity capital was present. In addition to the decision about the discharge of liability for the Management Board and the Supervisory Board, a vote was held on the appointment of an auditor. The shareholders of the Company approved all of the resolution proposals presented by the Management Board and the Supervisory Board at this year's ordinary Shareholders' Meeting. In addition, the Shareholders' Meeting approved the remuneration system for the Management Board.

In his report, the former Chief Executive Officer Dr. Per-Ove Hansson discussed the key developments and results of the 2015 fiscal year and the first quarter of 2016 and confirmed the outlook for the entire 2016 fiscal year. In his speech, he addressed in particular important milestones and product innovations during the 2015 fiscal year as well as the targets announced at the Shareholders' Meeting in 2015 and the degree to which they had been reached as of June 2016.

Corporate Governance

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

AN OVERVIEW OF CORPORATE GOVERNANCE

Given the clearly defined goal of not only maintaining the continued existence of the Company, but also achieving a sustainable increase in the Company's enterprise value through responsible and long-term corporate management, corporate governance continues to be of great importance to the Company. The Management Board and Supervisory Board of SUSS MicroTec have renewed their intensive interest in the topic of corporate governance in the 2016 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, 2017, the Management Board and Supervisory Board of SUSS MicroTec made the following declaration of compliance in accordance with Section 161 (1) of the German Stock Corporation Law (AktG):

SUSS MicroTec AG has complied with the recommendations of the Code in the version from May 5, 2015 since the issuance of the last annual declaration of compliance in January 2016 with the exceptions stated therein. SUSS MicroTec AG will comply with the recommendations of the German Corporate Governance Code in the version from May 5, 2015, with the following enumerated exceptions:

DEDUCTIBLE FOR D&O INSURANCE

The German Corporate Governance Code recommends in Section 3.8 (3) that upon concluding a directors' and officers' liability insurance policy, a deductible for the company Supervisory Board that complies with the legal requirements for board members be agreed. SUSS MicroTec AG 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 in setting Management Board remuneration the ratio of Management Board remuneration to upper management remuneration as well as to that of the overall staff, including the trend over time. In the process, the Supervisory Board decides how upper management and the relevant staff are defined.

The Supervisory Board of SUSS MicroTec AG is of the opinion that determining senior management and the relevant staff, taking the trend over time into account, can lead in practice to substantial legal uncertainties. Therefore, SUSS MicroTec is declaring a deviation from the Code as a precaution to this extent.

PENSION COMMITMENTS

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

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

CREATION OF COMMITTEES

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

SETTING A TERM LIMIT FOR MEMBERSHIP IN THE SUPERVISORY BOARD

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

COMMUNICATION AND TRANSPARENCY

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

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

SHAREHOLDERS’ MEETING

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

The Supervisory Board monitors and consults the Management Board with regard to the management of the Company and appoints the members of the Management Board. Significant Management Board decisions – e.g., acquisitions, divestments, and financial transactions – require the approval of the Supervisory Board. The Supervisory Board of SUSS MicroTec is not co-determined and no committees were formed. 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 AG. In the 2016 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 2016 fiscal year.

SUPERVISORY BOARD TARGETS AND CRITERIA REGARDING ITS COMPOSITION

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

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

Depending on the Company's current situation, it can make sense to adjust the weighting of individual criteria and to propose corresponding changes to the Supervisory Board at the Shareholders'

Meeting. For this purpose, the Supervisory Board monitors the Company's situation and evaluates the composition of the board at regular intervals.

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

The Supervisory Board of SUSS MicroTec will not set any membership term limit for Supervisory Board members since doing so could harm the Supervisory Board's latitude and expertise. In SUSS MicroTec's opinion, restricting how long an individual may remain in the Supervisory Board does not promote independent and responsible action by the Supervisory Board. On the contrary, given the complex product and corporate structure, a certain length of service in the Supervisory Board should be viewed positively since over time one can gain valuable, Company-specific experience and knowledge that can benefit the Company.

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

In the future, women should be accorded greater attention in the selection of Supervisory Board members in order to achieve suitable female participation. In addition, listed companies and/or companies that are subject to co-determination have been legally obligated since 2015 to set and publish targets for increasing the share of women, including in the Supervisory Board, and to report about the implementation status. In September 2015, the Supervisory Board and Management Board of SUSS MicroTec AG decided to set a target female share in the Supervisory Board of 0 percent. At the time these targets were set, there were no female members of the Supervisory Board of

SUSS MicroTec AG. In the view of SUSS MicroTec AG, 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.

The age limit for Supervisory Board members is 71.

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

PROVISIONS TO PROMOTE THE PARTICIPATION OF WOMEN IN LEADERSHIP POSITIONS

As a result of the "Law for the Equal Participation of Women and Men in Management Positions in the Private and Public Sectors" (Section 76 (4) and Section 111 (5) of the German Stock Corporation Law (AktG)), which went into effect on May 1, 2015, listed companies like SUSS MicroTec were obligated for the first time, inter alia, to set targets for the share of women in both the Supervisory Board and the Management Board and at the next two management levels. In addition, a deadline had to be set for achieving the respective target.

In order to implement the aforementioned obligation, on September 7, 2015, the Supervisory Board of SUSS MicroTec AG decided to set a target of 0 percent for the female share in the Supervisory Board of SUSS MicroTec AG. At the time of the resolution, this represented a continuation of the status quo, meaning that it was not necessary to set a deadline for achieving the aforementioned target.

For the German Group companies, the Management Board of SUSS MicroTec AG decided on September 2, 2015 to set a respective target of 20 percent and an implementation deadline of June 30, 2017 for both the first and second management levels below the Management Board. The target for the first management level means an increase in the female share, which at the time of the resolution was 18 percent. The target for the second management level similarly means an increase, since the female share at the time of the resolution was 14 percent. The implementation deadline satisfies the guidelines for the initial setting of an implementation deadline. As of December 31, 2016, the proportion of women in the first management level increased to 24 percent (previous year: 18 percent), and the second-tier women's share increased to 15 percent (previous year: 14 percent).

COMPANY BODIES

Members of the Management and Supervisory Board and their mandates:

Dr. Per-Ove Hansson

- Dr. rer. nat. (Physics), resident of Feldkirchen, Chief Executive Officer (until August 16, 2016)

Further appointments: none

Dr. Franz Richter

- Dr. Ing., resident of Eichenau, Chief Executive Officer (since September 7, 2016)

Further appointments:

- Siltronic AG, Munich, Germany (Member of the Supervisory Board)
- Meyer Burger Technology AG, Gwatt, Switzerland (Member of the Administration Board)
- COMET Holding AG, Flamatt, Switzerland (Member of the Administration Board)
- Scint-X AB, Stockholm, Sweden (Chairman of the Supervisory Board)

Michael Knopp

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

Further appointments: none

Walter Braun

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

Further appointments: none

Dr. Stefan Reineck

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

Further appointments:

- AttoCube Systems AG, Munich (Vice Chairman of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA (Member of the Board of Directors)
- Wittenstein AG, Igersheim (Member of the Supervisory Board)
- Until October 25, 2016: Acceed 4.0 Beteiligungs-GmbH (formerly known as Accel 4.0 Beteiligungs-GmbH), Heilbronn (Chairman of the Advisory Board)
- Until June 2, 2016: AWS-Group AG, Heilbronn (Member 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 AG

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 AG

Further appointments:

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

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

Dr. Per-Ove Hansson resigned his position as Member of the Management Board and Chief Executive Officer of SUSS MicroTec AG effective August 16, 2016.

Effective September 7, 2016, Dr. Franz Richter was appointed to the Management Board of SUSS MicroTec AG. In his capacity as Chief Executive Officer, he is responsible for individual product lines as well as the areas of sales and marketing, service, research and development, patents, and Group strategy.

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

The members of the Management and Supervisory Boards of SUSS MicroTec in office in the 2016 fiscal year owned the following number of shares and subscription rights as of the end of the fiscal year on December 31, 2016:

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

	Number of shares on 12/31/2016	Change from 12/31/2015	Number of stock options on 12/31/2016	Change from 12/31/2015
Supervisory Board				
Dr. Stefan Reineck	9,600	–	0	–
Jan Teichert	0	–	0	–
Gerhard Pegam	0	–	0	–
Management Board				
Dr. Franz Richter ¹⁾	60,000	+60,000	0	–
Dr. Per-Ove Hansson ²⁾	4,000	+4,000	0	–
Michael Knopp	19,900	+1,550	0	–
Walter Braun	18,300	+15,150	0	–

¹⁾ Chief Executive Officer since September 7, 2016

²⁾ Chief Executive Officer until August 16, 2016 (number of shares as of August 16, 2016)

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 AG shares or their corresponding financial instruments insofar as the value of the transactions that a member of the Company and persons associated with him/her has carried out within the calendar year amounts to or exceeds EUR 5,000.

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

ACCOUNTING AND ANNUAL AUDIT

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

On June 15, 2016, the Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, with an office in Munich, as auditors and Group auditors of SUSS MicroTec AG for the 2016 fiscal year. As a result, the annual

financial statements and the consolidated financial statements of SUSS MicroTec AG have been audited by a company of the BDO Group for the fifth time in a row. Aside from auditing activities, BDO AG Wirtschaftsprüfungsgesellschaft did not perform any consulting services for SUSS MicroTec in 2016. 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 2016 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 AG for the third year in a row.

CORPORATE GOVERNANCE DECLARATION

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

REMUNERATION REPORT

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

Condensed Management Report

of SUSS MicroTec AG for the 2016 fiscal year



Economic Report	54
Business Activity, Corporate Control, and Strategic Orientation	54
Economic Environment	57
SUSS MicroTec in Figures	58
The Holding Company – SUSS MicroTec AG	68
Sustainability	70
Disclosures of Takeover Provisions in Accordance with Section 289 (4) German Commercial Code (HGB) and Section 315 (4) HGB	74
Corporate Governance Declaration in Accordance with Section 289 a HGB	76
Remuneration Report	80
Remuneration of the Management Board	80
Remuneration of the Supervisory Board	85
Opportunities and Risks for the Future Development of the SUSS MicroTec Group	86
Forecast Report	97
Industry-specific Conditions	97
Expected Development in the Major Markets	98
Endogenous Indicators	99
Statement on the Projected Development of the Group – Outlook for 2017	100
Forward-Looking Statements	101

Economic Report

BUSINESS ACTIVITY, CORPORATE CONTROL, AND STRATEGIC ORIENTATION

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

As of December 31, 2016, the Group is comprised of four divisions, with the Others division composed of several smaller sub-units each managed separately.

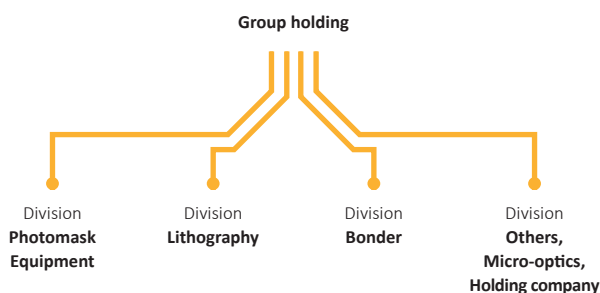
LEGAL STRUCTURE OF THE GROUP

The legal structure of the Group consists of the proprietary company, SUSS MicroTec AG, 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. The Group has locations in Germany, the United States, the United Kingdom, France, Switzerland, Japan, China, Singapore, Korea, and Taiwan.

MANAGEMENT AND CONTROL – REMUNERATION STRUCTURE FOR OFFICERS

The Management Board receives both a monthly fixed salary and variable remuneration for its activities. The latter is paid when individually determined targets are reached. The fixed pay includes fringe benefits in the form of a company car with the option of private use and allowances for health insurance as well as for an optional retirement insurance. The amount of the fixed pay is first and foremost determined by the roles and responsibilities assigned. Moreover, pension commitments have been made to individual 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.

DIVISION STRUCTURE

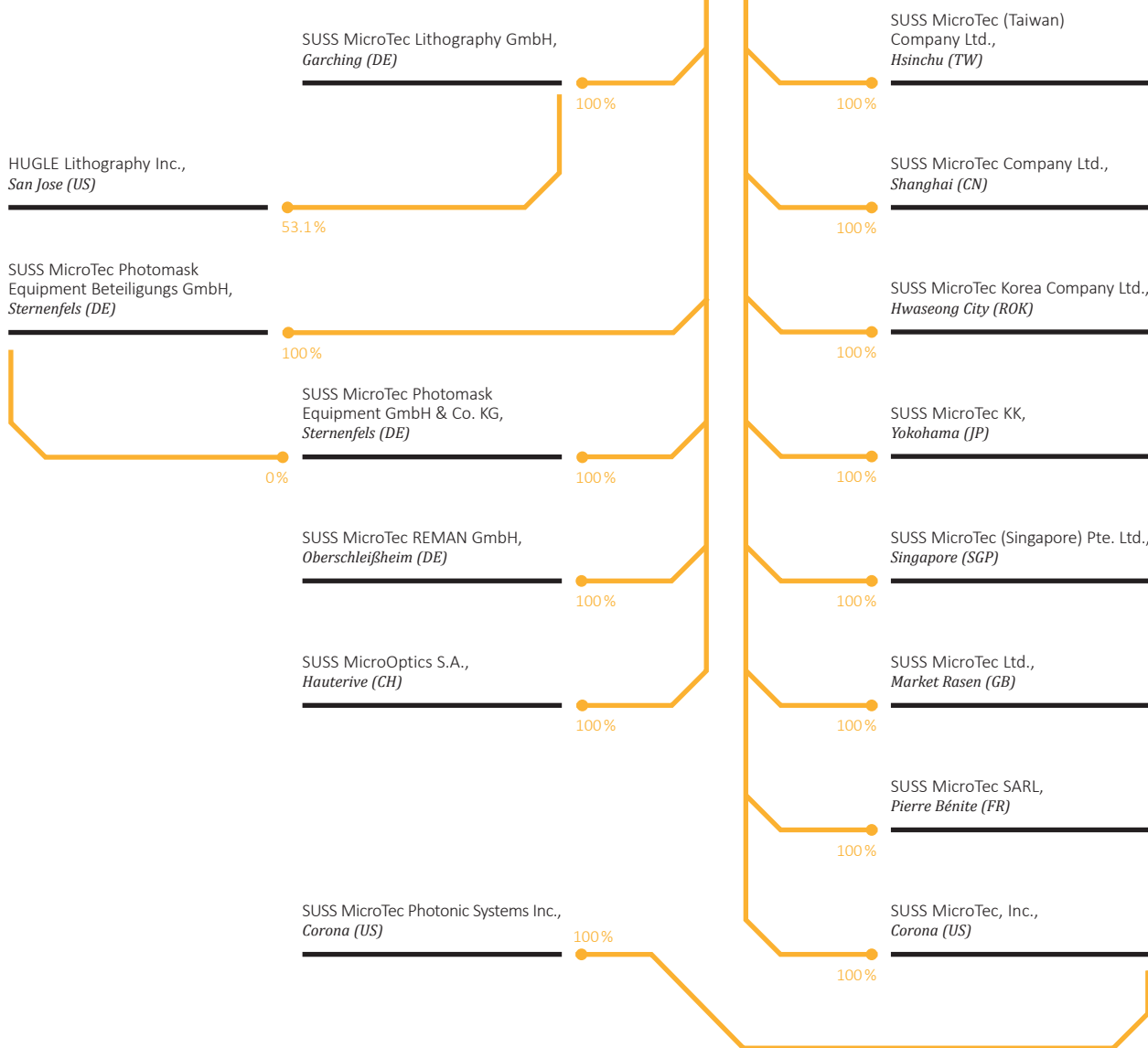


SUSS MICROTEC AG
Garching (DE)

Others / Nonoperating

Production

Sales



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

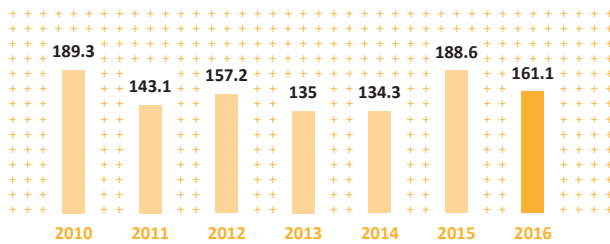
CORPORATE CONTROL, OBJECTIVES, AND STRATEGY

SUSS MicroTec pursues the strategy of occupying lucrative niche markets in the industry of semiconductor suppliers. The goal is to operate in the relevant markets by way of its clear positioning among the top three suppliers at all times. Partnerships with leading institutes and companies within the industry should en-

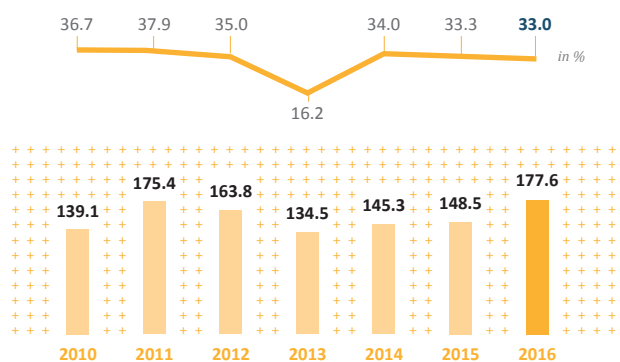
sure that significant trends and promising technologies are always identified early on and that the potential for SUSS MicroTec is examined. Organic growth is at the center of focus. External growth is also considered in the case of interesting technologies and appropriate complementary products.

Corporate control is geared particularly toward the order entry, sales, and order backlog of the individual divisions. The performance of the divisions is, thus, measured above all by observing the development of the gross profit margin (sales less manufacturing costs) as well as the division earnings. The presentation of the division earnings now also includes income and expenses from foreign currency translation and asset disposals. Altogether, the division earnings are in line with the Group's operating income (EBIT). Another key control figure is the net cash (cash plus interest-bearing securities less financial debt). This represents a significant key control figure for the holding company's financing function. The following table shows the development of key figures since 2010.

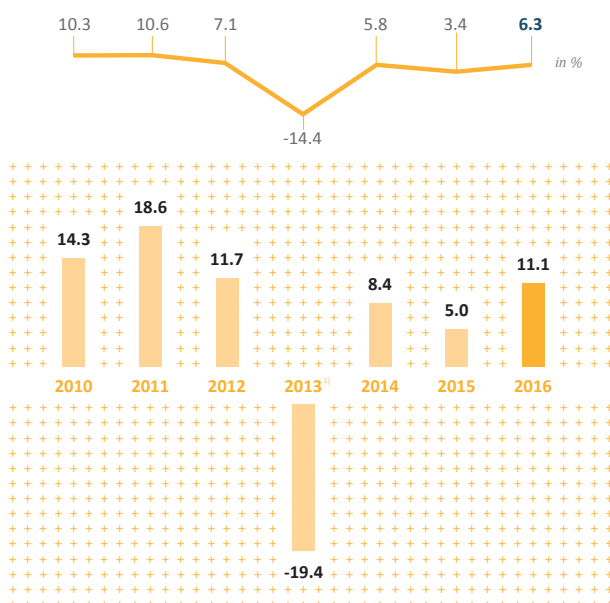
ORDER ENTRY in € million



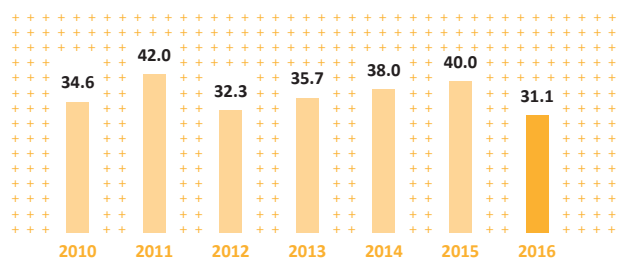
SALES in € million **AND GROSS MARGIN** in %



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



NET CASH in € million



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

ECONOMIC ENVIRONMENT

POLITICAL UNCERTAINTY SURROUNDS EVENTS

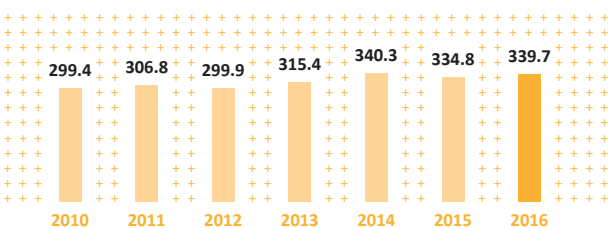
Germany has been experiencing solid growth since 2013, a trend which the ifo Institute expects to continue according to its “ifo Konjunkturprognose 2016–2018” from December 16, 2016. Private consumption is the primary driver of this growth and, to a lesser extent, investment in plants and infrastructure. At the same time, there are significant risks, both economic and political, which could dampen this persistent growth. The political landscape changed significantly in 2016. The United Kingdom voted to leave the European Union, Italy’s planned constitutional reform failed and, last but not least, the US presidential election added another unpredictable element to the political stage. These three events alone are likely to have far-reaching and uncertain consequences for Germany and the entire global economy.

In the 2016 fiscal year, global GDP expanded by 2.4 percent. However, the momentum of economic growth is generally lower than in the years before the financial and economic crisis. Economic output in the eurozone remains burdened by the structural weaknesses of several member states, but nevertheless saw positive development. In 2016, the eurozone experienced growth of 1.6 percent. Asia continues to develop well, yet the general slowdown in the pace of expansion, particularly in China, is expected to persist in the future. Whereas growth in China was at 7.3 percent in 2014, a rate of 6.5 percent is now forecast for 2017.

TANGIBLE RECOVERY IN THE SEMICONDUCTOR MARKET

After a difficult fiscal year in 2015, the semiconductor market recovered in the past fiscal year, achieving a total volume of US\$ 339.7 billion, compared with US\$ 334.8 billion in the previous year. This means an increase of approximately 1.5 percent (source: Gartner, January 2017). Following a weak start to the 2016 fiscal year, the second half of the year saw a much better performance in this industry sector. The demand for semiconductor products rose overall, inventories were increased and prices stabilized for individual construction elements, in particular storage media. The semiconductor market as a whole is dominated by ten large companies, which have a combined market share of 44 percent.

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



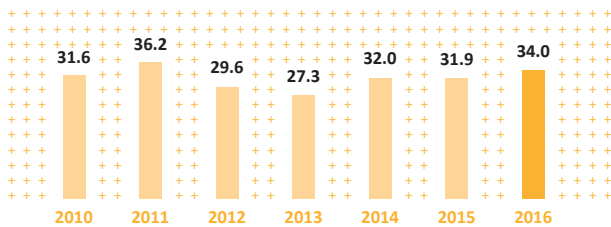
Source: Gartner 2010–2016

GROWTH IN THE SEMICONDUCTOR EQUIPMENT INDUSTRY SECTOR

The market for semiconductor equipment grew by approximately 8.7 percent, according to current estimates of the SEMI industry association in 2016. In its publication from December 14, 2016, the SEMI industry association anticipates renewed growth in the semiconductor equipment market in 2017 from US\$ 39.69 billion in 2016 to US\$ 43.40 billion in 2017, which corresponds to a significant increase of 9.3 percent. China also saw considerable growth here, in addition to Taiwan, in the past fiscal year, thereby becoming an important consumer in the industry. Europe and Korea were able to maintain their position compared with 2015; only North America saw a decline in sales in semiconductor equipment.

The specialty area of wafer-level packaging and assembly, which is relevant for SUSS MicroTec, saw a 3.9 percent year-on-year increase in the 2016 fiscal year. One reason here is the demand for smartphones, which recently developed better than originally anticipated. This had a positive impact particularly on storage media, such as NAND, and the MEMS area. SUSS MicroTec was able to achieve a high level of sales in the wafer-level packaging area in the 2016 fiscal year, not least due to the considerable order backlog at the end of 2015. This market segment will also continue to see dynamic growth in the coming years, according to industry expert expectations.

SALES DEVELOPMENT OF WAFER-FAB EQUIPMENT *in US\$ billion*



Source: Gartner 2010–2016

SUSS MICROTEC IN FIGURES

PROFIT SITUATION: ORDER ENTRY, SALES, AND EBIT

Comparison of Full-Year Figures for 2016 – Forecast 2016

In the forecast report of the 2015 Management Report, the Company held out the prospect of sales of approximately € 170 to € 180 million and earnings before interest and taxes (EBIT) in a range of € 9 to € 13 million for the 2016 fiscal year. This sales and earnings forecast was not adjusted during the 2016 fiscal year. SUSS MicroTec concluded the 2016 fiscal year with sales of € 177.6 million. EBIT reached € 11.1 million, meaning that sales and earnings were in line with the Company's own expectations.

<i>in € million</i>	Forecast 2016	Earnings 2016
Sales	170–180	177.6
EBIT	9–13	11.1
EBIT margin	–	6.3%

Corporate Development in 2016

Order entry for the 2016 fiscal year totaled € 161.1 million, while order entry of € 188.6 million was achieved in the previous year. In particular, the fourth quarter of 2016, in which order entry of € 59.5 million was generated, had a major impact on the annual results. As a result, order entry in 2016 was below order entry in the previous year by approximately 14.6 percent. As of December 31, 2016, there was an order backlog of € 101.5 million, approximately € 16.1 million less than order backlog of the previous year (€ 117.6 million). The ratio of newly received orders to realized sales (book-to-bill ratio) was 0.91 after 1.27 in the previous year.

In the 2016 fiscal year, the profit situation of the SUSS MicroTec Group showed a clear sales increase and positive annual earnings. Sales increased compared to the previous year by approximately 19.6 percent and totaled € 177.6 million, while in the previous year sales of € 148.5 million were achieved. Earnings before interest and taxes (EBIT) in 2016 amounted to € 11.1 million. In 2015, EBIT of € 5.0 million was achieved.

SUSS MicroTec's top-selling Lithography division achieved a sales increase of € 27.5 million. In 2016, the Lithography division accounted for around 75 percent of Group sales. Sales in the Bonder division recorded a slight increase of approximately € 2.6 million. In the Photomask Equipment division, sales decline of € 3.8 million was recorded, while the Others division booked a sales increase of € 2.8 million.

The cost of sales included write-downs on capitalized development costs in the amount of € 0.1 million. No new capitalizations were carried out in 2016. Write-downs on development costs relate exclusively to the Lithography division. In the previous year, write-downs of € 0.1 million on capitalized development costs

were recognized. New capitalizations in the previous year totaled € 1 thousand.

In the 2016 fiscal year, a gross profit of € 58.6 million was generated, corresponding to a gross profit margin of 33.0 percent. In the previous year, the gross profit totaled € 49.4 million; the gross profit margin in 2015 amounted to 33.3 percent.

Selling costs in the fiscal year increased to € 20.5 million (previous year: € 18.8 million), representing an expense ratio of 11.6 percent (previous year: 12.7 percent) relative to sales generated. Selling costs include half of a severance payment totaling € 0.75 million for a former member of the Management Board.

Research and development costs rose significantly in the past fiscal year, amounting to € 14.1 million (previous year: € 12.8 million). SUSS MicroTec significantly expanded its activities in research and development, as planned. Research and development costs include half of a severance payment totaling € 0.75 million for a former member of the Management Board.

Administration costs rose slightly from € 13.3 million in the previous year to € 13.6 million, corresponding to an expense ratio of 7.7 percent (previous year: 8.9 percent).

Other operating income totaled € 4.3 million in the fiscal year (previous year: € 4.9 million). As in the previous year, this included high foreign currency gains, which resulted from the translation of foreign currency positions into euros. In addition to this, commission revenue of approximately € 0.9 million (previous year: € 0.5 million) was achieved. In the previous year, revenue of € 0.6 million was generated from a cancellation agreement with a customer.

Other operating expenses amounted to € 3.5 million in 2016 (previous year: € 4.4 million) and primarily included expenses from foreign currency translation and other taxes.

Earnings before interest and taxes (EBIT) in the past fiscal year amounted to € 11.1 million. In 2015, EBIT of € 5.0 million was achieved.

The financial result for 2016 amounted to € -0.6 million (after € -0.3 million in the previous year). This includes expenses of € 0.4 million resulting from the closure of an interest rate swap.

Group earnings before tax of € 10.5 million were subject to tax expense of € 5.5 million, which corresponds to an average tax expense rate of approximately 52.4 percent. The high tax expense relative to profit before tax resulted primarily from the accumulated losses of foreign Group companies in the 2016 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. As a result, no corresponding income tax was assessed for losses generated by foreign companies.

In the previous year, Group earnings before tax of € 4.7 million were subject to tax expense of € 4.5 million, which corresponded to an average tax expense rate of approximately 95 percent. Consequently, the actual tax expense rate in the previous year also deviated significantly from the anticipated tax expense rate. Similarly, in the 2015 fiscal year, the high tax expense relative to profit before tax resulted from the accumulated losses of foreign Group companies (particularly in the USA), for which no deferred tax assets were recognized.

The Group generated profit for the year of € 5.0 million (previous year: € 0.2 million). Basic earnings per share amounted to € 0.26, after € 0.01 in the previous year.

Sales per employee increased compared to the previous year by 17.4 percent from € 213 thousand to € 250 thousand (based on the respective number of employees as of the reporting date).

DEVELOPMENT IN THE INDIVIDUAL DIVISIONS

Lithography

The Lithography division includes the development, manufacture, and sale of the mask aligner, UV projection scanner, and laser processing tool product lines as well as coaters and developers. These product lines are manufactured in Germany at the locations in Garching near Munich and, since the beginning of 2010, in Sternenfels. The Lithography division was strengthened in the first quarter of 2012 by the acquisition of Tamarack Scientific Co., Inc. (now operating under the name SUSS MicroTec Photonic Systems Inc.). The Company has its headquarters in Corona in southern California (USA). With a contribution to sales of more than 70 percent, the Lithography division is SUSS MicroTec Group's largest division. The components that are manufactured with these tools are sent primarily to the end markets of advanced packaging, microelectromechanical systems, compound semiconductors (LED), and 3D integration.

In the 2016 fiscal year, the Lithography division achieved order entry of € 105.0 million (previous year: € 149.6 million) and sales of € 133.8 million (previous year: € 106.3 million). This corresponds to 29.8 percent lower order entry and 25.8 percent higher sales from the previous year. The significant increase in sales was achieved across all product lines. With our innovative UV projection scanners, we succeeded for the first time in 2015 in winning a large order for serial production from an important semiconductor manufacturer. We were able to generate sales for this scanner for applications in the fan-out WLP area in the 2016 fiscal year.

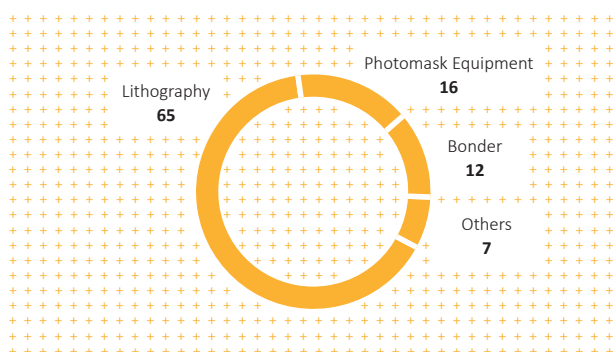
The gross profit in the Lithography division was much lower in the last fiscal year than in the previous year. In 2016, the gross profit margin was 31.5 percent, compared with 34.2 percent in the previous year. The decline in the gross profit margin is due to the negative margin for UV projection scanners, which had a major impact on the earnings of the Lithography division in the 2016 fiscal year.

The Lithography division contributed earnings of € 13.2 million (previous year: € 9.7 million) to consolidated earnings before interest and taxes (EBIT). This resulted in a sales margin of 9.8 percent for the Lithography division, a slight increase from the previous year (sales margin in the previous year: 9.1 percent). Despite a difficult competitive situation, coaters and developers were able to achieve a significant improvement in margins in the past fiscal year. This is in contrast to shrinking margins in the mask aligner product line.

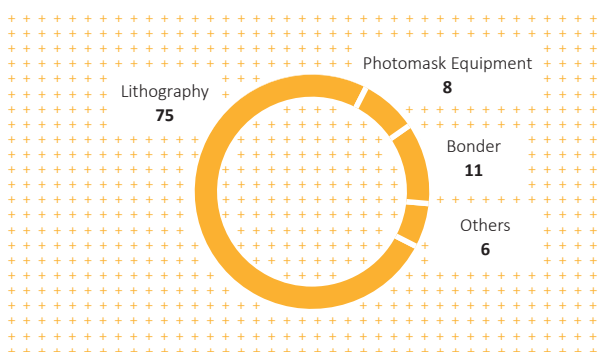
LITHOGRAPHY KEY FIGURES

<i>in € million</i>	2016	2015
Order entry	105.0	149.6
Division sales	133.8	106.3
EBIT division earnings	13.2	9.7
Net assets	59.3	51.3

ORDER ENTRY BY DIVISION *in %*



SALES BY DIVISION *in %*



Bonder

The Bonder division comprises the development, production, and sale of the substrate (wafer) bonder product line. Manufacturing is located at our largest site in Sternefeld. Markets addressed by the Bonder systems include MEMS, compound semiconductors, and 3D integration.

The Bonder division continued to develop very positively both in terms of order entry, at € 18.6 million (previous year: € 10.5 million), and sales, at € 14.0 million (previous year: € 11.4 million). In the past fiscal year, significantly more orders were recorded in the permanent bonding product line, compared with 2015. The market launch of the XB8 in the third quarter of 2015 had a positive effect here. After an initially slow market launch, customers ordered a larger number of type XB8 machines in the second half of 2016. Moreover, additional orders and customers were gained for the temporary bonding product line. In the future, we expect order entries and sales to continue increasing in this division, particularly through the introduction of new products such as the new automatic bonder XBS200 and the expansion of market shares in MEMS and LED manufacturing.

The gross profit of the Bonder division was again positive in the past fiscal year. The gross profit margin improved considerably from 19.3 percent to 36.3 percent. The margins in the Temporary Bonding and Debonding division, as well as the remaining business with the permanent bond systems improved on a sustainable basis. In the Bonder division, earnings before interest and taxes (EBIT) were € -1.7 million after € -4.0 million in the previous year.

BONDER KEY FIGURES

<i>in € million</i>	2016	2015
Order entry	18.6	10.5
Division sales	14.0	11.4
EBIT division earnings	-1.7	-4.0
Net assets	5.1	5.7

Photomask Equipment

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

The Photomask Equipment division again performed better in the past fiscal year than in the previous year in terms of order entry. At the end of December 2016, order entry totaled € 26.3 million (previous year: € 21.5 million). Division sales amounted to € 19.7 million after € 23.5 million in 2015. Machines for cleaning photomasks are very complex and high quality. SUSS MicroTec has a market share of approximately 80 percent in this area. The general market as a whole is comparatively small, with only around three to five machines being produced and sold every year. If the sale of a machine goes beyond a reporting date, this may result in not insignificant fluctuations of order entry, sales, and earnings from quarter to quarter and from fiscal year to fiscal year.

The gross profit margin increased slightly in the 2016 fiscal year to 32.7 percent. In the 2015 fiscal year, it was possible to achieve a margin of 31.5 percent.

The Photomask Equipment division was able to contribute earnings of € 1.8 million (previous year: € 2.3 million) to Group EBIT. The sales margin was 9.2 percent, slightly lower than in the previous year (sales margin 2015: 9.9 percent).

PHOTOMASK EQUIPMENT KEY FIGURES

<i>in € million</i>	2016	2015
Order entry	26.3	21.5
Division sales	19.7	23.5
EBIT division earnings	1.8	2.3
Net assets	14.8	6.8

Others

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

Order entry increased again significantly from € 7.0 million in the 2015 fiscal year to € 11.2 million in 2016. Division sales amounted to € 10.1 million after € 7.3 million in the corresponding period of the previous year. As in the previous year, the Micro-optics business, which generated increased order entry of € 10.9 million (previous year: € 6.6 million) as well as an increase in sales from € 6.8 million to € 9.9 million, accounted for the largest share of sales and order entry.

OTHERS KEY FIGURES

<i>in € million</i>	2016	2015
Order entry	11.2	7.0
Division sales	10.1	7.3
EBIT division earnings	-2.1	-3.1
Net assets	20.9	19.9

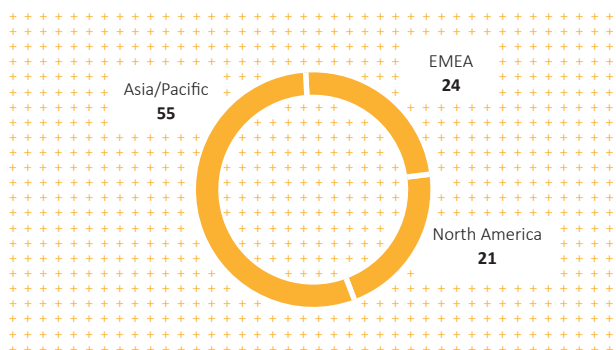
DEVELOPMENT IN THE MOST IMPORTANT REGIONS

EMEA (Europe, Middle East, Africa), North America, and Asia are the most important regions of the world for SUSS MicroTec's business. From 2016, we no longer break the Asia region down into Japan and "Rest of Asia". Instead, all order entry and sales are pooled and reported under the Asia region. Sales in Japan have recently been very low and also subject to a high degree of volatility, meaning that there was no longer any advantage to the reader by displaying these separately.

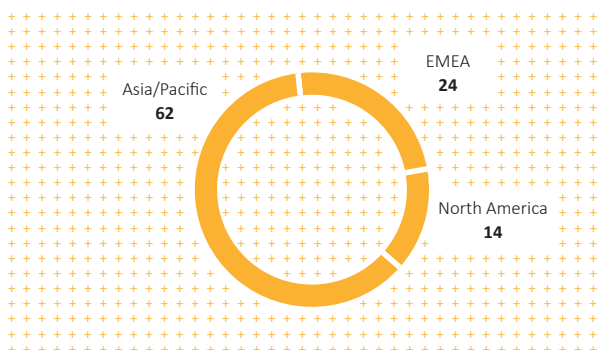
Order entry in the 2016 fiscal year was generally lower than in 2015, especially as very high order entry was recorded in the fourth quarter of 2015. It was nevertheless possible to generate an increase in order entry in the North America region in the past fiscal year. This rose from € 27.6 million to € 33.7 million, representing an increase of 22.1 percent. The EMEA and Asia regions, in contrast, recorded lower order entry than in the fiscal year 2015. Order entry in the EMEA region fell by 21.9 percent to € 38.1 million. Order entry in Asia decreased by 20.4 percent to € 89.3 million. With order entry of more than 50 percent throughout the Company, Asia remains the most important sales region for SUSS MicroTec.

The picture is very positive for sales, with the exception of North America. North America recorded a decline in sales of 9.2 percent to € 25.4 million. This was caused in particular by the fall in sales of coaters and developers. The EMEA and Asia regions saw a clear year-on-year rise of 6.4 percent to € 43.1 million and 36.3 percent to € 109.0 million, respectively. It was possible to sell more coaters and developers in the EMEA region compared with the previous year. Asia, the region with the strongest sales, saw increases in almost all areas. The coater and developer, and bonder product lines developed particularly well. It was possible to generate considerable sales with Chinese customers. Moreover, the new UV projection scanner was sold in significant volumes for the first time in the Asia region.

ORDER ENTRY BY REGION *in %*



SALES BY REGION *in %*



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 € 40.0 million in the previous year to € 31.1 million as of December 31, 2016. The amount of cash decreased from € 49.1 million in the previous year to € 35.6 million at the end of the reporting year.

Cash flow from operating activities totaled € -5.5 million (previous year: € 4.7 million). The reason for the significantly negative cash flow from operating activities was, on the one hand, a major rise in customer receivables and inventory that, at around € 10.7 million and € 6.1 million respectively, had a liquidity-reducing effect. On the other hand, the SUSS MicroTec group reported significantly lower trade payables than in the previous year as per the end of the year due to the reporting date; this is reflected in liquidity outflow of around € 5.5 million in cash flow from operating activities. By contrast, there was an increase in customer down payments received, which had a positive influence on cash flow from operating activities amounting to around € 4.4 million.

Cash flow from investing activities totaled € -3.6 million (previous year: € -3.4 million), excluding investments in securities. Investments in property, plant and equipment involved in part machines acquired by SUSS MicroOptics (Hauterive, Switzerland) to expand its production, for which cash outflows of approximately € 0.9 million were recorded. Renovations were conducted and fixtures were added in the buildings at the production sites in Garching and Sternenfels, amounting to around € 0.5 million. In addition, new acquisitions were made of equipment and tools as well as operating and office equipment at the German companies and at SUSS MicroTec Photonics Inc. (Corona, USA). Investments in intangible assets primarily involved new acquisitions of EDP software.

Free cash flow therefore amounted to € -9.1 million. In the previous year, free cash flow (adjusted for the effects of securities purchases and sales) of € 1.3 million was generated.

Cash flow from financing activities amounted to € -4.6 million (previous year: € -1.2 million), reflecting on the one hand planned repayments of a total of € 1.0 million for the bank loan of SUSS MicroTec AG, which served to finance the business property in Garching. On the other hand, the premature full repayment of the bank loan of SUSS MicroTec AG, which served to finance the business property in Sternenfels, was also reflected here. As of December 31, 2015, this loan still had a loan status of € 3.6 million and was fully repaid in June 2016.

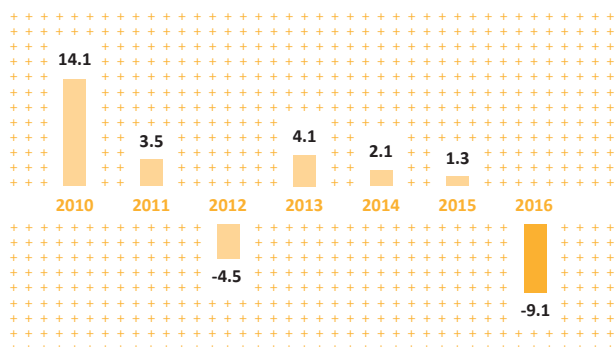
Aside from cash of € 35.6 million (previous year: € 49.1 million), the Group had domestic guarantee and credit lines of € 5.25 million (previous year: € 9.0 million) at the end of the reporting year. In the reporting year, the line was utilized exclusively in the form of guarantees. Most of them involved down payment guarantees. As of the reporting date, utilization amounted to € 2.8 million.

A bank consortium led by Deutsche Bank AG with the participation of DZ Bank AG and the Baden-Württembergische Bank provides credit and guarantee lines totaling € 4.5 million. These lines were granted until further notice and were issued without covenants. The lines can be utilized by SUSS MicroTec AG or SUSS MicroTec Lithography GmbH.

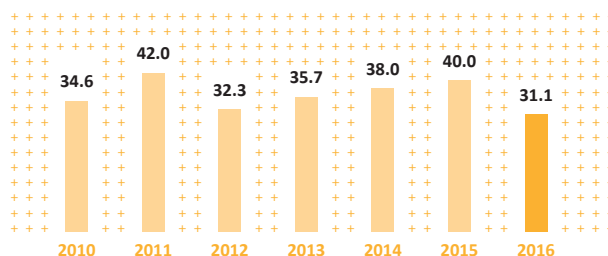
A general credit agreement exists between SUSS MicroTec Photomask Equipment GmbH & Co. KG and Baden-Württembergische Bank Mannheim for a guarantee line of € 0.75 million. The guarantee line runs for an indefinite term and was issued without covenants.

The Group also had another guarantee line of € 2.5 million available in the previous year, which was provided by an insurance company on the basis of a bond insurance agreement. The bond insurance agreement was terminated in November 2016 as this guarantee line had only been utilized to a limited extent and will not be required for the time being.

FREE CASH FLOW in € million



NET CASH in € million



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

In addition to goodwill, the technology of SUSS MicroTec Photonic Systems obtained through a corporate acquisition and the business properties in Garching and Sternenfels accounted for the bulk of noncurrent assets.

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

As of December 31, 2016, capitalized development costs had a carrying amount of € 0.2 million (previous year: € 0.3 million), which was completely attributable to the Lithography division. They play only a subordinate role for the assets position of the Group.

In addition, noncurrent assets encompassed licenses and patents as well as the SAP system activated at SUSS MicroTec AG, with a total carrying amount of € 2.4 million (previous year: € 2.8 million). They were composed of € 1.2 million (previous year: € 1.5 million) for the Lithography, Bonder, and Photomask Equipment divisions and € 1.2 million (previous year: € 1.3 million) for the Others division. Furthermore, the technology obtained as part of the Photonic Systems acquisition, which carried a residual book value of € 1.0 million as of the reporting date (previous year: € 1.2 million), was recognized under intangible assets and attributed to the Lithography division. The technology is denominated in US dollars and is subject to amortization over eight years.

The two business properties in Garching and Sternenfels, which carried a residual book value of € 13.9 million at the end of the year (previous year: € 13.8 million), accounted for the bulk of tangible assets. SUSS MicroTec Lithography GmbH, SUSS MicroTec Photomask Equipment GmbH & Co. KG, and SUSS MicroTec AG are located there.

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

The carrying amount of tangible assets changed only slightly from the previous year.

Deferred tax assets amounted to € 2.2 million as of the reporting date, after € 2.5 million in the previous year. These were reduced largely as a result of the change in deferred tax assets on differences in the valuation of inventory and intangible assets, as well as the use of deferred tax assets on loss carryforwards. In 2016, the taxable entity in Germany (with SUSS MicroTec AG as the parent company and SUSS MicroTec Lithography GmbH and SUSS MicroTec REMAN GmbH as subsidiaries) achieved significantly positive taxable earnings, in the process utilizing the loss carryforwards created in the previous year. As of December 31, 2016, the German companies had no more tax loss carryforwards. Deferred tax assets were recognized to a limited extent for the subsidiaries in France and Korea, in view of the current Group budget for 2017. However, no deferred tax assets on loss carryforwards were recognized for the loss carryforwards of US companies.

Current assets rose by € 3.0 million in the reporting year to € 136.8 million. This increase was primarily attributable to much higher inventory levels as well as high customer receivables as per the end of the year. Conversely, the amount of cash and cash equivalents fell significantly, in view of the high negative cash flow.

Inventories increased from € 68.7 million as of the previous year's reporting date to € 73.8 million as of the end of the year. The increase is due in part to the inventory of tools amounting to around € 3.8 million, which had already been delivered to customers but for which final acceptance (and therefore recognition in sales) was still outstanding. Moreover, gross inventories of demonstration equipment increased by € 4.4 million and materials and auxiliary supplies by € 0.6 million. In contrast, inventories of unfinished goods decreased by around € 2.1 million.

Trade receivables increased from € 13.1 million in the previous year to € 24.1 million. The increase was primarily due to the reporting date.

The amount of cash and cash equivalents decreased from € 49.1 million to € 35.6 million.

The rise in other assets from € 2.3 million in the previous year to € 2.8 million at the end of the year was primarily attributable to higher VAT receivables, which arose due to the reporting date.

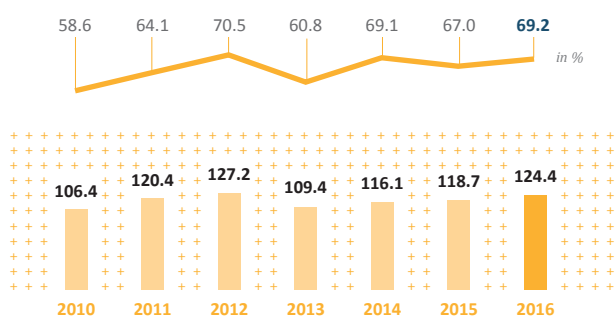
Noncurrent liabilities decreased from € 13.1 million to € 8.3 million. Noncurrent liabilities included, on the one hand, financial liabilities, which totaled € 3.5 million in the fiscal year (previous year: € 7.9 million). On the other hand, the SUSS MicroTec Group's pension obligations, which were recognized as a liability amounting to € 4.8 million (previous year: € 5.1 million) at the end of the year, are also included here. The significant decline in financial liabilities reflected, on the one hand, the planned repayment of the loan to finance the acquisition of land in Garching, which came to a total of € 1.0 million. On the other hand, the loan to finance the land in Sternenfels, which had a loan status of € 3.6

million as of December 31, 2015 (of which € 3.4 million was classified as noncurrent financial liabilities), was fully repaid in June 2016.

Current liabilities recorded an increase from € 45.4 million in the previous year to € 46.9 million as of the reporting date. The customer down payments included here rose significantly, amounting to € 22.6 million as of the end of the fiscal year (previous year: € 18.2 million). Provisions also saw a clear increase from € 2.4 million in the previous year to € 5.2 million as of December 31, 2016, resulting from the higher warranty provisions as well as provisions for the refocusing of sales in Japan and the severance payment of a Management Board member. Conversely, trade payables decreased to € 3.4 million (previous year: € 8.5 million) due to the reporting date.

The shareholders' equity of the SUSS MicroTec Group has grown since December 31, 2015 by € 5.7 million to € 124.4 million. The equity ratio rose compared with the previous year from 67.0 percent to 69.2 percent.

EQUITY in € million **EQUITY RATIO** in %



CAPITAL EXPENDITURE

Targeted capital expenditure strengthens the Company

SUSS MicroTec AG 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 continuously invests in the Company buildings at both sites in order to maintain state-of-the-art storage, production, and administrative facilities.

Due to the structure of the Company, investments in equipment and tools are not a significant component of its development. Fundamental value is added through the design, assembly, and alignment of components, as well as the corresponding software management. Special equipment and tools are not required for these activities.

We assume that investments in property, plant and equipment will be within the range of approximately 1 to 2 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.

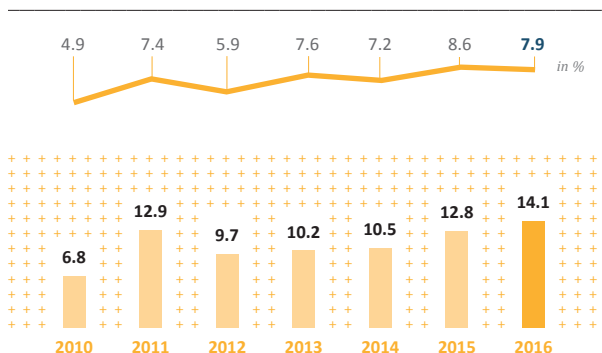
SUSS MicroTec AG is the owner of the Group-wide SAP system, which is used by the German companies as well as by SUSS MicroTec, Inc. (Corona, USA), SUSS MicroTec Photonic Systems Inc. (Corona, USA) and SUSS MicroTec (Taiwan) Company Ltd. (Hsinchu, Taiwan).

RESEARCH AND DEVELOPMENT

Research and development expenditures increased from € 12.8 million in the previous year to € 14.1 million, which corresponds to an expense ratio of 8.0 percent (previous year: 8.6 percent) in relation to sales in 2016. Of the expenditures, € 8.7 million (previous year: € 8.0 million) related to the Lithography division and € 2.7 million (previous year: € 2.2 million) related to the Bonder division. € 1.4 million (previous year: € 1.9 million) was attributable to the Photomask Equipment division.

At the end of 2016, 153 employees – almost a fifth of the employees of SUSS MicroTec – were employed in the area of research and development (previous year: 147 employees).

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



Lithography

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

Coater and Developer – The focus of the development work within the coater and developer product group was definitively on the ACS300 Gen3 in the 2016 fiscal year. The new platform is specifically tailored to the advanced packaging market. Our highest objective was to develop a system for our customers with even more attractive operating costs. For the first time, wet processing and temperature modules can be placed not only side by side but also on top of one another. The result is a completely new and highly compatible machine concept. This means that the ACS300 Gen3 does not need any free space on its sides and the equipment can be lined up seamlessly next to one another in the processing facilities. This saves valuable space in the cleanroom of our clients.

The module design of the equipment allows for efficient production. This allows many tasks to be carried out simultaneously during plant production. For SUSS MicroTec a high degree of prefabrication is also possible despite the individual customization of the individual machines to the customer's specifications and an unrestricted positioning of the various process modules. The new concept can substantially reduce the throughput time of a machine order. The increasingly shorter procurement times the

market calls for are optimally addressed this way. The introduction of the new platform to the market took place during the SEMICON Taiwan in September 2016.

Both the 200 mm and the 300 mm product line of the automated coater and developer equipment benefit from the successive further development of the control software. For example, a flexible possibility was created for switching between two different types of operation. The equipment can either be operated in a throughput-optimized way or can react to the demands of strongly bent substrates in a module-dependent way. The software now also reacts dynamically to changed conditions within the system. In the case of inactive modules, for example in case of maintenance work, the operation within the machine can continually be optimized in such a way that the optimal throughput time is reached with the utmost possible process safety.

Mask Aligner – The mask aligner product line brought the fourth generation of the MA/BA platform to the market in the previous fiscal year. This partially automatic mask and bond aligner family (for wafer and piece sizes up to 8 inches in diameter) is characterized by simple handling, a modern and clear user interface and a minimal space requirement in the cleanroom (footprint). As a cost-effective basic tool, the MA/BA Gen4 series offers an excellent resolution of the smallest patterns and the best alignment accuracy. This makes it ideal for both universities and institutes, as well as for industrial development and small-batch production, who can equip the machine with a variety of options according to their own requirements.

Since April 2016, SUSS MicroTec has been the first equipment supplier on the market to offer a semi-automated mask aligner with an environmentally friendly UV LED lamp housing. The sustainable UV LEDs offer a highly energy-efficient and maintenance-free light source that is extremely long-lasting. The LEDs only need to be switched on during the actual exposure process. This eliminates the immense energy consumption of the continuously burning mercury vapor lamps that were previously used. Long warm-up times, continuous flow cooling, special health and work safety precautions, and not least costly disposal are also no longer needed.

In addition, there have been further exciting advances in research and development projects within the mask aligner product line. For example, a new generation of wafer-level optical process windows and technologies for manual and semi-automated mask aligners was developed for a number of customers that aims at meeting growing customer requirements in terms of the integration of optical components into semiconductor production. To avoid electrostatic discharges in the customer material and thus reduce scrap rates, an ESD (electrostatic discharge) handling solution for the automatic mask aligner was developed in the 2016 fiscal year. The ESD solutions offered by SUSS MicroTec are available for new machines and as an upgrade for existing machines. These will gain significance in the future with the global trend towards smaller and more sensitive patterns.

Overall, the extensive order backlog for mask aligners was fulfilled on schedule by the beginning of 2016. This includes, for example, the delivery of a number of MA200 Gen3s, which boast many new features in comparison to the previous model. Especially major production customers are highly satisfied with features like the AGS (active gap setting) and the short ramp-up time for new machines, as well as the excellent continuous output capacity of the production machines.

UV Projection Scanner – This product line is manufactured at the Corona, USA location. As already stated in the 2015 annual report, SUSS MicroTec has succeeded in gaining a major production customer with the new DSC300. These scanners were delivered to the customer in the 2016 fiscal year and brought into production. The development of this product was also the subject of focus for the engineers in Corona in 2016. For example, the thermal management of the machine was optimized to ensure consistently good processing results at continual high-volume production. The DSC300 was further optimized for fan-out wafer-level packaging process windows by improving overlay, for example through targeted heating of the masks. Finally, the report also describes the development of particle protection barriers, which will ensure the quality of the exposure results.

Bonder

This division is divided into the two product lines permanent and temporary bonding.

A special focus was on the development of a new automated platform for permanent bonding procedures for MEMS, RF and LED uses. The new XBS200 can process wafer sizes of up to 200mm and has a completely new transport mechanism for the transfer of aligned wafers from the bond aligner to the bond chamber. The bond aligner module of the XBS200 is capable of extremely high alignment accuracy and can be automatically calibrated. The bonding chambers of the XBS200 are based on the XB8 bonders and offer a bond force of up to 100kN, at a bonding temperature of up to 550°C. The new platform was introduced to the market in the first quarter of 2017.

Continuous improvements were made in temporary bonding across the XBS300 and XBC300Gen2 production platforms. This was achieved in cooperation with various Asian production customers, a European production customer, and collaborating partners from the research sector. The LF300 bonding chamber was outfitted with a higher bond force of 15kN rather than 8kN to cover additional adhesive-based permanent and temporary bonding procedures. A module for the removal of adhesive residue from thin wafers following debonding by means of adhesive film (“detaper”) was developed in cooperation with an external partner. The new module can be incorporated into the existing XBC300 Gen2 platform and allows for the removal of adhesive residue using cost-effective means. The new procedure thus represents a significant improvement with regard to the environmental properties of the adhesive cleaning following the debonding process.

A new procedure was developed and qualified within the application area that allows for a combination of excimer laser debonding and the subsequent removal of the adhesive residue from the wafer with adhesive film.

In addition, the longstanding and successful development partnership with the imec research institute in Belgium and direct cooperation with material manufacturers was continued in the 2016 fiscal year.

Photomask Cleaning

After repeated delays in the past year, the EUVL (extreme ultraviolet lithography) technology in the front-end of semiconductor manufacturing has significantly gained further momentum, and a productive implementation is currently planned for the 7/5nm hp (half pitch) technology node. There are still a few significant hurdles to overcome until then, such as the provision of a comprehensive and functioning mask infrastructure. A critical factor is the application of a EUVL pellicle (protective coating), which, as is the case with the most commonly used 193i lithography today, protects the active side of the photomask from particles and defects and thus prevents subsequent imaging errors on the wafer. Due to the intrinsic characteristics of this EUVL-compatible pellicle, corresponding measures must be taken with the recurring cleaning of the back of EUV masks, where the pellicle ideally remains on the front of the mask, to ensure that the pellicle remains intact during handling or cleaning.

Within the scope of the European joint project SeNaTe (seven nanometer technology), SUSS MicroTec makes the necessary technologies for its mask cleaning equipment MaskTrack Pro available for this purpose. In 2016 the focus here was on the design of a special bracket that makes it possible for the pellicle to remain on the photomask during the process of cleaning the back of the photomask without being damaged or contaminated. The prototype of this bracket was available up until the end of the 2016 fiscal year and will be evaluated by a customer starting in the first quarter of the 2017 fiscal year.

A further focus was the evaluation of a sulfate-free method for the dedusting of adhesive residues that remain on the front of the photomask and that arise from the pellicle dismantling process. After a suitable chemical was determined, a special cleaning station was developed that allows for these chemicals to be applied only on exactly the affected areas of the photomask, thereby keeping the photomask intact and prolonging its life cycle. This cleaning station was delivered to a customer at the end of the year, where it will be tested in 2017.

Both of the aforementioned technologies are part of the new MaskTrack X technological platform, which is based on the design and infrastructure of the established MaskTrack PRO system. It provides numerous new cleaning and surface treatment technologies to meet the demands of the upcoming 7nm and 5nm technology nodes.

A software algorithm-based "smart-cleaning" technology was also successfully introduced to the market. The impact distribution control allows for the special synchronization of processes in the cleaning chamber, which improves the uniformness and efficiency of the photomask cleaning process, which, in turn, contributes to an increase in the useful life of a photomask.

A new generation of the 25-zone controlled hotplate was introduced in bake/develop process technology. This hotplate addresses the extreme demands of the repetition accuracy of the CD (critical dimensions) signature with the production of 193i photomasks for multi-patterning technology. In addition to the improvement in temperature repetition accuracy, improvements were also made in temperature regularity.

THE HOLDING COMPANY – SUSS MICROTEC AG

The holding company is responsible for the steering and management of the SUSS MicroTec Group. One of its tasks is strategic orientation, for example the expansion of the product portfolio, acquisitions, and financial issues for the Group as a whole. 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 AG 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	SMT AG (HGB)			
	2016	2015	Change	in %
Annual net profit / loss	-9,500	-8,491	-1,009	–
Shareholders' equity	78,148	87,648	-9,500	-11
Total assets	124,834	137,668	-12,834	-9
Equity ratio in %	63	64		
Noncurrent assets	67,574	81,885	-14,311	-17
% of total assets	54	59		
Current assets (incl. deferred items)	57,260	55,784	1,476	3
% of total assets	46	41		

SIGNIFICANT CHANGES IN THE ASSETS AND FINANCIAL POSITION

Intangible assets amounted to € 1.4 million (previous year: € 1.6 million) as of the reporting date.

Shares in affiliated companies were recognized as € 47.5 million (previous year: € 51.7 million) as of the reporting date.

In the 2016 fiscal year, increases in capital stock amounting to € 3.1 million were carried out at SUSS MicroTec, Inc., Corona (USA). A write-down of around € 6.8 million on the recognized value of this investment had an offsetting effect. Furthermore, the valuation of the investment in SUSS MicroTec Ltd., United Kingdom, was adjusted downwards by around € 0.6 million as well as the valuation of the investment in SUSS MicroTec KK, Japan by around € 0.1 million.

Loans to affiliated companies fell by approximately € 9.9 million to a carrying amount of € 4.4 million. Additional loan payments of US\$ 6 million (€ 5.5 million) were made to SUSS MicroTec Photonic Systems Inc., Corona (USA) in the fiscal year. At the same time, in the course of a capital restructuring SUSS MicroTec AG declared that it would waive a loan amounting to US\$ 15 million (€ 11.5 million) which had been fully adjusted in previous years. As of December 31, 2016, the loan came to the nominal amount of US\$ 29.5 million (previous year: US\$ 38.5 million). Since negative earnings are expected for SUSS MicroTec Photonic Systems based on the current Group budget, the model used to conduct an impairment test on financial assets indicates a write-down of this shareholder loan by a further € 13.1 million. The loan was subjected to a corresponding write-down, and had a carrying amount of € 2.8 million as of December 31, 2016.

In addition, the loan granted to SUSS MicroTec KK, Yokohama (Japan) in the amount of JPY 775 million (previous year: JPY 775 million) was written down in the course of the refocusing of the sales organization in Japan due to the company's modest earnings prospects. The amount of the write-down recorded in the 2016 fiscal year came to € 2.3 million; the loan had a carrying amount of € 1.6 million as of December 31, 2016.

Current receivables from affiliated companies rose by € 18.6 million to € 33.5 million. The increase was primarily due to the reporting date. This amount included receivables from profit transfers of SUSS MicroTec Lithography GmbH and SUSS MicroTec Reman GmbH as well as the equal-phase revenue recognition of SUSS MicroTec Photomask Equipment GmbH & Co. KG.

In the fiscal year, the liquidity position of SUSS MicroTec AG declined by € 17.2 million to € 22.6 million.

Liabilities to affiliated companies increased by € 0.4 million to € 36.7 million in the fiscal year.

Bank borrowings declined over the course of 2016 by € 4.6 million. The decline was due, on the one hand, to planned repayments made amounting to € 1.0 million for a bank loan for financing the business property in Garching. On the other hand, the premature full repayment of the bank loan, which served to finance the business property in Sternenfels, was also reflected here. As of December 31, 2015, this loan still had a loan status of € 3.6 million and was fully repaid in June 2016.

As a result of the loss for the year, the Company's shareholders' equity declined from € 87.6 million to € 78.1 million.

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

In the annual financial statements of SUSS MicroTec AG under commercial law, a loss for the year of € 9.5 million was incurred in the 2016 fiscal year (previous year: loss for the year of € 8.5 million).

The sales of the holding company amounted to € 9.3 million (previous year: € 6.6 million), primarily encompassing invoices billed to the subsidiaries for management services, marketing, and insurance. Sales also included charges for the Group-wide SAP system and license fees. The new definition of sales in Section 277 (1) German Commercial Code (HGB) has led to a substantive amendment. As a result, in addition to the charging of expenses incurred by SUSS MicroTec AG, rental income of € 1.8 million (previous year: € 1.8 million) was recognized here, instead of under "Other operating income" as in the previous year.

Other operating income primarily includes foreign currency gains totaling € 1.2 million (previous year: € 0.8 million).

Apart from current administrative expenses, other operating expenses included foreign currency losses of € 1.6 million (previous year: € 0.8 million).

As a result of the profit and loss transfer agreement with SUSS MicroTec Lithography GmbH, Garching (Germany), which has been in effect since January 1, 2011, income from a profit transfer of € 11.7 million (previous year: € 6.3 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 € 1.2 million (previous year: € 1.4 million) was recognized at the holding company. Income from investments of € 2.3 million (previous year: € 1.8 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 € 2.1 million from dividend distributions of SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu (Taiwan) and SUSS MicroTec Ltd., Market Rasen (United Kingdom).

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

Financial investments were written down by € 22.8 million (previous year: € 16.9 million). Of this amount, € 6.8 million related to the investment in SUSS MicroTec, Inc. (Corona, USA), € 0.6 million to the investment in SUSS MicroTec Ltd. (Market Rasen, United Kingdom) and € 0.1 million to the investment in SUSS MicroTec KK (Yokohama, Japan). € 13.1 million and € 2.3 million, respectively, related to write-downs on noncurrent loans granted to SUSS MicroTec Photonic Systems Inc. (Corona, USA) and SUSS MicroTec KK (Yokohama, Japan).

Interest expense decreased in the fiscal year by € 0.2 million, which was primarily attributable to the premature repayment in full of the bank loan to finance the business property in Sternenfels.

SUSS MicroTec AG had an average of 19 employees in the 2016 fiscal year (previous year: 18).

The short and medium-term development of SUSS MicroTec AG mainly depends on how the financial and earnings position of important subsidiaries develops. The financial and earnings position of the subsidiaries is critical for the level of the interest-bearing net financing balance of the holding company and the distribution and transfer of profits to the proprietary company. In addition, foreign currency effects that result primarily from changes in the exchange rates of USD and JPY influence earnings. The course of business, the situation as well as the foreseeable development with its material opportunities and risks of SUSS MicroTec AG Holding are not fundamentally different from the Group. Valuation effects of the financial assets influence the annual financial statements of SUSS MicroTec AG.

SUSTAINABILITY

For more than sixty years, SUSS MicroTec has been active in the manufacture of equipment and the development of process solutions for micro-patterning applications. In our fast-paced business environment characterized by short innovation cycles, it is always necessary to develop new solutions for the customers. Nevertheless, ecological and economic thinking are not mutually exclusive. Sustainability is an important success factor, which has a very high priority for us. As a technology leader and driver of innovation, we consider ourselves committed not only to first-class products, but also to sustainability. In management decisions, it is always necessary to bring the social, ecological, and economic aspects into harmony. We strive for a fair and socially responsible interaction with customers, employees, and competitors.

In addition, we also apply the same high standards to suppliers and business partners. We are committed to sustainable economic development and in the coming pages we would like to give the readers an overview of our activities regarding sustainable corporate development. You can find more information on this topic on the internet at > www.suss.com > *Company* > *Quality Management* > *Sustainability*.

COMPLIANCE

Each employee bears responsibility for our Company's image and for ensuring that we meet our social responsibility. In addition, our self-image encompasses the integration of all employees, without regard to age, background, gender, disability, or religion. The Code of Conduct stipulates rules for SUSS MicroTec employees in their interaction with customers, suppliers, and other business partners as well as interaction with other employees. It should help to cope with the numerous legal and ethical challenges encountered in day-to-day work, create clarity, and thus strengthen trust in the performance and integrity of the SUSS MicroTec Group. The employees commit themselves to abide by the Code of Conduct and compliance rules. Since the 2014 fiscal year, we have installed a web-based whistle-blowing system for possible compliance violations. The notifications are sent directly to the legal department by email either anonymously or by name on a voluntary basis.

In the 2015 fiscal year, we completely revised the Code of Conduct and our Compliance Handbook. In the 2016 fiscal year, as announced in the annual report 2015, we intensified our focus on compliance. There were worldwide compliance training courses for executives, who then in turn trained their employees. Initially, the focus was on training employees who have direct contact with customers, suppliers and other third parties. In the 2016 financial year, we developed an online training system, which will be used for compliance training for all employees in the future. The training will include a final test. The introduction of this system is planned for the 2017 financial year.

QUALITY MANAGEMENT

SUSS MicroTec's leading technology position in the Lithography, Photomask Equipment, Bonder, and Micro-optics divisions is rooted in a strong commitment to complying with the highest quality standards. Our quality goals are based on sustainable customer trust, respect for our customers, partnerships, and motivated employees. SUSS MicroTec provides high-quality products and services as well as innovative solutions. All SUSS MicroTec divisions share our commitment to the highest quality. Our processes are based on an effective quality management system, which is ISO 9001-certified for the production sites in Germany and Switzerland and is constantly being improved.

ENVIRONMENTAL RESPONSIBILITY

ISO 14001 Certification

Since 1996, the ISO 14001 standard has established the basis for the construction, introduction, monitoring, and refinement of environmental management systems. It sets out corresponding requirements, which are applicable to organizations of all types and sizes as well as to different geographic, cultural, and social conditions. The overarching goal is to promote environmental protection and to reduce environmental harm – in harmony with economic, social, and political requirements. ISO 14001 is simultaneously the basis for the certification of environmental management systems.

Within the framework of environmental management, we have been intensively involved in preparations for ISO 14001:2015 certification at SUSS MicroTec since 2014. In the 2015 and 2016 fiscal years, preparations were made for both the system analysis and documentation of the preliminary examination. The actual ISO certification took place in the 2016 fiscal year and was successfully completed. Through this certification, we are now able to exhibit an internationally recognized environmental management system. This includes numerous requirements in the area of environmental management, such as on environmentally relevant product characteristics, environmental key figures or the environmental performance evaluation.

SUSS MicroTec is therefore one of the first companies to have accepted the challenge of the new ISO standard. By obtaining the ISO 14001:2015 certification – as an addition to ISO 9001 – the Company has supplemented its comprehensive management system. Both certifications are a sign of our comprehensive commitment to the environment and quality. For SUSS MicroTec, it was also important to formally document its extensive awareness with the ISO certificates.

The auditors were at the two German sites, Garching and Sternenfels, for several days, questioning and inspecting both the practical work and the results in the Company. They ultimately came to the conclusion that issuance of the certificates was

recommended. By aligning the environmental objectives to its customary high standards concerning quality, service and efficiency, SUSS MicroTec is standing by its social responsibility and demonstrating once again that protecting the environment and profitability are not mutually exclusive.

General Overhaul of our Tools

Our employees take great care constructing our tools, which are frequently designed for a long service life. A useful life of up to 15 years or longer is not uncommon – and demonstrates outstanding efficiency. Year after year, SUSS MicroTec equipment displays its quality, reliability, and durability. With our subsidiary SUSS MicroTec REMAN, we offer our customers the opportunity to obtain used tools that we have carefully overhauled at a favorable price. In this manner, we ease pressure on the procurement budgets of our customers, extend the useful lives of used tools, and conserve valuable resources. SUSS MicroTec REMAN has made a contribution to the success of the Company for many years.

Handling of Chemicals

The careful handling of chemicals plays an important role, particularly with our coaters and developers. The continuous improvement of our tools regarding the use of wet chemicals is an important goal of our corporate development work. However, a certain use of wet chemistry has been absolutely necessary for semiconductor production processes until now.

In the Garching applications laboratory, where test runs of our tools are conducted, neutralization equipment was therefore installed for effluent treatment, which adjusts the pH-value of various chemicals to an acceptable level.

Development of Environmentally Friendly Tools and Processes

As a specialty tool manufacturer in the semiconductor sector, we have products on the market that make a significant contribution to the manufacturing of energy-efficient finished products and the reduction of CO₂ emissions. An example of this is the production of energy-saving light-emitting diodes (LED). With MA100/150e Gen2 we offer a mask aligner platform especially for the processing of sensitive compound semiconductors, such as ultra-bright LEDs (UBH).

Furthermore, in the 2016 fiscal year, a new UV LED lamp house was developed for use in the exposure systems (mask aligners) of SUSS MicroTec and introduced to the market. With the development and implementation of the environmentally friendly UV-LED lamp house concept for mask aligners, we succeeded in taking another important step toward the preservation of resources and the protection of the environment. The innovative UV-LED light source has a much longer service life than the previously used mercury vapor lamp. Moreover, the time and energy-intensive warm-up and cool-down phases are no longer needed in the production process – the LED light source is only switched on during the actual exposure process. Both factors contribute substantially to lower energy use. The LED technology also represents a much better solution in terms of occupational health and safety, and protecting the environment. Ultimately, the use of LED lighting in lithography makes it possible to create much more flexible processes, making it an ideal addition to SUSS Mask Aligner MO Exposure Optics, which ensures optimum exposure results.

In addition, many components (e.g. high-performance ICs) manufactured in part using our tools are used in industrial applications for renewable energy, such as wind and solar power. But the improvements of the ecological properties and environmental impact of our products are themselves an important part of our development work. Therefore, we are attaching increasing importance to minimizing the use of chemicals and hazardous processing materials as much as possible during the manufacturing process and the operation of our tools. For coating and developing as well as photomask equipment, innovative process management and sophisticated tool design make it possible to reduce the consumption of materials used. This saves our customers cash and spares the environment.

Decreasing Electricity and Gas Consumption

The consumption of electricity and gas in our production generally depends on how many tools are built per year. In the case of high capacity utilization, electricity and heating oil costs will, as expected, be higher than in the case of lower utilization. Nevertheless, not only can our tools and process solutions make a contribution to conserving resources, but the employees in production and the office can as well. Every employee is called upon to use electricity, water, paper and other resources carefully. We were therefore able, despite very high capacity utilization at two German sites, to reduce the amount of electricity and gas consumed in the 2016 fiscal year compared with the previous year. It is pleasing to see that there has been a general decline in both electricity and heating oil consumption for a number of years now.

EMPLOYEES

The employees and their expertise are a significant part of the Company's value. Our business is characterized by internationality, global positioning, and cultural diversity. We have employees distributed around the globe in development, production, administration, sales, and service, who constitute an important network for the exchange of knowledge across locations as well as intercultural collaboration. We work in flat hierarchies with short decision-making processes, and enable our employees to play an active role and to develop in accordance with their abilities and preferences. After all, 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 2016 fiscal year, the Group had 711 employees (previous year: 698). In the entire Company, 30 apprentices were employed in commercial and technical areas as of December 31, 2016 (2015: 26). The Company has collaborated with universities and research institutes for many years to bring the SUSS MicroTec name to the attention of talented graduates and up-and-coming talent as early as possible in order to ensure the successful existence of the Company.

We respect personal dignity, privacy, and the personal rights of each individual. We are particularly interested in the safety and well-being of our employees. A safe and healthy work environment enhances both productivity and the work atmosphere in

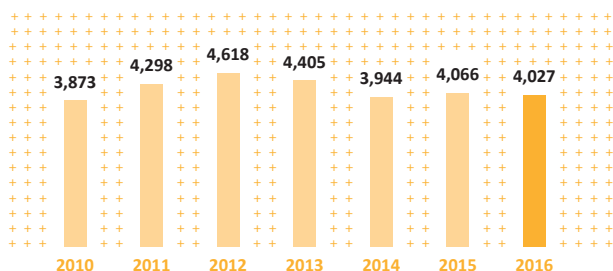
the Company. As stated in our declaration on the environment, health, and safety (www.suss.com > Company > Quality Management > Environmental Responsibility), there are special programs designed to meet the highest standards in terms of safety. We maintain detailed statistics about workplace accidents and analyze them regularly.

In the 2015 fiscal year, a mobile for-fee massage service was tested for the first time at the Garching site. It generated a very positive response in the Company. Since the 2016 fiscal year, this service is now regularly offered every two weeks to our employees and it is so well received that it is currently being considered whether to increase the offer to a weekly rhythm.

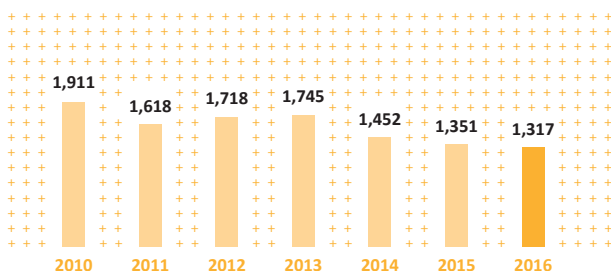
Various measures were carried out at the Garching and Sternenfels sites in the 2016 fiscal year in respect of employee health and safety. A health day took place at Sternenfels during which employees were able to have a "back check". This involved measuring the strength of stomach and back muscles, among other things. In a consultation following the check, tips and information were given on how to properly train the back muscles. Muscle tone could also be measured on this day. A health day was also held at the Garching site. Here, employees were able to have their blood levels, blood oxygen content and many other things professionally tested and analyzed. There was also a guide to muscle relaxation according to Jacobson, as well as to visual stress management. The measures were well received by the colleagues and the appointments were well visited.

The collaboration of our employees worldwide and our interactions with customers and business partners are characterized by mutual respect, acting with integrity, and compliance with ethical guidelines and laws. In order to cope with the numerous legal and ethical challenges encountered in day-to-day work, create clarity, and thus strengthen trust in the performance and integrity of the SUSS MicroTec Group, we have adopted a Code of Conduct and compliance with it is mandatory for all employees. Overall, we have placed even more emphasis on the issue of compliance since the 2016 fiscal year. The Compliance Manual and the Code of Conduct were revised in the fiscal year under review, and the new version was sent to the employees around the world. In addition to this, compliance training sessions were held at the Company for executives.

ELECTRICITY CONSUMPTION IN STERNENFELS AND GARCHING in MWh



HEATING OIL CONSUMPTION IN STERNENFELS AND GARCHING in hectoliters



The executives were encouraged to hold training courses in turn with their employees. Participation in training events is centrally documented and monitored. The focus was first on employees who have direct contact with customers, suppliers or other third parties. There are plans to introduce a mandatory compliance training course (online training) in the 2017 fiscal year. As such, SUSS MicroTec is doing everything in its power to raise awareness of the issues of compliance and the Code of Conduct among its employees and to protect them from the possibility of misconduct.

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, stock listed companies are obligated 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 share of women.

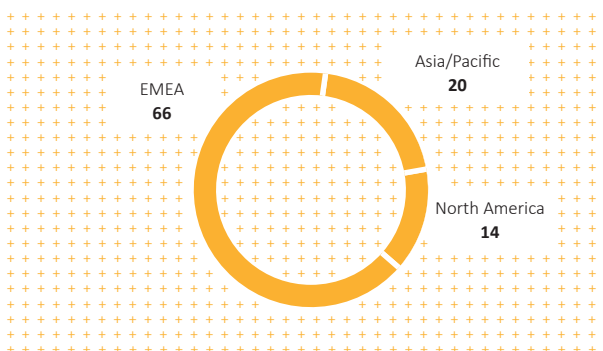
For the German Group companies, the Management Board of SUSS MicroTec AG decided on September 2, 2015 to set a respective target of 20 percent and an implementation deadline of June 30, 2017 for both the first and second management levels below the Management Board. The target for the first management level means an increase in the female share, which at the time of the resolution was 18 percent. The target for the second management level similarly means an increase, since the female share at the time of the resolution was 14 percent. The implementation deadline satisfies the guidelines for the initial setting of an implementation deadline. As of December 31, 2016, the female share at the first management level increased to 24 percent (previous year: 18 percent), while the female share at the second management level increased to 15 percent (previous year: 14 percent).

CUSTOMER RELATIONS

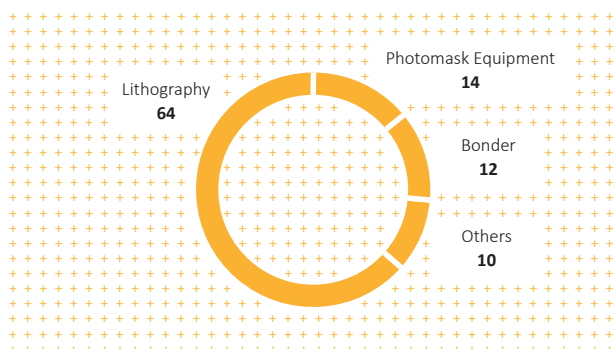
We attach tremendous importance to maintaining high ethical standards in our interactions with employees, customers, and business partners. We believe that this can make a decisive contribution to the success of the Company. This includes the proper handling of inside information, the intellectual property of employees, and the confidential information of customers and suppliers.

Our customers include well-known integrated device manufacturers (IDM) from around the world and numerous customers in the area of outsourced assembly and test (OSAT). In addition, we have worked very successfully with leading universities and research institutes both in Germany and abroad for many years. In terms of the development of new and innovative technologies, tools, and solutions, we also enter into partnerships and collaborations with other industrial companies.

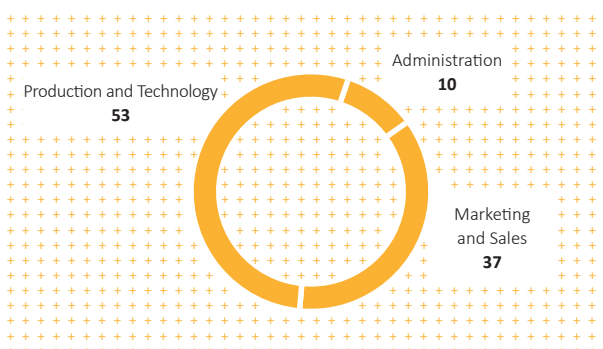
EMPLOYEES BY REGION 2016 in %



EMPLOYEES BY DIVISION 2016 in %



EMPLOYEES BY AREA 2016 in %



Disclosures of Takeover Provisions in Accordance with Section 289 (4) German Commercial Code (HGB) and Section 315 (4) HGB

1. Composition of subscribed capital

As of December 31, 2016, 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 shareholder's 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, 53 a ff., 118 ff. and 186.

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

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

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

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

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

4. Shares with extraordinary rights that grant controlling authority

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

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

When SUSS MicroTec 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.

6. Legal provisions and rules in the articles of incorporation for appointing and dismissing members to the Management Board 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 of Sections 133 and 179 AktG in conjunction with Section 26 (1) of the articles of incorporation, as long as the law does not prescribe a larger majority.

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

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

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

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

With each of the banks of the consortium, there is a bilateral credit relationship with a common pool of collateral. These relationships have different structures and conditions. Thus, one 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 AG 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 agreements or similar with employees or members of the Management Board exist 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 AG may not be discontinued due to existing change of control clauses in the event of a takeover bid.

Corporate Governance Declaration in Accordance with Section 289 a HGB

On March 8, 2017, the Management Board and Supervisory Board of SUSS MicroTec AG issued a joint declaration regarding corporate governance in accordance with Section 289a of the German Commercial Code (HGB) and made it available on the Company's website at www.suss.com > *Investor Relations* > *Corporate Governance*.

RELEVANT INFORMATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

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

DECLARATION OF COMPLIANCE AND REPORTING ON CORPORATE GOVERNANCE

In accordance with Section 161 of the German Stock Corporation Law (AktG), the Management Board and Supervisory Board of a listed German stock corporation are required to declare at least once per year whether it has complied or will continue to comply with the German Corporate Governance Code and which recommendations of the Code have not been or will not be implemented and why not. Based on extensive consultation, the Management Board and Supervisory Board declared on January 9, 2017 that the Company has complied and will continue to comply with the recommendations of the German Corporate Governance Code in the last version from May 5, 2015 with the following exceptions – a deductible for D&O insurance, vertical remuneration comparison, pension commitments, the creation of committees, and a regular limit of length for membership in the Supervisory Board.

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

COMPLIANCE

As an international entity, SUSS MicroTec is obligated to gain and retain the trust of customers and business partners via impeccable conduct. SUSS MicroTec regards it as an essential management responsibility to observe laws, regulations, internal corporate policies, and voluntary commitments as well as to see to it that Group companies observe them as well. Starting in the 2017 fiscal year, the topic will gain even more relevance within the Company and there will be further standard and online courses for the employees on the subject of compliance.

Code of Conduct

In order to ensure consistent exemplary behavior and conduct, a Code of Conduct has been devised for the entire Group. It applies to all Group employees equally and should serve as guidance for everyone. The Code of Conduct was revised in the 2016 fiscal year and was sent once again to all employees of the Company to acknowledge. The Code of Conduct defines minimum standards and sets out guidelines for employees to help them handle and overcome ethical and legal challenges that might arise in their everyday work. Infractions will be investigated consistently and their causes remedied in the interest of all employees.

Compliance Handbook

In addition, the Group-wide compliance program is supplemented by the Compliance Handbook, various procedural regulations, and Company bylaws applicable to particular bodies. The Compliance Handbook is addressed to all Group employees for the purpose of ensuring proper and consistent conduct in the handling of confidential corporate data. In particular, it explains legal requirements prohibiting market manipulation and insider dealing. Individuals who work for SUSS MicroTec and in accordance with regulations have access to insider information in order to perform their duties at SUSS MicroTec are added to an insider list in accordance with the provisions of the German Securities Trading Law (WpHG). These individuals are notified of their consequent legal obligations as well as the legal consequences of violations. In addition, internal insider trading guidelines, which govern the trading in corporate securities by officers and employees with access to the Management information system within specified time frames, elaborate upon legal provisions prohibiting insider dealings. The Compliance Manual was revised in 2016 and was sent to all employees of the Company to acknowledge.

WORKING PROCEDURES OF THE MANAGEMENT AND SUPERVISORY BOARDS

As a German corporation (“AG”), SUSS MicroTec is subject to German stock corporation law and, therefore, has a dual management and control structure, which is exercised by the members of the Management and Supervisory Boards. The corporate management of SUSS MicroTec AG is defined by close and constructive cooperation between the Management and Supervisory Boards. Both Boards work together closely in the interest of the Company and with the common goal of increasing the enterprise value over the long term. The work of the Management and Supervisory Boards is subject to their respective bylaws.

SUPERVISORY BOARD

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

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

Contrary to the recommendations of the Code, SUSS MicroTec AG’s Supervisory Board is refraining from creating committees. Instead, the Supervisory Board, which has consisted of three members since June 2008, believes that the creation of committees would unnecessarily make cooperation and decision making more difficult.

MANAGEMENT BOARD

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

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

REMUNERATION OF THE SUPERVISORY AND MANAGEMENT BOARDS

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

MANAGERS' TRANSACTIONS

Individuals who exercise management responsibilities at SUSS MicroTec AG, including in particular the members of the Management Board and the Supervisory Board, are legally obligated in accordance with Article 19 of the European Market Abuse Regulation (MAR) to disclose their own transactions with shares of SUSS MicroTec AG or corresponding financial instruments, particularly derivatives, insofar as the value of the transactions that a member of the Company and persons associated with him/her has carried out within the calendar year does not reach € 5,000 by the end of the calendar year.

All securities transactions requiring disclosure have been published in accordance with legal regulations and can be viewed by the general public on the Company's website at www.suss.com > *Investor Relations* > *Share* > *Directors' Dealings*. Members of the Management and Supervisory Boards hold 0.56 percent (107,800 out of 19,115,538 voting rights) of SUSS MicroTec AG's equity capital.

SETTING TARGETS TO PROMOTE THE PARTICIPATION OF WOMEN IN LEADERSHIP POSITIONS

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

In order to implement the aforementioned obligation, on September 7, 2015, the Supervisory Board of SUSS MicroTec AG decided to set a target of 0 percent for the female share in the Supervisory Board of SUSS MicroTec AG. At the time of the resolution, this represented a continuation of the status quo, meaning that it was not necessary to set a deadline for achieving the aforementioned target.

On September 7, 2015, the Supervisory Board of SUSS MicroTec AG decided to set a target of 0 percent for the female share in the Management Board of SUSS MicroTec AG. At the time of the resolution, this represented a continuation of the status quo, meaning that also to this extent it was not necessary to set a deadline for achieving the aforementioned target.

For both the first and second management levels below the Management Board, on September 2, 2015 the Management Board of SUSS MicroTec AG set a target of 20 percent and an implementation deadline of June 30, 2017. The target for the first management level means an increase in the female share, which at the time of the resolution was 18 percent. The target for the second management level similarly means an increase, since the female share at the time of the resolution was 14 percent. The implementation deadline satisfies the guidelines for the initial setting of an implementation deadline. As of December 31, 2016, the female share at the first management level increased to 24 percent (previous year: 18 percent), while the female share at the second management level increased to 15 percent (previous year: 14 percent).

SHAREHOLDERS AND THE SHAREHOLDERS' MEETING

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

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

ACCOUNTING AND ANNUAL AUDIT

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

On June 15, 2016, the Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg, with an office in Munich, as auditors and Group auditors of SUSS MicroTec AG for the 2016 fiscal year. The auditor has demonstrated its independence to the Supervisory Board in a declaration of independence. Furthermore, the auditor agreed to inform the Supervisory Board of all material findings and circumstances that arise while conducting the audit.

RISK MANAGEMENT

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

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

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

TRANSPARENCY

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

Remuneration Report

REMUNERATION OF THE MANAGEMENT BOARD

SUSS MicroTec has already been disclosing the remuneration of the Management Board members on an individualized basis for many years. The objective of SUSS MicroTec's remuneration system for the Management Board is to incentivize long-term and sustainable corporate governance. Special performance should be rewarded with special remuneration. 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 was also consulted.

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. In addition, employer pension commitments (retirement, disability, and widow's pension) in the form of direct insurance have been made to individual members of the Management Board (endowment insurance).

PERFORMANCE-BASED REMUNERATION

Performance-based remuneration consists of variable remuneration.

VARIABLE REMUNERATION

For the 2012 to 2015 fiscal years, variable remuneration amounted to a maximum of 150 percent of the fixed remuneration at the beginning of the respective fiscal year. In the 2015 fiscal year, this provision applied to Mr. Knopp and Mr. Braun. For Dr. Hansson, variable remuneration amounted to a maximum of 110 percent of the fixed remuneration at the beginning of the respective fiscal year.

Since January 1, 2016, variable remuneration for Mr. Knopp and Mr. Braun may amount to a maximum of 100 percent of the fixed remuneration at the beginning of the fiscal year. This provision also applies to Dr. Richter. For Dr. Hansson, who has now left the Company, the variable remuneration may amount to a maximum of 110 percent of the fixed remuneration at the beginning of the fiscal year. These provisions also apply to future fiscal years.

Of the variable remuneration, 70 percent is determined according to annual targets, while the remaining 30 percent is determined according to multi-year targets. Since Dr. Hansson received a guaranteed bonus for the 2015 fiscal year, no annual or multi-year targets were set for him. For the 2016 fiscal year, the bonus for Dr. Hansson was covered by the severance payment.

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.

For the 2012 to 2015 fiscal years, the following annual targets were defined: order entry, sales, EBITDA, and free cash flow. These were weighted differently. The following annual targets apply for the 2016 fiscal year: order entry, sales, EBITDA and return on investment (ROI). The annual targets are weighted differently.

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

Remuneration based on annual targets is determined annually. In the interest of promoting long-term corporate development, the Management Board members are permanently entitled to only half of 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.

Multi-year targets were set for the first time for the 2010 to 2012 fiscal years. They were then set for the 2013 to 2015 fiscal years. However, these are different based on the function and area of responsibility of the Management Board member. The multi-year targets for the 2013 to 2015 fiscal years related to the achievement of defined EBIT margins or milestones of development projects in defined periods of time. If 70 percent or less of these targets was achieved, this remuneration component was not received. The maximum amount was received when 150 percent of the target was achieved. If the achievement of a given target was between 70 percent and 150 percent, the variable remuneration was calculated proportionally to the amount achieved. Variable remuneration B, which is based on multi-year targets, was determined annually and was completely paid out in the respective fiscal year.

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

SEVERANCE PAYMENTS

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

REMUNERATION OF THE MANAGEMENT BOARD

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

The bonuses for Mr. Braun came to at least € 35,625.00 for the 2015 fiscal year. For the 2015 fiscal year, Dr. Hansson received a guaranteed bonus of € 186,667.00. For the 2016 fiscal year, the bonus for Dr. Hansson was covered by the severance payment.

AMOUNT OF MANAGEMENT BOARD REMUNERATION

The following tables ("Granted Benefits" and "Inflow") show the compensation for the 2016 and 2015 fiscal years per Management Board member according to the requirements of the German Corporate Governance Codex Number 4.2.5 (3).

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

Dr. Franz Richter Chief Executive Officer (CEO) Entry date: 09/07/2016				
<i>in €</i>				
Benefits granted	2015	2016 (100%)	2016 (min.)	2016 (max.)
Fixed remuneration	–	114,545.45	114,545.45	114,545.45
Signing bonus ¹	–	–	–	–
Fringe benefits (fixed) ²	–	10,570.08	10,570.08	10,570.08
Expenses for retirement benefits ³	–	–	–	–
Total	–	125,115.53	125,115.53	125,115.53
Single-year variable remuneration (A) ⁴	–	39,550.00	–	79,100.00
of which investment in SUSS MicroTec shares ⁵	–	19,775.00	–	39,550.00
Multi-year variable remuneration (B) 2013–2015 and 2016–2018	–	16,950.00	–	33,900.00
Total	–	181,615.53	125,115.53	238,115.53
Pension expenses	–	–	–	–
Total remuneration	–	181,615.53	125,115.53	238,115.53

¹ The signing bonus of € 200,000 was paid in two installments in May 2015 and May 2016.

² Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance
- Allowance for moving and additional living expenses (limited to six months)

³ Expense for retirement benefits (direct insurance policy).

⁴ Variable remuneration (single-year and multi-year) maximum of 150 percent of fixed remuneration of the respective fiscal year.

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

Michael Knopp Chief Financial Officer (CFO)				
<i>in €</i>				
Benefits granted	2015	2016 (100%)	2016 (min.)	2016 (max.)
Fixed remuneration	268,339.00	280,000.00	280,000.00	280,000.00
Signing bonus ¹	–	–	–	–
Fringe benefits (fixed) ²	21,646.08	22,052.84	22,052.84	22,052.84
Expenses for retirement benefits ³	2,148.00	2,148.00	2,148.00	2,148.00
Total	292,133.08	304,200.84	304,200.84	304,200.84
Single-year variable remuneration (A) ⁴	136,500.00	98,000.00	–	196,000.00
of which investment in SUSS MicroTec shares ⁵	68,250.00	49,000.00	–	98,000.00
Multi-year variable remuneration (B) 2013–2015 and 2016–2018	58,500.00	42,000.00	–	84,000.00
Total	487,133.08	444,200.84	304,200.84	584,200.84
Pension expenses	–	–	–	–
Total remuneration	487,133.08	444,200.84	304,200.84	584,200.84

¹ The signing bonus of € 200,000 was paid in two installments in May 2015 and May 2016.

² Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance
- Allowance for moving and additional living expenses (limited to six months)

³ Expense for retirement benefits (direct insurance policy).

⁴ Variable remuneration (single-year and multi-year) maximum of 150 percent of fixed remuneration of the respective fiscal year.

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

<i>in €</i>	Walter Braun Chief Operating Officer (COO)			
	2015	2016 (100%)	2016 (min.)	2016 (max.)
Benefits granted				
Fixed remuneration	189,996.00	230,004.00	230,004.00	230,004.00
Signing bonus ¹	–	–	–	–
Fringe benefits (fixed) ²	20,093.88	19,146.84	19,146.84	19,146.84
Expenses for retirement benefits ³	–	–	–	–
Total	210,089.88	249,150.84	249,150.84	249,150.84
Single-year variable remuneration (A) ⁴	99,750.00	80,500.00	–	161,000.00
of which investment in SUSS MicroTec shares ⁵	49,875.00	40,250.00	–	80,500.00
Multi-year variable remuneration (B) 2013–2015 and 2016–2018	42,750.00	34,500.00	–	69,000.00
Total	352,589.88	364,150.84	249,150.84	479,150.84
Pension expenses	–	–	–	–
Total remuneration	352,589.88	364,150.84	249,150.84	479,150.84

¹ The signing bonus of € 200,000 was paid in two installments in May 2015 and May 2016.

² Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance
- Allowance for moving and additional living expenses (limited to six months)

³ Expense for retirement benefits (direct insurance policy).

⁴ Variable remuneration (single-year and multi-year) maximum of 150 percent of fixed remuneration of the respective fiscal year.

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

<i>in €</i>	Dr. Per-Ove Hansson Chief Executive Officer (CEO) <i>Exit date: 08/16/2016</i>			
	2015	2016 (100%)	2016 (min.)	2016 (max.)
Benefits granted				
Fixed remuneration	233,336.00	356,668.00	356,668.00	356,668.00
Signing bonus ¹	100,000.00	100,000.00	100,000.00	100,000.00
Fringe benefits (fixed) ²	44,850.10	24,579.60	24,579.60	24,579.60
Expenses for retirement benefits ³	–	–	–	–
Total	378,186.10	481,247.60	481,247.60	481,247.60
Single-year variable remuneration (A) ⁴	130,666.90	196,000.00	–	269,500.00
of which investment in SUSS MicroTec shares ⁵	65,333.45	98,000.00	–	134,750.00
Multi-year variable remuneration (B) 2013–2015 and 2016–2018	56,000.10	84,000.00	–	115,500.00
Total	564,853.10	761,247.60	481,247.60	866,247.60
Pension expenses	–	–	–	–
Total remuneration	564,853.10	761,247.60	481,247.60	866,247.60

¹ The signing bonus of € 200,000 was paid in two installments in May 2015 and May 2016.

² Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance
- Allowance for moving and additional living expenses (limited to six months)

³ Expense for retirement benefits (direct insurance policy).

⁴ Variable remuneration (single-year and multi-year) maximum of 150 percent of fixed remuneration of the respective fiscal year.

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

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

in €	Dr. Franz Richter Chief Executive Officer (CEO) Entry date: 09/07/2016		Michael Knopp Chief Financial Officer (CFO)	
	2015	2016	2015	2016
Inflow				
Fixed remuneration	–	114,545.45	268,339.00	280,000.00
Signing bonus ¹	–	–	–	–
Fringe benefits (fixed) ²	–	10,570.08	21,646.08	22,052.84
Expenses for retirement benefits ³	–	–	2,148.00	2,148.00
Severance payments ⁴	–	–	–	–
Total	–	125,115.53	292,133.08	304,200.84
Single-year variable remuneration (A) ⁵	–	31,451.17	252,429.75	77,932.11
of which investment in SUSS MicroTec shares ⁶	–	15,725.59	126,214.87	38,966.06
Multi-year variable remuneration (B) 2013–2015 and 2016–2018	–	12,631.85	–	31,300.14
Total	–	169,198.55	544,562.83	413,433.09
Pension expenses	–	–	–	–
Total remuneration	–	169,198.55	544,562.83	413,433.09

¹ The signing bonus of € 200,000 was paid in two installments in May 2015 and May 2016.

² Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance
- Allowance for moving and additional living expenses (limited to six months)

³ Expense for retirement benefits (direct insurance policy).

⁴ Compensation for termination of employment contract (original remaining term to April 30, 2018) and 2016 bonus.

⁵ Variable remuneration (single-year and multi-year) maximum of 150 percent of fixed remuneration of the respective fiscal year.

⁶ A lock-up period of three years applies to shares acquired through variable remuneration.

in €	Walter Braun Chief Operating Officer (COO)		Dr. Per-Ove Hansson Chief Executive Officer (CEO) Exit date: 08/16/2016	
	2015	2016	2015	2016
Inflow				
Fixed remuneration	189,996.00	230,004.00	233,336.00	356,668.00
Signing bonus ¹	–	–	100,000.00	100,000.00
Fringe benefits (fixed) ²	20,093.88	19,146.84	44,850.10	24,579.60
Expenses for retirement benefits ³	–	–	–	–
Severance payments ⁴	–	–	–	750,000.00
Total	210,089.88	249,150.84	378,186.10	1,231,247.60
Single-year variable remuneration (A) ⁵	184,467.89	64,015.66	130,666.90	–
of which investment in SUSS MicroTec shares ⁶	92,233.95	32,007.83	65,333.45	–
Multi-year variable remuneration (B) 2013–2015 and 2016–2018	64,125.00	25,710.83	56,000.10	–
Total	458,682.77	338,877.33	564,853.10	1,231,247.60
Pension expenses	–	–	–	–
Total remuneration	458,682.77	338,877.33	564,853.10	1,231,247.60

¹ The signing bonus of € 200,000 was paid in two installments in May 2015 and May 2016.

² Includes:

- Allowance for optional retirement insurance
- Monetary value of private vehicle or car allowance
- Company share of legal or private health insurance
- Allowance for moving and additional living expenses (limited to six months)

³ Expense for retirement benefits (direct insurance policy).

⁴ Compensation for termination of employment contract (original remaining term to April 30, 2018) and 2016 bonus.

⁵ Variable remuneration (single-year and multi-year) maximum of 150 percent of fixed remuneration of the respective fiscal year.

⁶ A lock-up period of three years applies to shares acquired through variable remuneration.

PENSION PLANS

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

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is set out in Section 19 of the articles of incorporation of SUSS MicroTec AG. In addition to the reimbursement of their expenses and meeting attendance compensation of € 2,000.00 per meeting, each member of the Supervisory Board also receives a fixed remuneration based on the responsibilities and duties of the member. According to this, the Chairman of the Supervisory Board receives € 60,000.00, the Deputy Chairman receives € 50,000.00, and a regular member of the Supervisory Board receives € 45,000.00 per fiscal year as fixed compensation. The members of the Supervisory Board have reimbursed the Company for the notional per capita share of the D&O insurance premium paid by the Company.

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

2015 in €	Remuneration	Attendance fee	Deduction for pro rata D&O insurance premium
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Dr. Stefan Reineck (Chairman of the Supervisory Board)	60,000.00	12,000.00	1,655.18
Jan Teichert (Deputy Chairman of the Supervisory Board)	50,000.00	12,000.00	827.59
Gerhard Pegam	45,000.00	12,000.00	551.73

In the 2016 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.
- Under risks, we understand possible future developments or events that can lead to a deviation from forecasts or targets that is negative for the Group.

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

OPPORTUNITIES FOR THE GROUP

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

Macroeconomic Opportunities

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

Strategic Corporate Opportunities

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

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

Sector and Market-Specific Opportunities

Unlimited mobility, modern medicine, communication in the Internet of Things – none of this would be possible without high-performance chips. The technically demanding production of these chips takes place through several complex processing steps (micro-patterning), for which chip manufacturers require corresponding specialized tools. SUSS MicroTec develops and builds these specialized tools.

The markets in the semiconductor equipment industry served by SUSS MicroTec are subject to constant change, which is driven primarily by rapid developments in the area of information and communication technology. The number of global internet users is rising steadily. In 2014, there were around 2.95 billion internet users, corresponding to around 41.1 percent of the world's population. Approximately 3.43 billion internet users are expected for 2016, which corresponds to around 46.8 percent of the world's population¹. This figure is expected to rise further in the coming years. Forecasts predict around 4.17 billion internet users in 2020².

Similarly, the number of global smartphone and tablet computer users is continuing to grow: In 2014, there were around 1.57 billion smartphone users and 0.86 billion tablet users. In 2016, the number of smartphone users is expected to be approximately 2.10 billion (around 28.7 percent of the world's population) and 1.12 billion tablet computer users (around 15.0 percent of the world's population)². According to current forecasts, the number of smartphone and tablet computer users is expected to be around 2.87 billion and 1.46 billion respectively in 2020.

The Mobile World Congress, the world's largest mobile telecommunications trade fair, began on February 27, 2017 in Barcelona. The topics focused on at the Mobile World Congress are indicative of the developments to be expected in the field of mobile communications in the coming years. Numerous renowned manufacturers presented increasingly high-performance smartphones and tablet computers in 2017. The topic of "mobile wear" also played a major role: Different providers have announced the launch of new models of smart watches and fitness trackers. Innovations and further developments are also expected in the fields of virtual reality and augmented reality. As regards the Internet of Things and smart home topics, i.e. the networking of all every-day devices, the presentation of cutting-edge technology from different providers is on the cards. Last but not least, upgrading the mobile communications network to the 5G network standard was also one of the core topics of the Mobile World Congress.

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

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

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

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

For example, SUSS MicroTec presents its new developments routinely at the Semicon trade fairs, which are held annually at various sites worldwide. In 2016, SUSS MicroTec was represented at the Semicon fairs in South Korea (Seoul), China (Shanghai), Taiwan (Taipei) and Europe (Grenoble, France), presenting cutting-edge technologies from the various product lines. Many customers and other interested parties visited the fairs. At the same time as Semicon China, SUSS MicroTec also took part in Laser World of Photonics CHINA, which was also held in Shanghai. The latest applications and technologies in the laser and photonics industry are regularly presented at this fair. SUSS MicroTec also presented its products at several small fairs and exhibitions such as the IEEE Electronic Components and Technology Conference (ECTC) in Lake Buena Vista, Florida, and the International Wafer-Level Packaging Conference, which was held in Santa Clara, California, USA. SUSS MicroTec also organised customer workshops, such as the Photomask Equipment Summit during the SPIE Photomask Technology (PE) in Monterey, California, USA. The key customers from the industry all met up here to discuss roadmaps and future developments with SUSS MicroTec.

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

¹ Source: eMarketer, April 2016. Internet users of any age who use the internet – regardless of the location or the device – at least once a month were considered.

² Source: eMarketer, April 2016.

Operational Opportunities

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

The technologies of SUSS MicroTec Photonic Systems – UV projection lithography and laser processing – augment and expand our product portfolio in the Lithography division. In 2015 we recorded a large order from a leading semiconductor industry manufacturer for a notable number of DSC300 Gen2 projection scanners. Serial production of these tools is anticipated in the fan-out wafer-level packaging growth segment. The DSC300 Gen2 offers comparable capabilities with respect to resolution and overlay, combined with higher throughput and thus lower costs than conventional projection steppers. In 2016, we achieved acceptance by the customer for all delivered projection scanners, thereby realizing the sales. If we succeed in persuading more customers to use our systems, we could also achieve additional substantial order volumes and sales with scanners in the coming years. Given correspondingly high quantities, sustainable positive margins could be reached in the future.

The Bonder division is divided into the two sub-areas of permanent and temporary bonding. In the past fiscal year, significantly more orders were recorded the permanent bonding product line, compared with 2015. The market launch of the XB8 in the third quarter of 2015 had a positive effect here. After an initially slow market launch, customers ordered a larger number of type XB8 machines in the second half of 2016. Moreover, additional orders and customers were gained for the temporary bonding product line. In the future, we expect order entries and sales to continue increasing in this division, along with sustainably positive margins, particularly through the introduction of new products such as the new automatic bonder XBS200 and the expansion of market shares in MEMS and LED manufacturing.

In the Photomask Equipment division, we have achieved high sales and high margins since the acquisition of SUSS MicroTec Photomask Equipment in 2010. Most of the sales involved a few individual orders, each of which had a very high order value of several million euros. Sales per fiscal year therefore display large fluctuations. We view our market position in this segment as very secure and assume that we will be able to achieve large profits in the future. However, we expect that sharp fluctuations in sales per fiscal year will continue over the long term, which should have a corresponding effect on division earnings.

The business of SUSS MicroOptics S.A. (Hauterive, Switzerland) also developed very positively in 2016. The micro-optics business was able to record sales increases of roughly 44 percent in the past fiscal year compared to the previous year. In 2016, further investments were made in tools and technical equipment so as to be able to cope with the good orders position. In the coming years we expect additional sales increases in the micro-optics business and assume that SUSS MicroOptics will make a substantial contribution to the Group's sales and earnings.

Financial Opportunities

Significant changes in the currency market can affect the sales and earnings of SUSS MicroTec both positively and negatively. The current weakness of the euro against the US dollar offers SUSS MicroTec the opportunity to offer its products manufactured in Germany on the US dollar-dominated markets at attractive prices. The changes in value of the euro compared to the Japanese yen will influence sales and achievable margins in the Asian region in the future. An appreciation of the euro against the Japanese yen would have rather negative effects, while a devaluation would prospectively result in positive effects for SUSS MicroTec.

The exchange rate of the Japanese yen to the euro experienced significant volatility again in the past fiscal year. While at the beginning of 2016, the Japanese yen was at 131.13 yen for one euro, the exchange rate was 123.49 yen to the euro as of December 31, 2016. In the months of August and September 2016, the yen was trading at approximately 112.90 yen to the euro. In 2017, this volatile trend continued, meaning that the yen was sometimes well below 120 yen to the euro in mid-February 2017. The current strength of the yen could have a negative impact on the sales of various Japanese competitors that are primarily active in the market for coaters, or significantly reduce the margins for these competitors. If the yen should remain strong or even appreciate further, we see good opportunities to gain market share from Japanese competitors and to compensate again for margin losses that we had to incur when competing with Japanese providers.

Employee-Related Opportunities

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

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

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

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

Development-Specific Opportunities

In the past fiscal year, we further expanded our development activities and increased the number of employees in this division. Several development projects for our Mask Aligner and Coater/ Developer and Bonder as well as Photomask Cleaning product lines were successfully concluded. In the Mask Aligner and Coater/ Developer product lines, the focus was primarily on the improved cost efficiency and environmental impact of our tools, along with the components used in them. In the Permanent and Temporary Bonding divisions, as well as in photomask cleaning, it was possible to launch numerous enhancements and new technologies.

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

RISK MANAGEMENT SYSTEM

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

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

Risk Management Organization and Documentation

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

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

Risk Identification

All Group units subject to reporting organize a workshop at least once per year 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.

Risks suddenly emerging are also reported immediately to the risk management officer of the respective unit.

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

Risk Assessment

Risks are assessed in part by indicating the maximum amount of damage if no countermeasures are taken. The risk value is determined on this basis by including a probability of occurrence, taking the corresponding countermeasures into account. The indication of the risk value pertains to the next 12 or 24 months in each case.

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

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

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

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

low
 middle
 high

Risk Management

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

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

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

Description of the Key Features of the Accounting-related Internal Control and Risk Management System in Accordance with Sections 289 (5) and 315 (2)(5) 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. In the process, 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 AG 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, 2016, management had confirmed the effectiveness of internal controls over financial reporting. However, certain limitations exist regarding the effectiveness of any control system. Absolute certainty cannot be assured even with appropriate, functioning systems.

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

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

Accounting at the subsidiaries is done either locally by their own employees or with the support of external accounting firms or tax consulting companies. In the process, various electronic data processing (EDP) systems are used. All German companies have worked with SAP since 2008. Since 2010, SAP has been used by SUSS MicroTec (Taiwan) Company Ltd., Hsinchu, Taiwan. In 2011, SAP was installed at SUSS MicroTec Inc., Corona, California (USA). In 2015, SUSS MicroTec Photonic Systems Inc. (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 would be able to respond immediately to market events in the event of major economic instability and adjust cost structures in a timely manner. At its disposal are such tools as flextime accounts, the use of temporary employees, and outsourcing measures. In addition, the option exists of reducing working hours. In addition, purchasing departments routinely review and adjust procurement quantities.

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

SUSS MicroTec routinely participates in public tenders and counts universities and government research facilities, for example, 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 current weakness of the euro against the US dollar offers SUSS MicroTec the opportunity to offer the products that it manufactures in Germany at attractive prices on the US dollar-dominated markets. The changes in value of the euro compared to the Japanese yen will influence sales and achievable margins in the Asian region in the future. An appreciation of the euro against the Japanese yen would have rather negative effects, while a devaluation would prospectively result in positive effects for SUSS MicroTec.

The strength of the Swiss franc against the euro had 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 significantly affected by the exchange rate of the Swiss franc. Nevertheless, it seems that the business of SUSS MicroOptics is continuing to see a very positive development, despite the strength of the Swiss franc, and is characterized by increases in gross profit and high margins. We assume that SUSS MicroOptics will make a substantial contribution to the Group's sales and earnings in the coming years.

SUSS MicroTec only conducts business to a very limited extent in Asian currencies (Taiwanese dollar, Singapore dollar, South Korean Won and Chinese yuan). 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.

On June 23, 2016, the majority of citizens of the United Kingdom voted to leave the European Union. This will have no tangible impact on SUSS MicroTec. In 2016, customers in the UK accounted for less than 1 percent of SUSS MicroTec's sales. The United Kingdom's exit from the European Union is not expected to have any negative effects for SUSS MicroTec.

Sector and Market-Specific Risks

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

Employee-Specific Risks

The Company depends on the expertise of individual employees in individual areas, primarily in the field of research and development. If these employees are unavailable to the Group, this presents a corresponding risk. This is monitored by internal documentation requirements.

Development-Specific Risks

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

Aside from developing customer-specific solutions, the engineers at SUSS MicroTec Group are continuously working on long-term development projects designed to anticipate future market developments so that the products of SUSS MicroTec will continue to satisfy future technical requirements. The risk exists that individual development projects might not lead to the desired result or that the result achieved does not correspond to market expectations. In these cases, the danger exists that SUSS MicroTec would temporarily not be able to offer an innovative product in the target market. The affected customers might turn away from SUSS MicroTec and seek alternatives in the market. In addition, SUSS MicroTec may have used scarce resources in the area of development unproductively. In the past fiscal year, we focused more closely on projects which, we believe, will be well received by our customers. These included developments in connection with the more cost-effective and environmentally friendly operation of our tools, new developments of technologies in all product lines and improvements to the software used in our tools. To this end, we have further intensified collaboration between our

engineers and Asian distribution companies. The response from our existing customers and the interest of potential new customers have shown us that we have been able to precisely address their wishes.

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 (for example, to keep up with the further miniaturization of patterns in the semiconductor industry). 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 € 11.1 million, the SUSS MicroTec Group also achieved significantly positive earnings in 2016. Taking into account the order backlog as of the end of 2016 and the expected order entry development in the first half of 2017, we expect to generate sales in the range between € 160 million and € 170 million and a positive EBIT between € 9 million and € 13 million in 2017.

As of December 31, 2016, SUSS MicroTec records goodwill of approximately € 15.8 million, which is entirely attributable to the Lithography division. The Lithography division generated approximately two thirds of Group sales and positive division earnings. The Lithography division will once again generate more than half of total Group sales next year and will remain profitable. We therefore see no signs of impairment in the Lithography division.

The Mask Aligner product line, which belongs to the Lithography division, is one of the high-sale product lines of the SUSS MicroTec Group and has made a significant contribution to Group earnings for several years. We are confident that this product line will continue to produce a large contribution to sales and stable margins in the coming years. Nevertheless, the risk exists that the mask aligner would no longer be able to satisfy the technical requirements of customers and could be supplanted by other technologies. However, we 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. Since mid-2013, we have taken increasing note of Chinese competitors, who have been able to win customer orders in the market primarily for technically less sophisticated tools. Japanese manufacturers, some of whom were previously active only in the front-end market, also increasingly supplied

300mm systems in the mid-end and back-end markets and offered customers technically sound solutions. In the past, we have seen the risk that both Japanese and Chinese manufacturers will be successful in supplying the market with technically sophisticated tools, with which SUSS MicroTec previously has had a high market share. However, in the past fiscal year, we were actually able to sell various technologically sophisticated coaters in China and earned good margins here. This showed us that we still occupy a leading position over our Asian competitors in terms of technology. Up to now, we have been able to maintain a good position in the market for coaters and not had to accept a reduction in margins. We now view the described risk as significantly diminished.

The Lithography division also includes the SUSS MicroTec Photonic Systems product lines for UV projection lithography and laser processing. In 2015 we recorded a large order from a leading semiconductor industry manufacturer for a notable number of DSC300 Gen2 projection scanners. We achieved acceptance by the customer in 2016 for all of the projection scanners intended for mass production in fan-out WLP ordered as part of this large order. The projection scanners have been in use around the clock in the customer's production since November 2016. After this successful product and technology qualification at a leading manufacturer in the semiconductor industry, we had hoped for additional orders with substantial order volumes. However, it has not yet been possible to win any orders from new clients for the UV projection scanner in the Photonic Systems division. Order entry for the laser processing product line also saw very modest growth. Overall, SUSS MicroTec Photonic Systems contributed a significant loss to Group earnings in 2016. The product lines of SUSS MicroTec Photonic Systems will also generate a loss in 2017. In order to be successful on the market with systems for UV projection lithography in the future, we have launched a development project that will further improve the technical capabilities of the DSC300 Gen2. The key elements of the overhaul will include an improved overlay specially designed for fan-out wafer-level packaging applications and a significantly higher throughput. The plan is to conclude this development project by the end of 2017 and then to be able to offer a projection scanner that will enjoy a high rate of acceptance among customers. According to our estimates, the Photonic Systems product lines will only be able to make a positive contribution to earnings if the development project in question achieves the desired result and we succeed in winning over more customers with our systems. If SUSS MicroTec does not achieve substantial sales and positive margins with the laser and scanner systems, this would have a further negative impact on the earnings of the Lithography division as well as Group earnings and liquidity.

Moreover, it could become necessary to make additional value adjustments on the loans to SUSS MicroTec Photonic Systems Inc. and the share of SUSS MicroTec Inc. – as the financing entity of SUSS MicroTec Photonic Systems Inc. – in the separate financial statements of SUSS MicroTec AG if the product lines produced in the USA generate negative earnings on an ongoing basis. In view of the disappointing development of order entry in 2016 for projection scanners and laser processing, we now believe the risk described is much higher.

In the reported fiscal year, the Bonder division produced another loss, generating division EBIT of € -1.7 million (after € -4.0 million in the previous year). However, we assume that the Bonder division will achieve a positive division EBIT for the first time in the coming year with product lines in the fields of permanent and temporary bonding.

In the past fiscal year, we were able to achieve our first success on the market in the field of permanent bonding with our newly developed, semi-automatic Wafer Bonder XB8. Demand was initially modest following its launch in the third quarter of 2015. However, in the second half of 2016, we were able to record several order entries for a large number of type XB8 machines. Further product innovations are planned. We assume that we will be able to recover lost market share in permanent bonding and expand our market position through these and additional measures. Nevertheless, the risk exists that we might not be able to achieve the required unit volumes on the permanent bonding market. In this case, the permanent bonders would also make a negative contribution to division earnings in the future. In addition, other product lines could be negatively affected by this. Thus, research institutes and universities in particular, but also customers in the MEMS area, expect that they will be able to obtain mask aligners, coater/developers, and permanent bonders from one supplier. Should we not succeed in sustainably establishing our permanent bonding systems in the market, sales losses would also be conceivable in the Coater/Developer and Mask Aligner product lines.

Sales in the field of temporary bonding saw somewhat modest development in 2016. We were, however, able to obtain new orders and customers, and expect higher sales in 2017. Continuous improvements were made in the past fiscal year across the XBS300 and XBC300Gen2 production platforms. This development project was achieved in cooperation with various Asian production customers, a European production customer, and collaborating partners from the research sector. In general, 3D integration is still not used for high-volume production by our customers. In addition, there is the risk that other technologies and processes will gain popularity in the market than the ones that are being developed and offered by SUSS MicroTec. The success of our temporary bonding and de-bonding technology depends decisively on whether the technologies and processes we have developed continue to gain popularity in the market and whether 3D integration establishes itself in industrial-scale manufacturing and production. Only through the sale of high quantities will we be able to improve our margins in the Bonder division and achieve sustainable positive earnings.

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

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

Information Technology Risks

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

FINANCIAL RISKS

Credit Risks

A credit risk is an unexpected loss of cash or earnings. This occurs when a customer is unable to meet its obligations by the due date, or the assets used as collateral lose value. The Company has implemented Group-wide guidelines on the topic of credit assessment. These guidelines set out the specific payment conditions and safeguards to which the Company's individual sales units can agree, while taking the customer and country-specific aspects into consideration. Orders from customers located in "risk countries" can, therefore, only be accepted against down 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 accounts receivable totaling € 24.5 million (previous year: € 13.6 million), € 20.5 million overall was neither overdue nor impaired as of the reporting date (previous year: € 9.1 million). As of December 31, 2016, there were no indications of payment defaults occurring.

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

AGE STRUCTURE OF OVERDUE RECEIVABLES WITHOUT IMPAIRMENT

<i>in € thousand</i>	2016	2015
1–30 days	2,272	2,394
31–60 days	447	1,040
61–90 days	549	215
91–180 days	10	0
Overdue receivables without impairment	3,278	3,649

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

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

AGE STRUCTURE OF OVERDUE RECEIVABLES WITH IMPAIRMENT

<i>in € thousand</i>	2016	2015
< 91 days	0	21
91–180 days	228	527
181–360 days	388	76
> 360 days	147	174
Overdue receivables with impairment	763	798

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 € 31.1 million (previous year: € 40.0 million). Free cash flow in the previous fiscal year (adjusted for the effects of securities purchases and sales) totaled € -9.1 million (previous year: € 1.3 million).

A loan agreement exists between SUSS MicroTec AG 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, 2016, the SUSS MicroTec Group recognized bank borrowings of € 4.5 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.

The SUSS MicroTec Group has access to credit and guarantee lines with national and international banks and insurance companies totaling € 5.25 million. Three banks forming a bank consortium are providing credit and guarantee lines totaling € 4.5 million to SUSS MicroTec Lithography GmbH. 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. At present, the Company is making use of these credit and guarantee lines in order to offer down payment guarantees in the operational business. As of December 31, 2016, € 2.8 million of these credit and guarantee lines are being utilized in the form of guarantees. We are confident that we will be able to continue to provide all of the necessary down payment guarantees.

Minimizing the dependence, particularly on short-term borrowed capital, should keep any potential financing risk low. The Company is countering this risk above all by aiming to keep its ratio of borrowed capital at a low level through the corresponding cash flows from optimizing its working capital. Further details about the Company's liquidity situation can be found in Note (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 (29).

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

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

OVERALL ASSESSMENT

No risks that threaten the Company's existence were identified in the Group in the 2016 fiscal year. The continued existence of the Company was at no time endangered from a material assets and liquidity point of view.

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

	Likelihood					Impact				
	very low	low	middle	high	very high	negligible	marginal	serious	critical	threatening the existence
	0 % to ≤ 5 %	>5 % to ≤ 10 %	> 10 % to ≤ 25 %	> 25 % to ≤ 50 %	> 50 % to ≤ 100 %	€ 0 to ≤ € 20 k	> € 20 k to ≤ € 500 k	> € 500 k to ≤ € 2 million	> € 2 million to ≤ € 10 million	> € 10 million to ≤ € 20 million
Macroeconomic risks										
Negative impacts due to changes in the currency market			X					X		
Development-specific risks										
Product policy, customer satisfaction			X						X	
Insufficient innovativeness, failed development projects			X						X	
Loss of market leadership in individual areas			X						X	
Operating risks										
Sales drop with mask aligners	X							X		
Loss of market shares for coaters ¹			X					X		
No profitability of UV projection lithography systems and laser processing tools ²				X					X	
Permanent bonding – market share cannot be increased			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			

¹ Expected value previous year: high; impact value previous year: serious.

² Expected value previous year: medium; impact value previous year: serious.

Forecast Report

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

According to estimates of the ifo Institute Munich, the economic outlook brightened somewhat towards the end of 2016. In the fourth quarter of 2016, the indicator of the ifo world economic climate index measured 90.5 points, well below the third quarter's value of 86.0 points. Despite this improvement, the December value was therefore around six index points below its long-term average. The global economic climate improved across almost all regions in the fourth quarter, with the exception of Central and Eastern Europe, and South America. In contrast, the value in North America and Europe was around five index points above its long-term average. The ifo Institute anticipates a rise in overall economic output of 2.9 percent in 2017, following an expected 2.4 percent in 2016. Further global growth of 2.7 percent is forecast for 2018. In its estimations of January 2017, the World Bank assumes somewhat slower growth of 2.3 percent in 2016 and 2.7 percent in 2017. Political events are resulting in increased uncertainty in many places, which will probably have a somewhat dampening effect on growth overall in the reporting period.

The World Bank forecasts a rise of 1.6 percent in the GDP of the eurozone for 2016 and 1.5 percent for 2017. Similar values are also anticipated for the EU as a whole, according to the autumn forecast of the European Commission. The main drivers of growth will probably continue to be private consumption and the low cost of borrowing. Overall, budget deficits in the European Union are expected to continue shrinking despite less restrictive budget policymaking. The political uncertainty could also have a negative impact on growth expectations there.

In the 2016 fiscal year, gross domestic product in Germany increased by the forecast 1.9 percent. The ifo Institute anticipates a slower growth rate of 1.5 percent for 2017. If this expectation is adjusted, however, for the lower number of working days in a year-on-year comparison, this produces a value of 1.8 percent. The slight decline is primarily due to less public expenditure, particularly through the drop in public-sector consumption caused by migration. Private consumption, in contrast, continued to expand strongly, driven by higher collectively agreed wages

and rising employment figures in Germany. All in all, 2017 will probably be another year with moderate economic growth overall in an uncertain geopolitical environment.

INDUSTRY-SPECIFIC CONDITIONS

SEMICONDUCTOR INDUSTRY

In the 2016 fiscal year, the entire semiconductor market achieved a volume of US\$ 339.7 billion according to current estimates of the market research institute Gartner (January 2017). This corresponds to a slight increase of 1.5 percent over the US\$ 334.8 billion of 2015. Gartner forecasts a significant rise in the market volume in the semiconductor sector for the current year 2017. The overall market is expected to grow by 7.2 percent from US\$ 339.7 billion to US\$ 364.1 billion. This represents a reversal in the trend of the past two years, and would mark a new high in the history of the semiconductor market. Early indications of this were already evident in the second half of 2016 when the market, which was stagnating at that time, became increasingly dynamic. Demand among semiconductor customers picked up overall and the warehouses emptied during the first half of 2016 were restocked, while prices also stabilized, particularly for storage media. The automotive supplier and industrial applications sectors are likely to be exciting drivers of growth in 2017, as well as the market for storage media in general and applications related to the Internet of Things.

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

SEMICONDUCTOR EQUIPMENT INDUSTRY

The entire semiconductor equipment market demonstrated extreme volatility in past years. Positive growth rates of around 9 percent in 2011 were followed by significant declines of more than 10 percent in 2012 and 2013. The SEMI industry association anticipates renewed growth in the semiconductor equipment market in 2017 from US\$ 39.69 billion in 2016 to US\$ 43.40 billion in 2017, which corresponds to a significant increase of 9.3 percent. The reasons for the expected growth lie, according to estimates by Gartner, in the greater demand for storage media, such as NAND. Moreover, the market for smartphones has developed better than had been originally expected. This trend started back in the second half of 2016, and is expected to continue unabated in 2017.

For the mid- and back-end of the semiconductor industry, the main sales market for SUSS MicroTec tools, Gartner expects a noteworthy increase in 2017 in equipment market volume in the area of wafer-level packaging and assembly of approximately 10.7 percent compared with 2016 (previous year: 3.9 percent increase), according to its estimates as of January 12, 2017. Also for these forecasts the disclaimer applies that the expectations of market research institutes frequently change significantly over time and reliable forecasts are not possible.

EXPECTED DEVELOPMENT IN THE MAJOR MARKETS

MICROELECTROMECHANICAL SYSTEMS (MEMS)

The market for microelectromechanical systems (MEMS) has developed highly dynamical over the past few years. Demand was driven primarily by rising smartphone sales and a greater number of MEMS sensors per smartphone. The MEMS market will also continue to develop well in the future, but growth rates will be somewhat slower for a while, according to the estimates of Yole Développement. One reason here is the recent slowdown in growth relating to smartphones and tablet computers. In contrast, there continues to be robust demand for other applications in the field of consumer goods, as well as automobile applications. Moreover, rising sales figures for portable devices, such as smartwatches or health-monitoring devices are having a positive

effect. Sales figures in these segments are, however, still generally low compared with the number of smartphones sold. By the same token, the volume of applications relating to the Internet of Things is still comparatively small but is seeing enormous growth figures. Yole Développement expects an average annual growth rate of approximately 13 percent for MEMS sensors (quantity) for the period from 2015 to 2021. This corresponds to nearly US\$ 15.7 billion in 2015 and around US\$ 34.1 billion in 2021. It also has to be taken into consideration that the equipment sector will see considerably less growth in the tools area due to efficiency gains, increases in throughput and yield, and the trend to greater wafer diameters.

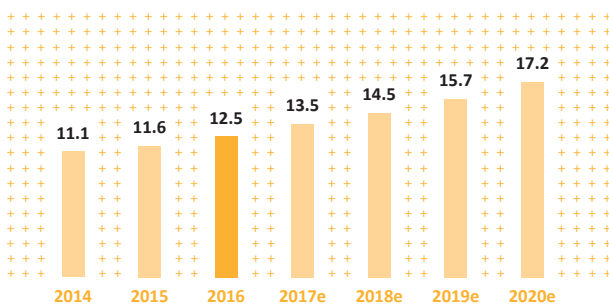
Particular focus should be placed on MEMS microphones, MEMS sensors for pressure and inertia, as well as for medical applications. The experts at Yole Développement expect promising impetus for the industry here in the future. Another exciting area concerns MEMS sensors for fingerprints. In this segment, which is still small, market researchers expect average annual growth of up to 20 percent in consumer electronics in the coming years.

ADVANCED PACKAGING AND 3D INTEGRATION

Today the concept of advanced packaging encompasses a variety of technologies, such as wafer level packaging (WLP), where the respective touchdowns already 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.

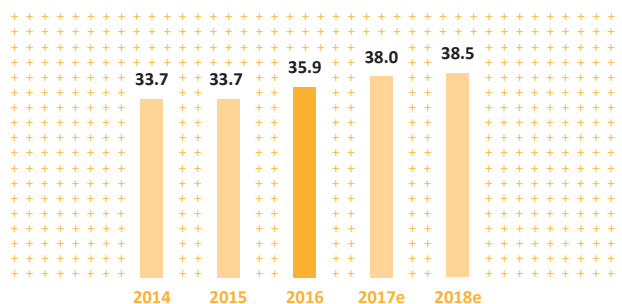
According to the Gartner market research institute (January 2017), the market for wafer-level packaging (WLP) and assembly equipment grew in 2016 by 3.9 percent to approximately US\$ 1.8 billion (previous year: 4.4% growth). The 2015 annual report forecast strong growth of 14.6 percent for 2017 in this segment. In its most recent estimates of January 12, 2017, Gartner essentially confirmed this statement and now anticipates year-on-year growth of 10.7 percent over 2016. According to the Yole Développement market research institute, machine builders in the lithography sector will benefit from this growth in particular.

MARKET FOR MEMS in US\$ billion



Source: Yole Développement, May 2016

MARKET FOR WAFER-LEVEL MANUFACTURING EQUIPMENT in US\$ billion



Source: Gartner, January 12, 2017

SUSS MicroTec was already able to record important, high-volume orders in 2015 with its lithographic solutions for modern fan-out WLP applications. These orders were handled in 2016, and the machines were delivered and installed.

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 means of Thru Silicon Vias (TSVs). The advantage is the high degree of packing density and complexity that can be achieved in the smallest space. Through 3D integration it is also possible to integrate various options, such as memory and processor, in one package.

Additional noteworthy investments were made in this technology in the 2015 fiscal year, but no company entered into large-scale production. This trend continued in the past 2016 fiscal year, and SUSS MicroTec was able to secure various individual and follow-up orders in this field. The start of high-volume production is still pending, although various large semiconductor companies have increased activities in this field. However, due to the delay until now, it continues to be very difficult from today's perspective to be more specific about the timing. In the interim, the Company is benefiting from other innovative packaging technologies, which have already come into use in meaningful volumes and have a good potential, such as 2.5D, fan-out WLP, or copper pillar bumping.

SUSS MicroTec remains confident nevertheless that this 3D technology will contribute to the Company's sales and earnings growth in the future.

COMPOUND SEMICONDUCTORS (LED)

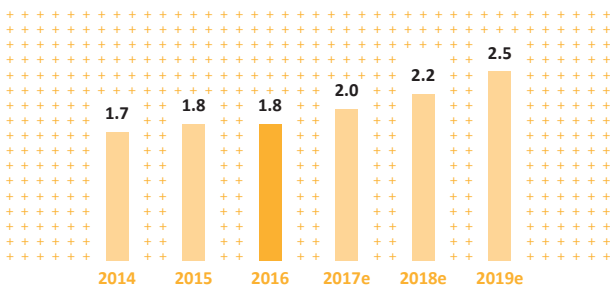
The market for compound semiconductors plays a subordinate role for SUSS MicroTec. Only the years 2010 and 2011 represented an exception here. In 2016, its share of total sales was again well under ten percent and from today's perspective, a noteworthy increase in this share cannot be foreseen. Prices for LEDs have fallen so dramatically over the past few years that LED lamps are increasingly also found in private households instead of conventional light bulbs or energy-saving bulbs. After 2015 represented a difficult year for the LED industry, the market recovered again somewhat in 2016 and the numbers rose for packaged LEDs. While sales in 2015 were still at US\$ 15 billion, Yole Développement (November 2016) forecasts a market volume of US\$ 15.7 billion for 2016, US\$ 16.4 billion for 2017 and a much greater volume of around US\$ 17 billion for 2018.

ENDOGENOUS INDICATORS

In addition to the development of the target markets, innovative potential is key for business success. In the 2016 fiscal year, SUSS MicroTec also maintained important cooperative development agreements with well-known partners from the industry and research. Cooperative agreements with respected universities, research institutes, and technology-driven companies are an important part of our corporate strategy. The Company also introduced various innovations to the market in the past fiscal year.

During the first half of 2016, we were able to announce an eco-friendly product innovation with the market launch of a new UV LED lamphouse for use in our mask aligners. The Company has worked to align economic thought and action with sustainability matters since its founding as a company. With the development and implementation of the environmentally friendly UV-LED lamphouse concept for mask aligners, SUSS MicroTec succeeded in taking another important step toward the preservation of resources and the protection of the environment. The innovative UV-LED light source has a much longer service life than the previously used mercury vapor lamp. Moreover, the time and energy-intensive warm-up and cool-down phases are

MARKET FOR WAFER-LEVEL PACKAGING AND ASSEMBLY EQUIPMENT
in US\$ billion



Source: Gartner, January 12, 2017

no longer needed in the production process – the LED light source is only switched on during the actual exposure process. Both factors contribute substantially to lower energy use. Ultimately, the use of LED lighting in lithography makes it possible to create much more flexible processes, making it an ideal addition to SUSS Mask Aligner MO Exposure Optics, which ensures optimum exposure results.

In the 2016 fiscal year, a new generation of the semi-automatic mask and bond aligners was also placed on the market. It features improved capabilities in alignment accuracy, ergonomic design, and lower cost of ownership. With the launch of the fourth generation, SUSS MicroTec is counting on an innovative platform system. The two platforms differ in their respective configuration, consisting on the one hand of the MA/BA Gen4 for standard processes and the MA/BA Gen4 Pro Series for demanding high-end processes on the other. The main application areas for SUSS MicroTec's MA/BA Gen4 series are full-field lithography for the MEMS and 3D integration markets as well as the compound semiconductor and academic fields of application. The series covers processes such as bond alignment, fusion bonding and SMILE imprint technologies. In addition to processing standard wafers, the MA/BA Gen4 series also makes it possible to handle sensitive substrates such as fragile or curved wafers, or wafers with an uneven surface.

Finally, the market launch of a new generation of the fully automated ACS300 platform must also be named here. The ACS300 Gen3 is specially designed for mass production in the area of advanced packaging, including wafer-level-chip-scale packaging, fan-out WLP, copper-pillar-flip-chip packaging, and 3D packaging. The system meets the high demands of a fiercely contested and price-sensitive market. Its ability to process different wafer forms and sizes as well as different coating and developer materials makes the platform an efficient universal appliance. Moreover, the ACS300 Gen3 is characterized by the economical use and consumption of chemicals. As such, both economic and environmental interests are met, which is why the system fulfills even the most stringent of sustainability standards. The ACS300 Gen3 is the new flagship for the advanced packaging market.

STATEMENT ON THE PROJECTED DEVELOPMENT OF THE GROUP – OUTLOOK FOR 2017

Taking the order backlog at year-end 2016 and the expected order entry for the first half of 2017 into account, the Company predicts sales for the current fiscal year to come in at between € 160 and 170 million. This represents a slight increase on the previous sales expectation of around € 160 million given in July 2016. Despite the lower sales level, EBIT is expected to be in the range of € 9 to 13 million again in 2017. The main reason for this is the expectation of an improved overall gross margin. In a market environment characterized by customer decisions made at short notice, we expect moderate order entry development in the first quarter of 2017. Starting in the second quarter, we anticipate demand for our products and solutions to pick up, however order entry for the full-year 2017 is likely to be slightly below the level of the previous year. We are also striving to achieve a positive cash flow for the 2017 fiscal year.

For the first quarter of 2017, the Management Board expects order entry of between € 25 and 35 million.

In the 2017 fiscal year, the Lithography division will once again deliver the largest contribution to sales and earnings for the Group. Based on the order backlog at the end of 2016 and the forecast for order entry in the first quarter of 2017, we anticipate a considerably lower sales and EBIT compared to 2016. The latter is expected to be in the € 7 to 10 million range. For the Bonder division, we expect a further sales increase and a positive EBIT that is above the previous year's level in the low single-digit million range. In the coming year, sales in the Photomask Equipment division are also expected to increase. EBIT in that division is expected to even rise above-average. We remain committed to our goal of sustaining the organic growth of our core business without additional borrowing.

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, March 9, 2017



Dr. Franz Richter
Chief Executive Officer



Michael Knopp
Chief Financial Officer



Walter Braun
Chief Operating Officer

Consolidated Financial Statements

of SUSS MicroTec AG for the 2016 Fiscal Year



Consolidated Statement of Income (IFRS)	104
Statement of Comprehensive Income (IFRS)	105
Consolidated Balance Sheet (IFRS)	106
Consolidated Statement of Cash Flows (IFRS)	108
Consolidated Statement of Changes in Shareholders' Equity (IFRS)	110
Fixed Assets Movement Schedule 2016	112
Fixed Assets Movement Schedule 2015	114
Segment Reporting (IFRS)	116
Notes to the IFRS Consolidated Financial Statements	118
Comments on the IFRS Consolidated Statement of Income	127
Explanations on the Assets Side	131
Explanations on the Equity & Liabilities Side	133
Other Disclosures	140
Responsibility Statement by the Legal Representatives	148
Auditors' Report	149

Consolidated Statement of Income (IFRS)

<i>in € thousand</i>	Note	01/01/2016–12/31/2016	01/01/2015–12/31/2015
Sales	(3)	177,582	148,516
Cost of sales	(4)	-118,955	-99,154
Gross profit		58,627	49,362
Selling costs		-20,521	-18,811
Research and development costs		-14,137	-12,787
Administration costs		-13,601	-13,286
Other operating income	(5)	4,268	4,869
Other operating expenses	(6)	-3,488	-4,374
Analysis of net income from operations (EBIT)			
EBITDA (Earnings before interest and taxes, depreciation and amortization)		15,298	9,156
Depreciation and amortization of tangible assets, intangible assets and financial assets	(10)	-4,150	-4,183
Net income from operations (EBIT)		11,148	4,973
Financial income		91	258
Financial expenses		-720	-526
Financial result	(7)	-629	-268
Profit before taxes		10,519	4,705
Income taxes	(8)	-5,517	-4,480
Net profit		5,002	225
thereof equity holders of SUSS MicroTecAG		5,002	225
thereof non-controlling interests		0	0
Earnings per share (basic)	(9)		
Earnings per share in €		0.26	0.01
Earnings per share (diluted)	(9)		
Earnings per share in €		0.26	0.01

Statement of Comprehensive Income (IFRS)

<i>in € thousand</i>	01/01/2016–12/31/2016	01/01/2015–12/31/2015
Net profit	5,002	225
Items that will not be reclassified to profit and loss		
Remeasurements on defined benefit pension plans	-168	-532
Deferred taxes	69	165
Other comprehensive income after tax for items that will not be reclassified to profit and loss	-99	-367
Items that will be reclassified to profit and loss in later periods		
Fair value fluctuations of available-for-sale securities	0	-11
Foreign currency adjustment	415	2,765
Cash flow hedges	410	76
Deferred taxes	-115	-18
Other comprehensive income after tax for items that will be reclassified to profit and loss	710	2,812
Total income and expenses recognized in equity	611	2,445
Total income and expenses reported in the reporting period	5,613	2,670
thereof equity holders of SUSS MicroTec AG	5,613	2,670
thereof non-controlling interests	0	0

Consolidated Balance Sheet (IFRS)

<i>in € thousand</i>	Note	12/31/2016	12/31/2015
Assets			
Noncurrent assets		42,782	43,402
Intangible assets	(11)	3,522	4,266
Goodwill	(12)	15,840	15,772
Tangible assets	(13)	20,563	20,263
Tax refund claims	(18)	0	37
Other assets	(14)	652	611
Deferred tax assets	(8)	2,205	2,453
Current assets		136,844	133,804
Inventories	(15)	73,804	68,719
Trade receivables	(16)	24,111	13,093
Other financial assets	(17)	159	221
Current tax assets	(18)	375	414
Cash and cash equivalents	(19)	35,621	49,085
Other assets	(20)	2,774	2,272
Total assets		179,626	177,206

<i>in € thousand</i>	Note	12/31/2016	12/31/2015
Liabilities & Shareholders' Equity			
Equity		124,353	118,740
Total equity attributable to shareholders of SUSS MicroTec AG		124,353	118,740
Subscribed capital	(21)	19,116	19,116
Reserves	(21)	103,811	98,809
Accumulated other comprehensive income	(21)	1,426	815
Noncurrent liabilities		8,337	13,108
Pension plans and similar commitments	(22)	4,837	5,144
Provisions	(23)	0	11
Financial debt	(23)	3,500	7,920
Other financial liabilities		0	33
Current liabilities		46,936	45,358
Provisions	(25)	5,161	2,362
Tax liabilities	(28)	3,821	3,327
Financial debt	(24)	1,007	1,186
Other financial liabilities	(26)	5,359	6,545
Trade payables		3,362	8,472
Other liabilities	(27)	28,226	23,466
Total liabilities and shareholders' equity		179,626	177,206

Consolidated Statement of Cash Flows (IFRS)

<i>in € thousand</i>	01/01/2016–12/31/2016	01/01/2015–12/31/2015
Net profit (after taxes)	5,002	225
Amortization of intangible assets	1,290	1,239
Depreciation of tangible assets	2,860	2,944
Profit on disposal of intangible and tangible assets	52	42
Change of reserves on inventories	1,580	-407
Change of reserves for bad debts	-75	149
Non-cash income from the reversal of provisions	-46	-93
Other non-cash effective income and expenses	619	-1,370
Change in inventories	-6,071	-7,675
Change in trade receivables	-10,673	1,289
Change in other assets	-481	-624
Change in pension provisions	-374	393
Change in trade payables	-5,516	4,670
Change in down payments received	4,381	-88
Change in other liabilities and other provisions	1,184	383
Change of tax assets and tax liabilities	818	3,593
Cash flow from operating activities	-5,450	4,670

<i>in € thousand</i>	01/01/2016–12/31/2016	01/01/2015–12/31/2015
Disbursements for tangible assets	-3,149	-2,609
Disbursements for intangible assets	-493	-803
Purchases of current available-for-sale securities	0	1,000
Cash flow from investing activities	-3,642	-2,412
Repayment of bank loans	-4,600	-1,180
Change in current bank liabilities	1	-1
Cash flow from financing activities	-4,599	-1,181
Adjustments to funds caused by exchange rate fluctuations	227	699
Change in cash and cash equivalents	-13,464	1,776
Funds at the beginning of the year	49,085	47,309
Funds at the end of the period	35,621	49,085
Cash flow from operating activities includes:		
Interest paid during the period	667	406
Interest received during the period	84	272
Tax paid during the period	4,724	865
Tax refunds during the period	1	129

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, 2015	19,116	97,614	433	537
Net income/loss				225
Total income and expenses recognized in equity				
Total comprehensive income/loss				225
As of December 31, 2015	19,116	97,614	433	762
As of January 1, 2016	19,116	97,614	433	762
Disbursement from the capital reserve of SUSS MicroTec AG		-26,067		26,067
Net income/loss				5,002
Total income and expenses recognized in equity				
Total comprehensive income/loss				5,002
As of December 31, 2016	19,116	71,547	433	31,831

Accumulated other comprehensive income							Total equity attributable to shareholders of SUSS MicroTec AG	Non-controlling interests	Equity
Items that will not be reclassified to profit and loss		Items that will be reclassified to profit and loss in later periods							
Remeasurements on defined benefit pension plans	Deferred taxes	Foreign currency adjustment	Cash flow hedges	Fair value fluctuations of available-for-sale securities	Deferred taxes				
-2,313	532	493	-486	11	133	116,070	0	116,070	
						225		225	
-532	165	2,765	76	-11	-18	2,445		2,445	
-532	165	2,765	76	-11	-18	2,670		2,670	
-2,845	697	3,258	-410	0	115	118,740	0	118,740	
-2,845	697	3,258	-410	0	115	118,740	0	118,740	
								0	
						5,002		5,002	
-168	69	415	410	0	-115	611		611	
-168	69	415	410	0	-115	5,613		5,613	
-3,013	766	3,673	0	0	0	124,353	0	124,353	

Fixed Assets Movement Schedule

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

FIXED ASSETS MOVEMENT SCHEDULE 2016

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

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

Fixed Assets Movement Schedule

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

FIXED ASSETS MOVEMENT SCHEDULE 2015

<i>in € thousand</i>	Acquisition and manufacturing costs				
	01/01/2015	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	17,224	207	802		2
2. Development costs	29,401	91	1		
3. Software	165	18			
4. Other intangible assets	3,089	245			
	49,879	561	803	0	2
II. Goodwill	29,959	226			
III. Tangible assets					
1. Land, buildings, fixtures	16,922	140	510		959
2. Technical equipment and machinery	9,645	904	825		24
3. Other equipment, office, and plant furnishings	10,413	146	834		628
4. Motor vehicles	421	6	10		63
5. Facilities under construction	2		430		
6. Capitalized leased property					
Land, buildings, fixtures	0				
Technical equipment and machinery	601	68			
Other equipment, office, and plant furnishings	18	3			
Fleet of cars	26	4			
	38,048	1,271	2,609	0	1,674
IV. Financial assets					
Other investments	2,120				
	2,120	0	0	0	0

Depreciation and amortization						Net book value		
12/31/2015	01/01/2015	Translation adjustment	Additions	Reclassifications	Disposals	12/31/2015	12/31/2014	12/31/2015
18,231	14,492	133	819		2	15,442	2,732	2,789
29,493	29,019	90	132			29,241	382	252
183	165	18				183	0	0
3,334	1,732	89	288			2,109	1,357	1,225
51,241	45,408	330	1,239	0	2	46,975	4,471	4,266
30,185	14,413					14,413	15,546	15,772
16,613	2,537	99	763		959	2,440	14,385	14,173
11,350	5,964	551	1,270		1	7,784	3,681	3,566
10,765	8,332	103	887		617	8,705	2,081	2,060
374	377	3	17		55	342	44	32
432	0					0	2	432
0	0					0	0	0
669	601	68				669	0	0
21	18	3				21	0	0
30	21	2	7			30	0	0
40,254	17,850	829	2,944	0	1,632	19,991	20,198	20,263
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	
	2016	2015	2016	2015
External Sales	133,771	106,299	13,983	11,389
Internal Sales	0	0	0	0
Total sales	133,771	106,299	13,983	11,389
Result per segment (EBIT)	13,170	9,683	-1,697	-3,956
Income before taxes	13,144	9,662	-1,701	-3,958
Significant non-cash items	-1,871	125	314	521
Segment assets	83,311	80,711	12,364	9,414
thereof goodwill	15,840	15,772	0	0
Unallocated assets				
Total assets				
Segment liabilities	-23,969	-29,386	-7,301	-3,729
Unallocated liabilities				
Total liabilities				
Depreciation and amortization	1,759	1,808	260	300
thereof scheduled	1,759	1,808	260	300
thereof impairment loss	0	0	0	0
Capital expenditure	1,446	1,464	159	121
Workforce on December 31	452	439	86	95

SEGMENT INFORMATION BY REGION

<i>in € thousand</i>	Sales		Capital expenditure		Assets (without goodwill)	
	2016	2015	2016	2015	2016	2015
EMEA	43,131	40,538	2,914	2,583	90,065	78,339
North America	25,402	27,962	594	760	27,523	22,182
Asia and Pacific	109,049	80,016	134	69	6,466	6,102
Consolidation effects	0	0	0	0	-2,054	-281
Total	177,582	148,516	3,642	3,412	122,000	106,342

Photomask Equipment		Others		Consolidation effects		Total	
2016	2015	2016	2015	2016	2015	2016	2015
19,693	23,498	10,135	7,330	–	–	177,582	148,516
0	0	7,025	6,251	-7,025	-6,251	0	0
19,693	23,498	17,160	13,581	-7,025	-6,251	177,582	148,516
1,818	2,319	-2,143	-3,073	–	–	11,148	4,973
1,814	2,314	-2,738	-3,313	–	–	10,519	4,705
443	-42	-1,089	-224	–	–	-2,203	380
19,088	9,420	23,077	22,569	–	–	137,840	122,114
0	0	0	0	–	–	15,840	15,772
						41,786	55,092
						179,626	177,206
-4,320	-2,576	-2,175	-2,645	–	–	-37,765	-38,336
						-17,508	-20,130
						-55,273	-58,466
136	207	1,995	1,868	–	–	4,150	4,183
136	207	1,995	1,868	–	–	4,150	4,183
0	0	0	0	–	–	0	0
89	93	1,948	1,734	–	–	3,642	3,412
103	103	70	61	–	–	711	698

Notes to the Consolidated Financial Statements According to IFRS

of SUSS MicroTec AG for the 2016 Fiscal Year

(1)

DESCRIPTION OF BUSINESS ACTIVITY

SUSS MicroTec AG (the “Company”), domiciled at Schleissheimer Str. 90, 85748 Garching, 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 in the USA, and Hauterive (Canton of Neuchâtel) in Switzerland. The products are distributed by the production facilities directly and through independent distribution companies in the USA, France, the United Kingdom, Japan, Singapore, Taiwan, China, and 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 an Aktiengesellschaft, i.e., a public company limited by shares, governed by German law. 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 315a HGB as SUSS MicroTec AG 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, 2016 will be submitted to and published in the Federal Gazette.

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

In the 2016 fiscal year, SUSS MicroTec AG applied the following amendments to existing standards for the first time:

- Amendments to IFRS 11 “Joint Arrangements” (published by IASB on May 6, 2014)
- Amendments to IAS 16 “Property, Plant and Equipment” and to IAS 38 “Intangible Assets” (published by IASB on May 12, 2014)
- Amendments to IAS 1 “Disclosure Initiative” (published by IASB on December 18, 2014)
- Amendments to IAS 19 “Employee Benefits” (published by IASB on November 21, 2013)

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

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

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

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

IFRS 9: “Financial Instruments”

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

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

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

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

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

IFRS 15: “Revenue from Contracts with Customers”

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

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

SUSS MicroTec set up a project to implement IFRS 15 throughout the Group in 2016. The project comprises a detailed analysis of the extent to which the individual contract designs normally concluded by SUSS MicroTec with customers are affected by the new rules of IFRS 15. In autumn 2016, all potential effects of IFRS 15 were discussed as part of a central workshop with participants from Accounting, Controlling, Legal, Sales and IT, and the corresponding opinions were documented. Topics relevant to SUSS MicroTec that may need to be adjusted were identified and consolidated in a shortlist.

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

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

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

IFRIC 22: “Foreign Currency Transactions and Advance Consideration”

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

IAS 7: “Statement of Cash Flows”

On January 29, 2016, the IASB published amendments to IAS 7: “Statement of Cash Flows” aimed at improving information provided about the change in the company’s debt. The amended standard is applicable from January 1, 2017, provided the amendments are adopted by EU law. SUSS MicroTec AG does not expect any material effects from the first-time application of the amended standards.

IAS 12: “Income Taxes”

In January 2016, the IASB published amendments to IAS 12 that focus on the recognition of deferred tax assets for unrealized losses. The amendments are applicable from January 1, 2017, provided the amendments are adopted by EU law. SUSS MicroTec AG does not expect any effects from the first-time application of the amended standards.

IFRS 16: “Leases”

The IASB published IFRS 16 on January 13, 2016. The core idea behind this new standard is for the lessee to recognize all leases and the associated contractual rights and obligations in the balance sheet. 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 rules are mandatory for fiscal years beginning on or after January 1, 2019. The standard has not yet been adopted into EU law.

SUSS MicroTec has started on an initial assessment of the potential effects on its consolidated financial statements. Up to now, the most significant effect identified has been that the Group will recognize new assets and liabilities for all rented premises and areas. New assets and liabilities will also need to be recognized in the statement of financial position for leased Company vehicles. The properties in Garching and Sternenfels, where the Company headquarters of SUSS MicroTec AG, SUSS MicroTec Lithography GmbH and SUSS MicroTec Photomask Equipment GmbH & Co. KG are located, are owned by SUSS MicroTec AG 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.

D) SIGNIFICANT ACCOUNTING POLICIES

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

Goodwill

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

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

Impairment is recorded if the book values of the assets are no longer covered by the recoverable amount of the cash-generating unit concerned. The recoverable amount is the higher of fair value less costs to sell and value in use. In the reporting year, SUSS MicroTec AG 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 manufacturing costs 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 to the amount which 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 raw materials, supplies, and consumables, the acquisition costs are computed on the basis of a weighted average.

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

Financial Instruments

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

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

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

Receivables and Other Financial Assets

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

Securities

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

Cash and Cash Equivalents

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

Pension Plans and Similar Commitments

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

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

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

The net liability from defined-benefit plans (the cash value of the defined-benefit obligation less the value of plan assets) is calculated based on the projected unit credit method. Future salary increases and other increases in benefits are taken into consideration. The measurement of the pension obligations is on the basis of pension reports using the assets existing to cover these obligations (at the fair value of plan assets). The effects from the remeasurement of the net liability (actuarial gains and losses, income from plan assets, and changes in the effect of the upper limit on assets) are recognized in full in accumulated other comprehensive income. In case of future changes to the plan, the unrecognized prior service cost is recognized immediately in profit and loss.

Provisions

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

Financial Debt

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

Other Financial Liabilities

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

Trade Payables

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

Leasing

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

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

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

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

Discontinued Operations

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

Sales Recognition

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

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

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

Cost of Sales

The cost of sales comprises the costs of conversion and procurement costs of the products and spare parts sold. In addition to the directly allocable materials and manufacturing costs, they also include 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 the light of the present legal situation in the relevant countries. Deferred tax assets on temporary differences or on loss carryforwards are only recognized if it seems sufficiently certain that they can be realized in the near future.

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

Earnings per Share

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

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

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

Derivative Financial Instruments

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

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

Cash Flow Hedges

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

Treatment of Subsidies

Under IAS 20 "Accounting for Government Grants," public subsidies are only recorded 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 consolidated financial statements in accordance with IFRS requires estimates and assumptions that effect the presentation of assets and debts, the disclosures of contingent liabilities at the reporting date, and the presentation of income and expenses. In individual cases the actual values may deviate from the assumptions and estimates made.

Trade Receivables

Adjustments on doubtful receivables involve considerable estimates and judgments of individual receivables that are based on the creditworthiness of the individual customer, the current development of the economy, and an analysis of historical defaults on portfolios of receivables. If the Company derives the adjustment from historical default rates on a portfolio basis, any decrease in the volume of receivables decreases such provisions correspondingly, and vice versa. As of December 31, 2016, the total adjustment on trade receivables was € 396 thousand (previous year: € 471 thousand).

Impairments

SUSS MicroTec AG 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 1.5% (previous year: 9.0%) is calculated for the Lithography cash generating unit, to which recognized goodwill is allocated. After the end of the five-year planning horizon, a turnover increase of 1.0 percent per year is assumed for the following years. The forecast net cash flow is discounted using a risk-adjusted interest rate of 8.8% (previous year: 8.5%). These premises and the underlying method may have a considerable influence on the values in question and, finally, on the amount of any possible impairment of goodwill.

If it is not possible to determine the recoverable amount for individual assets in the framework of an impairment test for property, plant and equipment or other intangible assets, the cash flow is determined for the next higher group of assets for which such a cash flow can be determined. For property, plant and equipment and for other intangible assets, the determination of the recoverable amount is also similarly associated with estimates by management, which has a considerable influence on the values concerned and, in the final analysis, on the amount of any impairment.

Pension Plans and Similar Commitments

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

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

Provisions

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

Other Financial Liabilities

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

Purchase Price Allocation

On acquisition of entities, under IAS 27 (rev. 2008) and IFRS 3 (rev. 2008), the purchase price for the entity acquisition must be made on the identifiable assets, debts and contingent liabilities acquired at purchase. With some exceptions (e.g. tax liabilities, pension obligations and share-based remuneration), assets, debts

and contingent debts must be recognized at fair value. Here, consideration must be given not only to assets in the financial statement but also to intangible assets that have not previously been recognized.

F) CONSOLIDATION

Consolidation Principles

The consolidated financial statements include SUSS MicroTec AG 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 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.

	2016		2015	
	Statement of Financial Position	Statement of Income	Statement of Financial Position	Statement of Income
1 EUR vs. 1 USD	1.056	1.103	1.089	1.113
1 EUR vs. 1 JPY	123.494	121.096	131.129	134.473
1 EUR vs. 1 GBP	0.858	0.816	0.735	0.728
1 EUR vs. 1 CHF	1.075	1.090	1.082	1.075
1 EUR vs. 1 TWD	33.947	35.548	35.984	35.348
1 EUR vs. 1 SGD	1.526	1.526	1.540	1.528
1 EUR vs. 1 CNY	7.361	7.326	7.092	6.944
1 EUR vs. 1 KRW	1,267.230	1,285.520	1,284.770	1,260.293

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, 2015, there were no changes to the scope of consolidation.

Therefore the following subsidiaries and associates of SUSS MicroTec AG (ultimate proprietary company) were included in the consolidated financial statements as of December 31, 2016 (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 AG, Garching ¹ , Germany	EUR	19,115,538.00	Holding	62,903,100.73	-24,744,930.49	full
SUSS MicroTec Lithography GmbH, Garching ² , Germany	EUR	2,000,100.00	100%	52,408,891.39	11,682,415.14	full
SUSS MicroTec Photomask Equipment GmbH & Co. KG, Sternenfels, Germany	EUR	3,000,000.00	100%	3,000,000.00	2,314,974.00	full
SUSS MicroTec Photomask Equipment Beteiligungs-GmbH, Sternenfels, Germany	EUR	25,000.00	100%	13,454.81	-708.69	full
SUSS MicroTec Ltd., Market Rasen, United Kingdom	GBP	10,000.00	100%	231,758.00	32,346.01	full
SUSS MicroTec KK, Yokohama, Japan	JPY	30,000,000.00	100%	-632,845,293.00	-5,166,768.00	full
SUSS MicroTec SARL, Pierre Bénite, France	EUR	114,750.00	100%	1,712,898.51	829,325.59	full
SUSS MicroOptics S.A., Hauterive, Switzerland	CHF	500,000.00	100%	10,477,523.64	1,548,355.25	full
SUSS MicroTec, Inc., Corona, USA	USD	4,197,000.00	100%	22,480,122.59	421,277.59	full
SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan	TWD	5,000,000.00	100%	228,396,106.00	71,699,592.00	full
SUSS MicroTec Company Ltd., Shanghai, China	CNY	1,655,320.00	100%	49,856,521.37	7,957,951.84	full
HUGLE Lithography Inc., San Jose, USA ³	USD	1,190,442.00	53.1%	-40,379.00	-800.00	-
SUSS MicroTec REMAN GmbH, Oberschleißheim ² , Germany	EUR	25,564.59	100%	1,453,753.40	1,247,881.34	full
SUSS MicroTec (Singapore) Pte. Ltd., Singapore	SGD	25,000.00	100%	5,618,248.63	2,112,267.20	full
SUSS MicroTec Korea Co. Ltd., Hwaseong City, Korea	KRW	50,000,000.00	100%	2,519,702,683.00	-731,603,344.00	full
SUSS MicroTec Photonic Systems Inc., Corona, USA	USD	10,400.00	100%	-19,603,869.80	775,210.07	full

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

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

³ Entity considered at cost due to immateriality.

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

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

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

Comments on the IFRS Consolidated Statement of Income

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

(3) SALES

The sales are composed as follows:

<i>in € thousand</i>	2016	2015
Machines	136,583	111,660
Spare parts and upgrades	19,866	18,349
Services	11,276	11,603
MicroOptics	9,857	6,836
Others	0	68
Sales	177,582	148,516

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

(4) COST OF SALES

Cost of sales includes total amortization of capitalized development costs of € 74 thousand (previous year: € 132 thousand), which accrues completely to the Lithography division. The residual book value for capitalized development costs of € 178 thousand as of December 31, 2016 exclusively involves the Lithography division, as it did in the previous year.

In addition, the cost of sales in the current fiscal year includes amortization of € 297 thousand for the acquired technology of SUSS MicroTec Photonic Systems (previous year: € 288 thousand). This technology carried a residual book value of € 966 thousand as of December 31, 2016.

The cost of sales also includes impairments of inventories (demonstration equipment, raw materials, supplies, and consumables, as well as finished & semi-finished products) of € 5,500 thousand (previous year: € 5,056 thousand). In the process, € 4,658 thousand (previous year: € 3,533 thousand) accrues to inventories in the Lithography division and € 765 thousand (previous year: € 1,364 thousand) accrues to inventories of the Bonder division. The inventories of the Photomask Equipment division were marked down by € 77 thousand (previous year: € 158 thousand).

(5) OTHER OPERATING INCOME

Other operating income was comprised as follows:

<i>in € thousand</i>	2016	2015
Foreign currency gains	2,617	2,962
Gains from cancellation agreement with one customer	0	607
Commissions	935	467
Company cars	240	229
Reversal of other liabilities	0	182
Income from the reversal of value adjustments for trade receivables	94	51
Payouts from installations (rental) in Sunnyvale (SMT Inc.)	0	67
Income from the release of provisions	49	76
Other subsidies	42	39
Rental income	49	32
Others	242	157
Other operating income	4,268	4,869

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.

The commissions were obtained by our subsidiary in China.

€ 40 thousand of the other subsidies were generated by our subsidiary in China, while € 2 thousand was attributable to SUSS MicroTec Lithography GmbH. The subsidies of € 39 thousand in the previous year only involved subsidies to SUSS MicroTec China.

(6) OTHER OPERATING EXPENSES

Other operating expenses were comprised as follows:

<i>in € thousand</i>	2016	2015
Foreign currency losses	2,670	3,157
Other taxes	710	576
Allowances for value adjustments for doubtful debts	23	368
Expenses for cancellation agreement with one customer	0	135
Losses on disposal of assets	52	0
Others	33	138
Other operating expenses	3,488	4,374

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 € 91 thousand (previous year: € 258 thousand) resulted mainly from interest income for money market investments and securities.

The financial expenses are comprised as follows:

<i>in € thousand</i>	2016	2015
Bank loans	676	383
Commissions on bank guarantees	36	34
Accounting loss of redemption of available-for-sale securities	0	71
Other interest and financial expense	8	38
Financial expense	720	526

Interest for bank liabilities primarily related to the financing of properties in Garching and Sternenfels. Interest for bank liabilities included € 187 thousand (previous year: € 224 thousand) attributable to financing the property in Garching (loan status as of December 31, 2016: € 4,500 thousand). The loan for financing the property in Sternenfels was terminated in the first half of 2016 and fully repaid as of June 30, 2016. The associated swap was canceled. The interest for bank liabilities includes € 42 thousand of interest expense for financing the property in Sternenfels and € 434 thousand for canceling the associated swap. Further explanations on the termination of the Sternenfels loan can be found under Note (24) of these Notes.

Book losses from the redemption of securities in the previous year resulted from the acquisition during the year of corporate bonds, whose purchase price exceeded their nominal value. The acquired bonds had a short remaining term and were due before December 31, 2015. Redemption upon the due date occurred at the nominal value.

(8) INCOME TAXES

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

<i>in € thousand</i>	2016	2015
Current taxes	5,347	2,975
Deferred taxes	170	1,505
thereof on temporary differences	-3	-420
Total	5,517	4,480

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

<i>in %</i>	2016	2015
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>	2016	2015
Earnings before taxes	10,519	4,705
Expected income taxes	2,972	1,329
Different foreign tax rates	-1,716	-1,505
Minimum taxation	35	0
Remeasurement of German tax rates	6	8
Other non-deductible expenses	274	198
Income taxes from previous years	96	219
Change of valuation allowance on deferred taxes	4,320	4,382
Use of loss carryforwards adjusted in full	-467	0
Non-taxable income	-26	-27
Tax subsidies	0	-71
Others	23	-53
Effective income taxes	5,517	4,480

A comparison of the expected and effective income taxes from the continuing operations shows a deviation of € -2,545 thousand (previous year: € -3,151 thousand). Instead of the expected tax expense of € 2,972 thousand, a tax expense of € 5,517 thousand resulted at the Group level in the reporting year.

In the reporting year, additional value adjustments of € 4,320 thousand were made on deferred tax assets. The largest need for value adjustment arose at SUSS MicroTec Photonic Systems Inc., Corona (California, USA). Both US companies, SUSS MicroTec Inc. and SUSS MicroTec Photonic Systems Inc., form a tax group whose taxable income in the USA is subject to Group taxation. Based on the current Group budget, negative earnings are expected for SUSS MicroTec Photonic Systems in the next three years. Earnings for SUSS MicroTec Inc. are expected to be slightly positive in the next few years.

The tax expense in previous years mainly involved tax arrears payments of SUSS MicroTec AG, which resulted from the last audit.

It was possible for both SUSS MicroTec S.a.r.l., Pierre Bénite, France, and SUSS MicroTec, Inc., Corona, USA, to achieve positive annual earnings in 2016. This resulted in a positive tax effect from the utilization of adjusted loss carryforwards.

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

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

	Assets		Liabilities	
	2016	2015	2016	2015
Other current liabilities	132	89	0	0
Pension plans and similar commitments	1,183	1,160	0	0
Trade receivables	62	0	0	2
Other non-current provisions	12	0	3	3
Intangible assets	1,071	1,503	0	0
Other current assets	0	101	70	1
Goodwill	0	0	2,064	2,064
Adjustment item SMT Photomask Equipment	0	0	250	303
Inventories	1,927	1,450	0	0
Tangible assets	9	12	0	0
Others	64	117	33	16
Loss carryforward	165	410	0	0
Balancing	-2,420	-2,389	-2,420	-2,389
Total	2,205	2,453	0	0

The Group has tax loss carryforwards of € 49,770 thousand (previous year: € 54,554 thousand). Of this amount, a total of € 6,001 thousand will have lapsed by December 31, 2024. In the period from 2026 to 2035, a total of € 43,664 thousand will lapse. Loss carryforwards of € 105 thousand can be used indefinitely.

In May 2016, SUSS MicroTec AG agreed to a waiver of receivables amounting to US\$ 15 million from SUSS MicroTec Photonic Systems Inc., Corona, USA. The resulting income for SUSS MicroTec Photonic Systems Inc. is not taxable in the USA. However, the existing loss carryforwards were cut by US\$ 15 million. The loss carryforwards available to the Group were thereby correspondingly reduced in 2016.

SUSS MicroTec Photonic Systems Inc. did, however, again post clearly negative annual earnings from its operating activities. Similarly, SUSS MicroTec Korea Company Ltd. also contributed a loss to Group earnings in the past fiscal year. In contrast, the companies SUSS MicroTec S.a.r.l. (France) and SUSS MicroTec, Inc. (USA) were able to achieve positive annual earnings and thereby utilize existing loss carryforwards. The loss carryfor-

wards of € 1,452 thousand still available in Germany were completely offset in 2016 thanks to the clearly positive taxable earnings in the entities in Germany (SUSS MicroTec AG, SUSS MicroTec Lithography GmbH and SUSS MicroTec REMAN GmbH).

No deferred tax assets were recognized on loss carryforwards of € 49,074 thousand (previous year: € 53,102 thousand) and temporary differences of € 15,999 thousand (previous year: € 12,699 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, 2016, deferred tax assets and liabilities of € 2,420 thousand (previous year: € 2,389 thousand) were offset.

(9) EARNINGS PER SHARE

The following table shows the computation of the basic and diluted earnings per share.

<i>in € thousand</i>	2016	2015
Profit / Loss, which accrue to shareholders of SUSS MicroTec AG	5,002	225
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	0.26	0.01
Earnings per share in € – diluted	0.26	0.01

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

EXPENSES 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 2016.

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

<i>in € thousand</i>	2016	2015
Research & Development expenses	14,137	12,787
Research & Development amortization	74	132
Research & Development capitalization	0	1
Net capitalization	-74	-131

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>	2016	2015
Wages and salaries	52,508	48,462
Social security expenses	6,914	5,804
Pension expenses	3,105	2,972
Personnel expenses	62,527	57,238

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 2016 fiscal year came to € 55,734 thousand (previous year: € 48,534 thousand).

DEPRECIATION AND AMORTIZATION

Depreciation and amortization are composed as follows:

<i>in € thousand</i>	2016	2015
Intangible assets	1,290	1,239
Tangible assets	2,860	2,944
Depreciation and amortization	4,150	4,183

During the fiscal year, amortization charges of € 919 thousand (previous year: € 819 thousand) were recognized on concessions, intellectual property rights, and similar rights and assets as well as on licenses for such rights and assets. Amortization charges of € 74 thousand (previous year: € 132 thousand) were recognized on capitalized development costs.

The technology recognized with the initial consolidation of SUSS MicroTec Photonic Systems and other acquired intangible assets were subject to amortization charges of € 297 thousand (previous year: € 288 thousand).

Explanations on the Assets Side

The following explanations on the consolidated statement of financial position relate exclusively to the Group's continuing operations for the reporting year. All figures are in € thousand unless otherwise stated.

(11) INTANGIBLE ASSETS

The intangible assets show patents, licenses, and similar rights of € 2,378 thousand (previous year: € 2,789 thousand), development costs of € 178 thousand (previous year: € 252 thousand), and technology acquired from SUSS MicroTec Photonic Systems of € 966 thousand (previous year: € 1,225 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, 2016 involves only the Lithography division.

Technology acquired through the acquisition of SUSS MicroTec Photonic Systems is disclosed with a residual book value of € 966 thousand (previous year: € 1,225 thousand) under intangible assets. Since 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, 2016.

(12) GOODWILL

The goodwill presented as of the reporting date in the amount of € 15,840 thousand (previous year: € 15,772 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.

(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>	2016	2015
Reinsurance policies	161	156
Deposits	491	455
Other non-current assets	652	611

(15) INVENTORIES

The inventories can be broken down as follows:

<i>in € thousand</i>	2016	2015
Materials and supplies	29,183	28,610
Work in process	25,148	27,237
Finished goods	15,014	11,180
Demonstration equipment	24,377	20,032
Merchandise	870	869
Value adjustments	-20,788	-19,209
Inventories	73,804	68,719

Of the total inventories of € 73,804 thousand as of December 31, 2016 (previous year: € 68,719 thousand), € 33,579 thousand (previous year: € 29,579 thousand) are accounted for at net realizable value.

The amount of inventories, which were recorded as an expense in the fiscal year, totaled approximately € 108,779 thousand (previous year: € 85,244 thousand).

(16) TRADE RECEIVABLES

Trade receivables break down as follows:

<i>in € thousand</i>	2016	2015
Trade receivables – gross	24,507	13,564
Value adjustments	-396	-471
Trade receivables	24,111	13,093

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

<i>in € thousand</i>	2016	2015
Valuation allowance as of beginning of fiscal year	471	323
Derecognition of trade receivables	-4	-169
Payments received and recoveries of previously written-off receivables	-94	-51
Additions	23	368
Valuation allowance as of end of fiscal year	396	471

(17) OTHER FINANCIAL ASSETS

The following items are presented under other financial assets:

<i>in € thousand</i>	2016	2015
Accrued interest	0	6
Supplier bonuses	106	118
Tender guarantees	5	38
Claims against employees	21	24
Others	27	35
Other financial assets	159	221

(18) CURRENT TAX ASSETS

The noncurrent tax receivables result from the capitalization of the corporation tax credits of German Group companies as a result of the SE introductory legislation (SEStEG) (this deals with tax measures in connection with the introduction of the European Company, or SE, and on amendments to other fiscal regulations). The credit will be disbursed in ten equal annual amounts in the years 2008 to 2017. The German companies still expect a refund of € 17 thousand in 2017; this claim is now reported under current tax assets. The previous year's amount of € 34 thousand was reported under noncurrent tax assets.

Current tax refund claims are composed as follows:

<i>in € thousand</i>	2016	2015
Advance tax payments	208	264
Corporate Tax Assets at German Corporations	17	0
Tax subsidies	150	150
Tax refund claims	375	414

(19) CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to € 35,621 thousand (previous year: € 49,085 thousand) relate to cash in hand, checks and deposits with banks, provided they are available within three months from the date of deposit. The year-on-year change is presented in the consolidated statement of cash flows.

(20) OTHER (CURRENT) ASSETS

The following items are presented under other current assets:

<i>in € thousand</i>	2016	2015
Deferred items	899	822
Payments in advance	563	400
VAT	1,109	804
Bidding securities	105	100
Outstanding checks to be paid in	0	44
Others	98	102
Other current assets	2,774	2,272

The deferred items contain prepayments for future expenses, e.g., insurance premiums and advance payments of rent.

Explanations on the Equity & Liabilities Side

(21) SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

The equity capital of SUSS MicroTec AG 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 AG prepared in accordance with commercial law.

The authorized capital as of the reporting date was € 2,500 thousand (previous year: € 9,000 thousand).

<i>in € thousand</i>	2016	2015
Subscribed capital	19,116	19,116
Authorized capital	2,500	9,000
Conditional capital	0	0

RESERVES

The Group's reserves are composed as follows:

<i>in € thousand</i>	2016	2015
Additional paid-in capital	71,547	97,614
Earnings reserve	433	433
Retained earnings	31,831	762
Reserves	103,811	98,809

During the fiscal year, SUSS MicroTec AG withdrew € 26,067 thousand from the additional paid-in capital to balance out the loss for the 2016 fiscal year of € 9,500 thousand and its loss carryforwards of € 16,568 thousand from previous years. This means that the additional paid-in capital of the SUSS MicroTec Group decreased by € 26,067 thousand as well.

The earnings reserve is unchanged on the previous year.

The withdrawal of € 26,067 thousand from the additional paid-in capital of SUSS MicroTec AG leads to correspondingly higher retained earnings for the Group. Together with the Group's positive

annual earnings of € 5,002 thousand, this results in retained earnings for the year of € 31,831 thousand as of December 31, 2016.

ACCUMULATED OTHER COMPREHENSIVE INCOME

The development of accumulated other comprehensive income is as follows:

<i>in € thousand</i>	2016	2015
Remeasurement on defined benefit pension plans	-2,845	-2,313
Foreign currency adjustments	3,258	493
Cash flow hedges	-410	-486
Unrealized gains/losses from available for sale securities	0	11
Tax effects		
Remeasurement on defined benefit pension plans	697	532
Unrealized gains/losses from available for sale securities	0	-3
Cash flow hedges	115	137
Status at the beginning of the period	815	-1,629
Pre-tax changes		
Remeasurement on defined benefit pension plans	-168	-532
Foreign currency adjustments	415	2,765
Cash flow hedges	410	76
Unrealized gains/losses from available for sale securities	0	-11
Tax effects		
Remeasurement on defined benefit pension plans	69	165
Unrealized gains/losses from available for sale securities	0	3
Cash flow hedges	-115	-22
Status at the end of the period	1,426	815

In 2010, SUSS MicroTec AG concluded an interest swap as a hedging instrument for the variable interest loan serving to finance the newly acquired real estate in Sternenfels. Hedge accounting was used for this interest swap: Instead of being recognized in the statement of income, changes in market value were shown under accumulated other comprehensive income. The loan was prematurely terminated and fully repaid in the first half of 2016. The swap was closed out in April 2016. The amount of € -410 thousand representing the value of the interest rate swap previously disclosed in accumulated other comprehensive income was reported in profit or loss in the financial result of the statement of income. At the same time, the associated deferred taxes of € 115 thousand were reclassified to the statement of income.

MANAGEMENT OF EQUITY

The shareholders' equity of the SUSS MicroTec Group – comprised of subscribed capital, reserves, and accumulated other comprehensive income – totaled € 124,353 thousand as of December 31, 2016 (previous year: € 118,740 thousand); this corresponds to an equity ratio of 69.2% (previous year: 67.0%). Along with an appropriate return on equity, the SUSS MicroTec Group strives for a sustained high equity ratio and a high liquidity reserve in order to ensure future growth and increase the enterprise value. In order to maintain or adjust the capital structure, the Group can exploit all the options arising from SUSS MicroTec AG'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 goals are not met, the danger exists that equity might decrease as a result of a net loss for the year.

(22) PENSION PLANS AND SIMILAR COMMITMENTS

The Company grants various benefits arrangements covering mainly old age, death, and invalidity. The plans vary depending on the legal, fiscal, and economic conditions in the various countries. As a rule, the benefits are calculated on the basis of the salaries and length of service of the insured employees.

A distinction is made between a defined benefit system and a defined contribution system. In the case of defined benefit commitments, the obligation of the Group consists in fulfilling the promised benefits to former employees, for which corresponding provisions are set up.

In the case of defined contribution plans, the Group does not enter into any further obligation apart from making contributions to special purpose funds. The contribution payments are charged against income; no provisions are set up.

The pension obligations are composed as follows:

<i>in € thousand</i>	2016	2015
Defined benefit obligation	9,431	9,003
Fair value of plan asset	-4,594	-3,859
Net pension obligation	4,837	5,144

DEFINED BENEFIT PLANS

The Group maintains defined benefit pension plans in Germany, Japan, and Switzerland.

The existing pension commitments in Germany comprise claims to old age, invalidity, and surviving dependents' pensions and are linked to annual salary or take the form of fixed commitments. Selected members of the management are eligible for these benefits. The main actuarial assumptions are shown below:

<i>in %</i>	2016	2015
Discount factor	1.43	1.91
Return on plan assets	1.43	1.91
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>	2016	2015
Discount factor	0.65	0.90
Return on plan assets	0.65	0.90
Salary increase	1.50	1.50
Pension increase	0.00	0.00

The subsidiary in Japan has a noncontributory unfunded defined benefit plan, under which certain employees receive a pension payment after leaving the Company. The level of the pension payment is determined by a set computation method providing for a benefit of 80 % of the monthly salary per year of employment for each qualifying employee. Every employee qualifies after belonging to the Company for at least three years.

The main actuarial assumptions are shown below:

<i>in %</i>	2016	2015
Discount factor	0.00	0.42
Salary increase	2.36	1.67
Pension increase	0.00	0.00

The present values of defined benefit obligations and the fair values of the plan assets developed in the 2016 and 2015 fiscal years as follows:

<i>in € thousand</i>	2016	2015
Defined benefit obligation as of January 1	9,003	7,278
Service cost	633	337
Interest cost	107	109
Pension payments	-554	482
Actuarial (-) gain/(+) loss due to changes in financial assumptions	308	186
Actuarial (-) gain/(+) loss due to changes in demographic assumptions	-461	0
Actuarial (-) gain/(+) loss due to experience adjustments	309	174
Foreign exchange fluctuations	86	437
Defined benefit obligation as of December 31	9,431	9,003

<i>in € thousand</i>	2016	2015
Plan assets as of January 1	3,859	2,527
Expected return on plan assets	42	36
Fund allocations paid	634	1,052
Actuarial (+) gain/(-) loss	38	53
Foreign exchange fluctuations	21	191
Plan assets as of December 31	4,594	3,859

The essential components of plan assets are reinsurance policies. In connection with pension obligations in Germany, corresponding reinsurance policies were arranged with Allianz Lebensversicherungs-AG. The pension obligations in Switzerland are backed by Helvetia Sammelstiftung, which has arranged corresponding reinsurance policies. Both reinsurance policies are to be regarded as a conservative, low-risk form of investment, whose value is subject to only slight market fluctuations.

Of the present value of the pension obligations, € 6,841 thousand (previous year: € 6,778 thousand) applies to pension claims financed by funds.

The pension expenses break down as follows:

<i>in € thousand</i>	2016	2015
Service cost	633	337
Personnel expenses component	633	337
Interest cost	107	109
Expected return on plan asset	-14	-15
Actuarial (+) gain/(-) loss	-4	19
Interest expenses component	89	113

For 2017, the Group expects to make payments totaling € 420 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>	2016	2015
Change in the present value of all defined benefit obligations if		
interest rate is 50 base points lower	741	689
interest rate is 50 base points higher	-639	-599
salary increase is 50 base points lower	-128	-110
salary increase is 50 base points higher	130	114
rate of pension increase is 0.50% lower	-400	-379
rate of pension increase is 0.50% higher	440	410

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. Both defined contribution plans include two components: a profit-sharing agreement and a 401(k) plan.

At SUSS MicroTec Inc., the amounts flowing into the profit-sharing agreement are revised annually. All contributions from the Company are held in a trust fund. Qualifying employees obtain a non-forfeitable claim to benefits over a period of six years.

Under the 401(k) plan, the employer contribution is US\$ 0.50 for each US\$ 1.00 of the employee contribution up to a maximum employee contribution of US\$ 3,000 (i.e., the maximum employer contribution is US\$ 1,500). The employees have entitlement to the full employer contribution only after completing their third year of employment. Prior to this, they do not have any claim to employer contributions.

The 401(k) plan of SUSS MicroTec Photonic Systems Inc. offers employees the possibility of paying 25 % of their annual remuneration into the 401(k) plan. The employer matches each US\$ 1.00 of employee contribution up to a maximum amount of 3 % of the salary. Qualifying employees obtain a non-forfeitable claim to benefits staggered into 20% steps over a period of six years.

In the 2016 fiscal year, the expenses to the Group for the 401(k) plan came to US\$ 172 thousand (previous year: US\$ 131 thousand).

Furthermore, in the reporting year employer contributions were paid into the statutory pension plan in the amount of € 2,949 thousand (previous year: € 2,841 thousand).

(23) (NONCURRENT) PROVISIONS

The noncurrent provisions comprised obligations of the Group arising from agreements under the pre-retirement part-time scheme. The provisions have developed as follows:

<i>in € thousand</i>	As of 01/01/16	Utilization	Additions	As of 12/31/16
Pre-retirement arrangements	11	-11	0	0

The pre-retirement arrangement concluded under a company agreement applied to employees of SUSS MicroTec Lithography GmbH and of SUSS MicroTec AG who had reached the age of 57 and were employed full-time or part-time in their present job for at least three years in the five years preceding the pre-retirement period.

During the pre-retirement period, the previous regular working time was reduced to 50%. The working time to be performed during the entire pre-retirement period was generally distributed such that it was performed in full in the first half of the pre-retirement period (work phase) and the employee was released from work duties in the second half (release phase).

In addition to the gross salary reduced to 50%, the employee received a supplementary amount, which was measured such that the net monthly salary under the pre-retirement scheme equaled at least 82% of the monthly full-time net salary. The supplementary amount was paid free of tax and social security deductions.

(24) FINANCIAL DEBT

The table below shows the maturity structure of the bank borrowings as of December 31, 2016, and the previous year's reporting date:

12/31/2016 <i>in € thousand</i>	Remaining period to maturity up to one year	Remaining period to maturity more than one year to five years	Remaining period to maturity more than five years	Total
Bank borrowings	1,000	3,500	0	4,500
Current bank liabilities	7	0	0	7
Total	1,007	3,500	0	4,507

12/31/2015 <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	1,180	7,420	500	9,100
Current bank liabilities	6	0	0	6
Total	1,186	7,420	500	9,106

BANK BORROWINGS

Bank borrowings in the previous year included liabilities from two long-term loan agreements, which served to finance the company properties in Garching and Sternenfels.

The loan agreement to finance the company property in Sternenfels was concluded on May 25-28, 2010 between SUSS MicroTec AG and a local bank. The loan amounted to € 4.5 million, had a term until June 30, 2020, and a variable interest rate. It was made available and disbursed on July 6, 2010. In order to hedge the interest rate risk, SUSS MicroTec AG simultaneously concluded an interest rate swap with a matching term and amount in 2010, which converted the variable rate of the loan into a fixed interest rate. As a result of the interest rate swap, the loan's annual fixed interest rate amounted to 3.98%.

Hedge accounting was used to account for this interest rate swap: Instead of recognizing changes in the market value of the interest rate swap in the statement of income, they were disclosed in accumulated other comprehensive income. As of December 31, 2015, the interest rate swap had a negative market value of € 410 thousand; the remaining loan amounted € 3,600 thousand.

Due to the performance of market interest rates and the high amount of cash and cash equivalents in the SUSS MicroTec Group, SUSS MicroTec AG decided to redeem this loan early. As of June 30, 2016, the entire outstanding loan amount of € 3,600 thousand was repaid. The swap was closed out in April 2016. As a result, the 2016 financial result was burdened by expenses of approximately € 434 thousand, which were previously recognized in accumulated other comprehensive income and would have been included in the financial result over a period until June 30, 2020, if the loan and swap had been maintained. With the early redemption of the loan, total savings in interest and taxes of approximately € 0.1 million will be achieved.

The loan agreement to finance the company property in Garching was concluded on October 23-28, 2013 between SUSS MicroTec AG 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. This loan remains unchanged. The outstanding balance of this loan was, as of December 31, 2016, € 4,500 thousand (previous year: € 5,500 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>	2016	2015	Interest rate	Maturity
SUSS MicroTec AG	0	3,600	3.98%	Paid off in 2016
SUSS MicroTec AG	4,500	5,500	3.65%	6/30/2021
Total	4,500	9,100		
thereof due current	1,000	1,180		
thereof due noncurrent	3,500	7,920		
due in 2017	1,000			
2018	1,000			
2019	1,000			
2020	1,000			
2021	500			
	4,500			

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

<i>in € thousand</i>	2016	2015
Credit and guarantee line	5,250	9,000
Utilization	2,764	5,443
Open credit and guarantee line	2,486	3,557

A bank consortium led by Deutsche Bank AG with the participation of DZ Bank AG and the Baden-Württembergische Bank provides credit and guarantee lines totaling € 4.5 million. These lines were granted until further notice and were issued without covenants. The lines can be utilized by SUSS MicroTec AG or SUSS MicroTec Lithography GmbH.

BW-Bank Mannheim is granting SUSS MicroTec Photomask Equipment GmbH & Co. KG a credit and guarantee line of € 750 thousand. The credit line runs for an indefinite term and was issued without covenants.

As of the reporting date, the lines were utilized in an amount of € 2,764 thousand (previous year: € 5,443 thousand) in the form of guarantees.

The average interest rate for the utilization of the credit lines in the form of guarantees was 1.11% (previous year: 1.00%).

FINANCE LEASE LIABILITIES

The Group currently has operating leases for various furnishings and items of equipment in the production and administrative areas. In addition, there are finance leases for technical equipment and tools, as well as for other equipment, office, and plant furnishings, the underlying assets of which are capitalized and subject to depreciation.

The terms of the lease liabilities and the future financial obligations from operating leases are as follows:

<i>in € thousand</i>	Finance Lease	Operating Lease
Depreciation / Expenses 2016	7	1,121
Depreciation / Expenses 2015	7	1,262
Future liabilities		
due in 2017	0	923
2018	0	323
2019	0	233
2020	0	89
2021	0	10
later	0	0
Total future	0	1,578

(25) (CURRENT) PROVISIONS

Current provisions are composed as follows:

<i>in € thousand</i>	2016	2015
Warranty provisions	2,522	1,574
Severance provisions	750	0
Provision for refocusing the sales organization in Japan	1,205	0
Miscellaneous provisions	684	788
Current provisions	5,161	2,362

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.

Provisions for severance payments relate in full to a former member of the Management Board.

The provision for the refocusing of sales in Japan contains obligations to employees who will leave SUSS MicroTec, amounting to around € 926 thousand. These employees are entitled to have their saved retirement benefits paid out, as well as a severance payment. The severance payments totaled around € 276 thousand and were recognized through profit or loss. Pensions provisions were already created on an ongoing basis in previous years for retirement benefits. Around € 650 thousand of these were reclassified as current other provisions as of December 31, 2016. In addition to this and in connection with the reorganization of sales in Japan, provisions amounting to around € 279 thousand were created for the reinstatement of premises previously rented by SUSS MicroTec KK, as well as for outstanding rental obligations.

The remaining provisions essentially include provisions for follow-up costs and provisions for personnel expenses.

Current provisions have developed as follows:

<i>in € thousand</i>	As of 01/01/2016	Utilization	Reversal	Additions	As of 12/31/2016
Warranty provisions	1,574	-1,574	0	2,522	2,522
Severance provisions	0	0	0	750	750
Provision for refocusing the sales organization in Japan	0	0	0	1,205	1,205
Miscellaneous provisions	788	-739	-49	684	684
Current provisions	2,362	-2,313	-49	5,161	5,161

(26) OTHER (CURRENT) FINANCIAL LIABILITIES

Other current financial liabilities break down as follows:

<i>in € thousand</i>	2016	2015
Premiums and commissions	2,607	3,886
External services	1,538	1,266
Supervisory Board remuneration	203	188
Negative market values from interest swaps	0	410
Forward currency transaction	289	34
Contingent purchase price obligation SMO	0	92
Outstanding wage tax	509	449
License fees	26	99
Suppliers with debit balances	138	39
Others	49	82
Other (current) financial liabilities	5,359	6,545

Under other financial liabilities, the Company showed the negative market values from interest derivatives in the previous year. The swap existing in the previous year, serving to hedge the interest rate risk for the financing of the property in Sternenfels, was closed out in April 2016. Further information on the cancellation of the swap can be found in paragraph (24) "Financial debt". There were no further interest rate derivatives as of December 31, 2016.

(27) OTHER (CURRENT) LIABILITIES

Other current liabilities break down as follows:

<i>in € thousand</i>	2016	2015
Down payments received	22,600	18,176
Accrued personnel expenses	4,555	4,394
Deferred income	443	366
VAT	127	228
Others	501	302
Other current liabilities	28,226	23,466

The prepayments received comprise deposit payments by customers for tools prior to their final acceptance. When delivery has been completed and the corresponding realization of sales has taken place, the deposit payments are offset against the receivables. The accrued personnel expenses contain mainly obligations for vacation arrears and credit accounts under the flexible hours scheme.

(28) TAX LIABILITIES

The tax liabilities are made up of domestic income taxes of € 2,873 thousand (previous year: € 2,787 thousand) and foreign income taxes of € 948 thousand (previous year: € 540 thousand).

Other Disclosures

(29) ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Under IAS 32, financial instruments generally comprise all economic occurrences performed on a contractual basis that include a claim for cash. They include original financial instruments such as trade receivables and payables as well as financial receivables and liabilities. The financial instruments also comprise derivative instruments that are used to hedge currency and interest rate risks. The estimated market values of the financial instruments do not necessarily represent the values that the Company would realize in an actual transaction under present market conditions. The following section provides a comprehensive overview of the significance of financial instruments for the Company and supplies additional information on statement of financial position items containing financial instruments.

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

<i>in € thousand</i>	2016	2015
Financial assets		
Cash and cash equivalents	35,621	49,085
Financial assets held for sale	0	0
Loans and receivables	24,270	13,314
Financial assets held for trading	0	0
	59,891	62,399
Financial liabilities		
Financial liabilities held for trading	289	445
Financial liabilities	12,939	23,711
	13,228	24,156

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

<i>in € thousand</i>	2016		Measurement category according to IAS 39
	Book value	Fair Value	
Financial assets			
Cash and cash equivalents	35,621	35,621	Loans and receivables
Trade receivables	24,111	24,111	Loans and receivables
Other financial assets	159	159	Loans and receivables
denominated at amortized cost	159	159	Loans and receivables
denominated at fair value	0	0	Loans and receivables
Financial liabilities			
Trade payables	3,362	3,362	Amortized cost
Financial debt	4,507	4,947	
Bank borrowings	4,507	4,947	Amortized cost
Liabilities from finance lease	0	0	Amortized cost
Other financial liabilities	5,359	5,359	
denominated at amortized cost	5,070	5,070	Amortized cost
denominated at fair value (Fair value, level 2)	289	289	Derivatives

<i>in € thousand</i>	2015		Measurement category according to IAS 39
	Book value	Fair value	
Financial assets			
Cash and cash equivalents	49,085	49,085	Loans and receivables
Trade receivables	13,093	13,093	Loans and receivables
Other financial assets	221	221	Loans and receivables
denominated at amortized cost	221	221	Loans and receivables
denominated at fair value	0	0	Loans and receivables
Financial liabilities			
Trade payables	8,472	8,472	Amortized cost
Financial debt	9,106	10,266	
Bank borrowings	9,100	10,260	Amortized cost
Liabilities from finance lease	6	6	Amortized cost
Other financial liabilities	6,578	6,578	
denominated at amortized cost	6,133	6,133	Amortized cost
denominated at fair value (Fair value, level 2)	445	445	Derivatives

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 fair 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 interest structure graph.

Bank Borrowings

The fair 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.

Finance Lease Liabilities

The fair value of the liabilities from finance leases was determined 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>	2016	2015
Loans and receivables	71	-317
Financial assets held for sale	0	-22

Net gains or losses from loans and receivables contain changes in the adjustments, gains and losses from retirements and receipts of payments for loans and receivables that had been written off.

In the previous year, the market value change of € -11 thousand recorded under accumulated other comprehensive income – after accounting for deferred taxes – in the financial assets available for sale was reclassified from equity to the statement of income since these securities had matured in the meantime.

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>	2016		2015	
	Positive market value	Negative market value	Positive market value	Negative market value
Currency forwards	0	289	0	34
Interest rate swaps	0	0	0	410

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, forward currency transactions are concluded in order to hedge against currency changes during the period until payment is made. Since the underlying transaction has not yet occurred at the time the forward currency transaction is concluded and will only come into being on realization of the sale, 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, 2016, there are three open forward currency transactions concerning the forward sale of a total of US\$ 9.8 million with a due date of May 2, 2017 and October 31, 2017. The hedging rates amount to 1.067 US\$/EUR (US\$ 5.0 million), 1.1435 US\$/EUR (US\$ 1.8 million) and 1.1508 US\$/EUR (US\$ 3.0 million).

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 € 1,064 thousand as of the reporting date (previous year: reduction of € 192 thousand) and a corresponding decrease (previous year: decrease) in annual income.

The following tables show the composition of the foreign currency exposure and the effects on annual income as of the reporting date and that of the previous year:

<i>in € thousand</i>	2016		
	USD	JPY	Total
Cash and cash equivalents	5,572	2,110	7,682
Trade receivables	2,519	2,278	4,797
Trade payables	-401	-374	-775
Net exposure	7,690	4,014	11,704
Effect of a 10 % appreciation of the euro on annual net income	-699	-365	-1,064

<i>in € thousand</i>	2015		
	USD	JPY	Total
Cash and cash equivalents	2,058	10	2,068
Trade receivables	621	17	638
Trade payables	-574	-17	-591
Net exposure	2,105	10	2,115
Effect of a 10 % appreciation of the euro on annual net income	-191	-1	-192

(30) RELATED PARTIES

IAS 24 requires the disclosure of people that control or are controlled by SUSS MicroTec AG unless already included in the consolidated financial statements.

Control exists if a shareholder has more than half of the voting shares of SUSS MicroTec AG 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 AG.

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 AG, 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 AG of 20% or more, a seat on the Management Board or Supervisory Board of SUSS MicroTec AG 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.

(31) FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Other financial obligations and contingent liabilities are composed as follows:

<i>in € thousand</i>	2016	2015
Purchase contingencies	24,996	19,540
Obligations from rental and lease contracts	1,864	1,621
Total	26,860	21,161

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

(32) 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 where 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 € 619 thousand (previous year: € -1,370 thousand) contain mainly currency effects. 2016 also includes effects from the addition of a provision for severance payments of € 750 thousand.

(33) SEGMENT REPORTING

INFORMATION ABOUT THE SEGMENTS

The activities of the SUSS MicroTec Group are analyzed in the segment reporting in accordance with the rules of IFRS 8 "Operating Segments" by product line and by region. This analysis is aligned with internal controlling and reporting to the Management Board and takes the different risk and earnings structures of the divisions into consideration.

SUSS MicroTec will no longer report the region of Japan separately in the 2016 fiscal year due to its diminishing significance relative to other regions. Sales generated in Japan, capital expenditure invested there, and consolidated assets in Japan will, from now on, be summarized under the Asia-Pacific region.

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 located in Germany 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 (USA). Substantial parts of the distribution organizations in North America and Asia are active for the Lithography division. Lithography represents distinctly 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 have been 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.

Besides covering the non-allocable costs of SUSS MicroTec AG, the Others division shows the operational activities that are not allocated to the other divisions in the area of Micro-optics.

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 AG, 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.

SUSS MicroTec generated sales with two customers in the fiscal year that each represented a share of over 10% of the Group’s total sales. Around € 22.6 million were attributable to one customer and sales of around € 25.3 million were attributable to the other customer. Sales with these two customers are attributable to the Lithography division (€ 42.1 million) and the Bonder division (around € 0.2 million). € 5.6 million was attributable to the Photomask Equipment division. Sales of around € 23.8 million were generated with one customer in the previous year, equivalent to around 16% of total sales.

Among the principal non-cash expenses and income are value adjustments on trade receivables, write-downs on inventories, 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 property, plant and equipment and intangible assets.

For the geographical segment reporting, sales are segmented according to the location of the customers. In the reported fiscal year, SUSS MicroTec generated sales of € 15,532 thousand (previous year: € 18,552 thousand) in Germany.

The assets and investments were calculated on the basis of the location of the Group entity concerned. The Group’s noncurrent assets primarily consist of intangible assets, goodwill, and tangible assets. Of noncurrent assets, € 32,216 thousand (previous year: € 32,340 thousand) are attributable to companies in Germany; € 7,709 thousand (previous year: € 7,961 thousand) accrued to foreign companies. In the past fiscal year, the SUSS MicroTec Group made investments of € 1,934 thousand (previous year: € 2,075 thousand) in Germany.

(34) **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.

(35) MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD OF THE ULTIMATE PROPRIETARY COMPANY

The Members of the Management Board of SUSS MicroTec AG in the 2016 fiscal year were:

Dr. Franz Richter (since September 7, 2016)

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

Responsible for the areas:

Marketing and sales, Group strategy, service, research and development, patents, and divisions/product lines

Further appointments:

- Siltronic AG, Munich, Germany
(Member of the Supervisory Board)
- Meyer Burger Technology AG, Gwatt, Switzerland
(Member of the Administration Board)
- COMET Holding AG, Flamatt, Switzerland
(Member of the Administration Board)
- Scint-X AB, Stockholm, Sweden
(Chairman of the Supervisory Board)

Michael Knopp

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

Responsible for the areas:

Finance and accounting, IT, law, tax and insurance, human resources, facility management, and investor relations.

Further appointments: none

Walter Braun

- Diplom-Ingenieur (Engineer), resident of Altensteig,
Member of the Management Board

Responsible for the areas:

Production, work safety, quality management, environmental protection, materials management, and logistics.

Further appointments: none

Dr. Per-Ove Hansson (until August 16, 2016)

- Dr. rer. nat. (Physics), resident of Feldkirchen,
Chief Executive Officer

Responsible for the areas:

Marketing and sales, Group strategy, service, research and development, patents, and divisions/product lines

Further appointments: none

SUPERVISORY BOARD

The Members of the Supervisory Board in the 2016 fiscal year were:

Dr. Stefan Reineck

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

Further appointments:

- AttoCube Systems AG, Munich
(Vice Chairman of the Supervisory Board)
- until June 2, 2016: AWS-Group AG, Heilbronn
(Member of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA
(Member of the Board of Directors)
- Wittenstein AG, Igersheim (Member of the Supervisory Board)
- until October 25, 2016: Acceed 4.0 Beteiligungs GmbH
(formerly Accel 4.0 Beteiligungs GmbH), Heilbronn
(Chairman of the Advisory 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 AG

Further appointments: none

Gerhard Pegam

- Resident of Au/Bad Feilnbach, Managing Director of GPA Con-
sulting, Au/Bad Feilnbach; Member of the Supervisory Board
of SUSS MicroTec AG

Further appointments:

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

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The members of the Management Board received cash remuneration of € 2,153 thousand (previous year: € 1,568 thousand). The amount of Management Board remuneration includes a severance payment of € 750 thousand for the former Chief Executive Officer, Dr. Per-Ove Hansson, who departed on August 26, 2016.

The remuneration of the members of the Supervisory Board, including meeting attendance fees and expense allowances, amounted to € 203 thousand (previous year: € 188 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:

	2016		2015	
	Shares	Options	Shares	Options
Dr. Franz Richter	60,000	0	0	0
Michael Knopp	19,900	0	18,350	0
Walter Braun	18,300	0	3,150	0
Dr. Per-Ove Hansson	4,000	0	0	0
Dr. Stefan Reineck	9,600	0	9,600	0

(36) EMPLOYEES

In the fiscal year, the SUSS MicroTec Group had an average of 713 employees (previous year: 686 employees).

Status at the end of the year:

	2016	2015
Administration	68	61
Sales and marketing	262	262
Operations	381	375
Total	711	698

(37) AUDITOR'S FEES

In the current fiscal year, SUSS MicroTec recorded a fee of € 251 thousand (previous year: € 227 thousand) for the auditor of the consolidated financial statements, BDO AG Wirtschaftsprüfungsgesellschaft, Munich, pursuant to Section 314 (1) (9) HGB. On the network partners of the group auditor (additional members of BDO International), fee expenses of € 9 thousand (previous year: € 40 thousand) accrued in the fiscal year. All expenses relate exclusively to the final audit.

The expenses for the final audit include the entire fee for auditing the annual financial statements of SUSS MicroTec AG as well as the consolidated financial statements and BDO audited annual financial statements of subsidiaries. The audit of the individual financial statements of SUSS MicroTec AG includes approximately € 30 thousand (previous year: € 30 thousand) of the auditor's fee for the consolidated financial statements.

Neither BDO AG Wirtschaftsprüfungsgesellschaft nor members of BDO International perform any consulting services either during the fiscal year or the previous year.

(38) CORPORATE GOVERNANCE

As in the previous years, in January 2016 the Management Board and the Supervisory Board submitted a declaration of compliance pursuant to Section 161 of the German Stock Corporation Law (AktG) and declared that they would comply with the recommendations of the German Corporate Governance Code in the version of May 05, 2015, with the following exceptions – a deductible for D&O insurance, vertical remuneration comparison, pension commitments, formation of committees, and a term limit for membership in the Supervisory Board – and have complied with the recommendations of the Code in the version of June 24, 2014 since the last annual declaration of compliance was issued in January 2015 with the exceptions stated therein.

In January 2017, 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 of May 5, 2015 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 of May 5, 2015 since the issuance of the last annual declaration of compliance in January 2016 with the exceptions stated therein.

The declaration of compliance has been made permanently available online at > www.suss.com.

(39)

APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of SUSS MicroTec AG approved the IFRS consolidated financial statements for forwarding to the Supervisory Board on March 9, 2017. The Supervisory Board has the task of examining the consolidated financial statements and declaring whether it approves them.

Garching, Germany, March 9, 2017

The Management Board



Dr. Franz Richter
Chief Executive Officer



Michael Knopp
Chief Financial Officer



Walter Braun
Chief Operating Officer

Responsibility Statement by the legal Representatives

To the best of our knowledge, we assure that in accordance with applicable accounting principles, the consolidated financial statements convey an accurate view of the net assets, financial position, and results of operations of the Group and that the Group Management Report, which has been combined with the Management Report of SUSS MicroTec AG, conveys an accurate view of the business performance, including the earnings and condition of the Company, and describes the essential opportunities and risks for the Group's future development.

Garching, Germany, March 9, 2017

SUSS MicroTec AG
The Management Board



Dr. Franz Richter
Chief Executive Officer



Michael Knopp
Chief Financial Officer



Walter Braun
Chief Operating Officer

Auditors' Report

We have audited the consolidated financial statements – comprising the statement of financial position, statement of comprehensive income, statement of income, statement of changes in equity, statement of cash flows, and notes – as well as the Group Management Report, which has been combined with the Management Report of SUSS MicroTec AG, for the fiscal year from January 1 to December 31, 2016. The preparation of consolidated financial statements in accordance with IFRS, as they are to be applied in the EU, as well as the supplementary regulations under commercial law according to section 315a(1) of the German Commercial Code (HGB), is the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with section 317 HGB, taking into account the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW). The audit has accordingly been planned and executed in such a manner that any errors or violations which have a material effect on the presentation of the net assets, financial position, and results of operations in the consolidated financial statement, taking into account the applicable principles of accounting, as well as in the Group Management Report are detected with reasonable assurance. The process of determining the audit actions has taken into account the knowledge about the business activities and the economic and legal environment of the Group as well as expectations of possible errors. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and Group Management Report are examined primarily on a spot-check basis within the framework of the audit. The audit consists of an evaluation of the annual financial statements of the companies included in the consolidated financial statements, the specification of the scope of consolidation, the applied accounting and consolidation principles, the significant estimates made by the legal representatives, and an assessment of the overall presentation of the consolidated financial statements and the Group Management Report. We are of the opinion that our audit has provided a sufficient basis for our assessment.

Our audit has not led to any objections.

In our opinion, based on the knowledge gained in the audit, the consolidated financial statements of SUSS MicroTec AG, Garching, comply with IFRS as they are to be applied in the EU as well as the supplementary regulations under commercial law according to section 315a(1) of HGB, and convey in accordance with these principles an accurate view of the net assets, financial position, and results of operations of the Group. The Group Management Report is consistent with the consolidated financial statements and the legal obligations and conveys an overall accurate picture of the condition of the Group, and presents the opportunities and risks of future development accurately.

Munich, March 9, 2017

BDO AG
Wirtschaftsprüfungsgesellschaft

S. Wiedemann
Auditor

T. Steiner
Auditor

Glossary

3D Integration

3D integration is divided into two main categories: 3D packaging and 3D interconnect. 3D packaging is used to describe components stacked on a wafer-level packaging strata without being connected using through-silicon vias (TSVs). 3D packaging is comprised of technologies such as SOC (system-on-chip) and other processes for which the connection is normally based on wire bonding. 3D interconnect on the other hand includes components joined by TSVs. This refers to vertical vias through the massive silicon which, as a general rule, is heavily thinned.

300 mm technology

Wafers are disks made, for example, of the purest monocrystalline silicon, the basic material used in manufacturing microchips. The largest number of silicon wafers by far (~42%) used around the world today is 300mm in diameter. The larger the wafer diameter, the more chips can be made on one wafer. The more chips that can be manufactured on a wafer, the lower the production costs per individual chip.

Advanced Packaging

This term describes modern technologies to “package” microchips in their housing. All microchip contacts must be guided individually to the outside of the housing to ensure a connection to the printed circuit board. Advanced packaging involves packaging processes that generally employ methods previously used only in the Frontend manufacturing of microchips themselves, such as lithography and photoresist technologies.

Backend

This term is used to describe the second (rear) link in the microchip production chain. The Backend process begins once the wafer has passed through all Frontend process steps in the manufacture of the microchip itself. In this process, microchips are tested on the wafer and, if required, prepared for bonding. The wafers are then sawed into individual microchips that are packaged in their housing. For cost reasons, Backend process work is primarily done in Asia, where semiconductor manufacturers have Backend facilities of their own or allow foundries to handle testing and packaging.

Bonder

The Bonder connects two or more substrates (primarily wafers) aligned to one another in an extremely precise manner. This is done using soldering, adhesion, or another physical-chemical process. Many MEMS components require this processing step, as it is the only way to ensure that airbags, tire pressure sensors, GPS sensors, ink-jet printers, etc. work.

Bonding

Attaching two or more components or wafers to each other by means of various chemical and physical effects. Adhesive bonding, for example, uses adhesives (usually epoxy resins or photoresists) to attach two components. Fusion or direct bonding directly links two wafers that are initially only connected by the weak atomic forces (van der Waals forces) of water molecules in the borderline layer. By subsequently applying heat, the water molecules are broken down, and the oxygen atoms released combine with the wafer’s silicon atoms to form the covalent bond silicon oxide. This is a very strong, non-soluble bonding of the two wafers.

Bump

A metallic (solder, gold, or similar) three-dimensional contact on a chip. In simple terms, it is described as a ball of solder on a single microchip contact.

C4NP

IBM paved the way for flip chip bonding in the late 1960s. This technology was used for the first time in 1973 in IBM System 3. Since then, billions of chips have made contact with the outside world via this process under the name IBM C4. C4 stands for “controlled collapse chip connection” and is sometimes also used as a synonym for flip chip bonding. C4NP is the next generation technology, which IBM developed in conjunction with SUSS MicroTec on the basis of the proven C4 process. “NP” stands for “new process.”

Chip

General term used for semiconductor components. In electronics, a chip or microchip is understood to mean an integrated circuit embedded in housing. From the outside, all one generally sees is the black housing and the connection point that links the chip and printed circuit board (by wire or flip chip bonding). The piece of silicon in the housing is frequently also referred to as the chip or microchip.

Cluster

A group of individual process modules (e.g. Coater, Aligner) which is fed wafers for processing by a central robot.

Coater

A Coater is a special machine for the production of semiconductors. It disperses photosensitive resist to the wafer by way of rotational power.

Compound semiconductor

Semiconductor composed of several elements, such as gallium arsenide, indium phosphide, silicon germanium, etc. Advantages over simple semiconductors include: speed, high temperature compatibility, and lower energy consumption.

Cost of ownership (CoO)

This assesses acquisition and operating costs as well as the costs of cleanroom space and wear and tear and maintenance of the machines. These costs are then calculated in relation to the proportion of functioning components at the end of the production process. The higher the output of perfect chips, the better the cost of ownership of the machines for the customers. An outstanding CoO is of major significance, especially in mass production.

Die

Die, IC (integrated circuit), and chip are terms often used synonymously. Integrated circuits are known as dies until the point at which they are integrated into housing. Wafers are referred to as dies long as they are going through the individual process steps. The term "chips" is only used after the dies are isolated and packaged.

DRAM

DRAM = dynamic random access memory. Electronic memory chip components primarily used in computers. This is the world's most widely used memory chip.

Fab

This is a manufacturing facility which specializes in the production of ICs on wafers (chips). Today, building a large, modern fab complete with the required cleanrooms and equipment costs approximately US\$ 1.5 billion to US\$ 4 billion.

Flip chip bonding

An advanced bonding technique between chip and housing that makes higher clock frequencies possible in signal transmission. The active side of the chip is face down and, therefore, has to be "flipped" before assembly.

Foundry

A chip factory where microchips are manufactured to a circuit design that is specified by the customer. Making goods to order in this way, the foundry operators have no chip design or product sales/marketing costs and can, therefore, focus their R&D resources entirely on the process technology. The globally leading foundries are located in Taiwan and Singapore.

Frontend

Frontend processes are the production steps carried out on the wafer as a whole. This is where the chip itself is made. Backend processes in which chips are tested on the wafer follow. There, the wafer is cut into individual chips that are then inserted into housing.

IC (Integrated Circuit)

An integrated circuit (IC) consists of electronic components such as transistors, resistors, and capacitors that are integrated on a tiny microchip. Today, tens of millions of this type of cells are housed in circuits on a single chip. This high integration density has led to a high degree of chip performance.

IDM (Integrated-Device-Manufacturer)

These are companies in the semiconductor industry that develop, produce and market semiconductor components themselves.

Laser Processing

New developments in solid-state laser technology, such as high-performance UV lasers with high pulse rates in picoseconds, have expanded potential applications for lasers through micro-structuring. SUSS MicroTec offers two laser technologies:

Excimer Laser Ablation: In microstructuring, the use of excimer lasers primarily offers options for material evaporation. Through bombardment with pulsed laser radiation material can be removed from a surface. In the process, a photochemical reaction sets off electron excitation, which results in a sudden rise in pressure and an explosive removal of material in the form of monomers and gases. The thermal effect here is minimal – the process technology protects materials that are sensitive to temperature. The systems use a Photomask that is exposed with a laser beam. Projection optics between the mask and the wafer project the mask patterns onto the wafer, similarly to a projection stepper in lithography. The material, however, is not exposed but rather removed directly. The entire wafer is patterned using a step and repeat process.

Processing with solid-state laser: Solid-state laser technology promises all advantages of laser processing: It achieves high resolutions up to 2µm and ensures extremely precise results. Patterning processes are conducted without thermal side-effects. The systems do not require a mask and use a direct writing method.

LED (Light Emitting Diode)

LEDs are semiconductor components that can generate light. They emit a very bright light, yet, at the same time, consume very little energy. Moreover, their life span is over ten times that of a conventional light bulb.

Lithography

The electrical circuits of ICs are created by structuring individual strata on a silicon wafer in a type of layer structure. To create very small structures in the individual strata, the wafer is coated with a light-sensitive material (photo-resist) and then exposed using a mask. The structures on the mask are, thus, superimposed on the wafer by means of casting a shadow. Where the mask blocks the light, the photoresist on the wafer is not exposed. Where it is transparent, light falls onto the wafer and the photo-resist is exposed. During development after exposure, the exposed photoresist areas are cleared above the strata and can be accessed by the following process step. Nowadays, typical structure sizes for Frontend lithography applications are between 32nm (0.032 micrometers) and 0.6 micro-meters. In the Backend, structure sizes ranging from several microns to tens of microns are generated by photo-lithography to create, for example, bumps for flip chip bonding.

Mask

A plate of glass or quartz glass on which the patterns needed to manufacture an IC are mapped. These patterns consist of transparent and opaque areas that correspond in size and shape to the circuits required.

Mask Aligner

Mask Aligners align a glass mask to a wafer (covered with photo-sensitive material previously spun or sprayed on by a coater) with submicrometer accuracy. The glass mask is patterned with the structures which need to be transferred onto the wafer. These structures will then build electrical circuits, grooves, and bridges – all the various things that the chip needs in order to function. The pattern is transferred onto the wafer by means of exposure not unsimilar to a photographic procedure.

MEMS (Micro Electro Mechanical System)

Microelectromechanical systems (MEMS) is the term used primarily in North America for microsystems technology (MST), a term more common in Europe. Semiconductor production technologies and processes are used to manufacture mechanical and other non-electrical elements. MEMS products are used, for example, in the automobile industry, telecommunications, optoelectronics, and medical- technology.

Micrometer/micron

A metric unit of length, symbol: μm . A micron is a millionth of a meter. The diameter of a human hair is approximately $60\mu\text{m}$.

Microsystem

A system made up of various components each less than 1 mm in size.

Microsystems technology

This term is defined differently by region. In Europe, it means the entire miniaturization of precision mechanics component structures of less than 1 mm. In the United States and Asia, in contrast, microsystems technology or the more frequently used microelectromechanical systems (MEMS) means the use of semiconductor electronics technologies to produce the smallest of sensors or even complex systems such as a complete chemical or biological analysis unit. MEMS components include, for example, the silicon acceleration sensor that is used to activate an airbag or an inkjet printer cartridge nozzle.

Nanoimprinting/nanoimprint-lithography (NIL)

A mechanical method to create two or three-dimensional structures in the nanometer range with a casting or stamping tool. In contrast to photolithographic production of devices on semiconductor wafers, the structures are formed by stamping patterns in soft polymers. The future importance of nanoimprinting will be in cost savings. Classical photolithography equipment will, if extended to extremely short wavelengths of light (EUV, x-ray), become too expensive.

Nanotechnology

(Greek. *nānos* = dwarf) A collective term comprised of a broad range of technologies which deal with structures and processes in spatial dimensions ranging from one to several hundred nanometers. One nanometer is the billionth part of one meter (10^{-9}m) and defines a border range where the typical dimensions of a single molecule are found. Nanotechnology is a stringent continuation and expansion of microtechnology with mostly unconventional, new approaches. The tasks of nanotechnology include creating materials and structures in the nanometer range.

Optoelectronics

By deliberately combining semiconductor electronics technologies and III-V materials such as gallium arsenide, light can be generated or detected (semiconductor lasers, LEDs, photodiodes, etc). This technology is primarily used in telecommunications to transmit very large quantities of data (fiber-optic networks). LEDs are also being used increasingly in automobiles and domestically due to their many advantages, such as low energy requirement, extreme brightness, and very long lifespan.

OSAT (Outsourced Assembly- and Test-Houses)

These companies operate in the mid- and backend of the semiconductor industry. They offer packaging solutions, test systems and other services for semiconductor manufacturers, without being bound to a certain one of them. The focus is often on packaging and assembly of ICs and other semiconductor products.

Packaging foundries

See Backend.

Photoresist

A light-sensitive material that is first applied as a layer to the wafer and then exposed through a mask using ultraviolet light. In exposed areas, the ultraviolet light brings about chemical changes. These areas are dissolved from the layer during development, leaving a relief-like structure in the photoresist coating. This process is highly similar to photography.

Projection Lithography

While the complete wafer is exposed in one step during full-field lithography (mask aligner), during projection lithography processes only individual sections of the wafer are typically exposed using projection optics. The complete exposure of the wafer is then carried out in steps (step and repeat) or continuously (scan). SUSS MicroTec manufactures 1:1 projection scanners for the semiconductor mid- and backend. Here a full-field mask is used and the wafer is exposed in one scanning step. There is no reduction in pattern sizes from the mask to the wafer. The projection scanner technology of SUSS MicroTec combines the advantages of full-field exposure and traditional projection lithography and offers an alternative to mask aligner and projection steppers.

Semiconductor

A monocrystalline material of which the electrical resistance can be changed by implanting foreign atoms into its crystal grid. Silicon is the most important and also the most frequently used semiconductor element. ICs made of silicon are also often called semiconductors.

Sensor

A component used to record and convert measurements such as temperature, pressure, and acceleration. These measurements are converted into electrical signals and relayed to a signal evaluation unit.

Silicon

A material with the structure of a crystal lattice with semiconducting properties. Semiconducting means that the material can be used as a conductor or non-conductor depending on the inclusion of certain foreign atoms. In the semiconductor industry, the most common base material used is silicon in monocrystalline disk form.

System on a chip

Highly complex ICs incorporating many different functions. Until recently, these functions had to be accommodated on several ICs. The enormous innovative momentum in process technology that has made it possible to manufacture ICs with ever smaller structure widths now means that different kinds of memory, digital signal processors, and analog functions can be accommodated on one chip. The advantage is that instead of many chips, only a handful or even a single one is needed, thereby reducing the space needed, the assembly requirements (and, therefore, the cost of the finished product), and, very importantly, the power consumption. This prolongs the battery life in battery-powered equipment such as laptops and cellular-telephones. The trend towards ever smaller and more portable devices that should also be less and less expensive makes system on a chip increasingly important.

Through-silicon vias (TSVs)

Individual chip components are stacked on top of one another and joined with this technology. This shortens the path of the data stream between the individual chip components and allows for significantly less capacity loss. As such, through-silicon vias contribute to lowering the overall size of chips combined with a simultaneous rise in performance.

Tool

Machines, instruments, robots, etc. Tools are all individual systems that comprise a production line in a semiconductor-factory.

Wafers

Slices of the purest silicon, for example, or compound semiconductors (gallium arsenide, indium phosphide, etc.) on which chips are produced. Over the past ten years, their diameter has increased from 150mm to 200mm and today to even 300 mm. Twice as many chips fit onto the surface area of the latest 300 mm wafers than onto a 200mm wafer, cutting production costs by approximately 30%.

Wire bonding

A common contact process that connects chips with housing via metal wires.

Yield

One of the key parameters in semiconductor production. It measures the output of functioning microchips in relation to the total number of microchips on a wafer. The higher the yield, the more efficient and cost-effective the chip production for the customer.

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Five-Year Overview

<i>in € million</i>	2016	2015	2014	2013	2012
Business development					
Order entry	161.1	188.6	134.3	135.0	157.2
Order backlog as of December 31	101.5	117.6	75.6	85.7	86.5
Total sales	177.6	148.5	145.3	134.5	163.8
Sales margin	2.8%	0.1%	3.2%	-11.9%	4.6%
Gross profit	58.6	49.4	48.8	21.8	57.4
Gross margin	33.0%	33.3%	33.6%	16.2%	35.0%
Cost of sales	119.0	99.2	96.5	112.7	106.4
Research & Development costs	14.1	12.8	10.5	10.2	9.7
EBITDA	15.3	9.2	12.6	-13.4	18.6
EBITDA margin	8.6%	6.2%	8.7%	-10.0%	11.4%
EBIT	11.1	5.0	8.4	-19.4	11.7
EBIT margin	6.3%	3.4%	5.8%	-14.4%	7.1%
Earnings after tax	5.0	0.2	4.6	-16.0	7.6
Earnings per share (in €)	0.26	0.01	0.24	-0.84	0.40
Balance sheet and cash flow					
Equity	124.4	118.7	116.1	109.4	127.2
Equity ratio	69.2%	67.0%	69.1%	60.8%	70.5%
Return on equity	4.0%	0.2%	4.0%	-14.6%	6.0%
Balance sheet total	179.6	177.2	168.0	179.9	180.4
Net cash	31.1	40.0	38.0	35.7	32.3
Free cash flow ¹	-9.1	1.3	2.1	4.1	-4.5
Further key figures					
Investments	3.6	3.4	3.0	12.2	4.2
Investment ratio	2.0%	2.3%	2.1%	9.1%	2.6%
Depreciation	4.2	4.2	4.2	6.0	6.8
Employees as of December 31	711	698	659	655	704

¹ Before consideration of purchase or sale of available-for-sale securities

Financial Calendar 2017

March 30 — Annual Report 2016

May 4 — Quarterly Report 2017

May 31 — Annual General Meeting 2017, Haus der Bayerischen Wirtschaft, Munich

August 10 — Interim Report 2017

November 9 — Nine-month Report 2017

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