

# CONDENSED MANAGEMENT REPORT

<b>36</b>	<b>Economic Report</b>
36	Business Activity, Corporate Control, and Strategic Orientation
39	Economic Environment
40	SUSS MicroTec in Figures
48	The Holding Company – SUSS MicroTec SE
<b>50</b>	<b>Disclosures of Takeover Provisions in Accordance with Section 289a German Commercial Code (HGB) and Section 315a HGB</b>
<b>52</b>	<b>Group Declaration Regarding Corporate Governance in Accordance with Section 289f German Commercial Code (HGB) and Section 315d HGB</b>
<b>53</b>	<b>Nonfinancial Group Declaration in Accordance with Section 315b of the German Commercial Code (HGB)</b>
<b>54</b>	<b>Remuneration Report</b>
54	Remuneration of the Management Board
59	Remuneration of the Supervisory Board
<b>60</b>	<b>Opportunities and Risks for the Future Development of the SUSS MicroTec Group</b>
<b>71</b>	<b>Forecast Report</b>
71	Industry-specific Conditions
72	Expected Development in the Major Markets
72	Endogenous Indicators
73	Statement on the Projected Development of the Group – Outlook for 2019
73	Forward-Looking Statements

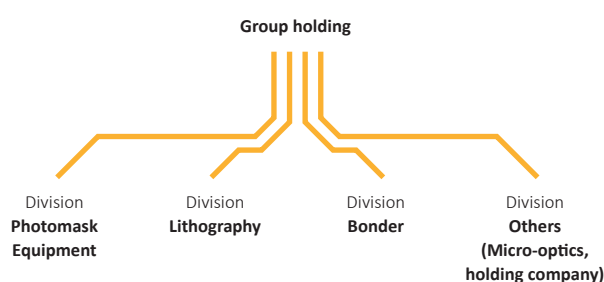
# ECONOMIC REPORT

## BUSINESS ACTIVITY, CORPORATE CONTROL, AND STRATEGIC ORIENTATION

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

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

### DIVISION STRUCTURE



### MANAGEMENT AND CONTROL – REMUNERATION STRUCTURE FOR OFFICERS

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

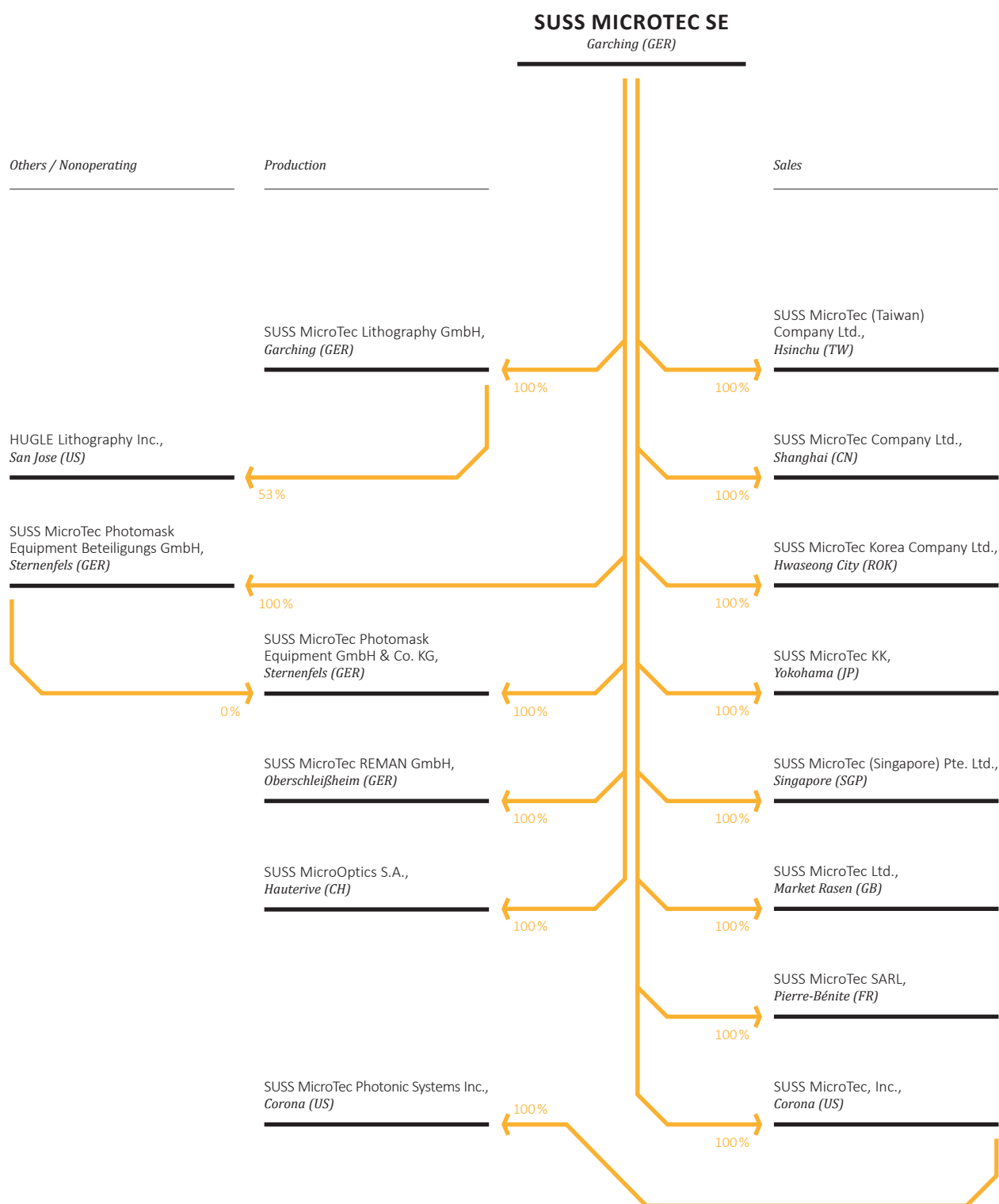
The Management Board receives both a monthly fixed salary and variable remuneration for its activities. The latter is paid when individually determined targets are reached. The fixed pay includes

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

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

### LEGAL STRUCTURE OF THE GROUP

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



## CORPORATE CONTROL, OBJECTIVES, AND STRATEGY

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

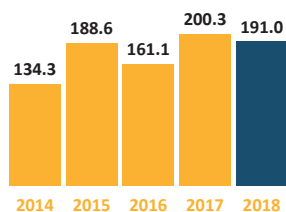
Corporate control is geared particularly toward the order entry, sales, and order backlog of the individual divisions. The performance of the divisions is, thus, measured above all by observing the development of the gross profit margin (sales less manufacturing costs) as well as the division earnings.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

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

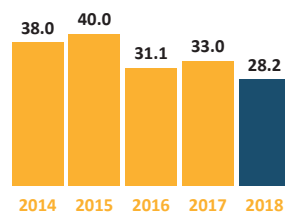
As a result of the initial application of IFRS 15, sales in 2018 are only conditionally comparable to sales in the previous years. EBIT and EBITDA are also affected by the change in revenue recognition. However, the change in revenue recognition has no effect on the key performance indicators of order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

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

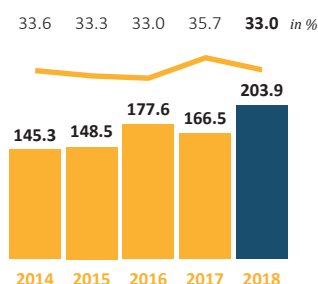
### ORDER ENTRY in € million



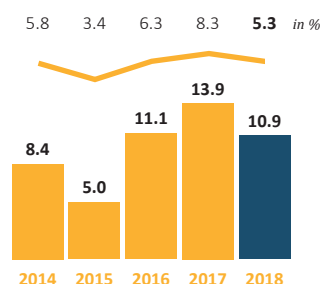
### NET CASH in € million



### SALES in € million AND GROSS MARGIN in %<sup>1</sup>



### EBIT in € million AND EBIT-MARGIN in %<sup>1</sup>



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

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

## ECONOMIC ENVIRONMENT

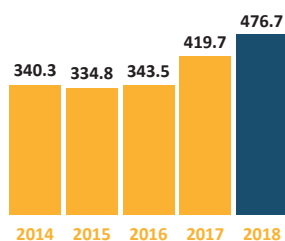
### CONTINUED SLIGHT GROWTH IMPULSES

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

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

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

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



Source: Gartner, January 7, 2019

## RECORD SALES IN THE SEMICONDUCTOR MARKET

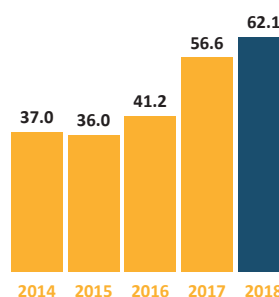
A very positive picture emerged in 2018 in our primary market segment, the semiconductor market. According to the expectations of the Gartner market research institute (January 2019), the semiconductor market reached a new record volume of US\$ 476.7 billion in 2018. This would correspond to growth rate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

### STRONG GROWTH IN THE SEMICONDUCTOR EQUIPMENT MARKET

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

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

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



Source: SEMI, December 12, 2018

**SUSS MICROTEC IN FIGURES****FINANCIAL POSITION: ORDER ENTRY, SALES, AND EBIT****Comparison of Full-Year Figures for 2018 – Forecast 2018**

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

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

**Corporate Development in 2018**

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

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

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

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

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

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

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

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



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

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

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

Other operating income totaled € 3.2 million in the fiscal year (previous year: € 6.3 million). As in the previous year, this included foreign currency gains, which resulted from the translation of foreign currency positions into euros. In addition, first-time licensing income of € 1.95 million was generated from the transfer of process expertise to a Japanese partner in 2017. These licensing fees involve income from a licensing agreement to market technology developed by SUSS MicroTec to clean wafers.

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

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

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

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

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

Group earnings before tax of € 10.7 million were subject to tax expense of € 6.0 million, which corresponds to an average tax expense rate of approximately 55 percent. The high tax expense relative to profit before tax resulted again primarily from the accumulated losses of foreign Group companies in the 2018 fiscal year (particularly in the USA), for which (as in previous years) no deferred tax assets were recognized in view of the current Group budget.

In the previous year, Group earnings before tax of € 13.8 million were subject to tax expense of € 7.0 million, which corresponded to an average tax expense rate of approximately 50 percent. The high tax expense relative to profit before tax similarly resulted from the accumulated losses of foreign Group companies in the 2017 fiscal year (particularly in the USA), for which (as in previous years) no deferred tax assets were recognized in view of the current Group budget.

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

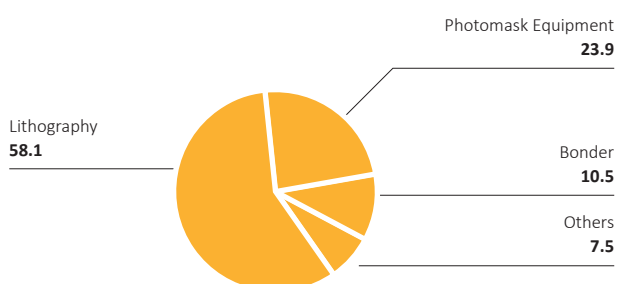
## DEVELOPMENT IN THE INDIVIDUAL DIVISIONS

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

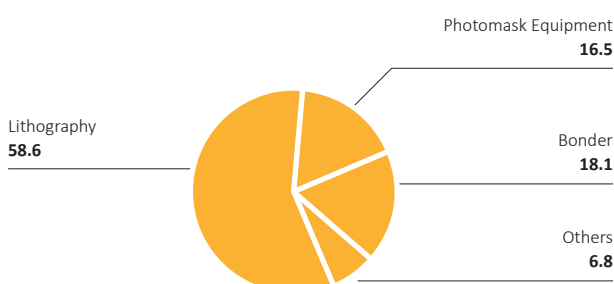
### Lithography

The Lithography division includes the development, manufacture, and sale of the mask aligner, UV projection scanner, and laser processing tool product lines, as well as coaters and developers.

**ORDER ENTRY BY DIVISION** in %



**SALES BY DIVISION** in %





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

#### LITHOGRAPHY KEY FIGURES

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

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

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

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

#### Bonder

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

#### BONDER KEY FIGURES

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

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

The gross profit in the Bonder division amounted to € 13.0 million in the past fiscal year, after € 10.0 million in the previous year. The gross profit margin decreased from 45.1 percent to 35.2 percent. In the previous year, individual orders with an above-average margin from the permanent bonding area had a very positive impact on the gross profit margin. In the 2018 fiscal year, stable, positive margins were achieved, but they no longer reached the high level of the previous year. In the Bonder division, the segment result (EBIT) of € 4.8 million was positive again after € 3.3 million in the previous year. EBIT improved generally due to economies of scale, reflecting significantly higher sales as well as in particular a higher share of sales with temporary bonding systems, which have a good margin.

## Photomask Equipment

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

### PHOTOMASK EQUIPMENT KEY FIGURES

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

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

The gross profit margin decreased in the 2018 fiscal year to 34.3 percent. In the 2017 fiscal year, a margin of 36.8 percent was achieved. The gross profit margin is subject to similar volatility as order entry and sales since it is determined by a few individual orders. The Photomask Equipment division contributed earnings of € 4.7 million (previous year: € 5.1 million) to Group EBIT. The EBIT margin was 14.0 percent, a decline from the previous year (EBIT margin 2017: 25.9 percent). In this division one-time income of € 1.95 million was generated from the receipt of licensing income for the transfer of process expertise regarding the cleaning of wafers in the 2017 fiscal year. Without the one-time income, the EBIT margin amounted to approximately 15.7 percent in 2017.

## Others

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

### OTHERS KEY FIGURES

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

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

## DEVELOPMENT IN THE MOST IMPORTANT REGIONS

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

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

## ASSETS AND FINANCIAL POSITION

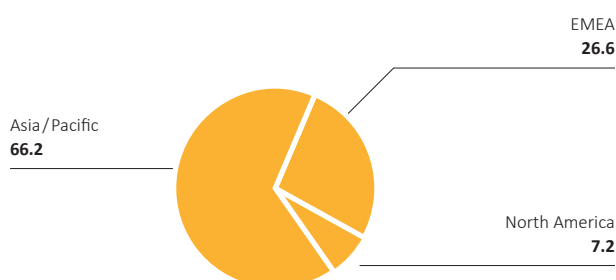
### SUSS MicroTec is characterized by a stable assets and financial position

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

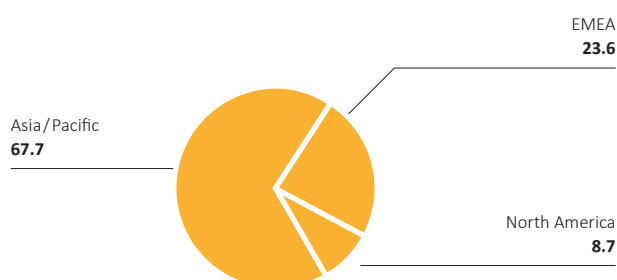
Cash flow from operating activities totaled € 1.9 million (previous year: € 9.4 million). The reason for the significantly weaker cash flow from operating activities compared to the previous year was primarily lower inflows of liquidity from customer payments (both down-payments and trade receivables),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

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

### ORDER ENTRY BY REGION in %



### SALES BY REGION in %



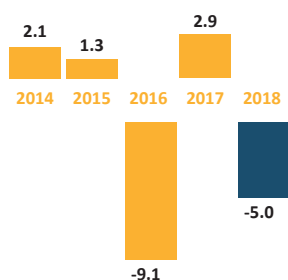
Free cash flow therefore amounted to € -5.0 million. In the previous year, free cash flow of € 2.9 million was generated.

As in the previous year, cash flow from financing activities amounted again to € -1.0 million (previous year: € -1.0 million), resulting almost exclusively from planned repayments of a total of € 1.0 million for the bank loan of SUSS MicroTec SE, which serves to finance the business property in Garching.

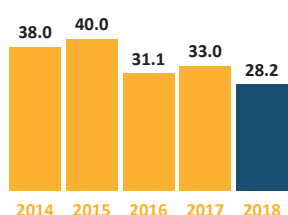
Aside from cash of € 30.7 million (previous year: € 36.5 million), the Group had domestic guarantee and credit lines of € 21.25 million (previous year: € 8.25 million) at the end of the reporting year. As of the reporting date, utilization, which occurred exclusively in the form of guarantees, amounted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

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

#### FREE CASH FLOW in € million



#### NET LIQUIDITY in € million



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

Goodwill amounts to € 15.7 million (previous year: € 15.6 million). A part of goodwill (US\$ 2.4 million) is denominated in US dollars and therefore is subject to currency fluctuations. The entire amount of goodwill is assigned to the Lithography division.

As of December 31, 2018, capitalized development costs had a carrying amount of € 0.1 million (previous year: € 0.1 million), which was completely attributable to the Lithography division.

They play only a subordinate role for the assets position of the Group.

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

The two business properties in Garching and Sternenfels, which carried a residual book value of € 15.7 million at the end of the year (previous year: € 15.1 million), accounted for the largest share of tangible assets. SUSS MicroTec Lithography GmbH, SUSS MicroTec Photomask Equipment GmbH & Co. KG, and SUSS MicroTec SE are based there.

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

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

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

As of December 31, 2018, the German companies had no tax loss carryforwards. In 2018, the subsidiary in Korea completely utilized the limited loss carryforwards that still existed in the previous year. As in previous years, no deferred tax assets for loss carryforwards were recognized for the loss carryforwards of the U.S. companies and the subsidiary in Japan.

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

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

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

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

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

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

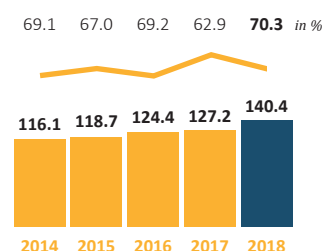
Noncurrent liabilities increased from € 7.2 million to € 8.3 million. Noncurrent liabilities included, on the one hand, financial liabilities, which totaled € 1.5 million in the fiscal year (previous year: € 2.5 million). The decline in financial liabilities reflected the planned repayment of the loan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

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

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

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

#### SHAREHOLDERS' EQUITY in € million AND EQUITY RATIO in %



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

## CAPITAL EXPENDITURE

### Targeted capital expenditure strengthens the Company

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

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

We assume that the usual investments in existing tangible assets will be within the range of approximately three percent of sales in the long term. The only exception is the micro-optics product line included in the Others division. This product line involves small-scale production, which requires corresponding production tools.

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

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

## EMPLOYEES

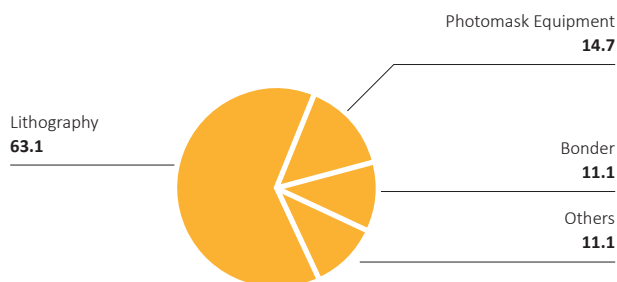
The employees and their knowledge and expertise are a significant part of the Company's value. Our business is characterized by internationality, global positioning, and cultural diversity. We have employees distributed around the globe in development, production, administration, sales, and service.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

As of the end of the 2018 fiscal year, the Group had 881 employees (previous year: 779). In the entire Company, 35 apprentices were employed in commercial and technical areas as of December 31, 2018 (2017: 34). The Company has collaborated with universities and research institutes for many years to bring the name and significance of SUSS MicroTec to the attention of talented graduates and up-and-coming talent as early as possible in order to ensure the successful future of the Company.

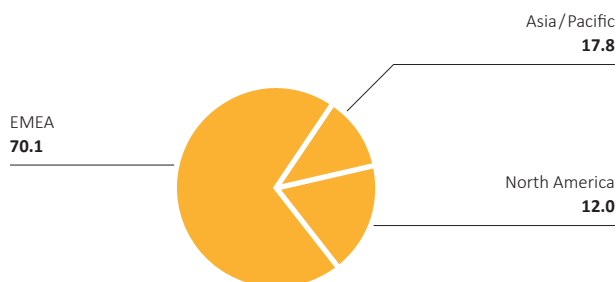
Since the 2017 fiscal year, listed companies have been obligated to issue a nonfinancial declaration. Therefore, SUSS MicroTec prepares a separate nonfinancial report that presents issues facing the Company. This report will be published together with the Management Report in the German Federal Gazette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

As a result of the law for the equal participation of women and men in management positions in the private and public sectors (Section 76 (4) and Section 111 (5) of the German Stock Corporation Law (AktG)), which went into effect in May 2015, certain companies are obligated for the first time to set targets for the share of women in both the Supervisory Board and the Management Board and at the next two management levels. In addition, a deadline must be set for achieving the respective share of women. We report extensively on target quotas and target fulfillment in the 2018 fiscal year in the Corporate Governance Report.

### EMPLOYEES BY DIVISION in %



### EMPLOYEES BY REGION in %

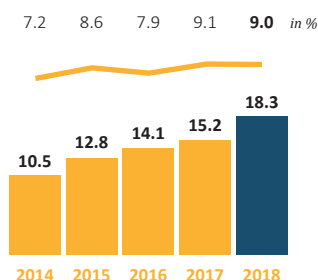


## RESEARCH AND DEVELOPMENT

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

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

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



## THE HOLDING COMPANY – SUSS MICROTEC SE

The holding company is responsible for the steering and management of the SUSS MicroTec Group. It assumes responsibility for, among other items, the tasks of strategic alignment, for example the expansion of the product portfolio, acquisitions, and financial issues concerning the entire Group. The holding company is also responsible for corporate identity, investor relations, and marketing. Furthermore, the holding company assumes the financing of strategically important development projects of the operating subsidiaries.

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

## PRESENTATION OF THE KEY FINANCIAL FIGURES OF THE HOLDING COMPANY

in € thousand	SUSS MicroTec SE (HGB)			
	2018	2017	Change	in %
Annual net profit / loss	99	2,712	-2,613	–
Shareholders' equity	80,960	80,861	99	0
Total assets	119,198	115,254	3,944	3
Equity ratio in %	68	70		
Noncurrent assets	72,504	70,298	2,206	3
% of total assets	61	61		
Current assets (incl. deferred items)	46,694	44,956	1,738	4
% of total assets	39	39		

## SIGNIFICANT CHANGES IN THE ASSETS AND FINANCIAL POSITION

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

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

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

Loans to affiliated companies increased by € 2.6 million to a carrying amount of € 9.0 million. No additional loan amounts were granted to SUSS MicroTec Photonic Systems Inc., Corona, USA, during the fiscal year 2018. In the course of a capital restructuring of loan claims fully adjusted in previous years, SUSS MicroTec SE declared in the previous year that it would waive a loan amounting to US\$ 15 million (€ 12.5 million). As of December 31, 2018, the loan came to a nominal amount of US\$ 14.5 million (previous year: US\$ 14.5 million) and had a carrying amount of € 2.8 million.

The loan granted to SUSS MicroTec KK, Yokohama (Japan), in the amount of JPY 775 million (previous year: JPY 775 million) had a carrying amount of € 1.1 million as of December 31, 2018.

A loan granted in the fiscal year to SUSS MicroTec (Taiwan) Company Ltd., Hsinchu (Taiwan) in the nominal amount of TWD 85 million had a carrying amount of € 2.4 million as of 12/31/2018.

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



Current receivables from affiliated companies increased by € 12.1 million to € 26.8 million. The increase was primarily due to the reporting date. This amount included receivables from profit transfers of SUSS MicroTec Lithography GmbH and SUSS MicroTec Reman GmbH as well as the amount from the equal-phase revenue recognition of SUSS MicroTec Photomask Equipment GmbH & Co. KG.

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

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

Bank borrowings declined over the course of 2018 by € 1.0 million. The decline resulted from planned repayments made amounting to € 1.0 million for a bank loan for financing the business property in Garching.

As a result of positive annual earnings, the Company's shareholders' equity increased from € 80.9 million to € 81.0 million.

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

In the annual financial statements of SUSS MicroTec SE under commercial law, a net profit of € 0.1 million was generated in the 2018 fiscal year (previous year: net profit of € 2.7 million).

The sales of the holding company amounted to € 10.2 million (previous year: € 9.0 million), primarily encompassing invoices billed to the subsidiaries for management services, marketing, and insurance. Sales also included charges for the Group-wide SAP system, rental income, foreign currency transactions and license fees.

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

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

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

As a result of the profit and loss transfer agreement with SUSS MicroTec Lithography GmbH, Garching (Germany), which came into effect on January 1, 2011, income from a profit transfer of € 12.2 million (previous year: € 9.1 million) was recognized at the holding company. As a result of the profit and loss transfer agreement with SUSS MicroTec REMAN GmbH, Oberschleissheim (Germany), which was concluded in the 2008 fiscal year, income from a profit transfer of € 1.1 million (previous year: € 0.7 million) was recognized at the holding company. Income from investments

of € 2.9 million (previous year: € 2.5 million) continued to be recognized from the equal-phase revenue recognition of SUSS MicroTec Photomask Equipment GmbH & Co. KG. In addition, the holding company generated investment income of approximately € 3.2 million from dividend distributions of SUSS MicroTec (Singapore) Pte Ltd., Singapore.

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

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

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

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

The short and medium-term development of SUSS MicroTec SE primarily depends on how the financial and earnings position of important subsidiaries develops. The financial and earnings position of the subsidiaries is critical for the level of the interest-bearing net financing balance of the holding company and the distribution and transfer of profits to the parent company. In addition, earnings are influenced by foreign currency effects that result primarily from changes in the exchange rates of USD and JPY. For the fiscal year 2019, SUSS MicroTec SE expects a result before evaluation of financial assets at the level of the previous year.

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

## 1.

### **Composition of subscribed capital**

As of December 31, 2018, the subscribed capital of the Company totaled € 19,115,538.00 (previous year: € 19,115,538.00). The equity capital is divided into 19,115,538 (previous year: 19,115,538) registered, no-par-value individual shares representing a pro rata amount of € 1.00 per share. The shares are fully paid in.

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

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

## 2.

### **Restrictions with regard to voting rights or the transfer of shares**

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

## 3.

### **Investments in capital that exceed 10 percent of the voting rights**

Direct or indirect investments in capital that reach or exceed 10 percent of the voting rights have not been reported to us as of the reporting date on 12/31/2018. The current voting rights announcements in accordance with the German Securities Trading Law (WpHG) are also published on the website > [www.suss.com](http://www.suss.com) under Investor Relations.

## 4.

### **Shares with extraordinary rights that grant controlling authority**

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

## 5.

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

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

## 6.

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

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

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

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

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

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

## 7.

### **Authority of the Management Board to issue or buy back shares**

The Management Board is authorized to increase the Company's equity capital in the period through June 5, 2023, one or more times by up to a total of € 2,500,000.00 through the issuance of up to 2,500,000 new registered share certificates for cash or non-cash contributions (authorized capital 2018) with the approval of the Supervisory Board. In the process, the shareholders are granted subscription rights. The new shares can also be taken over by one or more banks determined by the Management Board with the obligation to offer these to shareholders (indirect subscription rights). However, the Management Board is authorized to exclude the subscription rights of shareholders with the approval of the Supervisory Board:

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

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

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

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

## 8.

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

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

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

## 9.

### **Compensation agreement of the Company with Management Board members or employees in the event of a corporate takeover bid**

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

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

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

On March 8, 2019, the Management Board and Supervisory Board of SUSS MicroTec SE issued a joint Group declaration regarding corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and made it available on the Company's website at [www.suss.com](http://www.suss.com) > *Investor Relations* > *Corporate Governance*.

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

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

pany's website at [www.suss.com](http://www.suss.com) > *Investor Relations* > *publications* in accordance with Sections 315b, 315c HGB.

# REMUNERATION REPORT

## REMUNERATION OF THE MANAGEMENT BOARD

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

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

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

## FIXED REMUNERATION

The amount of fixed pay is determined first and foremost by the roles and responsibilities assigned. The remuneration components independent of performance consist of the base salary and fringe benefits in the form of a company car and subsidies for health insurance and unsolicited retirement insurance. No pension commitments (retirement, occupational disability, and widow's pensions) in the form of direct insurance (endowment insurance policies) exist.

## PERFORMANCE-BASED REMUNERATION

Performance-based remuneration consists of variable remuneration.

## VARIABLE REMUNERATION

Since January 1, 2016, variable remuneration for all Management Board members may amount to a maximum of 100 percent of fixed remuneration at the beginning of the fiscal year. These provisions also apply to future fiscal years. In the 2018

fiscal year, as in previous years, 70 percent of variable remuneration was determined according to annual targets and 30 percent according to multi-year targets.

## VARIABLE REMUNERATION BASED ON ANNUAL TARGETS (VARIABLE REMUNERATION A)

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

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

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

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

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

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

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

## SEVERANCE PAYMENTS

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

## MANAGEMENT BOARD REMUNERATION

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

## AMOUNT OF MANAGEMENT BOARD REMUNERATION

The following tables ("Benefits Granted" and "Inflow") show the compensation for the 2018 and 2017 fiscal years per Management Board member according to the requirements of the German Corporate Governance Code Number 4.2.5 (3).



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

<b>Dr. Franz Richter</b> Chief Executive Officer (CEO) Entry date: 09/07/2016				
<i>in €</i>				
Benefits granted	2017 (100 %)	2018 (100 %)	2018 (Min.)	2018 (Max.)
Fixed remuneration	360,000.00	360,000.00	360,000.00	360,000.00
Fringe benefits (fixed) <sup>1</sup>	33,392.16	33,579.96	33,579.96	33,579.96
Expenses for retirement benefits	–	–	–	–
<b>Total</b>	<b>393,392.16</b>	<b>393,579.96</b>	<b>393,579.96</b>	<b>393,579.96</b>
Single-year variable remuneration (A) <sup>2</sup>	126,000.00	126,000.00	–	252,000.00
of which investment in SUSS MicroTec shares <sup>3</sup>	63,000.00	63,000.00	–	126,000.00
Multi-year variable remuneration (B) 2016 – 2018 <sup>2</sup>	54,000.00	54,000.00	–	108,000.00
<b>Total</b>	<b>573,392.16</b>	<b>573,579.96</b>	<b>393,579.96</b>	<b>753,579.96</b>
Pension expenses	–	–	–	–
<b>Total remuneration</b>	<b>573,392.16</b>	<b>573,579.96</b>	<b>393,579.96</b>	<b>753,579.96</b>

<sup>1</sup> Includes:

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

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

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

<b>Robert Leurs</b> Chief Financial Officer (CFO) Entry date: 12/01/2017				
<i>in €</i>				
Benefits granted	2017 (100 %)	2018 (100 %)	2018 (Min.)	2018 (Max.)
Fixed remuneration	25,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits (fixed) <sup>1</sup>	1,913.09	26,899.24	26,899.24	26,899.24
Expenses for retirement benefits	–	–	–	–
<b>Total</b>	<b>26,913.09</b>	<b>326,899.24</b>	<b>326,899.24</b>	<b>326,899.24</b>
Single-year variable remuneration (A) <sup>2</sup>	8,750.00	105,000.00	–	210,000.00
of which investment in SUSS MicroTec shares <sup>3</sup>	4,375.00	52,500.00	–	105,000.00
Multi-year variable remuneration (B) 2016 – 2018 <sup>2</sup>	3,750.00	45,000.00	–	90,000.00
<b>Total</b>	<b>39,413.09</b>	<b>476,899.24</b>	<b>326,899.24</b>	<b>626,899.24</b>
Pension expenses	–	–	–	–
<b>Total remuneration</b>	<b>39,413.09</b>	<b>476,899.24</b>	<b>326,899.24</b>	<b>626,899.24</b>

<sup>1</sup> Includes:

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

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

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

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

<sup>1</sup> Includes:

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

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

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

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

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

<sup>1</sup> Includes:

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

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

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

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

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

<sup>1</sup> Includes:

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

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

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

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

## PENSIONS

There are no pension obligations for members or former members of the Management Board.

## REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is set out in Section 20 of the articles of incorporation of SUSS MicroTec SE. In addition to the reimbursement of his/her expenses and meeting attendance compensation of € 2,000.00 per meeting, each member of the Supervisory Board receives a fixed remuneration based on the member's responsibilities and extent of activities. Accordingly, the Chairman of the Supervisory Board receives € 60,000.00, the Deputy Chairman receives € 50,000.00, and a regular member of the Supervisory Board receives € 45,000.00 per fiscal year as fixed compensation.

2018 in €	Remuneration	Attendance fee
<b>Supervisory Board</b>		
Dr. Stefan Reineck (Chairman of the Supervisory Board)	60,000.00	14,000.00
Jan Teichert (Deputy Chairman of the Supervisory Board)	50,000.00	14,000.00
Gerhard Pegam	45,000.00	14,000.00
Dr. Myriam Jahn	45,000.00	14,000.00

2017 in €	Remuneration	Attendance fee
<b>Supervisory Board</b>		
Dr. Stefan Reineck (Chairman of the Supervisory Board)	60,000.00	14,000.00
Jan Teichert (Deputy Chairman of the Supervisory Board)	50,000.00	14,000.00
Gerhard Pegam	45,000.00	14,000.00
Dr. Myriam Jahn (since 05/31/17)	26,250.00	8,000.00

In the 2018 fiscal year, neither members of the Supervisory Board nor persons or companies affiliated with them received any remuneration or benefits for personal services, particularly consultation and placement services

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

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

We define opportunities and risks as follows:

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

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

## OPPORTUNITIES FOR THE GROUP

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

## Macroeconomic Opportunities

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

## Strategic Corporate Opportunities

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

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

## Sector and Market-Specific Opportunities

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

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

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

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

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

Thus, SUSS MicroTec routinely presents its new developments at the Semicon trade fairs, which are held annually at various sites worldwide. In 2018, SUSS MicroTec was represented at the SEMICON fairs in China (Shanghai), Taiwan (Taipei), Korea (Seoul), South East Asia (Kuala Lumpur, Malaysia), Japan (Tokyo), and Europe (Munich), presenting cutting-edge technologies from the various product lines. Many customers and other interested parties visited the SUSS MicroTec booths at the fairs. At the same time as SEMICON China, SUSS MicroTec also took part in Laser World of Photonics CHINA, which was also held in Shanghai. The latest applications and technologies in the laser and photonics industry are regularly presented at this fair. SUSS MicroTec also presented its technologies and applications at the European 3D TSV Summit (SEMI) in Dresden, the Electronic Components and Technology Conference in San Diego, USA, and at the SEMI MEMS Summit in Grenoble, France.

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

## Operational Opportunities

Lithography remains the SUSS MicroTec Group’s largest division, accounting for nearly 60 % of total annual Group sales in 2018. With the mask aligner and coater/developer product lines, SUSS MicroTec has been represented successfully in the market for many years, servicing customers from various sectors and markets. The consistent sales volume and relatively stable margins of these two product lines ensure that the SUSS MicroTec Group can maintain a balanced work load at the Garching and Sternerfeld production sites and generate regular positive cash flows. With refinements and improvements of the technologies of these two product lines, we are consolidating our market position and ensuring that stable margins and cash flows can still be achieved with mask aligners and coaters/developers in the future.

The technologies of SUSS MicroTec Photonic Systems – UV projection lithography and laser processing – augment and expand our product portfolio in the Lithography division. Only minimal sales were achieved with both product lines in 2018. Since 2016, a comprehensive re-engineering project for the UV projection scanner has been underway and a new generation of the DSC300 developed. The project is almost complete and the DSC300 projection scanner equipped with new functions was presented to select customers in 2018. We have received extremely positive feedback regarding the new features of the DSC300 from potential customers. From 2020 onwards, we anticipate a significantly improved sales and earnings situation for both product lines. If we succeed in persuading more customers to use our systems, we could also achieve additional substantial order volumes and sales with scanners in subsequent years. Given correspondingly high quantities, sustainable positive margins could be reached in the future.

The Bonder division is divided into the two sub-areas of permanent and temporary bonding. After the new automatic XBS200 bonder platform was introduced to the market in 2017, it was possible to recognize sales for the first XBS200 bonder in 2018. In addition, we succeeded in 2018 in launching the XBS200 platform for thermocompression and fusion bonding applications on the market. The temporary bonding area has also performed positively once again. For example, we were able to record additional orders for temporary bonders, debonders, and cleaners, which are used in the area of 3D memory chips, with Asian memory chip manufacturers. We are also participating in a capacity expansion with a customer in Asia which uses our tools in high-volume production in the area of 2.5D / interposer technology. In addition, we were able to place additional automatic tools with production customers in the area of microelectromechanical systems. The manual temporary and permanent bonders business maintained stable development. In 2018, we were once again able to achieve positive annual earnings in this division. As a result, the Bonder division has established itself in the Group as a business from which future stable sales and earnings contributions are expected. We are firmly convinced that we can solidify and expand our market share in this division and gain new customers and high-margin orders in both product lines in the future.

In the Photomask Equipment division, we have achieved high sales and high margins since the acquisition of SUSS MicroTec Photomask Equipment in 2010. Most of the sales involved a few individual orders, each of which had a very high order value of several million euros. Sales per fiscal year therefore may fluctuate heavily. We view our market position in this segment as very secure and assume that we will be able to achieve large profits in the future. Sales volumes developed very positively in 2018 and were well above expectations. However, we expect that sharp fluctuations in sales per fiscal year will continue over the long term, which should have a corresponding effect on division earnings per fiscal year.

The business of SUSS MicroOptics S.A., Hauterive, Switzerland also developed positively in 2018. The micro-optics business was able to record sales increases of approximately 12 percent in the past fiscal year compared to the previous year. In 2018, sales in the automotive sector were achieved in addition to the classic revenues in the telecommunications sector. For the coming years, SUSS MicroTec expects a significantly higher order volume in this new market. As a result, the MicroOptics business encompasses a broader product range and a much broader customer base, making it less dependent on economic fluctuations. In 2018, further investments were made in tools and technical equipment so as to be able to match the good orders position. In the coming years we expect additional sales increases in the micro-optics business and assume that SUSS MicroOptics will make a substantial contribution to the Group's sales and earnings.

### **Financial Opportunities**

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

### **Employee-Related Opportunities**

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



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

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

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

### **Development-Specific Opportunities**

In the past fiscal year, we further expanded our development activities and increased the number of employees in this division. Several development projects for our mask aligner, coater/developer, bonder, and photomask cleaning product lines were successfully concluded. For the mask aligner product line, the emphasis has been primarily on an innovative platform based on a modular system approach and agile operations in order to respond quickly and efficiently to the various requirements of our customers. For coater/developers, the focus has been on the development of innovative modular platforms with higher throughput, a smaller footprint, and reduced media consumption, positively affecting cost efficiency and the environmental impact. As for the UV projection scanner product line, intensive work was carried out on the development of a new generation of the DSC300 projection scanner. In the Permanent and Temporary Bonding divisions, as well as in photomask cleaning, it was possible to launch numerous enhancements and new technologies.

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

## RISK MANAGEMENT SYSTEM

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

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

### Risk Management Organization and Documentation

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

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

### Risk Identification

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

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

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

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

### Risk Assessment

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

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

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

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

			Likelihood				
			very low	low	medium	high	very high
			> 0% to ≤ 5%	> 5% to ≤ 10%	> 10% to ≤ 25%	> 25% to ≤ 50%	> 50% to ≤ 100%
Impact	going-concern risk	> € 10 million to ≤ € 20 million					
	critical	> € 2 million to ≤ € 10 million					
	serious	> € 500 thousand to ≤ € 2 million					
	marginal	> € 20 thousand to ≤ € 500 thousand					
	negligible	€ 0 to ≤ € 20 thousand					

low  
middle  
high

## Risk Management

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

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

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

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

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

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

The management of SUSS MicroTec SE is responsible for the establishment and effective maintenance of suitable controls over financial reporting. At the end of each fiscal year, management evaluates the suitability and effectiveness of the control system. As of December 31, 2018, management had confirmed the effectiveness of internal controls over financial reporting. Naturally, there are certain limitations in the effectiveness of any control system. Absolute certainty cannot be assured even with appropriate, functioning systems.

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

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

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

## RISKS FOR THE GROUP

### **Macroeconomic Risks**

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

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

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

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

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

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

### **Sector and Market-Specific Risks**

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

### **Employee-Specific Risks**

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

### **Development-Specific Risks**

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

Aside from developing customer-specific solutions, the engineers at SUSS MicroTec Group are continuously working on long-term development projects designed to anticipate future market developments so that the products of SUSS MicroTec will continue to satisfy future technical requirements. The risk exists that individual development projects might not lead to the desired result or that the result achieved does not correspond to market expectations. In these cases, the danger exists that SUSS MicroTec would temporarily not be represented with innovative products in the target market. The affected customers might turn away from SUSS MicroTec and seek alternatives in the market. In the past fiscal year, we focused on projects which, we believe, will be well received by our customers. If this assessment should turn out to be erroneous and the innovations do not satisfy the expectations of our customers, SUSS MicroTec would have expended scarce resources in the development area unfavorably. This would have a corresponding negative effect on the earnings of the relevant product line. Overall, this risk should not be viewed as a going-concern risk for SUSS MicroTec.

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

## Operating Risks

In view of the high level of cash and cash equivalents, the high equity ratio, and the lean cost structure, the risks that could arise for SUSS MicroTec from the current assets and earnings position are limited. With an EBIT of € 10.9 million, the SUSS MicroTec Group also achieved significantly positive earnings in 2018. Taking into account the order backlog as of the end of 2018 and the expected order entry development in the first half of 2019, we expect to generate sales in a bandwidth between € 200 million to € 215 million and a positive EBIT between 6.5 percent and 8 percent of sales in 2019.

As of December 31, 2018, SUSS MicroTec records goodwill of approximately € 15.7 million, which is entirely attributable to the Lithography division. The Lithography division generates approximately 60 percent of Group sales and positive division earnings. The Lithography division will once again generate more than half of total Group sales next year and will remain profitable. We therefore see no signs of impairment in the Lithography division.

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

The coater product line, which similarly belongs to the Lithography division, has also made a major contribution to Group sales and earnings for many years. In 2018, SUSS MicroTec continued to generate stable sales with coaters and developers and was able to record high order entry. The gross profit margin for coaters/developers recognized for sales has settled to a stable level (compared with the previous year). The 2018 fiscal year has once again demonstrated that we continue to occupy a technologically leading position and can hold our own against Japanese and Chinese competitors in the market for coaters. As for the future, we anticipate continued high order volumes and sales as well as appropriate margins. We view the risk of losing market share to Asian competitors as minimal.

The Lithography division also includes the SUSS MicroTec Photonic Systems product lines for UV projection lithography and laser processing. Only minimal sales were generated with both product lines in 2018. The development of order entry was very subdued in both product lines. Overall, the product lines of SUSS MicroTec Photonic Systems again contributed a significant loss to Group earnings in 2018. The Photonic Systems product lines are also expected to generate minimal sales and a loss in 2019. The development of a new generation of DSC300 was completed in 2018 and the product was presented to select customers. Given

the extremely positive feedback from potential customers, we assume that the product will establish itself in the market over the long term. Nevertheless, the risk exists that customer orders may be delayed or possibly fail to materialize. According to our estimates, the photonic systems product lines will only be able to make a positive contribution to earnings if both product lines establish themselves in the market and we succeed in winning over more customers with our systems. If SUSS MicroTec does not achieve substantial sales and positive margins with the laser and scanner systems, this would have a further negative impact on the earnings of the Lithography division and the Group as well as on the liquidity situation.

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

In the past fiscal year, the Bonder division once again produced a positive EBIT, amounting to € 4.8 million (after € 3.3 million in the previous year). This has confirmed our expectations that the Bonder division will be able to consistently achieve substantial sales and positive contributions to Group earnings with product lines in the area of permanent and temporary bonding. With the coater/developers, the exposure tools, and the bonders, we can offer our customers optimally complementary package solutions.

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

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

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

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

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

### Information Technology Risks

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

## FINANCIAL RISKS

### Credit Risks

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

Of the gross amount of trade receivables totaling € 22.6 million (previous year: € 20.5 million), a total of € 17.0 million was neither overdue nor impaired as of the reporting date (previous year: € 13.1 million). As of December 31, 2018, there were no indications of payment defaults occurring.

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

#### AGE STRUCTURE OF PAST DUE RECEIVABLES WITHOUT IMPAIRMENT

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

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

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

#### AGE STRUCTURE OF OVERDUE RECEIVABLES WITH IMPAIRMENT

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

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

#### Liquidity Risks

As of the end of the year, SUSS MicroTec Group held net cash of € 28.2 million (previous year: € 33.0 million). Free cash flow totaled € -5.0 million in the past fiscal year (previous year: € 2.9 million).

A loan agreement exists between SUSS MicroTec SE and IKB Deutsche Industriebank AG that serves to finance the business property in Garching. The loan was originally valued at € 7.5 million. It was made available and drawn down on December 16, 2013 and runs until June 30, 2021. As of December 31, 2018, the SUSS MicroTec Group recognized bank borrowings of € 2.5 million for this loan. The repayment of the loan will amount to € 1.0 million per year until June 30, 2021. In addition, normal bank interest will be charged for the loan.

As of December 31, 2018, the SUSS MicroTec Group had access to credit and guarantee lines with national and international banks totaling € 21.25 million. Four banks provide credit and guarantee lines totaling € 20.5 million to SUSS MicroTec SE and SUSS MicroTec Lithography GmbH via bilateral agreements. These credit and guarantee lines are granted until further notice. An additional credit line of € 0.75 million is available to SUSS MicroTec Photomask Equipment GmbH & Co. KG. We are currently making use of these available credit and guarantee lines in order to offer down-payment guarantees in the operational business. As of December 31, 2018, € 9.9 million of these credit and guarantee lines are being utilized in the form of guarantees. We anticipate that we will be able to continue to provide all of the necessary down-payment guarantees in the future.

Minimizing the dependence, particularly on short-term borrowed capital, should keep any potential financing risk low. The Company is countering this risk above all by aiming to keep its ratio of borrowed capital at a low level through the corresponding cash flows from optimizing its working capital. Further details about the Company's liquidity situation can be found in Note (24).

#### Market Price Risks

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

SUSS MicroTec's international orientation exposes it to foreign currency risk within the scope of its normal operating activities. Currency hedging is carried out on the basis of existing foreign currency orders. The hedging ratio for orders that are processed within three or six months comes to approximately 65 percent and 45 percent, respectively. Incoming and outgoing payment flows, which result particularly from foreign currency orders of materials and supplies, are deducted from the foreign currency amount to be identified and hedged. Forward exchange transactions are used as hedging instruments. For further details, please refer to Note (30).

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

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



## OVERALL ASSESSMENT

No going-concern concern Company's were identified in the Group in the 2018 fiscal year. The continued existence of the Company was at no time endangered from a material assets and liquidity point of view.

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

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

# FORECAST REPORT

SUSS MicroTec's business performance is affected by regional and global conditions as well as the development of the semiconductor market. In the following forecast report we explore various factors that both the Company and leading market and industry observers regard as essential for the future business development of the Company.

The world economy continues to show an upswing, albeit with slowing momentum. After growth of 3.6 percent in 2018, the global economy could still expand by 3.3 percent in 2019, according to the OECD Economic Outlook from March 2019. Growth is expected to strengthen slightly in the following year, reaching growth of 3.4 percent.

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

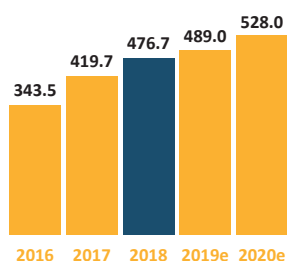
For Germany, growth of real gross domestic product of 0.7 percent is expected in 2019. In the previous year, growth was 1.4 percent (estimates of the OECD, March 2019). This means a weakening compared to the original expectations, but indicates that the German economy remains solidly positioned.

## INDUSTRY-SPECIFIC CONDITIONS

### SEMICONDUCTOR AND SEMICONDUCTOR EQUIPMENT INDUSTRY

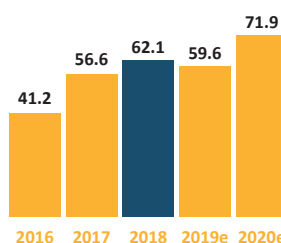
According to the expectations of the Gartner market research institute as of January 2019, the semiconductor market reached a new record volume of US\$ 476.7 billion in 2018. This would correspond to a growth rate of 13.4 percent from the previous year. The semiconductor equipment market was also able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

SEMICONDUCTOR MARKET in US\$ billion



Source: Gartner, January 7, 2019

SEMICONDUCTOR EQUIPMENT MARKET in US\$ billion



Source: SEMI, December 12, 2018

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

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

## EXPECTED DEVELOPMENT IN THE MAJOR MARKETS

### MICROELECTROMECHANICAL SYSTEMS (MEMS)

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

### ADVANCED PACKAGING

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

### FAN-OUT-WAFER-LEVEL-PACKAGING

Fan-out wafer-level packaging (FOWLP) is a special form of wafer-level packaging (WLP). Advantages offered by this technology include the miniaturization of form factors for the packages that are used, for example in smartphones. For 2017 to 2023, Yole (September 2018) expects average annual growth of approximately 15 percent in this market niche in which SUSS MicroTec is represented with its lithography machines – coaters, developers, and UV projection scanners.

### 3D-INTEGRATION

3D integration is a refinement of advanced packaging technologies currently in use. In the process, thinned microchips are stacked on top of each other and connected by through-silicon vias (TSVs). The advantage is the high degree of packing density and complexity that can be achieved in the smallest space. Through 3D integration it is also possible to integrate various options, such as memory and the processor, in one package. Yole expects average annual growth of approximately 29 percent for this market segment from 2017 to 2023.

## ENDOGENOUS INDICATORS

In addition to the development of the target markets, innovative potential is key for business success. In the 2018 fiscal year, SUSS MicroTec also maintained important cooperative development agreements with well-known partners from industry and research. Cooperative agreements with respected universities, research institutes, and technology-driven companies are an important part of our corporate strategy.

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

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

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

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

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

## FORWARD-LOOKING STATEMENTS

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

Garching, Germany, March 14, 2019



**Dr. Franz Richter**  
Chief Executive Officer



**Robert Leurs**  
Chief Financial Officer