



RELIABILITY
+ PRECISION

ANNUAL REPORT

2019

KEY FIGURES

<i>in € million</i>	12/31/2019	12/31/2018	Change 2019/2018
Business development			
Order entry	219.3	191.0	14.8%
Order backlog as of December 31	93.2	84.7	10.0%
Total sales	213.8	203.9	4.9%
Gross profit	49.7	67.3	-26.2%
Gross margin	23.2%	33.0%	-9.8%-points
Gross profit – adjusted for extraordinary effects	63.9	67.3	-5.1%
Gross margin – adjusted for extraordinary effects	29.9%	33.0%	-3.1%-points
Cost of sales	164.1	136.7	20.0%
Cost of sales – adjusted for extraordinary effects	149.9	136.7	9.7%
Research and development costs	20.2	18.3	10.4%
Impairment on assets in the scanner and laser product lines	14.3	0.0	–
EBITDA	-5.2	15.7	–
EBITDA margin	-2.4%	7.7%	-10.1%-points
EBIT	-13.8	10.9	–
EBIT margin	-6.5%	5.3%	-11.8%-points
EBIT – adjusted for extraordinary effects	0.5	10.9	-95.4%
EBIT margin – adjusted for extraordinary effects	0.2%	5.3%	-5.1%-points
Earnings after tax	-16.3	4.8	–
Earnings per share, basic (in €)	-0.85	0.25	–
Balance sheet and cash flow			
Equity	125.4	140.4	-10.7%
Equity ratio	62.7%	70.3%	-7.6%-points
Return on equity	-13.0%	3.4%	-16.4%-points
Balance sheet total	199.9	199.6	0.2%
Net cash	-18.0	28.2	–
Free cash flow	-36.9	-5.0	–
Further key figures			
Investments	6.1	6.9	-11.6%
Investment ratio	2.9%	3.4%	-0.5%-points
Depreciation	8.6	4.8	79.2%
Employees as of December 31	937	881	6.4%

RELIABILITY + PRECISION

LITHOGRAPHY

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

Order entry:
€ 106.0 million
Sales:
€ 117.3 million
EBIT:
€ -19.3 million

BONDER

- Bonder

Order entry:
€ 24.6 million
Sales:
€ 26.4 million
EBIT:
€ -0.3 million

PHOTOMASK EQUIPMENT

- Photomask Processing Systems

Order entry:
€ 64.0 million
Sales:
€ 46.4 million
EBIT:
€ 9.8 million

MICROOPTICS

- Microoptics and Lenses

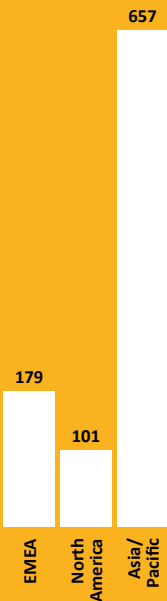
Order entry:
€ 23.6 million
Sales:
€ 22.6 million
EBIT:
€ 2.2 million

OTHERS

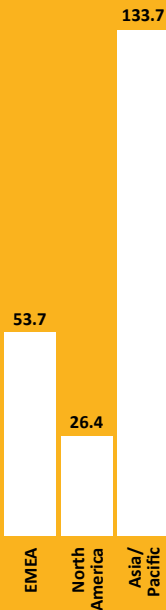
- Centralized Group Functions

Order entry:
€ 1.1 million
Sales:
€ 1.1 million
EBIT:
€ -6.2 million

EMPLOYEES BY REGION



SALES BY REGION in € million





Corona, US

Garching, Germany (*Holding*)
Sternenfels, Germany

Market Rasen, UK
Pierre-Bénite, FR
Hauterive, CH

Singapur, SG
Shanghai, CN
Hwaseong City, KR
Hsinchu, TW
Yokohama, JP

SALES BY REGION

12.3%

North America

25.1%

EMEA

62.6%

Asia/Pacific

Dear readers,

Reliability and precision – this is what our products have stood for for 70 years. Today, our world is defined by mobile communications, state-of-the-art sensor technology and intelligent factory control systems. Autonomous driving will soon be a reality. The networking of electronic devices – the Internet of Things – is progressing rapidly.

In order to take advantage of these innovative applications, one needs a powerful digital infrastructure and technologically advanced devices. Both of these are based on new electronics components that process large volumes of data even faster and with better energy efficiency. The manufacture of higher volumes of complex components with the same high quality is carried out on equipment from SUSS MicroTec.

Recent social developments in particular are promoting the digital transformation of working life. Companies are setting up employees to work from home, conferences are taking place by video, classes are being held in virtual classrooms. This digital networking between people is also based on chips produced on our machines. We are thus confident that we will shape and be a big part of the next stages of technological progress. Because our products impress our customers around the globe – through reliability and precision.

YOUR SUSS MICROTEC MANAGEMENT BOARD



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FOREWORD OF THE MANAGEMENT BOARD

Dear Shareholders,
Dear Readers,

In this report, we look back together at SUSS MicroTec's 2019 fiscal year, which turned out to be a challenging one as the year progressed. We started 2019 with an order backlog of € 84.7 million. Orders that had been planned by customers initially did not come through in the first two quarters. This meant that it was not possible to utilize production capacity to the fullest extent, but also that tools were produced in advance at the Company's own risk. At the end of the third quarter, the market switched to growth mode and order intake increased by approximately 45 % (from approximately € 45 million to € 66 million). It was also possible to maintain this high order intake value in the fourth quarter. As a result of preproduction, encouraging high sales of approximately € 83 million were generated in the fourth quarter. For the entire year, we achieved sales of € 213.8 million, which represents a year-on-year increase of approximately 5 percent. Despite the good sales situation in 2019, we are again entering the new fiscal year with a comfortable order backlog of € 93.2 million. Building on this, we are confident that this positive orders position will continue into the 2020 fiscal year, even if we still cannot fully estimate the impact of the coronavirus pandemic (COVID-19) on our business at the current time. The reasons for our overall positive assessment are inexorably advancing megatrends, such as digitalization and automation, the conversion to the 5G cellular communication standard, autonomous driving, as well as steadily increasing networking and the generation of ever larger quantities of data, which must be analyzed, stored, and transmitted (wirelessly).

In macroeconomic terms, the 2019 fiscal year was characterized by protectionist tendencies by individual countries, the intensifying trade conflict between the USA and China, and Great Britain's exit from the European Union. This led to a significant slowdown in economic growth and also affected our most important market segment – the semiconductor market – in 2019. Worldwide sales declined by nearly 12 percent in 2019 compared to the previous year. The semiconductor equipment sector was also unable to escape the macroeconomic trend in the past fiscal year and lost 10.5 percent. However, 2018 represented an historic high.

We certainly felt this downturn in individual market segments, such as advanced packaging, which we serve with our coaters and scanners. In other market segments, such as micro-optics or photomask processing, we benefited from new applications in the automotive sector (microlense projection for vehicle lighting applications) or in extreme ultraviolet lithography (the next chip generations).

Industry experts from SEMI anticipate a further recovery in the semiconductor equipment market in 2020 and significant growth in 2021. In advanced packaging, the most important area for SUSS MicroTec, substantial investments are expected during the introduction of the new 5G cellular communication standard. Further advances in e-mobility and autonomous vehicles raise the expectation of significant investments in the production of sensors and micro-optics components. SUSS MicroTec is very well positioned in these growth markets.

STRATEGIC DECISION

Given the current market situation and expected low investment demand by potential customers for the scanner and laser tool product group over the next two years, we decided on January 27, 2020, to terminate both product groups and to close the affected site in the USA. As a result of this decision, one-time write-downs of € 14.2 million reduced earnings in the 2019 fiscal year. During the 2020 fiscal year, we expect additional charges in the mid-single-digit million range from write-downs and closure costs. On the other hand, the high annual cash outflows for the two loss-producing scanner and laser product lines will be stopped. Through this and other measures taken to optimize production in Garching and Sternenfels, we expect to achieve an improvement in our margins in the core lithography business in 2020.

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

Dear ladies and gentlemen, in the 2019 fiscal year, another change took place in the Management Board of the Company. On November 17, resolutions were approved to ask Robert Leurs to step down as a member of the Management Board and to terminate his service contract. On November 18, 2019, Oliver Albrecht was appointed as a member of the Management Board. Since then, the Management Board has been comprised of Dr. Franz Richter (CEO) and Oliver Albrecht (CFO).



Oliver Albrecht,
Chief Financial Officer
Dr. Franz Richter,
Chief Executive Officer (right)

Our Supervisory Board also expanded. By resolution of the Shareholders' Meeting on June 6, 2019, Dr. Dietmar Meister was elected as an additional member of the Supervisory Board. As a result, the Supervisory Board has been comprised of five members since this day. On February 25, 2020, Dr. Stefan Reineck notified the Company that he would step down from his position as a member and the Chairman of the Supervisory Board of SUSS MicroTec SE, effective at the conclusion of the ordinary Shareholders' Meeting for the 2019 fiscal year, which is scheduled for May 20, 2020. In addition, Gerhard Pegam also notified the Company on February 25, 2020, that he would step down from his position as a member of the Supervisory Board of SUSS MicroTec SE with notice of one month in accordance with the articles of incorporation. Both vacancies will be a topic at the upcoming Shareholders' Meeting.

THE SUSS MICROTEC SHARE

The stock markets were subject to tremendous volatility in the past year. After a weak stock market year of 2018, the SUSS MicroTec share performed well in the first months of 2019, rising by almost 40 percent, and then relinquished the price gain by the summer due to the uncertain macroeconomic situation. The strong order intake in the second half of the year enabled the share to climb again by December. Over the course of the year, the SUSS MicroTec share provided investors with a price gain of almost 38 percent. By comparison, the DAX and TecDAX stock market indexes rose by 24.1 percent and 18.7 percent respectively during the same period.

OUTLOOK

After very good order intake in the third and fourth quarters of the 2019 fiscal year, we should be able to look forward to the 2020 fiscal year with optimism. The general expectations of the semiconductor industry and the individual investment plans of our primary customers raise the expectation of additional growth. The interesting trends that drive our industry remain quite intact and will ensure good demand for our products. The specific ef-

fects the Covid-19 virus pandemic will have on our business is difficult to assess at the current time. SUSS MicroTec starts the new fiscal year with an order backlog of € 93.2 million (+10% from the previous year). Without taking into account these uncertainties arising from the pandemic, we assume that order intake will be in the range of approximately € 100 million to € 110 million in the first half of 2020, based on market activities and demand development. Building on this, we would expect sales in the range of € 230 million to € 240 million in 2020. Given this sales level, EBIT is expected to be in a range of 2.5% to 3.5% of sales in 2020. This includes one-time effects from the closure of the American site in Corona. Without these closure costs, the EBIT margin would be between 4.5% and 5.5%.

However, the worldwide development of the pandemic and the resulting drastic measures to stem the pace of the spread in all countries that we supply rule out any reliable forecast. The further course of events and how quickly conditions in the respective countries return to normal remain to be seen.

A postponement of order intakes and tool deliveries of several weeks could lead to sales losses in the range of € 20 million to € 30 million. If the situation intensifies, countermeasures could be taken to limit the costs so that a slightly positive EBIT could be achieved for the current fiscal year.

Garching, Germany, March 2020

signed
Dr. Franz Richter
Chief Executive Officer

signed
Oliver Albrecht
Chief Financial Officer

REPORT OF THE SUPERVISORY BOARD

With the following report, the Supervisory Board would like to inform you about its activities in the 2019 fiscal year.



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

Dear Readers,
Dear Shareholders,

The Supervisory Board fulfilled its responsibilities as set forth by law, the articles of incorporation, and Company bylaws in 2019 and advised the Management Board on directing the Company and monitored its activities. The Supervisory Board was involved in all decisions that were of vital importance to the Company. The Management Board coordinated the Company's strategic orientation with the Supervisory Board and provided it with information – both in written and verbal form – about corporate planning, business progress, and the Group's current position. When business development deviated from plans, deviations were explained and reviewed by the Supervisory Board based on available documents and information. The Supervisory Board discussed significant business events extensively with the Management Board and gave its consent to the transactions requiring its approval. During the 2019 fiscal year, the Supervisory Board held a total of seven ordinary meetings and one extraordinary meeting.

As in previous years, in addition to participating in Supervisory Board meetings, the Chairman of the Supervisory Board maintained close contact with the Management Board and remained apprised of the business situation and significant events. Special focus was again placed on the development of the UV projection scanner product line of SUSS MicroTec Photonic Systems. In addition, the Deputy Chairman of the Supervisory Board interacted regularly with the Management Board and together with an additional financial expert beginning in fall 2019 with the auditors, BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, branch office in Munich, regarding accounting topics and the auditing of the annual financial statements.

MEETINGS AND MAIN TOPICS OF DISCUSSION

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

The first ordinary Supervisory Board meeting for the 2019 fiscal year was held on February 12, 2019. At that meeting, the Supervisory Board held discussions about operational topics related to the current business situation as well as the Management Board's report on the fourth quarter of 2018, the preliminary figures for the 2018 fiscal year, and the agenda for the Shareholders' Meeting. The Supervisory Board discussed plans for the 2019–2022 fiscal years and their financing. It further outlined the objectives and the bonus plan for the Management Board for the 2019 fiscal year.

Representatives of the auditor, BDO AG Wirtschaftsprüfungsgesellschaft, participated in the second meeting on March 26, 2019. They reported the key results of the audit of the separate and consolidated financial statements for the 2018 fiscal year to the Supervisory Board. The auditor explained the main findings of the audit of the separate and the consolidated financial statements to the Supervisory Board. The Supervisory Board acknowledged the Management Board's report for the 2018 fiscal year and on the current business situation in the first quarter of 2019. Following an in-depth examination, the Supervisory Board approved the separate and consolidated financial statements of SUSS MicroTec SE prepared for the 2018 fiscal year by the Management Board. The Supervisory Board also approved the Supervisory Board report about its activities in the 2018 fiscal year. In addition, the Supervisory Board approved the agenda with the proposals for the Shareholders' Meeting on June 6, 2019. Finally, the Supervisory Board addressed the Management Board bonus for 2018 and 2019. Another focus of this Supervisory Board meeting was the current situation of the operational business, including planned production in Taiwan. The meeting also focused on the points of emphasis in upcoming strategic planning meetings. In addition, the Supervisory Board conducted and documented an examination of the efficiency of its activities in accordance with Section 5.6 of the German Corporate Governance Code.

The third ordinary Supervisory Board Meeting was held on May 7, 2019. The Supervisory Board dealt with the current business situation in the first quarter of the 2019 fiscal year and the outlook for the entire 2019 fiscal year. Other topics were preparations for the Shareholders' Meeting as well as an update on current production topics in the area of "Operations."

In the fourth meeting on June 6, 2019, immediately before the ordinary Shareholders' Meeting, a briefing was held on the upcoming Shareholders' Meeting. Following the Shareholders' Meeting, the Supervisory Board meeting was continued with the newly elected Supervisory Board member Dr. Dietmar Meister. During the meeting, the Management Board informed the Supervisory Board about the current business situation.

The fifth ordinary Supervisory Board Meeting in the 2019 fiscal year was held on August 1, 2019. The meeting covered, among other topics, the current business figures of the second quarter of 2019 and the outlook for the entire 2019 fiscal year. The meeting also addressed M&A topics and financing options. An extraordinary meeting was held near Munich on October 29, 2019. Substantively, the meeting dealt with personnel matters, the upcoming change of the Chief Financial Officer, the long-term corporate organization, and the filling of a COO position below the Management Board.

On November 5, 2019, the sixth ordinary Supervisory Board meeting of the 2019 fiscal year was held. In this meeting, the Management Board reported on the current business situation in the third quarter as well as the outlook for the full year of 2019 along with initial planning for 2020. The meeting also addressed personnel matters, organizational development at SUSS MicroTec, capital markets communication, as well as M&A topics and financing options.

On November 17, 2019, the termination agreement with the CFO, Mr. Robert Leurs, was approved. On the following day, November 18, 2019, Mr. Oliver Albrecht was appointed as a member of the Management Board (CFO).

The last ordinary meeting of the 2019 fiscal year, which was held on December 10, 2019, focused on the current business situation and preliminary planning for the 2020 fiscal year. An important topic here was the acquisition of the corporate activities of PIXDRO, which had already been approved by circular procedure. The Supervisory Board additionally addressed finalizing the updated declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Law (AktG) as well as the topic of compliance. The Supervisory Board also addressed the risk management

system of the Company, the Company bylaws for the Management Board and the Supervisory Board, and scheduling for 2020.

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

All Supervisory Board members participated in all meetings and decisions.

Supervisory Board member	Meeting participation	Personally present	Attendance
Dr. Stefan Reineck	8	8	100%
Jan Teichert	8	8	100%
Gerhard Pegam	8	8	100%
Dr. Myriam Jahn	8	8	100%
Dr. Dietmar Meister (from 6/6/2019)	5	5	100%

COMMITTEES

The Supervisory Board did not form any committees in the 2019 fiscal year due to its size of four members or, beginning in June 2019, five members.

CORPORATE GOVERNANCE

The Supervisory Board also concerned itself during the 2019 fiscal year with the content and implementation of the German Corporate Governance Code. Information on the Company's corporate governance as well as an extensive report on the amount and pattern of remuneration for the Management and Supervisory Boards are provided in the Remuneration Report section of the condensed Management Report on pages 56 et seq. In December 2019, the Management and Supervisory Boards approved the annual declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Law (AktG) and made this declaration permanently available to shareholders on the Company's website.

In its meeting on February 12, 2019, the Supervisory Board conducted and documented an examination of the efficiency of its activities in accordance with Section 5.6 of the German Corporate Governance Code. No deficiencies were identified during this review. The examination of the efficiency of the Supervisory Board's activities is conducted at regular intervals by all members of the Supervisory Board exclusively in full council on the basis of Company-specific questions and checklists.

Conflicts of interest of members of the Management and Supervisory Boards, which would have to be disclosed to the Supervisory Board and be made known at the Shareholders' Meeting, did not occur in the 2019 fiscal year.

AUDIT OF THE SEPARATE AND CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, branch office in Munich, audited the separate annual financial statements and management report of SUSS MicroTec SE as of December 31, 2019, prepared in accordance with the German Commercial Code (HGB), as well as the consolidated annual financial statements and Group management report as of December 31, 2019, and issued an unqualified audit opinion for both. The consolidated financial statements were prepared in accordance with Section 315 e HGB based on International Financial Reporting Standards (IFRS). The auditor conducted the audit in accordance with the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW).

The audit reports of BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, branch office in Munich, were presented to all members of the Supervisory Board and were extensively addressed at the financial statements meeting of the Supervisory Board on March 30, 2020 in the presence of the auditor. The auditor reported on the primary results of the audit and stated that there were no substantive weaknesses in the internal control and risk management systems. In particular, the auditor provided explanations on the net assets, financial position, and results of operations of the Company and the Group and was available to the Supervisory Board in order to provide additional information. The auditor also elaborated on the scope, key findings, and costs of the audit. The focal points of this year's audit of the separate and consolidated annual financial statements were mainly the internal control and IT system as well as, inter alia, an evaluation of the possible impairment of assets and trade receivables, revenue recognition, and the evaluation of possible risks from plan deviations and margin compression in individual product segments. Identified as key audit matters were the impairment tests for goodwill (consolidated financial statements) or for financial investments (annual financial statements) as well as individual aspects of the revenue recognition of multi-component transactions in accordance with IFRS 15 (consolidated financial statements). In addition, the accounting treatment and the consequences for accounting in 2019 due to the termination of the UV projection and laser ablation product lines as well as the initial implementation of the new IFRS 16

accounting standard on leases were subjected to an intensive review by BDO. Focal points of this year's audit included the recognition of expenses and the measurement of provisions, deferred taxes, the MicroOptics sub-area, the completeness and accuracy of the disclosures in the Notes, as well as the completeness and appropriateness of management reporting, particularly risk reporting.

During the financial statements meeting on March 30, 2020, the Supervisory Board audited the annual financial statements of the Company and the Group as well as the condensed management report of SUSS MicroTec SE contained in the Group management report for the 2019 fiscal year. The Supervisory Board had no objections. The Supervisory Board noted the reports of the auditor after conducting a detailed examination with approval. At this meeting the Supervisory Board discussed and analyzed the non-financial Group declaration in accordance with Section 289c of the German Commercial Code (HGB).

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

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BOARDS

There were changes in the composition of the Management Board and the Supervisory Board in the 2019 fiscal year. On November 17, resolutions were approved to ask Mr. Robert Leurs to step down as a member of the Management Board and to terminate his service contract. On November 18, 2019, Mr. Oliver Albrecht was appointed as a member of the Management Board. Since then, the Management Board has been comprised of Dr. Franz Richter (CEO) and Mr. Oliver Albrecht (CFO).

By resolution of the Shareholders' Meeting on June 6, 2019, Dr. Dietmar Meister was elected as an additional member of the Supervisory Board. As a result, the Supervisory Board has been comprised of five members since this day.

On February 25, 2020, I, Dr. Stefan Reineck, notified the Company that I would step down from my position as a member and the Chairman of the Supervisory Board of SUSS MicroTec SE, effective at the conclusion of the ordinary Shareholders' Meeting for the 2019 fiscal year, which is scheduled for May 20, 2020. In addition,

Mr. Gerhard Pegam also notified the Company on February 25, 2020 that he would step down from his position as a member of the Supervisory Board of SUSS MicroTec SE with notice of one month in accordance with the articles of incorporation.

THANKS


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

Garching, Germany, March 30, 2020

signed

Dr. Stefan Reineck

Chairman of the Supervisory Board

A dark blue car is shown from a front-three-quarter view, driving on a road. The background is blurred, suggesting motion. A white grid is overlaid on the entire image.

Highly sensitive sensors provide safety and comfort along the way. Our precise and reliable production equipment creates the tiniest patterns for this purpose and enables the production of sensor concepts featuring complex architecture.

Approximately 100 sensors are installed in a vehicle. They recognize their environment, supply data for navigation, and detect obstacles. Intelligent systems process the signals of the sensors and ensure the safety of the most valuable cargo: the passengers.

100

SUSS MicroTec has more than ten years of experience in the volume production of tire pressure sensors. For this production, three wafers are aligned with each other by our wafer bonders with the highest degree of precision and permanently bonded with each other.



SMART AUTOMOTIVE

DIGITAL SENSING FOR CARS

Sensors have become a key technology that facilitates ever more complex systems, like enabling the automation of functions in the automotive segment. Sensors, which are a branch of so-called microelectromechanical systems (MEMS), register and measure the widest range of different physical variables and convert them into electric signals.

Driver-assistance systems offer an abundance of special functions in the vehicle. Under diffuse lighting conditions, they turn the light off automatically, they warn when the speed limit is exceeded, and they measure oil level and tire pressure. SUSS MicroTec equipment for permanent bonding is used in the high-volume production of complex sensors. Applications in the area of augmented reality will provide additional support to drivers in the future and take over more and more tasks, even including a fully automated driving vehicle. Nano-imprinting is of critical importance to the production of the optical elements required for this.

In the process, our mask aligners enable the transfer and efficient reproduction of the tiniest patterns.

Autonomous driving vehicles create quantities of data in the terabyte range, meaning a million megabytes. These enormous quantities of data must be transferred, stored, and processed. For this purpose, microchips of the highest storage density and broadband transmission systems are required. Temporary bonders from SUSS MicroTec are used for the production of 3D memory chips, which as stacked chips reach storage capacities of more than 10 gigabits. Highly integrated microprocessors and CMOS image sensors, which are produced using state-of-the-art lithographic processes such as extreme ultraviolet lithography (EUV lithography), are used for processing large quantities of data. SUSS MicroTec supplies tools for the permanent cleaning of such photomasks in production.



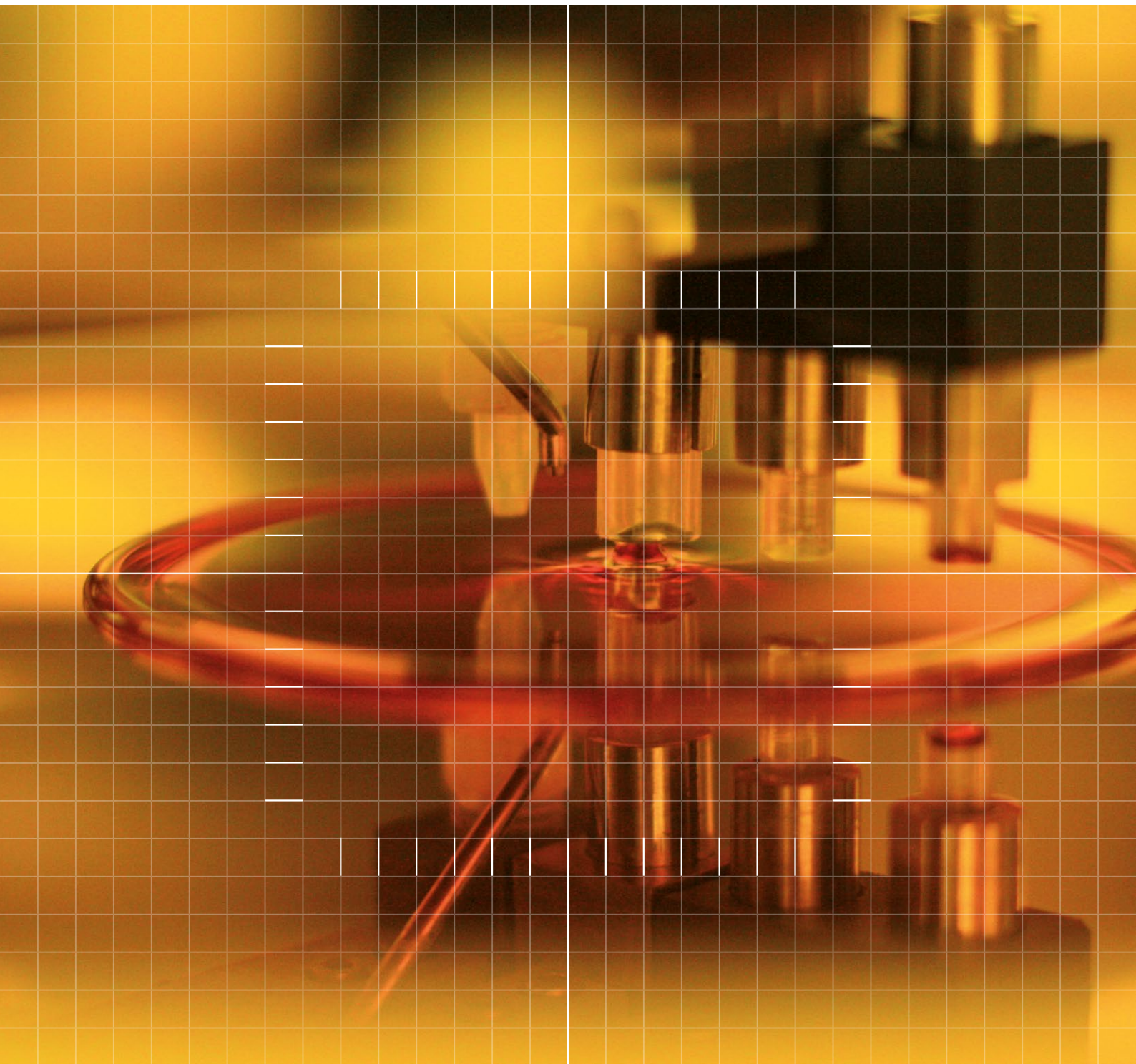
90%

Human failure is the cause of 90 per-cent of all passenger vehicle accidents. In autonomously guided vehicles, technology can replace the human factor, boosting safety as a result.


Intelligent guidance systems in our mask aligners take over particularly error-critical and time-intensive tasks from the operator. Automation can significantly reduce the error rate of manufacturing processes. The DirectAlign option, which aligns the photomask and wafer to each other automatically, ensures special precision. They achieve an alignment accuracy of 0.5 micrometers. By comparison: An average human hair has a diameter of 70 micrometers, 140 times greater.

Intelligent and high-performance systems are assuming the tasks of the driver, while electronic chips are processing the information of the sensors, enabling communication and interaction with other road users. These chips are processed on our production machines, and fulfill the highest safety standards.

0.5 μm



With lithographic processes, the predefined patterns of photomasks can be transferred to wafers. The finer the pattern, the greater the requirements for the precision of our equipment. Photomasks and wafers must be exactly aligned with each other. Alignment marks are located on both elements for orientation; our fully automated mask aligners seek these out and detect them in order to align the mask and wafer with each other. During the production of sensors, processing thick coatings and structuring raised topographies are particularly important. Mask aligners offer the best cost of ownership combined with the highest performance for this purpose.



Compared to the predecessor versions LTE and 4G, 5G provides significantly greater bandwidth. Core components for this are RF filters, which are manufactured on our production equipment. The entire architecture of the electronic circuits must be designed for these high bandwidths. SUSS MicroTec supplies lithography equipment for the cost-efficient manufacturing of highly integrated circuits.

Every day, the number of people who use the internet grows by one million worldwide. The new 5G cellular communication standard will enable people to network with each other more securely and in real time, almost anywhere in the world.

1,000,000

RF-MEMS components are the key to cost-effective and rapid data transmission. For the manufacturing of RF-MEMS, our automated coater ACS200 offers the best cost of ownership through a combination of high productivity, low material consumption, and reduced space requirements for expensive cleanroom footprints.



MOBILE COMMUNICATIONS

A SECURE CONNECTION AT ANY TIME

In 2019, more than four billion people worldwide were online. An ever growing number of them use mobile devices for internet access. Along with smartphones and tablets, language assistants and “smart wearables”, like intelligent wristbands and watches, are becoming more important. The functionalities have multiplied: The smallest computers have long handled the comprehensive organization of everyday life: from mobile payments and online banking to booking trips, tickets, and hotels and even tracking fitness.

To always keep connection to the world stable and ever more powerful, the number of electronic components that are installed in mobile devices increases with each new generation of devices. The ongoing refinement and miniaturization of the electronic components makes them more and more convenient as well.

RF (radio frequency) filters are a required part for every communication between the devices and the global networks, and these are processed in part on our 200mm coater and developer equipment. Not only must the end devices themselves become increasingly powerful, but also the wireless modules and capacities of cloud systems, in which the collected data is stored. Applications in the area of artificial intelligence in particular require 3D memory chips for data processing and these use our 300mm temporary bonders in production. NAND flash memory chips are used for long-term storage. In their production, our photo-mask cleaning tools are of critical importance for the 7nm technology nodes.

In a few years, digital language assistants have become beloved helpers in everyday life and interactions with these artificial intelligence tools are being taken for granted by more and more people. According to forecasts, in three years approximately 200 million digital language assistants will be sold worldwide.

Intelligent assistant systems with an integrated microphone record the spoken word and transfer the data via RF-MEMS to a cloud, where it is processed using 3D memory chips. SUSS MicroTec production equipment is used over the entire chain of this data processing.

200million




TECHNOLOGIES IN THE THIRD DIMENSION

During the packaging of a chip on the wafer substrate, the connection of a chip with the outside world is generated – in a space-saving and efficient manner. 3D integration is very promising for the production of very small and compact components in particular. Our temporary bonders and debonders are used during this stacking process. The basic structure of 3D integration is the three-dimensional architecture of the chip. Instead of finding place on a circuit board next to each other, individual electronic components are stacked on top of each other. Vertical drilled holes, known as through-silicon vias, are short and broadband-capable connection paths for electronic signals. Chips packaged through 3D integration are distinguished by a particularly high integration density and are already widely used in the production of memory chips.

As a first step, creating chip architecture for the third dimension requires the stabilization of the wafer that is going to be processed. This is done by placing a carrier wafer underneath (temporary bonding). In the second step, the processed wafer is thinned. During several subsequent steps, additional chip-equipped wafers are bonded on top, thinned, and connected with the underlying chips. Finally, when all the wafers have been bonded vertically, the lower carrier wafer is removed (debonding). Through-silicon vias serve as the connection between the individually stacked partial chips. The diameter of the connection path within a chip frequently amounts to only a few micrometers.

Already processed silicon wafers are further processed on our temporary bonding and debonding equipment and smoothed to less than 50 micrometers. This processing step is elementary for electronic components that will later provide high storage capacity in the smallest possible space.

50 μm



MEMS sensors are the sensory organs of complex analytic systems, which monitor conditions in the smart factory and measure concentrations of gases, temperatures, vibrations or other physical or chemical variables. The data are collected and processed and then transmitted and stored in the cloud. SUSS MicroTec equipment is used to manufacture systems for processing and storing sensor data.

In two years, the number of networked devices in the Internet of Things should grow to 43 billion. Thanks to new sensors, more computational power, and more reliable connections, their number will rise even more rapidly in the future.

43,000,000,000

Our customers rely on mask aligners, such as the MA200, for the manufacturing of MEMS and for packaging processes. The highest degree of precision, quality, and reliability ensures cost-effective production and low operating costs.



SMART INDUSTRY

QUICKEST CONNECTION TO THE CLOUD

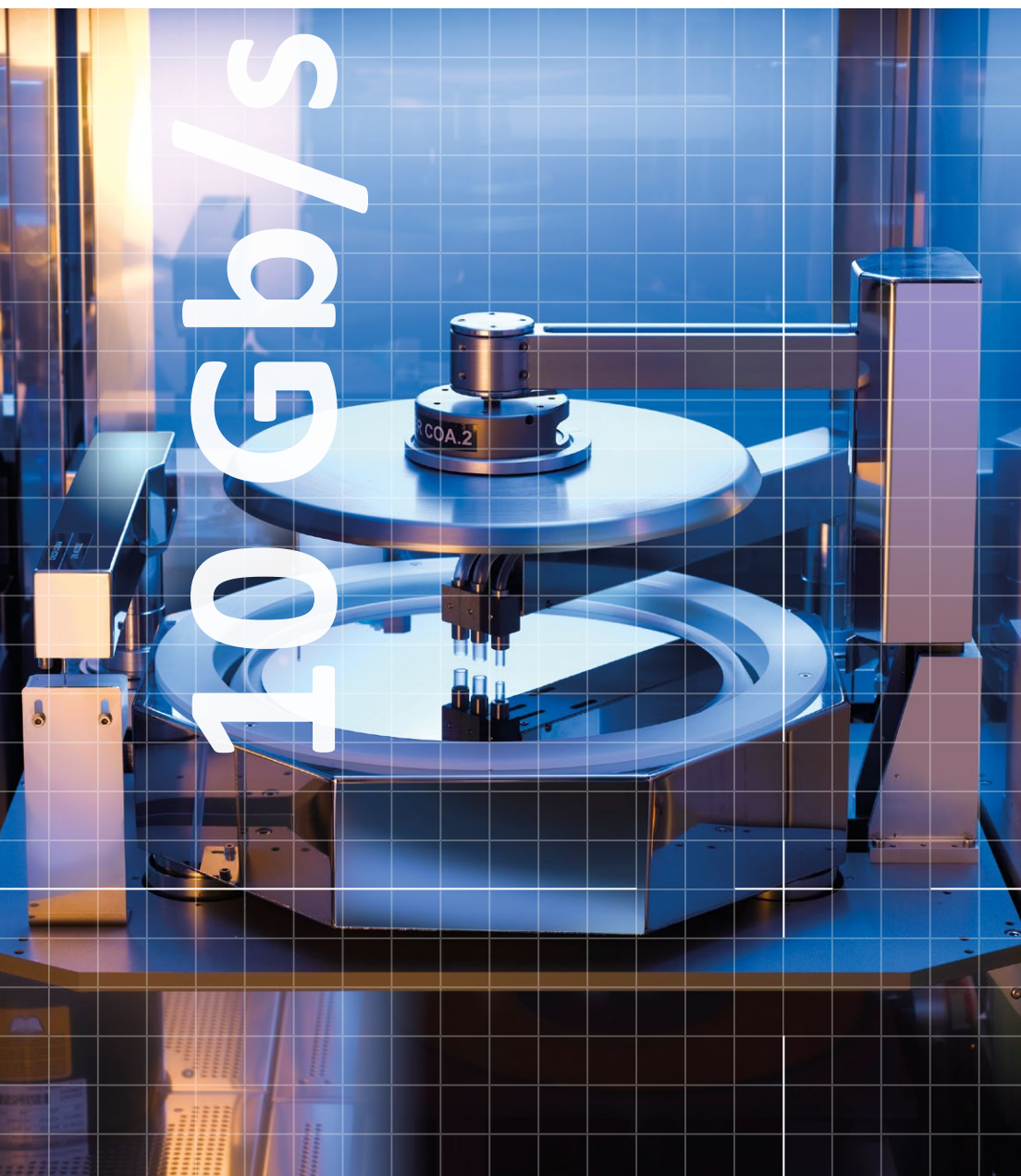
The networking of devices and production machines in the Internet of Things opens up numerous new possibilities. Sensors detect the slightest changes in equipment and processes and provide early warning of any irregularities. They facilitate maintenance planning and prevent expensive machine failures. With 5G technology, it will be possible to transport even greater quantities of data in an even shorter amount of time. For example, augmented reality enables remote maintenance when data is transmitted worldwide in real time. Artificial intelligence systems will be able to analyze machinery data independently and derive measures from them.

RF filters represent an important component for the processing of the latest 5G technology. The demand for these RFMEMS (radio-frequency MEMS) will continue to grow in the future. Along with RF filters, other broadband-capable components (MEMS) find application in collecting, processing, and relaying data.

In critical processing steps, SUSS MicroTec coaters and mask aligners are used to enable the mass production of these components.

A smart factory is based on rapid data transmission, as 5G will make possible. The transmission speed of 5G will be up to 100 times faster than today's LTE. This amounts to a speed of 10 gigabits per second, enabling transmission nearly in real time.

Modern packaging processes will facilitate the production of ever more powerful systems that make these rates of transmission possible. SUSS MicroTec is an essential equipment supplier for 300mm fabrication plants.

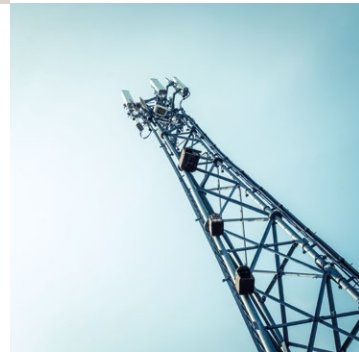


The processing step of fan-out-wafer-level packaging (FO-WLP) requires the handling of curved wafers, for which our 300mm coater machines contain special wafer handling components. FO-WLP represents a more cost-effective alternative for 3D technology.

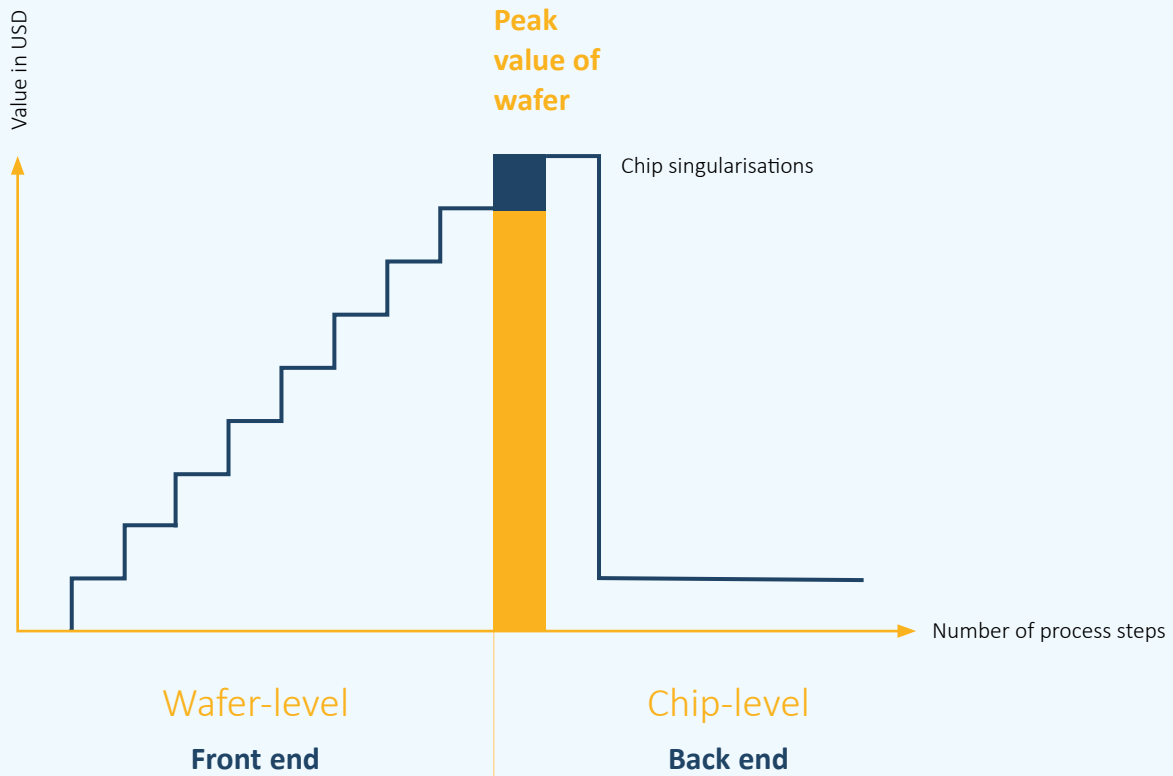


WHERE RELIABILITY MAKES THE DIFFERENCE

With fan-out-wafer-level packaging (FO-WLP), chips are placed on a carrier and other components are grouped around it. After embedding all components in a casting compound and uncovering all electric contacts on a substrate, the components can be electrically connected using traditional semiconductor production processes. SUSS MicroTec's lithographic products are used here due to their precision and reliability.



SIGNIFICANT POSITION IN CHIP PRODUCTION PROCESS



1,000

During chip production at the front end of a wafer fabrication plant, a wafer is subjected to as many as one thousand processing steps. In the process, microelectronic circuits are assembled in an ever-repeating sequence layer for layer. With every layer, the value of the wafer increases by the costs to produce this layer. When the wafers leave the front end of production and reach the back end, where the electric contact bonding or packaging occurs, just one of these wafers can be worth several tens of thousands of US dollars. A single minuscule error leads to rejects and high monetary losses. On our equipment, these wafers are further refined with contact substrates until the subsequent separation of the chips or packages. The precision and reliability of our production tools enable a high yield – for the manufacturer of electronic components, these characteristics help determine whether its production process is economically viable.

At our applications centers around the globe, experts work hand in hand with customers in order to test and improve processes, coordinate materials, and set up the tools according to special requirements.



SUSS MICROTEC

SIGNIFICANT ROLE IN SEMICONDUCTOR PRODUCTION

Semiconductor production is based on the sequential assembly of various functional layers, which are applied to the silicon wafer in a repetitive process. In this process, almost 1,000 individual chips are arranged on a 300mm wafer and are produced in parallel. The total investment for such chip fabrication is in the range of 4–7 billion US dollars, depending on size and technology equipment. At the front end of production, the wafers are pre-treated, coated, patterned, and otherwise processed in hundreds of individual steps. The wafer circulates through the fabrication process for up to three months, at the end of which it reaches its highest production value. Now it enters the back end of production, where the architecture and connection technology is placed on the wafer. For many of the processing steps at this critical stage, SUSS MicroTec offers equipment that guarantees the utmost reliability. Many of these back end applications are carried out by companies specialized in packaging and specifically in architecture and connection technology. These packaging

houses do not have their own wafers, but instead process their customers' wafers. The deciding factors for the companies are the absolute reliability and precision of the equipment. At this stage of the production process, every error means maximum costs. Deep processing knowledge is in demand here. The companies attach almost this same importance to the reliability of the equipment provider. They want a company offering high quality production equipment and many years of reliable service.

SUSS MicroTec has demonstrated its expertise for more than seventy years. We build tools that are precisely tailored to the requirements of the processes and components used. This is why manufacturers send electronic component test wafers to our applications centers. In these centers, we examine the feasibility of the selected process and adjust the tools if needed. The effort is worth it because SUSS MicroTec remains at the cutting edge of technology through its joint development with customers.

INVESTOR RELATIONS

2019 was a rather exciting stock market year for shareholders and investors. A chaotic Brexit and the escalating trade conflict between China and the USA unsettled investors and affected stock prices. Interest rate cuts by the Federal Reserve Bank in the USA, the European Central Bank, and other central banks provided abundant liquidity and ensured rising stock prices despite the geopolitical situation. After a positive start to the 2019 stock market year, the trade conflict dragged the leading index of the Deutsche Börse AG (DAX) into negative territory. Only at the end of the year was there a powerful recovery, resulting in a gain for the full year.

THE SUSS MICROTEC SHARE

The Management Board and Investor Relations attended domestic and international capital market conferences during the 2019 stock market year and communicated actively with institutional investors while participating in several road shows. In addition, numerous individual conversations offered the opportunity for a personal interaction with qualified investors and analysts. Conference calls for investors and analysts were also held regularly on the occasion of events such as the publication of quarterly results.

After a weak year for stocks in 2018, the SUSS MicroTec share performed well in the early months of 2019, rising by 39 percent from EUR 8.70, the closing price in 2018, to EUR 12.10 by mid-April. In the same period, the TecDAX rose by approximately 15 percent. In the following months until fall, the SUSS MicroTec share was unable to escape the general trend. The price fell back to the single-digit range, and following the publication of the mid-year figures on August 7, with EBIT guidance revised lower for the 2019 fiscal year, dropped to its low for the year of EUR 7.51 on August 27.

Subsequently, along with the general market recovery, intensive dialogues with investors, several road shows, and presentations by the Management Board at investor conferences began to make an impact, causing the SUSS MicroTec share, supported by the publication of unexpectedly high order entry during nine-month

reporting on November 6, to climb back to over EUR 11. The share reached its high for the year on December 16 at a price of EUR 12.24 and ended the stock market year at a XETRA closing price of EUR 12.00, which represented a gain for the year of 37.9 percent.

During the same period, the DAX and TecDAX stock market indexes grew by 24.1 percent and 18.7 percent, respectively. The Germany Prime IG/Semiconductor Index, which represents the largest listed German companies in the semiconductor industry, including SUSS MicroTec, also performed positively in 2019, displaying a gain of 24.8 percent on December 30, 2019, compared to the beginning of the year.

The average daily trading volume of SUSS MicroTec shares on the German XETRA and Frankfurt stock exchanges in the 2019 fiscal year amounted to approximately 28 thousand (2018: average daily trading volume of approximately 65 thousand shares).

PERFORMANCE OF THE SUSS MICROTEC SHARE IN 2019



XETRA closing price of the SUSS MicroTec share on January 2, 2019: € 8.48

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

COMPARISON OF THE SHARE PERFORMANCE OF SUSS MICROTEC AND BENCHMARK INDEXES IN THE 2019 FISCAL YEAR

	12/30/2019	12/28/2018	Change
TecDAX (in points)	3,014.94	2,450.18	18.69 %
Prime IG Semiconductor	410.89	329.13	24.84 %
SUSS MicroTec SE (in €)	12.00	8.70	37.93 %

AN OVERVIEW OF THE SUSS MICROTEC SHARE

ISIN	DE000A1K0235
Reuters code	SMHN
Bloomberg code	SMHN:GR
Stock exchange segment	Prime Standard
Number of issued shares (as of 12/31/2019)	19,115,538
Description of securities	Registered shares
Designated sponsor until 12/31/2019	Baader Bank AG
Designated sponsor beginning on 1/1/2020	MainFirst Bank AG
Initial public offering	5/18/1999
Opening/closing price for 2019 in €	€ 8.48/ € 12.00
Yearly high in € ¹	€ 12.24 (12/16/2019)
Yearly low in € ¹	€ 7.51 (8/27/2019)

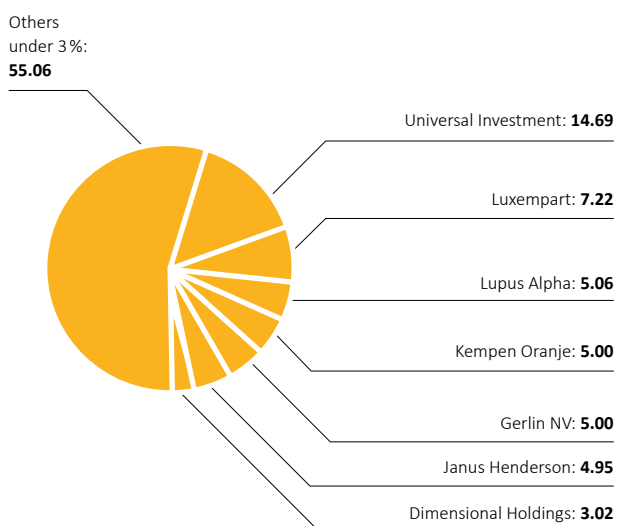
¹ Xetra closing price

OWNERSHIP INFORMATION

In 2019, there were a few significant changes in the ownership information. The reported holdings at the existing fund companies changed significantly in some cases during the year. Universal Investment assumed control of the holdings of Internationale Kapitalanlagegesellschaft (INKA), temporarily boosting its investment share to more than 15 percent in July 2019, but slightly reduced its holdings to 14.69 percent in November 2019. The same applies to Janus Henderson, which during the year held more than 5 percent of SUSS MicroTec shares and reported a slight reduction in holdings in November to 4.95 percent. Lupus Alpha also added to its holdings, reporting a share of 5.06 percent in November. Luxempart, which held an investment of 5.30 percent at the end of 2018, built it up to more than 7 percent. As a result, the seven largest shareholders held 44.94 percent, representing almost half of the equity capital of SUSS MicroTec SE.

Free float as of the end of 2019 continued to amount to 100 percent since the largest shareholders exclusively involve funds, investment companies, and asset managers, whose equity holdings cannot be defined as fixed ownership according to the Guide to the Share Indexes of Deutsche Börse.

OWNERSHIP INFORMATION AS OF DECEMBER 31, 2019 *in %*



ANALYST RECOMMENDATIONS

At the end of 2019, five banks and research firms actively covered the Company. As of December 2019, all five analysts recommended the SUSS MicroTec share as a buy. An overview of current research reports about the SUSS MicroTec share is available on the internet at > www.suss.com > *Investor Relations*.

CORPORATE GOVERNANCE

The essential aspects of good corporate governance are transparency, open communication with shareholders and investors, and constructive cooperation between the Supervisory Board and the Management Board. SUSS MicroTec uses the German Corporate Governance Code (GCGC) as its orientation for this.

AN OVERVIEW OF CORPORATE GOVERNANCE

Given the clearly defined goal of not only maintaining the continued existence of the Company, but also achieving a sustainable increase in the Company's enterprise value through responsible and long-term corporate management, corporate governance continues to be of great importance to the Company. The Management Board and Supervisory Board of SUSS MicroTec SE have renewed their intensive interest in the topic of corporate governance in the 2019 fiscal year. In its entrepreneurial activity, SUSS MicroTec strives to reinforce the confidence that investors, financial markets, business partners, employees, and the public have put in us and to continuously enhance corporate governance within the Group. Further information on this topic can be found on our website at

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

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

On December 10, 2019, the Management Board and Supervisory Board of SUSS MicroTec SE made the following declaration of compliance in accordance with Section 161 (1) of the German Stock Corporation Law (AktG):

SUSS MicroTec SE will comply with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, with the following enumerated exceptions and has complied with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, since the issuance of the most recent annual declaration of compliance in January 2019 with the following enumerated exceptions:

DEDUCTIBLE FOR D&O INSURANCE

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

VERTICAL REMUNERATION COMPARISON

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

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

PENSION COMMITMENTS

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

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

CREATION OF COMMITTEES

The German Corporate Governance Code in Section 5.3 recommends the creation of professionally qualified committees, depending on the specific circumstances of the company and the number of its Supervisory Board members. As the Supervisory Board of SUSS MicroTec consists of only five members, the creation of committees, which are usually comprised of at least three members, is not necessary.

SETTING A TERM LIMIT FOR MEMBERSHIP IN THE SUPERVISORY BOARD

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

COMMUNICATION AND TRANSPARENCY

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

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

SHAREHOLDERS’ MEETING

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

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

the Shareholders' Meeting or at the meeting directly on site. We publish attendance figures and the voting results from the Shareholders' Meeting on the internet immediately after the event.

MANAGEMENT AND SUPERVISORY BOARD COOPERATION

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

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

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

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

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

As recommended in the German Corporate Governance Code, only one former member of the Management Board, Dr. Stefan Reineck, belongs to the Supervisory Board of SUSS MicroTec SE. In the 2019 reporting year, there continued to be no consultancy agreements or other service or labor contracts between the members of the Supervisory Board and the Company. No conflicts of interest among Management and Supervisory Board members to be immediately disclosed to the Supervisory Board occurred in the 2019 fiscal year.

SUPERVISORY BOARD TARGETS AND CRITERIA REGARDING ITS COMPOSITION

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

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

In addition to this key expertise, the Company expects Supervisory Board members and candidates to have broad experience in other areas that complement the optimal composition of the Supervisory Board. Among these areas are, in particular, knowledge and experience of strategic corporate development in the capital market environment, including mergers and acquisitions, the recruitment of executives, modern remuneration models for all levels, and a heightened sensitivity for economic and ecological principles. Consequently, it is the objective of the Supervisory Board not only to attract individuals who are experienced finan-

cial experts but also to cover these areas as well. In addition to subject matter expertise, Supervisory Board members should have the methodological expertise to handle complex situations and the social expertise to cooperate constructively within the body and with the Management Board.

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

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

The Supervisory Board of SUSS MicroTec SE has so far not set any membership term limit for Supervisory Board members in view of the recommendations of the German Corporate Governance Code in the version from February 7, 2017 since doing so could negatively affect the Supervisory Board's latitude and expertise. In SUSS MicroTec's opinion, restricting how long an individual may remain in the Supervisory Board does not promote independent and responsible action by the Supervisory Board. On the contrary, given the complex product and corporate structure, a certain length of service in the Supervisory Board should be viewed positively, since over time one can gain valuable Company-specific experience and knowledge that can benefit the Company.

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

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

The age limit for Supervisory Board members is 71.

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

PROVISIONS TO PROMOTE THE PARTICIPATION OF WOMEN IN LEADERSHIP POSITIONS

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

On June 30, 2017, the first implementation deadline, the Supervisory Board of SUSS MicroTec SE approved a target of 25 percent for the female share in the Supervisory Board, with an implementation deadline of June 30, 2022. For the female share in the Management Board of SUSS MicroTec SE, the Supervisory Board approved a target of 0 percent, with the same implementation deadline of June 30, 2022. As of the December 31, 2019 reporting date, the female share in the Supervisory Board was 20 percent, while it was 0 percent in the Management Board.

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

As of December 31, 2019, the established target for the first management level below the Management Board was not quite reached, as the female share was 27.5 percent. There are no specific reasons for the slight deviation from the target at this management level. The female share in the second management level below the Management Board was 16.1 percent as of December 31, 2019. As a result, the target of 20 percent at the second management level was not achieved. The Management Board is maintaining the targets it has established for June 30, 2022.

COMPANY BODIES

Members of the Management and Supervisory Boards and their mandates:

Dr. Franz Richter

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

Further appointments:

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

Robert Leurs (until 11/17/2019)

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

Further appointments: none

Oliver Albrecht (since 11/18/2019)

- Diplom-Kaufmann (Business Administration), Ulm; Chief Financial Officer

Further appointments: none

Dr. Stefan Reineck

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

Further appointments:

- attocube systems AG, Munich (Vice Chairman of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA (until 3/31/2019) (Member of the Board of Directors)
- Wittenstein SE, Igersheim, (Deputy Chairman of the Supervisory Board)

Jan Teichert

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

Further appointments: none

Gerhard Pegam

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

Further appointments:

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

Dr. Myriam Jahn

- Resident of Düsseldorf, Chairwoman of the Board Q-Loud GmbH, Cologne; Member of the Supervisory Board of SUSS MicroTec SE

Further appointments: none

Dr. Dietmar Meister (since 6/6/2019)

- Resident of Hilden, Management Consultant, Hilden; Member of the Supervisory Board of SUSS MicroTec SE

Further appointments: none

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

There were changes in the composition of the Management Board and the Supervisory Board in the 2019 fiscal year. On November 17, 2019 resolutions were approved to ask Mr. Robert Leurs to step down as a member of the Management Board and to revoke his service contract. In exchange, on November 18, 2019 Mr. Oliver Albrecht from the Supervisory Board was appointed as a new member of the Management Board. Since then, the Management Board has been comprised of Dr. Franz Richter (CEO) and Mr. Oliver Albrecht (CFO).

In the 2019 fiscal year, the Supervisory Board was expanded from four individuals to five. During the Shareholders' Meeting on June 6, 2019, Dr. Dietmar Meister was elected as a new member of the Supervisory Board.

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

The members of the Management and Supervisory Boards of SUSS MicroTec SE in office in the 2019 fiscal year owned the following number of shares and subscription rights as of the end of the fiscal year on December 31, 2019:

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

In accordance with Article 19 of the Market Abuse Regulation (MAR), the members of the Management and Supervisory Boards are legally obligated to disclose any dealings in their own account with SUSS MicroTec SE shares or their corresponding financial instruments insofar as the value of the transactions that a member of the Company and persons associated with him/her has carried out within the calendar year amounts to or exceeds EUR 5,000. Since January 1, 2020 this total has been increased to EUR 20,000.

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

OWNERSHIP OF SHARES AND SUBSCRIPTION RIGHTS

	Number of shares on 12/31/2019	Change from 12/31/2018	Number of stock options on 12/31/2019	Change from 12/31/2018
Supervisory Board				
Dr. Stefan Reineck	9,600	–	0	–
Jan Teichert	0	–	0	–
Dr. Myriam Jahn	0	–	0	–
Gerhard Pegam	0	–	0	–
Dr. Dietmar Meister	0	–	0	–
Management Board				
Dr. Franz Richter	113,760	+33,760	0	–
Oliver Albrecht	0	–	0	–

ACCOUNTING AND ANNUAL AUDIT

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

On June 6, 2019, the Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg, with an office in Munich, as auditors and Group auditors of SUSS MicroTec for the 2019 fiscal year. As a result, the annual financial statements and the consolidated financial statements of SUSS MicroTec have been audited by a company of the BDO Group for the seventh time in a row. Aside from auditing activities, BDO AG Wirtschaftsprüfungsgesellschaft did not perform any consulting services for SUSS MicroTec in 2019. The auditor has demonstrated its impartiality to the Supervisory Board in a declaration of impartiality. Furthermore, the auditor agreed to inform the Supervisory Board of all material findings and circumstances that arise while conducting the audit. The lead auditor for the 2019 fiscal year was Mr. Thomas Steiner (Wirtschaftsprüfer – German Public Auditor), who was lead auditor of the financial statements and consolidated financial statements for SUSS MicroTec for the sixth year in a row.

CORPORATE GOVERNANCE DECLARATION

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

REMUNERATION REPORT

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

CONDENSED MANAGEMENT REPORT

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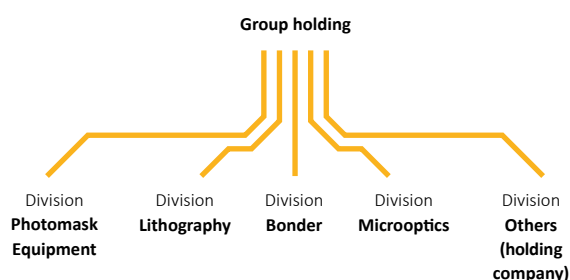
ECONOMIC REPORT

BUSINESS ACTIVITY, CORPORATE CONTROL, AND STRATEGIC ORIENTATION

The SUSS MicroTec Group (subsequently SUSS MicroTec) develops, manufactures, and markets machines for the production of microelectronics, microelectromechanical systems, and related applications. 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. The Company's activities focus on the innovative development of technologies with long-term potential for success in future-oriented markets and applications. Sources of attractive growth potential include microelectronic circuit architecture and connection technology (chip packaging), micro-optics components for data communication and sensors for automotive applications. SUSS MicroTec offers both manual machines for process development and fully automated machines for mass production in these areas. In doing so, it aims to provide as close to end-to-end support for customer processes as possible in the form of manufacturing machinery offering a combination of maximum process safety and cost efficiency.

The Group is split into five divisions as of December 31, 2019.

DIVISION STRUCTURE



MANAGEMENT AND CONTROL – REMUNERATION STRUCTURE FOR OFFICERS

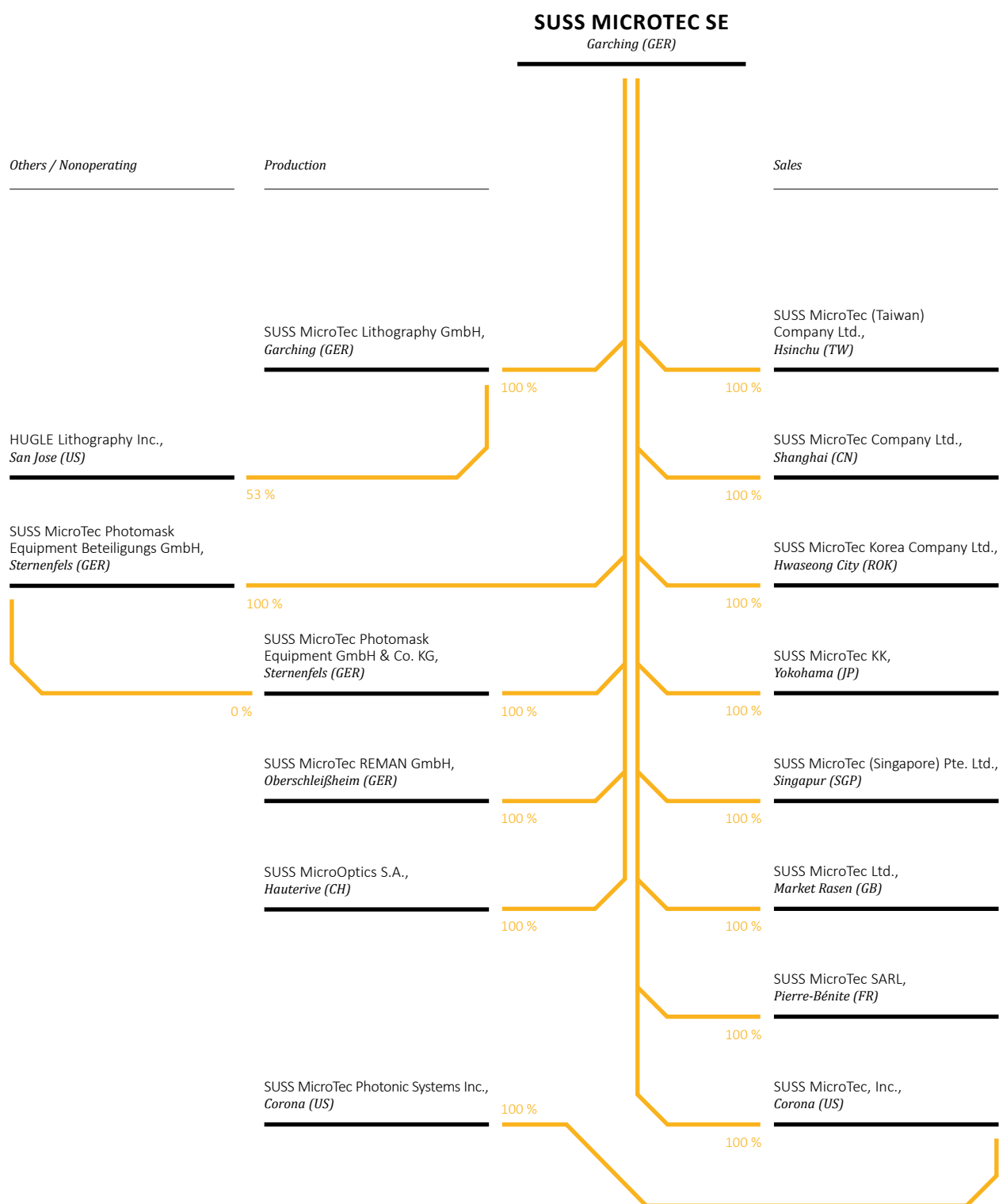
SUSS MicroTec SE has a dual-management system. The Company bodies are the Management Board, the Supervisory Board, and the Shareholders' Meeting. The cooperation between the Management Board and the Supervisory Board is described in the section on the Group declaration regarding corporate governance 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 an optional retirement insurance. The amount of the fixed pay is first and foremost determined by the roles and responsibilities assigned. Variable remuneration includes short-term and long-term components. More information about this can be found in the Remuneration Report.

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

LEGAL STRUCTURE OF THE GROUP

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

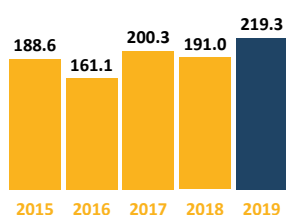
SUSS MicroTec pursues the strategy of occupying lucrative niche markets in the industry of semiconductor suppliers. The goal is to operate in the relevant markets by way of the Company's clear positioning among the top three suppliers at all times. Partnerships with leading institutes and companies within the industry should ensure that significant trends and promising technologies are always identified early on and that the potential for SUSS MicroTec is examined. The focus is on organic growth. Technology acquisitions are, however, also considered if they feature interesting technologies or 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 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.

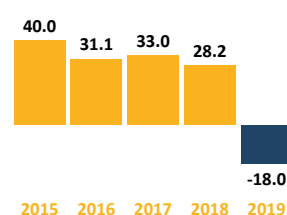
The new IFRS 16 rules on rental contract and lease accounting had to be applied in full for the first time in the 2019 fiscal year. In concluding rental contracts and leases, SUSS MicroTec now recognizes financial liabilities in the amount of the present value of the rental and lease obligations, taking the term of the agreements concluded into account, in line with IFRS 16. At the same time, right-of-use assets are capitalized for the rented assets. The regular rental and lease payments have been recognized as interest and principal repayments on the financial liabilities since January 1, 2019. The right-of-use assets capitalized are subject to depreciation over the term of the agreements. Up until the 2018 fiscal year, SUSS MicroTec applied IAS 17, classifying and recognizing the rental contracts and leases concluded as operating or finance leases.

The initial application of IFRS 16 means that certain items of the consolidated financial statements as of December 31, 2019, can only be compared against the consolidated financial statements for the previous year to a limited extent. Total assets and the equity ratio, for example, are affected by the application of IFRS 16. In addition, the cash flows from rental and lease payments are now reported under cash flow from financing activities, discharging the cash flow from operating activities. The application of IFRS 16 has only resulted in minor changes to the Group's EBIT, whereas it has had a positive impact on the Group's EBITDA.

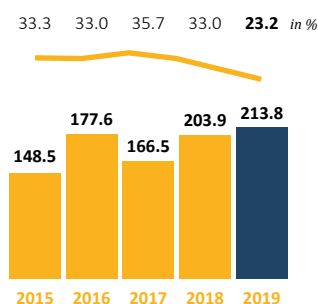
ORDER ENTRY in € million



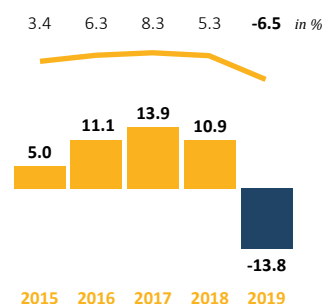
NET LIQUIDITY in € million



SALES in € million AND GROSS MARGIN in %¹



EBIT in € million AND EBIT-MARGIN in %¹



¹ Gross margin for 2019 was burdened by special write-downs from the reassessment of the market situation of the scanner and laser product lines in the amount of € 14.2 million. Without these extraordinary expenses, the gross margin for 2019 would come to 29.9%.

¹ EBIT for 2019 was burdened by special write-downs from the reassessment of the market situation of the scanner and laser product lines in the amount of € 14.2 million. Without these extraordinary expenses, EBIT for 2019 would come to € 0.5 million, with an EBIT margin of 0.2%.

ECONOMIC ENVIRONMENT

SLOWER GROWTH

The global economy is showing clear signs of a sustained slow-down in growth. According to information released by the Organisation for Economic Co-operation and Development (OECD) in March 2020, global economic growth in 2019 came to 2.9 percent, falling short of the 3.3 percent forecast published by the International Monetary Fund (IMF) in October 2019. The dwindling economic output was triggered by regional social unrest, geopolitical tension, and international trade conflicts. The impact of the coronavirus (COVID-19) prompted the OECD to adjust its outlook for global economic growth in 2020 downward to 2.4 percent in March 2020.

The eurozone is also faced with slower economic growth. According to the European statistical office Eurostat, economic output in 2019 was up by only 1.2 percent year-on-year (2018: 1.9 percent). Current trade conflicts put pressure on Europe's industry, which is heavily reliant on exports. According to the OECD, uncertainties related to the United Kingdom's exit from the European Union (Brexit) as well as the process of structural change in the automotive industry and climate policy also left their mark on business climate and investment activity in 2019.

The German economy slowed considerably in 2019, the tenth year of growth in a row. The joint autumn economic forecast released by Germany's leading economic research institutes, which was published in October 2019, already confirmed that the German industrial segment was in a recession. Gross domestic product (GDP) in 2019 is expected to have increased by only 0.5 percent as against the previous year. In mid-January 2020, the German Federal Statistical Office reported GDP growth of 0.6 percent in 2019, compared with 1.5 percent in 2018.

SEMICONDUCTOR MARKET

Political tension caused by the trade conflict between the US and China, friction between Japan and South Korea, protests in Hong Kong, and the United Kingdom's exit from the European Union resulted in lower global demand for electronics products in 2019, according to the market research institution Gartner.

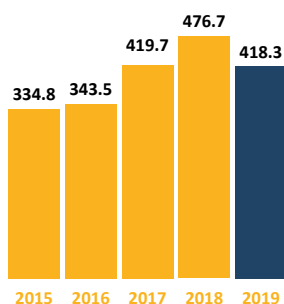
Global semiconductor sales fell to US\$ 418.3 billion in 2019 after reaching a record volume in the previous year. According to the market experts at Gartner, the drop by almost 12 percent can be traced back not only to the Chinese-US trade conflict and lower growth in the smartphone, server, and PC segments, but also to the slump on the memory chip market, which accounted for just over one-quarter of the volume in the semiconductor market in 2019. Towards the end of 2018, excess capacities in the DRAM and NAND flash memory segments sent prices on a downward spiral, creating sales problems that persisted throughout 2019. The memory chip market started to show initial signs of bouncing back in the middle of 2019, with further positive impetus coming from the increase in demand for 5G smartphones.

Results in the semiconductor market varied from segment to segment. Optic-electronic components, for example, reported the highest growth rate of all segments at 2.4 percent, bolstered by the increasing number of cameras in smartphones. SUSS MicroTec serves the market for optic-electronic components with its Microoptics division.

SEMICONDUCTOR EQUIPMENT

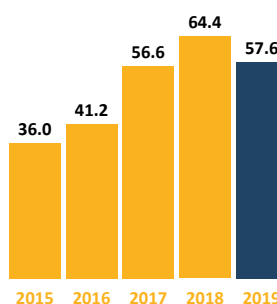
According to the SEMI industry association, global sales of semiconductor equipment fell by 10.5 percent from an all-time high of US\$ 64.4 billion in 2018 to US\$ 57.6 billion in 2019. Taiwan overtook China and Korea with a growth rate of 53.3 percent in 2019, emerging as the largest market for semiconductor equipment. Outside of Taiwan, the only other region in which sales figures were on the rise was North America, with growth of 33.6 percent.

SALES DEVELOPMENT SEMICONDUCTOR MARKET
in US\$ billion



Source: Gartner, January 14, 2020

SALES DEVELOPMENT SEMICONDUCTOR EQUIPMENT MARKET
in US\$ billion



Source: SEMI, December 11, 2019

SUSS MICROTEC IN FIGURES

FINANCIAL POSITION: ORDER ENTRY, SALES, AND EBIT

Comparison of Full-Year Figures for 2019 – Forecast 2020

In the forecast report of the 2018 Management Report, the Company held out the prospect of Group sales of € 200 to € 215 million, a Group earnings margin before interest and taxes (EBIT margin) in a range of 6.5 to 8.0 percent, and an EBITDA margin of 9.0 to 10.5 percent for the 2019 fiscal year. During the 2019 fiscal year, the earnings forecast was adjusted with the publication of figures for the third quarter in November 2019 to an EBIT margin of between 4.0 and 5.0 percent for the entire 2019 fiscal year. The sales forecast remained unchanged. Another adjustment occurred in January 2020 with the publication of preliminary figures for the 2019 fiscal year. While the sales forecast once again remained unchanged, a sharp downward correction was made to the expected EBIT margin. This decision was triggered primarily by an increased cost of sales for the products sold, as well as by higher administrative and development costs. In addition, the revised market expectations for the scanner and laser product lines meant that impairments had to be recognized on inventories and production-related fixed assets in the amount of € 14.2 million. This extraordinary effect had a substantial impact on earnings, translating into negative EBIT. In January 2020, SUSS MicroTec announced order entry in 2019 that was much higher than expected, sales at the upper end of the forecast range, and a predicted EBIT margin of 0.7% excluding extraordinary effects. The publication made on January 27, 2020, included a reference to the fact that the figures announced were preliminary and had not yet been audited.

SUSS MicroTec closed the 2019 fiscal year with sales of € 213.8 million, thereby within the range of expectations. The EBIT margin came in at -6.5 percent. After adjustments to reflect the extraordinary effect associated with the abovementioned impairments, the EBIT margin came to approximately 0.2%, lower than the value reported in the preliminary results in January 2020.

Corporate Development in 2019

Order entry for SUSS MicroTec in the 2019 fiscal year totaled € 219.3 million, while order entry of € 191.0 million was generated in the previous year. The projected development for order entry was achieved even in the very difficult market environment prevailing in 2019. Order intake in the third and fourth quarters of the year was particularly high. All in all, order entry in 2019 was just under 15% higher than order entry in the previous year. This resulted in an order backlog of € 93.2 million as of December 31, 2019, as against € 84.7 million in the previous year. The ratio of newly received orders to realized sales (book-to-bill ratio) was 1.03 after 0.94 in the previous year.

While sales rose from € 203.9 million in the previous year to € 213.8 million, they were distributed very unevenly over the individual quarters. The late increase in order entry in the third quarter meant that nearly 40% of annual sales were generated in the fourth quarter. These deliveries made late in the year resulted in a correspondingly high level of receivables at the end of the year, with a corresponding impact on cash flow in the reporting year.

In the 2019 fiscal year, the earnings position of the SUSS MicroTec Group showed a clear drop in earnings. Earnings before interest and taxes (EBIT) slid from € 10.9 million in the previous year to € -13.8 million. EBIT in the 2019 fiscal year was burdened by impairments on assets in the scanner and laser product lines in the amount of € 14.2 million that were recognized when the success prospects associated with these two product lines were reevaluated. Leaving these extraordinary expenses out of the equation, EBIT would come to € 0.5 million, which equates to a drop in earnings of approximately 95%.

The UV projection and laser ablation product lines once again reported only low levels of order entry and sales in the 2019 fiscal year. The American subsidiary SUSS MicroTec Photonic Systems Inc. (Corona, USA), which is responsible for developing and producing scanners and lasers, contributed negative EBIT of € -6.2 million to Group earnings in 2019. Group earnings had been negatively impacted by hefty losses for both product lines in previous years as well, as sales of lasers and scanners lagged well behind expectations. On the basis of revised market expectations, the Management Board expects low capital investment requirements at potential customers to continue over the coming months and years. In light of this market development, SUSS MicroTec no longer expects to be able to generate any order entry or sales to speak of in these two product lines over the next two to three years. As a result, impairments of € 14.2 million were recognized on inventory reserves and production-related fixed assets in the scanner and laser product lines in 2019. These extraordinary expenses have had a negative impact on Group EBIT.

In light of the further cash outflow expected based on the current structure, the Management Board made the decision in January 2020 to discontinue these two product lines. 42 of the 51 employees of SUSS MicroTec Photonic Systems Inc. were laid off. The other nine employees were transferred to the American sales company SUSS MicroTec, Inc., which is also based in Corona, USA. Other extraordinary expenses running into the mid-single-digit millions of euros are expected to be incurred in 2020 in connection with the move to cease production in Corona.

The key figures for 2019 and the previous year are as follows:

<i>in € million</i>	2019	2018
Order entry	219.3	191.0
Sales	213.8	203.9
Cost of sales	164.1	136.7
thereof extraordinary expenses from write-downs on Scanner/Laser	14.2	0.0
Gross profit	49.7	67.3
Gross profit margin	23.2%	33.0%
Gross profit adjusted for extraordinary effects	63.9	67.3
Gross profit margin adjusted for extraordinary effects	29.9%	33.0%
EBIT	-13.8	10.9
EBIT margin	-6.5%	5.3%
EBIT adjusted for extraordinary effects	0.5	10.9
EBIT margin adjusted for extraordinary effects	0.2%	5.3%

SUSS MicroTec's top-selling Lithography division recorded a slight drop in sales of 1.8 percent. In 2019, the Lithography division accounted for 54.9 percent of Group sales. The Bonder division saw its sales fall considerably from € 36.9 million to € 26.4 million. In the Photomask Equipment division, on the other hand, sales rose significantly from € 33.9 million to € 46.4 million. The Microoptics division continued to show very encouraging development. Sales rose from € 13.1 million in the previous year to € 22.6 million, which equates to sales growth in excess of 70%.

In the 2019 fiscal year, a gross profit of € 49.7 million was generated, corresponding to a gross profit margin of 23.2 percent. In the previous year, the gross profit was € 67.3 million, with a gross profit margin of 33.0 percent. Gross profit in the 2019 fiscal year was burdened by extraordinary expenses of € 14.2 million related to impairments recognized on assets in the scanner and laser product lines. Without these extraordinary expenses, gross profit would come to € 63.9 million, which corresponds to a gross profit margin of 29.9%. The drop in the gross profit margin is due first and foremost to a clear drop in margins in the Lithography division triggered primarily by a higher cost of sales for the products sold. Both material costs and production costs were up compared to the previous year. Margins in the Bonder division were also on a slight downward trajectory, although the negative contribution to the margin made by the Bonder division is due primarily to the lower sales volume as against the previous year. The gross profit margin in the Photomask Equipment division showed a slight improvement, whereas the margin in the Microoptics division increased considerably compared to the previous year.

Selling costs in the fiscal year increased proportionately relative to sales to € 22.9 million (previous year: € 21.9 million), representing an expense ratio of 10.7 percent (previous year: 10.7 percent) relative to sales generated.

Research and development costs rose significantly again in the past fiscal year, amounting to € 20.2 million (previous year: € 18.3 million). SUSS MicroTec significantly expanded its activities in research and development. In the coater/developer product line, the focus was on finalizing the ACS200 Gen3 Model Year 2019 and on developing new 300mm equipment. New automated nanoimprint clusters were developed for mask aligners, and work was ongoing on a new generation of MABA8 series manual mask aligners. In the Bonder division, work focused on the development of hybrid and fusion bond modules for the XBS200, improvements in post-bond alignment, and the development of an IR metrology station. These developments were also applied to new 300mm equipment for hybrid and fusion bonds. In the Photomask Equipment division, efforts centered on the further development of the GlueBuster technology and the development of EUVL applications. Development activities in the Microoptics division focused on the automotive segment.

Administration costs increased considerably from € 15.9 million in the previous year to € 18.9 million, corresponding to an expense ratio of 8.9 percent (previous year: 7.8 percent). There are various reasons for the increase. Further enhancements were made, for example, to IT infrastructure in 2019, resulting in additional expenses of approximately € 0.7 million. Expenses of € 0.9 million were also incurred in the fiscal year under review for external consultancy services to optimize production processes in Sternenfels and to set up a new production site in Taiwan. Consultants were also involved in the negotiations on the new syndicated loan agreement, and in the acquisition of a business area in the Netherlands that was announced in December 2019. Further additional expenses of € 0.4 million were incurred to expand personnel resources and in connection with staff changes. Personnel resources were also increased within the administration team of SUSS MicroOptics in Hauterive, Switzerland, to take account of the growth in the Microoptics division. The additional expenses incurred in 2019 came to approximately € 0.7 million.

Other operating income totaled € 1.7 million in the fiscal year (previous year: € 3.2 million). As in the previous year, this included foreign currency gains, which resulted from the translation of foreign currency positions into euros.

Other operating expenses amounted to € 3.2 million in 2019 (previous year: € 3.5 million) and primarily included expenses from foreign currency translation and other taxes.

Earnings before interest and taxes (EBIT) in the past fiscal year amounted to € -13.8 million. In 2018, EBIT of € 10.9 million was achieved. EBIT in the 2019 fiscal year was burdened with extra-

ordinary expenses of € 14.2 million related to impairments recognized on assets in the scanner and laser product lines. Without these extraordinary effects, EBIT for 2019 would have amounted to € 0.5 million.

Depreciation and amortization of intangible assets and tangible assets came to € 8.6 million (previous year: € 4.8 million). As a result, earnings before interest, taxes, depreciation and amortization (EBITDA) totaled € -5.2 million (previous year: € 15.7 million). After adjustments to reflect extraordinary effects, EBITDA would have amounted to € 4.3 million.

The financial result for 2019 amounted to € -0.36 million (after € -0.14 million in the previous year). The increase is due to the Group's increased financing needs in 2019. In addition to the loans that have been in place to finance the property in Garching for several years now, SUSS MicroTec SE took out another long-term loan of € 10 million. Part of the new syndicated loan facility had also been drawn down as of December 31, 2019. Financial income of € 18 thousand (previous year: € 39 thousand) resulted primarily from interest and securities income.

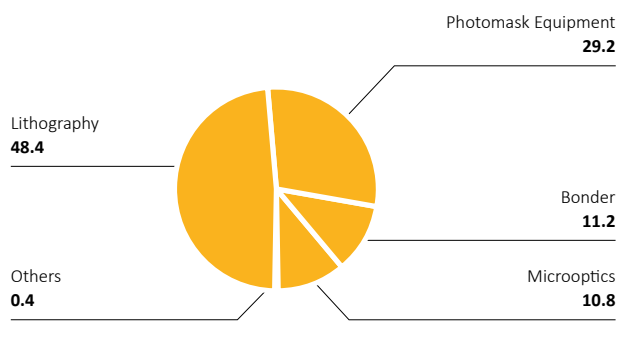
Group earnings before tax of € -14.1 million were subject to tax expense of € 2.1 million. The high tax expense relative to earnings before tax resulted again primarily from the accumulated losses of foreign Group companies in the 2019 fiscal year (particularly in the USA), for which (as in previous years) no deferred tax assets were recognized in view of the current Group budget. In addition, impairments had to be recognized on assets in the scanner and laser product lines in the USA in 2019, increasing the losses there again.

In the previous year, Group earnings before tax of € 10.7 million were subject to tax expense of € 6.0 million, which corresponded to an average tax expense rate of approximately 55 percent. The high tax expense relative to profit before tax similarly resulted 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.

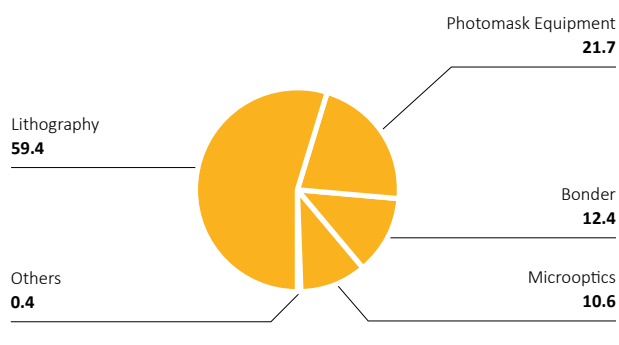
The Group generated a loss for the year of € -16.3 million (previous year: profit for the year of € 4.8 million). Basic earnings per share amounted to € -0.85, after € 0.25 in the previous year.

DEVELOPMENT IN THE INDIVIDUAL DIVISIONS

ORDER ENTRY BY DIVISION *in %*



SALES BY DIVISION *in %*



The main key figures for each division are explained below.

Lithography

The Lithography division includes the development, manufacture, and sale of the mask aligner, UV projection scanner, and laser processing tool product lines as well as coaters and developers. These product lines are manufactured in Germany at the locations in Garching near Munich and in Sternerfeld. With a contribution to sales of more than 50 percent, the Lithography division is SUSS MicroTec Group's largest division. The components that are manufactured with these tools are sent primarily to the end markets of advanced packaging, microelectromechanical systems, compound semiconductors (LED), and 3D integration.

The development and production of the UV projection scanner and laser processing tool product lines, which falls within the remit of the American subsidiary SUSS MicroTec Photonic Systems Inc. (Corona, USA), ended at the beginning of 2020.

LITHOGRAPHY KEY FIGURES

<i>in € million</i>	2019	2018
Order entry	106.0	111.0
Division sales	117.3	119.5
Gross profit margin	12.6%	31.4%
Gross profit margin adjusted for extraordinary effects	24.7%	31.4%
EBIT division earnings	-19.3	6.3
EBIT division earnings adjusted for extraordinary effects	-5.1	6.3
Net assets	65.9	62.8
Employees	558	555

In the 2019 fiscal year, the Lithography division achieved order entry of € 106.0 million (previous year: € 111.0 million) and sales of € 117.3 million (previous year: € 119.5 million). This corresponds to 1.8 percent lower sales and 4.5 percent lower order entry from the previous year. Coater sales increased slightly, with the 200mm equipment business showing particularly positive development. Proximity lithography sales were on a downward trajectory, as was to be expected. The UV projection scanner and laser ablation product lines once again made only a small contribution to the division's order entry and sales in the 2019 fiscal year, lagging behind expectations.

The gross profit margin in the Lithography division was 12.6 percent in the past fiscal year, down considerably on the previous year (31.4%). The gross profit margin was burdened with special impairments in the amount of € 14.2 million referred to above. After adjusting for these extraordinary expenses, the gross profit margin comes to 24.7%.

There are various reasons explaining the significant drop in the gross profit margin. The cost of materials increased as against the previous year. In a quest to optimize inventories, orders were more demand-oriented, resulting in smaller batch sizes, but also in lower discounts on purchase prices. It was not possible to pass these price increases on to customers. Impairments of inventories and demonstration equipment were much higher in 2019. Production costs rose in the past fiscal year due to an increase in personnel costs as a result of salary adjustments and the granting of permanent contracts to temporary employees. In order to compensate for below-capacity employment in the production of mask aligners in Garching, part of the production of coaters and developers was moved to Garching in the second and third quarters of 2019, pushing the production costs for these machines up. In Sternenfels, too, expenses increased due to temporary periods of poor capacity utilization, which also had a negative impact on the gross profit margin for coaters and developers.

The Lithography division contributed earnings of € -19.3 million (previous year: € 6.3 million) to consolidated earnings before interest and taxes (EBIT). After adjustments to reflect the extraordinary expenses of € 14.2 million, EBIT for 2019 comes to € -5.1 million. This produces a negative EBIT margin for the Lithography division of -4.3 percent in 2019, as against an EBIT margin for the previous year that was still well in positive territory at 5.3 percent.

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 microelectromechanical systems, compound semiconductors, and 3D integration.

BONDER KEY FIGURES

<i>in € million</i>	2019	2018
Order entry	24.6	20.1
Division sales	26.4	36.9
Gross profit margin	32.8%	35.2%
EBIT division earnings	-0.3	4.8
Net assets	22.0	17.5
Employees	101	98

Sales in the Bonder division were down to € 26.4 million (previous year: € 36.9 million). This was due largely to the slump in the 3D memory market, which sent sales in SUSS MicroTec's temporary bonding product line down considerably. On the other hand, in 2019 we sold further automated permanent bonders for metal-based bonding processes and for hybrid and fusion bonding processes, allowing us to strengthen our market position with key customers considerably. Order entry in the 2019 fiscal year was € 24.6 million, higher than in the previous year (previous year: € 20.1 million).

The gross profit in the Bonder division amounted to € 8.7 million in the 2019 fiscal year after € 13.0 million in the previous year. The gross profit margin decreased from 35.2 percent to 32.8 percent. The increase in the cost of materials as a result of changes in purchasing policy and higher inventory impairments also left their mark on the Bonder division. The division was also burdened with negative effects resulting from poor capacity utilization in Sternenfels. The drop in the gross profit margin, however, was primarily due to the lower sales volume.

The Bonder division reported a negative segment result (EBIT) of € -0.3 million, compared with € 4.8 million in the previous year.

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>	2019	2018
Order entry	64.0	45.6
Division sales	46.4	33.8
Gross profit margin	35.8%	34.3%
EBIT division earnings	9.8	4.7
Net assets	24.8	12.6
Employees	150	129

The Photomask Equipment division had considerably stronger order entry in the past fiscal year than in the previous years. Order entry at the end of December 2019 was € 64.0 million after € 45.6 million in the previous year. Division sales also increased significantly, reaching € 46.4 million after € 33.8 million in the previous year. The figures for both sales and order entry outstripped our expectations by far. The very positive orders position is due first and foremost to the high propensity among our customers to invest in the extreme ultraviolet (EUV) lithography segment.

The gross profit margin increased in the 2019 fiscal year to 35.8 percent. In the 2018 fiscal year, it was possible to achieve a margin of 34.3 percent. The gross profit margin is subject to similar volatility as order entry and sales since it is determined by a few individual orders. 2019 saw a slight improvement in the gross profit margin, primarily due to the increase in the sales volume.

The Photomask Equipment division was able to contribute earnings of € 9.8 million (previous year: € 4.7 million) to Group EBIT. The EBIT margin was 21.1 percent, up considerably as against the previous year (EBIT margin 2018: 14.0 percent).

Microoptics

The production and sales of microlenses and highly-specialized optics for a variety of industrial applications are housed in the Microoptics division. These activities are bundled in SUSS MicroOptics S.A. in Hauterive, Switzerland.

MICROOPTICS KEY FIGURES

<i>in € million</i>	2019	2018
Order entry	23.6	14.2
Division sales	22.6	13.1
Gross profit margin	35.7%	31.0%
EBIT division earnings	2.2	0.6
Net assets	17.7	10.6
Employees	94	69

Order entry increased from € 14.2 million in the 2018 fiscal year to € 23.6 million in 2019, an increase of 66.2 percent. Division sales amounted to € 22.6 million after € 13.1 million in the corresponding period of the previous year, rising by 72.5 percent.

The gross profit margin increased significantly from 31.0 percent in the previous year to 35.7 percent. This can be traced back, first of all, to an increase in the sales volume compared to the previous year. Second, only a lower gross profit margin was achieved in the previous year as 2018 was the first year in which – besides the usual, high-margin sales in the telecommunications sector that had been achieved up until then – significant sales were generated in the automotive sector. The margins achieved by this new business branch were lower during the start-up period but improved considerably in 2019.

EBIT in the Microoptics division came to € 2.2 million (previous year: € 0.6 million), which equates to an EBIT margin of 9.7 percent (previous year: 4.6 percent).

DEVELOPMENT IN THE MOST IMPORTANT REGIONS

Order Entry

Asia/Pacific, 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 much higher order entry in the 2019 fiscal year than in the previous year. Order entry in North America increased from € 13.7 million in the previous year to € 29.4 million. Order entry in Asia rose by 12.5 percent to € 142.2 million. Accounting for just under 65 percent of the Group's order entry, Asia remains the most important sales region for SUSS MicroTec. SUSS MicroTec reported order entry of € 47.7 million in the EMEA region in 2019, down by 6 percent year-on-year.

Sales

The increase in sales, allowing the Company to report a figure at the upper end of the forecast range, can be traced back primarily to the North America and EMEA regions, whereas sales in Asia followed a slight downward trend. Sales in the EMEA region, for example, climbed by 11.3 percent to € 53.7 million, with sales in North America rising by 48.9 percent to € 26.4 million. The Asia region, on the other hand, saw sales dip by 3.0 percent to € 133.8 million. Asia was burdened with a drop in sales affecting lithography machines and bonders, whereas sales in the Photo-mask Equipment division showed very positive development. The strong order entry in the Asia-Pacific region came largely in the second half of 2019. This meant that, due to the standard production times for our machines, it was no longer possible to realize these orders as sales before the end of 2019.

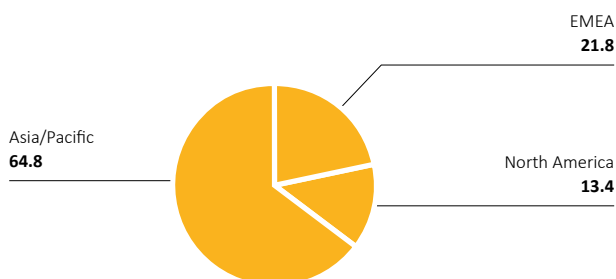
ASSETS AND FINANCIAL POSITION

The Group's net cash position – the balance of cash and cash equivalents and financial liabilities – decreased from € 28.2 million in the previous year to € -18.0 million as of December 31, 2019. IFRS 16 was applied for the first time in the 2019 fiscal year, meaning that lease obligations from all rental and lease agreements have to be recognized as financial liabilities. As SUSS MicroTec applied the modified retrospective method, meaning that it did not make any adjustments to the figures of the previous year, the Company's net cash at the end of the 2019 fiscal year can only be compared to the figure of the previous year to a limited extent. Excluding the financial liabilities from lease obligations, the net cash position would come to € -10.6 million as of December 31, 2019. This value would be directly comparable to last year's net cash of € 28.2 million.

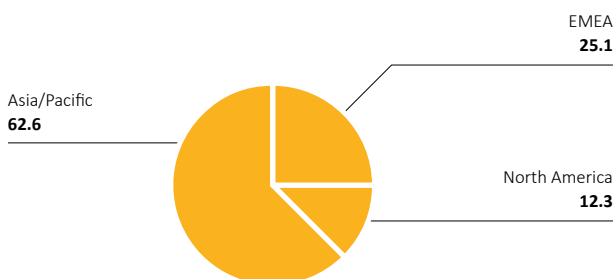
The amount of cash and cash equivalents decreased from € 30.7 million in the previous year to € 10.3 million at the end of the reporting year. Financial liabilities increased significantly, totaling € 28.3 million as of December 31, 2019, compared with € 2.5 million at the end of the previous year.

Cash flow from operating activities totaled € -30.8 million (previous year: € 1.9 million). One major reason as to why the cash flow from operating activities is significantly in the red is the unfavorable sales distribution in 2019, with a disproportionately high proportion of sales, just under 40 percent, being generated in the fourth quarter. As a result, the clear increase in customer receivables (in particular, the significant rise in contract assets) totaling € -25.0 million and the low annual earnings (after taxes) had a liquidity-reducing effect. By contrast, the reduction in inventories thanks to moves to cut warehouse stock had a positive cash effect of approximately € 4.6 million. The volume of customer down-payments received fell in 2019, resulting in a negative cash effect of € -8.9 million. The change in trade payables produced a liquidity inflow of € 0.9 million. All in all, the changes in working capital (€ -28.4 million) had the effect of reducing liquidity. In the previous year, the negative effect resulting from changes in working capital came to only € -10.8 million.

ORDER ENTRY BY REGION in %



SALES BY REGION in %



The change in other liabilities and other provisions, together with the change in tax assets and tax liabilities, resulted in total liquidity outflows of € -8.6 million.

Cash flow from investing activities amounted to € -6.1 million (previous year: € -6.9 million); of this amount, approximately € 5.7 million related to investments in tangible assets. Cash outflows of approximately € 1.8 million had been recorded by the end of 2019 for the expansion of cleanrooms and the purchase of various pieces of technical equipment at SUSS MicroOptics, Hauterive, Switzerland. Part of this expenditure was attributable to newly rented production premises of SUSS MicroOptics that are also located in Hauterive, Switzerland, and are to be used to further expand the production capacities for the micro-optics business. Further cash outflows of approximately € 2.2 million related to investments in the buildings in Garching and Sternenfels and the purchase of various pieces of technical equipment for both locations. The remaining investments primarily involved tools, operating and office equipment, software, and licenses.

Free cash flow therefore amounted to € -36.9 million. In the previous year, free cash flow of € -5.0 million was generated.

Cash flow from financing activities totaled € 16.4 million (previous year: € -1.0 million). Long-term loans of € 10.0 million were taken out in 2019, with disbursements being made in April and August 2019. In addition, a new syndicated loan agreement was concluded with four banks, with a total drawdown of € 9.5 million having been made by December 31, 2019. As in the previous year, the Company once again made 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 € 10.3 million (previous year: € 30.7 million), the Group had domestic guarantee and credit lines of € 56.0 million (previous year: € 21.25 million) at the end of the reporting year. As of the reporting date, utilization in the form of loans came to € 9.5 million, with utilization in the form of guarantees amounting to € 8.3 million.

By taking out the long-term loan and concluding the syndicated loan agreement, which includes a credit line of € 40.0 million, the Group has sufficient financial leeway overall to finance necessary product developments, planned investments, and other strategic activities in the coming year. Looking ahead to the coming year, we expect to achieve cash flow from operating activities that is clearly in positive territory and free cash flow of between € 4 million and € 7 million. This will allow us to at least partially repay the cash loan that we have taken out by the end of the year.

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: € 15.7 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.

In addition, noncurrent assets encompassed licenses and patents as well as the SAP system activated at SUSS MicroTec SE, with a total carrying amount of € 1.2 million (previous year: € 1.6 million). They were composed of € 0.7 million (previous year: € 0.8 million) for the Lithography, Bonder, Photomask Equipment, and Micro-optics divisions, and € 0.5 million (previous year: € 0.8 million) for the Others division. In 2019, SUSS MicroTec also spent € 2.9 million to acquire a right of use as part of a cooperation agreement with a customer in the USA. This gives the Company the right to use an applications center and the machines installed in the center for a period of five years. Approximately 2/3 of the right of use has been allocated to the Bonder division and 1/3 to the Lithography division. Furthermore, the technology obtained as part of the Photonic Systems acquisition, which still carried a residual book value of € 0.3 million in the previous year and was attributed to the Lithography division, was recognized under intangible assets. The outcome of the Management Board's reassessment of the market outlook for the laser and scanner product lines was that the Company no longer expects to be able to generate any order entry or sales to speak of in these two product lines over the next two to three years. As a result, the residual book value of the technology remaining at the end of 2019 was written off in full, meaning that the technology now has a residual book value of zero.

The two business properties in Garching and Sternenfels, which – together with the production, warehousing and administration buildings – carried a residual book value of € 16.1 million at the end of the year (previous year: € 15.7 million), accounted for the largest share of tangible assets. SUSS MicroTec Lithography GmbH, SUSS MicroTec Photomask Equipment GmbH & Co. KG, and SUSS MicroTec SE are located there.

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

The right-of-use assets resulting from rental and lease agreements that have to be set up under IFRS 16 were reported for the first time in the 2019 fiscal year. The carrying amount of the right-of-use assets came to € 7.4 million.

The carrying amount of tangible assets rose by € 7.7 million as against the previous year. The increase is due primarily to the first-time recognition of the right-of-use assets in connection with leases.

Deferred tax assets amounted to € 0.8 million as of the reporting date, after € 0.6 million in the previous year. On the other side of the balance sheet, deferred tax liabilities of € 3.3 million are reported in connection with temporary differences at the level of the German companies with regard to goodwill, customer down-payments received and trade receivables. The German companies once again reported a surplus of deferred tax liabilities over deferred tax assets as of December 31, 2019.

Taking into account the annual earnings for 2019, there were tax loss carryforwards amounting to approximately € 7.5 million for the German companies as of December 31, 2019. Deferred tax assets of € 2.1 million were recognized on this amount. As in previous years, no deferred tax assets for loss carryforwards were recognized for the loss carryforwards of the US companies and the subsidiary in Japan. No deferred tax assets were recognized for the loss carryforward that arose at the subsidiary in Singapore in 2019, either.

Current assets fell by € 9.8 million in the reporting year to € 144.8 million. The drop is due, first of all, to lower inventory reserves, and to impairments recognized on these reserves, at the end of the year. Second, the amount of cash and cash equivalents also fell significantly. Trade receivables and contract assets, on the other hand, rose by € 25.1 million in total.

Inventories fell from € 93.5 million as of the previous year's reporting date to € 75.0 million as of the end of the year. Part of the drop is due to the impairments recognized on inventories for the scanner and laser product lines in the amount of € 12.3 million in total. Furthermore, inventories of unfinished goods decreased by € 15.0 million to € 25.5 million, as a large number of machines had been completed and delivered by the end of the year. The gross value of materials and auxiliary supplies, on the other hand, climbed by approximately € 2.8 million to € 46.2 million. The gross value of demonstration equipment also increased from € 30.5 million to € 31.7 million. The cumulative value adjustments relating to demonstration, materials and auxiliary supplies increased from € 24.9 million to € 39.2 million, with € 12.3 million attributable to the scanner and laser impairments.

Trade receivables decreased from € 22.1 million in the previous year to € 19.0 million. The decline was primarily due to the reporting date.

Contract assets involve claims of SUSS MicroTec for consideration for services from machine deliveries that have been completed, but not yet invoiced as of the reporting date. They came to a total value of € 31.2 million at the end of the year, compared to only € 3.0 million on the previous year's reporting date. The significant increase is due to the large number of machines that had been completed and delivered to customers by the end of the year.

The amount of cash and cash equivalents fell from € 30.7 million to € 10.3 million.

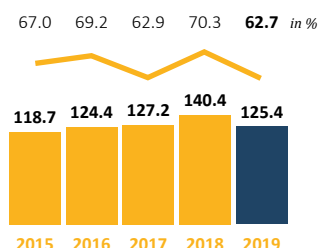
The drop in other assets from € 4.8 million in the previous year to € 4.2 million at the end of the year was largely due to factors relating to the reporting date.

Noncurrent liabilities increased from € 8.3 million to € 24.5 million. Noncurrent liabilities included financial liabilities, which totaled € 15.1 million in the fiscal year (previous year: € 1.5 million). Noncurrent liabilities also include the Group's pension provisions in the amount of € 6.0 million, as well as deferred tax liabilities of € 3.3 million. The significant increase in financial liabilities is due, first of all, to bank loans taken out in the amount of € 10.0 million. In addition, the initial application of IFRS 16 meant that non-current lease liabilities of € 4.6 million had to be recognized for the first time. As in the previous year, a scheduled repayment of € 1.0 million was made against the loan to finance the property in Garching.

The amount of current liabilities changed only slightly from the previous year overall. The amount reported at the end of the year came to € 50.0 million as against a total amount of € 50.9 million on the previous year's reporting date. Bank liabilities rose by € 9.4 million to € 10.4 million, as a drawdown of € 9.5 million had been made on the new syndicated loan facility as of the reporting date. In addition, current financial debt from lease obligations in the amount of € 2.8 million was recognized for the first time in 2019 in connection with the initial application of IFRS 16. The customer down payments included in current liabilities fell significantly, amounting to € 9.3 million as of the end of the fiscal year (previous year: € 18.2 million). Trade payables recorded a reporting date-related increase from € 9.0 million in the previous year to € 10.0 million. Other financial liabilities dropped from € 7.9 million to € 6.8 million due to lower obligations for premiums and commissions. Provisions declined from € 5.2 million to € 4.2 million. The drop is primarily due to lower provisions for personnel expenses and provisions for follow-up costs. Tax liabilities fell by € 1.9 million as only a low volume of tax provisions had to be set up due to the weak annual earnings in Germany.

The shareholders' equity of the SUSS MicroTec Group has fallen since December 31, 2018, by 10.7 percent to € 125.4 million. The equity ratio fell compared with the previous year from 70.3 percent to 62.7 percent.

SHAREHOLDERS' EQUITY in € million AND EQUITY RATIO¹ in %



¹ Shareholders' equity and equity ratio reflect the new IFRS 16. Without IFRS 16, shareholders' equity would have been unchanged at € 125.4 million and the equity ratio would have amounted to 65.1%.

CAPITAL EXPENDITURE

Targeted Capital Expenditure Strengthens the Company

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

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

It is assumed that the usual investments in existing tangible assets will be within the range of approximately three percent of

annual sales in the long term. The only exception is the Micro-optics division. This division 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.

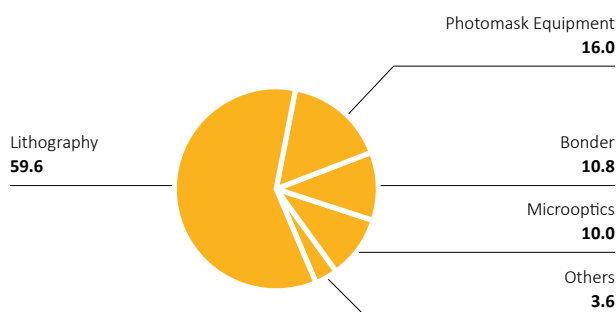
SUSS MicroTec SE is the owner of the Group-wide SAP system, which is used by the German companies as well as by SUSS MicroTec, Inc. (Corona, USA), SUSS MicroTec Photonic Systems Inc. (Corona, USA), and SUSS MicroTec (Taiwan) Company Ltd. (Hsinchu, Taiwan).

EMPLOYEES

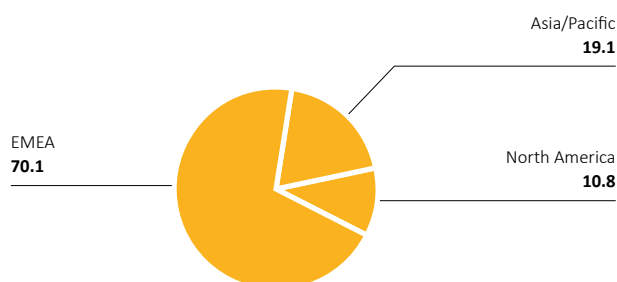
The employees and their knowledge and expertise are a significant part of the Company's value. Our business is characterized by internationality, global positioning, and cultural diversity. We have employees distributed around the globe in development, production, administration, sales, and service,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

As of the end of the 2019 fiscal year, the Group had 937 employees (previous year: 881). In the entire Company, 41 apprentices were employed in commercial and technical areas as of December 31, 2018 (2018: 35). The Company has collaborated with universities and research institutes for many years to bring the name and significance of SUSS MicroTec to the attention of talented graduates and up-and-coming talent as early as possible in order to ensure the successful existence of the Company.

EMPLOYEES BY DIVISION in %



EMPLOYEES BY REGION in %



Listed companies are 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.

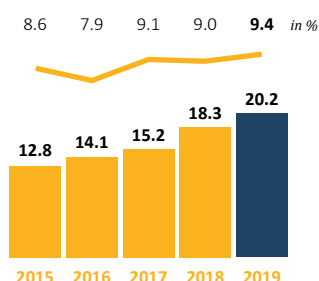
As a result of the law for the equal participation of women and men in management positions in the private and public sectors (Section 76 (4) and Section 111 (5) of the German Stock Corporation Law (AktG)), which went into effect in May 2015, certain companies are obligated for the first time to set 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 2019 fiscal year in the Corporate Governance Report.

RESEARCH AND DEVELOPMENT

Research and development expenditures increased from € 18.3 million in the previous year to € 20.2 million, which corresponds to an expense ratio of 9.4 percent (previous year: 9.0 percent) in relation to sales in the 2019 fiscal year. Of the expenditures, € 11.5 million (previous year: € 10.7 million) related to the Lithography division and € 3.8 million (previous year: € 3.6 million) applied to the Bonder division. € 3.2 million (previous year: € 3.3 million) was attributable to the Photomask Equipment division. The Microoptics division reported research and development expenses of approximately € 1.1 million in 2019 (previous year: € 0.3 million).

At the end of 2019, 169 employees – almost a fifth of the employees of SUSS MicroTec – were employed in the area of research and development (previous year: 175 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. Among other things, it assumes responsibility for strategic alignment, for example the expansion of the product portfolio, the acquisition of other companies and technologies, and financial issues affecting 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 profit transfers based on existing profit and loss transfer agreements.

PRESENTATION OF THE KEY FINANCIAL FIGURES OF THE HOLDING COMPANY

in € thousand	SUSS MicroTec SE (HGB)			
	2019	2018	Change	in %
Annual net profit/loss	-18,536	99	-18,635	–
Shareholders' equity	62,424	80,960	-18,536	-23
Total assets	109,952	119,198	-9,246	-8
Equity ratio	57%	68%		
Noncurrent assets	78,908	72,504	6,404	9
in percent of total assets	72%	61%		
Current assets	31,044	46,694	-15,650	-34
in percent of total assets	28%	39%		

SIGNIFICANT CHANGES IN THE ASSETS AND FINANCIAL POSITION

Intangible assets amounted to € 0.6 million (previous year: € 0.8 million) as of the reporting date.

Shares in affiliated companies were recognized as € 55.6 million (previous year: € 46.5 million) as of the reporting date.

The 2019 fiscal year saw increases in capital stock implemented at SUSS MicroTec Inc., Corona (USA) in the amount of € 14.3 million, and at SUSS MicroOptics S.A. (Switzerland) in the amount of € 1.8 million. A write-down of approximately € 7.0 million on the recognized value of the investment of SUSS MicroTec Inc., Corona (USA) had an offsetting effect.

Loans to affiliated companies fell by approximately € 2.8 million to a carrying amount of € 6.2 million. The drop is due to write-downs.

Due to customer orders that failed to materialize and based on revised market expectations for the scanner and laser product lines, positive cash flows could not be expected for SUSS MicroTec Photonic Systems on the reporting date, not even in subsequent years. As a result, SUSS MicroTec SE does not expect the loan with a nominal amount of US\$ 14.5 million that was granted to SUSS MicroTec Photonic Systems to be repaid. Consequently, the loan, which had a carrying amount of € 2.8 million on the previous year's reporting date, was written off completely in 2019 and had a carrying amount of € 0 as of December 31, 2019.

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, 2019.

The loan granted to SUSS MicroTec (Taiwan) Company Ltd., Hsinchu, Taiwan, with a nominal amount of TWD 85 million (previous year: TWD 85 million), had a carrying amount of € 2.5 million as of December 31, 2019.

The loan granted to SUSS MicroTec Inc., Corona (USA), with a nominal amount of US\$ 3 million (previous year: US\$ 3 million) had a carrying amount of € 2.6 million as of December 31, 2019.

Current receivables from affiliated companies declined by € 7.4 million to € 19.5 million. The drop is primarily due to the negative annual earnings reported by SUSS MicroTec Lithography GmbH that are assumed by SUSS MicroTec SE on the basis of the existing profit and loss transfer agreement. The profit transferred from SUSS MicroTec Reman GmbH, on the other hand, was positive, as was the amount of 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 € 13.2 million to € 5.6 million.

Liabilities to affiliated companies decreased by € 8.5 million to € 23.9 million in the fiscal year.

Bank borrowings rose over the course of 2019 by € 18.5 million to total € 19.5 million.

SUSS MicroTec SE has taken out a KfW loan via IKB Deutsche Industriebank AG in the amount of € 10 million with a term of ten years that was paid out in two € 5 million in tranches in April 2019 and August 2019. No principal repayments are due on the loan until June 30, 2021.

On October 24, 2019, SUSS MicroTec SE entered into a syndicated loan agreement with four banks (Deutsche Bank AG Filiale Deutschlandgeschäft, Landesbank Baden-Württemberg, Commerzbank Aktiengesellschaft und Crédit Mutuel – BECM Banque Européenne du Crédit Mutuel SAS Niederlassung Deutschland) for a total amount of EUR 56 million. The syndicated loan agreement has a term of five years and grants SUSS MicroTec SE a credit facility of € 40 million for cash drawdowns, as well as a guarantee facility of € 16 million. The loan disbursement of cash drawings is made in individual tranches starting at € 0.5 million with terms of one, three, six or twelve months; the grant is made on a revolving basis. The guarantee facility can also be drawn down by the other German companies of the SUSS MicroTec Group. A drawdown of € 9.5 million had been made against the cash credit facility by December 31, 2019.

Scheduled repayments made amounting to € 1.0 million for a bank loan to finance the business property in Garching had the opposite effect. The loan had a residual book value of € 1.5 million as of December 31, 2019 (previous year: € 2.5 million).

As a result of the loss for the year, the Company's shareholders' equity declined from € 81.0 million to € 62.4 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 loss for the year of € 18.5 million was incurred in the 2019 fiscal year (previous year: profit for the year of € 0.1 million).

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

Other operating income primarily includes foreign currency gains totaling € 0.2 million (previous year: € 0.6 million).

Apart from current administrative expenses, other operating expenses included foreign currency losses of € 0.7 million (previous year: € 0.7 million). This item also includes a severance payment made to a former member of the Management Board in the amount of € 0.4 million.

As a result of the profit and loss transfer agreement with SUSS MicroTec Lithography GmbH, Garching (Germany), which has been in effect since January 1, 2011, expense from a loss transfer of € 9.1 million (previous year: profit of € 12.2 million) was recognized at the holding company. As a result of the profit and loss transfer agreement with SUSS MicroTec REMAN GmbH, Oberschleissheim (Germany), which was concluded in the 2008 fiscal year, income from a profit transfer of € 0.6 million (previous year: € 1.1 million) was recognized at the holding company. Income from investments of € 1.2 million (previous year: € 2.9 million) continued to be recognized from the equal-phase revenue recognition of SUSS MicroTec Photomask Equipment GmbH & Co. KG.

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

Financial investments were written down by € 7.0 million (previous year: € 14.9 million). Of this amount, € 7.0 million related to the investment in SUSS MicroTec, Inc. (Corona, USA).

Interest expenses rose by € 0.1 million to € 0.3 million in comparison to the previous year.

SUSS MicroTec SE had an average of 29 employees in the 2019 fiscal year (previous year: 23).

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 proprietary company. In addition, earnings are influenced by foreign currency effects that result primarily from changes in the exchange rates of USD and JPY.

Looking ahead to 2020, SUSS MicroTec SE expects to generate slightly negative EBIT before profit or loss transfers, equal-phase revenue recognition and dividends distributed by subsidiaries. The development in the Group's net cash will be largely reflected at SUSS MicroTec SE as the financial holding company in 2020 as well, as the subsidiaries tend to maintain only a small amount of cash.

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, 2019, 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. A shareholder in relation to the Company is only someone who is entered as such in the register of shareholders. 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

During the fiscal year, Universal-Investment-Gesellschaft mbH, Frankfurt, held more than 10% of the Company's capital, and since the last disclosure on November 25, 2019, its share of the Company's capital amounted to 14.69%. Additional 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 December 31, 2019. In addition, on February 13/14, 2020 and February 19, 2020 we received reports from Luxunion S.A. (Luxembourg/Luxembourg), Teslin Capital Management BV (Maasbergen/Netherlands) and Gerlin NV (Maasbergen/Netherlands), which have jointly concluded an Acting in Concert agreement and consequently have voting rights amounting to 13.32%. On March 26, 2020, Luxunion S.A. (Luxembourg/Luxembourg), Teslin Capital Management BV (Maasbergen, Netherlands) and Gerlin NV (Maasbergen, Netherlands) reported to us that their voting rights exceeded the threshold of 15% on March 24, 2020 and amounted to 15.01% on that date. The current voting rights announcements in accordance with the German Securities Trading

Law (WpHG) are also published on the website > www.suss.com under Investor Relations.

4.

Shares with extraordinary rights that grant controlling authority

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

5.

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

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

6.

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

The appointment and dismissal of members of the Management Board are governed by Articles 39, 46 of the SE Regulation, Section 16 of the German SE Implementation Act, Sections 84 and 85 of the German Stock Corporation Law (AktG), and Section 8 of the articles of incorporation of the Company. Accordingly, Management Board members may be appointed by the Supervisory Board for a maximum period of six years. A reappointment or extension of their terms is permitted for a maximum of six 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. 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. 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. 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.

Changes to the articles of incorporation require a resolution by the Shareholders' Meeting. Such resolutions require a simple majority of the votes cast and a simple majority of the equity capital represented during the resolution, in accordance with Section 27 (1) of the articles of incorporation, as long as the law does not prescribe a larger majority. The authority to make changes which pertain to the wording only is delegated to the Supervisory Board, in accordance with Section 18 (3) of the articles of incorporation.

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 a 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 percent 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 percent of equity capital at the time this authorization takes effect. Deducted from this limit are shares that

- a) were issued or sold in direct or corresponding application of Section 186 (3)(4) of the German Stock Corporation Law (AktG) excluding subscription rights during the term of this authorization and that
- b) 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 Law (AktG) 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 percent. At no time may more than 10 percent 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. 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 applies 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

A syndicated loan of € 56 million exists with a consortium comprised of Deutsche Bank AG, Landesbank Baden-Württemberg (LBBW), Commerzbank AG and Banque Européenne Crédit Mutuel (BECM). This loan contains a right to extraordinary cancellation if there is a significant change in the Company's circumstances and the parties have not reached a timely agreement regarding maintaining the credit relationship.

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

The service contract of a member of the Management Board contains a change-of-control clause, which provides for an exceptional right of termination in case Management Board duties are suspended prematurely due to a change of control.

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 27, 2020, the Management Board and Supervisory Board of SUSS MicroTec SE issued a joint Group declaration regarding corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and made it available on the Company's website at www.suss.com > *Investor Relations* > *Corporate Governance*.

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

The Management Board of SUSS MicroTec SE has prepared a non-financial Group declaration for the 2019 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 Company's website at www.suss.com > *Investor Relations* > *publications* in accordance with Sections 315b, 315c HGB.

REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD

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

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 2019 fiscal year, as in previous years, 70 percent of variable remuneration was determined according to annual targets and 30 percent according to targets set three years in advance in each case.

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 2019 fiscal year: order entry, EBT, and return on investment (ROI). The annual targets are weighted differently.

If 90 percent or less of the order entry annual target, 75 percent or less of the EBT annual target and 88 percent or less of the ROI annual target are achieved, then this remuneration component is not received. The maximum amount is reached at a target achievement level of 110 percent for order entry, 125 percent for EBT and 112 percent for ROI. Between the upper and lower threshold values, the basis of calculation for this remuneration component is to be calculated in relation to the target achievement level.

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 in advance for a period of three fiscal years, with annual adjustments being made to include the next year in the applicable three-year period.

Sales growth and the EBT margin have been agreed as the multi-year targets for the fiscal years from 2019 to 2021. Both of these targets are assigned a 50 percent weighting. If the target achievement level comes to 70 percent or less, the variable remuneration component is not paid out (minimum value). The maximum value for this remuneration component is reached as soon as the target achievement level reaches 120 percent.

Variable remuneration B, which is based on multi-year targets, is determined annually and is completely paid out in the respective fiscal year.

SEVERANCE PAYMENTS

In Management Board contracts, a compensation payment has been earmarked for cases where the term of a member of the Management Board ends prematurely and without significant cause. This is limited to no more than two years of compensation including fringe benefits (severance payment cap) and compensates for no more than the remaining term of the employment contract. In March 2019, supplementary agreements to the existing service contracts were concluded with the members of the Management Board. These agreements include a change of control rule. The rule provides for an extraordinary termination right with corresponding compensatory benefits if the Management Board activity is prematurely suspended due to a change of control.

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 2019 and 2018 fiscal years per Management Board member according to the requirements of the German Corporate Governance Codex Number 4.2.5 (3).

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

Dr. Franz Richter Chief Executive Officer (CEO) Entry date: 09/07/2016				
<i>in €</i>				
Benefits granted	2018 (100 %)	2019 (100 %)	2019 (Min.)	2019 (Max.)
Fixed remuneration	360,000.00	400,000.00	400,000.00	400,000.00
Fringe benefits (fixed) ¹	33,579.96	34,060.44	34,060.44	34,060.44
Expenses for retirement benefits	–	–	–	–
Total	393,579.96	434,060.44	434,060.44	434,060.44
Single-year variable remuneration (A) ²	126,000.00	140,000.00	–	280,000.00
of which investment in SUSS MicroTec shares ³	63,000.00	70,000.00	–	140,000.00
Multi-year variable remuneration 2019 – 2021 (B) ²	54,000.00	60,000.00	–	120,000.00
Total	573,579.96	634,060.44	434,060.44	834,060.44
Pension expenses	–	–	–	–
Total remuneration	573,579.96	634,060.44	434,060.44	834,060.44

¹ Includes:

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

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

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

Oliver Albrecht Chief Financial Officer (CFO) Entry date: 11/18/2019				
<i>in €</i>				
Benefits granted	2018 (100 %)	2019 (100 %)	2019 (Min.)	2019 (Max.)
Fixed remuneration	–	53.300,00	53.300,00	53.300,00
Fringe benefits (fixed)	–	–	–	–
Expenses for retirement benefits	–	–	–	–
Total	–	53.300,00	53.300,00	53.300,00
Single-year variable remuneration (A) ¹	–	–	–	–
of which investment in SUSS MicroTec shares	–	–	–	–
Multi-year variable remuneration 2019 – 2021 (B) ¹	–	–	–	–
Total	–	53.300,00	53.300,00	53.300,00
Pension expenses	–	–	–	–
Total remuneration	–	53.300,00	53.300,00	53.300,00

¹ No agreement on variable compensation was concluded with Mr. Oliver Albrecht in his function as interim CFO.

Robert Leurs Chief Financial Officer (CFO) Resignation: 11/17/2019				
<i>in €</i>				
Benefits granted	2018 (100 %)	2019 (100 %)	2019 (Min.)	2019 (Max.)
Fixed remuneration	300,000.00	300,000.00	300,000.00	300,000.00
Fringe benefits (fixed) ¹	26,899.24	29,621.64	29,621.64	29,621.64
Expenses for retirement benefits	–	–	–	–
Total	326,899.24	329,621.64	329,621.64	329,621.64
Single-year variable remuneration (A) ²	105,000.00	105,000.00	–	210,000.00
of which investment in SUSS MicroTec shares ³	52,500.00	52,500.00	–	105,000.00
Multi-year variable remuneration 2019 – 2021 (B) ²	45,000.00	45,000.00	–	90,000.00
Total	476,899.24	479,621.64	329,621.64	629,621.64
Pension expenses	–	–	–	–
Total remuneration	476,899.24	479,621.64	329,621.64	629,621.64

¹ Includes:

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

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

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

Walter Braun Chief Operating Officer (COO) Resignation: 09/11/2018				
<i>in €</i>				
Benefits granted	2018 (100 %)	2019 (100 %)	2019 (Min.)	2019 (Max.)
Fixed remuneration	270,000.00	–	–	–
Fringe benefits (fixed) ¹	20,234.52	–	–	–
Expenses for retirement benefits	–	–	–	–
Total	290,234.52	–	–	–
Single-year variable remuneration (A) ²	94,500.00	–	–	–
of which investment in SUSS MicroTec shares ³	47,250.00	–	–	–
Multi-year variable remuneration 2019 – 2021 (B) ²	40,500.00	–	–	–
Total	425,234.52	–	–	–
Pension expenses	–	–	–	–
Total remuneration	425,234.52	–	–	–

¹ Includes:

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

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

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

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

in €	Dr. Franz Richter Chief Executive Officer (CEO) Entry date: 09/07/2016		Oliver Albrecht Chief Financial Officer (CFO) Entry date: 11/18/2019	
	2018	2019	2018	2019
Zufluss				
Fixed remuneration	360,000.00	400,000.00	—	53,300.00
Fringe benefits (fixed) ¹	33,579.96	34,060.44	—	—
Expenses for retirement benefits	—	—	—	—
Severance payments	—	—	—	—
Total	393,579.96	434,060.44	—	53,300.00
Einjährige variable Vergütung (A) ^{2,3}	137,689.43	105,725.00	—	—
of which investment in SUSS MicroTec shares ⁴	68,844.72	52,862.50	—	—
Multi-year variable remuneration 2019 – 2021 (B) ^{2,3}	82,577.93	14,904.23	—	—
Total	613,847.32	554,689.67	—	53,300.00
Pension expenses	—	—	—	—
Total remuneration	613,847.32	554,689.67	—	53,300.00

¹ Includes:

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

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

³ No agreement on variable remuneration was concluded with Mr. Oliver Albrecht in his function as interim CFO.

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

in €	Robert Leurs Chief Financial Officer (CFO) Resignation: 11/17/2019		Walter Braun Chief Operating Officer (COO) Resignation: 09/11/2018	
	2018	2019	2018	2019
Zufluss				
Fixed remuneration	300,000.00	300,000.00	270,000.00	—
Fringe benefits (fixed) ¹	26,899.24	29,621.64	20,234.52	—
Expenses for retirement benefits	—	—	—	—
Severance payments ²	—	400,000.00	699,000.00	—
Total	326,899.24	729,621.64	989,234.52	—
Einjährige variable Vergütung (A) ³	114,741.19	90,000.00	—	—
of which investment in SUSS MicroTec shares ⁴	57,370.60	—	—	—
Multi-year variable remuneration 2019 – 2021 (B) ³	68,814.94	—	—	—
Total	510,455.37	819,621.64	989,234.52	—
Pension expenses	—	—	—	—
Total remuneration	510,455.37	819,621.64	989,234.52	—

¹ Includes:

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

² Compensation for termination of employment contract (originally remaining term of contract Mr. Leurs until 11/30/2020)

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

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

PENSIONS

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

REMUNERATION OF THE SUPERVISORY BOARD

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

2019 in €	Remuneration	Attendance fee
Supervisory Board		
Dr. Stefan Reineck (Chairman of the Supervisory Board)	60,000.00	16,000.00
Jan Teichert (Deputy Chairman of the Supervisory Board)	50,000.00	16,000.00
Gerhard Pegam	45,000.00	16,000.00
Dr. Myriam Jahn	45,000.00	16,000.00
Dr. Dietmar Meister (since June 6, 2019)	25,687.50	10,000.00

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

In the 2019 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 develops and produces equipment and process solutions for micropattern applications for the semiconductor industry – this is an area in which SUSS MicroTec has over seventy years of experience. The Company's portfolio encompasses a broad range of products and solutions for backend lithography, wafer bonding, and photomask cleaning, supplemented by micro-optic components. Whether for the production of memory chips, the manufacturing of cameras for mobile phones, or the production of tire pressure sensors – SUSS MicroTec's solutions are used for a wide range of manufacturing processes for everyday and industrial applications. These strengths give the Group the opportunity to carry out promising development projects and enter into auspicious cooperative agreements in order to further expand its product range and to refine applications and technologies. The SUSS MicroTec Group maintains numerous development partnerships with research institutes and industry partners. In particular, cooperation with research institutes offers tremendous potential for SUSS MicroTec because they usually work very closely with our customers and are financed to a significant extent by these customers. New basic technologies are frequently developed in the laboratories of research institutes and only then find their way into industry. It is all the more important for a high-tech company like SUSS MicroTec to participate in the development of new technologies and processes from the beginning. This increases the chances of being able to offer tools and solutions later for industry on a large scale.

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

Sector and Market-Specific Opportunities

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

The semiconductor equipment industry markets served by SUSS MicroTec are undergoing a process of continuous change which is influenced by information and communication technology as well as the rapid developments in the automotive sector. Developments such as the increasing use of assistance systems in cars, autonomous driving and the changeover to electrical drives are shaping sales of semiconductors in the automotive industry. Electronic and hybrid cars require significantly more semiconductors than conventional vehicles. Moreover, beyond assistance systems and the functions that are required for autonomous driving, a large number of semiconductors are required in order to provide premium infotainment. In addition, the numerous functions of smartphones and tablets are among the main drivers of business in the semiconductor equipment industry. The number of different components contained in smartphones and tablets – such as memory chips, sensors for fingerprint and facial recognition, image sensors for cameras – increases the demand by smartphone manufacturers for powerful chips, which in turn leads to greater demand for semiconductor equipment. The digitalization of the services industry (smart pay, smart logistics, smart services) as well as of private households (smart home, smart health) has likewise entailed growing demand for semiconductors and sensors for some years now. Wearable high-tech components such as smartwatches and intelligent clothing are also driving the semiconductor industry. These trends will likely continue in the coming years.

Our global network of sales employees, product engineers, and commercial partners is focused on fulfilling the sector and market-specific requirements of our customers worldwide. SUSS MicroTec is represented in the core markets of the semiconductor equipment industry in Taiwan, China, Singapore, South Korea, and Japan with its own subsidiaries. Our philosophy includes maintaining direct contact at all times with our customers via our branch offices, with the goal of immediately registering current developments in the semiconductor markets. As a result, SUSS MicroTec is able to respond quickly to emerging developments and to adjust its applications accordingly.

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

For example, SUSS MicroTec presents its new developments routinely at the Semicon trade fairs, which are held annually at various sites worldwide. In 2019, SUSS MicroTec was represented at the SEMICON fairs in China (Shanghai), Taiwan (Taipei), Korea (Seoul), and Europe (Munich), presenting cutting-edge technologies from its various product lines. Many customers and other interested parties visited the fairs. At the same time as SEMICON China, SUSS MicroTec also took part in a photomask equipment workshop, which was likewise held in Shanghai. SUSS MicroTec also presented its technologies and applications at the European 3D TSV Summit (SEMI) in Dresden, at the MEMS & Sensors Technical Congress 2019 in Monterey (Canada), at the Electronic Components and Technology Conference in Las Vegas, USA, and at the SEMI MEMS & Sensors Summit in Grenoble, France. In addition, SUSS MicroTec hosted the UK Lithography Conference in Chilton (United Kingdom).

Through 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 level of recognition boosted by trade fairs and events make it possible for us to “keep our ear close to the market” and to respond quickly to technological progress and new developments.

Operational Opportunities

Lithography remains the SUSS MicroTec Group’s largest division and accounted for more than 50% of total annual Group sales in 2019. 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 of these two product lines ensures that the SUSS MicroTec Group can maintain a consistent workload at its Garching and Sternenfels production sites. With refinements and improvements of the technologies of these two product lines, we are consolidating our market position and safeguarding continued stable sales of mask aligners and coaters/developers.

In order to be able to achieve the SUSS MicroTec Group's planned sales increases over the next few years, it is necessary to expand the Group's development and production capacities. For this reason, premises at a government-sponsored science park were leased in the second half of 2019 in HsinChu (Taiwan). Future development work will be implemented here for our coater/developer product line. In addition, some coater/developer production will take place in Taiwan in the future, while our Sternenfels site will concentrate on the production of bonders and mask cleaners. SUSS MicroTec expects its new production site in Taiwan to provide increased flexibility, thus enabling it to satisfy its customers' requirements in a targeted fashion. In addition, the proximity of its development and production operations to potential customers in Taiwan may generate additional orders.

The technologies of SUSS MicroTec Photonic Systems – UV projection lithography and laser processing – only generated a limited volume of sales in 2019. Significant order entry and sales volumes for these two product lines were only recorded in 2015 and 2016. In the past fiscal year, order entry and sales were once again well short of our expectations. The new DSC300 generation generated positive feedback from potential customers, but, after 2017 and 2018, in 2019 once again no significant orders were gained here. SUSS MicroTec expects its customers' readiness to invest in this equipment to remain low in the short and medium term and therefore no longer anticipates any significant sales from these two product lines. Due to these market expectations, which were adjusted at the end of 2019, the Management Board subsequently decided at the start of 2020 that it would discontinue production of lasers and scanners and no longer actively distribute these two product lines. In January 2020, most of the employees at the Group's American subsidiary SUSS MicroTec Photonic Systems Inc. at its Corona, USA site were laid off. Further closure costs will be incurred until the end of 2020. Overall, the closure costs in 2020 will amount to a mid single-digit million euro amount. However, from 2021 Group earnings will no longer be affected by negative earnings contributions from these two product lines.

In December 2019, SUSS MicroTec announced its intention to purchase PiXDRO, the inkjet printer division of Meyer Burger. Through this acquisition, the roughly 30 employees at PiXDRO's site in Eindhoven (Netherlands) will be taken on. PiXDRO produces and distributes semi and fully automated devices for inkjet printing-based coating processes. While PiXDRO's main applications were previously in the fields of research and development, printed circuit boards (PCB) and photovoltaics (PV), additive, digital inkjet technology will also provide a large number of new opportunities in the field of semiconductor technology. Through the acquisition of this business, including related patents, SUSS MicroTec will add the option of applying photo resists and dielectric layers by means of this new process to its existing lithography product portfolio in its coater/developer segment. Unlike other

coating methods, with this process almost 100% of the material used is applied to the wafer, with a very high throughput rate. For SUSS MicroTec customers, this enables significant savings on the materials used, lower cleaning and disposal costs, and related significant cost savings, while also reducing the environmental impact. SUSS MicroTec assumes that with these advantages it will gain further customers for its coaters/developers and expects this new technology to generate significant sales growth over the next few years.

The Bonder division is divided into the two sub-areas of permanent and temporary bonding. In 2019, the collapse of the 3D memory market resulted in declining sales in the temporary bonding area. Instead, in the past fiscal year SUSS MicroTec sold additional automatic permanent bonders for metal-based bonding methods and for hybrid and fusion bonding processes and thus significantly strengthened its market position with important customers. Following positive results in 2017 and 2018, in 2019 the Bonder division realized a negative division EBIT which was mainly due to the decline in sales of temporary bonders. However, for the future we continue to assume significant sales growth and positive division earnings and firmly expect that we will be able to consolidate and expand our market share in our Bonder division over the next few years and that we will pick up new customers and high-margin orders in both areas.

In the Photomask Equipment division, we have achieved high sales and high margins since the acquisition of SUSS MicroTec Photomask Equipment in 2010. Most of the sales involved a few individual orders, each of which had a very high order value of several million euros. Sales per fiscal year therefore display large fluctuations. We view our market position in this segment as very secure and assume that we will be able to achieve large profits in the future. The sales volume developed very positively in 2019 and significantly exceeded our expectations. For 2020, we likewise assume further sales growth and clearly positive earnings contributions. 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.

Our Microoptics division developed very positively in 2019. Sales increases of more than 70 percent were recorded in the past fiscal year compared to the previous year. In 2019, alongside traditional sales in the telecommunications segment, further sales were achieved in the automotive segment. Over the next few years, SUSS MicroTec therefore expects to see significant growth in this new market. Its micro-optics business will thus encompass a broader product range and a significantly larger range of customers. It will therefore be less dependent on cyclical fluctuations in individual markets.

In 2019, further investments were made in cleanrooms, machinery and technical equipment so as to be able to cope with the good orders position. SUSS MicroTec expects that its Microoptics division will provide a substantial future sales and earnings contribution to Group earnings.

Financial Opportunities

Significant changes in the currency market can affect the sales and earnings of SUSS MicroTec both positively and negatively. The changes in value of the euro against the US dollar 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 would have rather negative effects, while a devaluation would prospectively 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. In our view, our SME structures together with our international orientation make SUSS MicroTec an attractive employer. The average period of employment of our globally active employees is around ten years. We will maintain our existing strategy to retain long-term employees. In addition, we will increase our efforts to continue to attract qualified employees. While the current lack of specialist staff is also noticeable at our Garching and Sternenfels sites, we assume that we will continue to be able to fill all vacant positions with qualified and motivated employees, thanks to the attractive remuneration packages and interesting positions which we offer.

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, ordinarily targets are defined that are related to winning customer orders. The personal goals of employees of other departments mostly involve services or projects that add value to the respective department. By integrating budget planning into the remuneration system, we establish a financial incentive for our executives to contribute actively to the achievement of the established targets. In this way, we increase our chances of actually achieving our planned sales and earnings.

In addition, the definition of personal targets for executives offers us the opportunity to implement numerous projects in various areas, even if a work effort is required of employees that goes beyond the normal day-to-day business.

As a globally active 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 our mask aligner product line, the development of an automatic nano-imprint cluster was a core area of focus. Moreover, a new generation of manual mask aligners MA8BA8 was developed. In addition, work was done on a macro defect inspection tool which can be used for both mask aligners and coaters. The refinement of a UV-LED light source – as a replacement for mercury vapor lamps – was another area of work in 2019.

In our coater/developer product line, work focused on the finalization of the ACS200 Gen3 Model Year 2019. A new handling platform and a new media supply system were developed with the goal of enabling increased throughput while reducing the tool's overall footprint in the cleanroom. A new 300mm system was also developed. In addition, through a partnership with the Joanneum research institute (Graz, Austria) work was done on the characterization of various inkjet printheads for the use of photo resists.

In the Bonder division, work focused on the development of hybrid and fusion bonding modules for the XBS200, improvement of post bond alignment and well as the development of an IR metrology station. These developments were also transferred to a new 300mm system for hybrid and fusion bonds. In addition, work was done on further improvements to temporary bonders and debonders.

In the Photomask Equipment division, the ongoing refinement of our GlueBuster technology and the development of EUVL applications were core areas of focus. Our GlueBuster system was specially developed for the removal of pellicle adhesives and combines precise physical forces with an innovative dosing method for the specific cleaning chemicals.

In the Microoptics division, our development activities focused on applications in the automotive segment.

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

RISK MANAGEMENT SYSTEM

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

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

Risk Management Organization and Documentation

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

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

Risk Identification

All Group units subject to reporting organize regular workshops which, in addition to past events, primarily address 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 immediately to be reported 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 detection. The large production sites are certified in accordance with ISO 9001, which confirms reliable, process- and system-oriented quality management. Clearly structured and unambiguously documented processes within the framework of quality management not only ensure transparency but also have become, for most production clients, a precondition for the successful marketing of our tools.

Risk Assessment

Risks are assessed 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					

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.

Preparation of the consolidated financial statements is supported by means of uniform, standardized reporting and consolidation software that includes extensive inspection and validation routines. Accordingly, the accounting-related internal control and risk management system envisages preventive checks as well as

retrospective detection. For instance, this includes IT-based and manual reviews in the form of regular sampling-based and plausibility checks, various risk, process, and contents-based checks in the Company's divisions, the establishment of functional separations and predefined approval processes, the consistent implementation of the dual control principle for all key accounting-related processes, and strictly controlled access rules for our IT systems, in order to prevent unauthorized access to accounting-related data.

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 accounting-related 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, 2019, 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. Transparent and structured guidelines are designed to restrict employee discretion with respect to the recognition and measurement of assets and liabilities and thus to reduce the risk of inconsistencies in the Group's accounting practices. The subsidiaries are subject to certain mandatory guidelines regarding reporting and the scope of disclosure. The central Finance and Controlling departments monitor compliance with reporting obligations and deadlines.

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

RISKS FOR THE GROUP

Macroeconomic Risks

As an internationally active company, SUSS MicroTec distributes its products worldwide. Much of its sales are achieved in Asia, particularly in Taiwan, China, and South Korea. Europe is also an important distribution region, followed by the USA. All of our international business activities typically entail a large number of general market risks that depend on overall economic developments, social and geopolitical factors, and regulatory outline conditions. Macroeconomic developments – such as an economic slowdown in individual regions or exchange rate fluctuations – may adversely affect our customers' readiness to invest or result in delays in their purchasing decisions.

SUSS MicroTec is represented worldwide, has a broad customer network, and offers its customers five 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. Due to the concentration of production at only a few sites and the Company's employees' ability to produce various tool types, in case of significant economic upheaval SUSS MicroTec is able to react to market circumstances without delay and to adjust its organizational setup and its cost structures within an appropriate period of time. At its disposal are such tools as flextime accounts, the use of temporary

employees, and outsourcing measures. In addition, the option exists of reducing working hours. In addition, purchasing departments routinely review and adjust procurement quantities.

Political decisions, new legislation, and other regulations in the countries in which SUSS MicroTec operates can also negatively impact our business. This includes tax legislation in respective countries, export restrictions, trade disputes between certain countries, 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, 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 would have rather negative effects, while a devaluation would prospectively 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.

Risks which could arise from the further spread of the coronavirus COVID-19

At the time of writing, it is increasingly apparent the the spread of the novel coronavirus COVID-19 is affecting economic development worldwide and will continue to do so over the course of 2020. The International Monetary Fund (IMF) has downwardly

adjusted its forecast for world economic growth as a result of the corona outbreak. In its publication of March 4, 2020, the IMF envisages a global growth rate for 2020 that will be lower than the level of growth in 2019. However, the economic impact on individual companies will vary greatly in different sectors.

In some cases, the spread of COVID-19 will disrupt business processes. SEMICON KOREA, an important trade fair for SUSS MicroTec, has been canceled. This was due to have taken place from February 5 to 7, 2020, in Seoul, South Korea. This meant that it was not possible to present new developments and technologies to the Company's customers at this trade fair. SEMICON CHINA and SEMICON SOUTHEAST ASIA have been postponed for several months. It is possible that these trade fairs will likewise not take place. SUSS MicroTec would thus lose an important platform to pick up new customers and orders.

Furthermore, travel worldwide is only possible to a very limited extent or not at all. In the meantime many European countries have become disaster areas with corresponding consequences. At SUSS MicroTec, business trips between Germany and the other risk areas are exposed; until further notice, no German employees will be transferred to customers in the Coronavirus in severely affected areas. Conversely, numerous other countries (e.g. Taiwan, USA and various European countries) now impose travel restrictions on Germany. In principle, however, SUSS MicroTec has its own branches in its main sales regions and thus has service employees on site, so that installation and maintenance work on customers' machines can continue to be offered without the need for long journeys.

SUSS MicroTec has not yet seen any major impact on order entry and sales at this time. At present, single completed machines cannot be delivered to customers in the affected regions or put into operation since, in addition to passenger transport, freight transport is also subject to restrictions. Beyond that orders from customers are delayed in individual cases. If the global spread of COVID-19 continues to increase, and the corona crisis will last over a longer period of time, we cannot rule out to make major losses in the order intake and sales with corresponding effects on earnings. There is a risk that due to the adverse effects associated with the spread of COVID-19, incoming orders and sales in certain regions may fall short of expectations over a longer period of time and thus the sales target for 2020 may not be achieved.

On the procurement side, we are already seeing effects from the spread of COVID-19 in individual cases. Our suppliers are mainly based in Germany. There is a risk that some suppliers in Europe may close down plants if employees become infected with the coronavirus. This risk has already occurred at individual suppliers. This could result in delays in the delivery of ordered components, which will delay the completion and delivery of our machines.

At SUSS MicroTec, we must also expect temporary plant closures at the production sites if employees are affected by COVID-19 infection and are subject to corresponding quarantine requirements. In order to minimize these effects as much as possible, we have defined appropriate emergency plans and organized our business processes in a temporary two-shift model to maintain a minimum level of operations. In addition, employees perform their work in their home offices, where this makes sense from an organizational perspective. We have set up a crisis team to manage these measures. Despite these organizational measures, production processes at SUSS MicroTec could be significantly impaired, which could also lead to delays in the completion and delivery of machines. The paid release of a larger number of employees suspected of being ill to fulfill quarantine obligations would lead to additional personnel expenses. In the event of underutilization or plant closure, we are examining the introduction of short-time working.

Should the global spread of COVID-19 continue to accelerate and lead to a prolonged economic downturn and to longer lasting restrictions in international trade, this will have a correspondingly negative impact on the sales, earnings, and liquidity situation at SUSS MicroTec. Taking into account cash and cash equivalents of € 10.3 million as of December 31, 2019, net debt amounts to € 18.0 million. The cash credit lines of € 40 million granted via the syndicated loan were utilized in the amount of € 9.5 million as of December 31, 2019. At the time this report was prepared, cash and cash equivalents amounted to approximately € 10 million and net debt was approximately € 26 million. Cash credit lines have been drawn down in the amount of € 18.0 million. This means that SUSS MicroTec currently has financial leeway in the amount of approximately € 32 million. Should the situation deteriorate further, SUSS MicroTec will take various measures to limit or delay cash outflows (for example, postponement of investments, restrictive ordering behavior, short-time work, etc.). With the financial leeway available and taking into account the possible cost-saving measures, we assume that SUSS MicroTec will be able to meet all financial obligations for the next 12 months to ensure the continued existence of the company.

Sector and Market-Specific Risks

The difficulty in assessing the short and medium-term market development is still one of the greatest risks for SUSS MicroTec. The semiconductor industry in particular, which is among the Company's sales markets, is characterized by strong market cycles. A significant drop in the entire semiconductor market would lead to lower sales for SUSS MicroTec and harm the Company's earnings. The Company is countering the related risks by means of an organizational structure which can be adjusted quickly in the case of a weak business trend 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 and applications. In addition, new developments and the refinement of existing technologies are only possible with a sufficient number of qualified and experienced employees. Moreover, a lack of employees, or a lack of sufficiently qualified employees, in the area of production may have a negative impact on quality. Non-availability of these employees in these areas is a related risk. The current lack of specialist staff in Germany is also noticeable at our Garching and Sternenfels sites. It is currently necessary to pay higher salaries in order to attract sufficiently qualified employees with the necessary experience for SUSS MicroTec. In addition, it is necessary to allow for more time to fill vacancies, which may result in shortages within departments and the need for other staff to cover positions.

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 expecta-

tions. 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 prove to be incorrect and if new developments do not live up to our customers' expectations, SUSS MicroTec would have inappropriately allocated scarce development resources. This would accordingly have a negative impact on the result for the affected product line. Overall, this risk is not viewed as a going-concern risk for SUSS MicroTec.

In order to maintain our success on the market 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.

We are currently faced with the challenge that the market is making new demands of our mask cleaners' particle removal efficiency, due to a further decrease in the size of their patterns. Efficient particle removal while maintaining the masks' patterns is a highly challenging task. In the Photomask Equipment division, we are concentrating our development activities on these challenges, so that in future we will continue to be able to offer our customers mask cleaners that satisfy these stringent technological requirements. We are increasingly cooperating with external development partners for this purpose.

Operating Risks

In 2019, without extraordinary effects SUSS MicroTec only achieved a marginally positive EBIT. Significant margin declines were registered in the Lithography division. In addition, in the past fiscal year a clearly negative free cash flow of € -36.9 million resulted. Bank loans with a volume of € 19.5 million were taken out in order to finance this negative cash flow from operating activities as well as these investments. On December 31, 2019, net cash amounted to € -18.0 million. Nonetheless, as of the end of 2019 the SUSS MicroTec Group is continuing to report strong shareholders' equity, with an equity ratio of 62.7 percent.

With the closure of production in Corona, which was resolved in January 2020, the high annual cash outflows for the loss-making scanner and laser product lines be reduced from 2020 and stopped from 2021. Through this as well as further measures to optimize production in Garching and Sternenfels, we envisage significantly improved margins in our Lithography core business for 2020. In 2020, closure costs will still result in planned cash outflows in the mid single-digit million euro range.

Taking into account the order backlog as of the end of 2019 and the expected order entry development in the first half of 2020, we expect to generate sales in the range between € 230 million and € 240 million and a positive EBIT between 2.5 percent and 3.5 percent of sales in 2020. This includes one-off effects resulting from the closure of the Corona production site. Without these one-off effects, the EBIT margin would be between 4.5 percent and 5.5 percent. This does not include negative effects resulting from the continued and protracted worldwide spread of the coronavirus COVID-19.

As of December 31, 2019, SUSS MicroTec has reported goodwill of approximately € 15.7 million, which is entirely attributable to the Lithography division. The Lithography division produces more than 50 percent of Group sales. The Lithography division is expected to once again generate more than half of total Group sales next year. 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.

The coater product line, which similarly belongs to the Lithography division, has also made a major contribution to Group sales for many years. In 2019, SUSS MicroTec continued to generate stable sales with coaters and developers and was able to record high order entry. However, the gross profit margin for coaters/developers for which sales were realized declined in 2019. The weak gross profit margin was mainly due to the increased cost of materials due to a change of purchasing policy, increased expenses due to value adjustments on inventories and demo devices, and increased manufacturing costs due to higher personnel expenses. Our customers' ordering behavior in 2019 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. However, in order to be able to once again achieve appropriately high margins, the currently high cost of sales must be reduced by means of cost-cutting measures as well as efficiency enhancement programs in the areas of construction, assembly, and material purchasing. In addition, sales prices must be examined in terms of whether they are appropriate, and opportunities for price increases must be considered. If it is not possible to return to a significantly improved gross profit margin for coaters/developers, this will negatively affect Group earnings, which would fall short of our expectations in overall terms. However, for the future we assume that, along-

side high order entry and sales volumes, we will again be able to achieve appropriate margins.

The Lithography division also includes the SUSS MicroTec Photonic Systems product lines for UV projection lithography and laser processing. In the past fiscal year, order entry and sales for the two product lines were once again well short of our expectations. The new DSC300 generation generated extremely positive feedback from potential customers, but in 2019 once again no significant orders were gained here. Since customers' readiness to invest will remain limited in the short and medium term, SUSS MicroTec no longer expects these two product lines to produce significant sales. Due to these adjusted market expectations, the Management Board has decided to discontinue production of lasers and scanners and no longer actively distribute these two product lines. In January 2020, most of the employees at the Group's American subsidiary SUSS MicroTec Photonic Systems Inc. at its Corona, USA site were laid off. Further closure costs will be incurred by the end of 2020. Overall, the closure costs in 2020 will amount to a mid single-digit million euro amount. However, from 2021 Group earnings will no longer be affected by negative earnings contributions from these two product lines.

In the past fiscal year, the Bonder division achieved a marginally negative EBIT of € -0.3 million, compared to a clearly positive EBIT of € 4.8 million in 2018 and € 3.3 million in 2017. The negative result was mainly attributable to lower sales in the temporary bonding area, which is attributable to a collapse in the 3D memory market. For this reason, in 2019 we sold additional automatic permanent bonders for metal-based bonding methods and for hybrid and fusion bonding processes and thus significantly strengthened our market position with important customers. Looking ahead, we assume that the Bonder division will provide constant substantial sales and positive contributions to Group earnings with product lines in the area of permanent and temporary bonding.

In 2019, a further high volume of sales was achieved in the automotive segment in our Microoptics division. In its role as a supplier to the automotive industry, SUSS MicroOptics is subject to risks that may differ from those which apply for SUSS MicroTec as a semiconductor equipment manufacturer. In order to further expand its automotive business, SUSS MicroOptics has to comply with the automotive industry's specifications and has successfully completed IATF 16949:2016 certification for this purpose. In addition, SUSS MicroOptics has expanded its insurance coverage, so that potential claims in the automotive sector are also covered. In 2019, sales activities in the automotive business included optical lenses that are used as part of a design lighting system and do not have any safety function. Overall, SUSS MicroTec does not expect the expansion of its micro-optics business into the automotive sector to result in any increased product liability risks. However, increased capacity at our Hauterive, Switzerland site is

necessary in order to be able to fulfill the significant increase in order and sales volumes. In 2019, major investments were once again made in cleanrooms and production equipment. For 2020, investments in the mid single-digit million euro range are likewise planned. In the event that the high order and sales volumes expected in the future fail to materialize – in particular, due to fluctuations in demand from automotive customers – then SUSS MicroTec would have inappropriately allocated these investment resources. However, we regard this risk as minimal.

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

We are increasingly experiencing heightened customer demand for very short delivery times, while our customers are only placing binding orders with us very late on. Nevertheless, in order to meet our customers' requirements for short-term delivery deadlines, we undertake preliminary work, where necessary, and we produce individual tools in line with our customers' needs before a binding order has been placed with us. In such cases, there is a risk that the expected order may not materialize, so that SUSS MicroTec will have used its production capacities inappropriately and possibly procured material for a customer-specific tool that cannot be used for another purpose. Furthermore, in these situations no customer down payments are forthcoming. This increases the need for SUSS MicroTec to build up and pre-finance its inventory. We counter this risk by means of a critical assessment of our (generally long-term) customers and their needs as well as by restricting our pre-production to common types of tools, which can also be used for other customer orders in the event that 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. Nonetheless, due to the growing complexity of the equipment there is a risk of quality shortcomings only being identified at the commissioning and process qualification stages. 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 addition, the link-up between our foreign sites and our central corporate network requires particular security precautions in order to prevent unauthorized external access. 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 advance payment for the entire amount, or a large 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 € 19.7 million (previous year: € 22.6 million), € 13.1 million overall was neither overdue nor impaired as of the reporting date (previous year: € 17.0 million). As of December 31, 2019, there were no indications of payment defaults occurring.

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

AGE STRUCTURE OF PAST DUE RECEIVABLES WITHOUT VALUE ADJUSTMENT

<i>in € thousand</i>	2019	2018
1–30 days	2,325	1,748
31–60 days	514	260
61–90 days	1,185	537
91–180 days	1,081	1,710
Overdue receivables without impairment	5,105	4,291

As of the reporting date, a total of € 1.4 million (previous year: € 1.4 million) of the gross balance of receivables was overdue and impaired.

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

AGE STRUCTURE OF PAST DUE RECEIVABLES WITH VALUE ADJUSTMENT

<i>in € thousand</i>	2019	2018
181–360 days	869	938
361–720 days	217	300
> 720 days	322	145
Past due receivables with value adjustment	1,408	1,383

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 € -18.0 million (previous year: € 28.2 million). Free cash flow in the past fiscal year totaled € -36.9 million (previous year: € -5.0 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, 2019, the SUSS MicroTec Group recognized bank borrowings of € 1.5 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.

In 2019, two subsidised loans promoted by KfW were taken out from IKB with a total volume of € 10.0 million. These two loans were paid out in April 2019 and August 2019. They have a term of ten years. The two loans are secured by means of land charges on the business property in Garching. As of December 31, 2019, this loan amount has been reported under noncurrent financial liabilities.

In October 2019, SUSS MicroTec SE concluded a syndicated loan agreement with four banks (Deutsche Bank, LBBW, Commerzbank, and BECM) for a total volume of € 56 million. Under this syndicated loan agreement with a term of five years, SUSS MicroTec SE has been granted a € 40 million credit line for cash draw-downs as well as a guarantee line of € 16 million. The Group's other German companies may also make use of this guarantee line. As of December 31, 2019, an amount of € 9.5 million has been drawn down as a loan under this agreement. This amount is reported under current financial liabilities.

We are currently making use of these available guarantee lines in order to offer down payment guarantees in the operational business. As of December 31, 2019, € 8.3 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.

The conclusion of the syndicated loan agreement, which will provide us with a total credit line of € 40 million for cash draw-downs, will safeguard the financing of the SUSS MicroTec Group over the next few months and years. We therefore consider any potential financing risk to be very low. Nonetheless, we aim to keep the Company's ratio of borrowed capital at a low level through corresponding cash flows, also by 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. We aim to achieve a hedging ratio for orders that are processed within three or six months of 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. Where necessary,

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.

The newly concluded syndicated loan agreement includes a variable interest rate for the drawn down loan amounts. This variable interest rate corresponds to Euribor plus a margin. Commitment commission is payable on the portion of the credit line not used. This is likewise variable. SUSS MicroTec is thus subject to a limited interest rate risk. In view of the interest rate policy of the European Central Bank, SUSS MicroTec considers this interest rate risk to be very low.

The loans associated with the financing of the Garching property and the newly concluded KfW subsidised loan have been granted on the basis of a fixed interest rate.

OVERALL ASSESSMENT

No risks that threaten the Company's existence were identified in the Group in the 2019 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	Medium	High	Very high	Negligible	Marginal	Serious	Critical	Threatening the existence
	> 0 % to ≤ 5 %	> 5 % to ≤ 10 %	> 10 % to ≤ 25 %	> 25 % to ≤ 50 %	> 50 % to ≤ 100 %	€ 0 to ≤ € 20 k	> € 20 k to ≤ € 500 k	> € 500 k to ≤ € 2 million	> € 2 million to ≤ € 10 million	> € 10 million to ≤ € 20 million
Macroeconomic risks										
Negative impacts due to changes in the currency exchange rate			X					X		
Development-specific risks										
Product policy, customer satisfaction			X						X	
Lack of innovation failed development projects			X						X	
Loss of market leadership in individual areas			X						X	
Operating risks										
Sales losses with mask aligners	X							X		
Loss of market shares for coaters		X						X		
No profitability of UV projection lithography systems and laser processing tools			X						X	
Permanent bonding – market share cannot be increased			X					X		
Temporary bonding – technology developed by SUSS MicroTec cannot be established in the market		X						X		
Product liability	X							X		
Risks that could arise from the further spread of the coronavirus COVID-19										
				X					X	
Information technology risks										
Data security			X				X			

FORECAST REPORT

Regional and global economic conditions and developments on the semiconductor market influence the business performance of SUSS MicroTec. In the following forecast report we explore various factors that both the Company and market and industry observers consider to be essential for the future business development of the Company.

According to the European Commission, the eurozone will likewise maintain a moderate but steady growth rate of 1.2 % over the next two years. However, the considerable political uncertainty is continuing to put pressure on the manufacturing sector.

For the German market, a real gross domestic product recovery is expected. The Ifo Institute for Economic Research expects economic output to rise by 1.1 percent in 2020, compared to 0.5 percent in 2019.

In its World Economic Outlook for 2020 published in January 2020, the IMF provides a complex picture. The IMF considers that an increase in global growth to 3.3 percent over the coming year and a further increase to 3.4 percent in the following year is possible. However, this outlook is strongly dependent on avoiding any escalation of American-Chinese trade tensions and containing the economic effects of the regional and geopolitical unrest. On March 2, 2020, the OECD (Organisation for Economic Co-operation and Development) published one of the first studies on this subject. This assumes a significant slowdown in world economic growth in 2020 but anticipates a strong recovery in 2021. The impact of the corona virus (COVID-19) pandemic on the global economy, the euro zone and the German market represents a major uncertainty factor.

INDUSTRY-SPECIFIC CONDITIONS

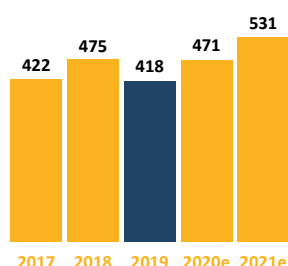
SEMICONDUCTOR AND SEMICONDUCTOR EQUIPMENT INDUSTRY

Global semiconductor sales

Growth rates for the semiconductor market and the market for semiconductor equipment may vary in some cases. It has to be taken into consideration that the equipment sector will see considerably less growth in the tools area due to efficiency gains, increases in throughput and yield, and the trend to greater wafer diameters.

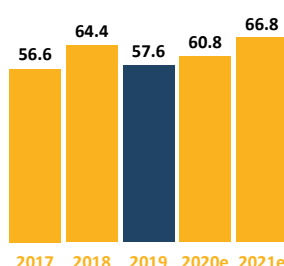
In its estimates as of January 2020 for the current fiscal year, the market research institute Gartner expects growth in the semiconductor market of 12.5 percent to a total volume of approximately US\$ 471 billion, compared to US\$ 418 billion in the previous year. This growth recovery following the 11.6 percent collapse in 2019 reflects the recovery of the market for memory chips as well as early demand for 5G-compatible smartphones. Growth over the next year will be determined, in particular, by the speed and volume of the roll-out of the new mobile communications standard and its impact on the smartphone market.

SEMICONDUCTOR MARKET in US\$ billion



Source: Gartner, 01/12/2020

SEMICONDUCTOR EQUIPMENT MARKET in US\$ billion



Source: SEMI, 12/11/2019

Following the 10.5 percent worldwide collapse in demand for semiconductor equipment, from its all-time high of US\$ 64.4 billion in 2018 to US\$ 57.6 billion in 2019, the SEMI industry association already envisages a recovery in 2020 and clear growth in 2021.

For 2020, SEMI anticipates a recovery in the market for semiconductor equipment. This will be driven by logic chips and activities in the foundry segment, new projects and, to a limited extent, memory chips. According to these industry experts' calculations, Taiwan will remain the largest market for semiconductor equipment, with an expected volume of US\$ 15.4 billion, followed by China with US\$ 14.9 billion and Korea with US\$ 10.3 billion. For Europe, a sales volume of EUR 3.3 billion is expected. The outlook for 2021 points to continuous growth in all sectors, with a significant recovery of the memory chip market. The forecasts have China leading the regional market for semiconductor equipment ahead of Korea and Taiwan.

EXPECTED DEVELOPMENTS IN THE MAJOR MARKETS

MICROELECTROMECHANICAL SYSTEMS (MEMS) AND SENSORS

The market for microelectromechanical systems (MEMS) and sensors has developed highly dynamically over the past few years. While their original area of application was the registration of simple physical data such as pressure or acceleration, many additional applications have been added such as frequency filters and image sensors in the industrial and commercial segments. Today, according to the market research institute Yole Développement, consumer electronics accounts for around 60% of the overall sector. Growth is being driven by megatrends such as autonomous driving, artificial intelligence, and the changeover to the 5G mobile communications standard. According to Yole Développement, the value of the global MEMS and sensor market will increase from US\$ 48 billion in 2018 to US\$ 93 billion in 2024. For 2019 to 2024, the market researchers predicted an average annual growth rate of approximately 11.9 percent for MEMS sensors in terms of transaction volumes and 8.3 percent in terms of the increase in value.

SUSS MicroTec's lithography and bonding equipment is used for production as well as packaging of MEMS and sensors.

ADVANCED PACKAGING

Today the concept of advanced packaging encompasses a variety of technologies, such as wafer-level packaging (WLP), in which the touchdowns occur while the individual chips are still located on the wafer. The chips are separated only after the packaging process. The packaging process therefore takes place at a highly sensitive moment in the value chain for a chip. The wafer pro-

duced reaches its peak value here, while the precision and reliability of the packaging determine the revenue and the quality level associated with the overall production process. Each packaging process is specifically designed to meet the requirements for gentle processing of the individual parts installed.

Fan-in and fan-out WLP, flip chip bonding, wafer-level chip-scale packaging, and both 2.5D and 3D integration are special packaging methods. 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 smart devices, i.e., devices such as mobile phones, smartwatches, and tablets. The automotive and medical sectors are further areas of use. For 2018 to 2024, Yole Développement expects average annual growth of about 26 percent in this market niche, in which SUSS MicroTec is represented with its lithography machines (coaters, developers, and UV projection scanners). This institute predicts a growth rate of 21 percent for lithography machines and of 13 percent for debonders.

3D INTEGRATION

3D integration is a refinement of advanced packaging technologies. In this process, thinned microchips are stacked on top of each other and connected by through-silicon vias (TSVs). The advantage of this technology is the high degree of packing density and complexity in a very small space. Through 3D integration it is also possible to integrate various options, such as memory and the processor, in one package. With its temporary bonders and debonders, SUSS MicroTec offers reliable equipment for processing of thinned and thus extremely sensitive wafers.

ENDOGENOUS INDICATORS

In addition to the development of the target markets, innovative potential is key for business success. In the 2019 fiscal year, SUSS MicroTec also maintained important cooperative development agreements with various 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 2020

Following the renewed good order intake in the third and fourth quarters of fiscal 2019, we can look forward to fiscal 2020 with great optimism. The general expectations of the semiconductor industry and the special investment projects of our main customers lead us to expect further growth. The market environment in the semiconductor industry continues to be characterized by emerging trends in the field of digitization and the wide range of possible applications in industry, the service sector and private households. For 2020 we therefore expect that our products and holistic solutions will remain in strong demand with our customers in the markets that are relevant for us. At the present time, it is difficult to estimate the specific impact on SUSS MicroTec of the current negative reports of the spread of the coronavirus COVID-19 and the related possible economic slowdown.

Taking into account the general and industry-specific market outlook for 2020, we currently assume that order entry will be in the range of approximately 100 million to 110 million euros in the first half of 2020. On this basis, we expect a sales volume of between € 230 million and € 240 million in 2020. Given this sales level, EBIT in 2020 is expected to fall in a range of between 2.5 % and 3.5 % of sales. This includes one-off effects resulting from the closure of the Corona production site. Without these one-off effects, the EBIT margin would be between 4.5 percent and 5.5 percent. This does not include negative effects resulting from the continued and protracted worldwide spread of the coronavirus COVID-19. The report on risks and opportunities and the last paragraph of this report outline the possible effects of a further spread of COVID-19 on SUSS MicroTec.

For the 2020 fiscal year, in view of the necessary investments associated with our strategic growth goals and to improve our production capacities, a free cash flow of between € 4 million and € 7 million is expected. However, free cash flow and thus also net liquidity are strongly dependent on our customers' payment behavior and the down payments received. In the event of significant customer payments being postponed to next year, this might have a negative impact on free cash flow and net liquidity in 2020. In 2019, a long-term syndicated credit line of € 40 million was agreed, which provides us with sufficient financial leeway for our envisaged growth.

In the 2020 fiscal year, the Lithography division will once again deliver the largest contribution to sales for the Group. Based on the order backlog at the end of 2019 and the forecast for order entry for 2020, we anticipate slightly higher sales than in the previous year. In view of the costs arising for the closure of our Corona production site and the costs for the integration of the newly acquired product line (inkjet printers/PIXDRO in the

Netherlands), we envisage a balanced result. In our Bonder division, we expect to achieve a marginally negative EBIT despite a slight sales increase. In our Photomask Equipment division, we envisage significant sales growth and thus a further EBIT increase, while the EBIT margin will remain stable by comparison with 2019. Our Microoptics division will develop positively in 2020, with slight sales growth and a significant EBIT increase.

The worldwide development of the pandemic and the resulting drastic measures to curb the speed of its spread in all countries we supply are having a massive impact on the global economy. The forecast we have made regarding the probable course of business in 2020 is currently subject to great uncertainty. It remains to be seen how the further course of events will develop and how quickly the circumstances in the respective countries will return to normal. If incoming orders and deliveries are cancelled or postponed by several weeks, the Management Board estimates that - in reference to the 2020 financial year - revenue could fall by between € 20 million and € 30 million compared with the budget, with a corresponding negative impact on the Group's earnings situation. In this case, countermeasures will be taken to limit the costs and outflow of liquidity so that a balanced EBIT can be achieved in such a scenario. This assessment is based on the assumption that the economic situation will largely return to normal by mid-year.

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 27, 2020

signed
Dr. Franz Richter
Chief Executive Officer

signed
Oliver Albrecht
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

OF SUSS MICROTEC SE FOR THE 2019 FISCAL YEAR

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CONSOLIDATED STATEMENT OF INCOME (IFRS)

<i>in € thousand</i>	Note	01/01/2019 – 12/31/2019	01/01/2018 – 12/31/2018
Sales	(3)	213,799	203,931
Cost of sales less special write-downs on laser / scanner assets		-149,824	-136,672
Special write-downs on assets of laser and scanner product lines		-14,246	0
Cost of sales	(4)	-164,070	-136,672
Gross profit		49,729	67,259
Selling costs		-22,867	-21,872
Research and development costs		-20,195	-18,304
Administration costs		-18,931	-15,880
Other operating income	(5)	1,688	3,192
Other operating expenses	(6)	-3,182	-3,524
Analysis of net income from operations (EBIT)			
EBITDA (Earnings before interest and taxes, depreciation and amortization)		-5,189	15,717
Depreciation and amortization of tangible assets, intangible assets and financial assets	(10)	-8,569	-4,846
Net income from operations (EBIT)		-13,758	10,871
Financial income		18	39
Financial expenses		-380	-174
Financial result	(7)	-362	-135
Profit/loss before taxes		-14,120	10,736
Income taxes	(8)	-2,141	-5,952
Net profit/loss		-16,261	4,784
thereof equity holders of SUSS MicroTec SE		-16,261	4,784
thereof non-controlling interests		0	0
Earnings per share (basic)	(9)		
Earnings per share in €		-0.85	0.25
Earnings per share (diluted)	(9)		
Earnings per share in €		-0.85	0.25

The Group applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective method. Following this approach, the comparative information was not adjusted. Further information can be found in the notes to the consolidated financial statements under point B) and under point 24.

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

<i>in € thousand</i>	01/01/2019 –12/31/2019	01/01/2018 –12/31/2018
Net profit/loss	-16,261	4,784
Items that will not be reclassified to profit and loss		
Revaluation of defined benefit pension plans	-320	-306
Deferred taxes	190	15
Other comprehensive income after tax for items that will not be reclassified to profit and loss	-130	-291
Items that will be reclassified to profit and loss in later periods		
Foreign currency adjustment	1,344	1,158
Cash flow hedges	0	0
Deferred taxes	0	0
Other comprehensive income after tax for items that will be reclassified to profit and loss	1,344	1,158
Total income and expenses recognized in equity	1,214	867
Total income and expenses reported in the reporting period	-15,047	5,651
thereof equity holders of SUSS MicroTec SE	-15,047	5,651
thereof non-controlling interests	0	0

CONSOLIDATED BALANCE SHEET (IFRS)

<i>in € thousand</i>	Note	12/31/2019	12/31/2018
Assets			
Noncurrent assets		55,109	44,975
Intangible assets	(11)	4,153	2,034
Goodwill	(12)	15,707	15,666
Tangible assets	(13)	33,905	26,189
Other assets	(14)	568	534
Deferred tax assets	(8)	776	552
Current assets		144,789	154,582
Inventories	(15)	75,047	93,459
Trade receivables	(16)	18,992	22,071
Contract assets	(17)	31,182	3,026
Other financial assets	(18)	366	272
Current tax assets	(19)	4,708	242
Cash and cash equivalents	(20)	10,280	30,672
Other assets	(21)	4,214	4,840
Total assets		199,898	199,557

The Group applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective method. Following this approach, the comparative information was not adjusted. Further information can be found in the notes to the consolidated financial statements under point B) and under point 24.

<i>in € thousand</i>	Note	12/31/2019	12/31/2018
Liabilities & Shareholders' Equity			
Equity		125,388	140,435
Total equity attributable to shareholders of SUSS MicroTec SE		125,388	140,435
Subscribed capital	(22)	19,116	19,116
Reserves	(22)	106,606	122,867
Accumulated other comprehensive income	(22)	-334	-1,548
Noncurrent liabilities		24,468	8,266
Pension plans and similar commitments	(23)	6,037	5,075
Financial debt due to banks	(24)	10,500	1,500
Financial debt from lease obligations		4,638	0
Deferred tax liabilities	(8)	3,293	1,691
Current liabilities		50,042	50,856
Provisions	(25)	4,198	5,212
Tax liabilities	(29)	702	2,609
Financial debt due to banks	(24)	10,399	1,006
Financial debt from lease obligations		2,751	0
Other financial liabilities	(26)	6,773	7,858
Trade payables		10,013	9,016
Contract liabilities	(27)	9,346	18,225
Other liabilities	(28)	5,860	6,930
Total liabilities and shareholders' equity		199,898	199,557

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

<i>in € thousand</i>	01/01/2019 – 12/31/2019	01/01/2018 – 12/31/2018
Net profit/loss (after taxes)	-16,261	4,784
Amortization of intangible assets	1,230	1,215
Depreciation of tangible assets	7,339	3,631
Profit on disposal of intangible and tangible assets	318	8
Change of reserves on inventories	14,337	3,631
Change of reserves for bad debts	114	-320
Other non-cash effective items	-1,522	146
Change in inventories	4,610	-29,830
Change in contract assets	-28,171	9,655
Change in trade receivables	3,155	-1,913
Change in other assets	498	-19
Change in pension provisions	75	214
Change in trade payables	926	1,659
Change in contract liabilities	-8,887	9,618
Change in other liabilities and other provisions	-3,569	1,756
Change of tax assets and tax liabilities	-4,995	-2,317
Cash flow from operating activities	-30,803	1,918

The Group applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective method. Following this approach, the comparative information was not adjusted. Further information can be found in the notes to the consolidated financial statements under point B) and under point 24.

<i>in € thousand</i>	01/01/2019 –12/31/2019	01/01/2018 –12/31/2018
Disbursements for tangible assets	-5,676	-6,337
Disbursements for intangible assets	-454	-604
Cash flow from investing activities	-6,130	-6,941
Repayment of bank loans	-1,000	-1,000
Proceeds of bank loans	19,500	0
Change in current bank liabilities	-3	1
Repayment of rental and lease liabilities	-2,098	0
Cash flow from financing activities	16,399	-999
Adjustments to funds caused by exchange rate fluctuations	142	230
Change in cash and cash equivalents	-20,392	-5,792
Funds at the beginning of the year	30,672	36,464
Funds at the end of the period	10,280	30,672
Cash flow from operating activities includes:		
Interest paid during the period	143	121
Interest received during the period	10	33
Tax paid during the period	6,309	7,842
Tax refunds during the period	330	216

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS)

<i>in € thousand</i>	Subscribed capital	Additional paid-in capital	Earnings reserve	Retained earnings
As of January 1, 2018	19,116	71,547	202	38,537
Adjustment of profit carryforwards due to first application of IFRS 15 (revenue)				7,797
Adjusted as of January 1, 2018	19,116	71,547	202	46,334
Net income/loss				4,784
Total income and expenses recognized in equity				4,784
As of December 31, 2018	19,116		202	51,118
As of January 1, 2019	19,116	71,547	202	51,118
Withdrawal from the capital reserves of SUSS MicroTec SE		-15,725		15,725
Net income/loss				-16,261
Total income and expenses recognized in equity				-16,261
As of December 31, 2019	19,116	55,822	202	50,582

Accumulated other comprehensive income						Total equity attributable to shareholders of SUSS MicroTec SE	Equity
Items that will not be reclassified to profit and loss		Items that will be reclassified to profit and loss in later periods					
Revaluation of defined benefit pension plans	Deferred taxes	Foreign currency adjustment	Cash flow hedges	Deferred taxes			
-2,984	736	-167	0	0	126,987	126,987	
-2,984	736	-167	0	0	134,784	134,784	
					4,784	4,784	
-306	15	1,158	0	0	867	867	
-306	15	1,158	0	0	5,651	5,651	
-3,290	751	991	0	0	140,435	140,435	
-3,290	751	991	0	0	140,435	140,435	
					-16,261	-16,261	
-320	190	1,344	0	0	1,214	1,214	
-320	190	1,344	0	0	-15,047	-15,047	
-3,610	941	2,335	0	0	125,388	125,388	

FIXED ASSETS MOVEMENT SCHEDULE

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

FIXED ASSETS MOVEMENT SCHEDULE 2019

in € thousand	Acquisition and manufacturing costs					
	01/01/2019	Translation adjustment	First-time recognition of the rights of use (IFRS 16)	Additions	Reclassifications	Disposals
I. Intangible assets						
1. Concessions, intellectual property rights and similar rights, and assets as well as licenses in such rights and assets	19,567	45		3,374		574
2. Development costs	29,451	16				
3. Other intangible assets	3,153	44				
	52,171	105	0	3,374	0	574
II. Goodwill	30,079	41				
III. Tangible assets						
1. Properties, buildings, fixtures	19,555	3		1,156		22
2. Technical equipment and machinery	19,305	538		3,010	200	688
3. Other equipment, office, and plant furnishings	12,422	39		1,510	-200	1,243
4. Motor vehicles	381	1		1		
5. Facilities under construction	0					
6. Capitalized leased property						
Technical equipment and machinery	305	6				
Fleet of vehicles	31	1				
7. Rights of use	0	0	2,464	7,023		
	51,999	588	2,464	12,700	0	1,953
IV. Financial assets						
Other investments	2,120					
	2,120	0	0	0	0	0

Depreciation and amortization							Net book value		
	12/31/2019	01/01/2019	Translation adjustment	Additions	Extraordinary write-downs	Disposals	12/31/2019	12/31/2018	12/31/2019
	22,412	17,932	42	760	64	539	18,259	1,635	4,153
	29,467	29,395	16	56			29,467	56	0
	3,197	2,810	37	280	70		3,197	343	0
	55,076	50,137	95	1,096	134	539	50,923	2,034	4,153
	30,120	14,413					14,413	15,666	15,707
	20,692	3,727	3	734	32	22	4,474	15,828	16,218
	22,365	11,458	370	2,086	995	406	14,503	7,847	7,862
	12,528	9,936	33	1,153	206	1,242	10,086	2,486	2,442
	383	353	1	5			359	28	24
	0	0					0	0	0
	311	305	6				311	0	0
	32	31	1				32	0	0
	9,487	0	0	2,128			2,128	0	7,359
	65,798	25,810	414	6,106	1,233	1,670	31,893	26,189	33,905
	2,120	2,120					2,120	0	0
	2,120	2,120	0	0	0	0	2,120	0	0

FIXED ASSETS MOVEMENT SCHEDULE

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

FIXED ASSETS MOVEMENT SCHEDULE 2018

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

Depreciation and amortization							Net book value		
	12/31/2018	01/01/2018	Translation adjustment	Additions	Reclassifications	Disposals	12/31/2018	12/31/2017	12/31/2018
	19,567	16,987	76	880		11	17,932	1,903	1,635
	29,451	29,297	37	61			29,395	117	56
	3,153	2,465	71	274		0	2,810	589	343
	52,171	48,749	184	1,215	0	11	50,137	2,609	2,034
	30,079	14,413					14,413	15,573	15,666
	19,555	3,155	7	565		0	3,727	15,247	15,828
	19,305	9,422	332	1,740		36	11,458	5,614	7,847
	12,422	9,338	34	1,323		759	9,936	2,377	2,486
	381	351		2		0	353	2	28
	0	0					0	62	0
	305	291	14				305	0	0
	31	29	2				31	0	0
	51,999	22,586	389	3,630	0	795	25,810	23,302	26,189
	2,120	2,120					2,120	0	0
	2,120	2,120	0	0	0	0	2,120	0	0

SEGMENT REPORTING (IFRS)

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

SEGMENT INFORMATION BY BUSINESS SEGMENT

in € thousand	Lithography		Bonder		Photomask Equipment	
	2019	2018	2019	2018	2019	2018
External sales	117,295	119,473	26,420	36,919	46,362	33,886
Internal sales	0	0	0	0	0	0
Total sales	117,295	119,473	26,420	36,919	46,362	33,886
Result per segment (EBIT)	-19,290	6,324	-269	4,830	9,806	4,742
Income before taxes	-19,363	6,287	-302	4,823	9,783	4,740
Significant non-cash items	-14,024	-1,879	439	-935	-656	-417
Segment assets	85,224	87,220	25,089	26,031	31,258	19,374
thereof goodwill	15,707	15,666	0	0	0	0
Unallocated assets						
Total assets						
Segment liabilities	-19,337	-24,401	-3,092	-8,503	-6,477	-6,782
Unallocated liabilities						
Total liabilities						
Depreciation and amortization	4,217	2,110	568	418	436	181
thereof scheduled	2,850	2,110	568	418	436	181
thereof impairment loss	1,367	0	0	0	0	0
Capital expenditure	2,090	2,646	424	501	116	143
Workforce on December 31	558	555	101	98	150	129

The Group applied IFRS 16 for the first time as of January 1, 2019 using the modified retrospective method. Following this approach, the comparative information was not adjusted. Further information can be found in the notes to the consolidated financial statements under point B) and under point 24.

SEGMENT INFORMATION BY REGION

in € thousand	Sales		Capital expenditure		Assets (without goodwill)	
	2019	2018	2019	2018	2019	2018
EMEA	53,666	48,198	5,544	6,421	146,560	125,137
North America	26,381	17,716	432	456	9,191	17,458
Asia/Pacific	133,752	138,017	154	64	8,138	5,035
Consolidation effects	0	0	0	0	-610	-851
Total	213,799	203,931	6,130	6,941	163,279	146,779

	Microoptics		Others		Consolidation effects		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	22,596	13,095	1,126	558	—	—	213,799	203,931
	0	0	9,513	8,544	-9,513	-8,544	0	0
	22,596	13,095	10,639	9,102	-9,513	-8,544	213,799	203,931
	2,206	636	-6,211	-5,661	—	—	-13,758	10,871
	2,182	636	-6,420	-5,750	—	—	-14,120	10,736
	-708	-215	-773	-699	—	—	-15,722	-4,145
	19,711	12,512	17,704	17,308	—	—	178,986	162,445
	0	0	0	0	—	—	15,707	15,666
							20,912	37,112
							199,898	199,557
	-2,027	-1,947	-2,146	-1,806	—	—	-33,079	-43,439
							-41,431	-15,683
							-74,510	-59,122
	1,926	1,080	1,422	1,057	—	—	8,569	4,846
	1,926	1,080	1,422	1,057	—	—	7,202	4,846
	0	0	0	0	—	—	1,367	0
	1,942	1,877	1,558	1,774	—	—	6,130	6,941
	94	69	34	30	—	—	937	881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO IFRS

of SUSS MicroTec SE for the 2019 Fiscal Year

(1)

DESCRIPTION OF BUSINESS ACTIVITY

SUSS MicroTec SE (the “Company”), domiciled at Schleissheimer Str. 90, Garching, near Munich, Germany, and its subsidiaries constitute an international Group (hereinafter: “the Group”) that manufactures and distributes products using microelectromechanical systems and microelectronics. Production is carried out at the facilities in Garching and Sternenfels in Germany and Hauterive (Canton of Neuchâtel) in Switzerland. Until the end of 2019, production was also carried out at the Corona (USA) site. The products are distributed by the production facilities directly and through distribution companies in the USA, France, the United Kingdom, Japan, Singapore, Taiwan, China, and South Korea. In countries in which the Group does not have offices of its own, distribution is organized through trade representatives.

(2)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

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

The Company is a Societas Europaea or European company (SE) and is subject to German law. SUSS MicroTec SE was formed by way of the transformation of SUSS MicroTec AG. The transformation was recorded in the Commercial Register Department B of the District Court of Munich on August 9, 2017. Under the regulations of the German commercial code (Handelsgesetzbuch – HGB), the Company is obliged to prepare consolidated financial

statements in accordance with the accounting regulations of Section 315e HGB as SUSS MicroTec SE is a capital market-oriented company. The Group Management Report has been prepared in accordance with Section 315 HGB.

The consolidated financial statements and the Group Management Report for the year ending on December 31, 2019, will be submitted to and published in the Federal Gazette.

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

On January 1, 2019, the Group applied IFRS 16 for the first time. In accordance with IFRS 16, all leases and associated contractual rights and obligations are to be recognized in the statement of financial position of the lessee. The distinction previously drawn between finance and operating leases under IAS 17 is therefore no longer required for the lessee.

SUSS MicroTec has applied IFRS 16 using the modified retrospective method. Accordingly, the carrying amounts of the rights of use were measured based on the present value of the liability at the time of initial application. An adjustment of the comparative information for 2018 is not necessary.

During the transition to IFRS 16, the Group applied the simplification provision in order to maintain the assessment of which transactions constitute leases. The Group applies IFRS 16 only to contracts that had been previously identified as leases. Contracts that had not been identified as leases under IAS 17 and IFRIC 4 were not then reviewed as to whether a lease exists in accordance with IFRS 16. Therefore, the definition of a lease in accordance with IFRS 16 was applied only to contracts that have been completed or modified after January 1, 2019.

As a lessee, the Group leases many assets, including real estate, passenger cars and IT equipment. The Group has previously classified leases as operating leases or finance leases based on its assessment of whether a lease has essentially transferred to the Group all of the risks and opportunities associated with ownership of the underlying asset. In accordance with IFRS 16, the Group recognizes rights of use and lease liabilities for most of these lease agreements, meaning that these lease agreements are disclosed in the statement of financial position.

SUSS MicroTec has used a series of simplification provisions in applying IFRS 16 to leases that had been classified as operating leases in accordance with IAS 17. Specifically, SUSS MicroTec has:

- recognized neither rights of use nor lease liabilities for leases whose term expires within 12 months after the time of initial application,
- recognized neither rights of use nor lease liabilities for leases whose underlying asset is of negligible value (for example, IT equipment).

During the transition to IFRS 16, the Group has recognized additional rights of use of € 2,464 thousand and additional lease liabilities in the same amount.

In measuring lease liabilities from operating leases, the Group has discounted lease payments at its incremental borrowing rate as of January 1, 2019. The interest rates used are in the range of 0.4 percent to 3.2 percent.

<i>in € thousand</i>	Reconciliation as of 1/1/2019
Obligations from operating leases as of 12/31/2018	2,418
Exception rule for short-term lease agreements	-451
Exception rule for leasing of low-value assets	-84
Extension options	619
Gross lease liabilities as of 01/01/2019	2,502
Discounting	-38
Additional lease liabilities due to the initial application of IFRS 16 as of 01/01/2019	2,464

In the 2019 fiscal year, SUSS MicroTec SE also applied the following new standards and amendments to existing standards for the first time:

- IFRIC 23 “Uncertainty Over Income Tax Treatments”
- Amendments to IFRS 9 “Prepayment Features with Negative Compensation”
- Annual Improvements to IFRS 2015–2017 Cycle
- Amendments to IAS 19 “Employee Benefits” – plan amendment, curtailment or settlement

No material impact on the consolidated financial statements resulted from the initial application of IFRS 23, IFRS 9 and IAS 19 and from the initial application of new rules arising from annual improvements to IFRS (2015–2017 cycle).

Additional amendments as of January 1, 2019 involving IAS 28 (“Investments in Associates and Joint Ventures”) did not have any impact on SUSS MicroTec in the 2019 fiscal year.

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

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

- Amendments to references to the conceptual framework in IFRS (EU-endorsed, mandatory from January 1, 2020)
- Amendments to IAS 1 and IAS 8 regarding the definition of the term “materiality” (EU-endorsed, mandatory from January 1, 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (EU-endorsed, mandatory from January 1, 2020)
- Amendments to IFRS 3 “Business Combinations” regarding the definition of a business (EU-endorsed, mandatory from January 1, 2020)
- IFRS 17 “Insurance Contracts” (not yet adopted in EU law, mandatory from January 1, 2021)

SUSS MicroTec does not see any application area for the rules of IFRS 17. The initial application of the aforementioned amended standards and interpretations is not expected to result in any material impact on the consolidated financial statements of SUSS MicroTec.

D) SIGNIFICANT ACCOUNTING POLICIES

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

Goodwill

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

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

Impairment is recorded if the book values of the assets are no longer covered by the recoverable amount of the cash-generating unit concerned. The recoverable amount is the higher of fair value less costs to sell and value in use. In the reporting year, SUSS

MicroTec SE computed the recoverable amount of cash-generating units on the basis of value in use. This value is generally based on valuations using discounted cash flow.

Other Intangible Assets

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

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

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

Tangible Assets

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

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

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

For granted rights of use, the Group recognizes an asset that is disclosed under tangible assets in accordance with IFRS 16. The right of use is measured upon conclusion of the lease agreement at cost, reflecting the present value of the anticipated lease payments. Subsequently, the right of use is depreciated on a straight-line basis from the provision date until the end of the leasing period.

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

Impairment of Intangible and Tangible Assets

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

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

Inventories

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

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

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

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

Financial Instruments

Financial instruments are contractual relationships which lead to a financial asset for one party and to a financial debt or an equity instrument for the other.

Financial assets are divided into three categories and measured differently.

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

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

Receivables, Other Financial Assets, and Contract Assets

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

Trade receivables without significant financial components are measured upon initial recognition at the transaction price and in the subsequent periods at amortized cost. Contract assets involve claims of the Group for consideration for services that have been completed, but not yet invoiced as of the reporting date. Upon initial recognition, contract assets are measured at 96 percent of the transaction price unless the Group is aware of a deviating value. Customer down payments received are subtracted from this amount. Contract assets are reclassified to trade receivables when the rights become unconditional. All other financial assets are measured upon initial recognition at fair value. Measurement in the subsequent periods – according to the type of financial asset – is either with or without effect on profit or loss. Receivables become due promptly in accordance with customer payment agreements. Provided that down payment agreements with customers exist, receivables are immediately settled by offsetting them with down payments received.

Appropriate value adjustments are made for trade receivables if the receivables are considered to be doubtful or unrecoverable. The Group considers a financial asset to be doubtful or unrecoverable if it is unlikely that the debtor can pay the Group for its credit obligation in full or that recourse to the recovery of possibly available collateral is impossible or unsuccessful. In addition, value adjustments are made depending on the age structure of overdue receivables. These impairments are recorded in separate adjustment accounts.

Impairments of Financial Instruments

Financial assets are subject to default risks, which are taken into consideration by providing for a risk provision or, in case of losses that have already been incurred, by recognizing an impairment. The default risk of receivables and contract assets is accounted for by creating individual value adjustments and portfolio-based value adjustments.

Specifically, a risk provision is created for these financial assets in the amount of the expected loss according to uniform Group standards. Actual individual value adjustments for the losses that have occurred are taken from this risk provision. The potential need for a value adjustment is assumed not only if various circumstances exist, such as a payment delay over a certain period of time or a final payment default (e.g., through insolvency), but also for receivables that are not past due.

In order to determine portfolio-based value adjustments, both insignificant receivables and significant individual receivables without any indication of impairment are combined into homogeneous portfolios based on comparable credit risk characteristics and divided into risk classes. In order to determine the impairment amount, average historical default probabilities are considered along with forward-looking parameters of the respective portfolio.

Credit default risks are to be examined for all financial assets that are measured at amortized cost or at fair value without effect on profit or loss (debt instruments) as well as for contract assets in accordance with IFRS 15.

Securities

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

Cash and Cash Equivalents

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

Pension Plans and Similar Commitments

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

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

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

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

Provisions

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

Financial Debt

Financial debt comprises bank borrowings and liabilities from rent and lease agreements. Bank borrowings are allocated to the category “Financial liabilities” and measured at amortized cost. Liabilities that result from rent and lease agreements are measured and recognized in accordance with IFRS 16.

Other Financial Liabilities

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

Trade Payables

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

Contract Liabilities

Contract liabilities involve customer down payments received for contracts concluded in accordance with IFRS 15. They are measured at amortized cost. Upon settlement of a performance obligation in accordance with IFRS 15, it is subtracted from the associated contract assets or offset with trade receivables.

Leasing

The Group’s lease agreements include office and production areas as well as passenger vehicles. The term of the lease agreements ranges from three to ten years. Some have the option to extend the lease agreements after this period. Individual lease agreements provide for additional lease payments based on the change in the local price indexes.

These leases were previously classified as operating leases in accordance with IAS 17.

The Group leases IT equipment with contractual terms between one year and three years. The lease agreements are usually short-term; in addition, they are based on items of negligible value. The Group has decided not to recognize either rights of use or lease liabilities for these lease agreements.

Rights of use are presented separately under tangible assets:

<i>in € thousand</i>	Rights of use
As of 1/1/2019	2,464
Additions to rights of use	7,024
Write-downs in the fiscal year	-2,117
Extraordinary write-downs	-12
As of 12/31/2019	7,359

The extraordinary write-down involves a lease agreement for a passenger vehicle that was terminated early in January 2020.

Lease liabilities have developed as follows:

<i>in € thousand</i>	Leasing liabilities
As of 1/1/2019	2,464
Additions 2019	7,024
Repayment	-2,087
Extraordinary repayment	-12
Financial debt from lease obligations as of 12/31/2019	7,389

The extraordinary repayment involves a lease agreement for a passenger vehicle that was terminated early in January 2020. Lease liabilities are divided into a long-term portion of € 4,638 thousand and a short-term portion of € 2,751 thousand.

Effects on the Statement of Income:

<i>in € thousand</i>	2019
Increase in write-downs	-2,117
Decrease in lease expenses	2,156
Increase in EBIT	39
Increase in interest expense	-70
Decrease in EBT	-31

The Group has applied IFRS 16 using the modified retrospective method and therefore not adjusted comparative information but continued to present it in accordance with IAS 17 and IFRIC 4.

For concluded lease agreements and rights of use granted in this connection, the Group recognizes an asset that is disclosed under tangible assets in accordance with IFRS 16. The right of use is measured upon conclusion of the lease agreement at cost, reflecting the present value of the anticipated lease payments. Subsequently, the right of use is depreciated on a straight-line basis from the provision date until the end of the leasing period.

The lease liabilities are recognized when the agreement is concluded at the present value of the lease payments that have still not been made on the provision date. The subsequent measurement of the lease liability is done at its amortized carrying amount using the effective interest method. The lease liability is remeasured if the future lease payments change due to a change in the index or (interest) rate.

The Group has decided not to recognize rights of use and lease liabilities for leases involving assets of negligible value as well as short-term leases, including IT equipment. The Group expenses the lease payments associated with these leases over the term of the leases using the straight-line method.

Discontinued Operations

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

Sales Recognition

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

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

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

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

For the production and delivery of the tool on the one hand and the installation or initial training on the tool on the other hand, revenue recognition occurs in each case at the point in time when control is transferred to the customer. In this context, the point in time of delivery or the transfer of risk to the customer is crucial for the performance obligation “production and delivery of the tool.” Upon conclusion of “bill and hold” agreements, the transfer of risk occurs when the tool is stored at the customer’s request in a place of their choosing and the risk of accidental destruction is transferred to the customer. For the performance obligation “installation of the tool/initial training of the customer,” a transfer of control occurs at the point in time when the installation has been completed and the tool has been accepted by the customer. 96 % of the amount of the order normally accrues to the performance obligation “production and delivery of the tool”; 4 % of the amount of the order is normally allocated to the performance obligation “installation of the tool/initial training of the customer.” Revenue recognition at the point in time of the transfer of control occurs in the corresponding amount. In the previous year – upon initial application of IFRS 15 – the Company has still assumed an allocation of 90 % for “production and delivery of the tool” and 10 % for “installation of the tool/initial training of the customer.”

Revenue from the sale of micro-optics is recognized at a point in time upon delivery.

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

Cost of Sales

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

Research and Development Costs

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

Other Operating Expenses and Income

The other operating expenses and income are classified under the operating income and allocated to the appropriate period. This also applies to expenses and income from foreign currency translation.

Deferred Taxes

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

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

Deferred taxes are measured using tax rates that are expected to be applied to temporary differences as soon as they reverse, namely using tax rates that are valid or have been announced on the reporting date. This also applies to the future expected use of remaining tax loss deductions. As a result, the amount of recognized deferred taxes reflects any possible uncertainty inherent in income taxes.

Earnings per Share (EPS)

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

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

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

Derivative Financial Instruments

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

Derivative financial instruments are accounted for in accordance with IFRS 9. Derivative financial instruments are allocated to assets and liabilities, are recognized at their market values, and are presented under other current financial assets or other current financial liabilities. First-time recognition is on the day of the transaction. Changes in market value are shown in the statement of income or, in case of classification as a cash flow hedge, under accumulated other comprehensive income after deduction of deferred taxes.

Treatment of Subsidies

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

Transactions in Foreign Currency

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

E) USE OF ESTIMATES

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

Sales Recognition

In the 2019 fiscal year, the Management Board has made a change in its assessment regarding an appropriate allocation of contractually agreed amount of orders to the components "production and delivery of the tool" and "installation of the tool/initial training of the customer" (IAS 8.39). Instead of the method of adjusted fair value that was used in the previous year, the cost plus method was used in the current fiscal year. The Management Board is of the opinion that using this method achieves a more appropriate determination and recognition of profit margins allocated to the respective components of an overall project. The impact of this change amounts to € 3,666 thousand in the 2019 fiscal year.

Trade Receivables

Adjustments on doubtful receivables involve considerable estimates and judgments of individual receivables that are based on the creditworthiness of the individual customer and the current development of the economy. The Company bases the determination of impairments on receivables on expected losses. As of December 31, 2019, the total adjustment on trade receivables was € 678 thousand (previous year: € 564 thousand).

Impairments

SUSS MicroTec SE examines the goodwill for possible impairment at least once annually. The determination of the recoverable amount of a cash generating unit that the goodwill is allocated to is associated with estimates by management. The recoverable amount is the higher of the fair value, less costs to sell, and the value in use. The Company generally determines these figures using measurement methods based on discounted cash flows. These discounted cash flows are determined for a period of five years. The basis used for the immediate future is the cash flow derived from the Group budget. For cash flow forecasts beyond the period of detailed planning, suitable forecasts from the semiconductor sub-supplier industry are used. On the basis of these forecasts, a growth rate is determined for each year of the period under consideration. For the five-year period, average annual growth of 6.0% (previous year: 8.3%) is calculated for the Lithography cash generating unit, to which recognized goodwill is allocated. At the end of the five-year planning horizon, an annual sales growth rate of 1.0% is assumed for the subsequent years. The forecast net cash flow is discounted using a risk-adjusted interest rate of 8.53% (previous year: 8.61%). These premises and the underlying method may have a considerable influence on the values in question and, finally, on the amount of any possible impairment of goodwill.

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

Pension Plans and Similar Commitments

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

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

Provisions

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

Other Financial Liabilities

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

Purchase Price Allocation

On acquisition of entities, under IAS 27 (rev. 2008) and IFRS 3 (rev. 2008), the purchase price for the entity acquisition must be made on the identifiable assets, debts and contingent liabilities

acquired at purchase. With some exceptions (e.g., tax liabilities, pension obligations and share-based remuneration), assets, debts, and contingent debts must be recognized at fair value. Here, consideration must be given not only to assets in the financial statement but also to intangible assets that have not previously been recognized.

F) CONSOLIDATION

Consolidation Principles

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

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

Translation of Financial Statements in Foreign Currency

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

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

	2019		2018	
	Statement of Financial Position	Statement of Income	Statement of Financial Position	Statement of Income
1 EUR vs. 1 USD	1.123	1.122	1.145	1.181
1 EUR vs. 1 JPY	121.891	122.271	125.898	130.421
1 EUR vs. 1 GBP	0.850	0.877	0.897	0.886
1 EUR vs. 1 CHF	1.086	1.112	1.127	1.153
1 EUR vs. 1 TWD	33.605	34.563	35.003	35.538
1 EUR vs. 1 SGD	1.511	1.528	1.559	1.591
1 EUR vs. 1 CNY	7.817	7.744	7.874	7.818
1 EUR vs. 1 KRW	1,295.938	1,300.753	1,274.804	1,294.063

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

Disclosures on the Scope of Consolidation

Compared with the consolidated financial statements as of December 31, 2018, there were no additional changes to the scope of consolidation.

Therefore, the following subsidiaries and associates of SUSS MicroTec SE (ultimate proprietary company) were included in the consolidated financial statements as of December 31, 2019 (figures on capital and net profit or loss of the individual companies according to local law and in local currency).

Company / based in	Currency	Subscribed capital	Investment	Shareholders' equity	Annual earnings	Consolidation
SUSS MicroTec SE, Garching ¹ , Germany	EUR	19,115,538.00	Holding	69,705,340.41	-11,254,273.62	full
SUSS MicroTec Lithography GmbH, Garching ² , Germany	EUR	2,000,100.00	100%	31,644,768.68	-9,081,707.57	full
SUSS MicroTec Photomask Equipment GmbH & Co. KG, Sternenfels, Germany	EUR	3,000,000.00	100%	3,000,000.00	1,188,032.81	full
SUSS MicroTec Photomask Equipment Beteiligungs-GmbH, Sternenfels, Germany	EUR	25,000.00	100%	14,218.42	-223.47	full
SUSS MicroTec Ltd., Market Rasen, United Kingdom	GBP	10,000.00	100%	456,263.03	87,545.46	full
SUSS MicroTec KK, Yokohama, Japan	JPY	30,000,000.00	100%	-706,698,989.00	858,165.00	full
SUSS MicroTec S.a.r.l., Pierre-Bénite, France	EUR	114,750.00	100%	3,213,038.96	460,124.00	full
SUSS MicroOptics S.A., Hauterive, Switzerland	CHF	500,000.00	100%	18,363,119.68	2,886,432.84	full
SUSS MicroTec, Inc., Corona, USA	USD	4,197,000.00	100%	59,772,083.47	277,004.57	full
SUSS MicroTec (Taiwan) Company Ltd., Hsin Chu, Taiwan	TWD	5,000,000.00	100%	325,338,313.00	21,039,207.00	full
SUSS MicroTec Company Ltd., Shanghai, China	CNY	1,655,320.00	100%	56,825,351.48	359,583.72	full
HUGLE Lithography Inc., San Jose, USA ³	USD	1,190,442.00	53.1%	-39,579.00	-849.00	–
SUSS MicroTec REMAN GmbH, Oberschleissheim ² , Germany	EUR	25,564.59	100%	817,882.49	612,010.43	full
SUSS MicroTec (Singapore) Pte. Ltd., Singapore	SGD	25,000.00	100%	2,820,931.25	-849,895.60	full
SUSS MicroTec Korea Co. Ltd., Hwaseong City, South Korea	KRW	50,000,000.00	100%	3,625,049,810.00	104,514,157.00	full
SUSS MicroTec Photonic Systems Inc., Corona, USA	USD	10,400.00	100%	-26,606,422.50	-25,047,437.77	full

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

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

³ Entity considered at cost due to immateriality.

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

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

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

COMMENTS ON THE IFRS CONSOLIDATED STATEMENT OF INCOME

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

(3) SALES

The sales are composed as follows:

<i>in € thousand</i>	2019	2018
Machinery and equipment	154,588	154,407
Spare parts and upgrades	22,858	24,784
Services	12,961	11,188
Microoptics	22,563	13,051
Other sales	829	501
Sales	213,799	203,931

Sales during the 2019 fiscal year are allocated to the divisions as follows:

<i>in € thousand</i>	Lithography	Bonder	Photomask Equipment	Microoptics	Others	2019 total
Machinery and equipment	93,626	22,879	38,083		—	154,588
Spare parts and upgrades	16,808	2,430	3,461	16	143	22,858
Services	6,844	1,111	4,839		167	12,961
Microoptics	—	—	—	22,563	0	22,563
Others	17	—	-21	17	816	829
Sales	117,295	26,420	46,362	22,596	1,126	213,799

The regional distribution of sales in 2019 was as follows:

<i>in € thousand</i>	Lithography	Bonder	Photomask Equipment	Microoptics	Others	2019 total
EMEA	29,025	6,392	3,352	14,897	0	53,666
North America	18,613	5,681	1,340	747	0	26,381
Asia/Pacific	69,657	14,347	41,670	6,952	1,126	133,752
Sales	117,295	26,420	46,362	22,596	1,126	213,799

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

<i>in € thousand</i>	Lithography	Bonder	Photomask Equipment	Microoptics	Others	2018 total
Machinery and equipment	96,959	31,915	25,533		–	154,407
Spare parts and upgrades	17,450	3,721	3,487	44	82	24,784
Services	5,016	1,283	4,854		35	11,188
Microoptics	–	–	–	13,051	0	13,051
Others	48	–	12		441	501
Sales	119,473	36,919	33,886	13,095	558	203,931

The regional distribution of sales in 2018 was as follows:

<i>in € thousand</i>	Lithography	Bonder	Photomask Equipment	Microoptics	Others	2018 total
EMEA	30,524	5,769	3,988	7,917	0	48,198
North America	10,307	5,396	1,560	453	0	17,716
Asia/Pacific	78,642	25,754	28,338	4,725	558	138,017
Sales	119,473	36,919	33,886	13,095	558	203,931

Contract Balances

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

<i>in € thousand</i>	12/31/2019	12/31/2018
Contract balances		
Trade receivables	18,992	22,071
Contract assets	31,182	3,026
Contract liabilities	-9,346	-18,225

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

Contract assets developed as follows:

<i>in € thousand</i>	2019	2018
Opening portfolio of contractual assets as of 01/01	3,026	12,681
Additions	58,653	16,308
Disposals (reclassification to trade receivables)	-30,497	-25,963
Closing portfolio of contractual assets as of 12/31	31,182	3,026

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

Contract liabilities developed as follows:

<i>in € thousand</i>	2019	2018
Opening portfolio of contractual liabilities as of 01/01	-18,225	-14,784
Additions	-93,657	-125,523
Disposals	102,536	122,082
Closing portfolio of contractual liabilities as of 12/31	-9,346	-18,225

The amount of € 18,225 thousand that was disclosed under contract liabilities as of the previous year's reporting date was largely recognized as sales in the 2019 fiscal year.

Order backlog as of December 31, 2019 amounts to € 93,180 thousand (previous year: € 84,722 thousand). SUSS MicroTec assumes that this order backlog will be fully realized in sales in 2020.

(4) COST OF SALES

The cost of sales in the 2019 fiscal year includes impairments on assets of the scanner and laser product lines as well as provisions for acceptance obligations totaling € 14,246 thousand. These special write-downs were taken because the two scanner and laser product lines were discontinued and production halted at the Corona site due to updated market expectations. The impairments and provisions established are composed as follows:

<i>in € thousand</i>	2019
Write-downs on inventory reserves	12,270
Write-downs on other assets of current assets	323
Write-downs on production-related noncurrent assets	1,367
Provisions for purchase contingencies	286
Special write-downs Scanner/Laser	14,246

Cost of sales includes total amortization of capitalized development costs of € 56 thousand (previous year: € 61 thousand), which accrues completely to the Lithography division. As of December 31, 2019, a residual book value for capitalized development costs is no longer disclosed.

In addition, the cost of sales in the current fiscal year includes amortization of € 280 thousand for the acquired technology of SUSS MicroTec Photonic Systems (previous year: € 274 thousand). This technology carried a residual book value before special write-downs of € 70 thousand as of December 31, 2019.

Furthermore, the cost of sales includes write-downs on demonstration equipment of € 4,925 million (previous year: € 4,075 million) and on other inventories of € 2,773 thousand (previous year: € 1,958 million). The demonstration equipment is used as evaluation, development, or demonstration machinery and it is subject to normal wear and tear, which is accounted for through appropriate value adjustments. The remaining impairments primarily involve materials and supplies. Of the total impairments, € 5,764 thousand (previous year: € 4,209 thousand) accrues to inventories in the Lithography division and € 1,550 thousand (previous year: € 1,381 thousand) accrues to inventories of the Bonder division. The inventories of the Photomask Equipment division were written down by € 384 thousand (previous year: € 443 thousand).

(5) OTHER OPERATING INCOME

Other operating income was comprised as follows:

<i>in € thousand</i>	2019	2018
Foreign currency gains	1,245	2,232
Licensing income from the transfer of process expertise	0	14
Company cars	255	240
Income from the reversal of value adjustments for trade receivables	13	388
Income from the reversal of other provisions	0	135
Other subsidies	22	136
Insurance claims	20	0
Others	133	47
Other operating income	1,688	3,192

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

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

(6) OTHER OPERATING EXPENSES

Other operating expenses were comprised as follows:

<i>in € thousand</i>	2019	2018
Foreign currency losses	2,493	2,936
Other taxes	548	507
Allowances for value adjustments for doubtful debts and contract assets	127	68
Losses on disposal of assets	0	8
Others	14	5
Other operating expenses	3,182	3,524

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

(7) FINANCIAL RESULT

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

Financial income of € 18 thousand (previous year: € 39 thousand) resulted mainly from interest income for money market investments and securities.

The financial expenses are comprised as follows:

<i>in € thousand</i>	2019	2018
Interest for bank loans	177	121
Interest for lease liabilities	70	0
Commissions on bank guarantees	99	51
Other interest and financial expenses	34	2
Financial expenses	380	174

Interest for bank liabilities includes € 78 thousand (previous year: € 114 thousand) attributable to financing the property in Garching (loan status as of December 31, 2019: € 1,500 thousand). Additional € 54 thousand relates to two newly taken out loans, which were granted as part of a KfW Development Bank promotional program (loan status as of December 31, 2019: € 10,000 thousand). Bank interest of approximately € 22 thousand accrues to the provision and partial utilization of a new syndicated loan, which includes a credit line of € 40 million.

(8) INCOME TAXES

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

<i>in € thousand</i>	2019	2018
Current tax expense	709	4,041
Deferred tax income (-) / expense	1,433	1,911
thereof on temporary differences	3,570	1,739
Total	2,142	5,952

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

<i>in %</i>	2019	2018
Expected tax rate		
Corporate income tax rate	15.00	15.00
Solidarity surcharge	5.50	5.50
Trade income tax rate	12.43	12.43
Composite tax rate	28.25	28.25

<i>in € thousand</i>	2019	2018
Earnings before taxes	-14,120	10,736
Expected income taxes	-3,989	3,033
Different foreign tax rates	505	-154
Minimum taxation	6	1
Trade income additions and deductions	5	6
Other non-deductible expenses	262	173
Income taxes from previous years	-649	109
Non-activation/value adjustment on deferred taxes	5,740	2,353
Use of loss carryforwards adjusted in full	-23	-70
Non-taxable income	53	-24
Others	231	525
Effective income taxes	2,141	5,952

A comparison of the expected and effective income taxes from the continuing operations shows a deviation of € -6,130 thousand (previous year: € -2,919 thousand). Instead of the expected tax income of € 3,989 thousand, a tax expense of € 2,141 thousand resulted at the Group level in the reporting year.

As of December 31, 2018, a provision for taxes (corporation and trade tax) was recognized for the German companies that has turned out to be too high. Part of this provision for taxes could therefore be reversed in 2019, which has led to a positive effect of approximately € 762 thousand.

In the reporting year, deferred tax assets of € 5,740 thousand were not recognized or adjusted. This primarily affected temporary differences and loss carryforwards of SUSS MicroTec Photonic Systems Inc., Corona, California, USA. Both U.S. companies, SUSS MicroTec Inc. and SUSS MicroTec Photonic Systems Inc., form a tax group whose taxable income in the USA is subject to Group taxation. The product lines of SUSS MicroTec Photonic Systems are being discontinued; most of the inventory and fixed assets has been value adjusted. Either no deferred tax assets are being recognized or they are being completely written down for the losses that arose in 2019 as well as loss carryforwards incur-

red in the past at SUSS MicroTec Photonic Systems in view of the lack of any positive earnings prospects. Earnings for SUSS MicroTec Inc. are expected to be slightly positive in the next few years.

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

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

in € thousand	Assets		Liabilities	
	2019	2018	2019	2018
Other current liabilities	491	112	0	0
Pension plans and similar commitments	1,061	919	0	0
Trade receivables	0	0	8,823	2,044
Customer deposits	0	0	7,822	4,920
Noncurrent provisions	207	318	110	3
Intangible assets	3	2	825	16
Other current assets	0	0	2	9
Goodwill	0	0	2,064	2,064
Adjustment item SMT Photomask Equipment	0	0	158	188
Inventories	13,530	6,680	0	0
Tangible assets	1	10	206	
Others	64	64	1	0
Loss carryforward	2,137	0	0	0
Offsetting	-16,718	-7,553	-16,718	-7,553
Total	776	552	3,293	1,691

The Group has tax loss carryforwards of € 46,687 thousand (previous year: € 40,439 thousand). Of this amount, a total of € 17,811 thousand will have lapsed by December 31, 2029. In the period from 2030 to 2039, a total of € 11,775 thousand will lapse. Loss carryforwards of € 17,101 thousand can be used indefinitely.

The total amount includes loss carryforwards of € 15,291 thousand, which involve SUSS MicroTec Photonic Systems Inc. (Corona, USA). Since SUSS MicroTec has not previously assumed that it could take advantage of these loss carryforwards in the foreseeable future, no deferred tax assets were recognized. Therefore, a possible loss of these loss carryforwards does not have any effect on the consolidated financial statements. The taxable earnings of the four German companies SUSS MicroTec SE, SUSS MicroTec Lithography GmbH, SUSS MicroTec Reman GmbH and SUSS MicroTec Photomask Equipment GmbH & Co. KG were negative in total in 2019. As of December 31, 2019, deferred tax assets of € 2,137 thousand were created for the loss carryforward that arose.

SUSS MicroTec Photonic Systems Inc. again posted clearly negative annual earnings from its operating activities. Earnings were also negatively affected by expenses for special write-downs that resulted from the termination of the scanner and laser product lines. In addition, SUSS MicroTec (Singapore) Pte. Ltd. (Singapore) also recorded negative annual earnings. The remaining SUSS MicroTec companies abroad each achieved positive annual earnings. As a result, SUSS MicroTec, Inc. (Corona, USA) and SUSS MicroTec KK (Yokohama, Japan) were able to utilize a small portion of the existing loss carryforwards.

No deferred tax assets were recognized for loss carryforwards of € 39,123 thousand (previous year: € 40,439 thousand) and temporary differences of € 47,573 thousand (previous year: € 30,133 thousand).

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

As of December 31, 2019, deferred tax assets and liabilities of € 16,718 thousand (previous year: € 7,553 thousand) were offset.

(9) EARNINGS PER SHARE

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

<i>in € thousand</i>	2019	2018
Net profit or loss accruing to shareholders of SUSS MicroTec SE	-16,261	4,784
Adjusted weighted average number of outstanding shares	19,115,538	19,115,538
Earnings per share in € – basic	-0.85	0.25
Earnings per share in € – diluted	-0.85	0.25

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

EXPENDITURES FOR RESEARCH AND DEVELOPMENT

Along with the explicitly disclosed expenses for research and development in the statement of income, write-downs on capitalized development costs were also taken during the fiscal year. No new capitalizations were carried out in 2019.

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

<i>in € thousand</i>	2019	2018
Research and development costs	20,195	18,304
Amortization on capitalized research and development costs	56	61
Net capital expenditure	-56	-61

PERSONNEL EXPENSES

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

<i>in € thousand</i>	2019	2018
Wages and salaries	65,107	59,567
Social security expenses and expenses for benefits	8,589	7,717
Pension expenses	4,008	3,591
Personnel expenses	77,704	70,875

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

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

COST OF MATERIALS

The cost of materials in the 2019 fiscal year came to € 81,578 thousand (previous year: € 84,833 thousand).

DEPRECIATION AND AMORTIZATION

Depreciation and amortization are composed as follows:

	2019			2018
	Depreciation and amortization	Extraordinary depreciation and amortization	Total depreciation and amortization	Depreciation and amortization
<i>in € thousand</i>				
Intangible assets	1,096	134	1,230	1,215
Tangible assets	6,106	1,233	7,339	3,631
Depreciation and amortization	7,202	1,367	8,569	4,846

During the fiscal year, concessions and industrial property rights and similar rights and values as well as licenses to such rights and values were amortized in the amount of € 760 thousand (previous year: € 880 thousand) along with capitalized development costs of € 56 thousand (previous year: € 61 thousand). Extraordinary write-downs on concessions and industrial property rights, which were taken in connection with the termination of the laser and scanner product lines, amount to € 64 thousand.

The technology recognized with the initial consolidation of SUSS MicroTec Photonic Systems and other acquired intangible assets were amortized by € 280 thousand (previous year: € 274 thousand). In connection with the termination of the scanner and laser product lines, an extraordinary write-down of € 70 thousand was also taken on the residual value of technology.

Along with the depreciation on tangible assets of € 6,106 thousand, extraordinary write-downs of € 1,233 thousand were taken on production-related fixed assets of the scanner and laser product lines.

EXPLANATIONS ON THE ASSETS SIDE

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

(11) INTANGIBLE ASSETS

As of the reporting date, patents, licenses, and similar rights of € 4,153 thousand (previous year: € 1,635 thousand) are disclosed under intangible assets. The Group-wide SAP system is included in this amount. In the 2019 fiscal year, a right of use was capitalized for € 2,920 thousand, which involves a joint applications center with partner BRIDG in Kissimmee, USA. As part of a co-operation agreement, SUSS MicroTec has sold four machines of the bonder and coater production lines to BRIDG. These four machines – together with other demonstration equipment from SUSS MicroTec – will be installed at BRIDG's applications center at the Kissimmee site in Florida. For five years, SUSS MicroTec has the right to use not only its own demonstration equipment, but also machines sold to BRIDG at this applications center, for research and development as well as for customer demonstrations. This right of use was measured at € 2,920 thousand and is being amortized over five years from the start of use.

The capitalized development costs were completely written down in 2019 (previous year: residual book value of € 56 thousand). The technology of SUSS MicroTec Photonic Systems disclosed a residual book value of € 70 million (previous year: € 343 thousand) after amortization at the end of 2019. In connection with the termination of the scanner and laser product lines, the technology was completely written down.

(12) GOODWILL

The goodwill presented as of the reporting date in the amount of € 15,707 thousand (previous year: € 15,666 thousand) is allocated entirely to the Lithography cash-generating unit. A part of goodwill (US\$ 2,366 thousand) is denominated in US dollars and therefore is subject to currency fluctuations.

(13) TANGIBLE ASSETS

The breakdown of tangible assets that are combined in the statement of financial position and their development in the reporting year are shown in the fixed assets movement schedule, which is a component part of these notes.

Since 2019, rights of use for leased and rented assets have been disclosed under tangible assets; the carrying amount totals € 7,359 thousand as of December 31, 2019.

As of December 31, 2019, real estate with a carrying amount of € 8,577 thousand (previous year: € 8,756 thousand) was encumbered with a land charge as security for a bank loan (see note 24).

(14) OTHER (NONCURRENT) ASSETS

Other noncurrent assets include the asset values of reinsurance policies which fail to fulfill the criteria for offsetting against existing pension provisions and tenants' guarantee deposits for rented office buildings.

<i>in € thousand</i>	2019	2018
Reinsurance policies	178	172
Deposits	390	362
Other noncurrent assets	568	534

(15) INVENTORIES

The inventories can be broken down as follows:

<i>in € thousand</i>	2019	2018
Materials and supplies	46,197	43,379
Work in process	25,519	40,538
Finished goods	10,312	3,369
Demonstration equipment	31,727	30,532
Merchandise	480	493
Value adjustments	-39,188	-24,852
Inventory reserves	75,047	93,459

In connection with the termination of the scanner and laser product lines, inventories of € 12,270 thousand were completely written down in 2019.

Due to current material use, reversals of impairment losses on material stocks of the Group occurred to a negligible extent both in the fiscal year and the previous year. Both the impairments and reversals of impairment losses that were taken are disclosed in cost of sales.

Of the total inventories of € 75,047 thousand as of December 31, 2019 (previous year: € 93,459 thousand), € 43,457 thousand (previous year: € 42,322 thousand) are accounted for at net realizable value.

The amount of inventories, which were recorded as an expense in the fiscal year, totaled approximately € 131,403 thousand (previous year: € 122,793 thousand).

(16) TRADE RECEIVABLES

Trade receivables break down as follows

<i>in € thousand</i>	2019	2018
Receivables from third parties	19,655	22,635
Value adjustments	-663	-564
Trade receivables	18,992	22,071

Value adjustments on receivables from contracts with customers were formed on the basis of expected losses as follows in 2019:

<i>in € thousand</i>	Not due	Overdue 1–180 days	Overdue 181–360 days	Overdue 361–720 days	Overdue > 720 days	2019 total
Receivables from third parties	13,142	5,105	869	217	322	19,655
Value adjustments	-14	-26	-180	-121	-322	-663
Trade receivables	13,128	5,079	689	96	0	18,992

In the previous year, value adjustments on receivables from contracts with customers were presented as follows:

<i>in € thousand</i>	Not due	Overdue 1–180 days	Overdue 181–360 days	Overdue 361–720 days	Overdue > 720 days	2018 total
Receivables from third parties	16,961	4,291	938	300	145	22,635
Value adjustments	-15	-36	-218	-150	-145	-564
Trade receivables	16,946	4,255	720	150	0	22,071

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

<i>in € thousand</i>	2019	2018
Value adjustments at the beginning of the fiscal year	564	884
Derecognition of receivables	0	0
Payment receipts and reversals for receivables that had been written off	-13	-388
Addition	112	68
Value adjustments at the end of the fiscal year	663	564

The Group has inferred from empirical values that a low default risk exists and that it has not increased significantly since initial recognition.

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

(17) CONTRACT ASSETS

<i>in € thousand</i>	2019	2018
Contract assets	31,197	3,026
Value adjustments	-15	0
Contract assets	31,182	3,026

The contract assets of € 31,182 thousand (previous year: € 3,026 thousand) involve claims of the Group for consideration for services from machine orders that have been completed, but not yet invoiced as of the reporting date. The contract assets are reclassified to receivables when the rights become unconditional. This occurs as a rule when the Group prepares a final invoice for the customer.

(18) OTHER FINANCIAL ASSETS

Supplier bonuses and receivables from employees are primarily disclosed under other financial assets of € 366 thousand (previous year: € 272 thousand).

(19) TAX REFUND CLAIMS

Current tax receivables of € 4,708 thousand (previous year: € 242 thousand) involve tax prepayments, as in the previous year. Of this amount, approximately € 4,321 thousand accrues to companies in Germany.

(20) CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounting to € 10,280 thousand (previous year: € 30,672 thousand) relate to cash in hand, checks and deposits with banks, provided they are available within three months from the date of deposit. The year-on-year change is presented in the consolidated statement of cash flows.

(21) OTHER (CURRENT) ASSETS

The following items are presented under other current assets:

<i>in € thousand</i>	2019	2018
Deferred items	1,355	1,195
Prepayments	729	1,142
Value-added tax	1,828	2,107
Bidding securities	160	32
Others	142	364
Other current assets	4,214	4,840

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

EXPLANATIONS ON THE EQUITY & LIABILITIES SIDE

(22) SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

The share capital of SUSS MicroTec SE remained unchanged at € 19,115,538.00 as of the reporting date (divided into 19,115,538 registered and fully paid-in shares each with a calculated nominal value of € 1.00). We refer here to the presentation of the Statement of Changes in Equity.

Each individual share gives entitlement to one vote. The individual shares are not repayable and cannot be converted. Dividends may only be distributed from the distributable profits as recognized in the financial statements of SUSS MicroTec SE prepared in accordance with commercial law.

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

<i>in € thousand</i>	2019	2018
Share capital	19,116	19,116
Authorized capital	2,500	2,500

RESERVES

The Group's reserves are composed as follows:

<i>in € thousand</i>	2019	2018
Additional paid-in capital	55,822	71,547
Earnings reserve	202	202
Retained earnings	50,582	51,118
Reserves	106,606	122,867

During the fiscal year, SUSS MicroTec SE withdrew € 15,725 thousand from the additional paid-in capital to balance out the loss for the 2019 fiscal year of € 18,536 thousand. At the same time, the profit at SUSS MicroTec SE brought forward from the previous years of € 2,811 thousand was completely offset. This means that the additional paid-in capital of the SUSS MicroTec Group decreased by € 15,725 thousand.

ACCUMULATED OTHER COMPREHENSIVE INCOME

The development of accumulated other comprehensive income is as follows:

<i>in € thousand</i>	2019	2018
Revaluation of defined benefit plans	-3,290	-2,984
Foreign currency adjustment	991	-167
Cash flow hedges	0	0
Tax effects		
Revaluation of defined benefit plans	751	736
Cash flow hedges	0	0
Status at the beginning of the period	-1,548	-2,415
Changes before taxes		
Revaluation of defined benefit plans	-320	-306
Foreign currency adjustment	1,344	1,158
Cash flow hedges	0	0
Tax effects		
Revaluation of defined benefit plans	190	15
Cash flow hedges	0	0
Status at the end of the period	-334	-1,548

MANAGEMENT OF EQUITY

The shareholders' equity of the SUSS MicroTec Group – comprised of subscribed capital, reserves, and accumulated other comprehensive income – totaled € 125,388 thousand as of December 31, 2019 (previous year: € 140,435 thousand); this corresponds to an equity ratio of 62.7% (previous year: 70.3%). Along with an appropriate return on equity, the SUSS MicroTec Group strives for a sustained high equity ratio in order to ensure future growth and increase the company value. In order to maintain or adjust the capital structure, the Group can exploit all the options arising from SUSS MicroTec SE's listing on the stock exchange.

The Company's Management Board assumes on the basis of its current planning that positive earnings will be achieved in the coming fiscal year. If the Company falls significantly short of its goals, the danger exists that shareholders' equity might decrease as a result of a net loss for the year.

(23) PENSION PLANS AND SIMILAR COMMITMENTS

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

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

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

Pension obligations are composed as follows:

<i>in € thousand</i>	2019	2018
Defined benefit obligations	13,951	10,663
Fair value of plan asset	-7,914	-5,588
Net pension obligation	6,037	5,075

DEFINED BENEFIT PLANS

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

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

<i>in %</i>	2019	2018
Discount factor	0.70	1.76
Expected return on plan assets	0.00	0.00
Salary increase	0.00	0.00
Pension increase	2.00	2.00

Life expectancy according to tables by Dr. Heubeck 2018 G

Salary-related increases have not been included since there are no longer any active claimants waiting under the German plans.

Pension commitments of the subsidiary in Switzerland comprise claims to occupational retirement, survivors' and disability pension plans that result from the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). Accordingly, every employer is obligated to conclude a retirement insurance policy for its employees, depending on reaching an age threshold and a minimum annual salary. For this purpose, the employer must establish or join a pension plan entered in the register of occupational pension plans.

SUSS MicroOptics has concluded pension plan policies for a total of 104 active insured persons (previous year: 76 active insured persons). Two individuals are paid a disability pension and one individual receives a retirement pension (unchanged from the previous year). Until December 31, 2019, SUSS MicroOptics maintained a pension plan at Helvetia Sammelstiftung. As of January 1, 2020, SUSS MicroOptics joined the AXA Fondation LLP Suisse romande. The switch included a change in the plan with an increase in retirement credits. The pension obligations taken into account as of December 31, 2019 already include all adjustments.

The main actuarial assumptions are shown below:

<i>in %</i>	2019	2018
Discount factor	0.00	1.00
Expected return on plan assets	0.70	1.00
Salary increase	1.50	1.50
Pension increase	0.00	0.00

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

The main actuarial assumptions are shown below:

<i>in %</i>	2019	2018
Discount factor	0.00	0.10
Salary increase	1.54	1.84
Pension increase	0.00	0.00

The present values of defined benefit obligations and the fair values of the plan assets developed in the 2019 and 2018 fiscal years as follows:

<i>in € thousand</i>	2019	2018
Present values as of 01/01	10,663	10,070
Service cost	834	598
Past service costs	769	0
Interest cost	86	84
Pension payments	64	-651
Actuarial (-) gain/(+) loss due to changes in financial assumptions	1,917	-350
Actuarial (-) gain/(+) loss due to changes in demographic assumptions	0	37
Actuarial (-) gain/(+) loss due to experience adjustments	-712	559
Foreign exchange fluctuations	330	316
Present values as of 12/31	13,951	10,663

<i>in € thousand</i>	2019	2018
Plan assets as of 01/01	5,588	5,324
Expected return on plan assets	37	39
Fund allocations paid	974	54
Actuarial (+) gain/(-) loss	1,104	-30
Foreign exchange fluctuations	211	201
Plan assets as of 12/31	7,914	5,588

The essential components of plan assets are reinsurance policies for pension obligations in Switzerland. Until December 31, 2019, they were insured via the Helvetia Sammelstiftung. The reinsurance policy via the Helvetia Sammelstiftung was viewed as a conservative, low-risk form of investment. On January 1, 2020, the insurer was switched and the pension plans were moved to the AXA Fondation LLP Suisse romande. According to the key figures report of the AXA Fondation LLP Suisse romande, the investment portfolio as of October 31, 2019 was comprised as follows:

Bonds (including mortgage loans)	43.88%
Convertible bonds	3.03%
Shares	13.18%
Alternative investments	10.21%
Real estate	26.86%
Liquidity	2.83%

As a result of the change in reinsurer, high upward adjustments are to be recorded in the measurement of plan assets. The primary reason for the increase in plan assets is the changed investment strategy of the reinsurer and the related increase in retire-

ment credits for the insured employee. In addition, the insurer AXA Fondation LLP operates with a higher coverage ratio; plan assets also increase accordingly for this reason.

Of the present value of the pension obligations, € 12,060 thousand (previous year: € 8,762 thousand) applies to pension claims financed by funds.

The pension expenses break down as follows:

<i>in € thousand</i>	2019	2018
Service cost	835	598
Past service cost	769	0
Personnel expenses component	1,604	598
Interest cost	86	84
Expected return on plan asset	0	0
Actuarial (-) gain/(+) loss	14	45
Interest expenses component	100	129

For 2020, the Group expects to make payments totaling € 614 thousand to meet pension obligations. The weighted average term of the obligations (duration) as of 31 December 2019 is 19.4 years (previous year: 18.1 years). The following overview shows how the present value of all defined benefit obligations would be affected by changes in the essential actuarial assumptions:

<i>in € thousand</i>	2019	2018
Change in the present value of all defined benefit obligations if		
interest rate was 50 basis points lower	1,309	888
interest rate was 50 basis points higher	-1,104	-760
salary increase was 50 basis points lower	-264	-168
salary increase was 50 basis points higher	279	166
rate of pension increase was 0.50% lower	-600	-444
rate of pension increase was 0.50% higher	665	492

DEFINED CONTRIBUTION PLANS

The Group has set up a defined contribution plan for its employees in the USA. All employees of SUSS MicroTec Photonic Systems Inc., Corona, and SUSS MicroTec Inc., Corona, from the age of 18 or 21 and with a minimum of 1,000 working hours per year benefit from the plan. All contributions from the Company are held in a trust fund. Qualifying employees obtain a non-forfeitable claim to benefits over a period of three to five years.

Both 401(k) plans offer employees the possibility of paying a certain portion of their annual remuneration into the 401(k) plan. The maximum possible amount is determined by the limit set by the U.S. Internal Revenue Service (IRS), which amounted to US\$ 18,500 in 2018. Starting at age 50, employees can pay in an additional US\$ 6,000.

The employer also makes contributions to the 401(k) plans. For each US\$ 1.00 the employee pays into the 401(k) plan, the employer contributes US\$ 1.00. The employer participates in the retirement savings plan up to a maximum contribution amount of 4% of the employee's salary.

In the 2018 fiscal year, the expenses to the Group for the 401(k) plan came to US\$ 312 thousand (previous year: € 253 thousand).

Furthermore, in the reporting year employer contributions were paid into the statutory pension plan in the amount of € 3,696 thousand (previous year: € 3,338 thousand).

(24)

FINANCIAL DEBT

FINANCIAL DEBT TO BANKS

The maturity structure of bank borrowings as of December 31, 2019, and the previous year's reporting date is as follows:

12/31/2019 in € thousand	Remaining term up to one year	Remaining term of more than one up to five years	Remaining term of more than five years	Total
Loans payable to banks	10,396	5,188	5,312	20,896
Current bank liabilities	3	0	0	3
Total	10,399	5,188	5,312	20,899

12/31/2018 in € thousand	Remaining term up to one year	Remaining term of more than one up to five years	Remaining term of more than five years	Total
Loans payable to banks	1,000	1,500	0	2,500
Current bank liabilities	6	0	0	6
Total	1,006	1,500	0	2,506

Bank borrowings were comprised as follows:

in € thousand	2019	2018
Bank loan for the financing of the business property in Garching	1,500	2,500
Promotional loan	10,000	0
Utilization in the form of syndicated loans	9,396	0
Loans payable to banks	20,896	2,500

The loan agreement to finance the Company property in Garching was concluded on October 23-28, 2013, between SUSS MicroTec SE and the IKB. The loan has a term lasting until June 30, 2021, and a fixed interest rate of 3.65%. It was made available and disbursed on December 16, 2013. The loan is secured by land charges on the Company property in Garching; the carrying amount of the property and the buildings amounted to € 8,577 thousand as of 12/31/19 (previous year: € 8,756 thousand).

The outstanding balance of this loan was, as of December 31, 2019, € 1,500 thousand (previous year: € 2,500 thousand).

In 2019, two promotional loans of KfW were taken out for an amount of € 5,000 thousand each at IKB. Both loans were paid out in April 2019 or August 2019. They feature a term of 10 years and a fixed interest rate of 1.00%. Both loans are secured by land charges on the Company property in Garching.

In October 2019, SUSS MicroTec SE concluded a syndicated loan agreement with four banks (Deutsche Bank, LBBW, Commerzbank, and BECM) for a total of € 56 million. The syndicated loan agreement features a term of 5 years and grants SUSS MicroTec SE a credit line of € 40 million as well as a guarantee line of € 16 million. The guarantee line can also be used by other German companies.

The interest rates for utilization of the credit line are variable and are comprised of EURIBOR and a margin whose amount depends on the net debt ratio of the SUSS MicroTec Group and the utilization rate of the credit line. Commitment interest amounting to 35% of the margin is calculated for the portion of the credit line that was not utilized.

The syndicated loan agreement reserves a special termination right for the lending banks if the equity ratio of SUSS MicroTec falls below 40.0%. Additional covenants were not stipulated.

On December 31, 2019, the credit line from the syndicated loan agreement in the amount of € 9,500 thousand was utilized. In exchange, € 104 thousand in borrowing costs was recognized. The guarantee line was utilized in the amount of € 8,277 thousand.

The total credit and guarantee lines and their utilization have developed as follows:

<i>in € thousand</i>	2019	2018
Credit and guarantee line	56,000	21,250
Utilization in the form of guarantees	8,277	9,869
Utilization in the form of syndicated loans	9,500	0
Available credit and guarantee lines	38,223	11,381

In the previous year, Deutsche Bank AG, DZ Bank AG, Crédit Mutuel, and Baden-Württembergische Bank sponsored credit and guarantee lines totaling € 20.5 million. Also in the previous year, BW-Bank Mannheim granted SUSS MicroTec Photomask Equipment GmbH & Co. KG a credit and guarantee line of € 750 thousand. Upon the conclusion of the new syndicated loan agreement at the end of October 2019, these lines were closed out.

FINANCIAL DEBT FROM LEASE OBLIGATIONS

With the application of IFRS 16, liabilities are recognized for concluded rent and lease agreements in the amount of the present value of the lease obligations.

The maturity structure of liabilities from lease obligations as of December 31, 2019 is as follows:

12/31/2019 <i>in € thousand</i>	Remaining term up to one year	Remaining term of more than one up to five years	Remaining term of more than five years	Total
Liabilities from rent and lease agreements	2,751	4,638	0	7,389
Total	2,751	4,638	0	7,389

The development of lease liabilities is as follows:

<i>in € thousand</i>	2019
As of 1/1/2019	2,464
Additions 2019	7,024
Repayment	-2,087
Extraordinary repayment	-12
Financial debt from lease obligations as of 12/31/2019	7,389

(25) (CURRENT) PROVISIONS

Current provisions are composed as follows:

<i>in € thousand</i>	2019	2018
Warranty provisions	2,792	2,702
Provisions for the severance payment of a Management Board member	400	699
Other provisions	1,006	1,811
Current provisions	4,198	5,212

The warranty provisions were set up in the amount of their probable utilization for statutory and contractually agreed guarantees and warranty claims of customers arising from deliveries of machines.

The remaining provisions essentially include provisions for follow-up costs and provisions for personnel expenses. As of December 31, 2019, provisions for acceptance obligations, which have resulted from open orders for the laser and scanner product lines, were also formed for € 285 million.

Current provisions developed as follows:

<i>in € thousand</i>	As of 01/01/2019	Utilization	Reversal	Additions	As of 12/31/2019
Warranty provisions	2,702	-1,710	0	1,800	2,792
Severance provisions	699	-699	0	400	400
Other provisions	1,811	-1,811	0	1,006	1,006
Current provisions	5,212	-4,220	0	3,206	4,198

(26) OTHER (CURRENT) FINANCIAL LIABILITIES

Other current financial liabilities break down as follows

<i>in € thousand</i>	2019	2018
Premiums and commissions	3,171	4,458
External services	2,009	2,149
Supervisory Board remuneration	221	163
Outstanding wage and church tax	796	648
License fees	25	11
Customers with credit balance	385	254
Others	166	175
Other (current) financial liabilities	6,773	7,858

All liabilities will lead to outflows within one year.

(27) CONTRACT LIABILITIES

The contract liabilities of € 9,346 thousand (previous year: € 18,225 thousand) involve customer down payments received for the production of tools. Upon delivery or acceptance and associated sales recognition, the contract liabilities are offset against the contract assets or receivables that arise.

(28) OTHER (CURRENT) LIABILITIES

Other current liabilities break down as follows:

<i>in € thousand</i>	2019	2018
Accrued personnel expenses	3,603	3,423
Liabilities for payments in kind	1,931	3,307
Value-added tax	113	39
Others	213	161
Other current liabilities	5,860	6,930

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

(29) TAX LIABILITIES

The tax liabilities are made up of domestic income taxes of € 365 thousand (previous year: € 1,522 thousand) and foreign income taxes of € 337 thousand (previous year: € 1,087 thousand).

OTHER DISCLOSURES

(30) ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

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

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

<i>in € thousand</i>	2019	2018
Financial assets		
Cash and cash equivalents	10,280	30,672
Loans and receivables	50,540	25,369
Financial assets held for trading	0	0
	60,820	56,041
Financial liabilities		
Financial liabilities held for trading	0	0
Financial liabilities	45,074	19,380
	45,074	19,380

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

<i>in € thousand</i>	2019		Measurement category according to IFRS 9	Hierarchy level fair value measurement
	Book value	Fair value		
Financial assets				
Cash and cash equivalents	10,280	10,280	at amortized cost	
Trade receivables	18,992	18,992	at amortized cost	
Contract assets	31,182	31,182	at amortized cost	
Other financial assets	366	366	at amortized cost	
Financial liabilities				
Trade payables	10,013	10,013	at amortized cost	
Financial debt	28,288	29,006		
Bank borrowings	20,899	21,617	at amortized cost	Fair value level 2
Lease liabilities	7,389	7,389	at fair value	
Other financial liabilities	6,773	6,773	at amortized cost	

in € thousand	2018		Measurement category according to IFRS 9	Hierarchy level fair value measurement
	Book value	Fair value		
Financial assets				
Cash and cash equivalents	30,672	30,672	at amortized cost	
Trade receivables	22,071	22,071	at amortized cost	
Contract assets	3,026	3,026	at amortized cost	
Other financial assets	272	272	at amortized cost	
measured at amortized cost	272	272	at amortized cost	
Financial liabilities				
Trade payables	9,016	9,016	at amortized cost	
Financial debt	2,506	2,646	at amortized cost	Fair value level 2
Other financial liabilities	7,858	7,858	at amortized cost	

The following methods and assumptions apply in determining the market values:

Cash and Cash Equivalents

On account of the short-term nature of the investments, the book values correspond to the market values of the instruments.

Receivables/Trade Payables

On account of the short-term nature of the receivables and payables, the book values correspond approximately to the market values of the instruments.

Other Financial Assets/Liabilities

Because of the short-term nature of the assets and liabilities, the book values of the other financial assets and liabilities, which are measured at amortized cost, correspond roughly to their market value.

The measurement of other financial assets and liabilities that are measured at market value depends on their category. The fair value of forward currency transactions is determined by the rates for forward currency transactions. The market value of interest derivatives is determined by discounting the expected future cash flows over the remaining term of the contract on the basis of current market interest rates and the yield curve.

Bank Borrowings

The market value of the financial liabilities with regard to bank borrowings was calculated by discounting the expected outflow of funds at usual market interest rates for debt instruments with comparable conditions and residual terms.

The net gains and losses on financial instruments have developed as follows:

in € thousand	2019	2018
Financial assets recognized at amortized cost	-343	227
Financial liabilities recognized at amortized cost	9	18

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

DERIVATIVE FINANCIAL INSTRUMENTS

For purposes of risk management, derivative financial instruments are used to limit the effects of fluctuations in exchange rates and interest rates.

Purchasing and sales obligations in foreign currencies arise due to cross-border supply relationships between SUSS MicroTec companies in the eurozone and external customers or suppliers who are not based in the eurozone. This applies above all to customers or suppliers in countries using the US dollar and the Japanese yen that obtain products from SUSS MicroTec companies in the eurozone or sell to them. At the time an order is placed, foreign currency forwards are concluded in order to hedge against currency changes during the period until payment is made. The change in market values is shown under other operating income or other operating expenses. Potential risks arise from the fluctuation of the currency exchange rates and in the creditworthiness of the contractual partners, which are exclusively German financial institutions with a first-rate credit standing.

No open foreign currency forwards exist as of December 31, 2019 (as in the previous year).

The sensitivity to exchange rates is determined by aggregating the foreign currency items of the operating activities and the Group treasury. Foreign currency risks are thus calculated on the basis of a simulation of a 10% devaluation of all foreign currencies versus the euro. This simulated devaluation would have led to a reduction in the euro-equivalent value of € 746 thousand as of the reporting date (previous year: reduction of € 1,053 thousand) and a corresponding decrease (previous year: decrease) in annual income.

The following tables show the composition of the foreign currency exposure and the effects on annual earnings of a ten percent appreciation or depreciation of the euro as of the reporting date and that of the previous year:

in € thousand	2019		
	USD	JPY	Total
Cash and cash equivalents	4,152	2,188	6,340
Trade receivables	2,966	1,335	4,301
Trade payables	-1,590	-842	-2,432
Net exposure	5,528	2,681	8,209
Effect of a 10% appreciation of the euro on annual net income	-503	-244	-746
Effect of a 10% depreciation of the euro on annual net income	614	298	912

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

(31) LEASES

The Group leases all premises where the foreign SUSS MicroTec companies are located as well as the premises of SUSS MicroTec REMAN GmbH (Oberschleissheim, Germany). The leased premises are used as offices, warehouses, and production areas. Each of the lease contracts is concluded according to local law and they do not display any uniform structure. Some have agreements for lease increases or lease extension options, for example.

Particularly at sites where major installations have been performed (e.g., cleanrooms for production or applications), lease extension options that the Group can exercise are sought when the lease contracts are concluded.

In addition, the Group leases Company vehicles in several countries in which it is represented by branches. The term of the lease usually runs for three or four years.

(32) RELATED PARTIES

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

Control exists if a shareholder has more than half of the voting shares of SUSS MicroTec SE or has the possibility, on the strength of the articles of incorporation or contractual agreement, to control the financial and business policies of SUSS MicroTec SE.

Furthermore, the obligation of disclosure set out in IAS 24 also covers transactions with joint ventures and transactions with persons that exercise a substantial influence on the financial and business policies of SUSS MicroTec SE, including close family members or intermediate entities. A substantial influence on the financial and business policy of the Group may rest on a shareholding in SUSS MicroTec SE of 20% or more, a seat on the Management Board or Supervisory Board of SUSS MicroTec SE or another key management position.

With the exception of disclosures on the remuneration of the corporate bodies, the Group was not affected by the disclosure obligations set out under IAS 24 "Related Parties" in the fiscal year. Details on the remuneration of the corporate bodies can be found in the Remuneration Report, which is part of the Management Report.

(33) FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

Other financial obligations and contingent liabilities are composed as follows:

<i>in € thousand</i>	2019	2018
Commitments	22,468	18,675
Rent and lease obligations	0	2,418
Total	22,468	21,093

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

With the application of IFRS 16, rent or lease liabilities have been recognized as financial liabilities since 2019.

(34) EXPLANATIONS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the consolidated statement of cash flows of the SUSS MicroTec Group, a distinction is made in accordance with IAS 7 ("Statement of Cash Flows") between payment flows from operating activities and from investing and financing activities.

The item cash and cash equivalents in the statement of cash flows comprises all of the liquid funds shown in the statement of financial position, i.e., cash in hand, checks and deposits with banks, provided they are available within three months without significant fluctuations in value.

The cash flows from investing and financing activities are computed on the basis of payments. On the other hand, the cash flow from operating activities is derived indirectly from the net result for the year.

Under the indirect computation, effects due to currency translation are eliminated from the relevant changes in statement of financial position items. The changes in the relevant statement of financial position items can, therefore, not be reconciled with the corresponding figures on the basis of the consolidated statement of financial position.

Other non-cash transactions of € -1,522 thousand include a negative effect of € 2,920 thousand from the capitalization of a right of use in connection with the conclusion of a cooperation agreement with an applications center. Additional explanations can be found under point (11) Intangible Assets. Additional positive effects involve the addition of a provision for severance payments of € 400 thousand, the increase in the pension provision in Switzerland by € 769 thousand as well as currency effects.

In the previous year, non-cash income and expenses amounted to € 146 thousand. Aside from negative currency effects, they include a positive effect from the addition of a provision for severance payments of € 699 thousand.

Cash flow from financing activities amounted to € 16,399 thousand. It indicates, on the one hand, at € -1,000 thousand, the scheduled repayment of the bank loan that serves to finance the property in Garching. On the other hand, it also represents the assumption of new bank loans of € 19,500 thousand. Of this amount, € 10,000 thousand relates to two KfW promotional loans, which were taken out at IKB, and € 9,500 thousand for the partial utilization of a newly agreed syndicated loan. € -2,204 thousand reflects the repayment of rent and lease obligations, which had been initially recognized in accordance with IFRS 16.

In the previous year, the cash flow from financing activities of € -1,000 thousand indicated the scheduled repayment of the bank loan that serves to finance the property in Garching. The change in other financial liabilities reflected the change in current bank liabilities on account of the reporting date.

Fair value changes or exchange rate effects were not recognized in cash flow from financing activities either in 2019 or in the previous year.

(35) SEGMENT REPORTING

INFORMATION ABOUT THE SEGMENTS

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

The activities of the SUSS MicroTec Group are divided into the Lithography, Bonder, Photomask Equipment, and Microoptics operating divisions. The Others division combines further activities of the Group and the non-allocable costs of the Group functions.

In the Lithography division, the SUSS MicroTec Group develops, produces, and sells the mask aligner, developer, and coater product lines as well as the UV projection and laser processing product lines. The development and production activities are conducted in Germany at the locations in Garching near Munich and Sternenfels near Stuttgart. The development and production of the UV projection and laser processing product lines had been conducted in Corona, California, USA. Due to updated market expectations, SUSS MicroTec no longer anticipates achieving significant order entry and sales with these two product lines. Special write-downs totaling € 14,246 thousand were incurred

on the lower of fair value and additions to provisions. Of this amount, € 1,367 thousand involved write-downs on fixed assets, € 12,593 thousand involved value adjustments on inventories and other current assets in the cost of sales, and € 286 thousand involved provisions for purchase contingencies. Substantial parts of the distribution organizations in North America and Asia support the Lithography division. Lithography comprises somewhat more than half of the entire business of the Group and is represented in the advanced packaging, MEMS, and compound semiconductor markets.

The Bonder division encompasses the development, production, and distribution of the bonder product line. The activities of this division are concentrated at Sternenfels near Stuttgart. Distribution for the Bonder division occurs from Sternenfels itself and worldwide in small units at locations in Europe, the USA, and Asia.

The Photomask Equipment division includes the development, manufacture, and sale of the HMx, ASx, MaskTrack, and MaskTrack Pro product lines of SUSS MicroTec Photomask Equipment GmbH & Co. KG. The development and production of specialized systems for the cleaning and processing of photomasks for the semiconductor industry are conducted at the Sternenfels site.

The Microoptics division includes the production and sales of microlenses and highly specialized optics that are manufactured for a variety of industrial applications. These activities are bundled in SUSS MicroOptics S.A. in Hauterive, Switzerland.

The Others division represents all other activities as well as costs for central Group functions that generally cannot be attributed to the main divisions.

OTHER COMMENTS ON SEGMENT REPORTING

Division data was collated using the accounting and measurement methods applied in the consolidated financial statements. Due to the division of the Group by product line across companies, there are no material inter-division transactions. One exception is the reallocation of costs by SUSS MicroTec SE, recorded in the Others division, to the other divisions for the performance of certain Group functions such as financing and strategic matters. These charges also contained the expenses incurred by the holding company in connection with the introduction and operation of the SAP system.

In compliance with the requirements of IFRS 8 “Operating Segments,” the segment reporting contains disclosure of the pre-tax result per segment. This enables the sum of the segment results to be reconciled with the overall consolidated result before tax. However, in the view of the Management Board, segment earnings before interest and taxes (EBIT) is the most relevant information to evaluate results compared to other companies in the industry.

During the fiscal year, sales were recorded with one customer representing a share of more than 10% of the Group’s total sales. In the process, sales of approximately € 25.4 million, which are disclosed in the Lithography and Photomask equipment divisions, accrue to this customer. In the previous year, SUSS MicroTec also generated sales with one customer that represented a share of over 10% of the Group’s sales.

Among the principal non-cash expenses and income are value adjustments on trade receivables, write-downs on inventory reserves, and the addition and reversal of provisions and other liabilities.

Segment assets represent the necessary operational assets of the individual divisions. These comprise the intangible assets (including goodwill), tangible assets, inventory reserves, and trade receivables.

The segment liabilities include the operating debts and provisions of the individual divisions.

The investments relate to additions of both tangible and intangible assets.

For the geographic segment reporting, sales are segmented according to the location of the customers. In the past fiscal year, SUSS MicroTec generated sales of € 17,624 thousand (previous year: € 30,249 thousand) in Germany.

The assets and investments were calculated on the basis of the location of the Group company concerned. The noncurrent assets of the Group are primarily comprised of intangible assets, goodwill, and tangible assets. Of noncurrent assets, € 35,559 thousand (previous year: € 35,227 thousand) are attributable to companies in Germany; € 10,847 thousand (previous year: € 8,662 thousand) accrued to foreign companies. In the past fiscal year, the SUSS MicroTec Group undertook investments of € 4,727 thousand (previous year: € 4,545 thousand) in Germany.

(36) SUBSEQUENT EVENTS

Due to the current market situation and expected low need for investment by potential customers for the scanner and laser product lines, the Management Board decided on January 27, 2020 to terminate these product lines and shut down production in Corona. The Supervisory Board approved this resolution at an extraordinary meeting on January 29, 2020. The remaining assets are being liquidated. Due to the insight gained at the end of 2019 about the market outlook for both product lines and the related assessment that no significant customer orders could be obtained over the short to medium term, special write-downs on laser and scanner assets totaling € 14,246 thousand were already taken on the December 31, 2019 reporting date. Essential measures, such as employee layoffs, were already implemented

in January 2020. 42 out of 51 employees of the American subsidiary SUSS MicroTec Photonic Systems Inc. at the site in Corona, USA were dismissed. The remaining 9 employees were hired by the American distribution company SUSS MicroTec, Inc. Additional expenses accrue for the processing of lease contracts and other continuing obligations. In 2020, total charges in the mid-single-digit euro range will be incurred for the termination of production in Corona and for the closure of the site.

On February 25, 2020, Dr. Stefan Reineck notified the Company that he would step down from his position as a member and the Chairman of the Supervisory Board of SUSS MicroTec SE, effective at the conclusion of the ordinary Shareholders' Meeting for the 2019 fiscal year, which is scheduled for May 20, 2020. In addition, Mr. Gerhard Pegam also notified the Company on February 25, 2020 that he would step down from his position as a member of the Supervisory Board of SUSS MicroTec SE with notice of one month in accordance with the articles of incorporation. The Supervisory Board constitutes a quorum until the Shareholders' Meeting. The upcoming Shareholders' Meeting will decide on refilling positions or possibly downsizing the Supervisory Board.

At the time when this report was being prepared, there were increasing signs that the spread of the novel coronavirus COVID-19 was affecting the performance of the global economy and would continue to do so over the course of 2020. The spread of COVID-19 is increasingly impairing Company processes. For example, trade fairs that are important for SUSS MicroTec have been canceled or postponed. In general, the travel activities of our employees must be severely restricted worldwide. In general, the travel activities of our employees worldwide must be severely restricted, including customer visits and service assignments.

At the time of preparing this report, work can be carried out at all production sites of the Group. No plant closures have been necessary to date. We have defined contingency plans and organized our business processes in a temporary two-shift model in order to maintain a minimum level of operation. Despite individual restrictions in freight traffic, completed machines can be delivered to our customers. No serious effects on our supply chain and production processes can be identified at this time. Order intake in the first quarter of 2020 has developed positively.

The worldwide development of the pandemic and the resulting drastic measures to stem the pace of the spread in all countries that we supply make it impossible to provide a reasonable estimate of the economic impact on SUSS MicroTec at the current time. The further course of events and how quickly conditions in the respective countries return to normal remain to be seen.

(37)

MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD OF SUSS MICROTEC SE

The Members of the Management Board of SUSS MicroTec SE in the 2019 fiscal year were:

Dr. Franz Richter

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

Responsible for the areas:

Marketing and sales, Group strategy, service, research and development, patents, divisions / product lines, human resources, production, and quality management.

Further appointments:

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

Oliver Albrecht

- Diplom-Kaufmann (Business Administration), resident of Ulm
Chief Financial Officer (since 11/18/2019)

Responsible for the areas:

Finance and accounting, IT, law, taxes and insurance, facility management, investor relations, occupational safety, environmental protection, materials management, and logistics.

Further appointments:

none

Robert Leurs

- Diplom-Kaufmann (Business Administration), Diplom-Finanzwirt (Financial Management), resident of Stockdorf,
Chief Financial Officer (until 11/18/2019)

Responsible for the areas:

Finance and accounting, IT, law, taxes and insurance, facility management, investor relations, occupational safety, environmental protection, materials management, and logistics.

Further appointments:

none

SUPERVISORY BOARD OF SUSS MICROTEC SE

The Members of the Supervisory Board in the 2019 fiscal year were:

Dr. Stefan Reineck

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

Further appointments:

- attocube systems AG, Munich (Vice Chairman of the Supervisory Board)
- Phoseon Technology Inc., Hillsboro, Oregon, USA (until 3/31/2019 member of the Board of Directors)
- Wittenstein SE, Igersheim (Deputy Director of the Supervisory Board)

Jan Teichert

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

Further appointments:

none

Gerhard Pegam

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

Further appointments:

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

Dr. Myriam Jahn

- Resident of Düsseldorf, Chairwoman of the Board Q-Loud GmbH, Cologne; Member of the Supervisory Board of SUSS MicroTec SE

Further appointments:

none

Dr. Dietmar Meister

- Resident of Hilden, Management Consultant, Hilden, Member of the Supervisory Board of SUSS MicroTec SE (since 6/6/2019)

Further appointments:

none

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The members of the Management Board received cash remuneration of € 1,428 thousand (previous year: € 2,107 thousand). The amount of Management Board remuneration in the reporting year includes a severance payment of € 400 thousand for the former Chief Financial Officer, Robert Leurs, who departed on November 18, 2019.

The remuneration of the members of the Supervisory Board, including meeting attendance fees and expense allowances, amounted to € 300 thousand (previous year: € 256 thousand).

Individualized information about the remuneration of the Management Board and the Supervisory Board is presented in the Remuneration Report, which is part of the condensed Management Report.

Share and option holdings of the officers at year end:

	2019		2018	
	Shares	Options	Shares	Options
Dr. Franz Richter	113,760	0	80,000	0
Oliver Albrecht	0	0	—	—
Robert Leurs	—	—	1,500	0
Dr. Stefan Reineck	9,600	0	9,600	0
Jan Teichert	0	0	0	0
Gerhard Pegam	0	0	0	0
Dr. Myriam Jahn	0	0	0	0
Dr. Dietmar Meister	0	0	0	0

(38) EMPLOYEES

In the fiscal year, the SUSS MicroTec Group had an average of 914 employees (previous year: 841 employees).

Status at the end of the year:

	2019	2018
Administration	79	77
Sales and marketing	336	301
Production and technology	522	502
Total	937	880

(39) AUDITOR'S FEES

In the current fiscal year, SUSS MicroTec recorded a fee of € 275 thousand (previous year: € 266 thousand) for the auditor of the consolidated financial statements, BDO AG Wirtschaftsprüfungsgesellschaft, Munich, pursuant to Section 314 (1) (9) HGB. In the fiscal year, fees of € 21 thousand (previous year: € 18 thousand) went to network partners of the auditor (other members of BDO International). In the reporting year, as in the previous year, expenses were incurred exclusively for the audit of the financial statements; these also included expenses for the audits of the financial statements of the German subsidiaries.

The expenses for the audit of the financial statements include the entire fee for the audit of the annual financial statements of SUSS MicroTec SE as well as the audit of the consolidated financial statements and annual financial statements of subsidiaries by BDO. Of the auditor's fee for the consolidated financial statements, approximately € 31 thousand (previous year: € 30 thousand) went toward the audit of the separate financial statements of SUSS MicroTec SE.

(40) CORPORATE GOVERNANCE

As in the previous years, in January 2019, the Management Board and the Supervisory Board submitted a declaration of compliance pursuant to Section 161 of the German Stock Corporation Law (AktG) and declared that they would comply with the recommendations of the German Corporate Governance Code in the version of February 07, 2017, with the following exceptions – a deductible for D&O insurance, vertical remuneration comparison, pension commitments, formation of committees, and a term limit for serving in the Supervisory Board – and have complied with the recommendations of the Code in the version of February 07, 2017, since the last annual declaration of compliance was issued in January 2018 with the exceptions stated therein.

In December 2019, the Management Board and Supervisory Board issued a declaration of compliance pursuant to Section 161 AktG and declared that they would comply with the recommendations of the German Corporate Governance Code in the version from February 7, 2017, with the following exceptions – deductible for D&O insurance, vertical remuneration comparison, pension commitments, formation of committees, and a term limit for membership in the Supervisory Board. Furthermore, the Management Board and Supervisory Board have declared that they have complied with the recommendations of the Code in the version from February 7, 2017, since the issuance of the last annual declaration of compliance in January 2019 with the exceptions stated therein.

The declarations of compliance have been made permanently available online at

> www.suss.com/en/investor-relations/corporate-governance.

(41) APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board of SUSS MicroTec SE approved the IFRS consolidated financial statements for forwarding to the Supervisory Board on March 27, 2020.

Garching, Germany, March 27, 2020

The Management Board

signed

Dr. Franz Richter

Chief Executive Officer

signed

Oliver Albrecht

Chief Financial Officer

RESPONSIBILITY STATEMENT BY THE LEGAL REPRESENTATIVES

To the best of our knowledge, we assure that in accordance with applicable accounting principles, the consolidated financial statements convey an accurate view of the net assets, financial position, and results of operations of the Group and that the Group Management Report, which has been combined with the Management Report of SUSS MicroTec SE, conveys an accurate view of the business performance, including the earnings and condition of the Company, and describes the essential opportunities and risks for the Group's future development.

Garching, March 27, 2020

SUSS MicroTec SE
The Management Board

signed
Dr. Franz Richter
Chief Executive Officer

signed
Oliver Albrecht
Chief Financial Officer

AUDIT CERTIFICATE OF THE INDEPENDENT AUDITOR

to SUSS MicroTec SE, Garching

CERTIFICATE REGARDING THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONDENSED MANAGEMENT REPORT

AUDIT OPINION

We have audited the consolidated financial statements of SUSS MicroTec SE, Garching, and its subsidiaries (the Group) comprising the statement of financial position as of December 31, 2019, the statement of income, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the fiscal year from January 1, 2019, to December 31, 2019, as well as the Notes, including a summary of significant accounting methods. In addition, we have audited the condensed Management Report of SUSS MicroTec SE for the fiscal year from January 1, 2019, to December 31, 2019. We have not substantively audited the sections of the condensed Management Report specified under "Other Information" in conformity with German legal provisions.

In our opinion, based on the insights gained in the audit,

- the attached consolidated financial statements comply with IFRS, as applicable in the EU, in all material respects as well as the supplementary regulations under German law according to Section 315e (1) of the German Commercial Code (HGB). In addition, they convey in accordance with these principles an accurate view of the net assets and financial position of the Group as of December 31, 2019, and its results of operations for the fiscal year from January 1, 2019, to December 31, 2019.
- Furthermore, the attached condensed Management Report conveys an overall accurate picture of the condition of the Group. In all material respects, this condensed Management Report is consistent with the consolidated financial statements, complies with German legal regulations, and presents the opportunities and risks of future development accurately. Our audit opinion on the condensed Management Report does not extend to the contents of the sections of the condensed Management Report specified under "Other Information."

According to Section 322 (3)(1) of the HGB, we declare that our audit has not led to any objections regarding the accuracy of the consolidated financial statements and the condensed Management Report.

BASIS FOR THE AUDIT OPINION

We have conducted our audit of the consolidated financial statements and the condensed Management Report in accordance with Section 317 of the HGB and the EU Auditor Regulation (No. 537/2014; referred to below as "EU-APrVO"), taking into account the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibility according to these regulations and principles is further described in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and Condensed Management Report" section of our audit certificate. We are independent of the Group companies in accordance with European legal and German commercial and professional legal regulations and have fulfilled our other German professional obligations in accordance with these requirements.

In addition, we declare in accordance with Article 10 (2)f of the EU-APrVO that we have not performed any prohibited non-audit services in accordance with Article 5 (1) of the EU-APrVO.

We are of the opinion that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements and the condensed Management Report.

PARTICULARLY IMPORTANT ISSUES IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Particularly important audit issues are those matters that were the most significant in our dutiful judgment in our audit of the consolidated financial statements for the fiscal year from January 1, 2019, to December 31, 2019. These issues were taken into account in connection with our audit of the consolidated financial statements as a whole and in the formation of our audit opinion on them; we do not issue any separate audit opinion on these issues.

We have identified the following issues as particularly important for the audit.

1. Impairment of goodwill in the Lithography division
2. Recognition of multi-component transactions (IFRS 15)

1. IMPAIRMENT OF GOODWILL IN THE LITHOGRAPHY DIVISION

Issue

In the consolidated financial statements of SUSS MicroTec SE as of December 31, 2019, goodwill totaling approximately EUR 15.7 million is disclosed that represents 7.9% of consolidated total assets or 12.5% of consolidated shareholders' equity. This goodwill was allocated to the Lithography cash-generating unit, which corresponds to the Lithography division.

Cash-generating units with goodwill are subjected to an impairment test at least once annually as well as in cases in which the Company finds indications of an impairment. The measurement is done using a measurement model based on a discounted cash flow analysis. If the carrying amount of a cash-generating unit is greater than the recoverable amount, an impairment is made in the amount of the difference. The evaluation of goodwill impairment is complex and requires numerous estimates and discretionary decisions by the legal representatives, particularly regarding the amount of future cash flow surpluses, the growth rate for the projected cash flows beyond the detailed planning period, and the discount rate to be used. Given the significant amount of goodwill for the consolidated financial statements of SUSS MicroTec SE and the uncertainties associated with measurement, it constitutes a particularly important audit issue.

Disclosures by SUSS MicroTec SE on goodwill are included in the sections of the Notes (2D) Significant Accounting Policies, (2E) Use of Estimates, and (12) Goodwill.

Audit Response and Insights

In the course of our audit, we have assessed the suitability of material assumptions and discretionary parameters as well as the method of calculation for the impairment tests, taking into account the insights of our measurement specialists. We have gained an understanding of the planning system and planning process as well as material assumptions made by the legal representatives during planning. We have reconciled the forecast for future cash flow surpluses in the detailed planning period with the budget approved by the Supervisory Board for 2020 and plans for the subsequent years of 2021 to 2024. We have examined the Company's planning accuracy in the course of the audit. Furthermore, we have reproduced the assumptions underlying planning and the growth rates assumed for cash flows beyond the detailed planning period by comparison with past developments and current industry-specific market expectations. In addition, we have critically scrutinized the discount rates used based on the average cost of capital of a peer group.

Overall, we were able to ascertain that the assumptions made by the legal representatives while conducting the impairment test and the measurement parameters used are reproducible and lie within a justifiable range.

2. RECOGNITION OF MULTI-COMPONENT TRANSACTIONS (IFRS 15)

Issue

In the consolidated financial statements of SUSS MicroTec SE, sales of EUR 213,799 thousand are disclosed in the statement of income for the 2019 fiscal year. Since the 2018 fiscal year, the Company has recognized sales in the conventional machine project business on the basis of multi-component transactions in accordance with IFRS 15.22 et seq.

The contracts in the machine project business usually include the manufacture and delivery of a tool on the one hand as well as the installation of the tool, including initial training of the customer on the tool, on the other hand. For accounting purposes, SUSS MicroTec SE has classified these performance obligations as distinct performance obligations. Additional distinct performance obligations can also be agreed upon in accordance with customer-specific requirements. For the entire scope of performance, a total order value is usually agreed upon with the customer so that an allocation of the entire transaction price to the individual distinct performance obligations in the amount of the individual sale prices is necessary.

For each distinct performance obligation, SUSS MicroTec SE assesses whether the performance of service occurs over time or at a point in time. Sales are recognized if control over the good has been transferred or the service rendered to the customer. For the manufacture and delivery of the tool, sales are recognized at a point in time upon transfer of control to the customer. The decisive factor is the time of the transfer of contractual risk to the customer. As for the installation of the tool, including initial training of the customer, sales are also recognized at a point in time upon performance of the service. The acceptance of the tool by the customer in the form of an acceptance protocol is crucial.

In the 2019 fiscal year, there was a change in the estimation procedure for determining the respective individual sale prices for allocating the order value to the individual performance obligations. Instead of the adjusted fair value method that was used in the 2018 fiscal year, the cost plus method was adopted in the 2019 fiscal year. Accordingly, 96% of the entire amount of the order is allocated to "tool manufacture and delivery" (previous year: 90%) and 4% is allocated to "installation, including initial

customer training” (previous year: 10%). This change results in a positive impact on Group sales of € 3,666 thousand.

Also during the 2019 fiscal year, a relevant transaction in the context of IFRS 15 had to be evaluated, in which the nature of the consideration for the use of tools under a cooperation agreement with an applications center had peculiar features. The consideration consisted not only of a cash component, but also the granting of a right of use to physical space at the applications center. The right of use, which was measured at € 2,920 thousand, was capitalized in full as an intangible asset as of the December 31, 2019 reporting date. This right of use is being amortized over time from the start of use in 2020 over a five-year useful life. The revenue recognition in relation to the manufacture and delivery of the tools was done in accordance with a 96% transfer of control in the 2019 fiscal year.

The internal corporate processes for the recognition, measurement, and representation of the relevant order information for recognizing revenue and earnings for multi-component transactions in accordance with IFRS 15 and the audit of the same are – particularly in view of the evaluation of the transfer of control, the recognition of revenue at a point in time, as well as the allocation of the order value to the individual performance obligations – complex and involve discretion on the part of the legal representatives. Accounting for non-cash consideration received in the 2019 fiscal year is also subject to subjective assumptions and discretionary judgment. For these reasons, the revenue recognition of multi-component transactions represents a particularly important audit issue.

Disclosures by SUSS MicroTec SE on the revenue recognition of multi-component transactions are included in the sections of the Notes (2D) Significant Accounting Policies, (2E) Use of Estimates, and (3) Sales.

Audit Response and Insights

In the course of our audit, we have assessed the processes and controls in place at the significant subsidiaries for the recognition of sales and convinced ourselves of the effectiveness of the relevant controls through functional tests. We have reproduced the deferral of sales revenue of these subsidiaries as of the balance sheet date. With the support of our IT specialists, we have verified the proper application of the selection criteria chosen for the assessments and convinced ourselves of the completeness of the selected projects. We have reproduced the accounting recognition of the identified application cases in the consolidated financial statements.

Regarding the proper recognition of the relevant contractual information for assessing the transfer of control, we have carried out additional functional tests for a sample of all the projects within the scope of revenue and sales recognition for multi-component transactions by the reporting date. In addition, in the course of statement-related audit procedures we have repro-

duced the time of the transfer of control for a conscious selection of orders based on contractual conditions (INCOTERMS) and transport documents and convinced ourselves of the proper accrual accounting of sales from the manufacture and delivery of tools in accordance with IFRS 15. We have audited revenue recognition for the lease obligation “installation, including initial training” for the selected individual cases using acceptance protocols.

We have reproduced the multi-year business analyses of the actual, average costs incurred for both performance obligations “manufacture and delivery” and “installation and initial training of the customer on the tool”, as well as the calculation of achievable earnings margins given a changed allocation of the total project value to the performance obligations. The change in management’s estimation procedure for determining the respective individual sale prices for allocating the order value to the individual performance obligations was checked for plausibility based on these assessments and calculations.

The accounting impact of the cooperation agreement with partially non-cash consideration was reproduced on a contractual and business development basis. In the process, the relevant contents of the agreement in view of accounting for exchange transactions between third parties was examined, while the nature of the asset received and the measurement of the consideration were also evaluated.

We were able to ascertain that the revenue and earnings recognition at a point in time for multi-component transactions in accordance with IFRS 15, the allocation of the total order value to various performance obligations of a project order, as well as accounting for and measuring non-cash consideration were appropriate in the 2019 fiscal year and were performed in line with the relevant provisions of IFRS 15.

OTHER INFORMATION

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

- The separately published nonfinancial Group declaration in accordance with the reference in section “Nonfinancial Group Declaration in Accordance with Section 315b of the German Commercial Code (HGB)” of the condensed Management Report,
- The Group declaration on corporate governance in accordance with the reference in section “Group Declaration on Corporate Governance in Accordance with Section 289f and 315f of the German Commercial Code (HGB)” of the condensed Management Report,
- The remaining parts of the Annual Report, with the exception of the audited consolidated financial statements, the condensed Management Report, and our audit certificate.

Our audit opinion on the consolidated financial statements and the condensed Management Report does not extend to other

information. Accordingly, we are not issuing either an audit opinion or any other form of audit conclusion regarding it.

In connection with our audit, we have the responsibility to read other information and to evaluate whether the other information

- indicates material discrepancies from the consolidated financial statements, the condensed Management Report, or the insights we gained during the audit or
- otherwise appear to contain material misrepresentations.

If we conclude based on the work we have carried out that a material misrepresentation of this other information exists, we are obligated to report about this fact. In this regard, we have nothing to report.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONDENSED MANAGEMENT REPORT

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with IFRS, as applicable in the EU, as well as the supplementary regulations under German law according to Section 315e (1) of the German Commercial Code (HGB). In addition, they convey in accordance with these principles an accurate view of the net assets, financial position, and results of operations of the Group. Furthermore, the legal representatives are responsible for internal controls that they have determined to be necessary in order to prepare consolidated financial statements that are free of material — deliberate or unintended — misrepresentations.

During the preparation of the consolidated financial statements, the legal representatives are responsible for assessing the ability of the Group to continue its corporate activities. Furthermore, they bear responsibility for indicating any issues in connection with the continuation of corporate activities, provided that they are relevant. In addition, they are responsible for accounting on the basis of the going concern principle, unless there is an intention to liquidate the group or to cease operations or there is no realistic alternative.

The legal representatives are also responsible for the preparation of the condensed Management Report, which provides an overall accurate picture of the condition of the Group and is consistent with the separate and consolidated financial statements in all material respects, complies with German legal regulations, and accurately presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for precautions and measures (systems) that they have deemed to be necessary in order to prepare a condensed Management

Report in accordance with the applicable German legal provisions and in order to provide sufficient appropriate evidence for the statements in the condensed Management Report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the condensed Management Report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONDENSED MANAGEMENT REPORT

Our objective is to obtain sufficient assurance regarding whether the consolidated financial statements as a whole are free of material — deliberate or unintended — misrepresentations and whether the condensed Management Report conveys an overall accurate picture of the condition of the Group and is consistent with the consolidated financial statements and the insights gained during the audit in all material respects, complies with German legal provisions, and presents the opportunities and risks of future development accurately. Our objective is also to issue an audit certificate that includes our audit opinion on the consolidated financial statements and the condensed Management Report.

Sufficient assurance is a high degree of assurance, but no guarantee that an audit performed in accordance with Section 317 of the HGB and the EU-APrVO, taking into account the generally accepted German accounting principles promulgated by the Institute of Public Auditors in Germany (IDW), uncovers every material misrepresentation. Misrepresentations may result from violations or errors and are deemed as material if it can reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and condensed Management Report.

During the audit, we exercise professional judgment and maintain an attitude of professional skepticism. In addition,

- we identify and assess the risks of material — deliberate or unintended — misrepresentations in the consolidated financial statements and the condensed Management Report, plan and carry out audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to serve as the basis for our audit opinion. The risk that material misrepresentations are not uncovered is higher for violations than errors since violations may entail fraudulent collaboration, forgeries, deliberate omissions, misleading representations, or the bypassing of internal controls.
- We gain an understanding of the relevant internal control system for the audit of the consolidated financial statements and the relevant precautions and measures taken for the audit of the condensed Management Report in order to plan audit pro-

cedures that are appropriate under the given circumstances, but not for the purpose of issuing an audit opinion on the effectiveness of these systems.

- We assess the appropriateness of the accounting methods applied by the legal representatives as well as the validity of the estimates presented by the legal representatives and the related information.
- We draw conclusions regarding the appropriateness of the going concern accounting principle applied by the legal representatives as well as, on the basis of the audit evidence obtained, whether a material uncertainty exists in connection with events or circumstances that could cast meaningful doubt on the Group's ability to remain a going concern. If we conclude that a material uncertainty exists, we are obligated to call attention to the related information in the consolidated financial statements and the condensed Management Report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained by the date of our audit certificate. However, future events or circumstances may prevent the Group from continuing its corporate activities.
- We assess the overall presentation, the structure, and the contents of the consolidated financial statements, including both information and whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements convey a picture of the Group's net assets, financial position and results of operations, taking into account IFRS, as applicable in the EU, and supplementary regulations under German law according to Section 315e (1) of the HGB.
- We obtain sufficient appropriate audit evidence for the accounting information of the companies or the business activities within the Group in order to issue audit opinions on the consolidated financial statements and the condensed Management Report. We are responsible for directing, monitoring, and executing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinion.
- We assess the consistency of the condensed Management Report with the consolidated financial statements, its legal compliance, and the picture it conveys of the Group's condition.
- We carry out audit procedures on the forward-looking statements presented by the legal representatives in the condensed Management Report. Based on sufficient appropriate audit evidence, we reproduce in particular the significant assumptions underlying the forward-looking statements of the legal representatives and assess the proper derivation of the forward-looking statements from these assumptions. We do not issue an independent audit opinion on the forward-looking statements and the underlying assumptions. A substantial unavoidable risk exists that future events may deviate significantly from the forward-looking statements.

We discuss with those responsible for oversight the planned scope and scheduling of the audit as well as significant audit findings, including potential flaws in the internal control system that we identify during our audit, among other issues.

We issue a declaration to those responsible for oversight that we have complied with the relevant independence requirements and discuss with them all relationships and other issues that can reasonably be assumed to affect our independence, as well as the safeguards taken regarding them.

Of the issues that we have discussed with those responsible for oversight, we determine those issues that were most meaningful in the audit of the consolidated financial statements for the current reporting period and therefore constitute particularly important audit issues. We describe these issues in the audit certificate unless laws or other legal provisions preclude the public disclosure of the issue.

OTHER LEGAL AND STATUTORY REQUIREMENTS

OTHER INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU-APRVO

We were chosen as auditor by the Shareholders' Meeting on June 06, 2019. We were commissioned by the Supervisory Board on August 26, 2019. We have continuously served as auditor for SUSS MicroTec SE since the 2012 fiscal year.

We declare that the audit opinion contained in this audit certificate is consistent with the supplemental report to the Supervisory Board according to Article 11 of the EU-APrVO (audit report).

RESPONSIBLE AUDITOR

The auditor Thomas Steiner is responsible for the audit.

Munich, Germany, March 27, 2020

BDO AG
Wirtschaftsprüfungsgesellschaft

D. Skiadas
Auditor

T. Steiner
Auditor

GLOSSARY

3D Integration

3D integration is divided into two main categories: 3D packaging and 3D interconnect. 3D packaging is used to describe components stacked on a wafer-level packaging strata without being connected using through-silicon vias (TSVs). 3D packaging is comprised of technologies such as SOC (system-on-chip) and other processes for which the connection is normally based on wire bonding. 3D interconnect on the other hand includes components joined by TSVs. This refers to vertical vias through the massive silicon which, as a general rule, is heavily thinned.

300 mm technology

Wafers are disks made, for example, of the purest monocrystalline silicon, the basic material used in manufacturing microchips. The largest number of silicon wafers by far (~42%) used around the world today is 300mm in diameter. The larger the wafer diameter, the more chips can be made on one wafer. The more chips that can be manufactured on a wafer, the lower the production costs per individual chip.

Advanced Packaging

This term describes modern technologies to “package” microchips in their housing. All microchip contacts must be guided individually to the outside of the housing to ensure a connection to the printed circuit board. Advanced packaging involves packaging processes that generally employ methods previously used only in the front end manufacturing of microchips themselves, such as lithography and photoresist technologies.

Back end

This term is used to describe the second (rear) link in the microchip production chain. The back end process begins once the wafer has passed through all front end process steps in the manufacture of the microchip itself. In this process, microchips are tested on the wafer and, if required, prepared for bonding. The wafers are then sawed into individual microchips that are packaged in their housing. For cost reasons, back end process work is primarily done in Asia, where semiconductor manufacturers have back end facilities of their own or allow foundries to handle testing and packaging.

Bonder

The bonder connects two or more substrates (primarily wafers) aligned to one another in an extremely precise manner. This is done using soldering, adhesion, or another physical-chemical process. Many MEMS components require this processing step, as it is the only way to ensure that airbags, tire pressure sensors, GPS sensors, ink-jet printers, etc. work.

Bonding

Attaching two or more components or wafers to each other by means of various chemical and physical effects. Adhesive bonding, for example, uses adhesives (usually epoxy resins or photoresists) to attach two components. Fusion or direct bonding directly links two wafers that are initially only connected by the weak atomic forces (van der Waals forces) of water molecules in the borderline layer. By subsequently applying heat, the water molecules are broken down, and the oxygen atoms released combine with the wafer’s silicon atoms to form the covalent bond silicon oxide. This is a very strong, non-soluble bonding of the two wafers.

Bump

A metallic (solder, gold, or similar) three-dimensional contact on a chip. In simple terms, it is described as a ball of solder on a single microchip contact.

C4NP

IBM paved the way for flip chip bonding in the late 1960s. This technology was used for the first time in 1973 in IBM System 3. Since then, billions of chips have made contact with the outside world via this process under the name IBM C4. C4 stands for “controlled collapse chip connection” and is sometimes also used as a synonym for flip chip bonding. C4NP is the next generation technology, which IBM developed in conjunction with SUSS MicroTec on the basis of the proven C4 process. “NP” stands for “new process.”

Chip

General term used for semiconductor components. In electronics, a chip or microchip is understood to mean an integrated circuit embedded in housing. From the outside, all one generally sees is the black housing and the connection point that links the chip and printed circuit board (by wire or flip chip bonding). The piece of silicon in the housing is frequently also referred to as the chip or microchip.

Cluster

A group of individual process modules (e.g. coater, aligner) which is fed wafers for processing by a central robot.

Coater

A coater is a special machine for the production of semiconductors. It disperses photosensitive resist to the wafer by way of rotational power.

Compound semiconductor

Semiconductor composed of several elements, such as gallium arsenide, indium phosphide, silicon germanium, etc. Advantages over simple semiconductors include: speed, high temperature compatibility, and lower energy consumption.

Cost of ownership (CoO)

This assesses acquisition and operating costs as well as the costs of cleanroom space and wear and tear and maintenance of the machines. These costs are then calculated in relation to the proportion of functioning components at the end of the production process. The higher the output of perfect chips, the better the cost of ownership of the machines for the customers. An outstanding CoO is of major significance, especially in mass production.

Die

Die, IC (integrated circuit), and chip are terms often used synonymously. Integrated circuits are known as dies until the point at which they are integrated into housing. Wafers are referred to as dies long as they are going through the individual process steps. The term "chips" is only used after the dies are isolated and packaged.

DRAM

DRAM = dynamic random access memory. Electronic memory chip components primarily used in computers. This is the world's most widely used memory chip.

Fab

This is a manufacturing facility which specializes in the production of ICs on wafers (chips). Today, building a large, modern fab complete with the required cleanrooms and equipment costs approximately US\$ 1.5 billion to US\$ 4 billion.

Flip chip bonding

An advanced bonding technique between chip and housing that makes higher clock frequencies possible in signal transmission. The active side of the chip is face down and, therefore, has to be "flipped" before assembly.

Foundry

A chip factory where microchips are manufactured to a circuit design that is specified by the customer. Making goods to order in this way, the foundry operators have no chip design or product sales / marketing costs and can, therefore, focus their R&D resources entirely on the process technology. The globally leading foundries are located in Taiwan and Singapore.

Front end

Front end processes are the production steps carried out on the wafer as a whole. This is where the chip itself is made. Back end processes in which chips are tested on the wafer follow. There, the wafer is cut into individual chips that are then inserted into housing.

IC (Integrated Circuit)

An integrated circuit (IC) consists of electronic components such as transistors, resistors, and capacitors that are integrated on a tiny microchip. Today, tens of millions of this type of cells are housed in circuits on a single chip. This high integration density has led to a high degree of chip performance.

IDM (Integrated-Device-Manufacturer)

These are companies in the semiconductor industry that develop, produce and market semiconductor components themselves.

Laser Processing

New developments in solid-state laser technology, such as high-performance UV lasers with high pulse rates in picoseconds, have expanded potential applications for lasers through microstructuring. SUSS MicroTec offers two laser technologies:

Excimer Laser Ablation: In microstructuring, the use of excimer lasers primarily offers options for material evaporation. Through bombardment with pulsed laser radiation material can be removed from a surface. In the process, a photochemical reaction sets off electron excitation, which results in a sudden rise in pressure and an explosive removal of material in the form of monomers and gases. The thermal effect here is minimal – the process technology protects materials that are sensitive to temperature. The systems use a photomask that is exposed with a laser beam. Projection optics between the mask and the wafer project the mask patterns onto the wafer, similarly to a projection stepper in lithography. The material, however, is not exposed but rather removed directly. The entire wafer is patterned using a step and repeat process.

Processing with solid-state laser: Solid-state laser technology promises all advantages of laser processing: It achieves high resolutions up to 2µm and ensures extremely precise results. Patterning processes are conducted without thermal side-effects. The systems do not require a mask and use a direct writing method.

LED (Light Emitting Diode)

LEDs are semiconductor components that can generate light. They emit a very bright light, yet, at the same time, consume very little energy. Moreover, their life span is over ten times that of a conventional light bulb.

Lithography

The electrical circuits of ICs are created by structuring individual strata on a silicon wafer in a type of layer structure. To create very small structures in the individual strata, the wafer is coated with a light-sensitive material (photo-resist) and then exposed using a mask. The structures on the mask are, thus, superimposed on the wafer by means of casting a shadow. Where the mask blocks the light, the photoresist on the wafer is not exposed. Where it is transparent, light falls onto the wafer and the photoresist is exposed. During development after exposure, the exposed photoresist areas are cleared above the strata and can be accessed by the following process step. Nowadays, typical structure sizes for front end lithography applications are between 32nm (0.032 micrometers) and 0.6 micrometers. In the back end, structure sizes ranging from several microns to tens of microns are generated by photolithography to create, for example, bumps for flip chip bonding.

Mask

A plate of glass or quartz glass on which the patterns needed to manufacture an IC are mapped. These patterns consist of transparent and opaque areas that correspond in size and shape to the circuits required.

Mask Aligner

Mask aligners align a glass mask to a wafer (covered with photo-sensitive material previously spun or sprayed on by a coater) with submicrometer accuracy. The glass mask is patterned with the structures which need to be transferred onto the wafer. These structures will then build electrical circuits, grooves, and bridges – all the various things that the chip needs in order to function. The pattern is transferred onto the wafer by means of exposure not unsimilar to a photographic procedure.

MEMS (Micro Electro Mechanical System)

Microelectromechanical systems (MEMS) is the term used primarily in North America for microsystems technology (MST), a term more common in Europe. Semiconductor production technologies and processes are used to manufacture mechanical and other non-electrical elements. MEMS products are used, for example, in the automobile industry, telecommunications, optoelectronics, and medical technology.

Micrometer/micron

A metric unit of length, symbol: μm . A micron is a millionth of a meter. The diameter of a human hair is approximately $60\mu\text{m}$.

Microsystem

A system made up of various components each less than 1 mm in size.

Microsystems technology

This term is defined differently by region. In Europe, it means the entire miniaturization of precision mechanics component structures of less than 1 mm. In the United States and Asia, in contrast, microsystems technology or the more frequently used microelectromechanical systems (MEMS) means the use of semiconductor electronics technologies to produce the smallest of sensors or even complex systems such as a complete chemical or biological analysis unit. MEMS components include, for example, the silicon acceleration sensor that is used to activate an airbag or an inkjet printer cartridge nozzle.

Nanoimprinting/nanoimprint-lithography (NIL)

A mechanical method to create two or three-dimensional structures in the nanometer range with a casting or stamping tool. In contrast to photolithographic production of devices on semiconductor wafers, the structures are formed by stamping patterns in soft polymers. The future importance of nanoimprinting will be in cost savings. Classical photolithography equipment will, if extended to extremely short wavelengths of light (EUV, x-ray), become too expensive.

Nanotechnology

(Greek. *nānos* = dwarf) A collective term comprised of a broad range of technologies which deal with structures and processes in spatial dimensions ranging from one to several hundred nanometers. One nanometer is the billionth part of one meter (10^{-9}m) and defines a border range where the typical dimensions of a single molecule are found. Nanotechnology is a stringent continuation and expansion of microtechnology with mostly unconventional, new approaches. The tasks of nanotechnology include creating materials and structures in the nanometer range.

Optoelectronics

By deliberately combining semiconductor electronics technologies and III-V materials such as gallium arsenide, light can be generated or detected (semiconductor lasers, LEDs, photodiodes, etc). This technology is primarily used in telecommunications to transmit very large quantities of data (fiber-optic networks). LEDs are also being used increasingly in automotives and domestically due to their many advantages, such as low energy requirement, extreme brightness, and very long lifespan.

OSAT (Outsourced Assembly- and Test-Houses)

These companies operate in the mid and back end of the semiconductor industry. They offer packaging solutions, test systems and other services for semiconductor manufacturers, without being bound to a certain one of them. The focus is often on packaging and assembly of ICs and other semiconductor products.

Packaging foundries

See Back end.

Photoresist

A light-sensitive material that is first applied as a layer to the wafer and then exposed through a mask using ultraviolet light. In exposed areas, the ultraviolet light brings about chemical changes. These areas are dissolved from the layer during development, leaving a relief-like structure in the photoresist coating. This process is highly similar to photography.

Projection Lithography

While the complete wafer is exposed in one step during full-field lithography (mask aligner), during projection lithography processes only individual sections of the wafer are typically exposed using projection optics. The complete exposure of the wafer is then carried out in steps (step and repeat) or continuously (scan). SUSS MicroTec manufactures 1:1 projection scanners for the semiconductor mid and back end. Here a full-field mask is used and the wafer is exposed in one scanning step. There is no reduction in pattern sizes from the mask to the wafer. The projection scanner technology of SUSS MicroTec combines the advantages of full-field exposure and traditional projection lithography and offers an alternative to mask aligner and projection steppers.

Semiconductor

A monocrystalline material of which the electrical resistance can be changed by implanting foreign atoms into its crystal grid. Silicon is the most important and also the most frequently used semiconductor element. ICs made of silicon are also often called semiconductors.

Sensor

A component used to record and convert measurements such as temperature, pressure, and acceleration. These measurements are converted into electrical signals and relayed to a signal evaluation unit.

Silicon

A material with the structure of a crystal lattice with semiconducting properties. Semiconducting means that the material can be used as a conductor or non-conductor depending on the inclusion of certain foreign atoms. In the semiconductor industry, the most common base material used is silicon in monocrystalline disk form.

System on a chip

Highly complex ICs incorporating many different functions. Until recently, these functions had to be accommodated on several ICs. The enormous innovative momentum in process technology that has made it possible to manufacture ICs with ever smaller structure widths now means that different kinds of memory, digital signal processors, and analog functions can be accommodated on one chip. The advantage is that instead of many chips, only a handful or even a single one is needed, thereby reducing the space needed, the assembly requirements (and, therefore, the cost of the finished product), and, very importantly, the power consumption. This prolongs the battery life in battery-powered equipment such as laptops and cellular-telephones. The trend towards ever smaller and more portable devices that should also be less and less expensive makes system on a chip increasingly important.

Through-silicon vias (TSVs)

Individual chip components are stacked on top of one another and joined with this technology. This shortens the path of the data stream between the individual chip components and allows for significantly less capacity loss. As such, through-silicon vias contribute to lowering the overall size of chips combined with a simultaneous rise in performance.

Tool

Machines, instruments, robots, etc. Tools are all individual systems that comprise a production line in a semiconductor factory.

Wafers

Slices of the purest silicon, for example, or compound semiconductors (gallium arsenide, indium phosphide, etc.) on which chips are produced. Over the past ten years, their diameter has increased from 150mm to 200mm and today to even 300 mm. Twice as many chips fit onto the surface area of the latest 300 mm wafers than onto a 200mm wafer, cutting production costs by approximately 30%.

Wire bonding

A common contact process that connects chips with housing via metal wires.

Yield

One of the key parameters in semiconductor production. It measures the output of functioning microchips in relation to the total number of microchips on a wafer. The higher the yield, the more efficient and cost-effective the chip production for the customer.

FINANCIAL CALENDAR 2020

Apr 2 ——— Annual Report 2019
May 8 ——— Quarterly Report 2020
Mai 20 ——— Annual General Meeting 2020
Aug 6 ——— Interim Report 2020
Nov 10 ——— Nine-month Report 2020

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FIVE-YEAR OVERVIEW

<i>in € million</i>	2019	2018	2017	2016	2015
Business development					
Order entry	219.3	191.0	200.3	161.1	188.6
Order backlog as of December 31	93.2	84.7	133.4	101.5	117.6
Total sales	213.8	203.9	166.5	177.6	148.5
Gross profit	49.7	67.3	59.5	58.6	49.4
Gross margin	23.2 %	33.0 %	35.7 %	33.0 %	33.3 %
Cost of sales	164.1	136.7	107.0	119.0	99.2
Research and development costs	20.2	18.3	15.2	14.1	12.8
EBITDA	-5.2	15.7	18.0	15.3	9.2
EBITDA margin	-2.4 %	7.7 %	10.8 %	8.6 %	6.2 %
EBIT	-13.8	10.9	13.9	11.1	5.0
EBIT margin	-6.5 %	5.3 %	8.3 %	6.3 %	3.4 %
Earnings after tax	-16.3	4.8	6.7	5.0	0.2
Earnings per share (in €)	-0.85	0.25	0.35	0.26	0.01
Balance sheet and cash flow					
Equity	125.4	140.4	127.0	124.4	118.7
Equity ratio	62.7 %	70.3 %	62.9 %	69.2 %	67.0 %
Return on equity	-13.0 %	3.4 %	5.3 %	4.0 %	0.2 %
Balance sheet total	199.9	199.6	202.0	179.6	177.2
Net cash	-18.0	28.2	33.0	31.1	40.0
Free cash flow	-36.9	-5.0	2.9	-9.1	1.3
Further key figures					
Investments	6.1	6.9	6.5	3.6	3.4
Investment ratio	2.9 %	3.4 %	3.9 %	2.0 %	2.3 %
Depreciation	8.6	4.8	4.1	4.2	4.2
Employees as of December 31	937	881	779	711	698

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